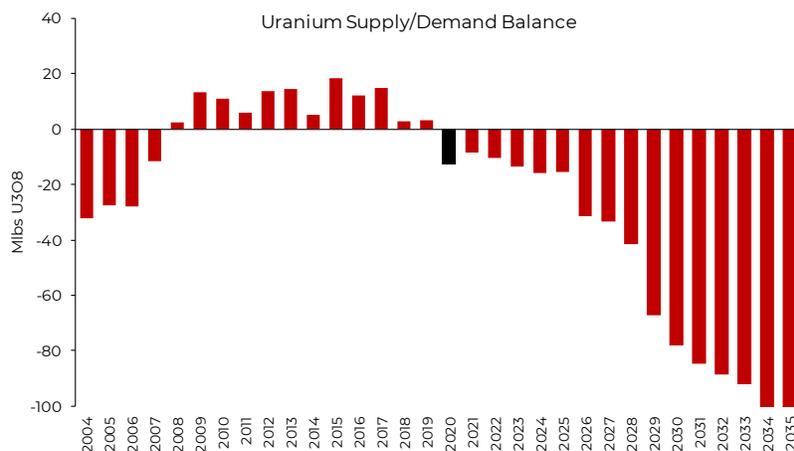


Pandemic related production cuts have translated to the uranium price increasing as the 2020 supply deficit grows. Kazatomprom announced that as a result of COVID-19 countermeasures being implemented in Kazakhstan, 2020 production guidance was reduced by 4,000 tU (~10.4M lbs U₃O₈e). This production cut along with already announced shutdowns from other producers of at least ~2.4 Mlbs U₃O₈e drives our current estimate for 12.8 Mlbs supply deficit in 2020 (Figure 1), which is 6.7% of estimated market demand. It is important to remember that only a few weeks ago we had expected the market to be roughly balanced (~0.2M lb deficit). The sudden and now substantial market deficit has resulted in the spot uranium price increasing 14% since March 23, 2020. **We plan to discuss these developments during our virtual uranium conference on April 8 at 12pm EST (register [here](#)).**

Figure 1: Red Cloud Updated Supply Demand Model



Source: RCS Estimates, S&P Capital IQ, UxC

The shutdowns are piling up.

To date, four notable mines have shutdown (Figure 2). For our updated supply-demand model, we assume a one-month shutdown for Cigar Lake, Husab and Rössing (based on management guidance) and the revised guidance for Kazatomprom. Should COVID-19 related restrictions remain in-place longer than currently forecast, our modeled supply deficit would grow by ~2.4Mlbs per month of shutdown at Cigar Lake, Husab and Rössing.

Kazatomprom's inventory protects it, but not the rest of the market. On December 31, 2019, Kazatomprom reported inventory of 9,906 tU (~25.8M lbs U₃O₈e). This has the company well positioned to meet its contractual demands for 2020. However, this is an erosion of a liquid inventory source and removes a supply option for utilities (and producers) looking for uranium.

COVID-19 is turning into the catalyst to push market higher, but long-term fundamentals are unchanged. We view COVID-19 as a transient event, but it is pushing the spot uranium price higher and is highlighting just how tight the uranium market currently is. We continue to be of the view – **for future uranium demand to be met the price must rise**, and recent events are pushing the price higher. See our recent note, for our longer-term view of the market ([link](#)).

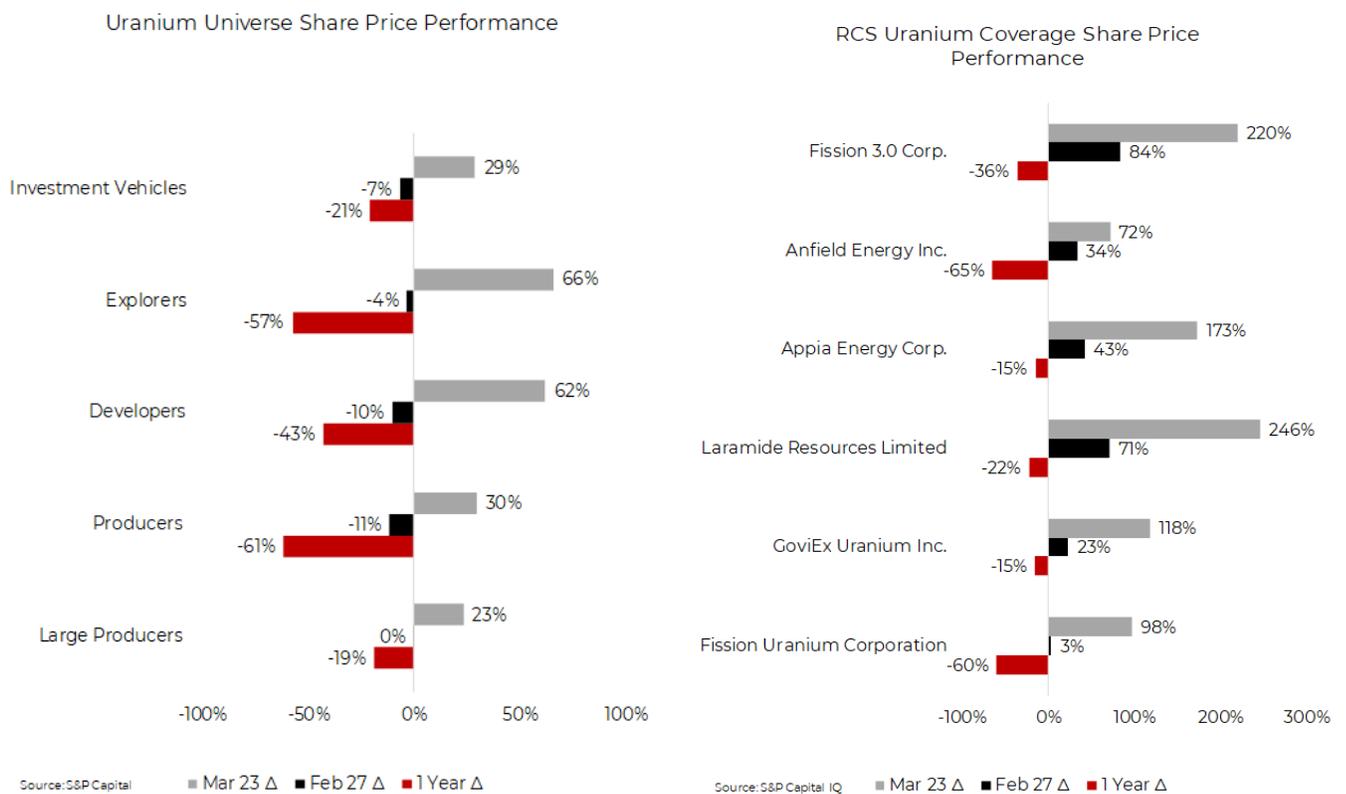
Uranium stocks are still attractively valued, despite the recent run (Figure 3). Our top picks remain Fission Uranium (TSX:FCU, BUY, C\$1.00 target, Derek Macpherson) and GoviEx (TSXV:GXU, BUY, C\$0.45 target, Derek Macpherson); however, we are warming up to US companies as the proposed US strategic uranium reserve could be a material benefit depending on structure.

Figure 2: Mine Shutdown Table

Mine	Annual Production	Lost Production
	Mlbs	Mlbs
Cigar Lake	18.0	1.5
Rossing	5.4	0.4
Husab	9.0	0.3
Kazatomprom	56.0	10.4
Total	88.4	12.6

Source: Company Reports, UxC, RCS Estimates

Figure 3: Uranium Share Price Performance



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Company Specific Disclosure Details

Company Name	Ticker Symbol	Disclosures
Anfield Energy Inc.	TSXV:AEC	3,4
Appia Energy Corp.	CNSX:API	3,4
Fission 3.0 Corp.	TSXV:FUU	3,4
Fission Uranium Corp.	TSX:FCU	3,4,5
GoviEx Uranium Inc.	TSXV:GXU	3,4,5
Laramide Resources Ltd.	TSX:LAM	3,4
All other companies excluding those listed above		None

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