

Uranium Sector

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Historic Draft Bipartisan Senate Funding Measure for the Formation of a U.S. Uranium Reserve

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|------------------------------|------------------|--------------------|----------------|
| Uranium Energy Corp (UEC-US) | BUY, US\$1.70 TP | Mkt cap US\$196 MM | Close US\$0.99 |
| Energy Fuels (EFR-T) | BUY, C\$3.55 TP | Mkt cap C\$294 MM | Close C\$2.24 |
| Ur-Energy (URE-T) | BUY, C\$1.40 TP | Mkt cap C\$100 MM | Close C\$0.59 |
| Azarga Uranium (AZZ-T) | BUY, C\$0.45 TP | Mkt cap C\$37 MM | Close C\$0.19 |

US focused uranium producers and developers might get a little lift today. The \$150 MM anticipated for a U.S. Uranium Reserve is included within proposed funding measures and allocations outlined in the FY21 draft from the Senate Committee on Appropriations. The Bill, if passed into law, will provide full funding for the Department of Energy (DOE) to implement a program for the domestic Uranium Reserve.

The US Uranium Reserve was designed to stimulate growth in US domestic uranium production. While 2021 funding will largely cover set up of the program, ultimately these funds might be suitable to finance purchase of 1.7-1.9 MM lbs U3O8. Global demand remains ~177 MM lbs. This is along with reductions in Russian uranium deliveries into the USA of a couple million pounds looking out several years.

Positive read-through for incoming administration. Committee Chairman Richard Shelby noted: "these bills are the product of bipartisan cooperation among members of the committee". Perhaps even more important than an extra <2 MM lbs of uranium demand is the signal that a Biden Administration will be supportive of nuclear power and the uranium sector as we had suggested in our recent pre-election report ([Election Trade is On: A Closer Look at Opportunities to Profit](#)).

The USA doesn't produce anywhere near 1.7 MM lbs right now. Overall, coming up with an additional 3-4 MM lbs of supply annually to cover the Uranium Reserve and lower Russian uranium deliveries might impact domestic production only if costs rise enough to incentivize production to resume. The USA requires ~50 MM lbs U3O8 for its nuclear power program, which provides 20% of the country's electricity and 55% of its carbon-free electricity generation.

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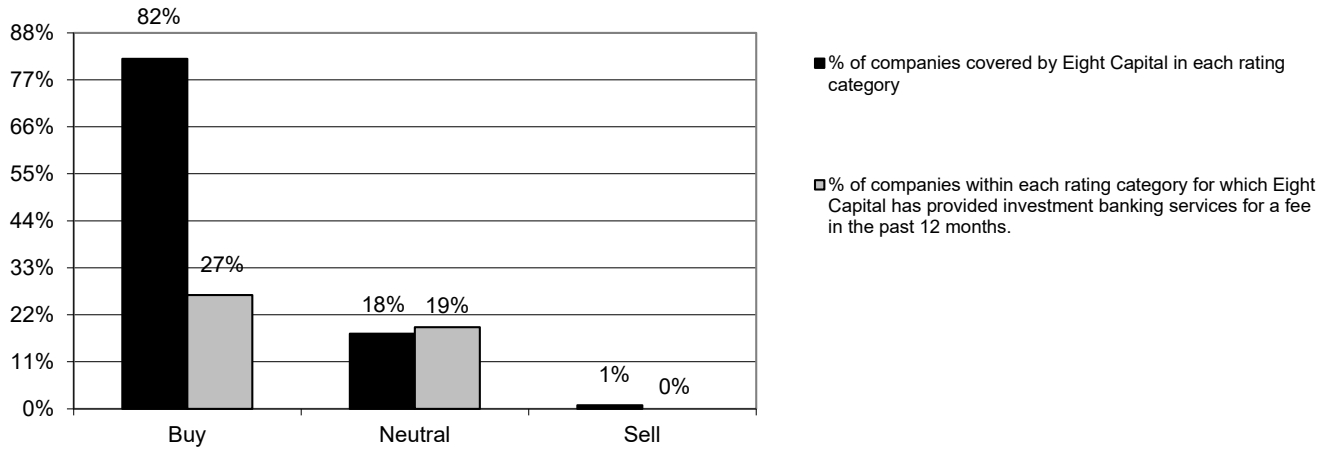
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