

Physical uranium initiatives are being undertaken by multiple uranium companies. Something new is happening in the uranium mining sector. Overnight two different companies have announced physical uranium initiatives – for two different reasons – but with the underlying expectation that future uranium prices will be higher than current. We suspect that these purchases could impact the spot market and drive uranium prices higher as uranium prices have declined by 10% this year to US\$27.30/lb U3O8, after rising about 25% in H2/20 to end the year at US\$30.05/lb. Both of these companies are past producers, having shut down mines only due to low uranium prices, with management teams experienced in buying and selling uranium.

- **Denison Mines Corp. (TSX:DML, Not Rated)** is raising equity and buying 2.5 MM lbs of uranium in the spot market to pad its balance sheet to use as future project funding. [Read more](#)
- **Uranium Energy Corp. (NYSEAM:UEC, Not Rated)** is using its treasury to purchase of 0.4 MM lbs of uranium in the spot market to take advantage of low prices currently below most industry production costs, also to pad its balance sheet and provide to its marketing flexibility. [Read more](#)

Denison Mines announced a US\$75 MM equity raise with plans to buy uranium yesterday. It intends to strategically buy ~2.5 MM lbs of physical uranium in the spot market as a long-term investment, intended to support potential future financing/construction of its Wheeler River Project. Denison appears to be taking advantage of weaker prices in anticipation of higher prices between now and when the funds are required to cover its C\$290 initial Capex (as per its 2018 Wheeler River PFS). It could also use this uranium as potential liquid collateral down the road when it needs to raise debt.

Uranium Energy announced today that it will establish a physical uranium inventory initiative and has already purchased 400,000 pounds U3O8 at US\$27.29/lb for US\$10.9 MM. The uranium is already on its account at ConverDyn’s facility in Metropolis, Illinois. Management states that this initiative will support three objectives: 1) add balance sheet strength as uranium prices may appreciate; 2) provide strategic inventory to support future marketing efforts with utilities; and 3) increase availability of UEC’s future US production capacity for the emerging US Uranium Reserve which must be sourced in country. We estimate that starting next year the Uranium Reserve may purchase between 1.7 and 1.9 MM lbs of U3O8. UEC’s 19.5% stake in Uranium Royalty Corp. (TSXV:URC, Not Rated) also provides it potential exposure to physical uranium, either through potential deliveries from royalties at McArthur River and Cigar Lake Mines; or URC’s option to purchase uranium from the Kazakhs is association with Yellow Cake PLC (LSE:YCA, Not Rated).

These purchases could impact the spot market and drive uranium prices higher. We see this as another 3 MM lbs U3O8 that either has been, or still needs to be acquired. This amount is 50% higher than the 2 MM lbs traded in the spot market during all of January according to UxC. According to TradeTech, there is only ~3 MM lbs of active uranium supply in the entire spot market as of Friday. Also recall that in late February, Yellow Cake PLC, a company designed to hold physical uranium, exercised its annual option to buy an estimated 3.5 MM lbs from KazAtomProm (KAS:KZAP, Not Rated). Rumours were that the Kazakhs would need to enter the spot market to cover its delivery requirements given that its own production was in decline due to Covid-19. Despite that news, uranium prices kept softening despite a pickup in volume over the past several weeks perhaps because of speculation on the heels of the Yellow Cake option, or to support the option itself. YTD there have been 11.8 MM lbs

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traded in the spot market, much like 2020. YTD term volumes are down 30% YoY to 7 MM lbs. We believe this is the real key to sustained higher uranium prices. The world's nuclear utilities demand ~ 175 MM lbs per year, but mine production and sales to nuclear utilities are nowhere near these levels.

We can't recall seeing uranium producers enter the market with such vigor with the intent of holding physical uranium as Uranium Participation (TSX:U, Not Rated) or Yellow Cake PLC were designed to do. These companies hope to add to the tightness of the spot market and take advantage of the potential future uranium price appreciation. While these uranium purchases aren't being made by a utility, they also aren't being made by an intermediary that might just place the pounds back into the spot market later. The end user, some time down the road, will likely be a nuclear utility or maybe even the US Uranium Reserve (assuming UEC bought American uranium). What is obvious to us is that experienced uranium mining companies have padded their treasuries recently and become confident enough to speculate on the expected upwards trajectory in the uranium price over the next couple of years, that they are putting their money where their mouth is.

Any upwards pressure on spot prices could have a positive impact on companies that are on Red Cloud Securities coverage list or watch list.

Ticker	Company	RCS Rating	RCS Target	Return to Target	Price (C\$/sh)
TSXV:AEC	Anfield Energy Inc.	BUY	\$0.25	117%	\$0.12
TSXV:AAZ	Azincourt Energy Corp.	Not Rated	Not Rated	NA	\$0.13
TSXV:SYH	Skyharbour Resources Ltd.	Not Rated	Not Rated	NA	\$0.33
TSXV:FIND	Baselode Energy Corp.	Not Rated	Not Rated	NA	\$0.63
TSXV:GXU	GoviEx Uranium Inc.	BUY	\$0.55	72%	\$0.32
TSX:LAM	Laramide Resources Ltd.	BUY	\$0.90	89%	\$0.48
TSXV:CUR	International Consolidated Uranium Inc.	BUY	\$2.50	61%	\$1.55
TSXV:STND	Standard Uranium Ltd.	BUY (S)	NA	NA	\$0.21
TSX:UEX	UEX Corporation	BUY	\$0.50	45%	\$0.35
TSXV:VO	ValOre Metals Corp.	Not Rated	Not Rated	NA	\$0.34

Source: RCSI, S&P Capital IQ

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BUY (S)	10%
HOLD	0%
SELL / Tender	0%
NA	6%
Under Review	38%

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Company Specific Disclosure Details

Company Name	Ticker Symbol	Disclosures
Anfield Energy Inc.	TSXV:AEC	3,4,7
Azincourt Energy Corp.	TSXV:AAZ	3,4
Skyharbour Resources Ltd.	TSXV:SYH	3,4
Baselode Energy Corp.	TSXV:FIND	3,4
GoviEx Uranium Inc.	TSXV:GXU	3,4
Laramide Resources Ltd.	TSX:LAM	1,2,3,4
International Consolidated Uranium Inc.	TSXV:CUR	1,2,3,4
Standard Uranium Ltd.	TSXV:STND	3,4
UEX Corporation	TSX:UEX	1,2,3,4

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