

Industry Note

Equity Research

February 15, 2022

Metals & Minerals

Uranium Weekly: "Hey, I need.... some of those pounds too"

The Ux Consulting (UxC) weekly spot price indicator, published earlier this week, increased to US\$43.25/lb (up US\$0.40/lb), +0.93% versus the previous week.

After record volumes reported in the spot market for 2021, term contracting activity has taken centre stage so far in 2022. Cameco reported that it has added 70 million pounds to its contract portfolio since the beginning of 2021, including 40 million pounds in 2022. UxC is reporting that a total of 50 million pounds has been contracted in the term market so far this year. This is the fastest start to a year in terms of contracted volume that the market is seen in a decade - only in 2011 and 2012 did volumes start the year at such a high level (Exhibit 1). More typically, over the past decade, term contracting volumes have not reached the 50 million pound mark until well into the second half of the year.

Cameco noted that it is seeing three significant signposts in its contract discussions with utilities that indicate increasing concern about long-term supply: (1) contract durations are increasing beyond five years, and in certain cases, up to 10 years; (2) utilities are requesting greater contract volumes into the millions of pounds; and (3) utilities are requesting delivery contracts that extend into the 2030s.

Cameco's CFO, Grant Isaac, noted on the company's Q4/21 conference call that "We know that in the uranium space, contracting begets contracting. When there's very little contracting going on, it sort of confirms the view of some [utilities] that they don't have to worry about where their uranium supply is coming from in the future. But when you start to see contracting success and when you start to see the future production, not yet pulled out of the ground already being claimed, that tends to then motivate others to say, "Hey, I need to lay a claim to some of those pounds too.""

We have to careful about putting too much emphasis on 2022 term contracting volumes year-to-date given that Cameco has done the lion's share of the business and it may have been the result of very specific factors. That being said, Kazatomprom also noted at our recent mining conference that they too have seen increasing volumes in the term market and also noted that the activity levels have been "intense".

In our view, the resumption of significant volumes of long-term contracting in the uranium market has been long overdue; utilities have been contracting at lower than replacement rates for almost a decade. The resumption of a term contract cycle is the final indicator we have been looking for to suggest that uranium pricing is setting the stage for another leg higher.

Greg Barnes

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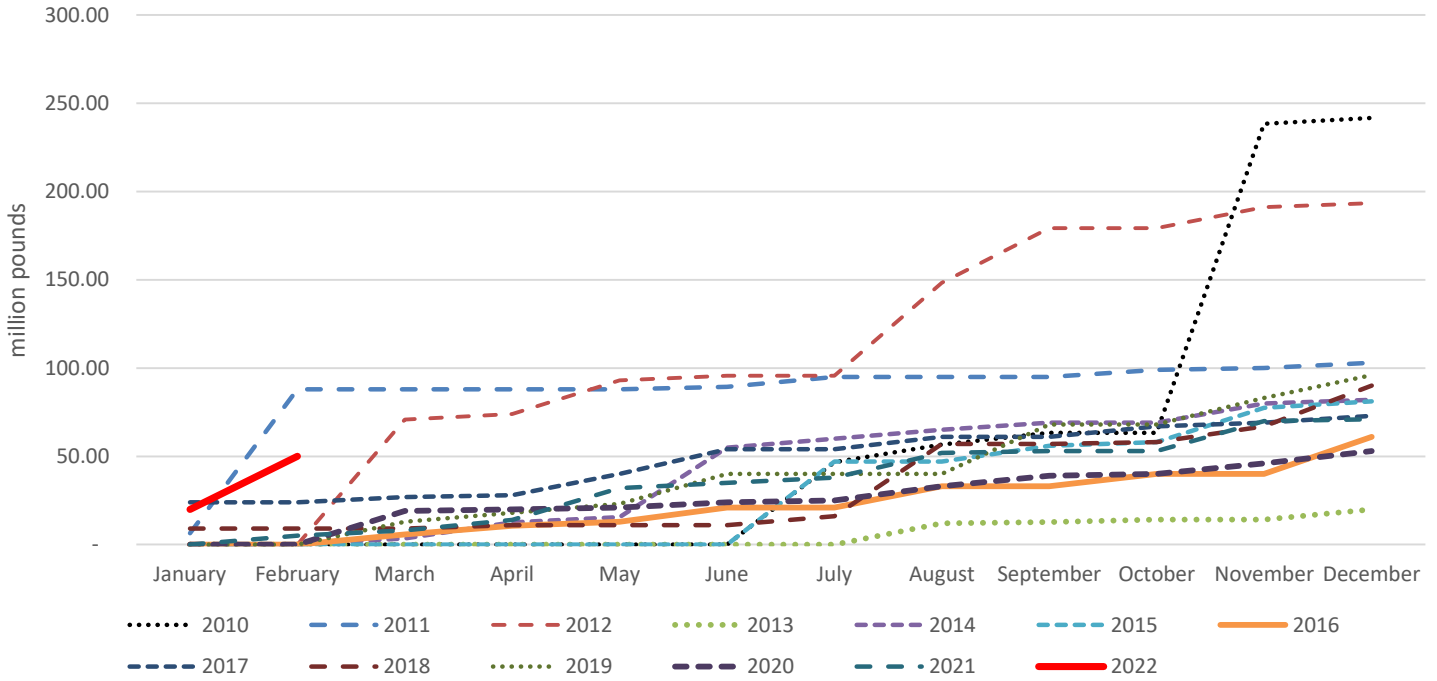


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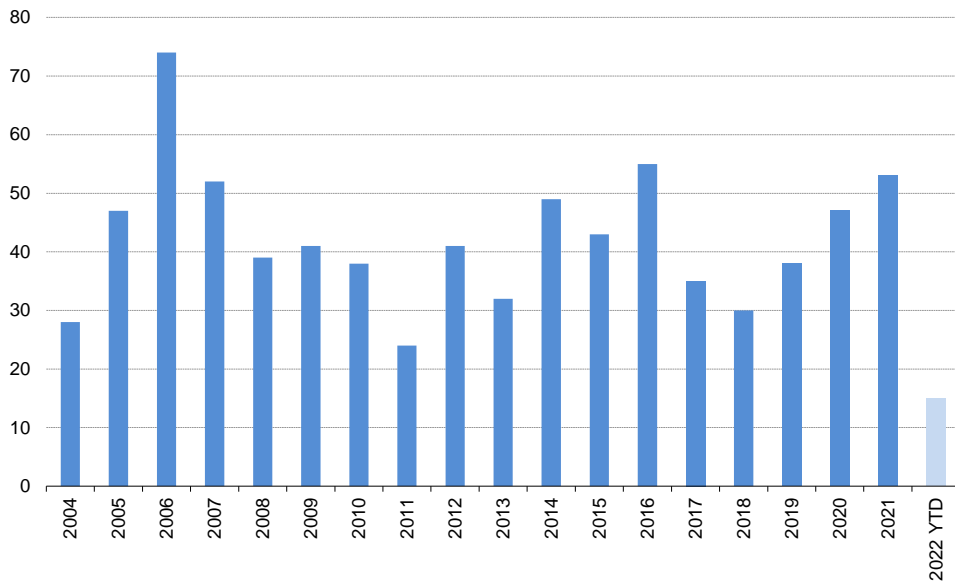
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Exhibit 1. Cumulative Annual Term Contracting Volumes



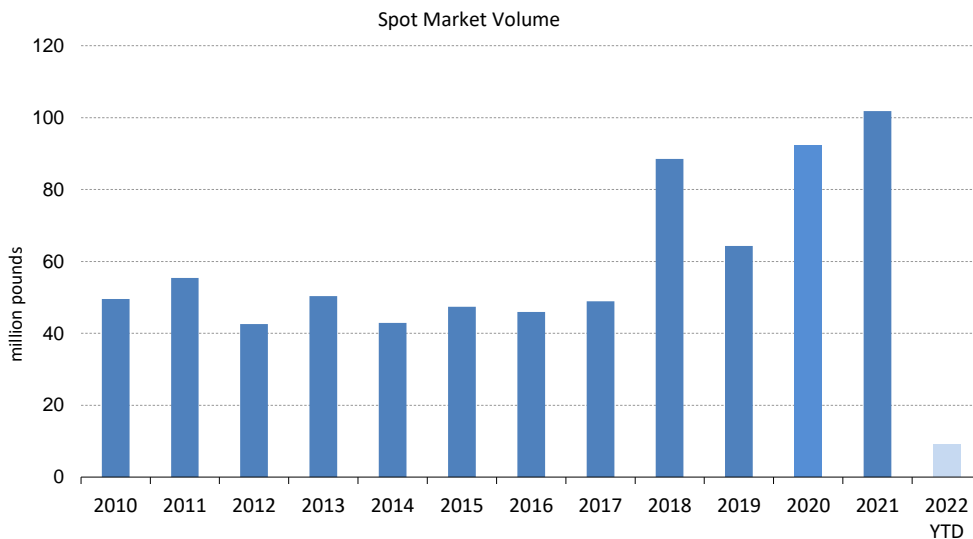
Source: UxC; TD Securities estimates

Exhibit 2. Annual Number of Term Contracts Signed



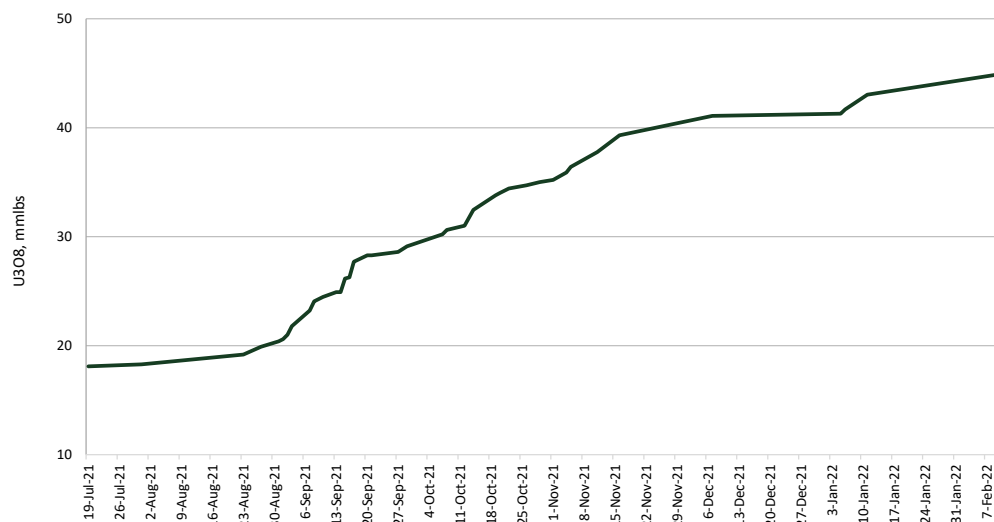
Source: UxC; TD Securities estimates

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

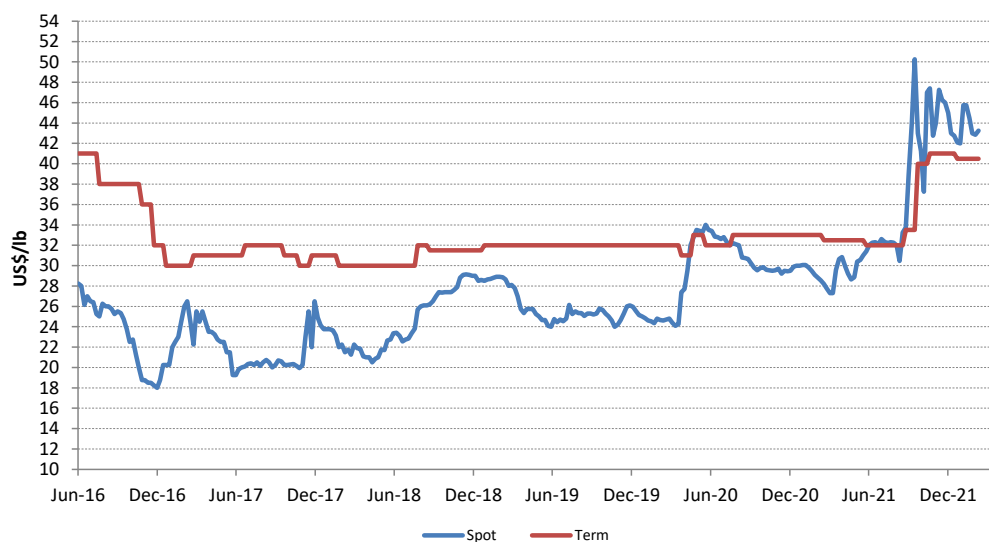
Exhibit 5. Sprott Physical Uranium Trust – Premium/Discount to NAV Since Inception (July 19, 2021)



Inception date: July 19, 2021.

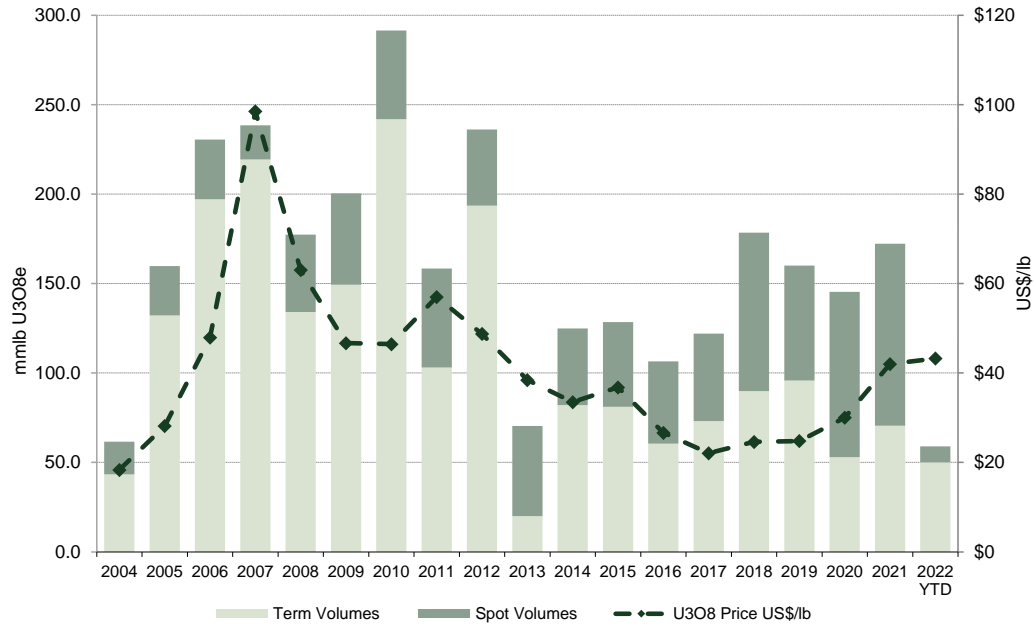
Source: Sprott Physical Uranium Trust; TD Securities estimates

Exhibit 6. Spot and Term Uranium Prices (US\$/lb)



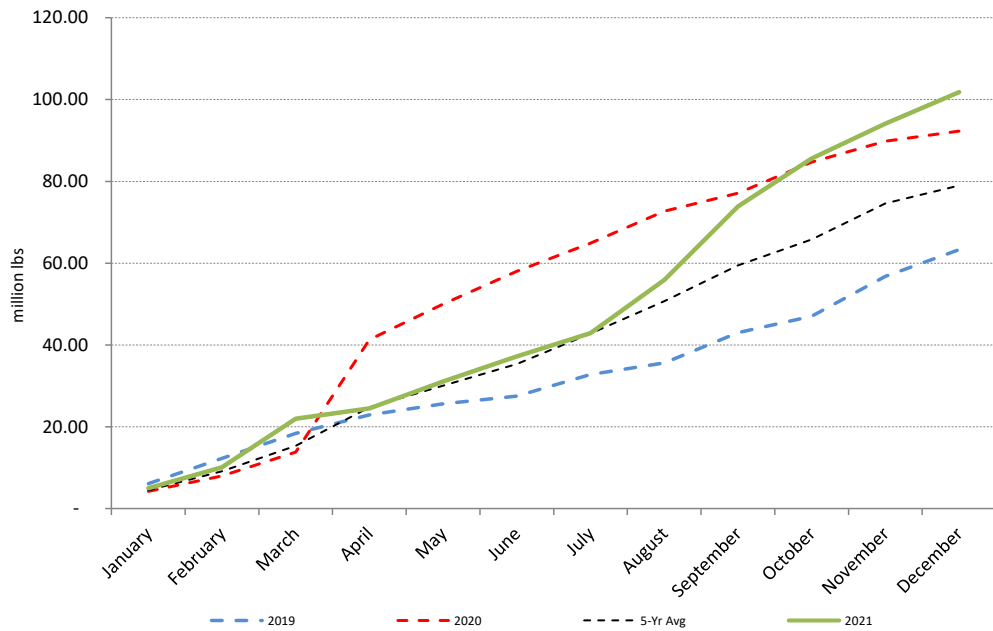
Source: UxC; TD Securities estimates

Exhibit 7. Spot and Term Volumes



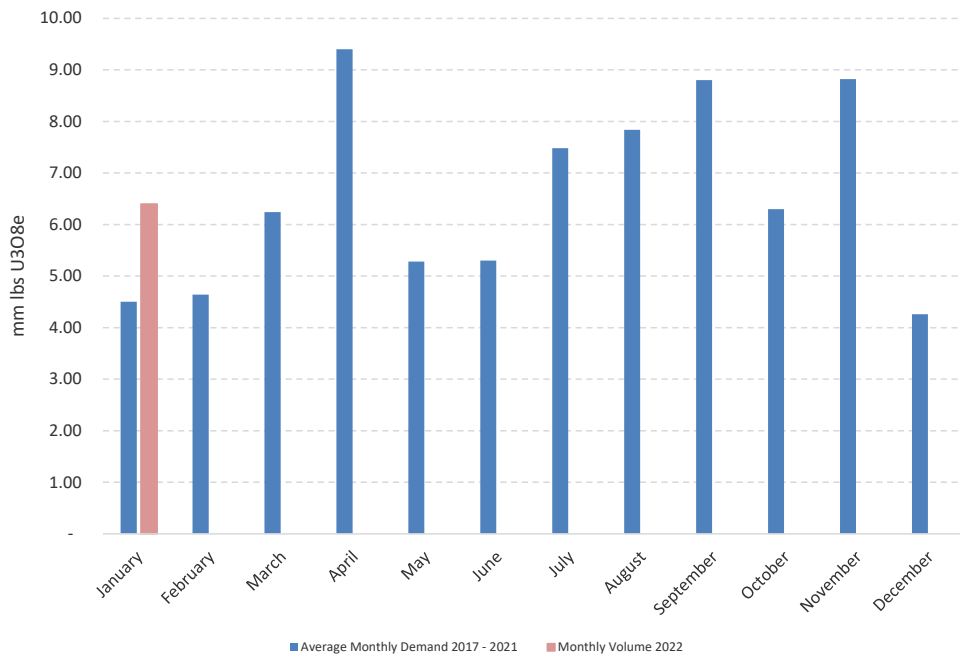
Source: UxC; TD Securities estimates

Exhibit 8. Historical vs. 2021 Cumulative Monthly Spot Volumes



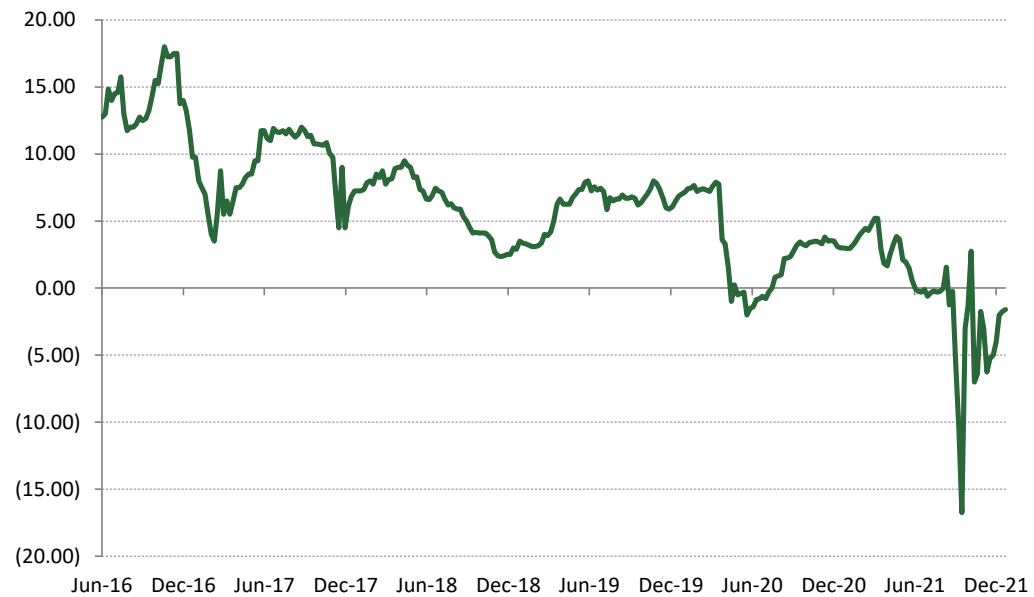
Source: UxC; TD Securities estimates

Exhibit 9. Monthly Average Spot Volumes



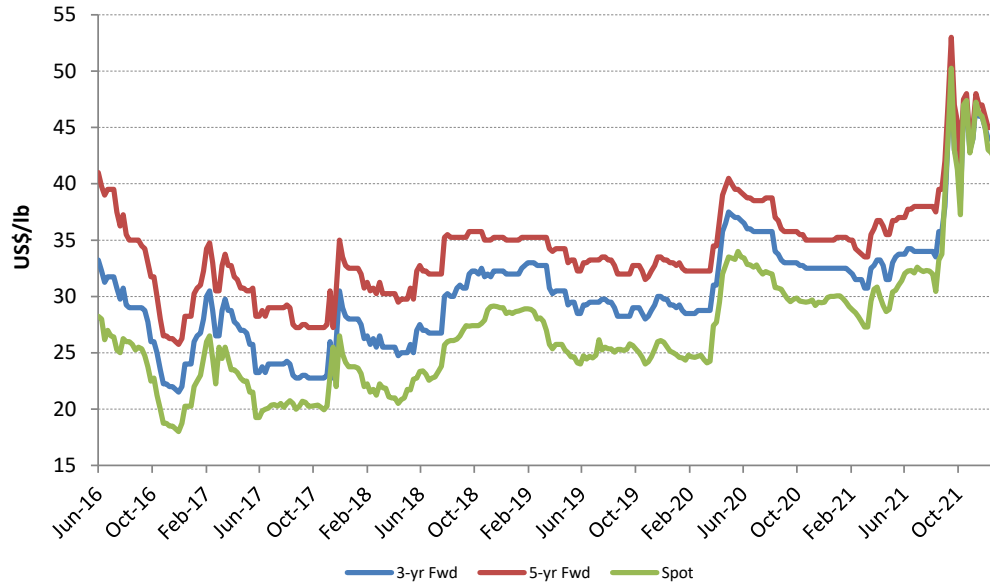
Source: UxC; TD Securities estimates

Exhibit 10. Uranium Term Price Premium to Spot (US\$/lb)



Source: UxC; TD Securities estimates

Exhibit 11. Uranium Prices – Spot, 3yr Fwd and 5yr Fwd



Source: UxC

Exhibit 12. Fund Implied Price (FIP) and Spot Price



Source: UxC; TD Securities estimates

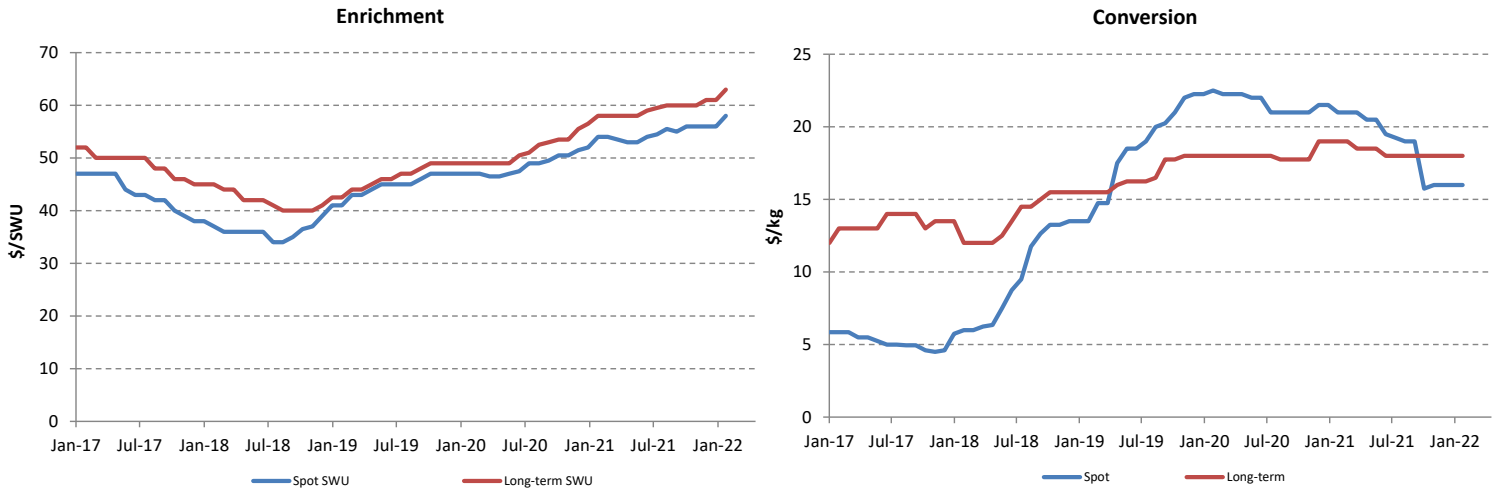


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Exhibit 13. Monthly SWU and Conversion Pricing



Source: UxC; TD Securities estimates



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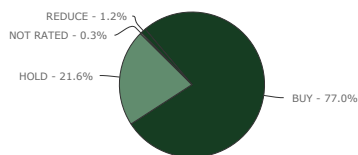
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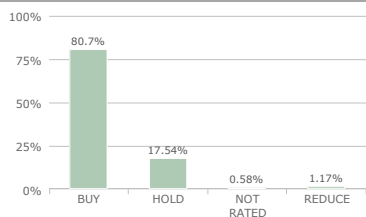
Price Graphs

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Current as of: February 15, 2022

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