

Uranium Sector

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S&P Global Platts: House Appropriations Committee Decides Not Fund Uranium Reserve

US House Committee of Appropriations will not provide \$150 million in funding for a uranium reserve as requested by the DOE, according to an S&P Global Platts article: [House appropriators' decision to not fund uranium reserve is 'really bad news'](#).

We had feared this might be the case earlier this year as COVID-19 recovery became more of an important role for US Gov't funds, but as the year went on, we started to believe that it might come to pass as the White House and DOE threw more and more support behind the US nuclear industry and Nuclear Fuel Working Group (we still await the final report). Well, apparently not. At least not right now - the article suggests the Republican-majority Senate may seek to fund in other ways.

This decision is somewhat bad news - but likely more in optics and impact to specific uranium-based producers than as an overall saviour to the uranium price. It was expected that the US\$150 MM budget would cover roughly 1.7 MM to 1.9 MM lbs U3O8, plus conversion services per year. That presents roughly 1% of global demand. We don't believe this news will impact spot prices to a great extent. The risk surrounding the Russian Suspension Agreement that expires at YE20, lack of utility contracting and generally strong uranium fundamentals, particularly in light of temporary Covid-19 related shutdowns, will likely keep uranium prices at levels above US\$30/lb U3O8. UxC price was US\$32.30/lb on 13-Jul-20.

Optics of this decision might ride heavily on US-based producers and development companies. Hardest hit might be Energy Fuels and Ur-Energy who spearheaded the initial Section 232 Uranium Review, mainly because they are the only current operations (excluding Peninsula Energy which is delivering into its own contracts), and nearly 2 MM lbs of demand from the gov't might actually have made a dent. Other producers/developers weren't in production anyways, including Cameco (not material anyways). We fear pressure on various US-based stocks as speculating investors pull out:

- Energy Fuels (EFR-T, BUY, C\$3.55 TP)
- Ur-Energy (URE-T, BUY, C\$1.40 TP)
- Uranium Energy (UEC-US, BUY, US\$1.70 TP)
- Azarga (AZZ-T, BUY, C\$0.45 TP)
- Cameco (CCO-T, NEUTRAL, C\$15.00 TP, covered by R. Profiti)
- Peninsula Energy (PEN-ASX, Not Rated)
- Laramide Resources (LAM-T, Not Rated)
- Western Uranium and Vanadium (WUC-V, Not Rated)
- enCore Energy (EU-V, Not Rated)
- Arnfield Energy (AEC-V, Not Rated)

[House appropriators' decision to not fund uranium reserve is 'really bad news'](#) - Authors: [Andrea Jennetta](#), [Joniel Cha](#)

Washington — The recent decision by the US House Committee on Appropriations to not provide \$150 million in funding for a uranium reserve requested by the Department of Energy for fiscal 2021 is "really, really bad news" and marks the "demise of the remaining US [uranium mining] industry," an industry source said July 15.

"Maybe the Republican [majority] Senate [will] save the day," the source said, referring to the energy and water development appropriations bill for fiscal year 2021 under development by the US Senate.

The Trump administration requested in February \$150 million per year over 10 years in DOE's fiscal 2021 budget to create the reserve, as was [proposed in an April 23 report](#) by the US Nuclear Fuel Working Group.

.....S&P Global Platts article continued on Page 2

The NFWG said the federal government should purchase 17 million-19 million lb U3O8 beginning in 2020; 6,000-7,500 mtU of UF6 in conversion services beginning no later than 2022; and domestic enrichment services "possibly in the 2023 timeframe."

In July 2019, President Donald Trump created the working group to provide recommendations for revitalizing the domestic fuel cycle industry, after he rejected a January 2018 petition from US uranium producers seeking limits on uranium imports.

Lawmakers, [in a July 13 report accompanying](#) the House version of the energy and water development appropriations bill, said DOE "has been unable to provide specific information about how ... the funds would be spent, including the process for the purchase, conversion, or sale of uranium in a reserve."

The committee "is concerned about the lack of justification for a reserve and potential market implications of establishing a reserve for commercial purposes," the report said.

An analyst said July 15 that DOE "lack[s] details and process on the procurement side. I don't know if it is intentional, they lack competence, or are delaying their plan."

"This seems like it could go away quickly if DOE would just answer the questions," a utility fuel buyer said July 15.

The report also directed DOE to submit a plan for the proposed establishment of a uranium reserve within six months of the appropriations bill's enactment.

A producer said July 15 the House Committee "is effectively giving DOE the nod to go ahead and develop the [uranium reserve] plan."

Rita Baranwal, DOE assistant secretary for the Office of Nuclear Energy, said in May that her office "will initiate a competitive procurement process for establishing the Uranium Reserve program within the next year." DOE officials have declined since April to provide details of that procurement process.

DOE did not respond to requests for comment.

Table 1: Uranium peer table

PEER TABLE - URANIUM																																	
July 16, 2020	Ticker	Currency	Last Price \$/sh	Analyst	Rating	Target Price	Return to TP	Shares O/S MM	Mkt Cap (\$MM)	Cash (\$MM)	Debt (\$MM)	EV (\$MM)	Avg Grade %U3O8	Inventory MMlbs U3O8	EV/lb US\$/lb	Performance					Net Asset Value												
																1 wk	1 mo	3 mo	6 mo	1 yr	NAVPS	P/NAV											
Inventory Holders																																	
	Uranium Participation	U-T	CAD	C\$ 5.12	D. Talbot	BUY	C\$ 5.40	5%	138	C\$ 705	C\$ 4	C\$ 0	C\$ 702	n/a	16.2	32.0	4%	5%	2%	26%	15%	C\$ 5.40	0.95x										
	Yellow Cake	YCA-LON	GBP	GBP\$ 2.25	n/a	n/a	n/a	n/a	87	GBP\$ 195	GBP\$ 7	GBP\$ 0	GBP\$ 188	n/a	9.6	24.7	(3%)	9%	(1%)	12%	n/a	n/a	n/a										
Inventory Holder Average																28.4	1%	7%	0%	19%	15%												
Producers																																	
	Cameco Corp	CCO-T	CAD	C\$ 15.40	R. Profiti	NEUTRAL	C\$ 15.00	-3%	396	C\$ 6,095	C\$ 1,235	C\$ 1,010	C\$ 5,870	6.4%	1065	4.1	7%	12%	13%	33%	17%	C\$ 11.09	1.39x										
	Energy Fuels	EFR-T	CAD	C\$ 2.14	D. Talbot	BUY	C\$ 3.55	66%	118	C\$ 252	C\$ 37	C\$ 23	C\$ 238	0.14%	152	1.2	2%	(0%)	(3%)	(9%)	(20%)	C\$ 3.54	0.60x										
	UR Energy	URE-T	CAD	C\$ 0.68	D. Talbot	BUY	C\$ 1.40	106%	160	C\$ 109	C\$ 8	C\$ 16	C\$ 117	0.061%	43	2.0	(3%)	(3%)	(9%)	(8%)	(20%)	C\$ 1.43	0.47x										
	Peninsula Energy	PEN-ASX	AUD	A\$ 0.06	D. Talbot	n/a	n/a	n/a	882	A\$ 54	C\$ 9	A\$ 23	A\$ 67	0.064%	62	0.8	(3%)	(12%)	(51%)	(56%)	(66%)	n/a	n/a										
	Kazatomprom	KAP-LON	GBP	GBP\$ 13.50	n/a	n/a	n/a	n/a	259	GBP\$ 3,501	GBP\$ 259	GBP\$ 134	GBP\$ 3,377	0.054%	1391	3.1	(3%)	1%	(1%)	2%	n/a	n/a	n/a										
Producer Average																2.2	(0%)	(0%)	(10%)	(8%)	(22%)												
Developers																																	
	Uranium Energy	UEC-N	USD	US\$ 0.94	D. Talbot	BUY	US\$ 1.70	81%	184	US\$ 173	US\$ 7	US\$ 20	US\$ 185	0.048%	105	1.8	7%	(6%)	21%	6%	(15%)	US\$ 1.83	0.51x										
	Denison Mines	DML-T	CAD	C\$ 0.51	D. Talbot	BUY	C\$ 1.35	165%	626	C\$ 319	C\$ 14	C\$ 1	C\$ 306	2.9%	153	1.5	0%	7%	(2%)	(4%)	(25%)	C\$ 1.61	0.32x										
	NexGen Energy	NXE-T	CAD	C\$ 1.97	D. Talbot	BUY	C\$ 5.55	182%	360	C\$ 710	C\$ 44	C\$ 122	C\$ 788	2.0%	348	1.7	2%	13%	34%	20%	(11%)	C\$ 6.93	0.28x										
	Fission Uranium	FCU-T	CAD	C\$ 0.29	D. Talbot	BUY	C\$ 2.00	602%	487	C\$ 139	C\$ 3	C\$ 0	C\$ 136	1.8%	135	0.7	(2%)	(5%)	(5%)	0%	(39%)	C\$ 2.28	0.12x										
	Azarga Uranium	AZZ-T	CAD	C\$ 0.17	D. Talbot	BUY	C\$ 0.45	165%	197	C\$ 34	C\$ 0	C\$ 0	C\$ 34	0.088%	45	0.6	(0%)	(0%)	(3%)	(17%)	(24%)	C\$ 0.54	0.31x										
	Boss Resources	BOE-ASX	AUD	A\$ 0.06	n/a	n/a	n/a	n/a	1,587	A\$ 95	A\$ 5	A\$ 4	A\$ 94	0.07%	63	1.0	0%	15%	0%	33%	9%	n/a	n/a										
	Laramide Resources	LAM-T	CAD	C\$ 0.25	n/a	n/a	n/a	n/a	165	C\$ 41	C\$ 1	C\$ 10	C\$ 49	0.11%	118	0.3	(2%)	2%	(23%)	17%	(9%)	n/a	n/a										
	Global Atomic	GLO-T	CAD	C\$ 0.54	n/a	n/a	n/a	n/a	146	C\$ 79	C\$ 3	C\$ 0	C\$ 76	0.18%	189	0.3	(2%)	10%	8%	16%	(0%)	n/a	n/a										
	Deep Yellow	DYL-ASX	AUD	A\$ 0.22	n/a	n/a	n/a	n/a	245	A\$ 53	A\$ 14	A\$ 0	A\$ 38	0.032%	149	0.2	(7%)	(7%)	(19%)	(20%)	(43%)	n/a	n/a										
	Govix	GXU-T	CAD	C\$ 0.15	n/a	n/a	n/a	n/a	439	C\$ 66	C\$ 2	C\$ 0	C\$ 64	0.081%	230	0.2	3%	15%	(12%)	(0%)	(14%)	n/a	n/a										
	Vimy Resources	VMY-ASX	AUD	A\$ 0.03	n/a	n/a	n/a	n/a	777	A\$ 25	A\$ 4	A\$ 0	A\$ 20	0.33%	116	0.1	(6%)	3%	(22%)	(30%)	(57%)	n/a	n/a										
	Plateau Energy Metals	PLU-V	CAD	C\$ 0.31	n/a	n/a	n/a	n/a	105	C\$ 33	C\$ 0	C\$ 0	C\$ 32	0.021%	124	0.2	24%	38%	44%	17%	(52%)	n/a	n/a										
	Bannerman	BMN-ASX	AUD	A\$ 0.04	n/a	n/a	n/a	n/a	1,059	A\$ 37	A\$ 5	A\$ 4	A\$ 36	0.019%	271	0.1	3%	(0%)	(20%)	(8%)	(26%)	n/a	n/a										
	Berkeley Energia	BKY-ASX	AUD	A\$ 0.46	n/a	n/a	n/a	n/a	259	A\$ 118	A\$ 93	A\$ 36	A\$ 61	0.049%	89	0.5	1%	25%	146%	127%	44%	n/a	n/a										
Developer Average																0.7	0%	5%	4%	9%	(14%)												
Explorers																																	
	Toro Energy	TOE-ASX	AUD	A\$ 0.01	n/a	n/a	n/a	n/a	2,746	A\$ 36	A\$ 5	A\$ 16	A\$ 46	0.48%	91	0.4	30%	30%	62%	44%	(43%)	n/a	n/a										
	UEX Corp	UEX-T	CAD	C\$ 0.15	n/a	n/a	n/a	n/a	407	C\$ 61	C\$ 4	C\$ 0	C\$ 58	0.43%	99	0.4	(0%)	15%	(12%)	20%	(9%)	n/a	n/a										
	U3O8 Corp	UWE-V	CAD	C\$ 0.09	n/a	n/a	n/a	n/a	23	C\$ 2	C\$ 0	C\$ 1	C\$ 3	n/a	n/a	n/a	(2%)	(2%)	272%	(2%)	(22%)	n/a	n/a										
	Skyharbour Resources	SYH-V	CAD	C\$ 0.17	n/a	n/a	n/a	n/a	86	C\$ 15	C\$ 1	C\$ 0	C\$ 14	n/a	n/a	n/a	3%	3%	(6%)	6%	(49%)	n/a	n/a										
	IsoEnergy Ltd	ISO-V	CAD	C\$ 0.75	n/a	n/a	n/a	n/a	84	C\$ 63	C\$ 7	C\$ 0	C\$ 57	n/a	n/a	n/a	3%	19%	32%	85%	34%	n/a	n/a										
Explorer Average																0.4	7%	13%	70%	31%	(18%)												

Source: Company reports, Factset, Eight Capital estimates

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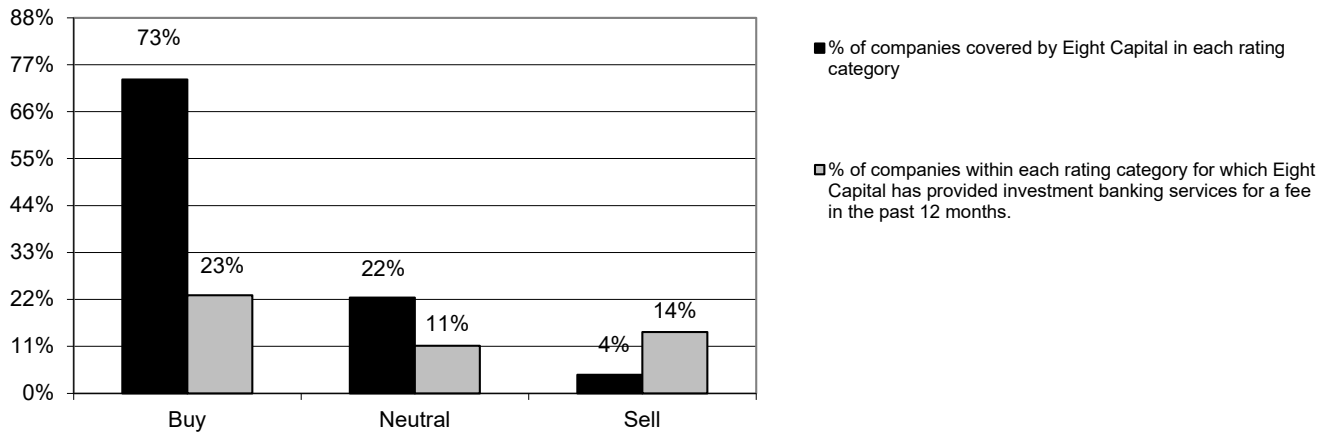
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