Focused on critical materials, Western Uranium & Vanadium Corp.’s stock price up 674% over the past year

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The uranium price is expected to rise higher in future years due to strong global demand for uranium and constrained supply causing deficits. It can therefore make sense for a company to build up uranium reserves ready to sell at better prices in the future.

That’s exactly what Western Uranium & Vanadium Corp. (CSE: WUC | OTCQX: WSTRF) (“Western”) is doing. Not only are they building up a large inventory of uranium and vanadium ore from their 100% owned Sunday Mine Complex they are also now buying uranium to grow their reserves.

Past 25 year uranium price chart – Uranium spot price is currently US$32.70/lb

Source: Trading economics

Announced on June 2, 2021, Western has executed a binding agreement to purchase 125,000 pounds of natural uranium concentrate at the current market price. The triuranium octoxide (U_3O_8) delivery will take place before June 2022 on a delivery date specified by Western.

Western stated:

“This uranium purchase is among several value-added opportunities the company is pursuing. The transaction has the potential to enhance the balance sheet beyond the purchase cost through uranium price appreciation. This strategic uranium inventory could be held as a long-term investment, used for the 2022 delivery under Western’s existing supply agreement, or facilitate the negotiation of future supply agreements. **The basis for this purchase is an acquisition cost substantially below average global uranium production costs.”**

The key to this deal is flexibility. If uranium prices were to fall then Western can just use these reserves to satisfy their supply agreements. If however, uranium prices were to rise then Western Uranium is adding value to their balance sheet.

Western stated:

“Western first evaluated holding physical uranium in the summer of 2020 as markets began to acknowledge the growing uranium supply-demand imbalance. A decade of oversupply has stifled the development of new uranium mines which has created an undersupply of uranium/nuclear fuel for the next decade.”

The chart below shows the forecast deficits, which should potentially support stronger uranium prices in the years ahead.

Canaccord Genuity forecasts for continued uranium deficits from 2021 to 2025

Source: Western company presentation

Some background on Western Uranium & Vanadium

Just under a year ago on August 4, 2020, we wrote a compelling piece on Western Uranium & Vanadium, with the closing remarks

stating:

"Western Uranium & Vanadium has already done the hard work to prepare their mines as uranium price levels increase and for U.S. government purchase opportunities. Investors can watch the Company or buy now in anticipation. **The current market cap is still very cheap at only C$23 million. I expect a good H2 2020 for the Company.**"

Western's stock price has done rather well since then as shown below in the chart. Over the past year, the stock is up an impressive 674% (or 7.74x).

Western Uranium & Vanadium past 1 year stock price performance, up 674% (or 7.74x)

Source: Yahoo Finance

Where to from here?

It is always hard to forecast what a stock price will do, but what we can forecast is what a company should achieve in the year ahead. In the case of Western, their Sunday Mine Complex is production-ready, permitted and developed. This is a huge advantage to other low market cap players in the uranium space given that growing a resource, feasibility studies, and permitting can take many years or even over a decade, or can even be unsuccessful. Western has already passed all these hurdles.

At their Sunday Mine Complex Western has minimal CapEx to restart production as the infrastructure has been recently upgraded and the mine workings rehabilitated. Furthermore, Western has an ore stockpile just waiting to be sold, if and when the Company decides to hit the go button. My expectation is

that this will be sooner rather than later as uranium prices appear to be steadily recovering. Usually, once a company begins production the stock is re-rated higher.

CEO George Glasier stated in March 2020: "We opened the mines and got them ready this summer. We are ready to go into production. As soon as the market turns a little bit we will be in production."

A recently oversubscribed private placement raised C$5.1M which Western will use "to secure value-added opportunities, fund follow-on work at the five mines comprising the Sunday Mine Complex, the exploration and development of a second production center and for general corporate and working capital purposes."

Closing remarks

Nuclear power looks like it is here to stay and U.S President Biden supports a smart nuclear sector in the U.S to supply baseload power (electricity) and U.S military needs. This is also backed up by the government's policy to establish a US$150 million pa U.S. uranium reserve building program over the next 10 years.

Western Uranium & Vanadium is no longer the extreme bargain stock it was a year ago when the market cap was a ridiculous C$23 million. Today Western's market cap sits at a more reasonable C$127 million (US$105 million), yet when we compare to the larger U.S uranium producers such as Energy Fuels Inc. (NYSE American: UUUU | TSX: EFR) (market cap US$1.03 billion) and Ur-Energy Inc. (NYSE American: URG | TSX: URE) (market cap US$380 million) the stock still looks very attractive on a long term basis, assuming we get strong uranium prices and the mine performs well.