

## **Special Feature: Uranium Royalty Corp**

## Making Money in the Worst-Case Uranium Scenario

Katusa's Resource Opportunities – July 2018

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## INTRODUCTION

This is a story that has been a LONG time in the making.

You often hear me preach patience and to play the waiting game. After all, investing in these markets is a marathon, not a sprint. And sometimes patience it falls flat. But today, my patience has been rewarded.

So, in this report, I introduce a <u>new</u> company that will be part of my core positions in the coming uranium bull market.

As my colleague Robert Friedland is fond of saying...



The uranium sector has all the hallmarks of a perfect set up for a contrarian investor.

It's hated. It's cheap.

It's out of favor.

For the past few years, uranium mines have been shutting down all over the world. This year Cameco's Key Lake and McArthur River mines shut down. They are 2 of the lowest cost, highest grade producing mines in the world.

In this special report, I provide the first ever research report ever published on a company that I am investing over \$1 million into, and plan on making a core holding in portfolio for exposure to uranium.

Also, in this report I'm doing something completely different.

#### I am looking at the uranium market in the exact opposite way of any uranium long speculator.

I will paint the uranium sector in as bad a light as possible and then if our company can thrive in that environment but also thrive even more in a great uranium market, then we have a winner on our hands.

I can visualize Robert Friedland, who is the ultimate resource stock promoter pause during his talk. He'd tilt his head, look into the crowd while squinting his eyes and calmly whisper into the microphone... making it feel like he's only giving the talk to you... as if you are extra special... some sort of secret wisdom that is passed on from generation to generation of billionaires, "The share price is going to go so high, that you will need a telescope to see it"

Yeah, not so fast.

Unfortunately, life is never that easy. And speculation is even harder.

## **Nuclear Power 101**

The average citizen's knowledge of nuclear power comes from disaster movies or soundbites about accidents like Fukushima and Chernobyl. It's easy to paint nuclear energy as the boogeyman.

The reality is that nuclear energy has provided – and continues to provide – the world with stupendous amounts of clean, safe, emission-free electric power. Coal, which is also used to generate electricity, has killed far, far more people than uranium.

The average citizen also doesn't know the vital role that nuclear power plays in the American economy. America gets 21% of its electricity from nuclear power. Nuclear power provides electricity for about 23 million homes, or about twice the number of homes in California. Without nuclear power, the lights would go off for one in five Americans.

Below is a breakdown of the major types of energy produced in the United States. You can see that nuclear is one of the top three.



Nuclear energy is responsible for about 10% of global electricity production. If the world wants to both cut carbon emissions and keep the lights on, nuclear energy's share of production has to grow.

Nuclear energy provides "base load" power. Base load power is consistent, dependable power. It's always there and it's always on. It is the foundation of a healthy electric power grid. Base load power is in contrast to power derived from solar or wind, which can fail to produce power during the night (in the case of solar) and during periods of calm (in the case of wind).

There are over a dozen radioactive elements, but uranium is far and away the best fuel for nuclear reactors. It offers the best combination of supply, ease of use, and ease of disposal.

Naturally occurring uranium is not concentrated enough to be useful in today's nuclear power plants and weapons. It must be "enriched," which takes place through various processes. The most common enrichment process is with "centrifuges," a term you've probably heard a TV talking head mention when talking about Iran's nuclear program.

The energy content of uranium is approximately three million times greater than that of fossil fuels. To put this in perspective, realize that one-tenth of an ounce of uranium contains the equivalent energy of 6,613,868 pounds of coal. If you're a country with little fossil fuel resources like South Korea or Japan and you want safe, secure energy to keep your economy running, **nothing beats uranium**.

#### The Cure for Low Prices...

Seasoned resource investors know that one of the ultimate signs of a market bottom is when the current market price of a resource is lower than an industry's lowest cost of production.

When this situation occurs, either the price of the resource goes up or the producers go out of business and the world goes without the resource. In the case of energy resources, the world **always** chooses to keep the cars running and the lights on.

That's why the saying goes, "The cure for low prices is low prices."

In the case of uranium, the average production cost of North America's conventional uranium mining industry is about \$60 per pound. This is an "all-in" cost that takes into account the cost of capital, labor, equipment, fuel, and insurance. The highest-grade uranium project in the world, the McArthur River project in Canada, needs about \$30-35 uranium to break even. Kazakhstan's ISR projects need \$25-\$30 uranium to be economic.

Uranium is sold in two ways. One is through the spot market, where an end user can buy uranium whenever it wants. The other is through the long-term contract market, where end users enters into agreements with producers to buy set amounts of uranium over set periods of time.

In mid-2017, the spot price of uranium traded below \$20 per pound. At the same time, the long-term contract price was about \$32.50 per pound. Historically, the majority of sales have been in the long-term market, but that has changed since Fukushima.

Because of the flood of Japanese stockpiles, the spot market became more active. But that is now starting to change. This anomaly appears to have started to reverse, which is good news for the price of uranium. Both prices are well below the industry's average cost of production.

Eventually, the laws of capitalism will exert themselves. The price of uranium must rise, or companies will stop producing it and the lights will go off.

People will choose lights.



So, rather than writing a feel-good piece on uranium and all the reasons it's cheap and *should* have a massive price appreciation, I thought I'd try something entirely different.

What if I built a short case for uranium?

#### **DISCLAIMER - PLEASE READ THIS WHOLE REPORT:**

To prevent hundreds of subscribers emailing and calling our office confused on why I am presenting uranium in a negative light - please remember that this is an exercise of creating the equivalent of a "short report" on uranium.

A short report is painting the sector or company in the worst possible light, and it's the opposite of being optimistic.

I am doing this as an <u>exercise only</u> to prove something in a realistic light:

That if I can lay out the negative thesis for uranium and find a company that will prosper in the bad environment, then we are onto something big if the company also has the upside during a good uranium market.

And within the "short case for uranium" framework, what if I could find a uranium stock that could do well in a bad uranium market (meaning the stock has value creation in a bad market) and has even more upside in a *decent* uranium market?

That was the task I gave myself 18 months ago.

And I think I delivered. Here's why.

Let's question aggressively with all counter points my uranium thesis to the core.

## **The Anti-Uranium Argument**

I am going to present the worst-case scenario for nuclear energy and what that means for uranium.

I will keep the modeling realistic and very conservative. If a potential nuclear power site is questionable regarding its financings or permits, we assumed the financing will not happen and the plant will not be built. Only the power plants that

are operating and currently under construction (and fully financed to completion) will be included.

The point of the exercise is to paint the worst possible scenario for the uranium sector, and if we can find an investment opportunity that will thrive in that case—we will do very well.

Why?

I've learned in life it never gets as bad as we ever think it will, nor as good as we ever hope it will. The reality is somewhere in between. And if we can do well in the worst case - then we should do quite well in a good case.

#### SPOILER ALERT:

Because I wrote this intro after all my research, I have good news: The outcome will be worth your time.

For the last five years, I have been searching for a uranium vehicle that will thrive during a weak uranium market and do exceptionally well in a recovering and then strong uranium market. After being intimately involved in the due diligence of this company for over 18 months, I can now say that I have fine-tuned my final four, or better yet, my top 4 uranium stocks for your uranium exposure.

But first, I want to paint the worst case, realistic uranium market outlook.

I want to walk you through my case study—so invest 10 mins with me that I believe could be a big winner for you in the coming years.

## The Worst-Case Scenario for Uranium

I am not going to spend time on this issue on the best and base cases for uranium.

This thesis is about finding a stock that will do well in a bad uranium market and its share price will do even better in a strong uranium market.

We have created a very comprehensive data base of ever nuclear power plant in the world. It includes:

- How much uranium each plant consumes annually,
- What the economics on each MW (Mega Watt) produced is,
- Where in the lifecycle the plant is (how old the plant is and when it will be decommissioned).

The harsh reality of the nuclear sector is that many power plants are too old. Some may get retrofitted, to keep them running awhile longer but most will be shut down. This is mainly because the capital cost to upgrade them is too high for the current rate of electrical power.



The chart below shows the amount of megawatts that, in a worst-case scenario will come off line in the nuclear sector by 2040.

This is when you should ask "*Marin, what the hell does the MW decrease mean in pounds of uranium per year?*"

Good thing I figured you would be asking that question. Below is the chart (in terms of uranium pounds) and the impact on uranium consumption globally using the most aggressive shut down scenario:



From the graph above you can see that in the most negative planned shutdown scenario, there will be just under 95 Million pounds of uranium (almost 60% of the total demand) globally of demand lost by 2040.

But to be fair, logical, truthful and balanced, we need to include the "new" demand for uranium, in pounds. We only included the approved, financed and plants under construction.

We didn't include any plants that have been approved but have no financing in place. So again, this is the "worst case" for new demand.



A little over 20 Million pounds of uranium annually will be required to meet the new reactor demand globally by 2030. And the beauty of spreadsheets is that we can overlay the uranium reductions globally to demand increases globally.

And here is what you get per year in "net change" - in a worst-case scenario up to 2030:



The red line shows the decline of annual uranium required globally. So, in a worst-case scenario (the most negative scenario I could come up with), is that there will be a reduction of 16 million pounds of uranium consumed in 2030.

Currently, there is 169 million pounds of uranium ( $U_3O_8$ ) consumed globally. That means, in a most bearish case, there will be 9% reduction in the uranium demand in 2030.

Let's take this framework even further.

If this is the case - you want to be in the lowest cost of production quartile in the world.

So, if you need \$50/lb uranium to build your project—you're SOL (Shit Outta Luck).

I can go on and on about how many projects are a complete waste of time (I've visited enough uranium projects for my career—and most will never be in production)—but I don't really care to get into debates with management teams that are either too stupid to know better or are trying to be deceiving.

So, in this framework with uranium staying below \$50/lb, how do we play uranium?

Personally, I'm avoiding any exploration and development stories in Africa. Why? Let me use a case study from another commodity, copper. Even with the ultrahigh copper grades of over 4% copper, the copper mines of the Democratic Republic of Congo (DRC) have roughly the same cost of production as the low grade big open pit Canadian porphyry copper mines with grades which are 10% of those in the DRC. Yes, you read that right. The 0.4% head grade mines in Canada make as much money as 4% copper mines in the DRC.

Your eyes should pop out right now. I have shared this data with many industry professionals (analysts, bankers, fund managers etc.). And after they go through the data, they are all surprised and are surprised to agree.

Why do the DRC mines make the same as mines in Canada?

Several reasons: The lack of infrastructure, high electrical costs, high cost of importing all supplies and maintenance, underground vs. open pit, higher government takes all contribute.

Now, would the DRC copper mines be competitive with the Canadian mines if they only had 5X the grade?

Nope.

What if they had the same grade?

Not a chance.

The point is, the way the geology works in most African uranium deposits, the grades are nowhere near the high-grade Athabasca basin uranium projects. Nor do they have the infrastructure in place of the equivalent grades of projects in the U.S and Australia.

The fact is - the economics required to make most of the undeveloped uranium deposits economic are 3-4 times the current spot price.

I know I will have so many haters argue this point. That's fine. You go do it. I've been there, done the site visits. It was true ten years ago and it will be true ten years from now.

What about the concept of leverage to an increasing uranium spot price?

First off, this month's thesis is about finding a speculation that will do well in a bad uranium market and will also have upside potential if a recovering uranium market.

But if uranium touches previous highs, there is no doubt those African projects will do well with the uranium leverage angle. But I'll leave those projects for my buddy Rick Rule to promote.

I'll stick with the highest grade, lowest quartile cost uranium deposits in politically stable jurisdictions.

These, by the way, will also have the leverage to a rising uranium market.

## Katusa's Go-To Metric: Uranium Per Share

My Keynote Talk at the World Nuclear Fuels Market in 2015

I'll share a funny story now, and this happened during my keynote talk during the World Nuclear Fuels Market 2015 conference in Paris, France...

For my keynote talk, I walked thru the state of the uranium markets. I talked about how the Russian production would take advantage of low Separative Work Units (SWU) costs to produce more uranium via processing lower grade tails. I mentioned the declines in Kazakhstan haven't hit yet and they wouldn't hit for another few years. And all this would mean further depressed uranium prices for the next few years.

During the Q&A session after my talk, a CEO of a junior uranium explorer/developer in Africa didn't like my thesis. But he stated that my argument was sound, but that this wasn't a "fair" situation for juniors like his company. Then he asked me, *what should I do*? I said find assets that work. And I wouldn't own his stock cause its going nowhere.

Three years later, his stock price has gone nowhere, but has had 3x the dilution. So, in fact, using the <u>Katusa UPS</u> (Uranium per Share calculator), shareholder value has been decreased by 67% because the asset base is the same, but your UPS (Uranium per Share) is down 3 fold. So, that really leaves you in 5 parts of the world: Kazakhstan, Russia, Canada, Australia and U.S.A (ISR Production, not conventional).

Let's just ignore Russia. Any public North American company that thinks it can develop an asset in Russia is insane.

**Kazakhstan** is the world's largest primary uranium producer. They produce 40% of global production. But their producing assets are already owned and understood, and they aren't cheap. Unless you are a partner with KazAtomProm (a partner in their eyes, not yours) you have no chance. In a perfect world, owning a royalty on producing assets in Kazakhstan would be a dream come true—and the equivalent of owning a royalty on Saudi Arabia's Ghawar oil field, or the massive oil fields in Russia.

You will soon be able to buy shares of KazAtomProm. But, Please refer back to the "*Stocks I wont own*" in the Members Area [Note: For Paid Subscribers Only] for my current thoughts on why KazAtomProm will trade at a discount to its peers.

**Canada** hosts the Athabasca Basin where the highest-grade uranium in the world is mined. But even with the highest-grade uranium in the world, McArthur River (the world's second highest-grade uranium mine) had to be shut down and as far as I know, there are no near terms plans to restart it. Other than Cameco, there is no real way to get exposure to uranium production in the basin. You can play exploration and development stories, but you need to focus on very high grade and a future low-cost producer. There are really only a handful that even are worth consideration. I'll cover them more below.

<u>Australia</u> has 4 permitted and built uranium mines that can produce approximately 16.5 million pounds per year at peak production. Currently there are 3 producing uranium mines in Australia (the fourth has shut down early due to low prices and depleting reserves), the biggest being Olympic Dam (owned by BHP) which produces uranium as a byproduct.

**U.S.A.** production has taken the biggest decline of any major producer. Production is down 50% in the last few years, and is barely meeting 5% of domestic demand. Department of Energy (DOE) sales and former Soviet Union imports make up the difference. The DOE is no longer selling stockpiles to utilities, so the U.S. must import uranium from Australia, Canada, Kazakhstan or Russia. In 2017, Americans sourced 52% of their imports from Australia and Canada. With Cameco shutting down its main operations, there's even less Canadian uranium to be exported to the United States. Australian mines are faring no better and have decreased production in recent years. This leaves American energy security in the hands of Kazkhstan and Russia.

So what options does that leave us with?

Given the price weakness in uranium currently, I also don't expect any new uranium mines in the near term in Canada, specifically the Athabasca Basin.

Now, I know I will be really creating hate for the anti-Katusa movement. Again, let's let the facts talk.

Again, other than the uranium deposits in the Athabasca basin, the rest of the Canada's big deposits are too low grade and the initial construction costs make them uneconomic (even with existing infrastructure) unless uranium prices rise 3-4X from here (to between \$40 and \$60 per pound).

Not to mention, companies will need to add ten years of permitting headaches at a minimum.

Let's break down the Athabasca basin.

The basin can be split into two regions, the East and the West



Currently there are only 2 operating uranium mills in the Athabasca Basin. In total, the 2 mills have capacity to produce 19,950 tonnes (43 million pounds) per year. Below is the same map as above, but I have outlined the location of each of the mills. Both the mills are on the eastern side of the basin.



The most expensive part of the uranium industry in the Athabasca basin is NOT building the mine, but rather building the mill that will process ultra-high grade uranium. For simple metrics, a 20 million pound per year uranium mill in the basin will cost you USD\$1 billion (minimum) to build and 5 years to permit (minimum). The smaller the mill, the higher the cost per pound that the overall capex will be.

If you noticed from the chart above, all the mills are on the right (Eastern region) of the basin.

The Western basin has no mills operating. And, it's uneconomic today send the ore from the western basin to the mills in the east region—it just won't happen for many reasons.

- 1. There is a uranium grade restriction on what you can drive on provincial roads,
- 2. There are private roads in the basin that you can drive with higher grade uranium (for example, Areva and Cameco own their own roads that they drive on) so you just can't drive on any road you want
- 3. The mills operating are all controlled by either Cameco or Areva—so it's not like you can just send your material to the mill)

There are two big uranium deposits that have been discovered in the last 5 years by two companies.

NexGen discovered the world class Arrow deposit, and Fission discovered the PLS deposit. So where does that leave NexGen and Fission? NexGen is in a much better position and has much stronger backing then Fission.

Even though Fission Uranium is well promoted by my car collecting, big baldheaded friend in California, I don't see Fission as a standalone mine producing within 10 years.

I've been a previous shareholder of both Fission and NexGen, but don't own either stock today.

There will be a mill on the East one day, but not any time soon.

I do believe NexGen should take out Fission. However, the two management teams, to say it lightly "a unique" history. And they won't be able to work out a deal until one of them burns through the big cash balances, which will eventually happen to all non-revenue earning companies. At that time, shareholders will demand changes.

So, I'm not a buyer of either. That doesn't mean I don't like the deposits—they are both spectacular discoveries.

But they have been made.

There is speculation that perhaps NexGen and or Fission is a take-out candidate. I don't see it in the near term.

BHP has lots of uranium experience, as it makes up 3.8% of the global production via its Olympic Dam mine, but it's a byproduct. And uranium is nothing more than a rounding error on its balance sheet.

I do not believe the majors like BHP, RioTinto, or Glencore have any interest in buying out any further uranium deposits in the basin. Why? Uranium is a small percentage of any of the majors' cash flow. The majors need to focus on commodities that will move its cash flow needles, and the fact is, uranium is not that commodity right now.

And right now, the only remaining active players in the basin that could possibly buy either or both deposits is Cameco or Orano (the old Areva).

But Cameco is in no position to buy out either company, nor do they need too. Ditto for Orano (Areva).

Cameco has control of the mills (and even though Cameco doesn't "*control*" McLean Lake Mill, they have paid for the upgrades and structured a long-term processing agreement with Areva). Even if it did buy out the either NexGen or Fission, the ore from either deposit wouldn't be processed in mills that Cameco controls because the mills are too far away.



Cameco is doing the smart thing and letting both companies further de-risk their own assets and spending their own money now.

What I do see happening within the next 5 years in the Basin is smaller production from multiple deposits coming online via SABRE technology.

SABRE will never be to the uranium industry what fracking was to the oil and gas industry or Clara will be to the diamond industry. SABRE is a promising new technology that can keep the mills on the Eastern side of the basin running at full capacity from various smaller, shallow satellite uranium deposits.

What is SABRE?

## **Groundbreaking Uranium Technology - SABRE** (Surface Access Borehole Resource Extraction)

Essentially SABRE combines surface drilling & hydraulic borehole mining.

It's not capital intense (meaning its cheap), production volumes can be flexible, and the environmental footprint is small. - There are a few basic things that must happen to make it work:

- 1. Deposit must be less than 300m from surface
- 2. Competent rock around the deposit
- 3. Logistics to the mill must be economic



So, using my database and creating the known metrics that would work for SABRE, there are 35 known uranium deposits that make up over 300M pounds of uranium.

Nobody has ever published this before, and if you are a NexGen/Fission shareholder you should really be asking yourself this: "*how much of this uranium can come online*?"

Of the 35 uranium deposits candidates, 10 don't meet the logistical distance and the surrounding rock competence to make SABRE work (in my opinion).

That still leaves a little over 200 million pounds of uranium that can be streamlined using SABRE. More importantly, what I like about SABRE is that it minimizes the permitting time, upfront capex, surface disturbance as its more like an oil well rather than a mine.

How much uranium would be produced from deposits as a satellite deposit using SABRE?

Today, very little (other than uranium produced from "testing" SABRE ) production occurs using SABRE method, but it's as close to a "new" method with a real shot at becoming a real method of extraction. By 2022, I think it's fair to suggest that ~1 million pounds a year per year for the first few years is possible in the Athabasca basin using SABRE. Just like any technology, it takes time to develop, but by 2030, I can see a combined ~10 million pounds a year being produced via SABRE on various different "satellite" deposits that are within 300km of a mill.

Interestingly enough, the minimum time (being very optimistic) to get a uranium mill permitted in the basin would be 5 years, but realistically closer to 10-15 years.

Could SABRE push out the need for big standalone deposits like NexGen's ultrahigh grade world class Arrow deposits? It's an interesting thought exercise, and something I would really be paying attention to if I was NexGen or Fission management.

I am giving ZERO dollar value to the two public companies that have SABRE qualifying projects. All the other SABRE projects that qualify are either owned by Cameco, Denison, Skyharbour, Orano (formerly known as Areva) or the Japanese consortiums.

SABRE uranium production is still in "testing" phase, and we aren't in a market where I need to pay for "potential". I've been to both projects assets owned by the smaller companies with SABRE projects, and both companies below have high quality management, but I already own a lot of Skyharbour (one of the companies with their Moore project) and have no need to buy any more at the moment as I already own almost 10% of the company, unless something tangible changes.

But the two companies to put on your radar for SABRE potential are:

#### Denison Mines (DML.TO) and Skyharbour Uranium (SYH.V)

How would the market react if rather than building billion dollar Capex Projects that require a 5-10 years of permitting and finance and construction delays, we

brought low cost, small foot print, quick to permit, SABRE uranium production online. Which by the way can all be economic sub \$40/lb uranium? Skyharbour and Denison would both become immediate takeover targets.

I doubt there will ever be a big SABRE +10 million pound producing single mine. I believe SABRE will work in satellites where 5 projects were feeding half a million pounds each to the mills in a "Hub & Spoke" strategy for a combined 2.5 million pounds to be blended with the "anchor" mine, such as Cigar lake which is owned by Cameco whose production is the main ore that feeds a mill like McLean Lake?

SABRE should be viewed to help keep the mills on the east full when its ore is blended with the existing built and permitted mega mines like Cigar Lake or McArthur River. In theory, the satellite production from SABRE can delay Cameco and/or Orano's need to buy a non-producing asset from NexGen or Fission for years.

Now, I'm not being theoretical here - I'm being realistic.

SABRE requires no underground miners. Actually, it requires no miners.

It only requires a couple of drillers on the drill pad, and today's technology allows most of the hard decisions to be done remotely (like in the oil patch) while the engineers can operate and moderate the production remotely from a central command. This is no different than what happens at a frac field in the oil patch.

#### SABRE is not new.

I first came across SABRE back in 2013. At the time I found it interesting but it was still a science project back then, and because of my experience in fracking, I took note, but knew it would take many years. Over the last 5 years, there have been many modifications and SABRE 3.0 is currently underway and being tested and actually producing uranium, albeit in small quantities.

This is how technological progress happens in the uranium sector—it takes many years. Remember, it took the shale oil and gas sector twenty years and hundreds of billions to get to Fracking 2.0.

We are still in SABRE's early days (first decade of implementation—and many more improvements will come). And to put it into context, we are in the time where fracking was at in 2003. Only the die-hard uranium guys know about it, and those who do know about it, do not have the business savvy to profit from it. We are the first investment letter to discuss the details of SABRE and more importantly, which company's public companies have exposure to SABRE.

Skyharbour's (SYH.V) Moore Lake uranium deposit is an ideal deposit for SABRE. Skyharbour is not a new company to the KRO newsletter.

#### **FULL DISCLOSURE:**

I am one of the largest shareholders of Skyharbour and have been since 2012 (and own just under 20% of the company between myself and the funds I am invested in). I have bought stock as high as CAD\$0.50 in the mid 2017 financing after the February 2017 KRO newsletter and as low as CAD\$0.225 per share.

## Recommendation #1: My Big Bet for the Uranium Sector

The whole point of this report was to paint the worst possible picture for uranium.

I also wanted to find an actionable investment that could do well in that awful market but also do even better in a decent uranium market.

I have found just the opportunity. And what you're about to read is the first research report on the company ever.

And it's the first actionable report of its kind on this unknown company.

For new subscribers, welcome to the Katusa Advantage.

## High Risk Investment Recommendation Uranium Royalty Corp

(The company is PRIVATE and does not have a ticker symbol. Jan 2019 Update: Please note the financing mentioned below is now closed)

Here's where the story is going and why it's going to be very interesting...

I expect the company to go public by the end of Q2, 2019. The pre-IPO round is CAD\$1 per share. There are no guarantees that the IPO will be at a premium, but I believe it will be. There are no guarantees that Pre-IPO's are better priced than IPO's, but history will prove they are in most cases.

Just before the company goes public, we will send you an alert via email on what our actions will be. Until then, it is best to read up on the company and understand what the company business plan is. You never know, the IPO may happen sooner. Luck is being prepared when the opportunity arises.

Uranium Royalty Corp has cut an incredible deal with Yellow Cake Plc (YCA) out of London, England.

YCA has made a deal with KazAtomProm to buy USD\$170 million worth of uranium at \$21.01 per pound. The spot price today is \$29.15/lb which means the purchase price for YCA is a 39% discount to the current spot price of uranium price.

The deal YCA has cut with KazAtomProm is for 10 years and for \$100 million dollars of their annual uranium output at the spot price.

So, how does URANIUM ROYALTY CORP play into this?

URANIUM ROYALTY CORP structured a deal with YCA such that:

- URANIUM ROYALTY CORP will buy 9.9% of YCA shares in the IPO round and, if it chooses to increase its interest above 10% they can get a board seat—making URANIUM ROYALTY CORP one of Yellow Cake's larger shareholders.
- URANIUM ROYALTY CORP has the option to directly purchase a percentage of YCA's physical uranium allocation on the same terms as YCA
- URANIUM ROYALTY CORP gets first right of refusal on all royalties (or streams) structured by YCA with KazAtomProm or any other Uranium company
- 4. URANIUM ROYALTY CORP received a 3.75% finder fee for its own money, meaning we get the cheapest shares of YCA in the offering. No other investor in YCA gets anywhere near these terms. Essentially, Uranium Royalty Corp pays 96.25% of any other investor.
- 5. URANIUM ROYALTY CORP has identified, negotiated and is finalizing deals on 5 existing royalties and one of those is on a recently producing uranium mine (Langer Heinrich) which just shut down due to low uranium prices.
- Another 2 Letters of Intent (LOI's) have been signed on 6 royalties that would make URANIUM ROYALTY CORP have exposure to over 278 million pounds uranium in politically safe jurisdictions (equivalent have royalties on over 3.7 million ounces of gold for all the gold royalty bugs out there on 11 different projects)

## What is Uranium Royalty Corp?

Uranium Royalty Corp is a private company that will go public by the end of Q2 2019. It plans on owning development and producing uranium royalties and streams, 9.9% of London listed Yellow Cake PLC, and also direct interest in physical uranium holdings.

URANIUM ROYALTY CORP has the following assets:

- Great management team and shareholders —with decades of uranium experience. Uranium Energy Corp is a founding and major shareholder and as a result its CEO Amir Adnani will is the horsepower behind this deal. Scott Melbye, UEC's EVP is the Chairman and former uranium analyst and investment banker, and Philip Williams is the CEO.
- Royalties on 5 projects which gives investors exposure to 174M pounds of uranium (1 royalty was producing but just recently shut down due to low uranium prices)
- 3. Another 6 royalties signed LOI and now at Definitive Agreement stage that would give an investor exposure to 278M pounds of uranium on 5 assets paid with shares and/or cash at the IPO stage
- 4. 9.9% of Yellow Cake PLC (the listed company in London which will own at least 8.1 million pounds of Uranium) which will give URANIUM ROYALTY CORP shareholder 0.8 Million direct pounds of uranium which is already up 39% in the spot market
- 5. The right to buy up to \$31.25 million dollars of future uranium phases under the same terms Yellowcake PLC has with KazAtomProm.

#### Why am I so excited about this deal?

Uranium royalties are much rarer than royalties on gold, silver and the oil and gas sector. For example, about half of the pre-production gold assets (1,347 in our database) have royalties on them, whereas of the 178 preproduction uranium assets, only 29% have royalties.

Of the 90 uranium assets in production, only 6% have royalties on them.

But the secret to any successful royalty company is cutting the royalty deal when the market is down and out—like the uranium market today.

Amir has positioned Uranium Energy Corp (UEC) to be the largest shareholder of Uranium Royalty Corp (URC) and wants to leverage URC's first mover advantage, as the one and only pure play uranium royalty company in the world to quickly grown into a dominant position.

#### How do I know?

The plan was hatched at my house, on New Year's Eve 2016. The whole concept was an idea I pitched Amir on.

While most people were celebrating the end of the 2016 calendar year and welcoming 2017, Amir and I got together with our wives with the intention of celebrating. But something much better was created: Uranium Royalty Corp.

Yes, I came up with the name and the concept and promised Amir I would be the lead investor to back stop his funding needs to build this company. But its 100% Amir and his team that have executed the business plan.

I have invested over \$1,000,000 directly into Uranium Royalty Corp.

I have been an active investor in the uranium sector for 15 years now.

After going through a few uranium cycles, you learn from your mistakes—of which I made many. More importantly, you hope to learn and to avoid them moving forward. Hence why I am so excited about Uranium Royalty Corp.

I want zero exposure in a junior uranium company that is trying to explore or develop an asset in an AK-47 nation or any region that the Russians or Chinese have political influence.

For example, would you fund a junior oil company to go and explore for oil in Saudi Arabia? Hell no. Because the government would never give you the permits to do so.

But imagine if Saudi Arabia, Russia and the rest of OPEC cut a deal with an unknown junior for

- 25% of the total groups production (25% of 40% of the world's oil production = equivalent to 10% of the global oil production)
- For 10 years
- At a 7% discount to the global oil spot price,
- And agreed to open discussions on royalties on producing assets.

#### <u>Question:</u> Would you fund this junior?

By the way, the junior has 5 royalties in politically safe jurisdictions and is about to close two more world class royalties in non-AK47 nations.

And, you know the management team and they will be the largest investors in their own deal (meaning skin in the game).

Answer: Hell yeah.

Rather than just owning uranium, like Uranium Participation group (U.TO) or Yellow Cake (YCA) out of England, Uranium Royalty Corp has exposure to direct uranium with their deal with YCA, and the future right to buy uranium at the same terms as YCA. But it also has the upside from the royalties without taking on any of the exploration or production risks that come with high risk mining ventures.

Amir is a very close friend of mine.

I respect him incredibly.

But I want to make this very clear...

I am not investing in Uranium Royalty Corp because Amir is a buddy and I like him.

I am doing this because I love the business plan (I should, I helped create the plan) and I plan on making a lot of money on this and you should too.

Regards,

Marin

#### PLEASE NOTE:

# The private placement for Uranium Royalty Corp is closed. This is *Katusa's Resource Opportunities* research prepared for Macro Voices listeners courtesy of Katusa Research.

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