

Industry Note

Equity Research

September 8, 2022

Metals & Minerals

Uranium Weekly: Will the Fall Bring a Surge in Contracting?

The Ux Consulting (UxC) weekly spot price indicator published earlier this week increased to US\$51.25/lb, up US\$2.25/lb, or +4.6% over last week. The August month-end term price was unchanged at US\$50.00/lb, but with an expected increase in term contracting over the next several months and with the spot price trading at a premium to the term price, there could be renewed upward pressure on term pricing heading into the final months of 2022. The term price has already increased by US\$9.50/lb (+23%) this year and is at its highest level since Q1/14.

The World Nuclear Association's (WNA) annual symposium is underway this week in London, U.K. Historically, the symposium has been the biggest annual gathering for the global nuclear industry and is generally seen as the kick-off point for the uranium contract mating season into the end of the year. Since 2010, on average, ~53% of annual contract volumes have been concluded over the period from August through December and since 2018, this period of the year has seen ~60% of annual contracting volume.

Already, 2022 is tracking towards one of the best years for term contracting in a decade. To the end of August, UxC is reporting total term contracting volumes at 77.8 million pounds (Exhibit 7), which is the third highest volume YTD since 2010. UxC noted this week that, by its estimates, the overhang of unwanted uranium inventory that has plagued the market for the past decade "no longer plays much of a role in the market" and that there is very little available material that is mobile. For years, utilities and traders have been able to capitalize on the high level of unwanted and mobile inventory via short-term carry trades. With inventories substantially reduced, we expect that more utilities will turn to long-term contracting — as Cameco management recently noted, the company is as "busy as it has ever been" and from origination through to execution, it has more pounds under discussion than at any time since the Fukushima accident in 2011.

Before Russia's invasion of Ukraine, increasing price volatility, tightening supply in the spot market, and an increasing recognition that long-term supply is under threat were already contributing to nuclear utilities becoming more concerned about security of supply across the fuel supply chain. We expect uranium prices to see upward pressure over the medium term as utilities proceed with the difficult process of de-risking and repositioning their nuclear fuel supply chains away from Russian supply in what is already a tightly supplied market. In addition, we believe that Russia's actions have highlighted energy security, particularly in Europe (and in Japan), further bolstering the case for nuclear power.

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Industry Note

Equity Research

September 8, 2022

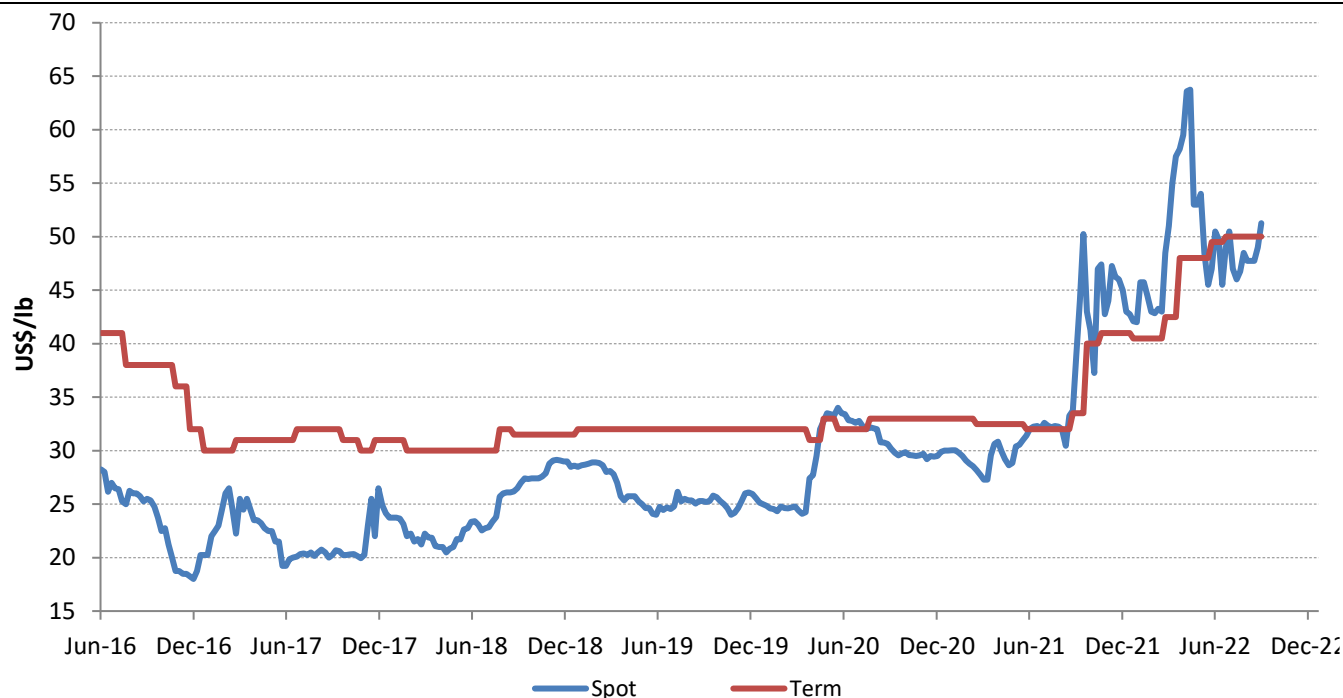
Exhibit 1. Uranium Comparable Table — EV/lb U₃O₈

Comparable Company Analysis: Uranium Producers & Developers/Explorers									
Ticker	7-Sep-22 Share Price (C\$)	EV (US\$mm)	Corporate Resources ¹				EV/Res		
			2P (Mlbs)	M+I (Mlbs)	Global Resources (Mlbs)	EV/2P (US\$/lb)	EV/M&I (US\$/lb)	EV/All (US\$/lb)	
Cameco Corp.	CCO	38.66	11,153.8	471.2	457.1	612.0	23.67	24.40	18.23
Denison Mines Corp.	DML	1.75	1,051.7	98.6	161.0	183.0	10.66	6.53	5.75
Fission Uranium Corp.	FCU	0.78	371.9	-	102.4	135.2	n/a	3.63	2.75
IsoEnergy Ltd.	ISO	4.32	355.8	-	48.6	51.3	n/a	7.32	6.94
Laramide Resources Ltd.	LAM	0.59	90.9	-	36.0	102.7	n/a	2.52	0.88
NexGen Energy Ltd.	NXE	5.50	1,999.6	234.1	256.7	337.4	8.54	7.79	5.93
Paladin Energy, Ltd.	PDN	0.80	1,654.9	62.9	96.1	176.7	26.33	17.23	9.37
Peninsula Energy Ltd.	PEN	0.16	114.7	-	15.8	53.6	n/a	7.26	2.14
Uranium Energy Corp.	UEC	5.51	1,383.8	-	226.6	295.7	n/a	6.11	4.68
Ur-Energy Corp.	URE	1.80	275.1	-	20.7	27.3	n/a	13.29	10.08
Median							17.17	7.29	5.84
Average							17.30	9.61	6.67

1: Resources are shown inclusive of reserves; M&I+I includes historical resource estimates.

Source: Company reports, TD Securities Inc., Capital IQ

Exhibit 2. Weekly Spot and Term Uranium Prices (US\$/lb)



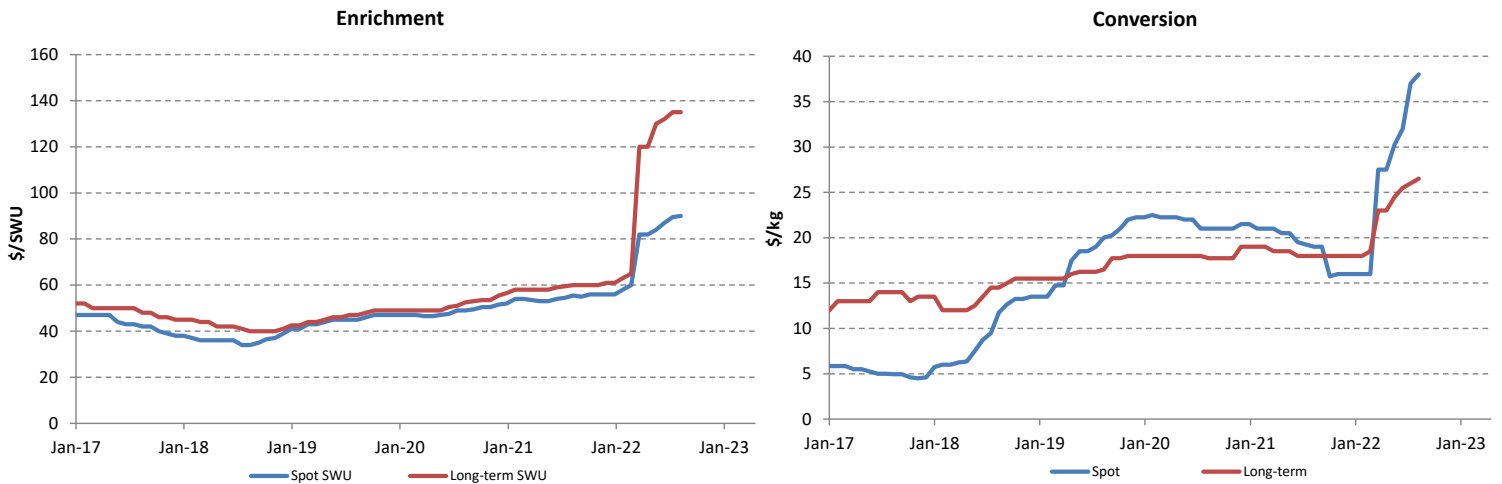
Source: UxC, TD Securities Inc. estimates

Industry Note

Equity Research

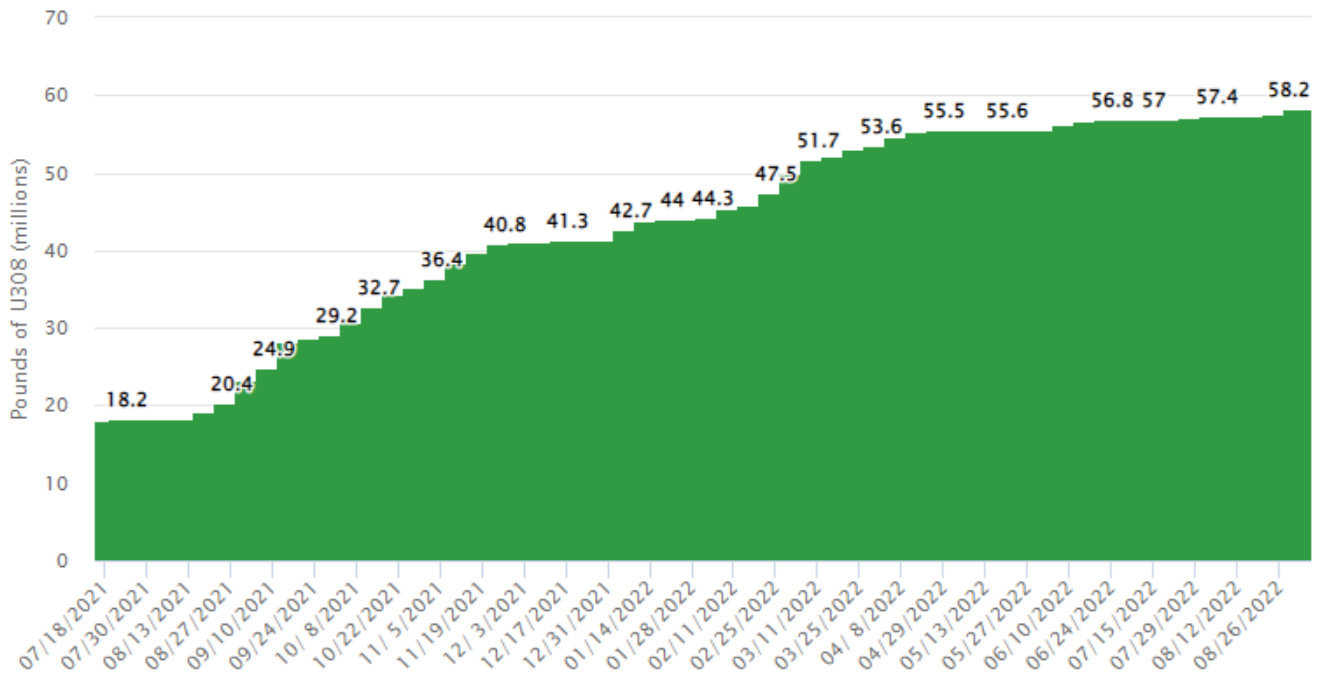
September 8, 2022

Exhibit 3. Monthly SWU and Conversion Pricing



Source: UxC, TD Securities Inc. estimates

Exhibit 4. Sprott Physical Uranium Trust — Growth in Uranium Holdings Since July 2021



Source: Sprott Physical Uranium Trust

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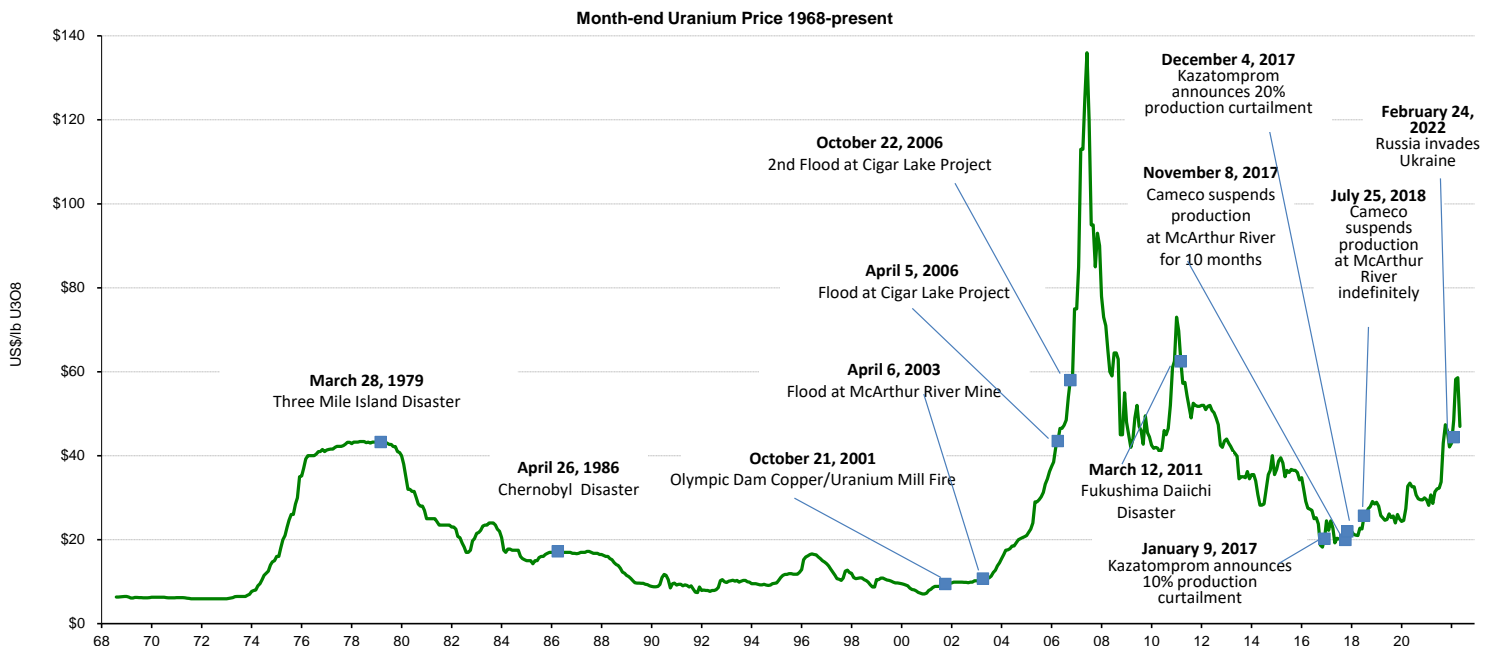
September 8, 2022

Exhibit 5. Sprott Physical Uranium Trust — Premium/Discount to NAV Since July 2021



Source: Sprott Physical Uranium Trust

Exhibit 6. Uranium Price Since 1968 and Event Catalysts



Source: UxC, media reports, TD Securities Inc. estimates

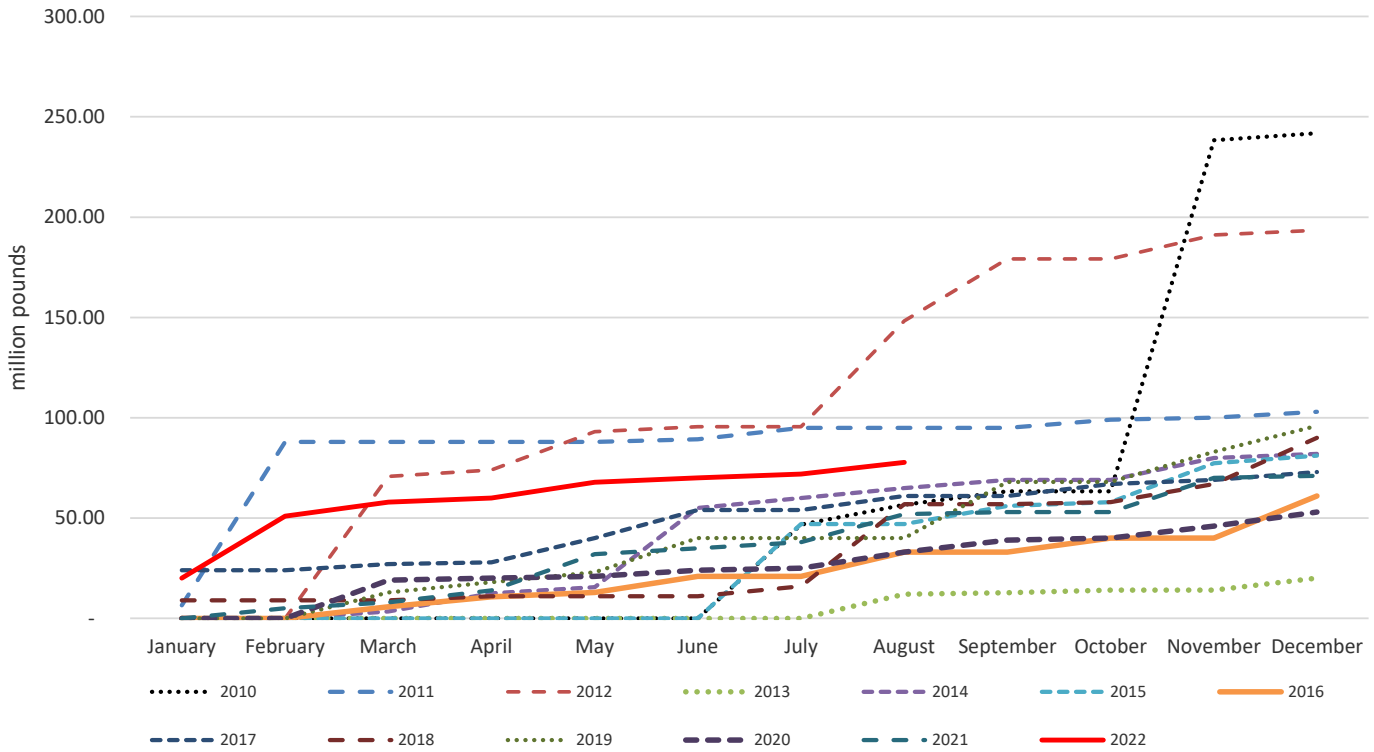


Industry Note

Equity Research

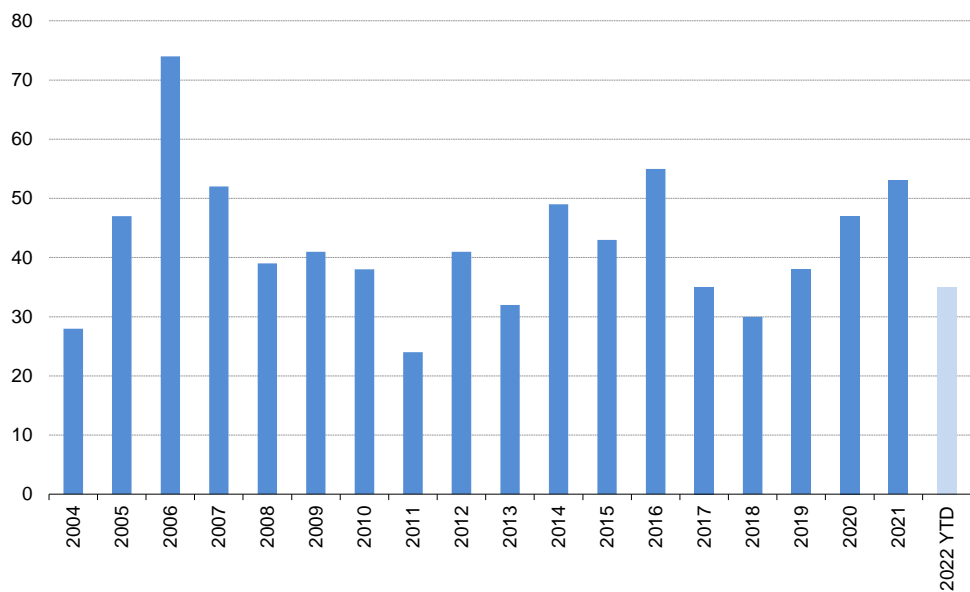
September 8, 2022

Exhibit 7. Cumulative Annual Term Contracting Volumes



Source: UxC, TD Securities Inc. estimates

Exhibit 8. Annual Number of Term Contracts Signed



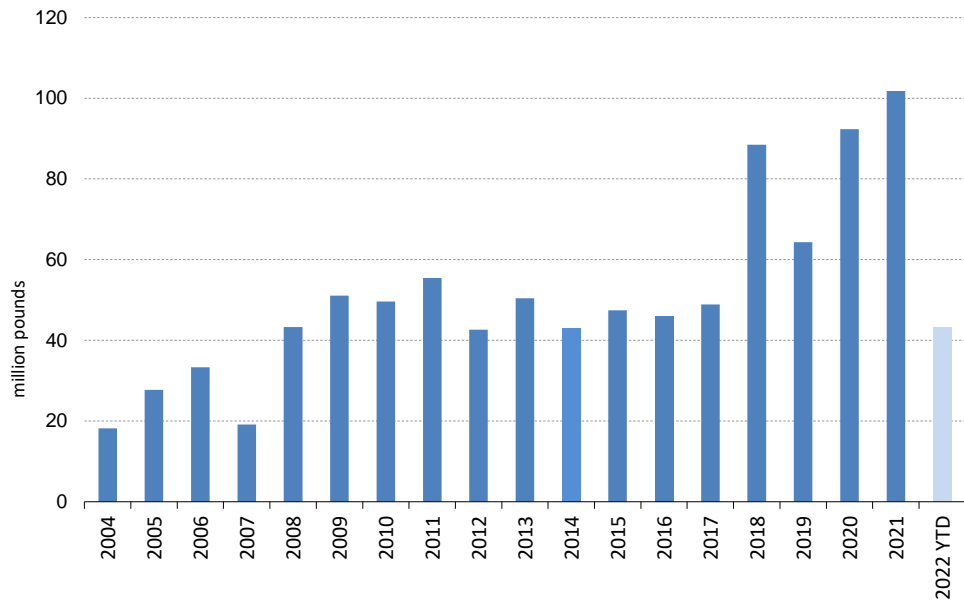
Source: UxC, TD Securities Inc. estimates

Industry Note

Equity Research

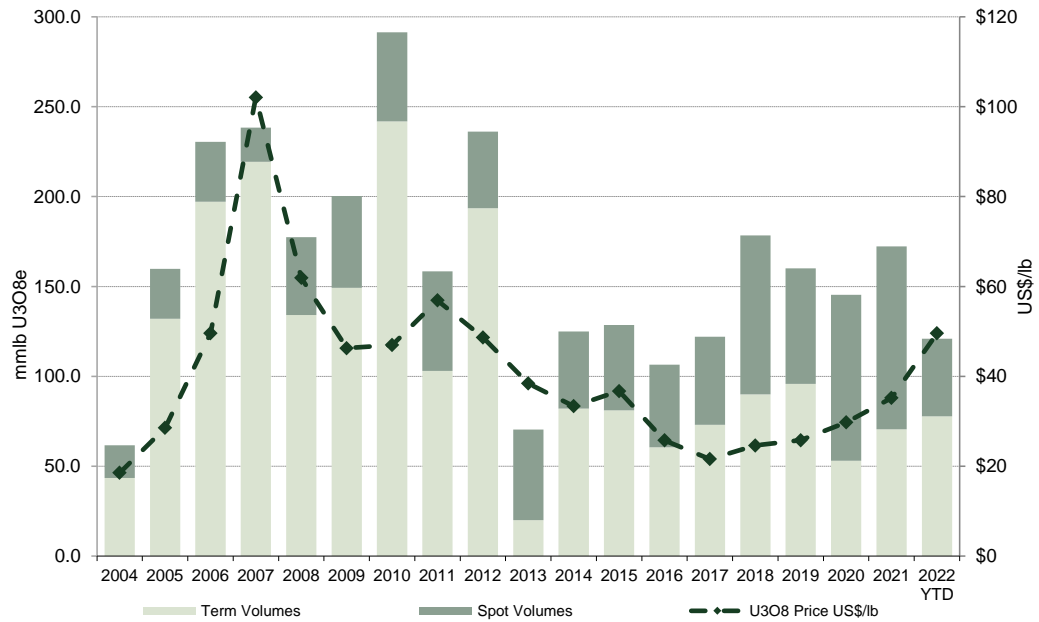
September 8, 2022

Exhibit 9. Annual Spot Uranium Market Volume



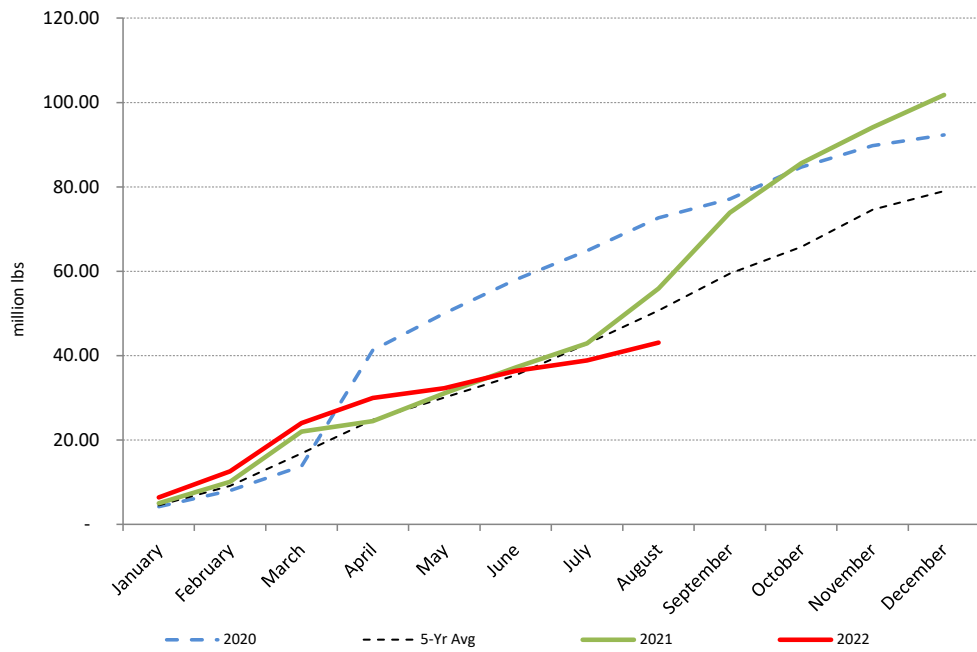
Source: UxC, TD Securities Inc. estimates

Exhibit 10. Spot and Term Volumes



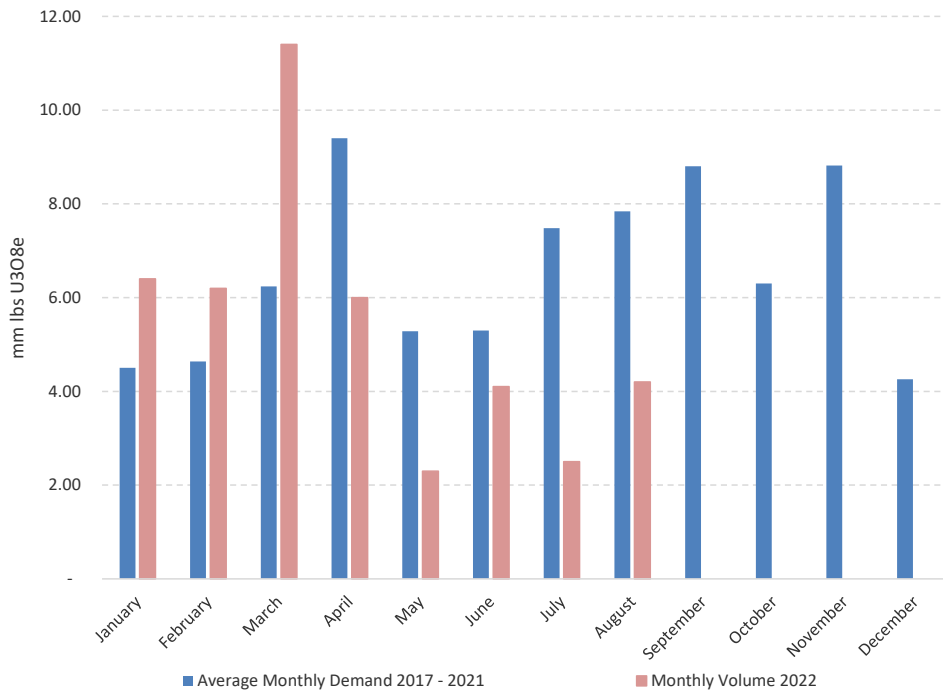
Source: UxC, TD Securities Inc. estimates

Exhibit 11. Historical vs. 2022 Cumulative Monthly Spot Volumes



Source: UxC, TD Securities Inc. estimates

Exhibit 12. Monthly Average Spot Volumes



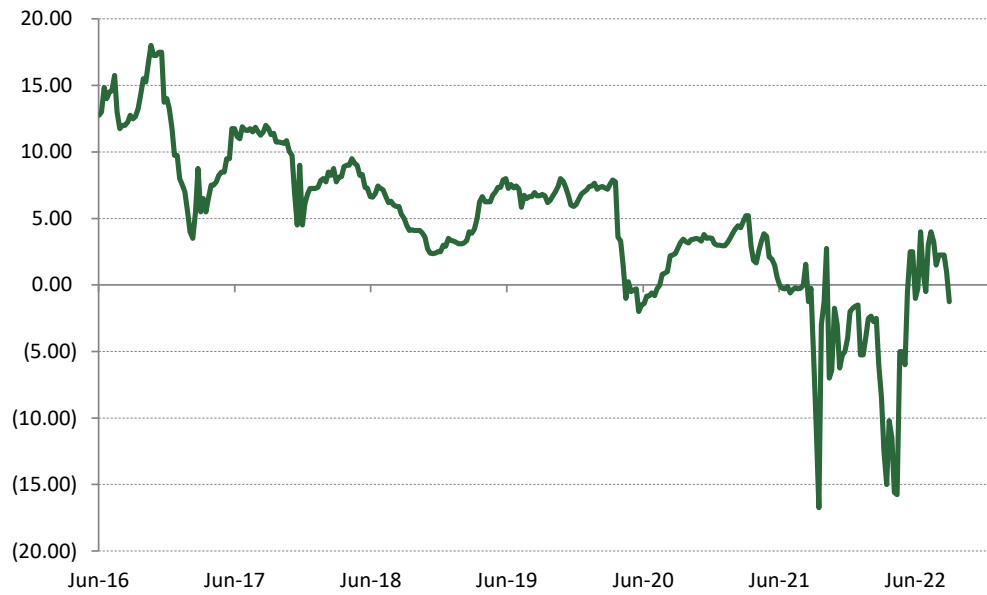
Source: UxC, TD Securities Inc. estimates

Industry Note

Equity Research

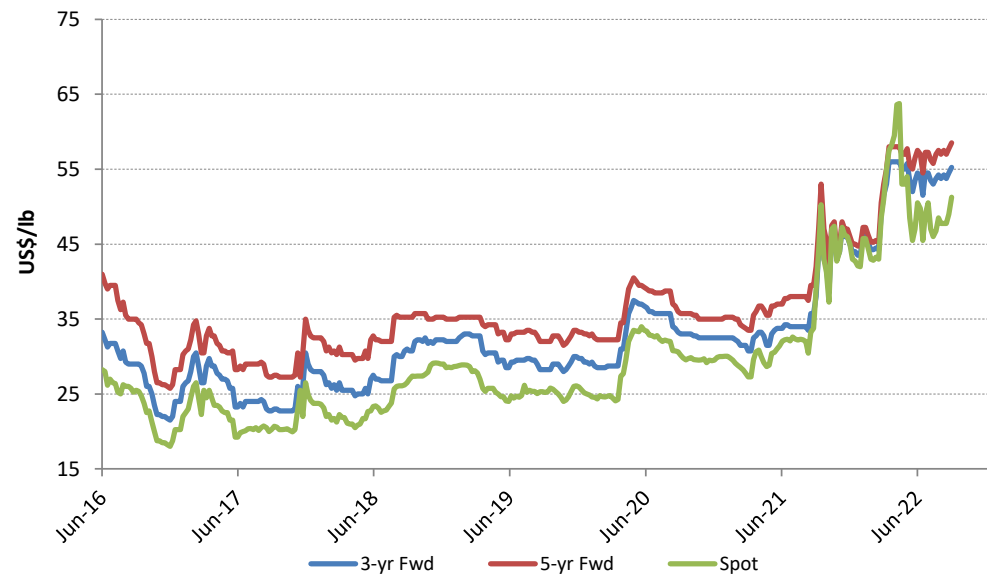
September 8, 2022

Exhibit 13. Uranium Term Price Premium to Spot (US\$/lb)



Source: UxC, TD Securities Inc. estimates

Exhibit 14. Uranium Prices — Spot, 3-year Forward and 5-year Forward



Source: UxC

Exhibit 15. Fund Implied Price (FIP) and Spot Price



Source: UxC, TD Securities Inc. estimates



Industry Note

Equity Research

September 8, 2022

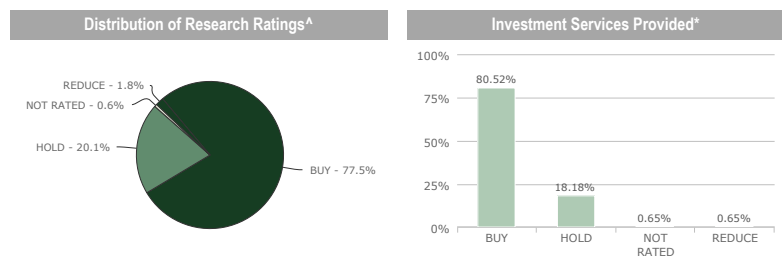
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Industry Note

Equity Research

September 8, 2022

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Industry Note

Equity Research

September 8, 2022

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