

21 October 2020



Yellow Cake plc (“Yellow Cake” or the “Company”)

QUARTERLY OPERATING UPDATE

Yellow Cake, a specialist company operating in the uranium sector with a view to holding physical uranium for the long term, is pleased to report its performance for the quarter ended 30 September 2020.

Highlights

- Value of U₃O₈ held by Yellow Cake was US\$277.2 million ⁽¹⁾ at 30 September 2020.
- Estimated net asset value at 30 September 2020 was £2.56 per share ⁽²⁾ or US\$279.9 million, comprising 9.32 million lbs of physical uranium (U₃O₈) valued at a spot price of US\$29.75/ lb ⁽³⁾ and other net assets.
- Yellow Cake’s estimated net asset value as at 20 October 2020 was £2.54 per share ⁽⁴⁾.
- Decrease in value of U₃O₈ held by Yellow Cake over the quarter of 9% from US\$303.7 million ⁽⁵⁾ to US\$277.2 million ⁽¹⁾.
- Total increase in value of U₃O₈ held by Yellow Cake at 30 September 2020 of 37% to US\$277.2 million ⁽¹⁾ relative to the aggregate acquisition cost of US\$202.3 million.
- Acquisition to date of a total of 4,016,385 of the Company’s shares under a share buyback programme (the “Programme”) initiated in January 2020, for a total consideration of £8.6 million (US\$11.1 million) at a volume weighted average price of £2.13 per share and volume weighted average discount to net asset value of 21%.
- At the Programme’s inception, the Company’s shares were trading at a material discount to its underlying net asset value. The Yellow Cake Board therefore took the decision to implement a share buyback programme as a means of effectively acquiring exposure to uranium at a discount to the commodity spot price and delivering value to its shareholders. The buyback programme is being largely financed by the disposal of 300,000 lbs of U₃O₈, which completed on 30 June 2020, at a price of US\$33.20/ lb, realising a gain of US\$3.7 million and raising net proceeds of US\$9.9 million which were received on 7 July 2020.
- Remaining total U₃O₈ holdings of 9.32 million lbs acquired at an average cost of US\$21.71/ lb.

(1) Based on the month end spot price of US\$29.75/ lb published by UxC LLC on 28 September 2020.

(2) Net asset value per share on 30 September 2020 is calculated assuming 88,215,716 ordinary shares in issue less 3,753,385 shares held in treasury, the Bank of England’s daily USD/ GBP exchange rate of 1.2924 on 30 September 2020 and the month-end spot price published by UxC LLC on 28 September 2020.

(3) Month-end spot price published by UxC LLC on 28 September 2020.

(4) Yellow Cake’s estimated net asset value on 20 October 2020 was US\$277.3 million, consisting of 9,316,385 lbs of U₃O₈ valued at the weekly price of US\$29.55/ lb published by UxC LLC on 19 October 2020, a derivative liability of US\$3.1 million and other net current assets of US\$5.9 million as at 30 September 2020 less US\$0.7 million incurred on the buyback programme between 30 September 2020 and 20 October 2020. The estimated net asset value per share as at 20 October 2020 is calculated assuming 88,215,716 ordinary shares in issue less 4,016,385 shares held in treasury on that date and a USD / GBP exchange rate of 1.2969.

(5) Based on the month end spot price of US\$32.60/ lb published by UxC LLC on 29 June 2020.

- On 24 July 2020, Yellow Cake concluded a location swap agreement in terms of which it exchanged a volume of U₃O₈ located at Cameco's storage facility in Canada for an equal volume of U₃O₈ located at Orano's storage facility in France for a period of six months. The location swap will be reversed in January 2021 when Yellow Cake will again receive the same volume of uranium in Canada in exchange for uranium held in France. In consideration, Yellow Cake received proceeds of US\$1.0 million, net of costs and commissions on 11 August 2020.
- As at close on 20 October 2020, the Company's share price was £2.00 per share, which represents a 21% discount to the above estimated net asset value of £2.54 per share on that date.

Andre Liebenberg, CEO of Yellow Cake, said:

"The uranium price has levelled off after a period of strong growth earlier in the year due to the economic impact of COVID-19 on the nuclear sector. Given the uncertainty created by the pandemic we expect some continued near-term volatility. Through measures including the share buyback programme and innovative location swap agreement we are taking action to address the continued discount to NAV. The medium term outlook for uranium, based on very clear supply and demand fundamentals, is compelling. As Governments implement policies that encourage a "green recovery", nuclear energy will form a core component of helping us achieve our 2050 carbon targets. We continue to see a lack of long-term contracting by energy utilities, in a market where demand still far exceeds supply even in this weaker global economy. With over 440 reactors worldwide, consuming around 170 million pounds of uranium a year, against a total current global production of around 120 million pounds, it is clear utilities will need to return to longer term contracting soon, at a time where the uranium price still doesn't incentivise any new production. We remain confident in our business model and the investment case."

Uranium Market Developments and Outlook

Uranium Market Developments

During the quarter, the U₃O₈ spot price declined from US\$32.60/ lb (UxC June month-end price), to US\$29.75/ lb by the end of September. The principal contributing factor to the price decline was the reduction in spot market transactional volumes which had averaged 12.7 million pounds U₃O₈ per month over the April-June timeframe but fell to less than half of that aggregate (6.3 million pounds per month) during the third quarter. UxC reported total spot market volumes of 5.0 million pounds U₃O₈ for the month of September, well below the 2020 monthly average of 8.5 million pounds U₃O₈.

Aggregate spot market volumes for 2020 (year to date) now exceed 75 million pounds U₃O₈, more than 40% higher than for the comparable period in 2019; However, excluding the exceptional volumes traded in the March-April time frame (36 million pounds U₃O₈ for the two months), the 2020 monthly average sits at 5.7 million pounds U₃O₈, generally in-line with historical averages.

The uranium term contracting market remains relatively subdued during the Covid-19 pandemic as utility nuclear fuel managers address higher priority activities including reactor refuelling outages and nuclear fuel-related scheduling issues. UxC reports (Ux Weekly, 12 October 2020) that an estimated 39.1 million pounds for future delivery has been put under term contracts so far in 2020, while more than 68.0 million pounds had been contracted at this time in 2019 (total 2019 term contracting volume reached 95.8 million pounds). However, UxC did make the recent observation (Ux Weekly, 12 October 2020) that "Overall term activity has been moderate, and while no new contract awards were reported last week, *additional demand continues to quietly emerge*".

As reported in the Company's previous quarterly operating update, Cameco announced on 23 March 2020 that the Cigar Lake Mine and the associated McClean Lake Mill would be placed on care and maintenance status until

further notice in response to Covid-19 restrictions. While some market observers had speculated that Cigar Lake would remain on care and maintenance through the end of 2020, on 29 July, Cameco announced the planned restart of Cigar Lake's operations by early September. Cameco's share of 2020 production was targeted at 5.3 million pounds U_3O_8 (normally 9.0 million pounds/year). However, lost 2020 production would not be recovered.

Kazatomprom significantly reduced employee numbers throughout its uranium production sector over the April-July period. On 3 August, the company announced a restart of operations commencing in early August and expected to be at full operations within two to three weeks. Full year guidance for 2020 indicates a loss of production approximating 10 million pounds U_3O_8 , with most of the production loss occurring in the second half of the year.

UxC forecasts that 2020 global uranium production will approximate 122 million pounds U_3O_8 compared to 139.5 million pounds U_3O_8 in 2019, a reduction of more than 12.5%.

On 6 October 2020, the U.S. Department of Commerce and the Russian Federation nuclear energy organization, ROSATOM, finalised the latest amendment to the Russian Suspension Agreement (RSA). This amendment replaces the 2008 amendment which had been scheduled to expire on 31 December 2020 and had allowed up to 20% of U.S. enrichment requirements to be exported to the U.S. from Russia (including enriched uranium product). The new amendment extends the RSA to 2040 and increases near-term imports (2021-2023) to account for existing utility purchase agreements, but then reduces the annual volume of uranium from Russia from 3.5 million pounds U_3O_8 (2024) to 2.3 million pounds U_3O_8 (2040). Annual uranium quantities from Russia are expected to decline from the current 9.4 million pounds U_3O_8 to an average of 2.8 million pounds U_3O_8 over the period, 2024-2040.

The International Energy Agency (IEA) in its Energy Outlook 2020 (published on 13 October 2020), concludes that in order to achieve sustainable energy objectives, investments in new nuclear capacity will be required. Under the assumptions of its "Sustainable Development Scenario," a total 140 GW of new nuclear capacity will be needed by 2030 while the "Net Zero Emissions by 2050" case necessitates the development of 180 GW of new nuclear by the end of the 2020s.

The Energy Information Administration (EIA) latest "Short-Term Energy Outlook" (September 2020) forecasts U.S. nuclear electricity generation to decline by a modest 2% during 2020 compared to total output in 2019.

The most recent BP "Energy Outlook – 2020" (published on 14 September 2020), shows installed nuclear generation growing in all three of its scenarios (Business as Usual, Rapid and Net Zero). The report states "Nuclear energy grows throughout the Outlook in all three scenarios, as strong growth in China offsets weak or falling nuclear power in the developed world." Under the assumptions of the Business-As-Usual case, nuclear electricity generation is forecast to expand by 40% by 2050 (outer limit of study period) while under the Rapid case, nuclear power generation grows by 100% by the middle of the century. The most aggressive case, Net Zero, envisions nuclear generating capacity expanding by 160% by 2050.

Uranium Market Outlook

The global uranium market continues to readjust to the announcement by Cameco to restart Cigar Lake and Kazatomprom's decision to reinstate full operations. While spot market volumes will likely not increase, these decisions will incrementally reduce anticipated spot market purchases by these two major producers.

Market volumes during the fourth quarter of 2020 could prove to be relatively modest as utilities evaluate nuclear fuel procurement strategies and programs now that market-related issues such as the Nuclear Fuel Working Group as well as the amendment to the Russian Suspension Agreement have been clarified.

In a recent editorial, entitled "Is a Supply Pinch Developing?," UxC concluded that "while uranium prices have recently retreated slightly from earlier gains tied to the immediate effects of the COVID-19 pandemic, potential buyers should refrain from becoming too comfortable as market fundamentals indicate that a real supply pinch could emerge sooner than expected."

Net Asset Value

Yellow Cake's estimated net asset value on 30 September 2020 was £2.56 per share or US\$279.9 million, consisting of 9,316,385 lbs of U₃O₈ valued at a spot price of US\$29.75/lb⁽⁶⁾, a derivative liability of US\$3.1 million⁽⁷⁾ and other net current assets of US\$5.9 million⁽⁸⁾.

Yellow Cake Net Asset Value as at 30 September 2020			
		Units	
Investment in Uranium			
Uranium oxide in concentrates ("U ₃ O ₈ ")	(A)	lbs	9,316,385
U ₃ O ₈ fair value per pound ⁽⁶⁾	(B)	US\$/lb	29.75
U ₃ O ₈ fair value	(A) x (B) = (C)	US\$ m	277.2
Derivative financial liability ⁽⁷⁾	(D)	US\$ m	(3.1)
Cash and other net current assets/(liabilities) ⁽⁸⁾	(E)	US\$ m	5.9
Net asset value in US\$ m	(C) + (D) + (E) = (F)	US\$ m	279.9
Exchange Rate ⁽⁹⁾	(G)	USD/GBP	1.2924
Net asset value in £ m	(F) / (G) = (H)	£ m	216.6
Number of shares in issue less shares held in treasury ⁽¹⁰⁾	(I)		84,462,331
Net asset value per share	(H) / (I)	£/share	2.56

Yellow Cake's estimated net asset value as at 20 October 2020 was £2.54 per share or US\$277.3 million, consisting of 9,316,385 lbs of U₃O₈ valued at the weekly price of US\$29.55/lb published by UxC LLC on 19 October 2020, a derivative liability of US\$3.1 million and other net current assets of US\$5.9 million as at 30 September 2020 less US\$0.7 million incurred on the buyback programme between 30 September 2020 and 20 October 2020. Net asset value per share on 20 October 2020 is calculated based on a USD/ GBP exchange rate of 1.2969 assuming 88,215,716 ordinary shares in issue less 4,016,385 shares held in treasury on that date.

As at close on 20 October 2020, the Company's share price was £2.00 per share, which represents a 21% discount to the above estimated net asset value of £2.54 per share.

(6) Month-end spot price published by UxC LLC on 28 September 2020.

(7) Estimated current value of the Kazatomprom repurchase option under the framework agreement, which is a potential liability of US\$6.5 mm and may only be exercised if the spot U₃O₈ price exceeds US\$37.50/lb for a period of 14 days during the period between 4 July 2021 and 30 June 2027.

(8) As at 30 September 2020. Includes cash and cash equivalents of US\$6.4 million.

(9) Bank of England's daily USD/ GBP exchange rate of 1.2924 on 30 September 2020.

(10) Net asset value per share on 30 September 2020 is calculated assuming 88,215,716 ordinary shares in issue less 3,753,385 shares held in treasury on that date.

Share Buyback Programme

On 22 January 2020, the Company initiated a share buyback programme to purchase up to US\$2 million of the Company's ordinary shares (the "Programme") during an initial period of three months, which was subsequently extended to 21 July 2020.

At the Programme's inception, the Company's shares were trading at a material discount to its underlying net asset value. The Yellow Cake Board therefore took the decision to implement a share buyback programme as a means of effectively acquiring exposure to uranium at a discount to the commodity spot price and delivering value to its shareholders.

On 8 July 2020, the Company announced an enlargement of the Programme to purchase up to US\$10 million over a period of three months which was subsequently extended to 30 October 2020, given that the Company's shares continued to trade at a significant discount to net asset value during this period.

As at 30 September 2020, the Company had purchased 3,753,385 shares (held in treasury) at a volume weighted average price of £2.14 per share.

To date, the company has acquired 4,016,385 shares for a total consideration of £8.6 million (US\$11.1 million) at a volume weighted average price of £2.13 per share and volume weighted average discount to net asset value of 21%.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) no 596/2014

ENQUIRIES:

Yellow Cake plc

Andre Liebenberg, CEO
Tel: +44 (0) 153 488 5200

Carole Whittall, CFO

Nominated Adviser and Joint Broker: Canaccord Genuity Limited

Henry Fitzgerald-O'Connor
Georgina McCooke
Tel: +44 (0) 207 523 8000

James Asensio

Joint Broker: Berenberg

Matthew Armitt
Detlir Elezi
Tel: +44 (0) 203 207 7800

Jennifer Wyllie

Financial Adviser: Bacchus Capital Advisers

Peter Bacchus
Tel: +44 (0) 203 848 1640

Richard Allan

Investor Relations: Powerscourt

Peter Ogden
Tel: +44 (0) 7793 858 211

Linda Gu

ABOUT YELLOW CAKE

Yellow Cake is a London-listed company, headquartered in Jersey, which offers exposure to the uranium spot price. This is achieved through its strategy of buying and holding physical triuranium octoxide (“U₃O₈”). It may also seek to add value through the acquisition of uranium royalties and streams or other uranium related activities. Yellow Cake seeks to generate returns for shareholders through the appreciation of the value of its holding of U₃O₈ and its other uranium related activities in a rising uranium price environment. The business is differentiated from its peers by its ten-year Framework Agreement for the supply of U₃O₈ with Kazatomprom, the world’s largest uranium producer. Yellow Cake currently holds 9.32 million pounds of U₃O₈, all of which is held in storage in Canada and France.

FORWARD LOOKING STATEMENTS

Certain statements contained herein are forward looking statements and are based on current expectations, estimates and projections about the potential returns of the Company and the industry and markets in which the Company will operate, the Directors’ beliefs and assumptions made by the Directors. Words such as “expects”, “anticipates”, “should”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “projects”, “pipeline”, “aims”, “may”, “targets”, “would”, “could” and variations of such words and similar expressions are intended to identify such forward looking statements and expectations. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward looking statements or expectations. Among the factors that could cause actual results to differ materially are: uranium price volatility, difficulty in sourcing opportunities to buy or sell U₃O₈, foreign exchange rates, changes in political and economic conditions, competition from other energy sources, nuclear accident, loss of key personnel or termination of the services agreement with 308 Services Limited, changes in the legal or regulatory environment, insolvency of counterparties to the Company’s material contracts or breach of such material contracts by such counterparties. These forward-looking statements speak only as at the date of this announcement. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in the Company’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law or the AIM Rules.