Equity Research

URANIUM MACRO UPDATE

Japan Planning to Construct New Nuclear Power Plants and Extend Existing Fleet

EVENT

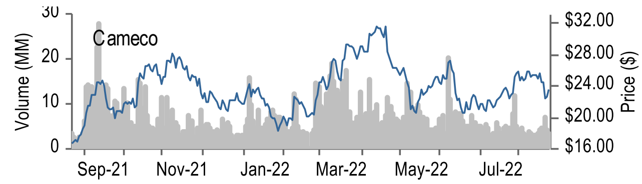
In an official announcement by Japan's Prime Minister Fumio Kishida, and widely reported by news media, Japan is set to develop/construct new nuclear reactors while accelerating restarts and extending the lifespan of its existing fleet.

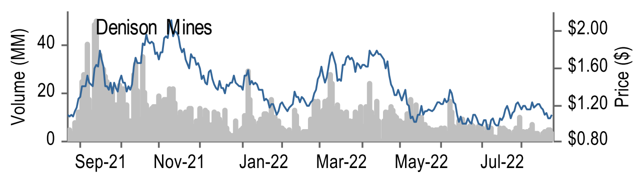
BOTTOM LINE

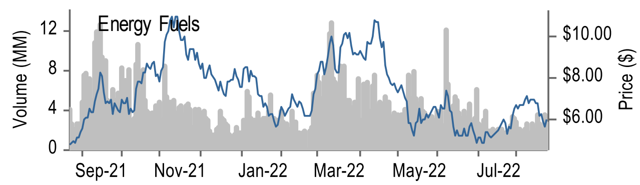
Positive – Japan has the third largest scale of nuclear generation capacity in the world (33 operable reactors of which only 10 are currently running). The strong pro-nuclear energy policy outlined by PM Kishida earlier today, with Japan being one of the world's most important countries as it relates to nuclear power, underscores our bullish uranium thesis, and the supply-demand dynamic that clearly points to higher uranium prices.

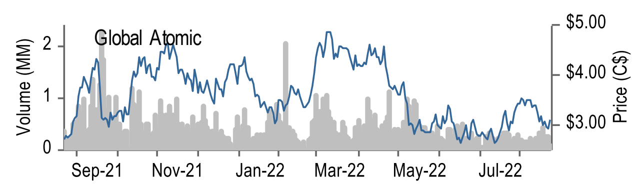
FOCUS POINTS

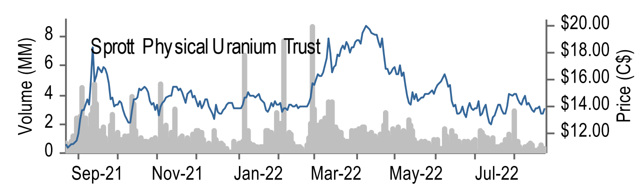
- **Nuclear Power Critical for Net Zero Carbon** – In a meeting earlier today with the GX (Green Transformation) Implementation Council, PM Kishida stated, "nuclear power and renewables are essential to proceed with a green transformation." Japan's Ministry of Economy, Trade, and Industry (METI) is aiming to restart seven nuclear power plants by mid-2023, and PM Kishida is calling for extensions to the current 60-year lifespan for existing nuclear power plants. Japan is also looking to greenlight the development and construction of new next-generation nuclear reactors.
- **Uranium Equities** – This development has clear positive implications to the uranium sector over the short (reactor restarts), medium (new builds), and longer terms (life extensions). The uranium equities will be the clear beneficiaries of the shift in sentiment that nuclear power is central to the "green energy transition" and achieving net-zero carbon emissions targets.

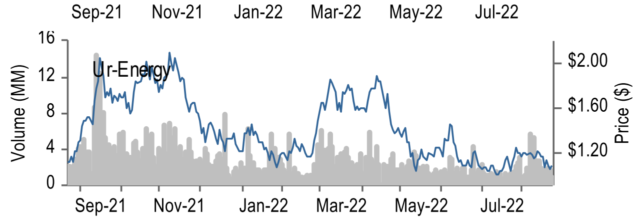


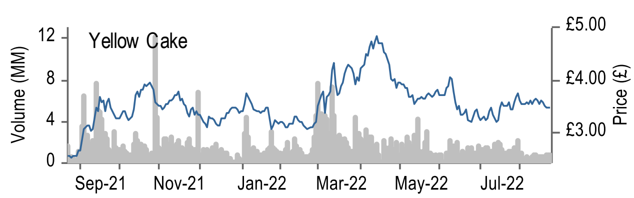












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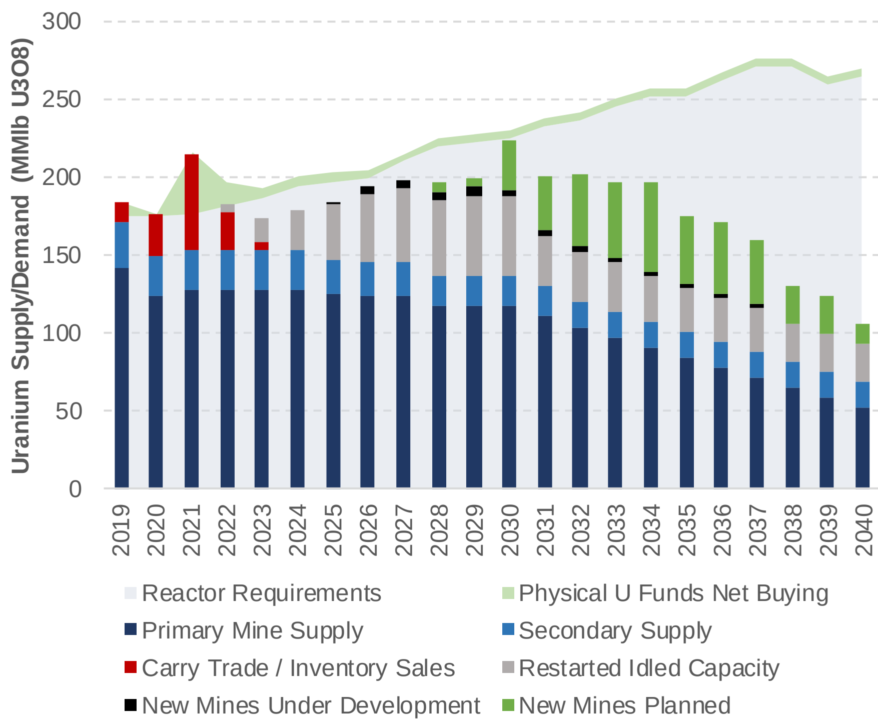
See disclosure and a description of our recommendation structure at the end of this report.

BIG POSITIVE POLICY MOVE OUT OF JAPAN

In an official announcement by Japan's Prime Minister Fumio Kishida earlier today, and widely reported by the financial news media, Japan is set to develop and construct new nuclear reactors while accelerating restarts and extending the lifespan of its existing fleet. In a meeting earlier today with the GX (Green Transformation) Implementation Council, PM Kishida stated, "nuclear power and renewables are essential to proceed with a green transformation." Japan's Ministry of Economy, Trade, and Industry (METI) is aiming to restart seven nuclear power plants by mid-2023, specifically mentioning units 6 and 7 at Kashiwazaki-Kariwa, the world's largest nuclear power plant, operated by Tokyo Electric Power "TEPCO" (9501-TY, Not Covered). On this front, it is notable that METI is pushing for national government to coordinate with local government on the approval of nuclear reactor restarts, which in theory, should accelerate the process. PM Kishida is also calling for extensions to the current 60-year lifespan for existing nuclear power plants and instructed his government to develop and construct "new innovative reactors designed with new safety mechanisms."

Exhibit 1. Updated Uranium Oxide (U3O8) Supply-Demand Forecast



Source: Cantor Fitzgerald

WHAT THIS MEANS

Japan has the third largest scale of nuclear generation capacity in the world (33 operable reactors of which only 10 are currently in operation). The strong pro-nuclear energy policy outlined by PM Kishida earlier today, with Japan being one of the world's most important countries as it relates to nuclear power, underscores our bullish uranium thesis, and the supply-demand dynamic that clearly points to higher uranium prices (Exhibit 1). This energy policy development as it relates to nuclear power in Japan has clear positive implications to the uranium sector over the short (reactor restarts), medium (new builds), and longer terms (life extensions). The uranium equities will be the clear beneficiaries of the continued shift in sentiment that nuclear power is central to the "green energy transition" and achieving net-zero carbon emissions targets. It is encouraging to see Japan take the lead on this front, and we expect other countries to follow suit, even begrudgingly so eventually (Germany).

URANIUM SENTIMENT IMPROVING, SHIFTING

Over the last 12-18 months, sentiment in the uranium sector has turned increasingly positive. Initially this was driven by the realization among most G7 nations that nuclear power has a critically important and *growing* role to play in the energy mix of the future. It is net-zero carbon emitting baseload power, it is relatively inexpensive, incredibly reliable, and is already an integral component to the electrical grid across all the G7 nations. More recently, following the riots in Kazakhstan in early January and the Russian invasion of Ukraine in late February, sentiment around nuclear power has shifted to now include a "safety and security" of energy supply component as well. The most recent case in point on this issue is the comment made directly from Japan's PM Kishida earlier today, "Russia's invasion changed the global energy situation." Japan's policy moves to fully embrace nuclear power builds on the European Parliament's vote last month to label nuclear power plants as climate-friendly, "green", and sustainable. This is particularly timely in our view, as electricity prices continue surging higher across the Eurozone.

Exhibit 2. Ratings, Valuation Methodology, Price Targets

Company	Ticker	Target Multiple	Price Target	Rating
Cameco	CCJ-US/CCO-CN	75/25 blend, 2.0x NAVPS/20.0x 2023E CFPS	$36.00/C$45.00	Buy
Denison	DNN-US/DML-CN	1.5x NAVPS	$4.25/C$5.25	Buy
Energy Fuels	UUUU-US/EFR-CN	1.5x NAVPS	$10.75/C$13.50	Buy
Global Atomic	GLO-CN	1.0x NAVPS	C$6.00	Buy (S)
Sprott Physical U	U.UN/U.U-CN	1.05x NAVPU	$20.00/C$25.00	Buy
Ur-Energy	URG-US/URE-CN	1.5x NAVPS	$4.00/C$5.25	Buy
Yellow Cake	YCA-LSE	1.0x NAVPS	£5.75	Buy

Source: Cantor Fitzgerald

IMPACT TO THE URANIUM EQUITIES

As most of the developed world shifts away from Russian energy, including crude oil, natural gas, and thermal coal, electricity prices will remain elevated. In our view, expanding nuclear power output remains the most attractive option/alternative available to most developed countries, with the added benefit of it being non-carbon generating. Against this backdrop, securing uranium feedstock from countries allied with the West and Europe is growing increasingly more important by the day. Select uranium equities that are capable of either expanding production or developing new mines, are perfectly positioned to capitalize on this emerging uranium macro theme (both expanding nuclear power output globally and pivoting away from Russian energy). We are maintaining our short-term (12-month) spot price forecast of $75/lb U_3O_8 and our long-term price deck of $85/lb U_3O_8.

URANIUM EQUITIES UNDER ACTIVE COVERAGE

Our price targets/ratings on the uranium equities under coverage are provided in Exhibit 2 and our most recently published full research reports are linked below:

Cameco: Buy rating and \$36.00/C\$45.00/share target price based on a 75/25 blend of 2.0x $NAVPS_{7.5\%}$ and 20.0x 2023E CFPS (rounded). Our most recent note on Cameco is linked here.

Denison Mines: Buy rating and \$4.25/C\$5.25/share target price based on a multiple of 1.5x $NAVPS_{7.5\%}$ (rounded). Our most recent note on Denison Mines is linked here.

Energy Fuels: Buy rating and \$10.75/C\$13.50/share target price based on a multiple of 1.5x $NAVPS_{7.5\%}$ (rounded). Our most recent note on Energy Fuels is linked here.

Global Atomic: Speculative Buy rating and C\$6.00/share target price based on a multiple of 1.0x $NAVPS_{7.5\%, 10.0\%}$ (rounded). Our most recent note on Global Atomic is linked here.

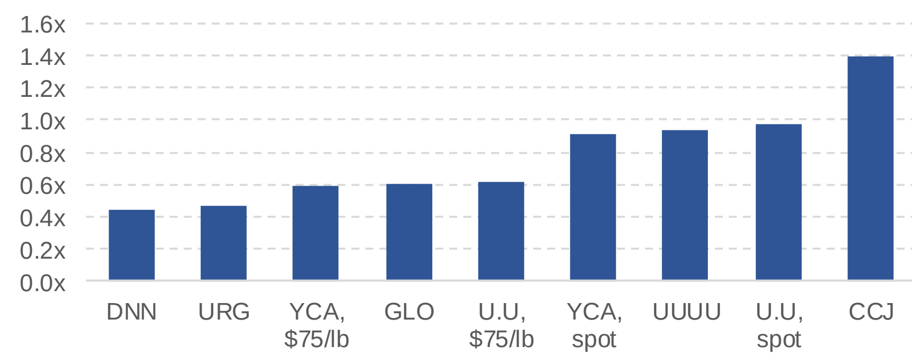
Sprott Physical Uranium Trust: Buy rating and \$20.00/C\$25.00/unit target price based on a multiple of 1.05x NAVPU. Our most recent note on the Sprott Physical Uranium Trust is linked here.

Ur-Energy: Buy rating and \$4.00/C\$5.25/share target price based on a multiple of 1.5x $NAVPS_{7.5\%}$ (rounded). Our most recent note on Ur-Energy is linked here.

Yellow Cake: Buy rating and £5.75/share target price based on a multiple of 1.0x NAVPS (rounded). Our most recent note on Yellow Cake is linked here.

Exhibit 3. Uranium Equities Under Coverage, P/NAVPS Valuations

Company	Symbol	Share Price	NAVPS	P/NAVPS
Cameco	CCJ-US/CCO-CN	C\$34.09	C\$24.48	1.39x
Denison Mines	DNN-US/DML-CN	C\$1.63	C\$3.68	0.44x
Energy Fuels	UUUU-US/EFR-CN	\$7.09	\$7.57	0.94x
Global Atomic	GLO-CN	C\$3.57	C\$5.92	0.60x
Sprott U @ spot	U.U/U.UN-CN	C\$15.17	C\$15.63	0.97x
Sprott U @ \$75/lb	U.U/U.UN-CN	C\$15.17	C\$24.38	0.62x
Ur-Energy	URG-US/URE-CN	\$1.25	\$2.67	0.47x
Yellow Cake @ spot	YCA-LSE	£3.91	£4.26	0.92x
Yellow Cake @ \$75/lb	YCA-LSE	£3.91	£6.61	0.59x



Source: Cantor Fitzgerald

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BUY (Speculative): The stock is attractively priced relative to the company's fundamentals, however investment in the security carries a higher degree of risk.

HOLD: The stock is fairly valued, lacks a near term catalyst, or its execution risk is such that we expect it to trade within a narrow range of the current price in the next 6 to 12 months. The longer term fundamental value of the company may be materially higher, but certain milestones/catalysts have yet to be fully realized.

SELL: The stock is overpriced relative to the company's fundamentals, and we expect it to decline from the current price over the next 6 to 12 months.

TENDER: We believe the offer price by the acquirer is fair and thus recommend investors tender their shares to the offer.

UNDER REVIEW: We are temporarily placing our recommendation under review until further information is disclosed.

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