

Industry Note

Equity Research

October 20, 2021

Metals & Minerals

Uranium Weekly: Another Uranium Fund Preparing to Join the Fray

The Ux Consulting (UxC) weekly spot price indicator, published earlier this week, increased to US\$47.00/lb (up \$9.75/lb), +26% versus the previous week. Approximately 2.8 million pounds was transacted in the spot market last week, including one spot request for ~500,000 pounds. We estimate that since the end of September, the Sprott Physical Uranium Trust (SPUT) has purchased ~4.9 million pounds of uranium in the spot market.

Since mid-August, SPUT has purchased ~15.7 million pounds of uranium increasing its holdings by ~87%. We estimate that the Trust has deployed roughly 50% of the US\$1.3 billion available under its current ATM. We note that the ATM can be expanded and that there is effectively no limit on the funds that can be raised via the ATM mechanism.

SPUT was not the only recent buyer in the spot market. Uranium Royalty Corp. (URC) announced on October 19 that it is entering into contracts for an additional four spot purchases totaling 400,000 pounds of uranium at an average cost of US\$45.00/lb. Deliveries will be made in October-December 2021 through book transfers to URC's storage account at Cameco's Fuel Services facilities in Ontario. Once the deliveries are complete, URC will hold a physical inventory of 1,048,068 pounds of uranium at a weighted average cost of US\$37.64 per pound.

Kazatomprom has passed a resolution to participate in a physical uranium fund, ANU Energy OEIC Ltd., established on the Astana International Financial Centre (AIFC). The Fund will hold physical uranium as a long-term investment with its initial purchases financed through the founders' round investment totaling US \$50 million, sourced from Kazatomprom at 48.5%, National Investment Corporation of the National Bank of Kazakhstan (NIC) at 48.5%, and Genchi Global Limited (the Fund Manager) at 3%. Once the Fund is operating, a second stage of development is expected to be carried out through an additional public or private offering, with the timing and details to be determined by market conditions. At the second stage, the Fund is expected to raise capital of up to US\$500 million from institutional and/or private investors, with the proceeds to be used for additional uranium purchases.

While still relatively early, we believe that a uranium contracting cycle appears to be underway with fund buying pushing utilities into the term market. Increasing price volatility, tightening supply in the spot market, and an increasing realization that longer term supply is under threat following a decade-long bear market, are all contributing to nuclear utilities becoming more concerned about security of supply. We expect continued upward pressure on spot and term uranium prices in the coming months.

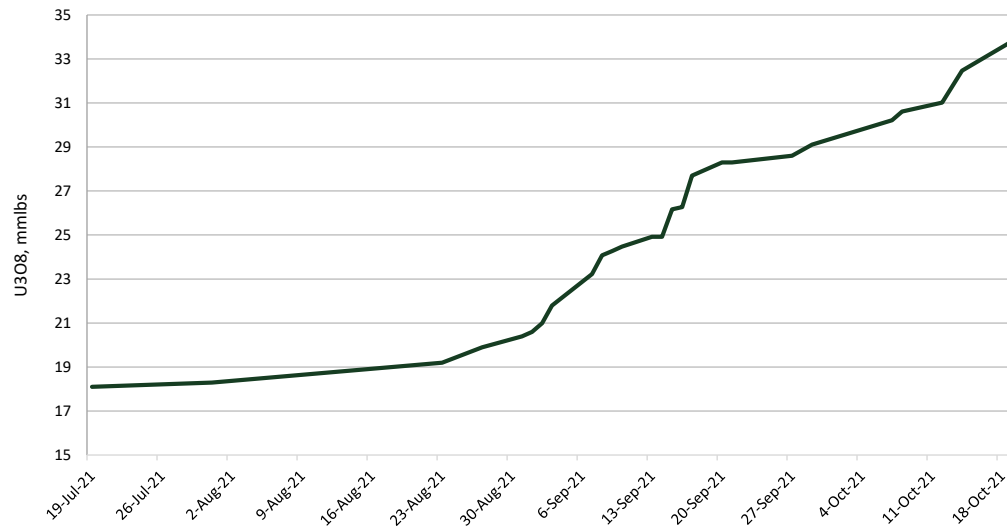
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Exhibit 1. Sprott Physical Uranium Trust – Uranium Holdings Since Inception (July 19, 2021)



Source: Sprott Physical Uranium Trust; TD Securities estimates

Exhibit 2. Sprott Physical Uranium Trust – Share Price Premium to NAV



Inception date: July 19, 2021.

Source: Sprott Physical Uranium Trust

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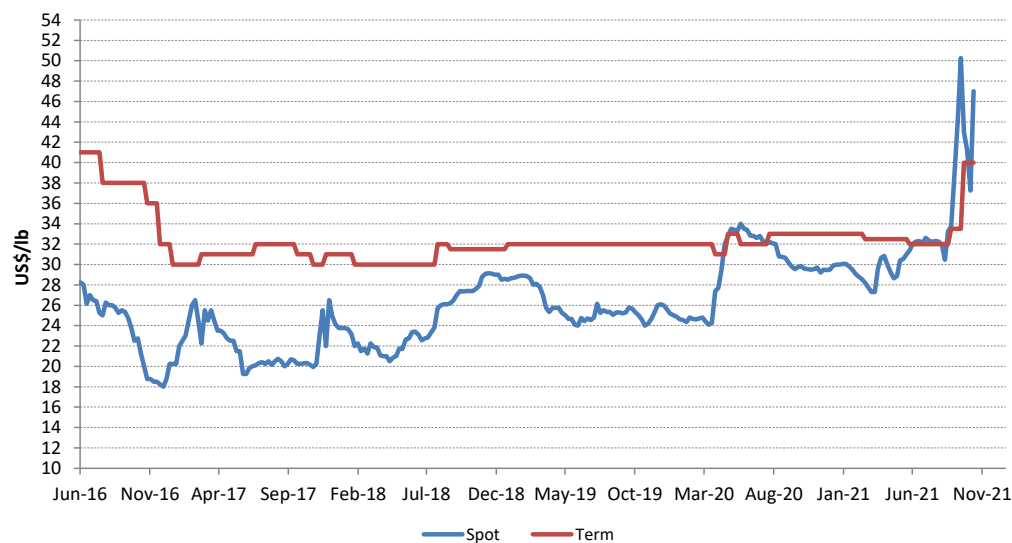
Exhibit 3. Uranium company equity offerings and uranium purchases (excluding Sprott Physical Uranium Trust)

| 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 |
| Uranium Energy | 20-May-21 | n/a | 0.20 | 30.00 |
| Yellow Cake | 11-May-21 | n/a | 0.34 | 29.15 |
| Western Uranium & Vanadium | 2-Jun-21 | n/a | 0.13 | 31.50 |
| Yellow Cake | 16-Jun-21 | 88.0 | 2.00 | 32.23 |
| Uranium Royalty Corp. | 15-Sep-21 | n/a | 0.30 | 38.17 |
| Uranium Royalty Corp. | 19-Oct-21 | n/a | 0.40 | 45.00 |
| Total/Average | | 469.2 | 14.90 | 30.53 |

1. TD estimate for pounds purchased and average price

Source: Company reports; TD Securities estimates

Exhibit 4. Spot and Term Uranium Prices (US\$/lb)



Source: UxC; TD Securities estimates

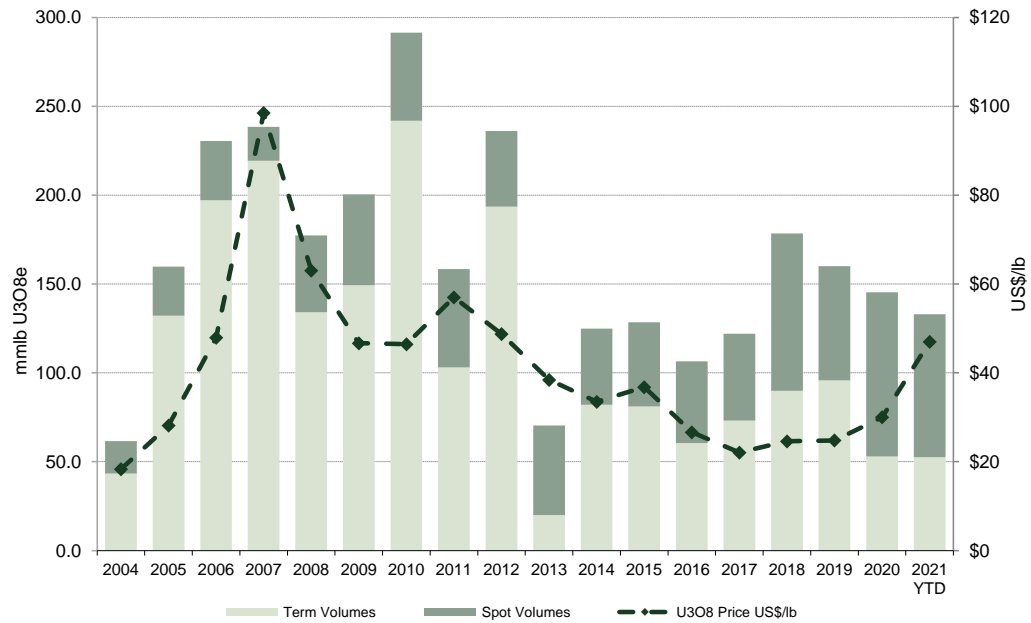


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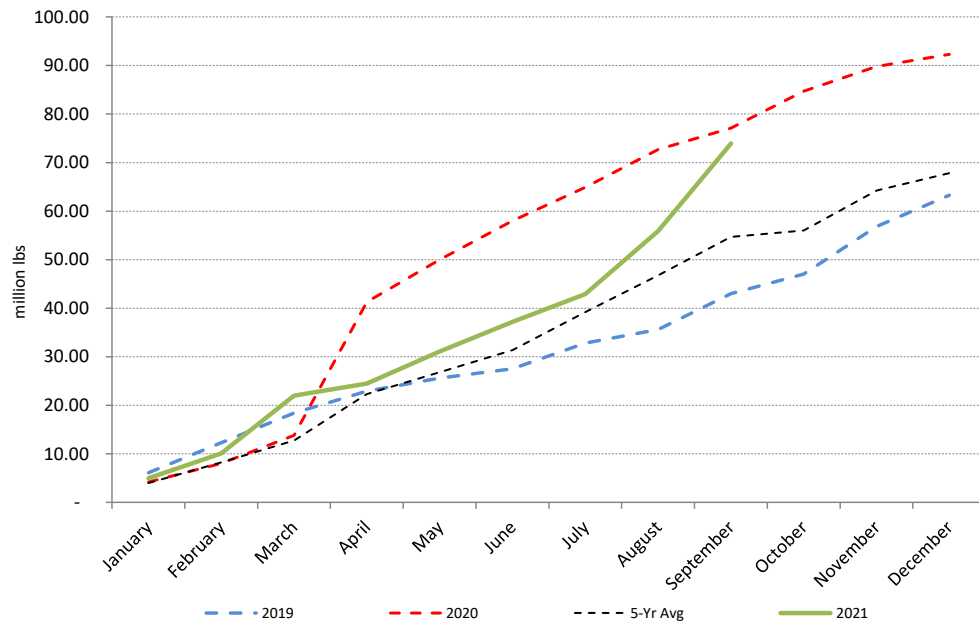
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Exhibit 5. Spot and Term Volumes



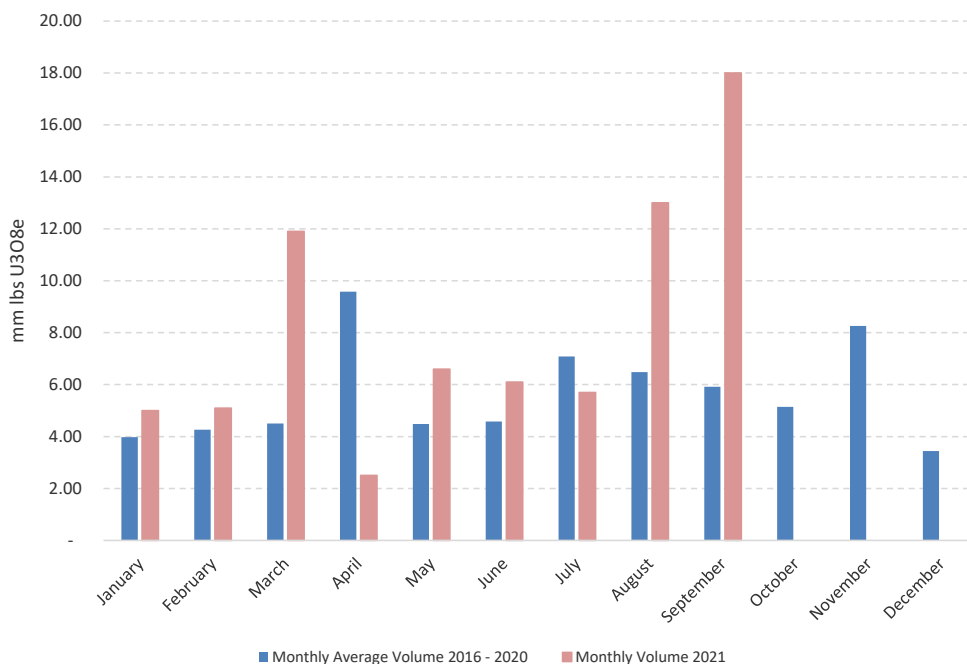
Source: UxC; TD Securities estimates

Exhibit 6. Historical vs. 2021 Cumulative Monthly Spot Volumes



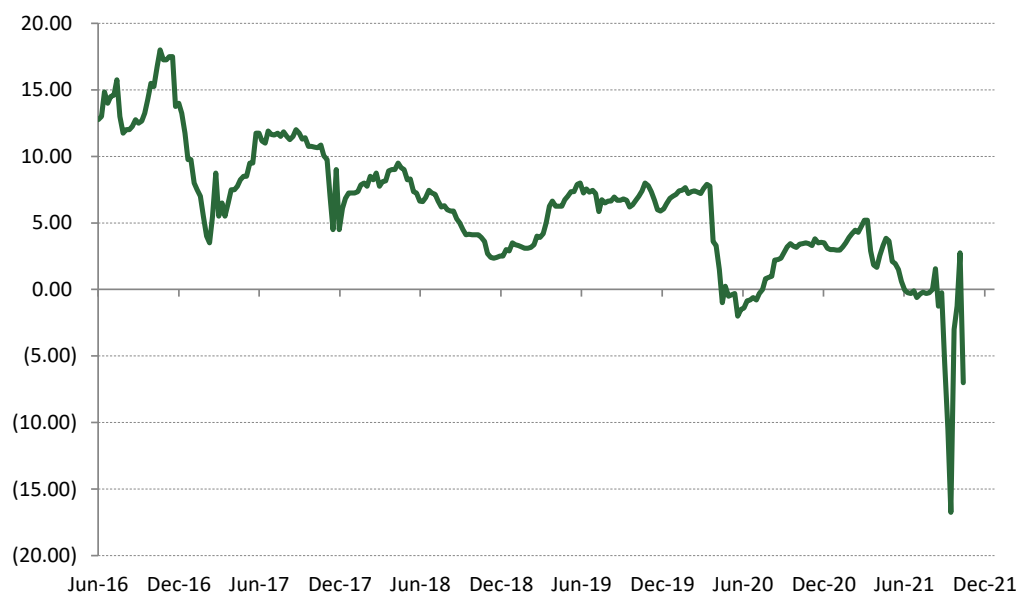
Source: UxC; TD Securities estimates

Exhibit 7. Monthly Average Spot Volumes



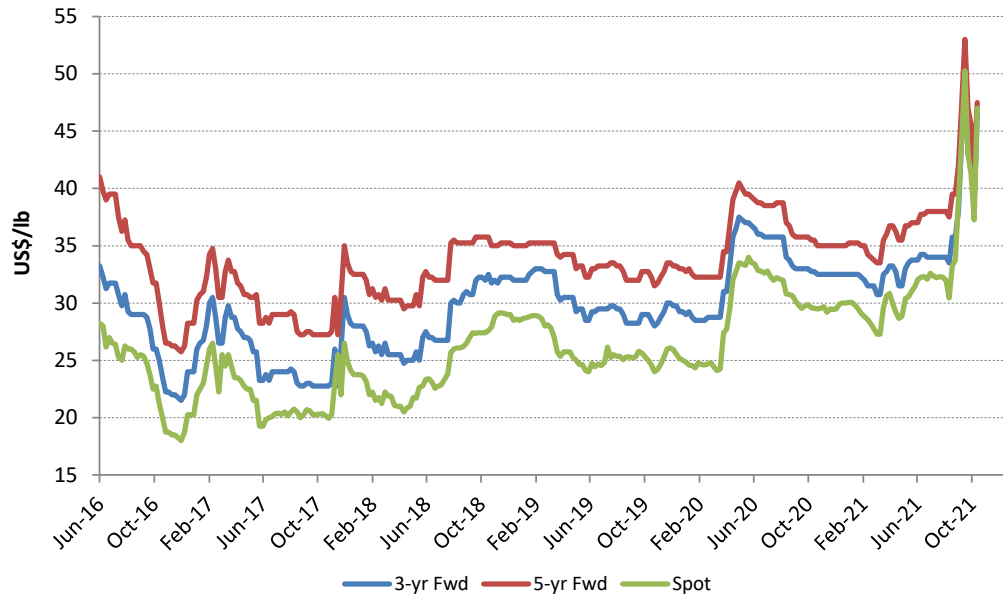
Source: UxC; TD Securities estimates

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



Source: UxC; TD Securities estimates

Exhibit 9. Uranium Prices – Spot, 3yr Fwd and 5yr Fwd



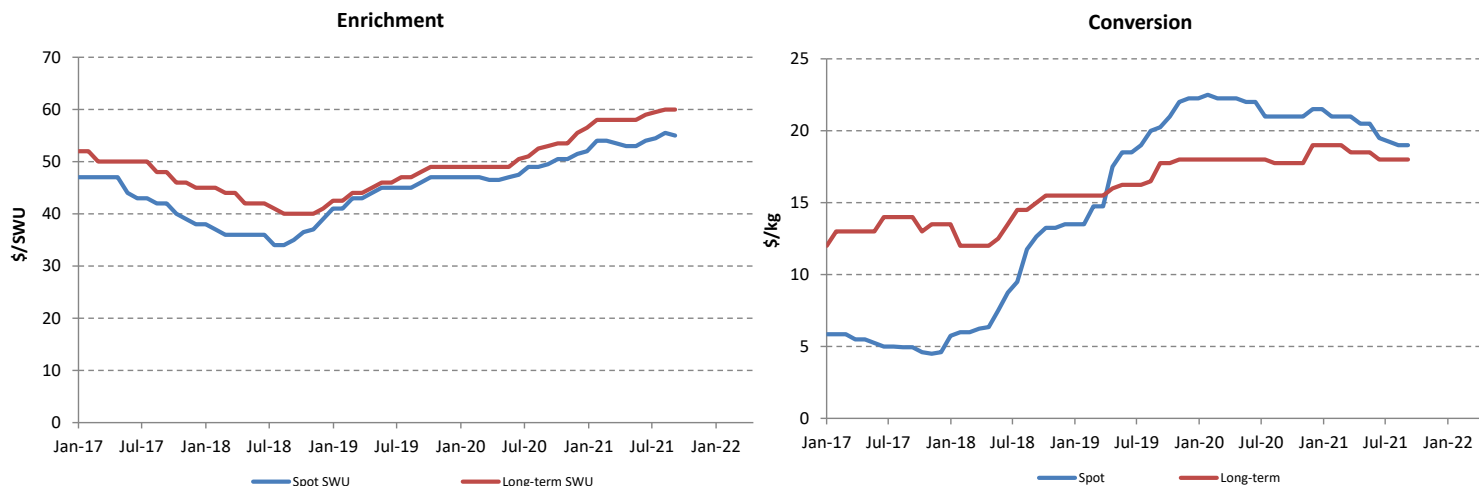
Source: UxC

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



Source: UxC; TD Securities estimates

Exhibit 11. Monthly SWU and Conversion Pricing



Source: UxC; TD Securities 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 | 75 | 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 | 127 | 132 | 145 | 154 | 158 |
| YoY % change | -7.6% | -10.2% | 1.7% | -10.9% | 2.0% | 4.0% | 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 | 156 | 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 | -25 | -21 | -11 | -4 | -2 |
| Spot Uranium Price (US\$/lb U3O8) | \$22.12 | \$24.82 | \$25.94 | \$29.52 | \$35.24 | \$50.00 | \$55.00 | \$55.00 | \$55.00 |

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

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

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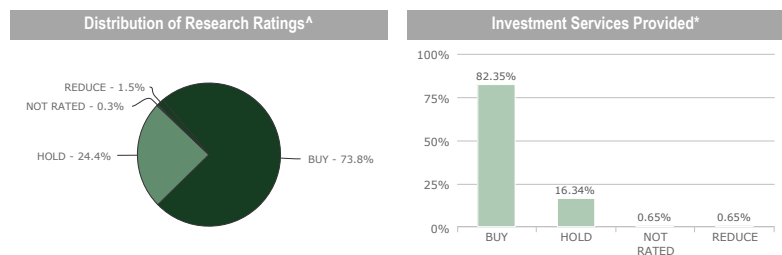
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