



URANIUM INSIDER

NEWSLETTER – October 2023

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NOTE: The full monthly Newsletter available to Uranium Insider Pro members includes coverage of our Focus List positioning. This discussion has been omitted from this free sample Newsletter.

Part I. Uranium Sector Market Action Commentary

Since the inception of this letter more than four years ago, we have diligently tried to lay out the investing case for uranium. Due to geopolitical events since then that gave rise to a new “urgency” from governments around the world, there are a myriad of additional bullish factors that we could never have even imagined back in August 2019. Another significant plus has been the noticeable rise in public support for nuclear power, a proven non-carbon emitting source of reliable 24/7 baseload power that has suffered from many misconceptions that were promoted by groups with hidden agendas (think coal and oil interests supporting many of the “anti-nuclear” narratives).

We are going to try to not overcomplicate things regarding where the uranium market finds itself right now. Below are some sound bytes from the recent World Nuclear Association (WNA) Conference held in London during the first part of September. The comments/quotes below come from industry sources that are very close to the current “pulse”:

“You have a focus on energy security colliding with a focus on clean energy...The days of buying \$40 uranium are over - and probably also for \$50 and \$60. We’re going to need new supplies.”

– Grant Isaac, CFO Cameco

“We (read: consumption) are exceeding Pre-Fukushima levels...There’s a crunch for the next couple of years...Not only are we going back to pre-Fukushima levels, we are exceeding it...(you) can’t find a single entity that would sell you a half million pounds [of uranium in the spot market] right now – that I am quite certain of.” He added that the “steady increase” in price was mainly driven by energy utilities...not investors.

– Per Jander - WMC

“The spot uranium market is incredibly tight. In the event a buyer was to show up looking for ~1M lbs, the order probably takes 3-4 weeks to fill and gaps the price up +\$10/lb.”

– Cantor Fitzgerald

“Spot to \$200 by 2025”

– Nick Lawson - Ocean Wall

Perhaps the most sobering reality check came from U.S. utility giant, Constellation Energy, who is also the largest US nuclear power operator. They noted in front of the conference audience that mobile inventory was becoming ever more difficult to secure and that utilities would increasingly have to rely on primary uranium supply (i.e. mine production) to fill their needs. We would hope that the old expression of “*Message delivered ...message received*” resonated with the fuel buyers in attendance.

Below is a short form summary of the most important realities that came out of the London WNA Conference in early September:

- There is a strong consensus that supply is very limited, and the market is vulnerable to a sharp up move in price.
- Availability for utilities that wish to contract for supply for needs over the next 3-4 years is extremely limited.
- Supply is now constrained until ~2H 2027.
- The market is particularly vulnerable to financial entities who, depending on the dollar amount of flows, could create *extreme* price pressure to the upside.
- In terms of physical acquisition funds, there are rumored to be two more on the way beyond the planned “\$500 million” launch of the PFYN Singapore-based fund.
- Flex provisions in new long-term contracts have virtually disappeared.
- Supply is going to continue to be constrained due to a variety of factors, including but not limited to: supply chain problems, limited skilled personnel, and transportation issues.
- SMR demand is expected to exceed consensus forecasts, and this will become more apparent over the next 12-24 months.
- Fuel buyers are waking up and facing the reality of being confronted by a combination of challenges facing them which include: depleted inventories, falling secondary supplies, and a dearth of near-term supply.

Current Supply/Demand Fundamentals:

UxC estimates global primary production will total 141 million pounds U₃O₈ in 2023, about 3 million pounds less than 2022. Based upon industry data, 2023 production is expected to be ~45 million pounds shy of U₃O₈ demand. This demand figure includes some utility inventory restocking. Even UxC’s Jonathan Hinze has privately acknowledged that there is, “*little unsold production available from the major producers between now and 2028.*” Additionally, utility inventory levels on a sector-wide basis are on the low end, and other secondary supplies (e.g., underfeeding) continue to decline. Market conditions, from our perspective, look to remain exceedingly tight for the foreseeable future.

U.S. brokerage firm Cantor Fitzgerald put it succinctly in a recent research report: “...unlike the 2006-2007 price spike (to 137/lb. U₃O₈ at its peak) that was primarily driven by hedge funds, the current rally is being driven by fundamental end users. **This is a much healthier, sustainable, and broad-based rally.** (Editor’s note: we added **bolding** for emphasis). *In our view we are approximately three years into the current uranium bull market that we expect to last 10+ years and potentially much longer depending on the speed of the supply response (new mine builds, extensions and expansions). We would add that in the last uranium bull market there was a 70+ million pound surplus five years out and not once during that run did the market go into a deficit.*”

On Wednesday September 27th, rumors began to circulate in the market that Russian state-owned Rosatom had put out an RFP seeking to acquire 5M lbs. of U₃O₈. We checked with several sources and have not been able to confirm this, though it’s possible the Russians have put out an off-market request. One day later, Bloomberg ran a story that stated that, “Russia halted exports of uranium to the U.S. from St. Petersburg ports amid a lack of insurance coverage, state-run nuclear corporation Rosatom said on the Telegram channel of its in-house magazine.” Rosatom quickly denied that report and said that uranium shipments continue. Considering, however, that shipping uranium from Russia is not getting any easier, it is possible that Rosatom is trying to locate pounds outside Russia for delivery to western customers. This story highlights the precarious state western nuclear countries find themselves in, presently. Only days earlier, five of the G-7 nations confirmed an alliance that includes a pledge to dislodge themselves from Russian nuclear fuel supply chains. While this is possible in-theory, much has to be done *and soon* in order for the West to be nuclear independent from Russia.

One of the most vexing challenges that the industry is currently facing is the personnel crisis. Over a period of years, the availability of mining engineers has continually contracted. In Australia there’s been a 63% decline since 2014, in the U.S. there’s been a 39% decline since 2016. This shrinking availability of mining talent is occurring at a time when these jobs are needed more than ever if there is any hope of expanding uranium mine production, let alone the mining revolution that will be necessary to pursue the so-called “energy transition.”

Summary:

We find ourselves in a remarkable situation. Utilities have drawn down inventories to historically low levels. In fact, the last time nuclear utilities’ inventories reached similar levels in the mid-2000s, the uranium price ran to its all-time high of \$137/lb. in only a few years. Currently, the primary producers (Cameco, Orano, Kazatomprom) have very little available lbs. out to 2026/2027, and both KAP and Cameco have stated they will have to acquire pounds in the open market. Name another industry where both the consumers of the product *and* the two leading producers of the product need to purchase the same product they produce in the open market? This is all occurring at the same point in time as there is little excess capacity at western converters and enrichers. The “flex” in the system is gone.

Two months ago we cited fund manager Harris Kupperman who said, “*It seems clear that the sector is going to have to have a demonstrable price breakout to ignite new investor interest. We believe with uranium breaking through \$60/lb.* (Editor’s Note: U₃O₈ September month-end close was \$73.50/lb.) *we are now witnessing that price breakout.*” Due to the exceptional setup in the uranium market, the

path of least resistance for uranium will continue to be higher prices.

Part II. The “Flywheel Effect” is Back in Sync

The month of September ushered in strong inflows, both in the sector ETFs and SPUT. As we said last month, *“The profoundly positive influence of investor inflows into the sector on share prices cannot be overstated.”* That proved to be true in spades during the most recent month.

The Physical Funds:

Sprott Physical Uranium Trust (SPUT) (U.U: TSX; U.UN: TSX; SRUUF: US OTC)

There were several noteworthy events that occurred during the month for the world’s largest physical uranium acquisition fund. On September 5, 2023, Sprott announced that they intend to request for regulatory approval for a new provision that will include a “limited redemption” provision for certain “industry players.” We believe if accepted by the regulators, this provision will result in a “natural bid” for the Trust’s units when it is trading at a Discount to NAV and maybe even close to NAV in this very tight market. We embrace this initiative and think it offers an elegant solution to the vexing issue the Trust has been facing this year – trading almost exclusively at a significant discount to NAV. We’ve always made it clear that we hold John Ciampaglia and his firm in high regard, and because of their innovative history that they would seek a “tweak” to ameliorate the discount to NAV problem. We – like many of our industry contacts – implored Sprott to consider initiatives to address the discount to NAV, and we are very pleased they are moving that direction.

The other newsworthy development that was detailed in the above release was with respect to the reduced size of their new At-the-Market (“ATM”) filing. This new ATM filing is a fraction of the size of the previous \$1 billion+ SPUT ATM filings. According to Sprott, they will be issuing new shares pursuant to the current \$125M size to start, and then they will increase the facility again to \$250M as the initial \$125M allocation is filled. The strategy of smaller filing sizes will result in more frequent signals to the market with each new upsizing and will likely prove to be yet another shot across the bow of this fragile spot market.

We conducted a direct Zoom call with John Ciampaglia in mid-September after he returned from the WNA in London and learned that he never actually even attended the WNA symposium since he was so busy attending about 35 meetings with institutional investors over a 3-day period. Per Jander of WMC, who is charged with procuring pounds of U₃O₈ for SPUT, accompanied John at these institutional meetings. He shared with us his characterization of the response they received during our September Members Webinar. Suffice it to say, interest in the SPUT product and the uranium story was ‘robust’ in London.

The Spot price of uranium closed at \$73.50/lb. on September 29th (up +53.1% 2023 YTD). As you are aware by now, the run that peaked in April 2022 at a high of \$64/lb. U₃O₈ was almost entirely driven by SPUT, but the strong uranium price move in 2023 has occurred with an almost total lack of

secondary demand. When SPUT purchased 100,000 pounds on September 22nd, it represented the first purchase since April 25th (SPUT purchased a shade under 260,000 pounds of U₃O₈ during the month of September).

Last month we said, *“based upon our view of the uranium market going forward, we expect the post-Labor Day sector action to drive new investor funds into the Trust.”* That’s what occurred, and the renewed investor interest not only resulted in the inflow of \$72.1 million of new investor capital into SPUT in September, it also allowed SPUT to close at a Premium to NAV several times late in the month before the weakness on the last trading day of the month. The Trust’s Assets Under Management (AUM) closed out the month at a new all-time record high of \$4.6 billion.

The September month-end closing prices for U.UN and U.U represent one-month increases in value equal to +16.3% and +16.2% (adjusted for USD), respectively. While the price of uranium increased by +\$12.40/lb. (+20.3%) during the course of last month, SPUT’s performance lagged that +20.3% increase by -4.1% because of the widening of its discount to NAV by 347 bps (3.47%), from -2.71% at August month-end to close at a discount to NAV of -6.18% as of September month-end.

The SPUT Unit price closed at its highest monthly close in 15 years again this month (incorporates pricing data from the Trust’s predecessor, Uranium Participation Corp.; former trading ticker: UPC: TSX). Of even greater importance is the fact that the Fund was able to trade at a Premium to NAV several times in the latter part of the month.

September 2023 SPUT data:

Sprott Physical Uranium Trust (U.U, U.UN: TSX; SRUUF: US OTC):

September 2023:

New Investor Capital Raised by SPUT	\$72.1M
Number of Pounds of U ₃ O ₈ Acquired	+260K lbs.
Monthly Change in AUM of SPUT	+\$850M

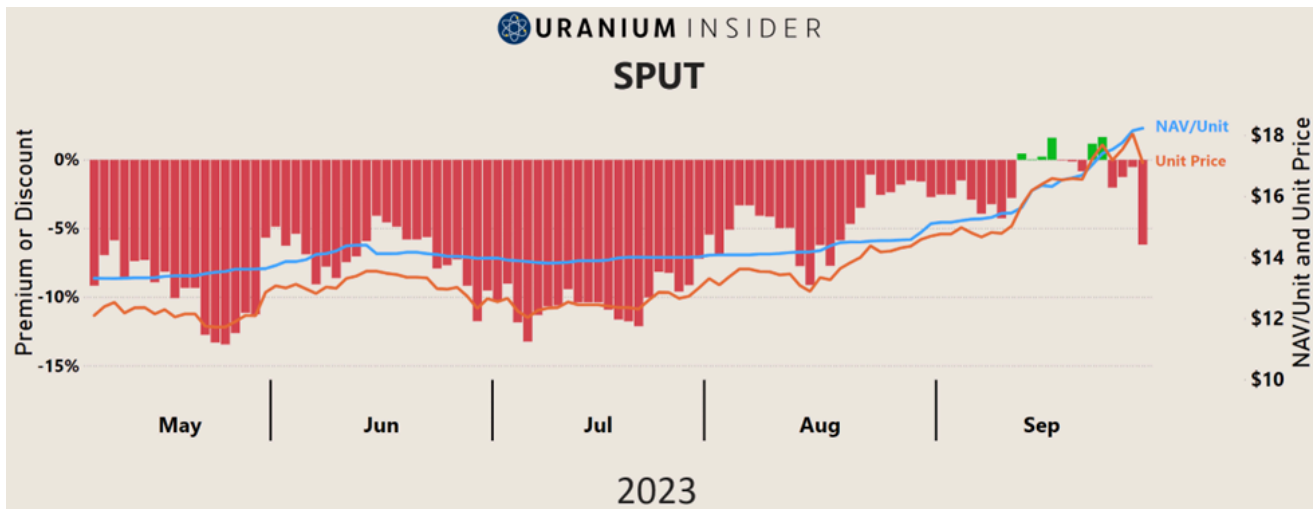
Since the Activation of the SPUT ATM on August 17, 2021:

New Investor Capital Raised by SPUT	\$2.15B
Number of Pounds of U ₃ O ₈ Acquired	43.76M lbs.
Increase in AUM of SPUT	\$4.0B

Sprott Physical Uranium Trust (U.UN, U.U: TSX): 252,831,388 Units Outstanding; AUM: US \$4.6 Bil.

Since the inception of their ATM on August 17th, 2021, SPUT has now stacked 43.76M lbs. and issued 177,365,032 units of the Trust, raising a total of US \$2.15B. SPUT finished the month of September with US \$61.4M in its treasury, representing 1.54% of NAV. We expect SPUT to keep ~1% (\$43M) of NAV in reserve cash in its treasury going forward.

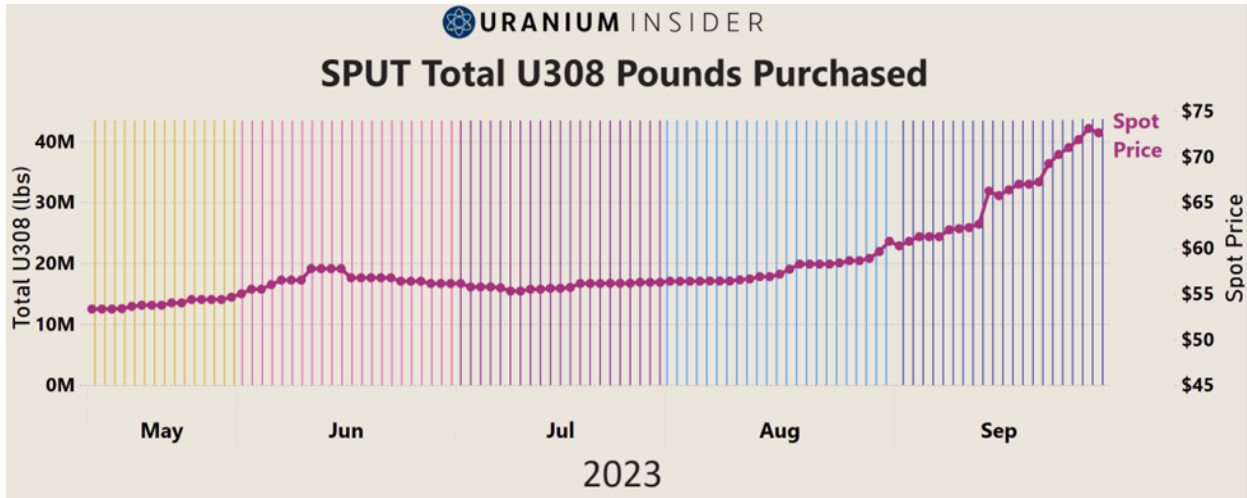
As you see in the chart below, SPUT had been mired at a discount to NAV since mid-February...but that changed during the month of September as you can see the crossover to a Premium to NAV for several days towards the end of the month.



Below is a long-term chart of SPUT (and its predecessor UPC) courtesy of Graddhy (@graddhy) showing its 15-year “saucer bottom” base and now the price breakout (U.UN closed at C\$23.18/Unit on September 29th - well above the breakout level of ~C\$20.00/Unit).



Most striking in the below chart is the impressive move in the spot price despite zero purchasing from SPUT May through August of this year. SPUT added +260k lbs. during September.



The spot price of Uranium climbed by \$12.40/lb. (+20.3%) during September while the Units of SPUT increased in value by +16.2% (adjusted for USD).



Yellow Cake plc (YCA: LSE):

Yellow Cake plc acquires its pounds through a contract with Kazatomprom (KAP: LSE) that allows it to purchase US \$100m of uranium per annum from KAP (this contract runs through 2027). Last month we said this about YCA: *“There is now significant market anticipation that they could soon issue shares and raise cash to execute on their annual \$100M option with KAP.”* Late in September, Yellow Cake plc did in fact announce that they are exercising their 2023 option with Kazatomprom and will be purchasing 1.5M lbs. of U₃O₈ from KAP at a fixed price of \$65.50/lb. In concert with that action, Yellow Cake plc announced a US \$125 million raise to fund this purchase. The raise also provides YCA with ~\$25M above the necessary funds to be provided to KAP. YCA issued \$125m worth of shares at 550p, a 2.2% discount to the closing price on Wednesday, September 27th of 562.5p. This is the narrowest discount at which they have issued shares, with the previous average being over a 5% discount from the previous day’s closing price.

[PROPOSED PURCHASE OF URANIUM AND PLACING \(investis.com\)](https://investis.com)

Yellow Cake inventory remains unchanged from August at 20,155,601 lbs. of U₃O₈., however their holdings will increase during the 4th quarter by 1.5M lbs. per the above exercise. The closing share price of YCA on September 29, 2023 was £560.00/sh. as compared to its August month-end closing price of £465.80/sh., reflecting an increase of +16.5% (in USD terms) for the month (the British Pound depreciated by -3.1% against the USD in September). Yellow Cake plc closed September at a -7.6% Discount to NAV on September 29th (vs. a \$73.50/lb. U₃O₈ price).

The updated Yellow Cake plc September 2023 month-end data appears below:

Yellow Cake plc (YCA.LSE)	198.2M shs.	AUM: US \$1.35B
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ANU Energy:

Once again, this month there is nothing new to report on Kazakhstan-based physical uranium fund ANU Energy. Based upon discussions with industry contacts in Europe, we believe that ANU will launch its next two phases of their planned US \$100 million and US \$400 million raises during calendar 2024, with an expected IPO in Q2, 2024.

Zuri-Invest:

While we are aware that Zuri-Invest closed on their initial raise and is fully operational now, the industry as a whole still has no clarity on the exact size of the raise that was completed, their AUM, or their precise activities to date in the spot market. We believe that despite likely raising significantly less than their goal of US \$100M, Zuri likely set a ‘floor’ in the spot market with marginal purchases for front-month delivery during July and August.

PFYN Fund:

Representatives of a new soon-to-be launched Singapore-based fund called “PFYN” attended the WNA. The Fund is rumored to have a planned size of up to US \$500 million and is being advised by Askar

Batyrbayev, the former COO of the world's largest uranium producer, Kazatomprom. Our understanding is that PFYN will have a broad mandate and will do other things in the sector besides solely acting as a physical uranium acquisition vehicle. In an interview conducted in the last week of September, PFYN advisor Batyrbayev claimed that the new fund would be operational before year-end.

Other Physical Acquisition Fund Entrants:

We are hearing about two other new entrants with rumored initial sizes in the US\$125 Million range...one of which purportedly has the backing of a major sovereign wealth fund that intends to buy physical uranium with a focus on non-US and non-EU investors.

SPUT, Yellow Cake, ANU Energy, Zuri-Invest, PFYN Capital and a possible two more that are on the way (~\$75-150 million each). All of these entities are expected to put further pressure on a market that is already structurally undersupplied. Do you think these vehicles are being established but will not go after this market? That was a rhetorical question.

The Sector Equity ETFs:

The uranium sector ETFs is where we really saw tangible evidence of the resumption of flows during September. Those inflows drove in-excess of \$163 million of “mandated buying” of the underlying uranium stocks that are held by these ETFs over the last 30 days. This is what we call the “Flywheel Effect.” In addition to this ETF buying, non-ETF institutional and retail buying will also give rise to fund flows into this tiny sector that will generate the next powerful up leg in this ongoing uranium bull market.

Global X Uranium ETF (URA)/Sprott Uranium Miners ETF (URNM)/Sprott Junior Uranium Miners ETF (URNJ)/Horizons Global Uranium Index (HURA):

As you know, we carefully track the inflows/outflows of the uranium sector equity ETFs on a daily basis. Below are the up-to-date outstanding share counts and AUM of the four North American listed uranium ETFs as of September 29, 2023. Please take note of the healthy single month percentage growth in both the share counts and AUM of the respective ETFs below during September:

September 2023 Data:

Global X Uranium ETF (URA)

78,001,666 shs. (September '23: +4.5%)
AUM: \$2.13 bil. (September '23: +19.0%)

Sprott Uranium Miners ETF (URNM)

28,545,000 shs. (September '23: +1.9%)
AUM: \$1.35 bil. (September '23: +26.2%)

Sprott Junior Uranium Miners ETF (URNJ)

6,030,000 shs. (September '23: +110.8%)
AUM: \$143 mil. (September '23: +161.9%)

Horizons Global Uranium Index ETF (HURA)

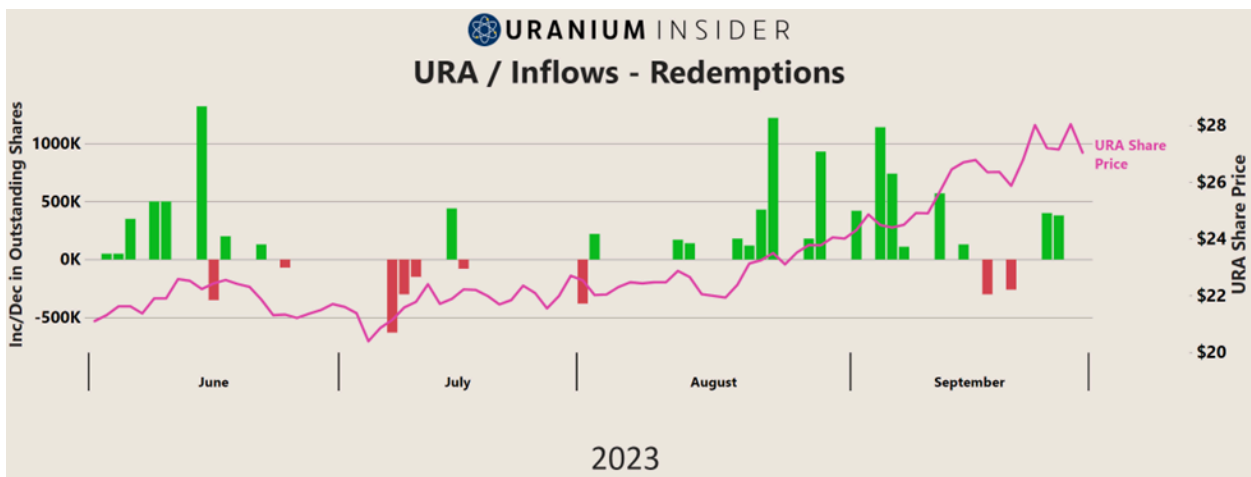
2,130,000 shs. (September '23: +1.2%)
AUM: \$44.1 mil. (September '23: +11.7%)

(All numbers above are in USD)

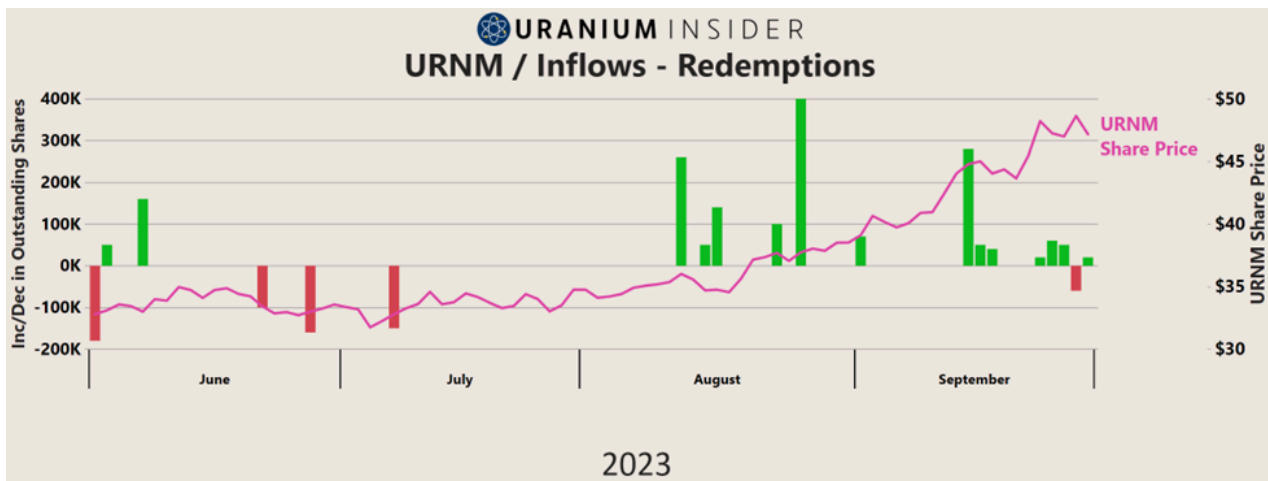
Commentary:

The three U.S. listed ETFs (URA, URNM, and URNJ) ended September 2023 with a joint AUM of \$3.623 billion, representing an increase of US +\$709.0M from US \$2.914B one month earlier. As can be seen in the table above, URA experienced an increase in outstanding shares of +3,330,000 shares, and URNM experienced an increase in outstanding shares equal to +570,000 shares. URNJ experienced astonishing growth with a jump in outstanding shares of +3,170,000 shares (not a typo!) during the month. The net result was “Mandated ETF Buying” amounting to +\$163.4M during the course of September.

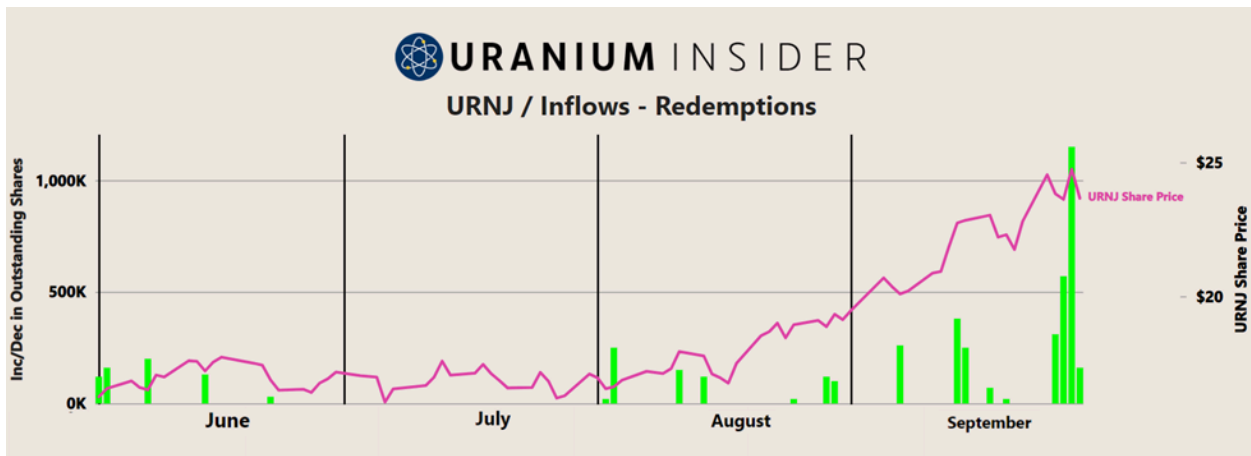
The URA ETF “Inflow - Redemptions” Chart below reflects the strong inflows into URA during September as reflected by the preponderance of green bars representing days with inflows.



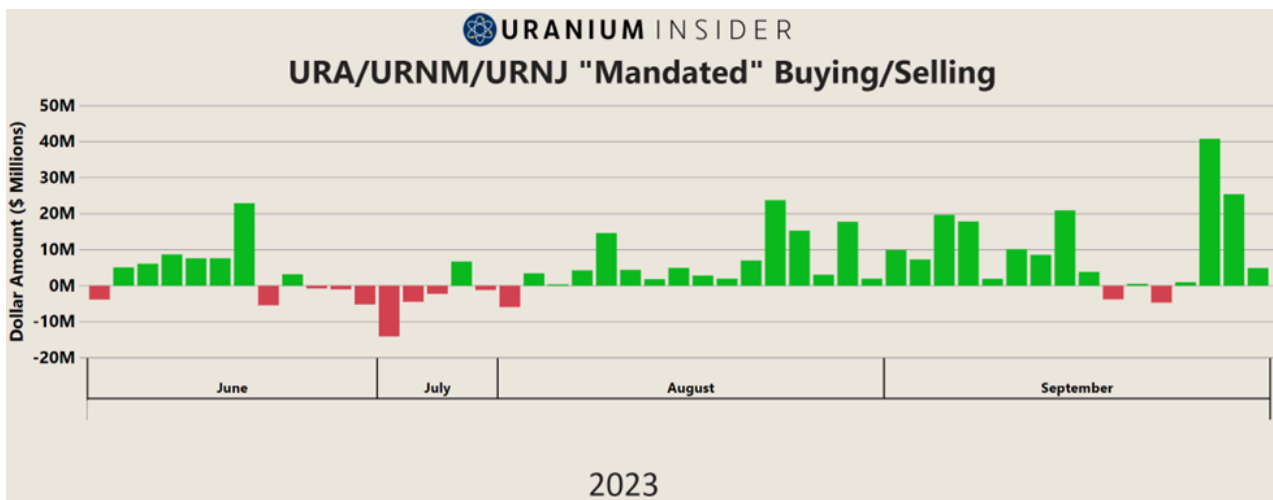
While URNM had inflows in September, they were not as strong as URA since URNM doesn’t benefit as much from the listed options-driven activity as URA does. We want to point out that URNM conducted a quarterly rebalance on the last trading day of September.



The newest uranium sector ETF, the Sprott Junior Uranium ETF (URNJ) received significant inflows in September – more than doubling its August month-end AUM – finishing the month with \$143 million of AUM. URNJ launched back in February –only seven months ago – with ~\$3 million in AUM. URNJ’s composition intentionally excludes the world’s two largest cap miners: Kazatomprom and Cameco, as well as SPUT, from its portfolio holdings. The surge in Inflows into URNJ is a direct reflection of investor expectations that the mid and smaller cap names are likely to be outperformers during this next phase of the bull market.



As a consequence of ETF net inflows, September saw +US \$163.4 million of mandated buying of the underlying uranium equities that comprise the diversified portfolios of these ETFs. The green bars above the zero line in the chart below represent the overwhelming number of days that the sector ETFs were mandated to buy uranium shares in order to invest these new inflows of investor capital. **This is where the rubber meets the road with respect to the “Flywheel Effect” – new investor capital pouring into a tiny sector that results in the mandatory purchases of uranium stocks.**



We intend to continue to pay close attention to these investor flows – both into the physical acquisition

vehicles as well as the sector equity ETFs because we believe their impact on our long thesis will be dramatic.

Part III. Nuclear Energy; “Time for a Rebranding?”

No more “Nuke” rebrand nuclear power: “Elemental energy”

**Love,
Josh (Wolfe)**

The always brilliant Josh Wolfe of Luxe Capital of New York City has been a vocal proponent of nuclear power. Recently he testified before the U.S. congress pointing out the dangers of how China’s export of nuclear technology to the rest of the world is designed to create a “womb to tomb” dependency by those nations that enter into contracts with China to build their nuclear plants (the same could be said of Russia, with a much larger nuclear export program). He is also on record as saying that if nuclear energy was discovered today, it would be heralded as one of the greatest technological breakthroughs of all time. Now, most in the nuclear sector will admit that the industry has been far from the best marketer of the overwhelming benefits of this clean, non-carbon emitting, wondrous power source. Mr. Wolfe is a strong believer that nuclear power could benefit from a rebranding, and he has come up with what we believe is a moniker that’s worth talking about. Wolfe believes that nuclear energy should be placed under a broader category referred to as “Elemental Energy” – which would also include solar and wind.

Wolfe readily concedes that nuclear energy has been a divisive topic primarily because of public misconceptions between nuclear energy and nuclear munitions, and that a rebranding is necessary. While Wolfe runs an extremely successful VC that operates a firm that heavily invests in tech and biotech, in 2008 he started Kurlon, a nuclear waste removal company that was deployed during the Fukushima disaster. That company was later sold in 2016 to French company Veolia for \$350 million in 2016. Wolfe said at the time, *“We got lucky when Japan got unlucky, but we did something that actually changed the world.”* Long before many others, Wolfe recognized that nuclear must be part of the equation to achieve climate initiatives. Wolfe is an “out of the box” thinker, and we believe his rebranding idea has merit.

Uranium Equities’ Performance

Over the course of this year, we have consistently maintained that most uranium equities largely remain out of sync with the fundamentals, and the re-adjustment – when it occurs – would likely be violent. We got the start of that sharp readjustment move in September. As you can see from the ratio chart below that compares the price move of URNM vs. spot uranium (UX1!), URNM outperformed the torrid one month +20.3% gain in the spot uranium price despite the sharp uranium equity pullback on the last trading day of the month. We expect uranium stocks to continue outperforming the commodity over the next 6-12 months.



The below monthly ratio chart reflects the price movement of uranium equities as compared to the S&P 500 on a longer-term basis. Up until August month-end, this ratio continued to hover around the support/resistance line established during Q3 2021 – and we opined in last month’s letter that it was on the verge of breaking out, adding “*we believe it will.*” You will notice in the chart below the extreme outperformance of uranium equities last month vs. the S&P 500 Index. Two months ago we stated, “*We continue to expect that there will be a ‘changing of the guard’ and that uranium equities’ future price percentage gains will outstrip conventional stocks over the next cycle.*”



Part IV. Focus List Position Commentary

Only supporting members of [Uranium Insider Pro](#) have access to our Focus List positioning.

Part V. The Nuclear Fuel Cycle

The Nuclear Fuel Cycle has many moving parts, which is why each month we include this section where we address the spot uranium market, long-term market, conversion, and enrichment pricing. Below is a review of September activity in the Spot, LT Contracting, Conversion and Enrichment markets:

SPOT MARKET:

<u>September (Amount of Pounds)</u>	<u>Number of Transactions</u>	<u>2023 YTD Total Pounds & Transactions</u>
2.9M lbs.	29	40.0M lbs. / 277 transactions

Commentary:

The spot price of uranium rose sharply in September, closing at \$73.50/lb., up \$12.40/lb. from its August closing level of \$61.10/lb. *We will not mince words here, we are in a uranium bull market.* As we've been saying month after month, it is abundantly clear that the spot market is getting thinner and thinner and that continued to be the case in September. The direct evidence of that is the size of the price moves each month now and the fact that price moves are occurring on lower and lower volumes.

Another contributing factor is the fact that BHP which has historically sold their by-product uranium production from the prolific Olympic Dam mine in Australia, according to reliable sources has been beset by utilities looking to LT contract that production. There are strong reasons to believe that BHP has contracted production for the next several years, so their pounds will no longer be providing nearly the liquidity as it has historically to the spot market.

The historical flow of pounds into the spot market has markedly receded. In 1H 23 producers only dumped 450,000 lbs./month into the spot market. Look at the increasing steepness in the trajectory of the uranium price on the right-hand side of the uranium price chart below:

LONG-TERM URANIUM PRICE: The September Month-end Long-Term uranium price of \$61.00/lb. was up another \$3.00/lb. from the prior month. The UxC Long-Term price indicator of US \$61.00/lb U3O8 represents another new high for this move, while the 3- and 5-year forward price indicators, which were both up again, jumping dramatically to US \$75.00/lb. and US \$79.00/lb., respectively.

UraniumInsider published on TradingView.com, Oct 01, 2023 18:52 UTC
 UXC URANIUM U3O8 FUTURES, 1W, COMEX 73.05 +4.00 (+5.79%)



LT CONTRACTING:

<u>September (Amount of Pounds)</u>	<u># of LT Transactions</u>	<u>2023 YTD Total Pounds & LT Contracts</u>
22.7M lbs.	5	143.7M lbs. / 40 LTCs

Commentary:

LT Contract activity picked up in September. We expect the pace to continue to be brisk in the coming months with multiple utilities in discussions – on and off-market – with producers.

CONVERSION:

Conversion prices inched up again during September. While Spot Conversion prices were unchanged at \$40.75/kgU, Long-Term Conversion prices rose another \$1.00/kgU to \$31.00/kgU (+3.3% on the month). Conversion continues to be the largest bottleneck in the nuclear fuel cycle as Western capacity currently is insufficient to meet Western demand. We expect that the conversion market is going to continue to remain tight going forward, but increased conversion capacity will ultimately result in increased U₃O₈ demand.

ENRICHMENT:

Enrichment pricing remained at its highs once again in September. Both spot enrichment prices at \$138/SWU, and Long-Term SWU price at \$148/SWU were unchanged from August month-end levels. Sustained high SWU prices are indicative of the heightened demand for enrichment. Additionally, LT SWU prices rising is reflective of enrichers increasing their SWU margins accompanied by very high transactional tails LT contracts to somewhat offset the U3O8/Conversion/UF6 buying they must do to feed into higher operational tails current processes (overfeeding). During the month, French state-owned Orano confirmed a 30% capacity increase at their GBII SWU facility with an estimated production start-up in 2028 (subject to BOD approval and adequate customers' commitments.)

Below is the September 2023 Price Deck with month-end reported prices for: 1) Spot Uranium, 2) Long-term Contract Uranium Pricing, 3) Conversion, and 4) Enrichment. **Spot has been moving northward this year and conversion and enrichment continue to print new highs.** The Price Deck provides further real time evidence that western utilities continue to prioritize both conversion and enrichment, resulting in sustained elevated pricing levels. However we now have strong evidence that strength has moved into the front-end of the fuel cycle with the rapidly rising U3O8 price. Availability of western conversion/UF6 and SWU/EUP continues to be pressed, and we think that it is unmistakable that we are only in the very early stages of a multi-year long-term contracting cycle for U3O8.

Notably, UF6 made a *huge* jump last month...up +\$30/kgU...now sitting at a price high not seen since 2008.

September 2023 Price Deck:

U3O8 Spot Price: **\$73.50/lb.** (+\$12.40)
Long-Term Contact Price: **\$61.00/lb.** (+\$3.00)
UF6: **\$223.50/kgU** (+\$30.00)

Conversion Pricing

NA Conversion Price : **\$40.75/kgU** (Unch.)
LT NA Conversion Price : **\$31.00/kgU** (+1.00)

Enrichment Pricing

Ux Spot SWU Price : **\$138.00/SWU** (Unch.)
Ux LT SWU Price : **\$148.00/SWU** (Unch.)

We continue to point out to members the large percentage gain discrepancy between the various stages of the nuclear fuel cycle and the smaller percentage gains over the past 21 months since January 2022 in the increase in price of spot uranium - which is *now* starting to accelerate. We remain very confident that the current momentum in uranium prices will mimic the dramatic percentage rises in conversion and enrichment prices over the next 6-12 months. Uranium prices registered a very strong price increase in September and are now finally accelerating to catch up to the earlier enormous moves in conversion and enrichment prices. We have been expecting this “catch up” phase for quite some time and is clearly unfolding now.

Period 1/1/2022 - 9/29/2023

	<u>Spot</u>	<u>LT</u>
Conversion Prices	+154.7%	+69.8%
Enrichment Prices	+135.5%	+118.9%
U3O8	+73.2%	+55.6%

Part VI. The Majors: Kazatomprom / Cameco

As we do each month, we devote a section to the two dominant publicly-traded production companies: Kazatomprom and Cameco. These two uranium producers represent the world’s #1 and #2 publicly-traded producers, respectively. They are the only publicly traded entities producing significant quantities of uranium on an annual basis. Of course there are the other large state-owned entities with meaningful production: French state-owned Orano, Russia’s state-owned Uranium One, and Uzbekistan’s state-owned Navoi. While we don’t currently own Kazatomprom or Cameco in our Focus List portfolio, in our opinion they provide important tells for those “growthier” names on our Focus List.

Kazatomprom (KAP: LSE):

On the last day of September, Kazatomprom issued three significant announcements. One was regarding the company’s intent to take 2025 production levels to 100% of the allowable amount under the “subsoil agreements.” This is an increase above the planned 10% below the subsoil level for calendar 2024 (we will go through these planned production levels in the next paragraph). The second release had to do with the appointment of Mr. Meirzhan Yussupov as the new CEO of Kazatomprom. Mr. Yussupov was the former CFO of the company between 2015 - 2022, and was a key player in helping KAP go public in 2017 as well as developing the company’s corporate strategic vision of “value over volume” sales approach. The third item released to the public was the announcement of yet another large contracting deal with China. This time it was with Chinese player, SNURDC, which once again will require shareholder approval. You will remember several months ago it was with a large LT contract with CNNC that required approval from KAP shareholders, which they received. We still do not have clarity as to the size of these Chinese LT contracts, only that KAP and China have agreed on a sale of U3O8 which comprises 50% or more of the total book value of KAP’s assets. One thing is abundantly

clear: China is doing an enormous amount of contracting with Kazatomprom – a trend that we have gone through in great detail with you because of its long term consequences for western utilities. A trend that will continue.

Now returning to future Kazatomprom planned production levels. Quoting directly from the news release, *“The full implementation of this decision is expected to add up to 6,000 tU (+15.6M pounds of U₃O₈) to anticipated global primary supply in 2025 compared to the Company's planned range for 2024. Kazatomprom's 2025 production is therefore expected to be between 30,500 tU and 31,500 tU (79.3M-81.9MM lbs. Of U₃O₈ on a 100% basis), representing 100% of the 2025 total Subsoil Use Contracts’ level. “Although the year-over-year production increase from 2024 to 2025 is substantial, **a significant portion of it is committed under the Company's medium- and long-term contracts. Geopolitical uncertainty and global supply chain issues along with high inflationary pressure remain existent and the Company may therefore potentially face challenges in increasing production significantly above stated levels.**” (Editor’s Note; **bolded** emphasis is ours).*

Our reaction to these production goals is, “color us skeptical.” Why do we say that? If you go back to the production estimates provided in the IPO materials you will find these production estimates: 2020 (est. 22,722 tU when actual production was 19,477tU) , 2021 (est. 29,278 tU when actual production was 21,819tU) and 2022 (est. 33,316 tU when actual production was 21,227tU). I think you get our point. Moreover, as we have been saying for months, we remain steadfast in our view that it seems indisputable that the percentage of uranium the West receives from KAP will steadily decline. **This realization will force Western utilities to recognize the importance of incentivizing new Western production necessary to meet future demand.**

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
IPO Est. Production	17,803	19,451	21,317	22,451	23,127	23,607	24,586	23,321	21,700	22,808	22,722	29,278	33,316	33,146
Actual Production	17,803	19,451	21,317	22,451	23,127	23,607	24,586	23,321	21,700	22,808	19,477	21,819	21,227	
Capex KZT billion		37.8	43.5	60.0	76.5	66.4	73.0	85.1	75.4	67	60.9	95	146	
Capex in USD million			290	400	425	332	218	254	215	176	142	210	310	

Much of the projected growth in production in Kazakhstan will come from two large new mines: Budenovskoye 6&7, and South Tortkuduk. Both of these projects are joint ventures – Budenovskoye with Russia, and S.Tortkuduk with Orano. Both are state-owned entities, and both represent large future uranium requirements. Orano has a robust contract book and is ‘short’ uranium (less production from Cigar and McArthur, Niger interruptions (SOMAIR), and borrowed uranium from Cameco that needs reimbursing). Russia has a very large nuclear export book and negligible in-country domestic uranium production. As far as Kazatomprom’s share of these two very large JV mines, look no further than their neighbor to the east: China. **China’s nuclear buildout will lead to an annual consumption of nearly 70mlbs./yr. by 2030. They will take every lb. from KAP that they can get their hands on** before they take out another large, low-grade deposit in Namibia, in our estimation. We expect we will continue to see more large contracts between China and Kazatomprom.

One last note on KAP’s planned production increase. Global nuclear utilities have ~200Mlbs. of uncovered uranium needs between now and 2028. Considering the brownfield restarts (Alta Mesa, Honeymoon, Langer Heinrich, etc.) and greenfield new production (*maybe* Dasa & Brazil’s Santa

Quitéria) between now and 2028, KAP's production increases will be fully absorbed by global utilities' contracting needs. Additionally, we are still faced with an incredibly tight market for the foreseeable future, and don't expect this production will in any way affect near-to-mid-term physical uranium availability.

In a separate Kazatomprom-related development, late in the month Yellow Cake plc announced that they are exercising their 2023 option with Kazatomprom and will be purchasing 1.5M lbs. Of U₃O₈ from KAP. KAP has already acknowledged that their inventory levels are below their historical ~7 months of production at ~17M lbs. of U₃O₈ so this will put further strains on KAP.

In terms of KAP dealing with their ongoing logistical/transportation complications, the Amani-Azerbaijan conflict continues to simmer although tensions seem to be dialed down a bit in recent days. This conflict has presented further impediments to KAP's Trans-Caspian route as an alternative to shipping out of St. Petersburg.

We conducted a very lengthy discussion on Kazatomprom and its complex situation in our August monthly letter. For our newer members who did not have a chance to read it, we would strongly urge you to do so – not only for the company specific implications but more so for the sector-wide implications of these developments affecting the world's largest producer. You may do so by clicking the link below:

<https://www.uraniuminsider.com/products/uranium-insider-pro/categories/2153348034/posts/2169357616>

Kazatomprom's share price skyrocketed by an astonishing +42.9% in September, closing at US \$44.15/sh. in London on September 29th as compared to its August 31st closing price of US \$30.90/sh. The KAP share price after being moribund for quite some time – despite having the best financial metrics in the industry – appears to be finally gaining traction to the improving uranium price.

Cameco (N.Y.S.E.:CCJ; TSX:CCO):

On Sunday September 3rd over the U.S. Labor Day holiday weekend, Cameco announced to the market that 2023 production will be 2.7M lbs “lighter” than projected. CCJ now estimates Cigar Lake 2023 production will be 16.3 million lbs. as compared to the previously projected 18 million lbs. Since Cameco owns 54.547% of Cigar Lake, their attributable share of production will be 8.8 million lbs. vs. the projected 9.8 million lbs. At McArthur River/Key Lake the current production estimate is now 14 million lbs. Vs. the 15 million lbs. projected. Since Cameco has a 69.805% interest in this operation their attributable share of production will be 9.8 million lbs. vs 10.5 million lbs. Projected.

Add to these production shortfalls the fact that their Kazakhstan Inkai Joint Venture Cameco (40% Cameco owned) has been challenged with difficulties transporting uranium from Kazakhstan to Western countries. In their Q2 2023 financials they offered this commentary: *“To mitigate this risk, we have inventory, long-term purchase agreements and loan arrangements in place we can draw on.*

Depending on when we receive shipments of our share of Inkai's production, our share of earnings from this equity-accounted investee and the timing of the receipt of our share of dividends from the joint venture may be impacted."

If we assume the production delivery from Inkai is minimal or non-existent in 2023, "lowered production" now totals 18.6 million lbs, not the original estimate of 20.3 million lbs. Resultantly, Cameco will likely be 1.7 million lbs short of their originally anticipated 2023 projection.

Later on in September, Cameco conducted an analyst site visit. It was disclosed during the tour that Cameco's Key Lake is experiencing some teething pains. As Canaccord uranium analyst Katie LaChapelle put it in her research following the analyst trip, *"The limiting factor has been the mill, which has experienced a wide range of issues since restarting late last year. Based on our discussions with the General Manager of the mill, the three primary issues are: (1) availability of equipment, such as spares given ongoing supply chain challenges, (2) skilled labor, with ~50% of the operators being brand new, and (3) challenges with new automation in the plant (i.e., the ~85 discrete mill upgrades made during the care & maintenance shutdown).....Cameco is doing its best to mitigate these issues going forward and is experiencing small month-over-month improvements. Based on our discussions with the operators, the mill is currently achieving a utilization rate of ~70-75%, below its target of ~95%. In our view, these issues are likely to persist into the new year but will get resolved in the next ~12 months. Management is confident that whatever guidance is published for 2024, will be achieved. **In our view, the ramp-up performance at Key Lake further emphasizes our view that bringing on new uranium supply quickly is challenging**"* (Editor's Note: **bolded** emphasis is ours.)

LaChapelle continues, *"What would it take to expand the mill? With demand for uranium accelerating and the market already in a structural deficit, utilities are looking for new sources of incremental supply (with CCO and KAP's existing production already well contracted through 2030). As a result, we are not surprised to see Cameco evaluate the possibility of increasing production at McArthur River/Key Lake, with the mill and mine both already licensed for up to 25mlbs U₃O₈.*

*"The current configuration of the Key Lake mill would support production of ~20mlbs per year, with some equipment already upsized to 25mlbs (e.g., the packaging line). However, capital would be required to upside other parts of the mill such as the calcinator. In our view, **Cameco is still in the early stages of assessing the expansion and we therefore do not anticipate increased production levels for at least the next 2-3 years (when we think the market is extremely tight)**. Furthermore, given that the mill is already in operation, the expansion will likely need to be designed so that it does not materially impact existing production plans (i.e., no major shutdown to install new equipment but perhaps a new train)." (Bolded emphasis is ours.)*

Mining is hard. Uranium mining is *very* hard. If one of the world's top producers is running into supply chain and labor problems in a safe, western jurisdiction, how can utilities rely on greenfield developments in sometimes compromised jurisdictions to fill their future needs? **Demand is stable and growing...supply is fragile.**

Cameco continues to represent a simple, one decision stock for institutional investors wanting exposure

to the space and requiring heightened liquidity...however, its year-to-date gains have exceeded overall sector gains and we continue to believe the next group of sector outperformers going forward will be the small and mid-cap explorers and developers. The shares of Cameco improved again during September, closing at \$39.64/sh. on September 29, 2023, vs. a close of \$37.00/sh. at month-end August 2023, a one month gain equal to +7.1%.



Part VII. U₃O₈: A Spin Around the Globe

As we do each month, we now take a spin around the globe to keep you abreast of nuclear plant builds, and more importantly, the rapidly accelerating government energy policy changes that are likely to have a profound effect on the price of uranium in the years to come.

Europe:

France:

France and Germany continue to butt heads over their starkly different views on what constitutes a rational energy policy. Here's one headline that makes the point about how far apart these two countries are and in truth how far apart Germany's energy policy approach is from the rest of the world.

"FRENCH PRESIDENT MACRON: WOULD BE HISTORIC MISTAKE TO DO WITHOUT NUCLEAR ENERGY IN EU, DISAGREES WITH GERMANY ON THIS"

Germany:

Our good friend Mark Nelson continues to follow the travesty that is Germany's disastrous energy policy. Believe it or not, somehow it keeps getting worse. He is now learning that the solar industry in Germany now reports that an astonishing 15% of German solar capacity is rapidly disintegrating. Forgetting the enormous destruction of many billions of capital, he points out that the truly sad part is that these failures hardly represent any energy risk. Why is that? Because 10 gigawatts of solar capacity produces very little power, much less during peak demand period, in a dark, cold country like Germany.

Nelson states, *"relieving the grid somewhat is the fact that industries are leaving Germany because the country's current grid is not producing the sort of electricity supply that supports factories staying in the country. Germany's nuclear plants that they elected to shut down were getting more effective with age, with extraordinary uptime and reliability at low cost. Its solar equipment, on the other hand, gets worse with age. From here on, Germany is going to have to sprint just to keep its capacity numbers up, to say nothing of actual solar energy production. Countries have demonstrably powered themselves at or above 50% nuclear in their power mix for decades, whereas solar and wind dependency is merely in the experimental stage and may actually not work. Only Denmark has broken 50% and its reward is excruciatingly high electricity prices and several times the carbon intensity of France. We'll see! The stakes are perilously high for countries attempting this grand experimental transition. I'm watching Australia closely, as it has much better fundamentals than Germany for renewables."* I guess that's enough for Germany this month.

U.K.:

In what can only be described as another signal that offshore wind is dead, the UK received zero bids for new offshore wind projects. The UK is the second biggest market for offshore wind in the world, behind China.

Italy:

The Italian government has reaffirmed its commitment to reviving the Italian nuclear energy sector, with several ministers unveiling plans to reintroduce nuclear power generation within the next decade. Speaking at the European House-Ambrosetti economic forum last month, transport minister and

deputy prime minister Matteo Salvini expressed confidence in the government's ability to begin nuclear energy production within the next 10 years.

Hungary:

Hungarian Foreign Affairs and Trade Minister Péter Szijjártó has said that with groundwork under way at the site of the planned sixth unit at the Paks nuclear power plant, a fresh project milestone has been reached.

Asia - The “Growth” Driver:

China:

See our comments in **Part VI. The Majors: Kazatomprom/Cameco** for hard evidence of the pace of China LT Contracting.

Japan:

Japan's Kansai Electric's Takahama No. 2 resumed operations in September. It's the 12th unit to restart under post-Fukushima rules (Most of Japan's 33 operable reactors remain offline). Japan's government has affirmed on many occasions that it wants nuclear to play a larger role in the nation's energy mix.

South Korea:

South Korea is rumored to be in the market soon with an RFP for 7M lbs of uranium *per year*. This is a very large tender in a market that is already structurally undersupplied. S. Korea has done a complete u-turn, and nuclear power is a key part of their future energy plan.

North America:

United States:

Anybody who calls into question the “180” that has occurred in U.S. government attitudes towards nuclear power should consider the following: Up until recently, Senator/Secretary Kerry was against nuclear energy. Now he's for it, actually stridently for it...not just going through the motions. Just part of the ongoing trend of former adversaries getting on the nuclear power bandwagon.

In yet another first, the “reborn” Palisades nuclear power plant (Michigan) signed a new LT sales agreement in September. Never before in the United States has a nuclear plant been resurrected from the dead after giving up its license. Expect to see a market tender from Holtec in the near future.

IMPORTANT NOTE TO RECENT MEMBERS:

As we've reiterated in every monthly newsletter, we continue to recommend to new subscribers that they strongly consider investing 1/3 of the capital they intend to invest in this space at a time. You can determine the time intervals to invest further amounts that suit your personal investing comfort levels, though generally, spreading out your investment into multiple tranches over multiple weeks or months is probably wise given the uranium sector's volatility.

We have never suggested that we are headed into a 20-year bull market for uranium equities, but on the other hand we continue to be quite confident that we have entered into a 2-4+ year bull market from here. We continually reassess that view, and should it change, our members will be the first to know. As we have said numerous times over the past two years, while we are confident about our intermediate to long term bullish thesis on uranium and quality uranium shares, we of course cannot rule out the types of periodic sharp pullbacks we experienced over the last several years. These sharp pullbacks provide better entry points for new subscribers that are investing their allocation to the sector over a period of months.

We don't for one minute lose sight of the fact that the volatility of the uranium sector is stomach-churning, which is why we continually include our "Playbook" in each newsletter so that you will be able mentally to stay in the game. In the words of famed investor Stanley Druckenmiller, *"We are trying to identify situations where margins are going to be higher over 1-2 years. Industries operating at low rates ... where you won't see capacity increases for at least a couple years, and where the profit margins will be much higher by then."* The uranium equity universe fits that bill. Moreover, we firmly believe that this sector continues to offer one of the best risk/reward propositions in the entire market, and although the way that future returns will be generated are likely to be "lumpy," if you maintain exposure and avoid leverage we believe that your patience will be rewarded.

IMPORTANT: While we are aware that certain subscribers believe we spend an inordinate amount of time on the "macros" of U₃O₈ and its fundamental underpinnings, we believe it is crucial. Unless you thoroughly understand the bullish long-term thesis of the uranium trade, you are likely to be shaken out during one of the periodic bouts where share prices experience sharp pullbacks in their ongoing uptrend. Sharp pullbacks in this sector occur with regularity.

While we do not give investment advice, here is a Playbook to survive the Volatility of this sector

Once again, we provide you with our prescription to help you stay in the game:

- Make a rational portfolio allocation to this sector because of its volatility
- Remember...this sector will "hit above its weight"
- Do not invest your total allocation at once
- Do not buy short-term call options believing you can perfectly time the next sector rally
- Do not use leverage (margin) – The uranium names already possess tremendous upside leverage to an improving uranium price. If you do not use leverage you will avoid being a

“day late and a dollar short” should a market swoon create an unfortunate situation where you are sold out of your positions. By avoiding the use of leverage you will also ensure that you will be capable of remaining invested over a 2-4+ year investment horizon, a time period in which we believe this sector and more specifically our Focus List selections will show very robust returns.

- Do not become over-invested in any one name and pay attention to our Focus List weightings!
- Know yourself – invest amounts that are within your “comfort zone.”

Reconcile yourself to the fact that there’s nothing that you can do about volatility. It’s an inherent part of investing in resource stocks. Always remember - it is much harder to live a resource bull market than read about one! To be able to make this leap and cancel out the noise you must be confident in what you own and the underlying investment thesis. Do not listen to traders or people who are on twitter who claim that they can successfully trade in and out of all of these corrections and subsequent sharp rebounds. They generally can’t...and aren’t...consistently. Finally, don’t allow yourself to become a “victim of volatility.”

Part IX. FOCUS LIST PERFORMANCE

Focus List	<u>URA</u>	<u>URNM</u>	<u>URNJ*</u>	<u>U3O8</u>
Focus List				
Inception-to-Date: +376.7% (since August 2019).	+161.7%	(Incepted in December 2019)	(Incepted in April 2023)	+189.0% (August '19 U3O8 Price:\$25.43/lb.)

Commentary:

In September, the outperformance of the smaller cap names continued. The world desperately needs new uranium mines. Where will they come from? Largely they will come from those names we are invested in. That’s where the growth element will come from as they start to outperform large caps Cameco and Kazatomprom.

As we said last month, *“There is little doubt in our minds that we are right on the thematic and that the uranium equities will once again become outperformers like they were in the torrid run from December 2020 - November 2021.”* September was a large step in that direction.

Thank you for your continued support.

Sincerely,
Justin Huhn
Founder & Publisher
Uranium Insider – Independent Research

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