

Industry Note

Equity Research

June 9, 2021

Metals & Minerals

Uranium Weekly # Spot/Term Prices Converge

The Ux Consulting (UxC) weekly spot price indicator, published earlier this week, rose to US\$32.05/lb (up \$0.65/lb), or +2.1% versus the previous week. Year-to-date, the spot price is up 6.7%. The May month-end term price slipped to US\$32.00/lb, down \$0.50/lb from the end of April. The lower term price on a month-on-month basis was a surprise, given the positive price trend in the spot market and what appears to be increasing activity in the term market. UxC indicated that there have been "more competitive price levels" in the mid- and term markets, with the net result being utilities locking-in those prices.

Although fairly volatile on a month-on-month basis, spot market volumes are tracking only slightly higher than the previous five-year average. Year-to-date, UxC is reporting total spot volume of ~31.8 million pounds and 171 transactions. Over the past five years, total spot market volume to the end of May was ~27.5 million pounds. Last week, another development-stage uranium junior purchased uranium concentrate in the market — albeit only a small quantity. Western Uranium & Vanadium Corp. announced a binding agreement to purchase 125,000 lbs of U3O8 at the prevailing market price, with delivery taking place before June 2022. We estimate that uranium funds and junior producers/development companies have purchased ~12 million pounds of uranium this year at a weighted average price of ~US\$29.60/lb.

With the decline in term pricing at the end of May and the rally in spot prices over the past two months, spot and term prices have converged for only the fourth time since 2010. In the past, the erosion of the term premium has put upward pressure on term prices. We suspect that with utility requirements generally well-covered over the next 12-24 months and some suppliers offering "competitive" pricing in the mid- and term markets, spot prices may have to move to a larger premium to put upward pressure on term pricing. We note that reported term activity year-to-date is higher than this time last year, but generally in line with activity in the several years leading up to 2020.

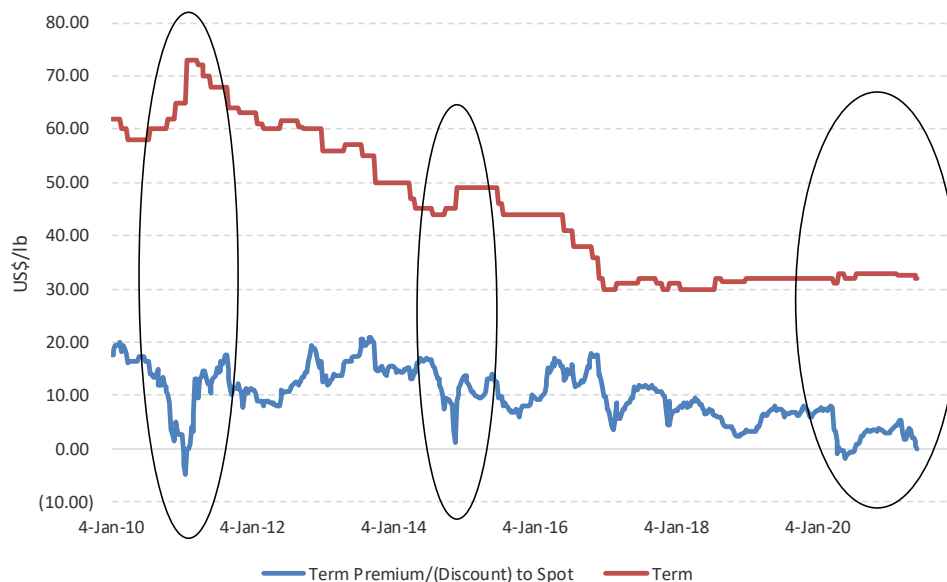
We believe that the missing piece of the puzzle for a sustained upward move in the uranium term price remains the resumption of a term-contracting cycle. Uncovered utility demand is quite low for 2021 and 2022; uncovered demand for 2021 appears to be only several million pounds. Utilities seem to be prepared to meet this demand on a discretionary basis, while continuing to manage inventories.

Greg Barnes

Craig Hutchison, P. Eng

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Exhibit 1. Spot and Term Uranium Prices Converge



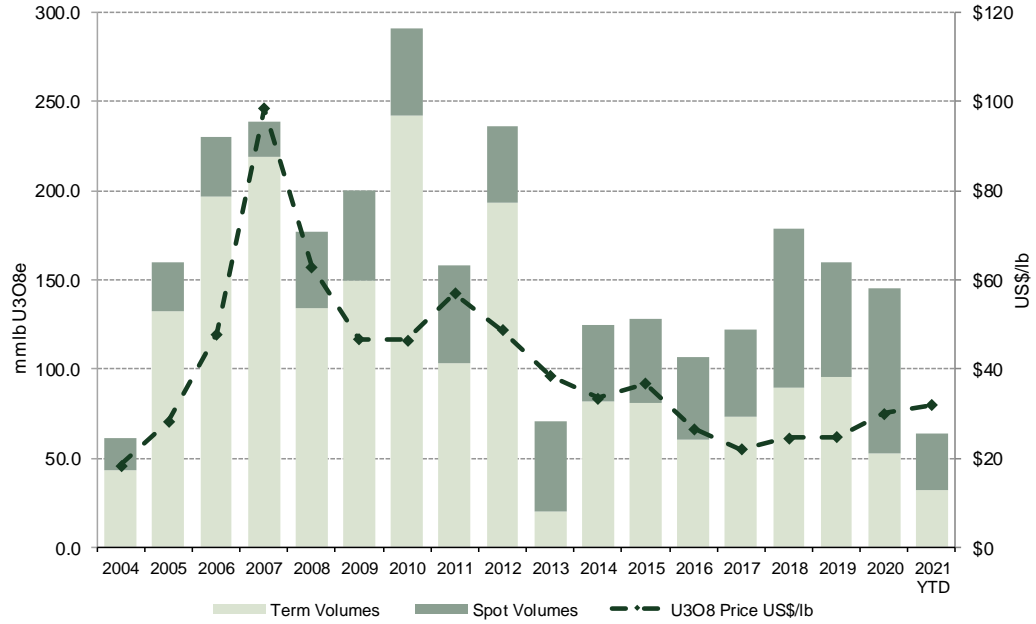
Source: UxC, TD Securities Inc. estimates

Exhibit 2. Uranium Company Equity Offerings and Uranium Purchases

Company	Date Equity Offering and/or Uranium Purchase Announced	Equity Offering (US\$ millions)	Uranium Purchased or Planned to Purchase (million pounds)	Estimated Average Price of Uranium Purchases (Planned or Actual) (US\$/lb)
Yellow Cake	25-Feb-21	140.0	3.90	28.78
Denison Mines	15-Mar-21	86.3	2.50	29.61
Uranium Energy	17-Mar-21	30.5	1.40	29.00
Boss Energy	29-Mar-21	46.0	1.25	30.15
Uranium Energy	6-Apr-21	12.0	0.71	31.70
Uranium Participation Corp. ¹	3-May-21	66.4	1.78	30.50
Yellow Cake	11-May-21	n/a	0.34	29.15
Western Uranium & Vanadium	2-Jun-21	n/a	0.13	31.50
Total/Average		381.2	12.00	29.59

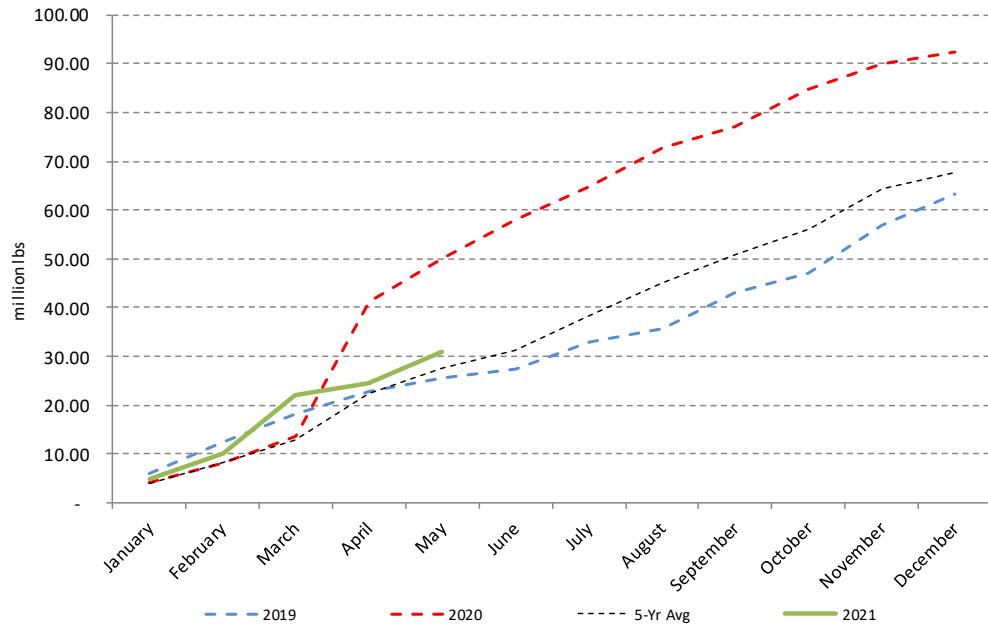
Source: Company reports, TD Securities Inc. estimates

Exhibit 3. Spot and Term Volumes



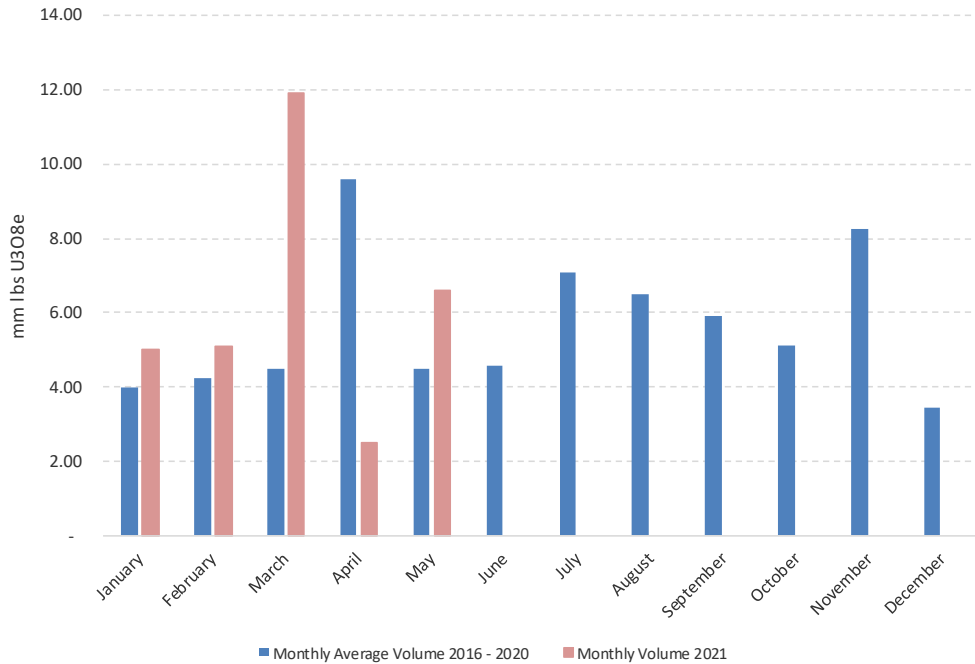
Source: UxC, TD Securities Inc. estimates

Exhibit 4. Historical vs. 2021 Cumulative Monthly Spot Volumes



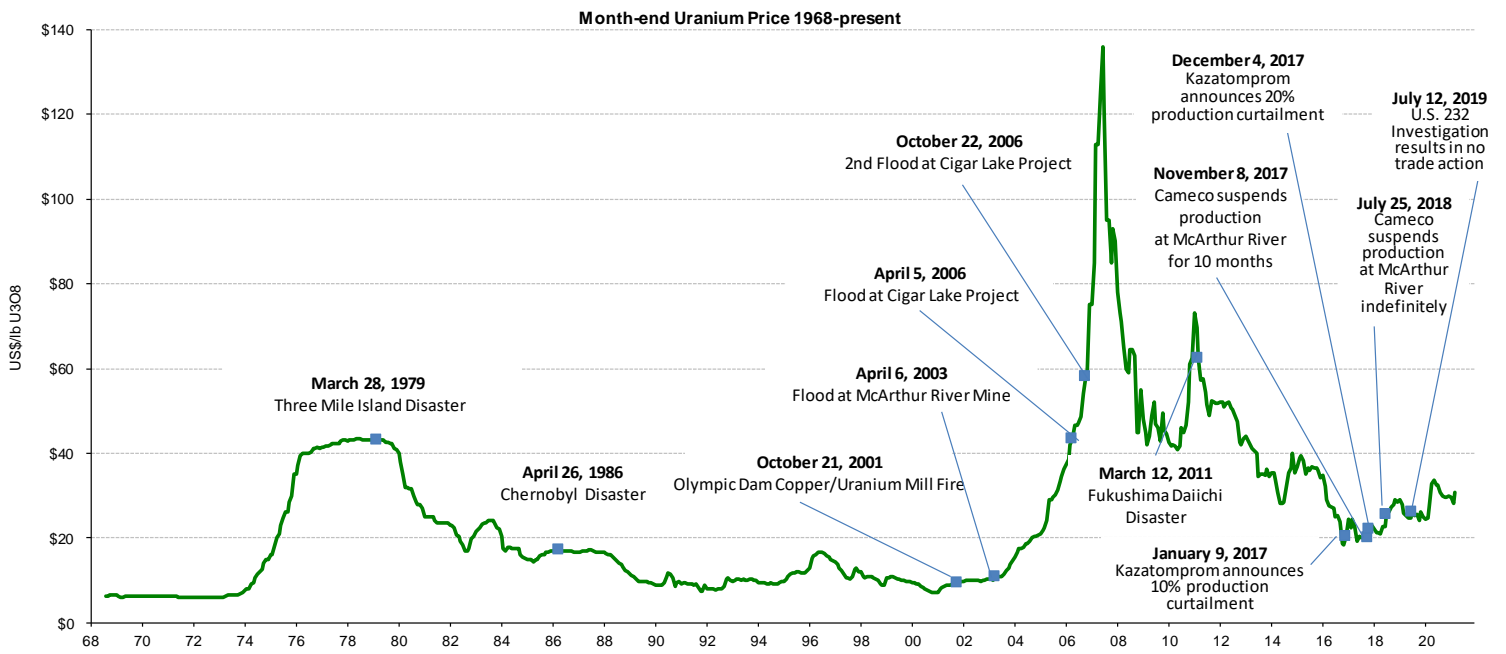
Source: UxC, TD Securities Inc. estimates

Exhibit 5. Monthly Average Spot Volumes



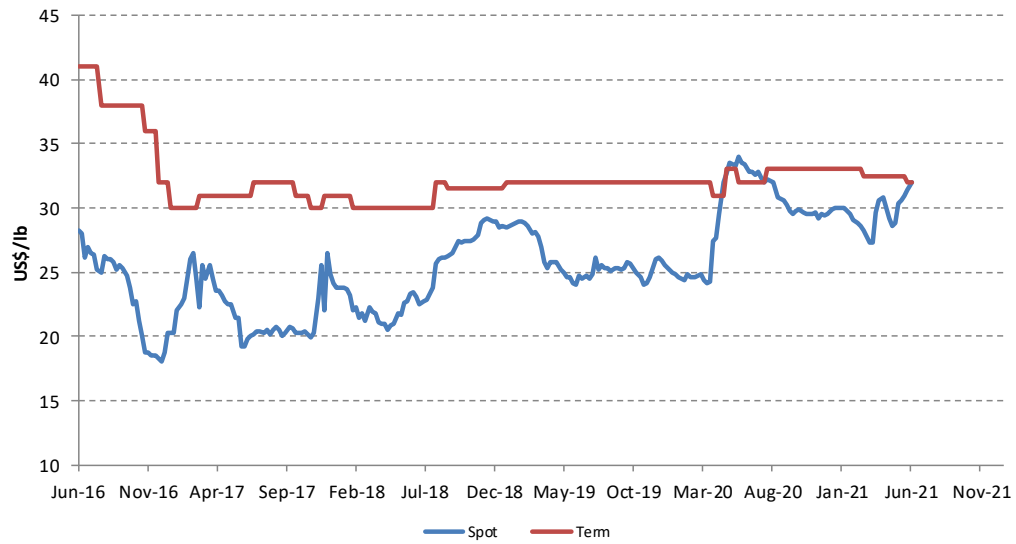
Source: UxC, TD Securities Inc. estimates

Exhibit 6. Historical Spot Price and Market-affecting Events (US\$/lb)



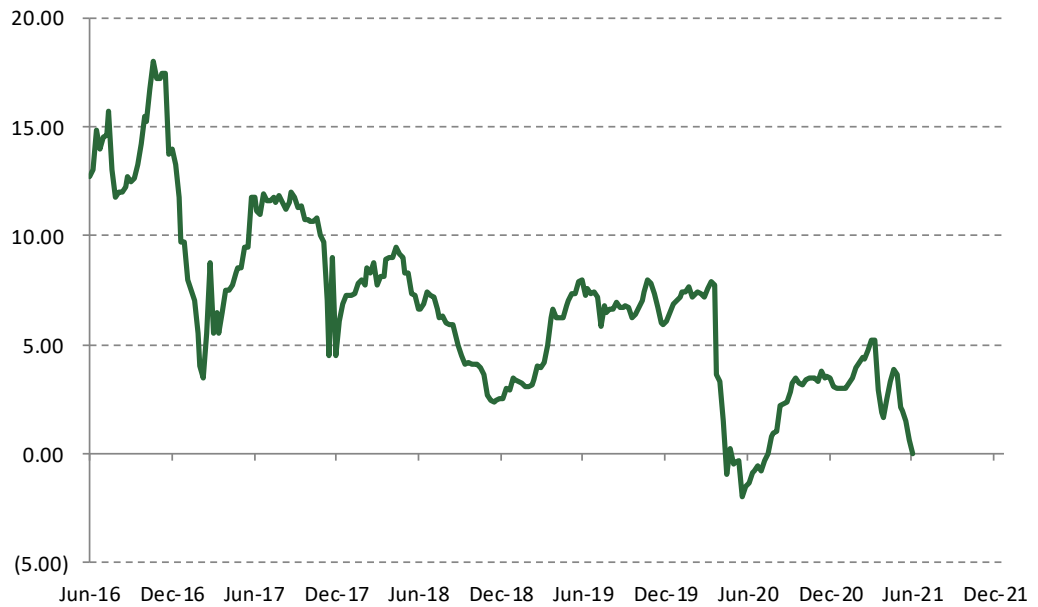
Source: UxC, companies, TD Securities Inc.

Exhibit 7. Spot and Term Uranium Prices (US\$/lb)



Source: UxC, TD Securities Inc. estimates

Exhibit 8. Uranium Term Price Premium to Spot (US\$/lb)



Source: UxC, TD Securities Inc. estimates

Exhibit 9. Uranium Prices — Spot, 3-year Forward and 5-year Forward



Source: UxC

Exhibit 10. Fund Implied Price (FIP) and Spot Price



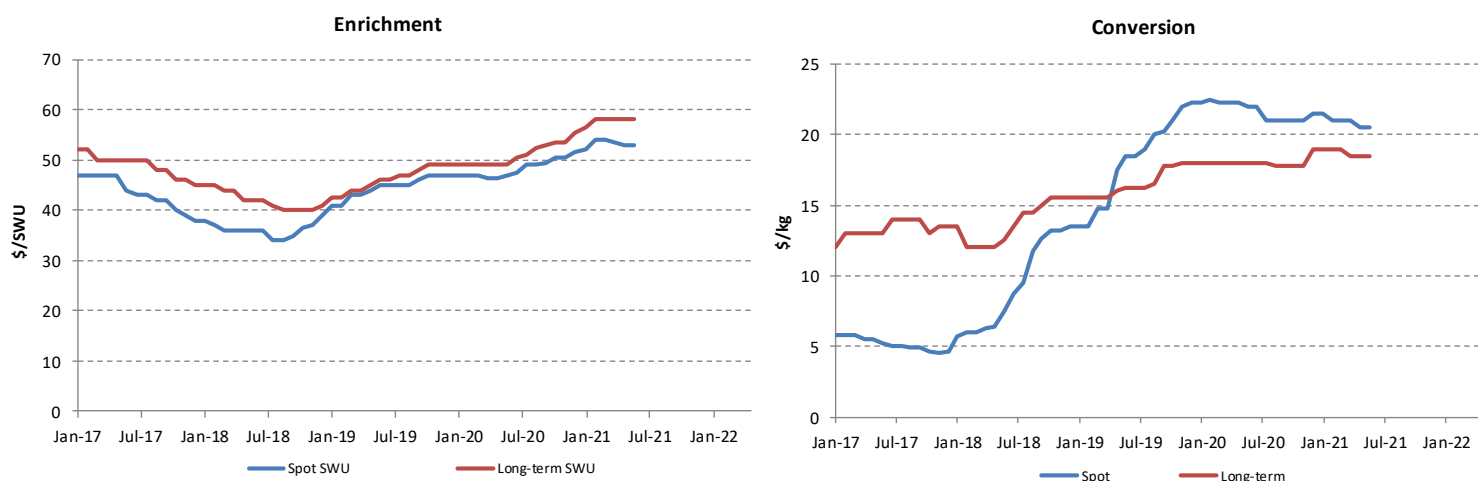
Source: UxC, TD Securities Inc. estimates

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Exhibit 11. Monthly SWU and Conversion Pricing



Source: UxC, TD Securities Inc. estimates

Exhibit 12. TD Securities Uranium Supply/Demand Model

	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Mine Supply - Western World (Mlb U3O8)									
Total Mine Supply - Western World	100	83	85	81	73	80	85	88	86
Net Eastern Mine Supply (lbs U3O8)	54	54	55	44	52	53	60	66	72
Total World Mine Supply (Mlb U3O8)	154	138	140	125	126	132	145	154	158
YoY % change	-7.6%	-10.2%	1.7%	-10.9%	0.7%	5.3%	9.1%	6.8%	2.6%
Secondary Supply									
Global underfeeding and tails re-enrichment*	19	18	18	16	16	15	15	14	14
Mixed Oxide Fuel (MOX)*	5	5	6	6	6	6	6	7	8
US government sales (DOE Proposed)*	3	2	2	1	0	0	0	0	0
Additional Russian secondary supply*	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0
Total Secondary Supply (Mlb)	27	24	26	24	22	21	21	21	21
Secondary supply as % of global reactor demand	16%	14%	15%	13%	12%	12%	12%	11%	11%
Mobilization of Commercial Inventory	7	7	7	7	7	7	7	7	7
Total Supply	187	169	173	156	155	161	173	183	187
Total World Demand									
Total World Nuclear Generating Capacity (MWe) *	358,819	368,571	372,978	374,420	384,508	385,211	389,242	394,906	398,885
Uranium requirements per MWe	472	472	472	472	472	472	472	472	472
Uranium demand (mmlb)	169	174	176	177	181	182	184	186	188
First Core Requirement (2 year lead)	-	-	-	-	-	-	-	-	-
Total World Demand (Mlb U3O8)	169	174	176	177	181	182	184	186	188
YoY % change	1.7%	2.7%	1.2%	0.4%	2.7%	0.2%	1.0%	1.5%	1.0%
Supply / Demand Balance (Mlb)	18	-5	-3	-21	-27	-21	-11	-4	-2
Spot Uranium Price (US\$/lb U3O8)	\$22.12	\$24.82	\$25.94	\$29.52	\$32.99	\$36.00	\$38.00	\$40.00	\$45.00

* Source: World Nuclear Association - Nuclear Fuel Report 2019-2040 Reference Case

Note - TD LT price assumption starts in 2025; a flat US\$45/lb price is assumed for 2025 and beyond.

Source: UxC, Bloomberg, World Nuclear Association, TD Securities Inc.

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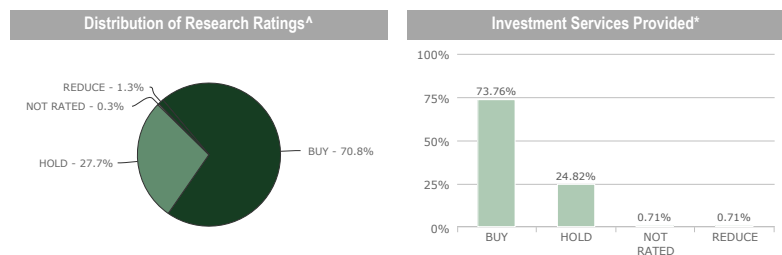
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