



Uranium Report 2020

Everything you need to know about uranium!



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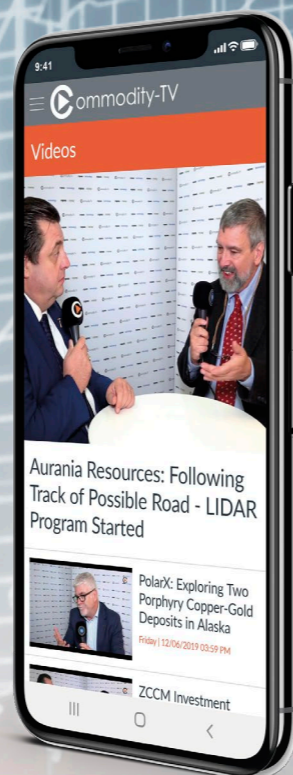
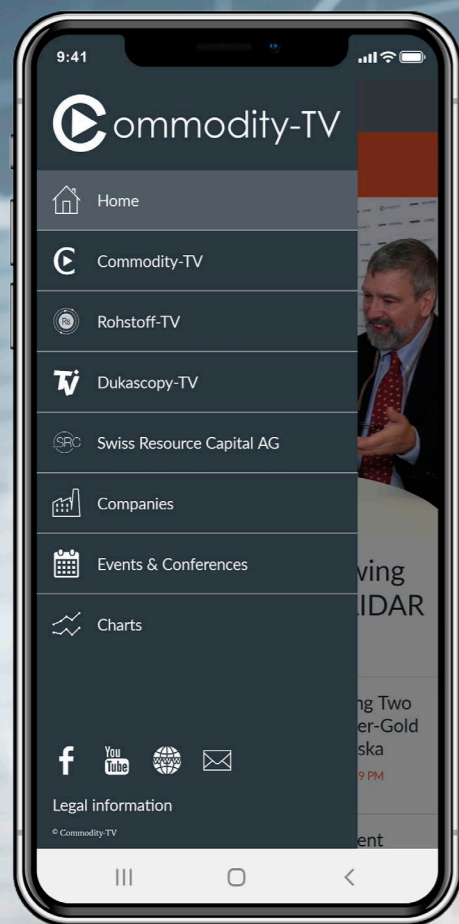
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Preface

Dear Readers,

With this new edition of the Uranium Report 2020 we are already entering the fourth year of this special report series. Uranium is a „hot potato“ and we see major imbalances in supply and demand coming to the markets. We expected this to happen in 2019 and have been proven wrong, as there is probably still enough to buy on the spot market. However, without uranium power generation, i.e. nuclear power plants, we will not only have a huge global problem in stable basic energy supply, but also a real power supply problem in itself due to the electromobility revolution. The development of the charging infrastructure is progressing much more rapidly in Europe and electricity consumption continues to rise. Even I now drive a hybrid and diligently charge electricity car for short trips in the city. The question is rather where does all the electricity come from, and that without pollutant emissions? Nuclear power is the only viable solution here for many years to come, as the sun and wind cannot be relied upon and they can only be suppliers. Especially in Germany this question is even more important, as nuclear power is being switched off and coal is being made to disappear. Here it is once again worthwhile to look at China because here they are also switching to solar, hydroelectric, wind and above all nuclear power. China has understood that one suffocates at the own smog but also needs a reliable and cheap power supply. Nuclear power is the perfect solution.

Closely related to Battery Metals (main components of lithium-ion batteries, the heart of every electric vehicle) is the base-load capable power supply (charging) of the batteries, and thus either the burning of coal, gas or oil or the use of uranium as a fuel element in nuclear power plants. There are no other base-load-capable energy production methods as long as no adequate storage possibilities for electricity from renewable energy sources have been created. This report is intended to give the reader an overview of the uranium industry and the real facts, as well as of the world's energy supply from nuclear power. The petition 232 in the USA last year and the Nuclear Working Group has come to a decision. The Trump Administration has now deci-

ded to buy domestic uranium for US\$150 million per year! This could be the ignition point for rising uranium prices in the future. Supply is still falling, and demand is rising slightly.

Of course, we also present some interesting companies in the industry with facts and figures. This is to be understood as a suggestion and not as a buy recommendation since there are only very few listed companies left.

Raw materials are the basis of our entire economic coexistence. Without raw materials there are no products, no technical innovations and no real economic life. We need a reliable and constant basic energy supply for our highly industrialised world.

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Yours, Jochen Staiger



Jochen Staiger is founder and CEO of Swiss Resource Capital AG, located in Herisau, Switzerland. As chief-editor and founder of the first two resource IP-TV-channels Commodity-TV and its German counterpart Rohstoff-TV, he reports about companies, experts, fund managers and various themes around the international mining business and the correspondent metals.

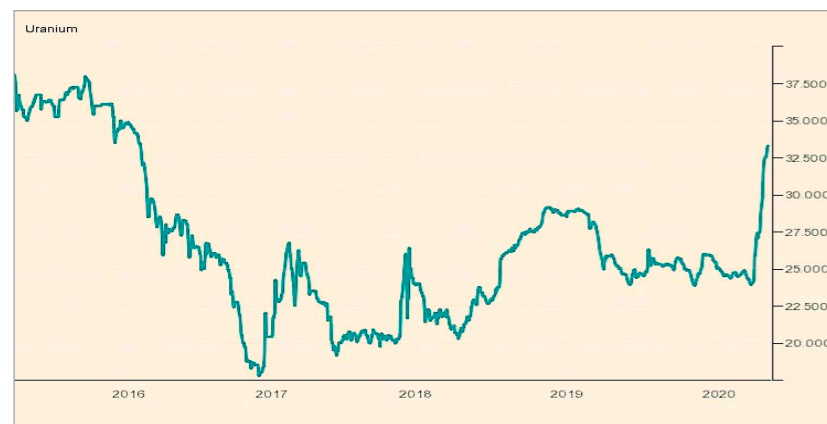


Tim Rödel is Manager Newsletter, Threads & Special Reports at SRC AG. He has been active in the commodities sector for more than twelve years and accompanied several chief-editor positions, e.g. at Rohstoff-Spiegel, Rohstoff-Woche, Rohstoffraketen, the publications Wahrer Wohlstand and First Mover. He owns an enormous commodity expertise and a wide-spread network within the whole resource sector.

„Thanks to“ Corona: The uranium sector is really picking up speed again! – Spot price at four-year high!

The Corona crisis continues to have a firm grip on the globe. The massive interventions in the development of the free economy have left deep scars. Mass unemployment and economic hardship have suddenly become part of everyday life again. But every crisis also has its winners. In the case of Corona, one big winner is already emerging: the uranium sector! While many large mines have had to temporarily shut down or even completely shut down due to possible infections of the personnel, at the same time the systemically important nuclear power plants must continue to operate in order not to allow the social system to fall apart completely. The USA in particular, but also other nations where nuclear energy plays an important role

Uranium price development over the last 5 years
(Source: own representation)



(such as France, Great Britain and China), urgently need a supply of fuel. Whatever the cost, one might almost think so, at least if one takes a look at the uranium spot price. It has gone up from US\$ 24 to US\$ 33.30 per pound in just 5 weeks. A plus of almost 40% and a four-year high at the same time!

**Nuclear energy is currently the only base-load capable energy source that can manage the balancing act between an enormously increasing electricity demand and clean energy generation!
Uranium is irreplaceable for this!**

Global energy demand has multiplied since the end of the 1980s. About 11% of the total energy demand worldwide is currently covered by nuclear power. However, it is still mainly fossil fuels such as coal and crude oil that are burned to generate energy. The increasing demand for a reduction of CO₂ emissions and the ever more noticeable phenomenon of „global warming“ are causing above all energy-guzzling industrial nations and emerging markets to increase their energy efficiency and improve their CO₂ budgets. The second important point is the ongoing electrical revolution, which in a few years' time will not only make us almost 100% electrically mobile but will also bring with it a huge additional surge in demand for clean energy.

Burning coal and oil cannot achieve both at the same time. The alternative is renewable energies, which however require an enormous amount of time and money and are not even close to being able to supply base load without the lack of larger electricity storage facilities, or nuclear power, which can provide a great deal of energy in a CO₂-neutral way. Some countries have long since recognized this possibility of fast and almost clean energy generation and are now pushing the construction of new nuclear power plants.

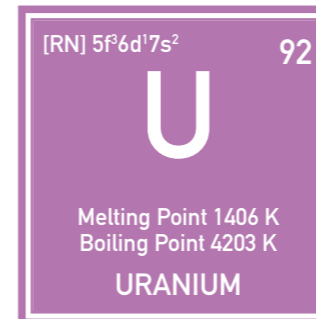
Base load capability, what is that?

Base load capability is the ability of a power plant to provide continuous, reliable electrical energy. This includes nuclear power plants, coal-fired power plants, gas-fired power plants, oil-fired power plants and steam power plants fired with substitute fuels. Combined heat and power plants, biomass and biogas power plants can also be base load capable under certain conditions, although fossil or renewable raw materials must also be burned. The only base-load-capable electricity generation from renewable energy sources is by means of hydroelectric power plants, although this often requires a major intervention in nature. Photovoltaic and wind power plants are not suitable for base load due to their often strongly fluctuating generation and thus feed-in.

What is uranium?

One of only two elements where nuclear fission chain reactions are possible

Let us come to the element uranium itself. Uranium is named after the planet Uranus and is a chemical element with the element symbol U and atomic number 92. Uranium is a metal whose all isotopes are radioactive. Uranium, which occurs naturally in minerals, consists of about 99.3% of the isotope 238U and 0.7% of 235U.



The uranium isotope 235U is fissionable by thermal neutrons and is therefore, apart from the extremely rare plutonium isotope 239Pu, the only known naturally occurring nuclide with which nuclear fission chain reactions are possible. For this reason, it is used as a primary energy source in nuclear power plants and nuclear weapons.

Occurrence

Uranium does not occur in nature in solid form, but always in minerals containing oxygen. There is a total of about 230 uranium minerals which can be of local economic importance. There is a wide range of uranium deposits from magmatic hydrothermal to sedimentary types. The highest uranium contents are found in unconformity-related deposits with average

uranium contents of 0.3 to 20 %. The highest grades are over 60% U₃O₈! According to the International Atomic Energy Agency (IAEA), the largest uranium ore reserves are in the USA, Niger, Australia, Kazakhstan, Namibia, South Africa, Canada, Brazil, Russia, Ukraine and Uzbekistan.

Uranium mining

Uranium mining is basically divided into two processes: Conventional extraction and extraction by means of in-situ leaching or in-situ recovery (ISR). The exact extraction method depends on the properties of the ore body, such as depth, shape, ore content, tectonics, type of host rock and other factors.

Conventional production

Most of the uranium is extracted by underground mining. The deposits are accessed via shafts, galleries, ramps or spirals. Problems are often caused by the ingress of mine water and so-called ventilation (technical measures to supply mines with fresh air). The exact mining method is chosen according to the characteristics of the deposit. Above all, the shape of the ore bodies and the distribution of the uranium in them are decisive. In underground mining, an ore body can be mined in a targeted manner, resulting in much less overburden than in open-pit mining.

Near-surface or very large ore bodies are preferably extracted by open pit mining. This enables the use of cost-effective large-scale technology. Modern open-pit mines can be from a few metres to over 1,000 metres deep and can reach a diameter of several kilometres. Open-pit mining often produces large quantities of overburden. As in civil engineering, large quantities of water may have to be excavated for an open-pit mine, but ventilation is less of a problem.

ISR Mining

In the ISR method, water and small amounts of CO₂ and oxygen are injected into the sandstone layers with the help of so-called injection wells, the uranium is dissolved out and pumped back to the surface for further processing with the help of so-called recovery wells. The whole process is therefore completely underground. The advantages of this process are therefore obvious: no major earth movements as in open-pit operation, no overburden dumps or run-off basins for heavy metals and cyanides have to be carried out. Only the wells are visible on the surface, the areas around the wells can continue to be farmed without restrictions. The ISR process makes even low-grade deposits economically mineable, the capital costs for mine development are greatly reduced. In addition, the whole process can be carried out with a minimum of manpower, which also drastically reduces operating costs. According to a study by the World Nuclear Association, 25% of the uranium mined outside Kazakhstan recently came from ISR mines.

The current status of the uranium market

But what about the uranium market today? It is clear that the lack of investment in the procurement structure - i.e. in the infrastructure of mines and processing plants - over the last 45 years will most likely prove to be a stroke of luck for uranium investors in the future!

For despite the fact that, at the latest since the Chernobyl disaster and even more so after the events surrounding the nuclear facilities in Fukushima, Japan, the number of nuclear power plants worldwide is already at a record level. Just 30 countries currently (as of 1 April 2020) operate 442 reactors with a total net electrical capacity of around 390.7 gigawatts.

The current leading nuclear power nation with 96 reactors in operation is the USA. However, emerging markets such as China and India in particular are requiring more and more energy and have been focusing on a massive expansion of their nuclear power capacities for some time. It is therefore not surprising that 53 additional nuclear reactors with a total net electrical capacity of around 56.3 gigawatts are currently under construction. Plans for 110 additional ones have already been completed and 330 more are in the pipeline.

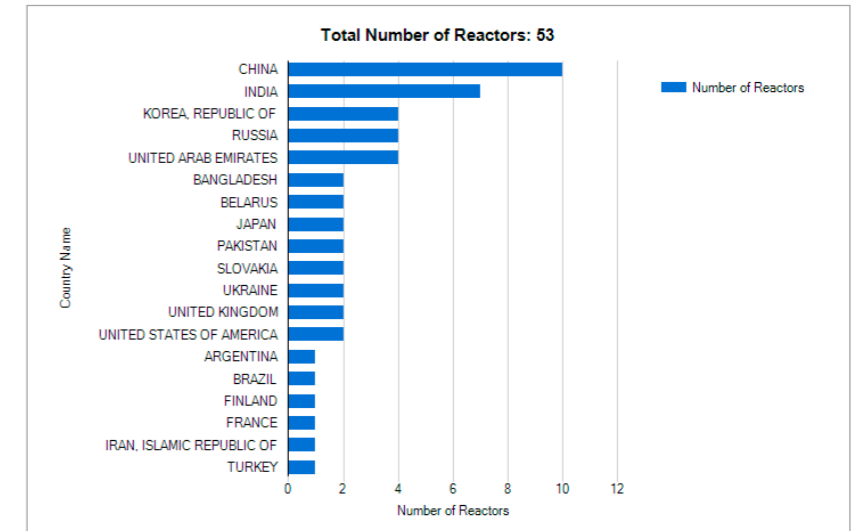
The demand situation

China is only at the beginning of the nuclear age

While many self-proclaimed experts had already prophesied the end of the nuclear age, this is still in its infancy in the world's most populous country. 48 reactors with a total net electrical capacity of 45.5 gigawatts are operated in the Middle Kingdom, which has so far mainly used coal to generate electricity. Of these, 9 new reactors alone have been put into operation since the beginning of 2018. The expansion of nuclear power in China is

therefore enormous and is proceeding at breathtaking speed! Nevertheless, more than two thirds of China's energy consumption is still generated by coal-fired power plants. And although China itself is mining its own coal deposits on a large scale, it is one of the world's largest coal importers alongside India. 30% of the coal mined worldwide is imported into these two countries alone. A certain dependence on these same coal imports is obvious. And this is exactly something that the leadership of the People's Republic is trying to avoid. The obligation to establish climate-friendly and clean energy generation options is almost a secondary consideration. The state-owned power plant manufacturer Power Construction Corporation of China (Beijing) predicted in autumn 2015 that its country would rise among the world's largest users of nuclear power after the Chinese government planned to build more than 80 new nuclear reactors in the next 15 years and more than 230 new nuclear reactors by 2050. According to information from China Power, the new five-year plan for the energy industry, which is scheduled for adoption by the National People's Congress in March 2016, envisages a faster expansion of nuclear capacity than has been the case to date: previously, capacity was expected to rise to 58 gigawatts in the coming years, but now more than 90 gigawatts are under discussion. In 2005, the plan was still based on a mere 40 gigawatts by 2020. By 2030, 110 reactors should be on the grid. A total of 10 nuclear reactors are currently under construction. In a further step, China's nuclear power generation is to be expanded to 120 to 160 gigawatts by 2030!

While in Germany the abolition of nuclear power generation was sealed shortly after the events in Fukushima, China has decided exactly the opposite and is making every effort to produce cheap electricity by means of a chain reaction. In view of an ever-increasing energy demand - mainly due to rising prosperity - and a catastrophic CO₂ balance, China's path in this direction seems only logical.



India massively expands civil nuclear program

India is following a similar path. The world's second most populous country plans to expand its nuclear energy capacity by 70 gigawatts. In contrast, India's current total net electrical capacity of about 6.2 gigawatts seems downright ridiculous.

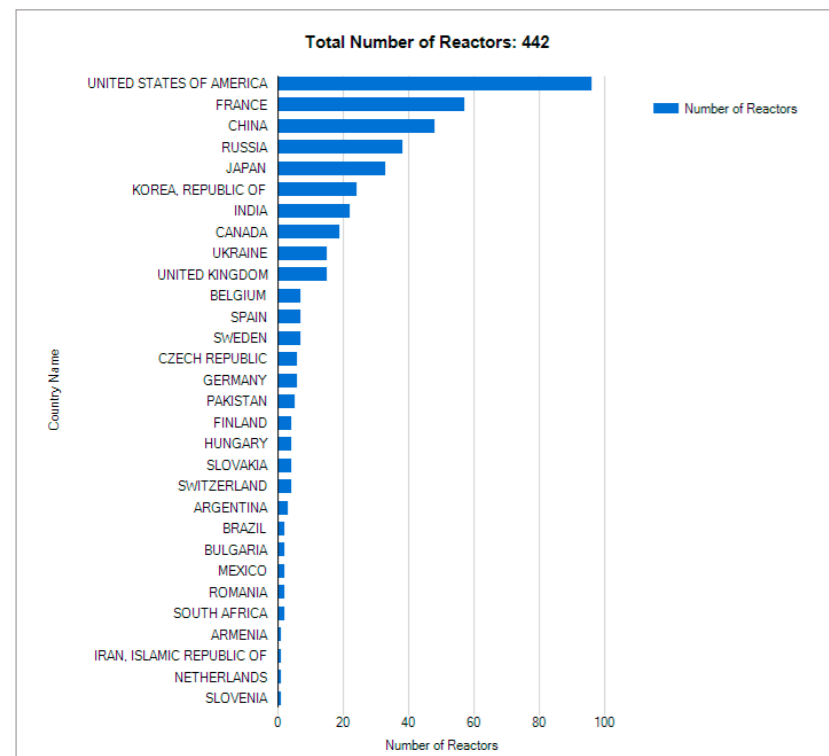
However, India has literally slept through its entry into nuclear energy and is now desperately searching for recoverable deposits, but also has to expand its overloaded power grid. A tenfold increase in nuclear energy capacities seems not only sensible, but also urgently necessary.

India itself has hardly any significant uranium deposits. An expansion of its own nuclear energy capacities by a factor of ten would at the same time mean a 10% increase in total global nuclear power generation.

But where is the additionally required uranium going to come from? Currently, only a few of India's 22 nuclear reactors are running at full load. While Japan, China, Russia and South Korea in particular have been able to secure uranium resources worldwide in recent years, India has completely missed this opportunity. Only recently, several purchase agreements have been concluded with companies from the USA, Canada, Na-

Overview of reactors currently under construction per country
(Source: www.iaea.org/PRIS)

Overview of reactors currently in operation per country
(Source: www.iaea.org/PRIS)



mibia, Kazakhstan, Russia, Great Britain and South Korea.

At present, 7 nuclear reactors are under construction in India, with another 42 to follow by 2050.

Russia with increasing nuclear capacity

Russia and Brazil have also announced a massive expansion of their nuclear power plants. Russia currently operates 38 nuclear reactors with about 29.2 gigawatts. 4 plants are in the construction phase. In addition, Russia plans to build 46 more nuclear power plants, which should increase the share of nuclear energy in the Russian energy mix from currently 15% to over 20%. In a further step, Russia wants to increase this quota again to 25%.

Rising global expansion of nuclear energy

In addition to the 30 nations that already have nuclear reactors online, another 17 countries are planning to install nuclear power plants. Among them are Egypt, Jordan, Turkey and Indonesia. At the beginning of March 2020, the 31st nation, the United Arab

Emirates, entered nuclear power production. Another 3 reactors are under construction there.

The USA in particular is threatened by the energy collapse

With 96 reactors, the USA has by far the largest active nuclear power plant fleet in the world. Nevertheless, the USA is threatened with a collapse in energy supply. The United States is still the country with the highest per capita consumption of electricity in the world. And the Americans' hunger for energy is growing. Many of the coal-fired power plants that still date from the 1950s and 1960s operate inefficiently and uneconomically. Sooner rather than later they have to be taken off the grid. Electricity consumption, on the other hand, is rising steadily. So, the USA has no choice but to increase the number of its nuclear reactors in the coming years. Of course, climate-friendly energy is also provided by photovoltaic systems, wind farms, hydroelectric power plants or geothermal energy, but these energy producers can only solve acute energy problems to a limited extent, as they are very costly on the one hand and their output fluctuates according to the time of day and weather conditions on the other. What therefore remains as the only climate-friendly energy production option is nucle-

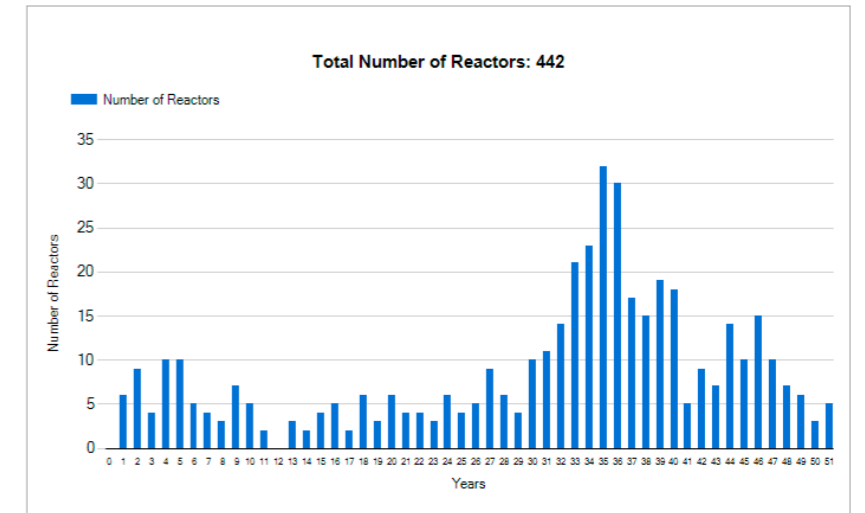
ar power. Because, given the amount of additional electricity required over the next two to three decades, renewable energies can only serve as an admixture to the overall energy mix.

For this very reason, a law to increase and promote energy production using nuclear power has already been created as part of the „Clean Energy Act of 2009“, a programme for the provision of carbon-free energy. Both US government parties have drawn up an \$18.5 billion plan to double nuclear power capacity by 2030. At the beginning of 2010, President Obama announced that the US government would include in the 2011 federal budget additional funds of \$36 billion for state guarantees for the construction of a new generation of nuclear reactors. This meant a tripling of the originally planned budget funds.

In recent years, an application has been made for an extension of the operating lives of more than 60 US nuclear reactors to 60 years of total operating time. In addition, 42 applications have been submitted for the construction of new nuclear power plants. So far, however, only 4 plants are under construction, another 21 are in the concrete planning phase.

Long-term supply contracts to expire shortly

The previous cycle of contracts, dominated by the uranium price peaks of 2007 and 2010, has led plant operators to enter into higher-priced contracts with very long durations of about 8 to 10 years. On the one hand, these old contracts are expiring, but on the other hand the plant operators have not yet made any effort to replace these supply volumes. Forward transactions by plant operators are therefore declining sharply, which means that the quantities required for which there is no contractual obligation yet, but which must be contractually secured in future, are also increasing. Uncovered demand is expected to be just under one billion pounds of U_3O_8 over the next 10 years. At



the same time, more than 75% of the expected reactor demand until 2025 is not contractually secured. For a commodity such as uranium, which is only marginally traded, this return to more „normal“ long-term contracts is likely to put enormous pressure on both long-term prices and spot prices. International plant operators are therefore now increasingly showing signs of increased buying activity.

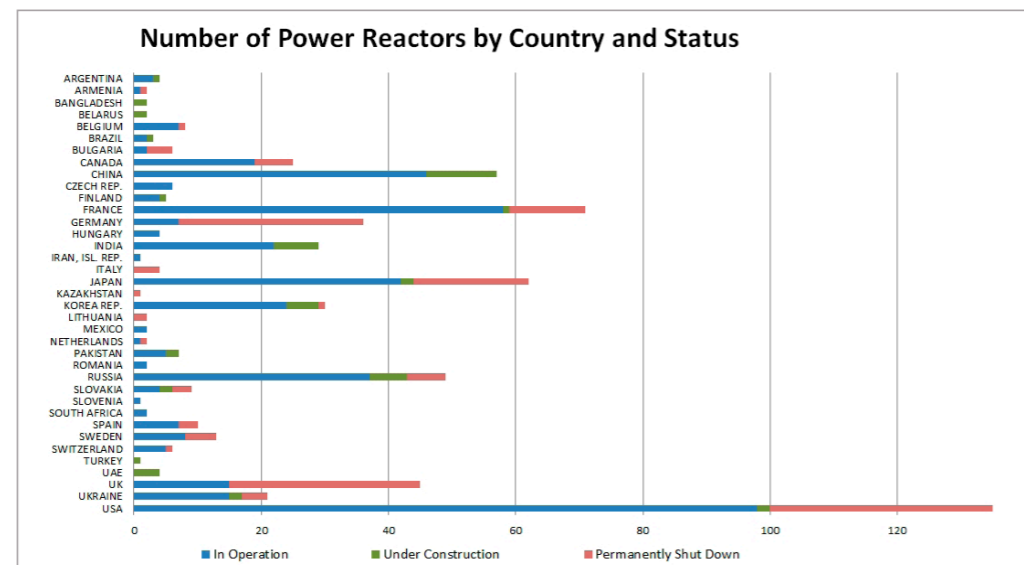
Overview of the age of the currently running reactors. Many will (have to) be replaced by more powerful ones in the coming years. (Source: www.iaea.org/PRIS)

Summary

The fact is that 442 reactors are currently in operation and at least 330 more are to be added by 2040. 53 plants are already under construction, another 110 are in the concrete planning phase. Even if half of the old reactors were to be taken off the grid by then, 500 to 600 reactors would be active in 2040.

Furthermore, about 90% of all long-term supply contracts between the uranium producers and the power generation companies expire by the end of 2020, which is likely to put established nuclear power nations such as the USA in particular in a predicament.

Overview of currently running reactors (blue), currently shut down reactors (grey), reactors under construction (green) and permanently shut down reactors (red). Above all China, India, South Korea, Russia, the United Arab Emirates and the USA are currently working on expanding their reactor fleets. (Source: www.iaea.org/PRIS)



The supply situation

Established producers are running out of air

The established uranium producing nations Australia, Canada, Russia and Niger were already having problems expanding their production before the Corona crisis. All four countries together produced almost 19,333 tonnes of uranium in 2018. In 2009 the figure was 28,000 tonnes of uranium. Australia has experienced recurring problems at BHP Billiton's Olympic Dam Mine, by far the country's highest-yielding uranium mine. In Canada, the start of production at Cameco's McArthur River Mine had to be postponed tens of times due to repeated ingress of large amounts of groundwater. In Niger, mine openings that had also been planned had to be postponed. In some cases, however, mines were also shut down due to the weak uranium spot price.

US uranium production is down

The situation in the USA is even more threatening. Although the Obama administration has decided on a US\$ 54 billion programme to promote the nuclear power industry in 2010, it is still far from clear where the uranium needed to operate the reactors will come from. The uranium industry in the USA is only a shadow of the past. In the last 45 years, practically nothing has been invested in the development of new deposits and almost 95% of the uranium required has been obtained from disarmament programmes. US nuclear reactors already consume about 21,300 tonnes of uranium annually. An increase in capacity would therefore also require an increase in the amount of uranium needed. The World Nuclear Association (WNA) estimates that by 2035, the USA alone will need about 40,000 tonnes of uranium annually. Even in the heyday of US uranium production in the 1960s and 1970s, it would not have been possible to extract such a quantity from their own plants. US uranium production reached its peak in 1980, when about

29,000 tonnes of uranium were extracted from the ground. After the end of the Cold War, disarmed nuclear weapons in particular became the most important source for US uranium demand. This led to a decline in American uranium production to less than 500 tons of uranium per year at the end of the war. As a direct consequence, much of the infrastructure and approved production facilities were simply closed or completely dismantled. Currently, only a few mines remain in Texas, Arizona and Wyoming.

Kazakhstan – the new uranium superpower

While almost all established uranium producers are experiencing difficulties in rebuilding or expanding their uranium production, one region has now moved past all other countries to the forefront of uranium production: Central Asia. In the last ten years, Kazakhstan in particular has multiplied its uranium production there. Uranium production in the former Soviet Republic rose from 1,870 to over 24,586 tonnes between 2000 and 2016. In 2009, Kazakhstan thus also overtook the previous leader Canada and is now responsible for almost 40% of total global uranium production.

Massive production cuts have already been initiated

But although Kazakhstan is one of the nations that can currently mine uranium at the lowest cost, the country has long since ceased to be prepared to sell its uranium deposits at rock-bottom prices. In early 2017, the state-owned Kazatomprom announced that its own uranium production would be cut by at least 20% in 2017. In May 2018 Kazatomprom announced further production cuts. In addition, production had to be further reduced due to corona.

However, Kazatomprom is not the only uranium producer that has been relying on production cuts in view of the weak uranium price. Uranium major Cameco announced

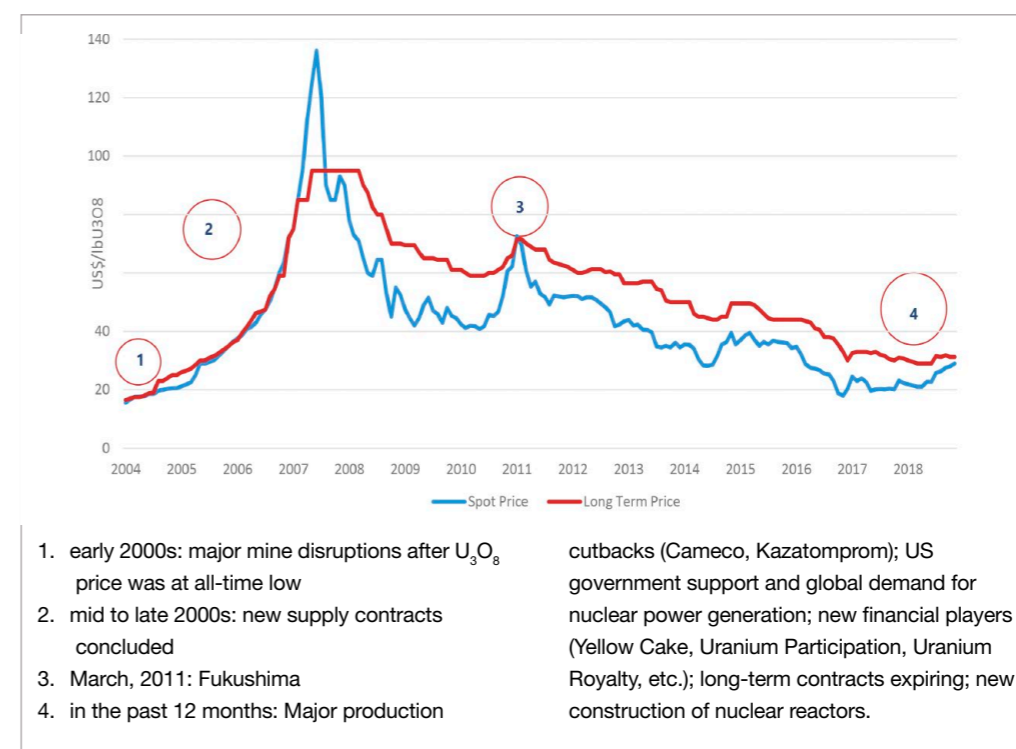
production cuts and closed its McArthur River mine and Key Lake facilities indefinitely in January 2018. The Rabbit Lake mine was also closed, both of which are among the ten largest uranium mines in the world. McArthur River is the mine with the second highest uranium production worldwide. With the temporary closure, 10% of the total world production was taken off the market at a stroke. In addition, Cameco has for some time been acting as a uranium buyer itself in order to supply long-term, higher-priced supply contracts with corresponding uranium volumes at spot prices.

Since 2017 Kazatomprom has reduced its uranium production by about 15% and Canada by about 45%. Furthermore, Cameco closed its Cigar Lake mine in March 2020 for four weeks due to corona, which was subsequently extended. In addition, Orano's McClean Lake processing plant also had to close. Other closures include Moab Khotseng in South Africa and the Chinese-owned mines Husab and Rössing in Namibia, to name but the most important. The spot market, whose supply is mainly composed of uranium,

which is mined as a by-product in other mines, has also recently seen a decline in supply due to various mine closures.

Huge supply gap already existing before Corona

Overall, uranium production has declined by about 60% since about the beginning of March 2020 due to corona alone, although it should be noted that the supply shortfall was already about 40 million pounds of uranium per year before that. The current demand is thus largely covered by stocks, which are thus rapidly dwindling. So, in fact, there is already a supply shortfall. At the current level of 442 nuclear reactors worldwide, consumption is about 183 million pounds of U_3O_8 , of which only about 139 million pounds are covered by global uranium production (excluding the special effect of corona). The International Atomic Energy Agency (IAEA) estimates that the construction of new nuclear power plants will increase global uranium demand to up to 300 million pounds of U_3O_8 in 2030.



Uranium spot price (blue) and long term price (red) including major events for the sector
(Source: Company presentation Laramide Resources)

Summary

The supply side is currently in a state of flux in the uranium sector. The secondary supply from Russia's disarmed nuclear stocks is becoming less and less important. While in 2006 37% of demand was covered by disarmed nuclear weapons, this figure has now fallen to just 4%. At the same time, however, the number of nuclear reactors will increase dramatically. The established uranium producers will not be able to completely cover this equally leap in demand - at least not at the current uranium spot price of US\$ 33 per pound of U_3O_8 . So where is the more needed uranium to come from in the future? Increased production can only be achieved through a higher uranium price and, consequently, major investments in the expansion of existing and new mines.

However, the basic problem remains the relatively low uranium spot price, which does not allow producers to access deposits that are more difficult to access and therefore more costly to extract.

Conclusion

Doubling the demand is matched by almost no increase in supply!

However, the uranium spot price is currently as far away from the US\$130 per pound uranium mark as current demand will soon be from future demand. According to a very conservative estimate by the International Atomic Energy Agency (IAEA), this demand will double in the coming years. In 10 to 15 years, the above-mentioned ranges could therefore be halved without hesitation.

All this shows that the still - apparently cheapest - way of generating electricity can only be used if the market price for the starting product uranium rises again. The market price of uranium is also determined by supply and demand. However, if the market price no longer permits economic production, it

At a market price of US\$40 per pound of uranium, experts estimate that there are just under 713,000 tonnes of commercially recoverable uranium.

With an annual consumption of about 68,000 tonnes of uranium, these deposits would therefore only last for 10 years, provided that the market price for them remained constant at at least US\$ 40 during this period and demand also remained constant. However, this demand will inevitably increase.

If the market price for uranium were to rise and justify extraction costs of US\$80 per pound of uranium, it would be possible to mine about 1.28 million tonnes of uranium economically. Range at current consumption: 19 years.

If the uranium price were at 130 US\$ per pound, about 3.86 million tons of uranium could be economically extracted. At current consumption levels, the known reserves would then last for about 56 years.

must and will inevitably rise. In the case of uranium, demand will also rise sharply as a result of the construction of several hundred new nuclear reactors, so that the market price will benefit twice over. And thus of course also those investors who have recognised this trend early enough.

High proportion of demand has not yet been covered

Uncovered demand is expected to exceed one billion pounds of U_3O_8 in the next ten years. However, more than 80% of the expected reactor demand until 2025 will not be contractually secured. For a commodity such as uranium, which is only marginally traded, this return to more „normal“ long-term contracts is likely to put enormous pressure on both long-term prices and spot prices. International plant operators are therefore already

seeing increasing signs of increased buying activity.

USA build up strategic reserve!

In January 2018, the only two remaining US uranium producers, Ur-Energy and Energy Fuels, submitted a petition to the U.S. Department of Commerce to point out the relevance of US uranium mining with regard to possible security policy concerns and increasing dependency of the energy industry on uranium imports.

The two companies argued that 40% of US demand for uranium is met by imports from countries of the former Soviet Union (namely Russia, Kazakhstan and Uzbekistan), while only 2% of demand is produced in the USA. The dependence of both the US energy industry (after all, 20% of the electricity consumed in the USA is generated by nuclear power plants) and the military on these nations has increased alarmingly as a result.

With their petition, the two producers wanted to have both the Department of Commerce and President Trump draw up a clear assessment of the USA's dependence on imports from Russia, Kazakhstan and Uzbekistan, as well as promote the USA's own uranium industry.

In July 2018, the U.S. Department of Commerce initiated an investigation into the impact of uranium imports on U.S. national security.

This led to the US government announcing in February 2020 that it would provide US\$ 150 million annually over the next 10 years to create a strategic uranium reserve. This reserve is to come entirely from uranium from US mines.

The most important decisions in this regard were as follows:

- ▶ US purchases of 17-19 million pounds of U_3O_8 , starting in 2020 from domestic producers on the basis of a tendering pro-

cess. Subsequent support is considered necessary over a period of up to 10 years to restore market share.

- ▶ Streamline regulatory reform and access to land for uranium mining.
- ▶ Supporting the efforts of the Department of Commerce to renew the Russian suspension agreement to protect against future uranium dumping on the US market.
- ▶ Enabling the Nuclear Supervisory Commission to refuse to import nuclear fuel produced in Russia or China for reasons of national security.
- ▶ Establishment of a nuclear industrial base structure analogous to the defence industrial base.
- ▶ Financing of advanced water treatment technology for uranium mining and in-situ recovery
- ▶ Increase the efficiency of export processes and adopt 123 agreements to open up new markets for the export of US civil nuclear technology, materials and nuclear fuel

In this way, the US government is accommodating the domestic mine operators to some extent and thus trying to revive domestic production. It is expected that US producers will need an average uranium price of at least US\$50 to US\$60 per pound to be able to produce sustainably. Currently, only Energy Fuels, Uranium Energy, Ur-Energy and Cameco are able to restart their mining projects, although Cameco has already announced that this is not in the company's interest.

Uranium ETFs cause spot price to rise

Only recently, several other strong market players have been added, who are now securing U_3O_8 on the spot market at a low price, mostly from mines where uranium is a by-product. In addition to Cameco, which is now acting as a buyer, Uranium Participation Corp. and Yellow Cake Plc. have also been able to purchase larger quantities of uranium. Yellow Cake also has a contract with Kazatomprom under which it buys uranium for

US\$170 million. This takes immense pressure off the uranium spot price and also puts pressure on utilities to extend their expiring contracts.

The best uranium stocks promise multiplication potential!

We have taken the current situation of a far too low uranium spot price, which does not reflect reality, plus the massive supply shortfall expected in the future, as an opportunity to summarize promising uranium shares to you in compact form. We are concentrating

in particular on development companies with extremely promising projects, as these offer a high takeover opportunity in addition to the actual appreciation through a higher uranium spot price. At the end of 2015, the merger (de facto takeover) of Fission Uranium with (by) Denison Mines failed, among other things due to the vote of Fission shareholders. The example shows that investors currently assume that there will be far better takeover or merger opportunities in the future. This is precisely because the uranium sector is currently undervalued in this way, and this undervaluation must first be eliminated.

sources, while at the same time significantly reducing CO₂ emissions by decommissioning coal-fired power plants. The construction of new nuclear reactors seems to me to be politically hardly feasible, especially in German-speaking Europe. This is despite the great age of the existing reactor fleet.

The starting position is somewhat different in China or India. These economies are growing dynamically. The same applies to their electricity requirements. In addition, high levels of air pollution and growing international pressure to reduce CO₂ emissions are just as much a challenge as the high dependence on imports of fossil fuels. It is therefore not surprising that these countries are resolutely pushing ahead with the expansion of nuclear energy.

These influences and trends are reflected in the figures of the International Atomic Energy Agency IAEA. According to their figures, a total of 450 reactors with an installed capacity of 398.9 GW are in operation on a global basis as of 31.12.2019. This means that nuclear energy supplies around 10% of global electricity production and is the second most important source of low-CO₂ electricity after hydropower. 53 reactors with a capacity of 54.7 GW are under construction. A good half of these are in China, Russia and India. Our conservative projections assume that these new reactors will largely compensate for the shutdowns expected in the established industrialized countries in the coming years. These considerations lead us to the core of our investment thesis. We assume that nuclear energy will remain relevant. We do not advocate either significant absolute growth or an increasing share in the global energy mix. With our Uranium Resources Fund we focus on the emerging supply gap in the uranium market.

Since 2011, the uranium price has been under permanent pressure and has still not recovered. What are the main reasons for this price collapse and how do you assess the current state of the market?

The Fukushima reactor accident was a decisive event for the uranium sector. As a result of the accident, the entire Japanese reactor fleet was taken offline. That was a good 10% of global capacity. The demand for uranium has been reduced accordingly. The future prospects of nuclear energy were discussed worldwide. In German-speaking Europe it was even decided to phase out nuclear power. This uncertainty was also reflected in the inventory cycle and the purchasing behaviour of power plant operators. The demand side has been very defensive. At the same time, in the first few years after the accident, the supply side hardly reacted at all to the reduced demand. This was due to the long-term supply contracts between the mines and the power plant operators from the time of the last uranium bull market. Many producers were able to service these contracts with their prices fixed at a high level and thus escape the price pressure on the spot market. The result was a significant oversupply on the uranium market. Accordingly, the prices have been reduced significantly.

In the meantime, a large proportion of these long-term supply contracts have expired and the pressure of suffering among producers has increased massively. Today, a good half of uranium production is likely to make losses. No money can be earned with a spot price of US\$ 25. Against this background, the supply side has started to react. The two leading producers Kazatomprom and Cameco have significantly reduced their production and some mines have even shut down. Today, many producers fulfil their supply obligations by no longer extracting the uranium they need from their mines, but by procuring it on the spot market. The resulting reduction in supply will bring the uranium market back into balance over the coming quarters and create the conditions for a sustained increase in prices. Most recently, corona-related production interruptions acted as a fire accelerator in this context and the spot price rose to over US\$30 per pound. This raises hopes that the phase of bottoming out in the uranium market can soon be concluded.

investment advisor, broker and portfolio manager. Since the summer of 2004, Schärer has been focusing on various investment themes with a tangible asset character as an entrepreneur, consultant and portfolio manager. He also brings his practice-oriented financial market knowledge to companies as a member of the board of directors. He is married and father of a son. In his free time, he enjoys cooking for friends and family, hiking in the Ticino mountains or reading the biography of a fascinating personality.



Dr. Christian Schärer is a partner at Incrementum AG, responsible for special mandates. During his studies he started to search for the strategic success factors of successful business models. A topic that still fascinates him today and inspires him in the selection of promising investment opportunities. He studied business administration at the University of Zurich and earned his doctorate while working at the Banking Institute Zurich with an analytical study on the investment strategy of Swiss pension funds in the real estate sector. He has acquired comprehensive financial market knowledge in various functions as

Interview with Dr. Christian Schärer – Manager of the Uranium Resources Fund and Partner of Incrementum AG

Dr. Schärer, nuclear power is controversial, especially in German-speaking countries, and politicians have initiated the phasing out of nuclear power. Recently, however, several politicians have been advocating the continued operation of reactors. At the same time, many new nuclear reactors are being built, especially in China, but also in many other parts of the world. Is nuclear power experiencing a renaissance?

Nuclear energy is a highly emotional topic, especially in German-speaking Europe. The decisions regarding the phasing out of nuclear power should also be seen against this background. These decisions were made under the impression of the events in Fukushima, without a politically broad-based and rationally based debate on the sensible design of future energy supply. This debate is now being conducted after all against the background of the climate debate. It is a fact that on a global basis around ¼ of the energy de-

mand is covered with fossil fuels. If we now want to seriously address the issue of CO₂ reduction, we cannot avoid a drastic and rapid restructuring of our energy supply. This will hardly succeed without a strong expansion of electricity production from renewable sources (sun, wind and water). In this context, we believe that nuclear energy remains relevant because of its small CO₂ footprint. It is important to differentiate between the starting position in the Western industrialised countries on the one hand and that in the emerging economies, especially in Asia.

For Europe, the small CO₂ footprint of nuclear energy is interesting. For example, electricity production in a gas-fired combined cycle power plant emits around 25 times more CO₂ than the production of nuclear power. Against this background it makes sense to keep existing reactors technically fit and to continue operating them for a few years. This gives you time to expand production from renewable

You mentioned that the falling uranium prices put massive pressure on producers. How have the companies come to terms with these low uranium prices and why do they now expect a turn for the better?

The fall in prices on the uranium market is a huge challenge for producers. In this environment, profitable production is unthinkable. Accordingly, costs are being consistently reduced. Production plans are being adjusted to the low prices and loss-making mines are being closed. The remaining capital is allocated in a very disciplined manner. Accordingly, development and expansion projects are re-dimensioned or cancelled. As mentioned above, individual producers have started to buy uranium on the spot market in order to meet their delivery commitments. The current spot price is obviously well below their own production costs! The advantage of this approach for these producers is that the uranium not mined remains in the ground and can later be sold on the market at higher prices.

sustainably in the direction of US\$ 50 in order to stimulate the necessary expansion of production capacities.

A few weeks ago, the USA launched a programme under which the country will invest a total of US\$ 1.5 billion over the next 10 years in building up a national uranium reserve from domestic mines. Is that enough to revive the fallow US uranium industry and what impact could this have on the price of uranium?

The proposal is included in the current US government's draft budget and is in response to the findings of a Department of Commerce investigation into the security of uranium supply. The investigation was initiated by two domestic uranium producers. The background is the fact that US nuclear power plants cover about 20% of national electricity production. However, due to the collapse of uranium production from domestic mines, 98% of the uranium needed for production has to be imported. From a security of supply perspective, the proposed creation of a strategic uranium reserve makes sense. It is also understandable that primarily US producers should benefit from this. Moreover, US\$ 1.5 billion is a sum that would leave its mark on the uranium market.

Much is still unclear with regard to implementation. Moreover, the deal is only a proposal within the framework of the ongoing budget process. This has yet to be approved by parliament and it is unclear whether the next administration will continue to support the project. It is also not clear at what price the uranium will be purchased. At a fixed price covering the production costs? Or at the current spot price? Depending on the definition of the purchase price, there are different volumes that could be acquired with the US\$ 1.5 billion mentioned above. It also remains unclear from whom the uranium should be purchased. The lack of domestic production capacity is precisely the origin of the initiative. So, there is still a lot that has not yet been thought through. However, we are convinced that the turnaround in the uranium market will

materialize independently of the build-up of a strategic US uranium reserve. The question is not whether, but when this will happen.

You are manager of the Uranium Resources Fund (ISIN LI0224072749) of LLB Fundservices AG in Liechtenstein. What is your strategy and what does the fund actually represent?

An investment in our fund is a focused bet on the emerging supply gap in the uranium market. An investor with a medium-term investment horizon is offered an attractive return potential, which is however also correspondingly risky. The Fund is therefore suitable as a supplementary component in a diversified portfolio and not as a basic investment. The Uranium Resources Fund holds around 30 positions in the portfolio. This diversification makes sense against the background of the current state of the uranium market.

What selection criteria do you apply when selecting fund values?

The correction on the uranium market, which has been going on since 2011, demands a lot of staying power from all players. From an analytical perspective, the ongoing downward movement has also made us more humble with regard to our own forecasting ability. Nevertheless, given the fundamental starting position, we are convinced that the uranium market will turn the corner in view of the emerging supply gap. The question is not if, but when it will happen. Accordingly, our ultimate goal is to still be in play when this turnaround materializes. The next bull market in uranium shares will open up great profit opportunities. We want to make consistent use of these opportunities!

Against this background, our portfolio rests on four pillars. The first pillar is a strategic liquidity ratio. This ensures our ability to act at all times. In this way, we use attractive entry points that regularly open up due to the volatile price development of many uranium shares.

With the second pillar, we want to participate directly in an improvement in the uranium spot price. Without higher uranium prices, a sustainable recovery of uranium producers is difficult to imagine. For this reason, two investment companies, which have invested their funds primarily in physical uranium, form the core of the portfolio. If our view is correct, the supply gap in the uranium market will be closed by a rising uranium price. „Uranium Participation and Yellow Cake Plc should be the first and immediate beneficiaries of this price recovery. Recently, we have supplemented this group with an investment in „Uranium Royalty Corp. The company adapts the „Streaming and Royalties“ business model, which has been particularly successful in the precious metals environment, to the uranium market. The company finances uranium mines and in return secures a share in current or future production. However, without taking the risks associated with the operation of a mine.

The third pillar focuses on the shares of uranium producers. If uranium prices start to rise, then the producers who can place significant uranium production on the market will benefit. Only those who produce can also deliver. To be on the safe side, we rely on companies that have low production costs on the one hand and a good order book of long-term supply contracts on the other. The two industry leaders „Cameco“ and „Kazatomprom“ are significantly represented in the portfolio. Both companies have a broad portfolio of first-class production facilities. Despite the challenging environment, both companies are cash flow positive and pay a decent dividend. This group is complemented by investments in companies to which we would grant the status of „standby producer“. These are companies that have a portfolio of approved production facilities and processing capacities. Production could be launched within a manageable timeframe as soon as the economic conditions (i.e. a higher uranium price) are met. This group includes, for example, „Uranium Energy“ or „Energy Fuels“.

As part of the fourth pillar, we are focusing on explorers and developers who are driving forward world-class development and mining

Nuclear Fuel Pellets
(Source: NRCgov, CC BY-SA 3.0)



With their behaviour the producers are reducing the supply. Meanwhile, demand from power plant operators exceeds the reduced supply from the mines. The uranium market is thus in deficit. Part of the demand is therefore being met from non-strategic stocks. It is a question of time until these available stocks are used up. Correspondingly, in the medium term there are increasingly clear signs of a supply shortfall that can only be closed by significantly increasing uranium prices. We assume that uranium prices will have to recover

projects. These are particularly interesting if they are able to start production in the time window of the expected supply gap. They will then be able to benefit from correspondingly attractive sales prices. In addition, these assets should have the necessary size to qualify as takeover targets. After all, we assume that after the price turnaround in the uranium market has occurred, a wave of consolidation will take place and possibly mining companies from outside the sector will also want to position themselves in the uranium business. This would make sense, not least because of the low sensitivity to economic trends and the comparatively high visibility of uranium demand. For example, the companies „Denison Mines“ or „Boss Resources“ are to be assigned to this group.

What are your biggest single positions at the moment and why? Do you also have uranium development companies in mind?

In the current environment, we are implementing our strategy with a comparatively defensive stance. Accordingly, we are focusing on the first three pillars within the concept already described. We have underweighted the „Explorer & Developer“ group. Its valuation is strongly driven by market sentiment. From a fundamental perspective, we are concerned about the limited refinancing options. The current stress on the financial markets makes it difficult for these companies to access debt and equity capital for their project developments. But now back to your question: we hold the 5 largest positions in „Uranium Participation“, „Yellow Cake Plc“, „Kazatomprom“, „Cameco“ and „Uranium Royalty Corp.“.

The first two companies hold physical uranium in their portfolios. They regularly publish the net asset value (NAV) of their shares. The market price of their shares fluctuates and can be above or below this reported NAV. Currently, the prices are significantly below the intrinsic value. This makes these shares attractive because it allows us to buy physical uranium at a discount to its market value. The described „premium“ or „discount“ ratio is

also a good sentiment indicator. The currently high discounts of the share prices compared to their intrinsic value show the pessimism of investors with regard to the expected future uranium price development.

From the group of small-capitalized stocks we would like to highlight „Uranium Energy“. The team around the charismatic Amir Adnani has built up a promising portfolio of projects over the past years. We like the fact that the company focuses on the „in situ recovery“ production method (ISR). This method allows uranium to be extracted at low cost. UEC also has a strategically important asset in the form of the fully licensed „Hobson Processing Facility“. Against this background, we believe that the Company is in an excellent position to establish significant production on a relatively attractive cost basis in the near future following a price turnaround in the uranium market.

What is your advice to investors interested in investing in the uranium sector?

The supply shortfall outlined above and the associated potential for rising uranium prices is still only foreseeable. Despite the good prospects, the exact timing of the expected turnaround in the uranium market remains uncertain. If, contrary to expectations, the current phase of bottoming out continues for some time to come, the air will quickly become thin for some uranium producers. Their balance sheets are emaciated after the continuing price collapse and the cost-cutting potential has already been largely exhausted. The environment also remains challenging for the developers of new uranium projects, as their projects will only become economically viable and thus realisable with rising uranium prices. It is correspondingly difficult to find investors to finance the next stages of the project. Anyone who bets everything on one card in this constellation is therefore playing high stakes - possibly even too high. The use of a fund that invests in a diversified manner within the topic seems reasonable to me. We also recommend a staggered build-up of positions over time.

Interview with Scott Melbye

Executive Vice President of Uranium Energy, Commercial V.P. of Uranium Participation Corp. and Ex-Advisor to the CEO of Kazatomprom

Mr. Melbye, you have held and continue to hold senior positions with a variety of uranium companies and are considered one of the world's most respected uranium experts. Can you give our readers a brief overview of your career to date?

Thank you, it is a pleasure to share my observations and insights into the global uranium market with your readers. I have been fortunate to spend my entire 35-year career in the uranium and nuclear energy industries. Starting out as a nuclear fuel broker with Nukem in New York on 1984, and later being responsible for uranium fuel procurement at the three-unit Palo Verde Nuclear Generating Station in Arizona, really prepared me for the bulk of my career in uranium mining. In addition to 23 years with leading producer, Cameco, most recently as President of their global uranium marketing subsidiary, I also held leadership roles at Russian-owned, Uranium One and Kazakhstan's State uranium company, Kazatomprom. I have also had the opportunity to manage the physical uranium activities of Uranium Participation Corp. Since 2014, I have served as Executive Vice President of U.S. uranium developer and producer, Uranium Energy Corp., and more recently assumed the CEO role at Uranium Royalty Corp. which launched as a public company in December 2019.

The uranium spot price has been in a bearish phase for about 5 years and has not yet been able to recover significantly from its low in 2016, until very recently. What are the main reasons for this development?

While we are very encouraged by the recent improvements in the uranium spot market (best performing major commodity so far in 2020), it has indeed been a frustratingly slow recovery. With the benefit of hindsight, we can now see that 2016 was a pivotal year for uranium fundamentals. As a result of Fukushima market impacts, the uranium price fell from a ten-year high of US\$70 per pound in

early 2011 to a cycle low of US\$17.75 per pound in November 2016. It was not until this April that we finally saw uranium prices again exceed \$30 per pound. In the face of falling prices over the past decade, global uranium production counter-intuitively grew, year-over-year, and finally peaked in 2016 at 162 million pounds. This speaks to the relative inefficient nature of the uranium market compared to other mineral commodities like copper, gold or silver. In those commodities, price signals usually manifest in adjustments to supply much more rapidly, in real time, as selling prices are more reliant on spot price indexing. In the case of uranium, the prevalence of hedged, long-term contracts at higher-priced, base-escalated terms insulated many producers from the lower spot prices. However, by the end of 2016 we began to see the rapid drop off of that long-term contractual coverage that was secured in the previous cycle, hence (finally) exposing producers to the depressed market conditions. The uranium market has, as a result, seen a steady drop in global uranium production from 2017 to the present. This has been a key supply development as it finally allows the critical drawdown of excess inventories over-hanging the market. These supply cuts have now created a gap between annual production (currently at 142 million pounds) and consumption (currently 183 million pounds) ranging from 40-50 million pounds U_3O_8 per year. This does not factor in more recent reductions in mine supply due to the Coronavirus pandemic which we will discuss in more detail.

With regards to the demand side during this period we also witnessed the closure of Japanese reactors (both temporary and permanent), and the gradual phase-out of German reactors in response to Fukushima. However, after a period of safety re-assessments and plant upgrades, we experienced a resumption of nuclear plant construction globally which remarkably returned global nuclear generation to pre-Fukushima levels in 2019. This growth has also been helped by chan-



Scott Melbye is a 33-year veteran of the nuclear energy industry having held leadership positions in major uranium mining companies as well as industry-wide organizations. Through to June 2014, Melbye was Executive Vice President, Marketing, for Uranium One, responsible for global uranium sales activities. Prior to this, Melbye spent 22 years with the Cameco Group of companies, both in the Saskatoon head office and with their U.S. subsidiaries. He had last served as President of Cameco Inc., the subsidiary responsible for marketing and trading activities with annual sales exceeding 30 million pounds U_3O_8 . Melbye was formerly the Chair of the Board of Governors of the World Nuclear Fuel Market and President of the Uranium Producers of America. He also currently serves as Executive Vice President of Uranium Energy and VP-Commercial for Uranium Participation Corporation and was Advisor to the CEO of Kazatomprom, the world's largest uranium producer in Kazakhstan. Melbye received a Bachelor of Science in Business Administration with specialization in International Business from Arizona State University in 1984.

ging attitudes towards nuclear power, particularly in the climate change community where it is increasingly being seen as an important contributor towards a lower-carbon energy future.

So, this begs the question why the post-2016 recovery to-date has been so slow and stubborn? The main reason rests in a key catalyst which has only recently begun to re-emerge. Namely, the procurement activities of the world's nuclear utilities. Just as long-term contractual coverage has been rolling off for uranium producers in recent years, this has logically also been the case for their counterparty customers, the utilities. However, rather than rush back into new long term contracts with producers, the utilities have been content to focus on spot and near term procurement with prices that reflect the near term over-supplied market (spot prices have fluctuated in the \$20-\$30 per pound range). This has been especially compelling considering the utilities had been paying \$40-\$60 per pound, or higher, under older legacy contracts signed in the previous bull-market (the most famous example being the Cameco/Tokyo Electric Power contract at \$100 per pound). The most appealing option for these short-term focused buyers had been the "carry-trade" facilitated by trading companies that buy spot material, carry it at historic low cost-of-money levels, and deliver two to three years out at fixed prices, which were at or below, \$30 per pound. While this myopic view of future uranium supplies has had a very positive impact on the fuel costs of nuclear power plants, it has not provided the level of long-term incentive pricing for uranium producers to sustain or start up new production. In a uranium market that consumes between 180 and 190 million pounds of uranium annually, the forward contracting levels of utilities should be at or near those levels each year to avoid falling behind on future needs. To the contrary, UxC Consulting reported long term contracting levels in the years 2014 to 2019 averaged 75 million pounds per year (well below normal levels). Fortunately, a shift in buyer behavior began to be observed in the 4th quarter of 2019 and has continued into 2020, where utilities are now

beginning to look to cover longer term needs in a more strategic fashion. The Coronavirus pandemic, and recent geopolitical developments with the U.S., China, Iran and Russia, will only reinforce the shift to a more strategic focus on securing future needs. This interaction between buyers and primary producers should support price formation in both the spot and long-term markets which tend to interplay off of each other (the spot having already begun to move upward). Of course, as the pool of cheap spot material has been depleted by spot purchasing and carry trade activities, the spot price will rise (hence putting upward pressure on long-term prices). A current debate among market observers exists as to whether this pool of spot supply is greater than expected, or conversely, is not that extensive after years of drawdown, but has simply not been tested yet by meaningful procurement levels. We should finally be able to see the answer to that debate with higher levels of market activity in 2020.

Over the past three years, several of the leading uranium producers - in particular Cameco and Kazatomprom - have announced production cutbacks, some of them substantial. When will these have a significant impact on the uranium spot price?

Although there were some earlier exceptions, global production cuts really began to kick in during 2017 and are still a somewhat recent development. However, the magnitude of these supply cuts has reached significant levels, taking some 40-50 million pounds from the market each year. With indications that these conditions are not abating, the cumulative impact is an accelerated drawdown of excess inventories. While this production discipline is quite widespread, affecting mines in the United States, Africa and Australia, the most profound impact has been seen in Canada. After shuttering their Rabbit Lake mine in 2016, Cameco took their world-class McArthur River Mine offline in 2018. To put this into perspective, the McArthur River operation is the world's richest uranium mine with ore grades 100 times the world's average. Production had been approaching 21 mil-

lion pounds annually. Cameco made the difficult, but logical decision, to suspend this production and instead meet their very substantial long-term contract book from spot market purchases. Not only does this move reduce fresh supplies to the market, it also accelerates the drawdown of excess inventories through their purchasing activities. It also preserves valuable geological resources in the ground until they can be mined at financial returns commensurate to their discovery, and development value.

The longer the prevailing market prices remain below incentive levels, additional production will be removed from the supply equation. While all of these cuts add to the needed economic "supply destruction", the keys still remain in the hands of world leader, Kazakhstan. Their State-producer, Kazatomprom, has also announced cuts from "planned production" in recent years, but many market observers assert that more could be done to help rebalance the market more quickly. These moves have currently capped their output at about 59 million pounds annually, which represents 40% of global supply. Incidentally, this growing reliance on a single country, under Russian influence and in a volatile part of the world, has security of supply implications, and has begun to cause some utilities to rethink nuclear fuel diversification objectives.

The Coronavirus Pandemic has had profound impacts on the global economy, and we have now begun to see this affect major uranium operations around the world. Is this behind the recent dramatic increase in uranium prices?

Very substantial production cuts have occurred as a result of Coronavirus precautions to protect the health and safety of uranium miners, support staff and impacted communities. Since the first part of April, these announced mine shutdowns have affected approximately 60% of worldwide monthly uranium output. Production cutbacks from Canada's Cigar Lake, Kazakhstan's operations, Moab Khotseeng in South Africa and

the Chinese-owned Husab and Rossing mines in Namibia, are removing approximately 7 million pounds from the uranium market for each month these measures are in place. In answer to your question, while this has provided a tipping-point catalyst for uranium prices, the real driver has been the rebalancing of global supply and demand over the past 3 years. Put another way, this Coronavirus "black swan" event has served to accelerate fundamentals that were already significantly improved going into 2020.

The Trump Administration recently released its comprehensive policy document on nuclear energy, including an initiative to invest a total of US\$ 1.5 billion over the next 10 years in a national domestic uranium reserve. What impact will this have on the US uranium industry and the entire uranium sector?

In 2018, the U.S. Commerce Department initiated a Section-232 investigation into whether the extreme levels of foreign uranium imports (now effectively 100%) were posing a national security threat to the United States. The Trump Administration had recently invoked tariffs on steel and aluminum imports under a similar 232 investigation. While the Trump Administration decided against tariffs or duties on foreign uranium imports in July of last year, the President did conclude that a threat to national security existed. As a result, Trump formed the U.S. Nuclear Fuel Working Group comprised of his Senior Cabinet Secretaries and Administrative Agency Heads. Their objective was to recommend policies to the President to revitalize and expand the domestic nuclear fuel cycle, including uranium. It should also be noted that in addition to the uranium requirements of the electric utility companies (nuclear is 20% of US electricity supply), the U.S. Defense Department requires U.S. origin uranium for the 108 reactors in the Navy fleet of aircraft carriers and submarines. The report titled "Restoring America's Competitive Nuclear Energy Advantage – A strategy to assure U.S. national security" was released by the U.S. Department of Energy on April 24th and provi-

ded the strongest policy support for nuclear energy since the Eisenhower Administration in the 1950's. A significant element of the plan was previously announced as part of the President's proposed FY 2021 Budget. In the budget, President Trump called for a 10-year program to establish a domestic uranium reserve funded at a rate of US\$150 million per year. It is now formally supported by this policy document, and, while many of the specific details have yet to be announced, this is viewed as a very welcome stimulus measure providing supplemental demand for U.S. mined uranium, in addition to the broader market requirements of the nuclear utility companies. The Trump policy also highlighted the national security risks of America's over-reliance on imported uranium, particularly from State-owned suppliers such as Russia. It stated that the Administration will seek continued limits on Russian nuclear fuel supplies through the U.S. Department of Commerce.

Do you see large new mines starting production in the next few years? What (spot) price will most companies need to push the development of new mines and bring their projects into production?

This is the key question facing the uranium market in the coming years. While new production is not needed today, we do not have to go very far into the future to see that restarts of idled capacity, and new mine start-ups, are required to meet robust and growing demand for uranium. However, in a "Catch-22" very similar to the previous bull market, the market price incentives have simply not been present in the recent mid-\$20's spot market (and while the depressed longer-term market has been impacted by lower-priced carry trades). With every year that these conditions persist, and significant long-term utility uncommitted needs are looming, the likelihood of a supply crunch increases. The lead-times to permit, license and construct new uranium mines can be 6-10 years in duration and no level of uranium price can shorten those development times.

This, of course, begs the question of what price levels are needed to incentivize the additional supply going forward. Speaking very generally, the incentive price to return idled capacity into production, or advance the start-up of the most competitive new mine developments, is likely somewhere in a sustained \$40-\$50 per pound level. A point in case being the McArthur River Mine where restart thresholds have been indicated to fall in this range. The most competitive new mine developments that can advance in this range are likely in-situ recovery operations, and those who are fully permitted and licensed (with smaller capital requirements) have an important first-mover advantage. For conventional mines requiring long permitting, licensing and development lead-times and large capital investment, they will likely require sustained prices in the \$60+ per pound range.

Another more recent hurdle facing new mine developments has emerged in the form of falling global equity markets that have been hit hard by the coronavirus pandemic. This, unfortunately, coming at a time when uranium producers were already facing 10-year lows in their share prices. The substantial funding needed to advance the next generation of uranium mines has become more difficult to raise under these challenging, capital markets conditions.

What does the current demand situation look like? Who could be the driving force behind the revival of the uranium price in the future?

The current demand situation for uranium can be described as robust and growing. The previous bull market in uranium was, in part, fueled by future forecasted growth in nuclear power. Today, we are actually seeing these reactors being constructed and entering into commercial operation. The nuclear energy industry has seen 47 new reactors connected to the global grid in the last seven years, and 54 additional reactors are under construction. Global requirements for uranium are projected by the World Nuclear Association

to top 200 million pounds annually in the coming years (2% annual growth in the reference case forecast).

Most importantly for current and future growth, we have begun to see public attitudes toward nuclear energy turn decidedly more positive in recent years. Former opponents of nuclear energy have softened their positions, or even spoken out in support of this large baseload source of carbon-free electricity. At recent climate change meetings such as the COP 25 in Madrid, there has been an almost panicked realization that despite billions of dollars and euros spent on renewables in the past 25 years, very little progress has been achieved in global carbon reductions. Nowhere is this more evident than in Germany where the Energiewende commitment to renewables (without nuclear) has only resulted in electricity rates 50% higher than that of nuclear neighbor, France (who produce 1/10 the carbon emissions per capita). In the process, Germany has grown increasingly dependent on Russian natural gas, and ironically, French nuclear-generated electricity imports. None of this particularly comforting for Europe's leading economy which is based on energy-intensive manufacturing exports. This point is not to single out Germany's energy policy, but to highlight the difficulty, if not impossibility to achieve meaningful carbon reductions without a significant component of nuclear power in the energy mix.

Many of the emerging markets struggle to energize their economic growth without adding to extreme levels of harmful air pollution in their major cities. The good news is that nuclear energy can solve those problems with production of highly reliable, 24-7, carbon free, clean air electricity.

Another growth market for uranium is emerging from Small Modular Reactors ("SMR's"). These are not the 1,600 Mwe large reactors with large capital costs and long construction times, but rather the small 25 or 50 Mwe units that can be constructed in a factory and shipped on site. These scalable units can provide carbon-free benefits while competing on cost with cheap natural gas and can

co-exist with grid-heavy renewables due to their load-following characteristics. They are very similar to the compact reactors that have powered aircraft carriers and submarines safely since the 1950's, and can be ideally marketed to smaller grids, island nations, or remote locations (including mining operations and military bases).

In summary, what do you expect for the uranium sector in the next two to three years?

In summary, expect very good things from the uranium market in 2020 and beyond. This optimism is grounded in the most fundamental factors of supply and demand. Uranium has suffered a long, severe, bear market, but appears to have turned the corner. Any economist will tell you that no commodity will stay down, nor, go up forever. Our uranium market is no exception, and it's unique and inefficient nature has caused market forces to manifest more slowly into higher prices. In turn, this should be good news to investors with higher prices in an under supplied market likely to drive appreciation in uranium equities. The continued growth in global nuclear energy, production discipline by existing producers and underinvestment by new producers, will test the market fundamentals in the coming months. As global utilities return to more normal procurement levels, more upward pressure on uranium prices should develop. The Coronavirus crisis has shocked economic markets in ways few imagined and will likely grab the headlines for some time to come. In the meantime, however, a very compelling supply and demand narrative for uranium has emerged and should not be overlooked by resource investors seeking out-sized commodity gains in the coming months. Opportunities exist with the well-run uranium companies that are positioned with quality assets and management teams that can capitalize on this story. The Coronavirus pandemic and resulting mine cutbacks could serve to be the tipping point catalyst to accelerate the already improving uranium market fundamentals.

GoviEx Uranium

Mega-resource available, several projects in the feasibility phase



Daniel Major, CEO

GoviEx Uranium is a Canadian mining development company specializing in the exploration and development of uranium projects in Africa. To date, the company has proven resources of over 200 million pounds of U_3O_8 . GoviEx already holds valid mining licenses for the two most advanced projects. The Company's current goal is to reduce estimated production costs while developing the most advanced Madaouela project in parallel with the rising uranium spot price towards production from 2022. The second major Mutanga project could then follow in 2024.

Madaouela – Location, Infrastructure, Resource

Madaouela, which is 80% owned by GoviEx, is located in the north of Niger, only about 10 kilometres from Arlit and the Cominak and Somair mines in which AREVA has a stake. The Cominak mine has been in operation since 1978 and is considered the world's largest underground uranium mine. GoviEx benefits from a fairly well-developed infrastructure, which offers year-round passable roads, sufficient groundwater and a good energy supply. Madaouela has reserves of 60.54 million pounds of U_3O_8 . The total resources amount to around 138 million pounds of U_3O_8 . In January 2016, GoviEx received the final mining permit for Madaouela 1, i.e. for one of six licence areas (consisting of Madaouela 1 to 4, as well as Eral and Anou Melle). GoviEx signed final agreements with the Republic of Niger in July 2019, which led to the establishment of local mining companies in which Niger is a partner with a 20% stake. As part of this agreement, GoviEx settled all outstanding tax claims and historical costs for the acquisition of the Madaouela 1 mining concession. Niger also agreed to defer payment of future local taxes for up to three years from the date of incorporation of the local operating company.

Madaouela – Deposits

The currently most significant deposit is called Marianne-Marilyn and lies within the Madaouela 1 concession. It is a so-called sandstone deposit, which lies at very shallow depths of about 30 to 120 metres. The second major deposit is called MSNE and is located about four kilometres to the south. The third one is called Maryvonne right in the middle. A fourth mining area called Miriam is located at the very south of the Madaouela 1 concession. Unlike the first three deposits, Miriam can be exploited by open pit operations. In addition, this deposit contains up to over 1% U_3O_8 in some areas, thus contributing to an immense cost reduction of the total planned mining activities.

Madaouela – Prefeasibility and feasibility study

A pre-feasibility study in 2015 proved that mining can be economically realized. Based on a long-term uranium price of US\$70, this study came up with a return on investment (IRR) of 21.9% and a net present value (NPV) of US\$340 million discounted at 8%. The initial cost of capital was estimated at US\$359 million and the operating cash cost was estimated at US\$24.49 per pound of U_3O_8 . Annual production of 2.69 million pounds of U_3O_8 was assumed over a total mine life of 21 years. A study from April 2018 concludes that both capital and production costs can be reduced by using a so-called membrane separation system. In September 2018, GoviEx appointed SRK Consulting and SGS Bateman as consultants to complete a feasibility study for Madaouela, which is expected to be completed by mid-2020. The study will look for options that have a significant potential to improve the feasibility of the Madaouela project. They are aimed at areas that will reduce both operating and capital costs compared to the current technical report on the Madaouela project, while reducing technical risk.

Madaouela – Exploration potential

Madaouela is likely to have far more resources than previously known. Although more than 600,000 meters have already been drilled, Anou Melle, for example, offers a high „blue sky potential“, as this license area is located on the same geological structure as Cominak and Somair. In 2019 GoviEx received new 9-year exploration permits for approximately 1,547 km² of exploration area.

Madaouela – Development strategy

GoviEx is currently working on a four-step development strategy for Madaouela. The first pillar is credit financing, including the involvement of several international export credit bureaus. The second pillar consists of project optimisation and the completion of the detailed engineering work. The third pillar consists of the conclusion of corresponding long-term purchase agreements. Fourthly, parallel to this, work is being done on self-financing through the issue of shares.

Great interest in project financing

In September 2017, GoviEx was able to report that several export credit bureaus and banks had signalled to the company that they would provide credit financing of US\$ 220 million for the construction of the mine. The prerequisites are a bankable feasibility study for Madaouela, long-term supply contracts with creditworthy energy suppliers and appropriate credit insurance.

Mutanga – Location, resource, infrastructure

Mutanga, which is 100% owned by GoviEx, is located about 200 kilometres south of the Zambian capital Lusaka, just north of Lake Kariba. The project currently has a total of

49.2 million pounds of U_3O_8 , divided between the three deposits discovered to date: Mutanga, Dibwe and Dibwe East. GoviEx already holds a 25-year mining license for three of the five concessions, which allows mining via open-pit mining and heap leaching.

Mutanga – Positive preliminary economic assessment

In November 2017, GoviEx was able to present a preliminary economic assessment (PEA) for Mutanga. This is based on a production over 11 years, with an average annual production of 2.6 million pounds of U_3O_8 . The initial capital cost was estimated at only US\$ 123 million. The operating cash cost is approximately US\$31.10 per pound of U_3O_8 and the absolute cost over the life of the mine is approximately US\$37.90 per pound of U_3O_8 . Based on a long-term uranium price of US\$58 per pound of U_3O_8 , this results in an IRR of 25%.

Mutanga – Exploration potential

Mineralization starts directly at the surface and is open along strike. Although the resource appears to be high, not all areas of the concessions have yet been explored for potential uranium deposits. In particular, the respective end points, i.e. the areas close to the western and eastern boundaries of the concessions, offer a high potential for further significant uranium deposits. New VTEM surveys have identified a high exploration potential, particularly in the northeastern area of Dibwe East.

Chirundu and Kiraba Valley – Potential high-profile expansion opportunities for Mutanga

This northeastern area is adjacent to the two Chirundu and Kiraba Valley concessions that GoviEx acquired from African Energy Re-

sources in 2017. Chirundu consists of the two sub-projects Njame and Gwabe, which together have resources of 11.2 million pounds of U_3O_8 .

Falea

Falea, which is 100% owned by GoviEx, is located in Mali, West Africa, approximately 80 kilometres from AREVA's Saraya East uranium deposit. It consists of the three exploration licenses Bala, Madini and Falea. To date, a resource base of 30.8 million pounds of U_3O_8 , 63 million pounds of copper and 21 million ounces of silver has been identified. This translates into a total resource of 38.1 million pounds of U_3O_8 .

It is important to note that so far only 5% of the total 225 square kilometres of licence area has been explored for such occurrences. In addition, the majority of the known deposits have not yet been completely delineated.

Falea offers great potential for the establishment of an underground mine.

Summary:

Next catalyst: feasibility study!

With a resource base of over 200 million pounds of U_3O_8 , GoviEx is undoubtedly one of the heavyweights in the uranium industry.

Exclusive interview with Daniel Major, CEO of GoviEx

What have you and your company achieved in the past 12 months?

During 2019 GoviEx continued its focus on preparing the Madaouela Project for future development. GoviEx signed definitive agreements with the Republic of Niger (the "State") in July 2019, which resulted in the incorporation of our local operating mining company,

By far the largest project, Madaouela, is virtually ready for production. The interest of several parties in granting a US\$220 million credit line for the construction of the mine is a milestone in the company's history and should now make it easier for management to move the project forward and negotiate purchase agreements. In addition, the possibility of commercial production was also demonstrated for the second major project, Mutanga. What is still missing now is a reasonable uranium price, which would take GoviEx to undreamt-of price highs precisely because of this large number of resources. A further plus point: in contrast to many other African countries, Niger and Zambia in particular are considered politically stable. Mining companies are not put in the way, as the above-mentioned example of Cominak shows, whose mine has been in operation since the 1970s. In addition, GoviEx has a highly experienced and successful management team and strong major shareholders (Denison Mines, Friedland, Ivanhoe Industries, Cameco), which should ensure that GoviEx will become a real success story. In February 2020, the company was able to generate CA\$2.3 million in fresh funds through financing. Among other things, this enabled an existing loan to be repaid, so that the company is now debt-free. GoviEx could also receive a further US\$ 2 million from a loan granted.

with the State as our partner holding a 20% equity interest. As part of our agreement with the State, GoviEx settled all outstanding tax claims and historical mining permit acquisition costs on the Madaouela 1 mining permit. In addition, the State agreed to defer the payment of future area taxes for up to 3 years from the incorporation of the local operating mining company.

At the same time, the State agreed to re-shape the Madaouela 1 mining permit to include an additional 5.96 million pounds (Mlb) of uranium in the Measured and Indicated categories, and agreed to issue new 9-year exploration permits for approximately 1,547 km² of exploration

What are the most important catalysts for the next 6 to 12 months?

Over 2019, our feasibility study consultants SRK Consulting (UK) Ltd ("SRK") and SGS Bateman (Pty) Ltd ("SGS") have been looking at options that have significant potential to improve the feasibility of the Madaouela Project. They are targeting areas that will reduce both operating and capital costs relative to the current technical report on the Madaouela Project, while at the same time reducing technical risk, with a focus on improving overall project economics. Metallurgical test work is ongoing to verify initial results, and we anticipate being able to provide an update on the project economics during the first half of 2020.

ISIN: CA3837981057
WKN: A12BL3
FRA: 7GU
TSX-V: GXU

Shares outstanding: 423.3 m
Options/warrants: 151.7 million
Fully diluted: 575.1 million

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How do you see the current situation on the market for uranium?

The World Nuclear Association's ("WNA") Fuel Report issued in September 2019 (the "2019 Fuel Report") highlighted improving market dynamics, and demand expectations have improved in an environment of supply constraint and drawdown of utility inventories.

The WNA forecast an improvement in nuclear energy demand of 2.0% CAGR in the reference case from the demand forecast in the previous report in 2017. This improved forecast is supported by the reported 55 new reactors currently under construction and government policy changes resulting in extended reactor lives in the USA and France.

The supply constraint shouldered by the major uranium producers has resulted in the supply of uranium being in a deficit in all of the forecast scenarios in the WNA 2019 Fuel Report.

Projected increased demand and supply constraints had already been noted in the SWU and Conversion markets with rising prices at the start of 2020 and has been further highlighted by marked impact on U_3O_8 prices resulting from the Covid 19 enforced supply reductions. We believe this will extend to improved U_3O_8 prices over 2020.

GoviEx Uranium



IsoEnergy

World-class drilling results in the best uranium jurisdiction



Craig Parry, CEO

IsoEnergy is a Canadian mining development company specializing in the discovery and exploration of uranium deposits in Canada. The focus is on the Athabasca Basin, where spectacular drilling successes have already been achieved. Part of the Iso team has also held senior positions at NexGen Energy in the past and was responsible for the discovery of the Arrow deposit, considered to be the largest uranium deposit in Canada.

Flagship project Larocque East – location and infrastructure

IsoEnergy's flagship project is called Larocque East and consists of 20 mineral claims with a total area of 8,371 hectares. Larocque East was acquired in May 2018 and was subsequently extended by staking. The unencumbered project is 100% owned by IsoEnergy. Larocque East is located 35 kilometres northwest of Orano Canada's McClean Lake uranium mine and mill and is almost immediately adjacent to the northern end of IsoEnergy's Geiger uranium project. The project area covers a 15-kilometer northeast extension of the Larocque Lake conductor system, a trend of graphitic metasedimentary basement rocks associated with significant uranium mineralization in several deposits southwest of the Larocque East property.

Flagship project Larocque East – first direct hit in high-grade Hurricane Zone

The so-called Hurricane Zone, which is located in the southern part of the project area, only about 330 meters below the surface and flat, was discovered by IsoEnergy's first drill hole at Larocque East and the last drill hole of an 8-hole summer drilling program that was actually focused on the adjacent Geiger Project. This hole intersected a wide 8.5 metre interval of elevated radioactivity averaging 1.26% U_3O_8 and included a higher-grade section of 3.58% U_3O_8 over 2.5 metres. This

was a first direct hit, which should soon lead to even more spectacular results.

Larocque East flagship project – spectacular drilling results

In the subsequent winter drill program in early 2019, significant uranium mineralization was encountered in 11 of 12 holes. These included 3.5 metres of 10.4% U_3O_8 , 3.0 metres of 2.7% U_3O_8 and 2.3% nickel, and 4.5 metres of 4.2% U_3O_8 , 1.1% nickel and 0.8% cobalt. The 2019 summer drilling campaign also produced other top results including 7.0 metres at 5.4% U_3O_8 , 0.7% nickel and 0.1% cobalt. The known high-grade uranium mineralization was extended further to the east.

However, the IsoEnergy team achieved the absolute breakthrough with the 2020 drilling program. Begun in January 2020, increased radioactivity was initially detected, some of which was above the measurable range of the handheld spectrometer. This was followed by some of the most spectacular uranium contents ever achieved in the Athabasca Basin. Among others, 7.1% U_3O_8 , 0.9% nickel and 0.3% cobalt were found over 5.5 metres. This included an even higher-grade interval of 24.0% U_3O_8 , 2.7% nickel and 0.5% cobalt over 1.5 metres. Another drill hole returned 33.9% U_3O_8 over 8.5 metres, including 5.0 metres of 57.1% U_3O_8 and 2.0 metres of 62.8% U_3O_8 . A third returned 19.6% U_3O_8 over 8.5 metres, including a 2.5 metre interval of 63.6% U_3O_8 and 1.5 metres of a whopping 76.7% U_3O_8 . Finally, in March and April 2020, another 20.5% U_3O_8 over 4.0 metres was reported, including 1.5 metres of 53.8% U_3O_8 , 0.5 metres of 64.9% U_3O_8 and 2.5 metres of 67.2% U_3O_8 . IsoEnergy then decided to expand the drilling campaign from 20 to 24 holes.

It is important to note that the aforementioned absolute world-class drill holes are sometimes up to 100 metres apart. In total, the

mineralization known to date extends over a length of at least 1,000 metres.

Flagship project Larocque East – Upcoming catalysts

The Hurricane Zone is still open to the east. Expanding and, in the best case, delineating this zone is the Company's stated 2020 target, so drilling results should remain the primary focus for the current year. The mid-term goal is to establish an initial, high-grade resource that will create further market awareness.

Other top projects in the pipeline

In addition to Larocque East, IsoEnergy owns a number of other top projects.

- ▶ Geiger: Located south of Larocque East, this large area has a total of about 135 kilometres of graphitic conductors. There are several mineralized intercepts on the property, including high grade base mineralization with up to 2.74% U_3O_8 over 1.2 metres. The project has high potential for a fully undrilled 4-kilometre-long conductor on the east side of the property. The project is ready for drilling.
- ▶ Collins Bay Extension: The latest acquisition is located along the trend and within 7 kilometres of the Eagle Point - Collins Bay - Rabbit Lake uranium mine and mill complex.
- ▶ Thorburn Lake lies 7 kilometers east of the Cigar Lake Mine. Several drill holes have encountered uranium mineralization. There are numerous other target areas.
- ▶ Radio is located two kilometres east and along strike of the Roughrider deposit, which Rio Tinto acquired from Hathor Exploration in February 2012 for \$587 million.
- ▶ North-Thorburn, located 12 km northeast and along strike of the Cigar Lake Mine, hosts several high priority targets.

Unique and successful management team with extensive experience

IsoEnergy has a highly experienced and successful management team, in part made up of the people who were responsible for the discovery of NexGen's Arrow deposit, considered to be Canada's largest, high-grade, non-producing uranium deposit.

President, CEO and Director Craig Parry has been a geologist and resource sector executive for over 20 years. A co-founder, former director and now senior consultant of NexGen Energy Ltd. Parry was the geologist responsible for the exploration and business development of Tigers Realm Group from 2008 to 2015. He also served as Business Development Manager for G-Resources Limited from 2009 to 2012, responsible for mergers and acquisitions and as Principal Geologist - New Business at Oxiana Limited, responsible for strategy and business development initiatives in the bulk and energy commodities sector. At Rio Tinto, he has led exploration programmes for iron ore, copper, diamonds, coal and bauxite in Australia, Asia and South America and was Principal Geologist for the pre-feasibility study for the Kintyre Uranium Project.

Vice President Exploration Steve Blower is a professional geologist with over 20 years experience in the natural resource sector, including mining geology, resource estimation and exploration for a variety of commodities. Over the past 10 years, Blower has been involved in uranium exploration in the Athabasca Basin, most recently as VP Exploration for Denison Mines. There he led the team that expanded the Wheeler River Project by 75 million pounds of U_3O_8 mineral resources through the expansion of the Phoenix deposit and the discovery of the Gryphon uranium deposit.

Chairman Leigh Curyer has over 20 years experience in the natural resources sector. His experience in uranium project evaluation fo-

cuses on projects in Canada, Australia, the United States, Africa, Central Asia and Europe, including operating mines, advanced development projects and exploration assets. While serving as Chief Financial Officer of Southern Cross Resources (now Uranium One), Curyer led the exploration, permitting and feasibility study for the Honeymoon Uranium Project in South Australia. Curyer has generated more than \$500 million for his companies in North America, USA, Europe and Australia.

Top shareholders and low free float

Another important feature of IsoEnergy is the relatively low free float of about 23% of all outstanding shares. The largest single shareholder is NexGen with about 52% of all shares. Cameco holds 4% and Orano, the former AREVA, 2%. A further 19% is held by institutional investors. One of the largest supporters is Rick Rule, Senior Managing Director, Sprott Inc. and President & CEO, Sprott U.S. Holdings.

Summary: One bull's eye follows the next!

After NexGen, the experienced management team around CEO Craig Parry now seems to have hit the bull's eye with IsoEnergy. It is extremely rare to see several drill sections with uranium mineralization in the double-digit percentage range. The good infrastructural situation makes Larocque East one of the hottest irons in the Athabasca Basin and IsoEnergy one of the hottest uranium stocks in the coming months and years. The Company generated CA\$6.7 million in fresh capital in December 2019 and had over CA\$5 million in cash as of March 2020. This will be sufficient for the upcoming programs. NexGen is also a reliable financing partner.

What are the most important catalysts for the next 6 to 12 months?

Catalysts from the standpoint of IsoEnergy will be the continued expansion of the Hurricane Zone with future drill programs. With past and future results, we will continue to show the market that Hurricane contains a significant amount of uranium as we work towards our goal of a maiden mineral resource estimate. Important near-term catalysts in the market include the industry's reaction to risks posed by COVID-19. Kazatomprom has reduced operations in Kazakhstan for three months, and production in both Namibia and at Cameco's Cigar Lake have been temporarily shut down. This is putting even more strain on an already undersupplied market. Outside of temporary suspensions, Cameco has declared they will buy again off the spot market, new reactors continue to come online, and sentiment towards nuclear is improving because the world remains focused on climate change and nuclear power offers the only reliable carbon-free energy source.

How do you see the current situation on the market for uranium?

The largest and one of the best mines in the world (from a value per tonne basis), McArthur River remains shutdown. This is not due to COVID-19, this is because the current price of uranium is too low to justify production. There is an increasing supply gap in the uranium industry and the COVID-19 suspensions will only further widen the gap, creating a large issue for the utilities that rely on nuclear power. Production will not come back online with these current prices, and these mines cannot be easily turned off and on. Given the duration of the nuclear fuel cycle and uncertainty around COVID-19, utilities will have no choice but to sign long term contracts at a higher price. The upward pressure on the price of uranium is becoming too strong and the recent spot price increase suggests the market is starting to take notice of the increasing supply shortage.

Exclusive interview with Craig Parry, CEO of IsoEnergy

What have you and your company achieved in the past 12 months?

The past year has been the most exciting in IsoEnergy's history, with exploration drilling results far exceeding expectations at our Hurricane Zone in the Athabasca Basin in Northern Saskatchewan. The Hurricane Zone is located on our 100% owned Larocque East Project in the northeastern Athabasca, 40km from Orano's McClean Lake Mill. We recently completed our third drill program at the Hurricane Zone which has now grown to 575m in length and up to 40m wide by up to 11m thick. The best hole (LE20-34) to date was drilled during our winter 2020 program and intersected an astonishing 33.9% U₃O₈ over

8.5m including 57.1% U₃O₈ over 5m. In fact, as of April 2020, LE20-34 has topped OPA-XE's list of significant drill intersections for any commodity in 2020. These results have solidified IsoEnergy's place as the only junior explorer drilling high grade uranium on a new discovery.

From a financial standpoint, we have ~C\$3.5 million in the bank as of April 2020. Even during a down market, we were able to raise C\$6.7 million last December with our largest shareholder NexGen Energy maintaining their 52% stake in our company. Clearly the market likes uranium discovery stories like IsoEnergy.

ISIN: CA46500E1079
WKN: A2DMA2
FRA: I01
TSX-V: ISO

Shares outstanding: 84.3 million
Options: 8.1 million
Warrants: 7.4 million
Fully diluted: 99.8 million

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IsoEnergy Ltd.



Skyharbour Resources

World-class uranium project plus two top development partners



Jordan Trimble, CEO

Skyharbour Resources is a Canadian uranium and thorium development company focused on exploration projects in the Athabasca Basin. The company holds majority interests in five projects in the wider Athabasca Basin, covering a total of 230,000 hectares. With Azincourt Uranium and Orano, the company has excellent development partners for two of its projects.

Moore Lake Uranium Project – Situation and Deal

Skyharbour Resources' current flagship project is called Moore Lake and is located in the far southeast of the Athabasca Basin, only about 10 kilometres southeast of Denison Mines' mega-project Wheeler River and fairly midway between the Key Lake Mill and the McArthur River Mine. From Denison Mines, Skyharbour Resources acquired the Moore Lake Project in July 2016, consisting of 12 contiguous claims totaling 35,705 hectares. The acquisition of 100% of Moore Lake required Skyharbour Resources to transfer 18 million of its own shares to Denison Mines, making Denison the largest single shareholder in Skyharbour. In addition, CA\$500,000 in cash payments and CA\$3.5 million in exploration expenditures were required to earn a 100% interest in Moore Lake. This was realized in August 2018, well ahead of schedule. All in all, an absolute bargain price considering that more than CA\$35 million has already been invested in exploration at Moore Lake to date. This has included more than 370 drill holes with a total length of over 135,000 metres.

Moore Lake Uranium Project – Exploration Successes

Upon completion of the Denison Mines acquisition deal, Skyharbour began an initial 3,500 metre drill program in February 2017. High radioactivity and uranium mineralization were encountered in three of the first five holes. The first hole in the Main Maverick Zone

intersected 20.8% U_3O_8 over 1.5 metres within a 5.9 metre interval of 6.0% U_3O_8 at depths of 262 metres and over. The fourth drill hole also returned 5.6% eU_3O_8 over 1.8 metres within a 10.7 metre interval with 1.4% eU_3O_8 from a depth of 267 metres. Finally, Skyharbour Resources reported further significant drilling successes during 2017. These included 2.25% U_3O_8 over 3.0 metres at the Main Maverick Zone and 1.79% U_3O_8 over 11.5 metres at a new discovery called the Maverick East Zone, including 4.17% U_3O_8 over 4.5 metres and 9.12% U_3O_8 over 1.4 metres.

In 2018, the series of sensational drill results continued, including 3.11% U_3O_8 over 1.8 metres and 1.33% U_3O_8 over 7.8 metres. Further drilling successes were reported in 2019. These included 2.5 metres of 2.31% U_3O_8 at the Maverick Zone.

In February 2020, the Company started a drilling campaign of approximately 2,500 meters.

Preston Uranium Project – Location and Exploration

The Preston Uranium Project is located southwest, just outside the Athabasca Basin in the Patterson Lake region. It is bordered to the north by Fission 3.0s and Nexgens project areas, among others. The Preston Project, which covers approximately 121,000 hectares and in which Skyharbour Resources holds a 50% interest (the remaining 50% is owned by its partner Clean Commodities Corp.), is located close to the high-profile Nexgen (Arrow) and Fission Uranium (Patterson Lake South) discovery.

To date, the two partners have invested approximately CA\$ 4.7 million in the exploration of the huge license areas. They have identified 15 areas with similar indicators to Patterson Lake South and Arrow. A large number of additional drill targets also provide a high exploration potential.

Preston Uranium Project – Option Agreement with Orano

In March 2017, Skyharbour Resources and its partner Clean Commodities Corp. (now Dixie Gold), Skyharbour Resources entered into an option agreement with Orano (formerly AREVA). Under the terms of the agreement, Orano can earn a 70% interest in part of the Preston Uranium Project, approximately 49,600 hectares in the western portion of the total project, by investing CA\$7.3 million in exploration over 6 years and making an additional CA\$700,000 in cash payments. In March 2020, Orano started an exploration campaign that will total approximately CA\$735,000.

Preston Uranium Project – Option Agreement with Azincourt Uranium

Also in March 2017, Skyharbour Resources entered into a second option agreement with Azincourt Uranium Inc. for the East Preston Uranium Project. This is located in the eastern portion of the overall Preston project and covers an area of approximately 25,300 hectares. Azincourt Uranium may earn a 70% interest in the East Preston Uranium Project by pre-transferring 4.5 million treasury shares to Skyharbour Resources and its partner Clean Commodities Corp. and making cash payments totaling CA\$1 million over three years and investing a further CA\$2.5 million in exploration and development of the project area. This agreement was extended for one year in April 2020 in exchange for the transfer of a total of 5 million Azincourt shares to Skyharbour and partner Dixie Gold.

At the beginning of 2018, Azincourt was able to identify several important targets for further exploration by means of geophysical gravity studies. In 2019, a VTEM survey was used to locate seven new target areas. The first drilling campaign also confirmed the prospectivity of the East Preston Project as the underground lithologies and graphitic structures in-

tersected at East Preston are very similar to those of the Patterson Lake South, Arrow and Hook Lake/Spitfire uranium deposits in terms of rock and rock formation. A drilling campaign commenced in February 2020, which included over 2,000 metres of drilling.

Other top projects

In addition to Moore Lake and Preston, Skyharbour Resources has other top projects. These include the Falcon Point Uranium & Thorium Project. This covers 79,000 hectares and is located approximately 55 kilometres east of the Key Lake Mine. In 2015, Skyharbour Resources was able to report a NI43-101 resource of 6.96 million pounds of U_3O_8 and 5.34 million pounds of ThO_2 for Falcon Point. The project has geological and geochemical similarities to some of the best projects in the Athabasca Basin such as Eagle Point, Millennium, P-Patch and Roughrider. Recent sampling in the northern part of the license area has returned up to 68% U_3O_8 . Another top project is Mann Lake, which is directly adjacent to the joint venture project of the same name between Cameco, Denison and Orano. Mann Lake is strategically located approximately 25 kilometers southwest of Cameco's McArthur River Mine and 15 kilometers northeast of Cameco's Millennium Uranium Deposit. A 2014 Cameco drill campaign encountered 2.31% eU_3O_8 over 5.1 metres including a 0.4 metre interval of 10.92% eU_3O_8 .

Upcoming catalysts

Skyharbour Resources and its partners are expected to see several significant developments over the coming months. Skyharbour Resources is conducting its own winter drilling program to confirm previous drilling successes. Orano has started an exploration program. Azincourt has already been able to identify various drill targets by means of geophysical studies which are currently being

drilled. Skyharbour Resources plans to partner its projects through its „Prospect Generator Model“ in order to both advance the projects and generate additional funds to advance its flagship Moore Lake project.

**Summary:
Top projects, strong partners and a good business model**

Skyharbour Resources excels above all with its top projects, its strong partners and its good business model. The flagship Moore Lake project stands for itself anyway. Top grades and a huge exploration potential in the immediate vicinity of some of the world's best uranium deposits on the globe: there should be some top news to come! Two top development partners have been acquired for the gi-

ant Preston project. These partners will not only bear the sole exploration costs over the coming years and thus rapidly develop Preston but will also pay a substantial amount of cash to develop Moore Lake. Skyharbour Resources' Prospect Generator business model is already paying off. Skyharbour Resources also has a technical development partner in Denison Mines, the largest single shareholder, whose CEO David Cates also sits on the board of Skyharbour Resources. This makes Skyharbour Resources one of the top picks in the uranium sector for years to come, with the potential for several bull's-eyes to come.

are relatively untested at the project and are the host rock for most of the recent high-grade discoveries in the Basin. A 2,500m program is underway to delineate basement feeder zones and source mineralization for some of the higher-grade zones present at the Moore Project including mineralization of up to 21% U₃O₈ at the Maverick Zone. The program is following up on high grade basement-hosted uranium at the East Maverick Zone where new geophysical techniques and new geological modeling have greatly refined the targets in addition to testing other target areas along strike.

and is actively looking to option and joint venture out these other projects to strategic partners.

How do you see the current situation on the market for uranium?

- Uranium pricing has ticked up sharply after the March 23rd announcement that the Cigar Lake JV partners had temporarily shut down the mine (approx. 1.3mm lbs / month of production and 13% of global primary mine supply) due to the COVID-19 crisis. The market reaction in uranium equities, increasing amidst a volatile macro backdrop, suggests that this event might be the spark to rebalance the uranium market. Nuclear utilities are facing expiring contracts, and large producers such as Cameco are having to purchase material on the spot market, as the supply deficit between primary mine supply and reactor requirements continues to grow at an unsustainable level. A unique set of underlying fundamentals and drivers, including sticky demand and major supply curtailment, could lead to a complete revival of the sector in 2020.

Exclusive interview with Jordan Trimble, CEO of Skyharbour

What have you and your company achieved in the past 12 months?

- The Company completed its 2019 diamond drill program totalling 2,783m in 7 holes at its flagship 35,705 ha Moore Uranium Project. Hole ML19-06 intersected a broad zone of uranium mineralization from 273 metres to 285 metres downhole within the growing Maverick East Zone which Skyharbour discovered in 2017. The interval returned 0.62% U₃O₈ over 12.0m with a high-grade basement-hosted intercept returning 2.5m of 2.31% U₃O₈.
- In the fall of 2019, Skyharbour completed a UAV-MAGTM survey that successfully identified high-priority, cross-cutting features and structures along the Maverick corridor. Identification of these features has helped refine and identify additional drill targets for the 2020 diamond drilling programs at Moore.

- As a part of the Company's prospect generator strategy, the Company's partners Orano (previously AREVA) and Azincourt both completed exploration and drill programs at the Preston and East Preston projects respectively with follow-up work planned through 2020.
- Finally, Skyharbour raised CAD\$1.82 million late in 2019. Institutional investors and family office money accounted for a large portion of the financing. The company is fully funded to complete its upcoming work programs at its Moore project and will also receive cash payments from its option partners in 2020.

What are the most important catalysts for the next 6 to 12 months?

- The Company has been drilling at its Moore Project this year with a focus on exploring the underlying basement rocks which

- Skyharbour's partners Orano Canada and Azincourt have both commenced exploration and drill programs which will contribute to the news flow and increase the odds of exploration success with multiple projects being advanced simultaneously. These partner companies can earn up to 70% of the Preston and East Preston projects through project consideration totaling \$11.5 million in exploration and cash payments.
- The Company has been staking additional claims adding to its current landholdings

ISIN: CA8308166096
WKN: A2AJ7J
FRA: SC1P
TSX-V: SYH

Shares outstanding: 63.9 million
Options/warrants: 32.5 million
Fully diluted: 96.4 million

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Skyharbour Resources Ltd.





Amir Adnani, CEO

Uranium Energy is a former US uranium producer, which in addition to the former producing Palangana Mine, will be able to produce on the Goliad Project and the Burke Hollow Project in the future. Additional resources contribute the (North) Reno Creek project and the Alto Paraná Titan project.

Palangana Project is always ready

The Palangana ISR project is fully licensed and received final production approval in 2010. Production commenced in December 2010 but was halted in July 2014 due to uranium price developments. The Palangana project has a resource of 3.3 million pounds of U_3O_8 . Internally, it is estimated that the capital cost to bring Palangana back on stream in just 6 months is approximately US\$10 million. According to the company, production cash costs are less than US\$22 per pound of uranium.

Goliad project fully approved

The second advanced ISR project Goliad has already held a final production license since December 2012. The Goliad project, which like Palangana is located not far from the Hobson processing plant, is the largest ISR uranium project in Texas. It has a NI43-101 compliant resource of nearly 7 million pounds of U_3O_8 , of which 5.5 million pounds are already in the Measured and Indicated category and the remaining 1.5 million pounds in the Inferred category. The Goliad Project offers further potential as the mineralization is open on all sides.

Burke Hollow Project

The third top-ISR project is called Burke Hollow, covers 19,335 acres and was granted a radioactive materials license in February 2019, the last of the four most important licenses for uranium mining. Burke Hollow

has a current resource of 7.09 million pounds of U_3O_8 , dating from November 2017, and is located only about 54 kilometres from Hobson. A total of five independent uranium trends have been identified on the licence area, with less than half of the licence area having been explored for uranium. A 2017 drilling campaign has identified several mineralized trends and extended them over 4.5 miles. This is a significant achievement considering that Burke Hollow was initially an absolute grass root project. The company believes that this resource can be further expanded. In 2019 Uranium Energy conducted a drilling campaign at Burke Hollow consisting of 57 delineation holes and the installation of 76 monitor holes. The Company was able to discover additional mineralized material containing up to 0.272% U_3O_8 .

Hobson production plant is the trump card!

The Hobson production facility is a fully licensed and approved production facility that was originally capable of producing one million pounds of yellow cake per year. The plant was completely refurbished in 2008 and is state of the art. Production has been doubled with the addition of a second, larger vacuum dryer and the fully licensed Hobson facility now has a processing capacity of two million pounds of U_3O_8 per year.

Reno Creek Project

In May 2017, Uranium Energy announced the acquisition of Reno Creek Holdings Inc. and 100% of its fully licensed Reno Creek ISR uranium project in Wyoming.

Uranium Energy can begin construction of ISR fields and a central processing plant there almost immediately and is allowed to extract and process up to 2 million pounds of U_3O_8 per year!

Reno Creek has a large NI43-101 resource of 26 million pounds of U_3O_8 in the measured

and indicated category. In addition, there is an additional 1.49 million pounds of U_3O_8 in the inferred category. A 2014 pre-feasibility study confirms that Reno Creek is highly economic with low capital and operating costs. In total, Uranium Energy paid less than US\$25 million for a fully licensed ISR project with a resource of approximately 27.5 million pounds of U_3O_8 , plus the now fully integrated Reno Creek North Project, which was acquired in November 2017, and much higher exploration potential! And this, even though all previous owners have already spent more than US\$60 million on the exploration and development of the project!

Alto Paraná Titan Project

In July 2017, Uranium Energy acquired CIC Resources (Paraguay) Inc., which owns more than 70,000 hectares of land in Paraguay that hosts the Alto Parana Titan Project and its pilot plant. To date, CIC Resources and former joint venture partner Tronox have invested approximately \$25 million in the project.

The Alto Parana Titan Project is an advanced exploration project located in eastern Paraguay within the Department of Alto Parana approximately 100 kilometres north of Ciudad del Este. The property covers an area of 70,498 hectares with five mining permits. Work completed to date on the project has included an extensive program of trenching and auger drilling, the development of a small test mine, the construction of a pilot plant to evaluate the proposed ore processing flow chart, laboratory-scale smelting tests, the production of approximately 110 tonnes of a concentrate for extensive smelting tests and related engineering, marketing, logistics and environmental work.

In September 2017 Uranium Energy was able to publish its own resource estimate for Alto Paraná. The total inferred resource was estimated at 4.94 billion tons with a grade of 7.41% titanium oxide (TiO_2) and 23.6% iron oxide (Fe_2O_3) at a minimum ore content of 6% TiO_2 , making Alto Paraná one of the lar-

gest known and highest grade ferro-titanium deposits in the world.

Uranium Energy plans to cash in on the project. After all, the titanium market will show a supply deficit from 2021 onwards, which in the case of Alto Paraná is likely to arouse the covetousness of large majors.

Diabase Project

In February 2018, Uranium Energy acquired the Diabase project, located on the southern edge of the Uranium District in the Athabasca Basin. The project covers 21,949 hectares of land and overlays a highly prospective regional corridor less than 75 kilometres from Cameco's Key Lake mill. Uranium Energy paid a total of only about US\$500,000 for the acquisition, a bargain price considering that more than US\$20 million has been invested in exploration on the property in the past, including diamond drilling, geophysical surveys and surface sampling for a total of more than 21,000 metres.

More potential top projects in the pipeline!

In addition to the listed projects, Uranium Energy holds the majority of a number of other potential top projects.

For example, the Anderson Project in Arizona, which has 29 million pounds of U_3O_8 and for which a positive economic study has already been completed, which, based on a uranium price of US\$65, has a strong pre-tax IRR of 63%.

The Slick Rock Project in Colorado has 15.7 million pounds of U_3O_8 plus 69.6 million pounds of vanadium and a pre-tax IRR of 33%.

Uranium Energy has two promising projects in Paraguay. Yuty has resources of 11.1 million pounds of U_3O_8 and Oviedo has an exploration target of 23 to 56 million pounds of U_3O_8 .

**Summary:
Strong project pipeline, high leverage on the uranium price**

In contrast to the time when Uranium Energy already mined uranium once, in the future it will be possible to run four projects at the same time instead of one (Palangana) and thus keep the Hobson processing plant busy. Together with the Reno Creek project (including Reno Creek North), which is also already fully licensed, the Company now has more than 100 million pounds of U3O8 plus vanadium and the ability to produce 4 million pounds of U3O8 per year instead of 2 million pounds of U3O8.

As the icing on the cake, it was also possible to secure a very advanced titanium project for a small amount of money, which offers additional future potential.

Uranium Energy combines all the expected benefits of an upcoming supply shortfall in the uranium market, a cost-effective mining method, centrally located processing facilities and a uranium-friendly environment. The

company had approximately \$10 million in cash at the end of January and is thus adequately financed.

It also holds 14 million shares in Uranium Royalty Corp. Uranium Royalty Corp. is the first and only publicly traded uranium royalty and streaming company. The Company's shares are publicly traded, the TSX-V symbol is URC.

Uranium Energy is ideally positioned for the US government's announced 10-year program, which has a total budget of US\$1.5 billion to purchase domestically mined uranium for a national uranium reserve, with its fully licensed and cost effective ISR projects in Texas and Wyoming.



*The Hobson production facility is fully licensed.
(Source: UEC)*

Exclusive interview with Amir Adnani, CEO of Uranium Energy

What have you and your company achieved in the past 12 months?

The past year has been quite active for UEC where we worked toward and achieved a number of key objectives. While uranium prices remained under \$30 per pound during this period, keeping a large percentage of global uranium production capacity offline (including our South Texas operations), we continued to advance our production readiness on multiple fronts. Given the very positive developments in the global uranium market fundamentals in 2020, coupled with supportive Trump Administration policies towards American uranium and nuclear energy, we are confident that this strategy will deliver attractive returns for our shareholders. With the addition of the Reno Creek asset in Wyoming,

UEC has assembled the largest resource base of fully permitted In-situ recovery ("ISR") projects in Texas and Wyoming of any U.S. domiciled producer. More importantly, UEC's ISR resources fall in a lower cost category than the higher cost conventional mines. This positions the company to compete successfully for the U.S. Strategic Uranium Reserve, as well as global nuclear utility requirements. As uranium has become the best performing commodity in 2020, moving through \$33 per pound (up 35% in the past few weeks), we cannot emphasize enough the value of permitted and licensed projects that can be brought into production quickly in response to changing market conditions. We couldn't be more excited about what 2020 will bring, as the uranium market finally begins a more pronounced move to the upside.

The year 2019 was a successful year of advancement for our fully licensed Burke Hollow Project in South Texas, including the start of development for our production authorization area #1 ("PAA-1"). We completed a 57-hole drill program to fully delineate the contours of this portion of the orebody. In the process, discovery of additional mineralization resulted in the expansion of PAA-1 with significant extensions of previously identified trends, as well as the discovery of a new trend. A total of 76 monitor wells were also installed. When completed, a 120 monitor well ring will determine baseline conditions, and facilitate ongoing management and monitoring of the ISR mining activities. We plan to resume Burke Hollow PAA-1 drilling in 2020 to complete the expanded production zone monitor well ring. However, this activity has been postponed to-date as a result of Coronavirus quarantine considerations. In the meantime, the UEC team will continue to advance the project with engineering and geologic evaluations that support the Company's production readiness strategy. Fortunately, the State of Texas appears to be an early-mover towards restarting the economy due to a smaller impact to the State's population compared to other COVID-19 hotspots. Our ultimate production decision at Burke Hollow remains market-dependent at around a US\$45 per pound incentive price.

The Company's South Texas operations are all part of our hub and spoke strategy, where ISR mines as the spokes (Burke Hollow, Palangana), feed our Hobson Processing facility as the hub. Our Palangana project remains in a ready stand-by mode, having ceased U3O8 production, resulting from our commercial decision brought on by low uranium prices in 2014. With Palangana's infrastructure in place, the restart of this mine could occur within six months. In 2019, we also received renewal permits, authorizing uranium extraction for an additional ten years at the project.

Our key production asset in South Texas remains the Hobson Processing Plant which enables UEC to unlock all of our permitted South Texas satellite resources (the third being our nearby Goliad Project). While Hobson has a current production capacity of 2 million pounds U3O8 per year, increases could be realized with reasonable capital investment to expand the back-end drying and packaging circuit. Accordingly, UEC submitted an amendment application in 2019 to increase our permitted capacity from 2 million pounds to 4 million pounds U3O8 per year.

In the Powder River Basin of Wyoming, we continued to consolidate our Reno Creek acquisitions into a single contiguous, permitted project (current license provides for 2 million



Palangana Project
(Source: Uranium Energy)

pounds U_3O_8 annual production). At 26 million pounds of measured and indicated resources, Reno Creek represents the largest permitted, pre-construction ISR project in the United States. UEC is currently updating the pre-feasibility study to scope out development timelines and capital requirements. A key decision will be to determine whether to construct our own processing plant or utilize nearby toll-milling capacity.

In 2019, we received a modified Permit to Construct at Reno Creek, allowing the Company to move forward with construction of ISR wellfields. The project can easily contribute to the recently announced U.S. Strategic Uranium Reserve. As American and global nuclear utilities renew their focus on supply chain reliability, and the United States Government recommits to promote a growing and robust domestic nuclear fuel cycle, UEC could not be better positioned with four fully permitted and licensed projects in the restart and development phase.

In other 2019 activities, we completed two drill programs in Paraguay, one at our Oviedo uranium project and the other at our Alto Parana titanium project. The Oviedo drilling campaign confirmed a radon anomaly and demonstrated continuity of the roll-front uranium mineralization. The results of this program will help guide our future exploration efforts prior to uranium extraction.

The Alto Parana drilling program was implemented to support a revised Preliminary Economic Assessment of our non-core invest-

ment there. This project represents one of the largest titanium deposits in the world at 4.7 million tonnes of 7% TiO_2 resources. UEC's plan continues to envision the monetization of this asset through sale or joint venture at some point in the future.

2019 also saw the public launch of Uranium Royalty Corp. (URC) through a CDN\$30 million IPO on the TSX-V in December. This successful, over-subscribed launch represented the largest mining IPO in Canada during 2019. UEC, now a 20% shareholder, founded URC over three years ago to capitalize on royalty assets and provided management and back office support to advance the venture. The concept behind this move to create a capital provider to uranium mine developers, while offering a diversified pure-play vehicle for uranium investors, was taken straight from base and precious metals sectors where a \$40 billion industry in streaming and royalties has emerged in the last 15 years.

The Trump Administration finally released its long-awaited Nuclear Fuel Working Group Report in late April. What are your thoughts on this and how will it impact UEC?

While it was a long time in coming, UEC applauds the Trump Administration for producing a comprehensive policy document. The Nuclear Fuel Working Group ("NFWG") report represents the strongest U.S. government endorsement of nuclear energy and domestic uranium since the 1950's. Throughout the year, UEC was heavily involved in the process and expended considerable effort to assist and provide input to the NFWG and the various agencies involved in developing the recommendations outlined in the report. We are now already in a full court press to advance the policy initiatives with the U.S. Congress, the Departments and Agencies within the Trump Administration to implement the report's recommendations. The objectives are to revitalize and restore a robust American uranium industry. The tangible uranium elements include the Strategic Uranium Reserve, an end to U.S. government uranium inventory sales, research into innovative

restoration technologies, increased restrictions on uranium imported from Russia, renewed American competitiveness in export markets and support of nuclear energy in the domestic energy markets. UEC couldn't be better positioned to play a key role in this American uranium resurgence with multiple permitted, low cost ISR projects, and we are fully engaged to help the objectives succeed.

What key catalysts do you see advancing the uranium market in 2020?

The uranium market has clearly been in a serious rebalancing phase since global production peaked in 2016. Substantial reductions in output have occurred over the past three years and have gone a long way towards rebalancing the market. Demand at the same time has seen very positive developments, rebounding from the stifling impacts of Fukushima to see global nuclear generation return to pre-Fukushima levels in 2019. In absence of the black swan event that has been the Coronavirus pandemic, 2020 was already shaping up to see a continuing rebound in uranium prices. With the ensuing COVID-19 supply cuts impacting about 60% of global

production, this fundamental rebalancing has only accelerated. Similar to the Cigar Lake and McArthur River mine floods in the previous bull market, the pandemic driven production cuts have served as a tipping point catalyst to break the uranium price out its bounded range in the mid-\$20's per pound U_3O_8 . The remaining fundamental catalyst to drive prices higher will be the utilities return to more normal long-term contracting activities, following years of supply secured with carry trade contracts over short and mid-term time frames. While the shorter-term strategic focus was beneficial with an inventory driven market, a longer-term strategy will undoubtedly unfold with the market shifting back to a more production driven mode. Global events in 2020 have only reinforced this transition and should result in the utilities returning to primary production for their security of supply. As the only U.S. producer incorporated and domiciled in America, we are ready to resume and expand our production to support the strategic Uranium Reserve and upcoming long-term utility demand. As we move forward, our focus will be to execute our production ready strategy and provide attractive returns to our shareholders.

ISIN: US9168961038
WKN: A0JDRR
FRA: U6Z
NYSE: UEC

Shares outstanding: 183.9 million
Options: 10.0 million
Warrants/RSUs: 8.6 million
Fully diluted: 202.5 million

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