

Industry Note

Equity Research

February 1, 2022

Metals & Minerals

Uranium Weekly: Expecting More Term Contracting Volume in 2022

The Ux Consulting (UxC) weekly spot price indicator, published earlier this week, declined to US\$43.00/lb (down US\$1.50/lb), -3.3% versus the previous week. After completing its review of 2021 market activity, UxC reported total spot-market volume of 101.8 million pounds for last year, the highest annual volume on record. The previous annual record for the spot market was 92.3 million pounds in 2020. Total term contract volume for the year was 70.5 million pounds with 53 term contracts completed.

Term contracting volume in 2021 was in line with the average annual volume since 2013. UxC believes that the rise in the spot price since the inception of the Sprott Physical Uranium Trust (SPUT) in July 2021 has led to many nuclear utilities reviewing forward coverage positions as they watch the uranium supply/demand balance tighten into the end of this decade, and that could lead to some re-entering the contract market earlier than they had previously planned. UxC is projecting that 2022 will see higher term uranium contracting than either of 2020 or 2021.

At the TD Securities Annual Mining Conference last week, both Cameco and Kazatomprom indicated that they are seeing more activity in the term market, both on- and off-market discussions with utilities have increased significantly. Kazatomprom noted that the volume of activity in H2/21 was "intense" and that intensity has carried over into the early weeks of 2022. Both companies also noted that contract durations are extending with some utilities seeking term volumes into the 2030's. In our view, this highlights the concerns about the potential for primary uranium production to be particularly challenged later this decade with few greenfield projects in the pipeline and some larger legacy operations facing end of life.

Although in its early stages, we believe that a uranium contracting cycle appears to be underway, with fund-buying in the spot market pushing utilities into the term market. Increasing price volatility, tightening supply in the spot market, and an increasing realization that long-term supply is under threat following a decade-long bear market, are all contributing to nuclear utilities becoming more concerned about security of supply. Recent unrest in Kazakhstan, while it did not impact supply, could provide further impetus behind the nascent uranium contracting cycle. We expect continued upward pressure on spot and term uranium prices in the coming months.

Greg Barnes

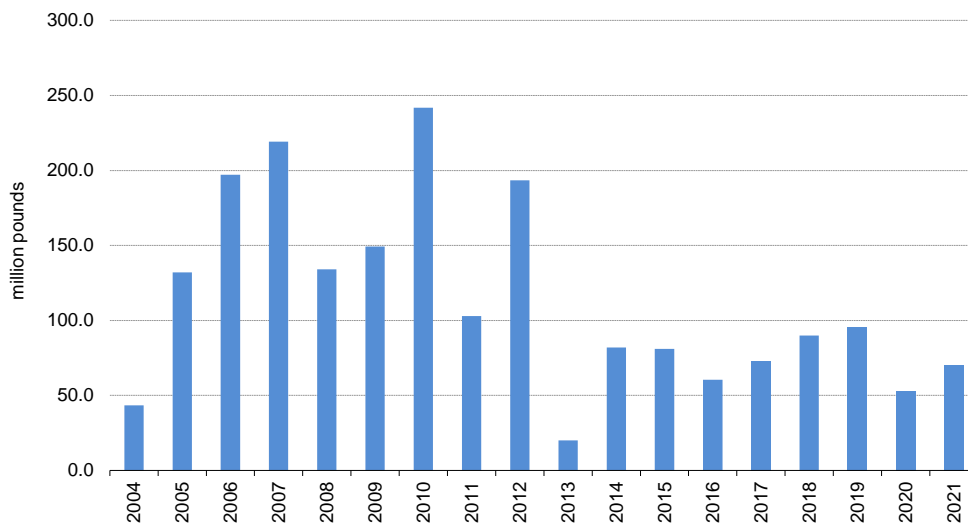
Craig Hutchison, P. Eng

Derick Ma, CFA, CPA, CA

Nicholas Clarke, CFA (Associate)

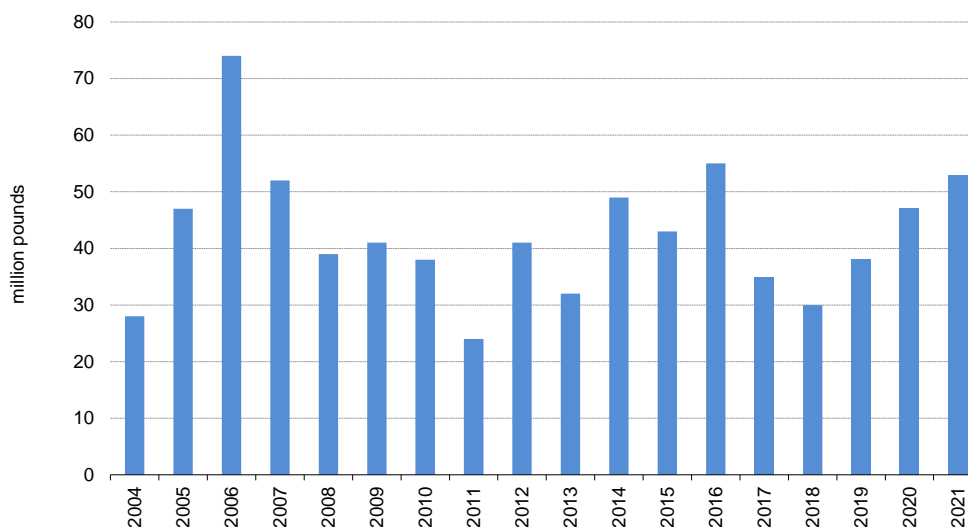


Exhibit 1. Annual Term Contracting Volumes



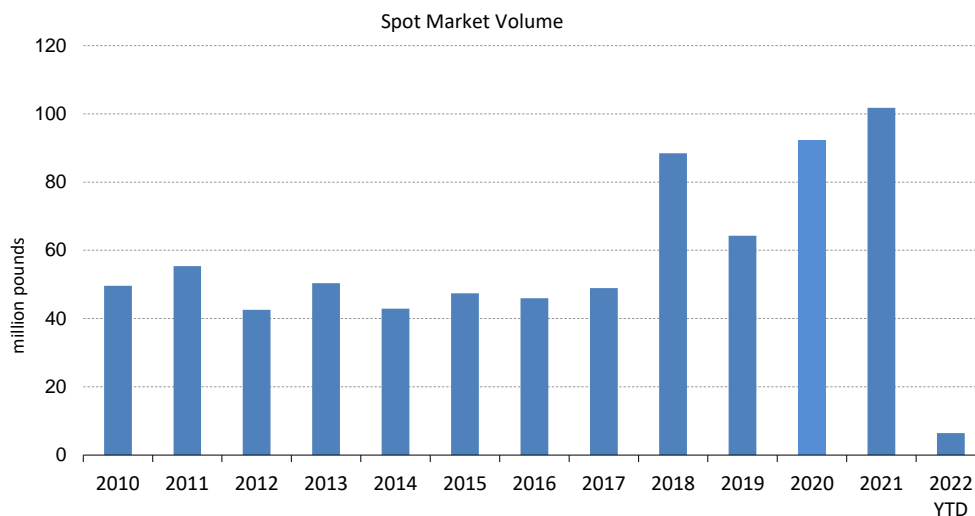
Source: UxC; TD Securities estimates

Exhibit 2. Annual Number of Term Contracts Signed



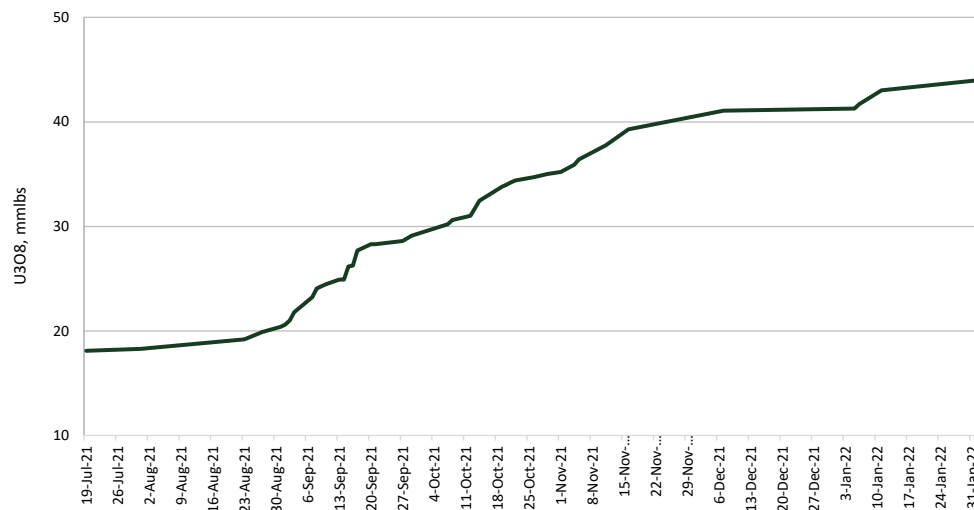
Source: UxC; TD Securities estimates

Exhibit 3. Annual Spot Uranium Market Volume



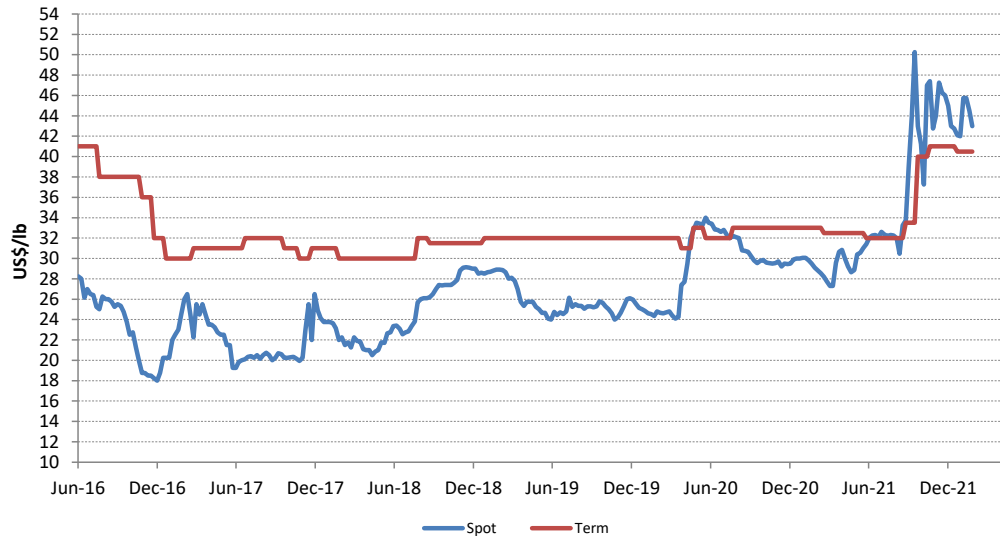
Source: UxC; TD Securities estimates

Exhibit 4. Sprott Physical Uranium Trust – Uranium Holdings Since Inception (July 19, 2021)



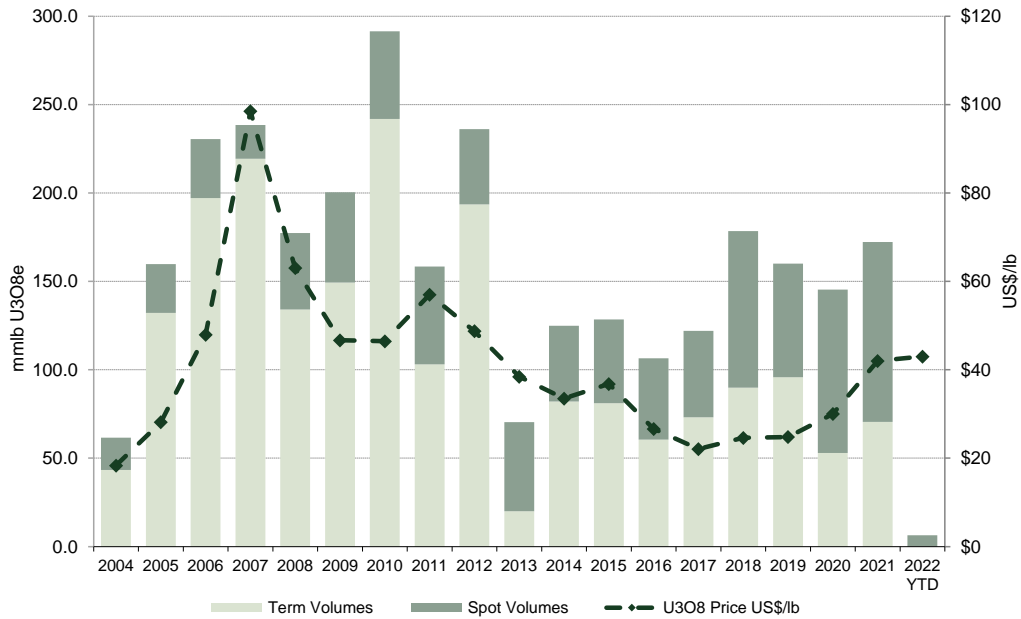
Source: Sprott Physical Uranium Trust; TD Securities estimates

Exhibit 5. Spot and Term Uranium Prices (US\$/lb)



Source: UxC; TD Securities estimates

Exhibit 6. Spot and Term Volumes



Source: UxC; TD Securities estimates

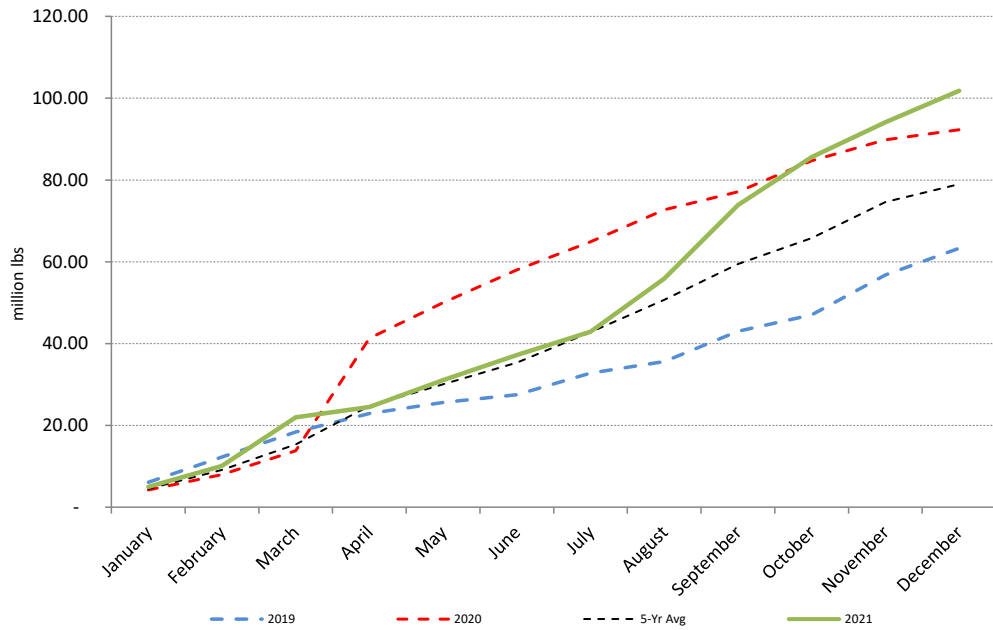


Industry Note

Equity Research

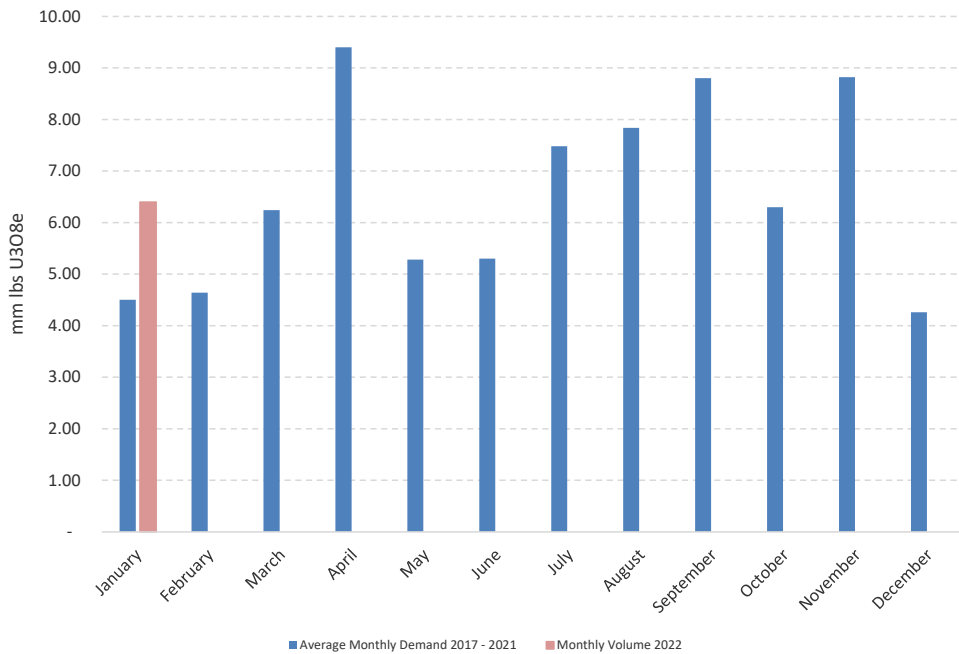
February 1, 2022

Exhibit 7. Historical vs. 2021 Cumulative Monthly Spot Volumes



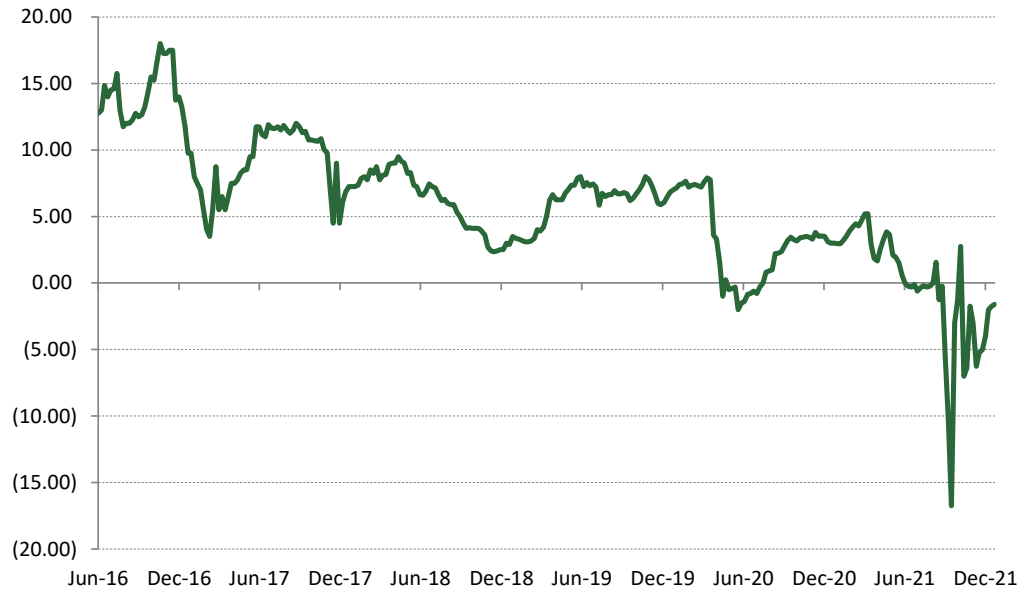
Source: UxC; TD Securities estimates

Exhibit 8. Monthly Average Spot Volumes



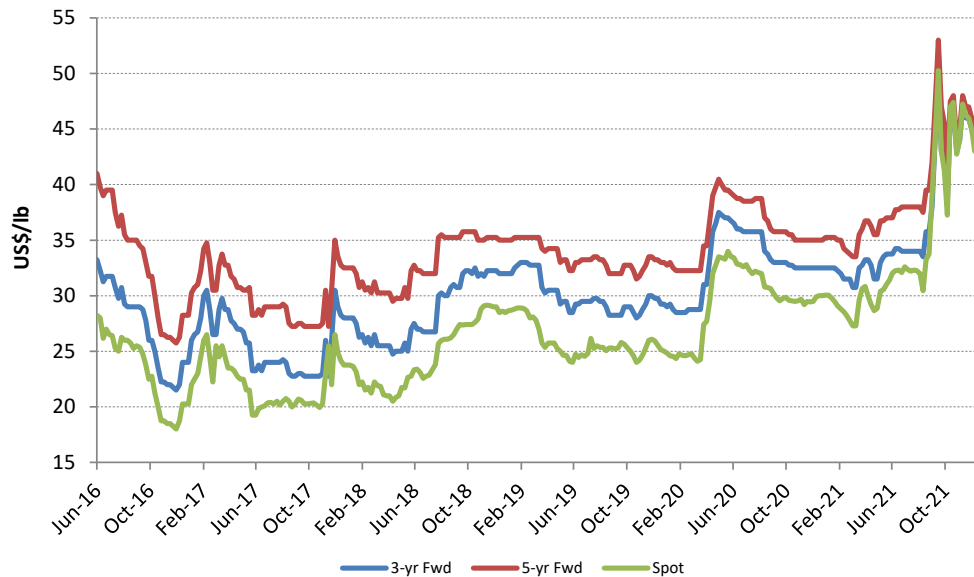
Source: UxC; TD Securities estimates

Exhibit 9. Uranium Term Price Premium to Spot (US\$/lb)



Source: UxC; TD Securities estimates

Exhibit 10. Uranium Prices – Spot, 3yr Fwd and 5yr Fwd



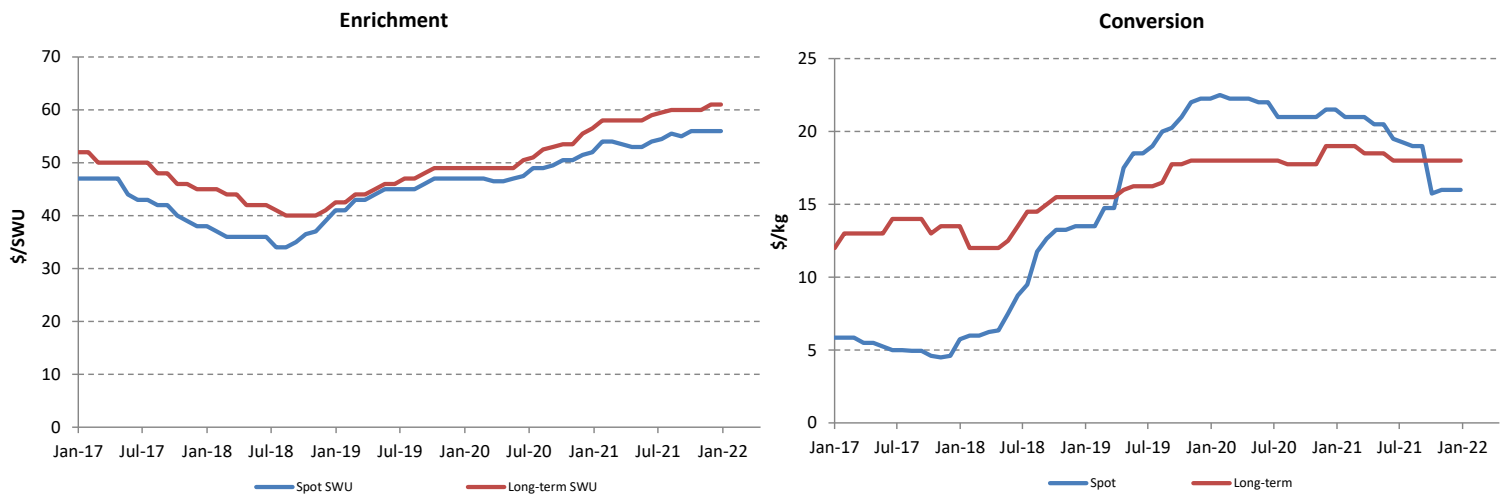
Source: UxC

Exhibit 11. Fund Implied Price (FIP) and Spot Price



Source: UxC; TD Securities estimates

Exhibit 12. Monthly SWU and Conversion Pricing



Source: UxC; TD Securities estimates

Industry Note

Equity Research

February 1, 2022

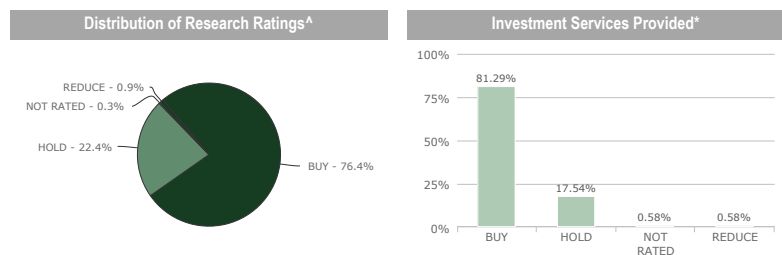
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Industry Note

Equity Research

February 1, 2022

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Industry Note

Equity Research

February 1, 2022

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