

Uranium Energy Corp. Specialty Minerals and Metals

Rating
SPECULATIVE BUY

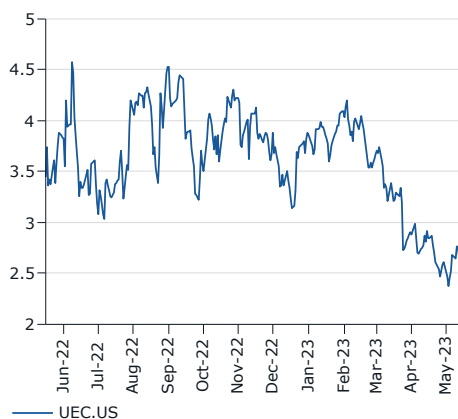
Price Target
US\$6.50

UEC-NYSE

Price
US\$2.65

Market Data

52-Week Range (US\$) :	2.30 - 4.72
Avg Daily Vol (000s) :	6,593.36
Shares Out. (M) :	375.4
Market Cap (US\$M) :	994.8
Dividend /Shr (US\$) :	0.00
Dividend Yield (%) :	0.0



Priced as of close of business 15 May 2023

Uranium Energy Corp. is a uranium explorer and developer with a diverse portfolio of assets located in the Americas. UEC's production-ready assets include its Hub & Spoke ISR portfolios in South Texas and Wyoming, among other exploration and development projects in Canada and Paraguay.

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UEC Wyoming site visit: key takeaways

Investment Recommendation

We reiterate our SPEC BUY rating and US\$6.50/sh target price for Uranium Energy Corp following our site visit last week to the company's operations in Wyoming including Christensen Ranch and the Irigaray Central Processing Plant (CPP). The tour was hosted by UEC's senior management team, which included CEO Amir Adnani. We came away impressed by the condition of the existing infrastructure on site and the depth and experience of the company's technical team. Following our visit, we feel more confident in UEC's ability to restart production in Wyoming and have a better understanding of the de-risking milestones and timeline required. Our key takeaways from the site visit are detailed below.

Robust existing infrastructure... UEC's Wyoming assets are easily accessible via an existing road network, ~1.5-2 hours outside the city of Casper. The gravel road into site was well maintained and could easily support the movement of uranium bearing resin and/or yellowcake between the satellite plants and the CPP. As seen in Figures 2-9, the permitted plants and wellfields are in good shape (four wellfields are already fully installed) and the CPP is operational, currently toll processing material from Peninsula's Lance project. UEC management estimates that ~US\$400 million was deployed on the project by former owner Uranium One Americas (U1A), a fraction of the ~US\$112 million purchase price paid by UEC to acquire the assets in December 2021.

...and an experienced technical team: UEC's Vice President of Wyoming Operations, Donna Wichers, has 40+ years experience in the uranium industry. Between 2007 and 2021, she was responsible for the licensing, development, and operation of all of U1A's ISR properties in the US, now owned by UEC. Her involvement in these projects preceded even U1A's ownership, having worked for both Energy Metals and Westinghouse Electric.

In addition to Donna, the Wyoming operations are also supported by Mr. Dayton Lewis, the Manager of Resource Development for Wyoming. Mr. Lewis is a professional geologist with >30 years of experience in the evaluation, exploration, development, and production of ISR amenable uranium resources throughout the western United States, including experience with U1A.

De-risking operations for an eventual restart: In Q4 2022, UEC began work to de-risk the Christensen Ranch operations for a restart. The de-risking involved testing of all software for wellfield and plant operations, testing of leak detection systems, assessment and repair of lines and piping, IX resin cleaning and testing, and preparing nine wellfield patterns for leach testing, among others.

The next critical step will be the operation of three wellfield areas to test injection and recovery. The tests will evaluate the well flow rates and assess the impact of oxygen and CO2 addition on uranium grades in previously mined areas to better predict the future head grade (among other aspects). By year-end, the de-risking work is expected to be complete, with ~75% complete at the time of our visit.

Pricing and manpower will be critical: Once the de-risking work is complete, UEC expects to be in a position to restart its operations within six months. In line with previous management commentary, a formal restart decision will be predicated on market conditions and the spot price staying sustainably above US\$60/lb for a few months. Manpower is also a real constraint that needs to be considered. In operation, a total headcount of 48 is expected, plus contract drilling and construction crews. UEC is working to hire and train additional personnel. There are coal mines ~45 miles away that are scheduled to close and could be a source of skilled labour.

Five-year production plan in Wyoming: UEC's goal is to ramp-up production from 1mlbs U₃O₈ per year to up to 4mlbs over the next four years. Production is expected to start at Christensen Ranch, where the wellfield is already fully permitted, with final processing to yellowcake at the Irigaray CPP. Other satellite projects are then expected to come into production in a sequenced fashion with Irigaray first (partially permitted), followed by Reno Creek (fully permitted), Ludeman (fully permitted), Antelope (permitting initiated), Moore Ranch (fully permitted), and Barge.

To accommodate 4mlbs per year of annual production, UEC will need to increase licensed capacity at the Irigaray CPP to 4mlbs and build out incremental infrastructure (~US\$7 million capex). Based on the current SK-1300 compliant resource of ~81mlbs, UEC expects production to continue past 15-years and be augmented by future exploration (detailed below).

Exploration upside still exists in Wyoming: Zero exploration work has been completed on the Wyoming assets since 2007. Despite this, UEC believes there is considerable upside potential to increase the mineral resources within its land package by ~30-40% with more drilling.

Exploration is expected to target ~43mlbs U₃O₈ of historic resources in Wyoming (not yet SK-1300 compliant). UEC has budgeted ~US\$2 million for drilling in 2023; the initial targets are areas that already fall within permitted boundaries, so that additional resources can easily be added to production. Four areas have already been identified for drilling at Christensen Ranch + Irigaray.

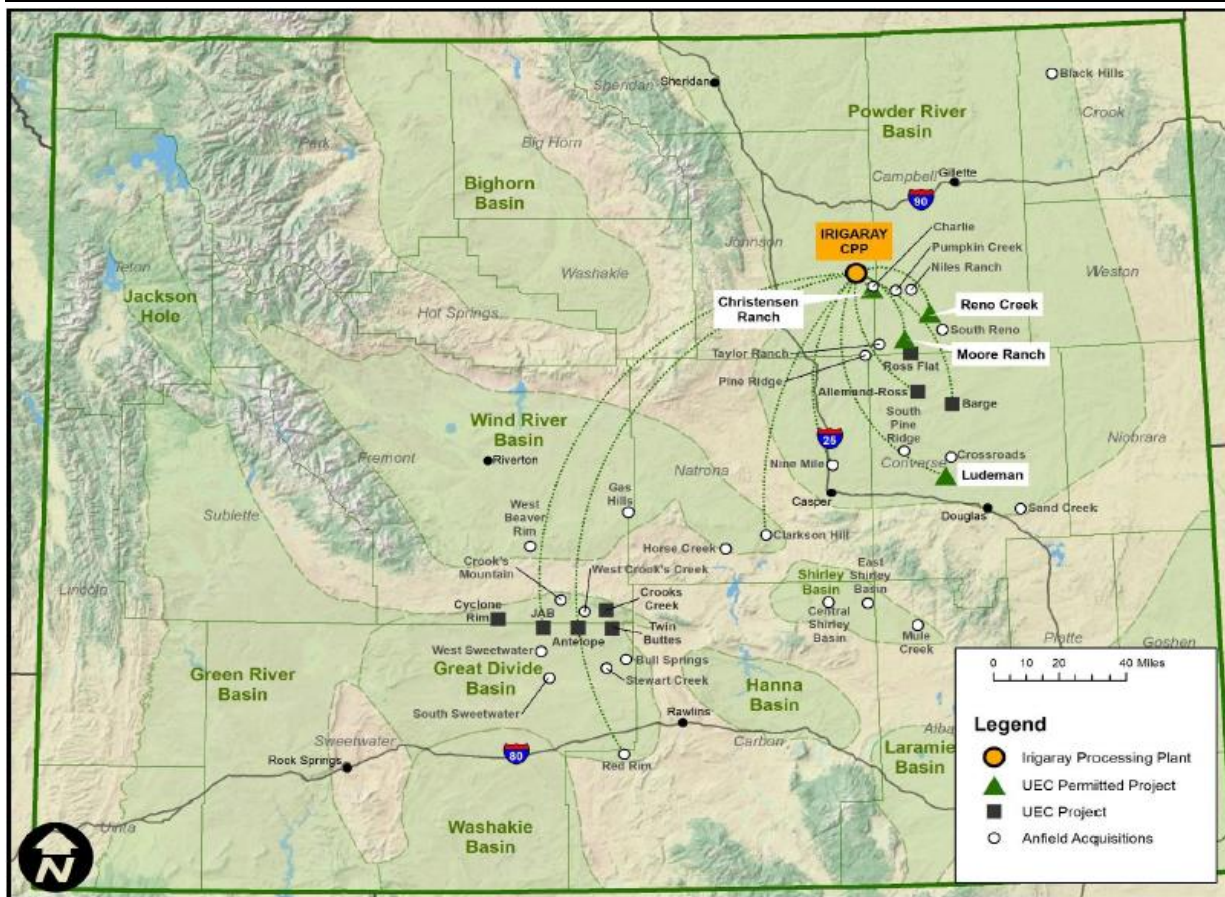
Pivoting to Roughrider: When we were on site, UEC also provided an update on its recently acquired Roughrider project in the Athabasca Basin. The presentation was given by James Hatley, UEC's Vice President of Production, Canada. James is an experienced operator, having led the construction of one of Canada's largest mining projects, the Voisey's Bay Mine Expansion with Vale. Prior to Vale, James was the Senior VP of Project Development at NexGen Energy and spent 13 years with Cameco designing and building both Cigar Lake and McArthur River. He was also a part of the team that evaluated the Roughrider project during CCO's bidding war with Rio Tinto.

UEC's goal is to reassess the historic work completed at Roughrider as quickly as possible. After announcing an updated mineral resource of ~64mlbs (748kt at 3.81% U₃O₈) in early May (see note [here](#)), the company is targeting an updated economic assessment as early as Q4 of this year. UEC believes there is potential to increase the production rate from ~5mlbs per year as stated in the 2011 PEA, to 8mlbs per year with an optimized mine plan (would imply a mining rate of ~300tpd). Management is also considering the build-out of its own mill, rather than relying on McClean Lake. Work is still in its early days, but we look toward further updates on potential optimizations at Roughrider (in addition to updated capex + opex figures).

In terms of permitting, UEC is already in communication with regulators. The company's plan is to take the previous Environmental Assessment that was completed (and brought through to final approvals) and refresh it to reflect updated project metrics. Given previous familiarity with the project, UEC is hopeful that permitting can advance quicker than a greenfield project.

SPEC BUY rating; US\$6.50/sh target price: Our estimates remain unchanged. We have a SPEC BUY rating and US\$6.50 target price. UEC currently trades at 0.44x NAV, a discount to peers at 0.66x.

Figure 1: UEC's Wyoming Hub & Spoke projects



Source: Company Reports

Figure 2: Irigaray Central Processing Plant



Source: Canaccord Genuity

Figure 3: Irigaray Central Processing Plant sign



Source: Canaccord Genuity

Figure 4: Inside the Irigaray CPP



Source: Canaccord Genuity

Figure 5: Irigaray CPP – yellowcake drums



Source: Canaccord Genuity

Figure 6: Christensen Ranch – satellite plant



Source: Canaccord Genuity

Figure 7: Inside Christensen Ranch satellite plant



Source: Canaccord Genuity

Figure 8: Christensen Ranch – Unit 8 wellfield



Source: Canaccord Genuity

Figure 9: Christensen Ranch – Unit 8 header house



Source: Canaccord Genuity

Appendix: Important Disclosures

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Investment Recommendation

Date and time of first dissemination: May 16, 2023, 17:45 ET

Date and time of production: May 16, 2023, 17:45 ET

Target Price / Valuation Methodology:

Uranium Energy Corp. - UEC

Our target price is based on 1.0x our NAVPS estimate as at February 1, 2024

Risks to achieving Target Price / Valuation:

Uranium Energy Corp. - UEC

Uranium price and market risk

Our estimates and valuation are extremely sensitive to the price of uranium, and we can make no assurances that the future price trajectory of the metal will be in line with our estimates. A weaker-than-expected uranium price will impact the advancement of UEC's projects and projected cash flows. These factors could materially impact our valuation for UEC.

Project and permitting risk

Our estimates and valuation assume successful development and production from the Texas Hub & Spoke portfolio, the Wyoming Hub & Spoke portfolio, and the Roughrider Project; however, there is no guarantee that these projects will advance as forecasted. We also recognize the risk that future satellite projects (Salvo, Longhorn, Moore, Bing and Pine Tree) are unsuccessful in receiving the required permits or permit amendments for production. However, given a history of successful permitting in the region, we believe this risk is minimal and therefore include production from these projects in our estimates.

We also note that UEC is currently completing work in preparation for a Pre-Feasibility Study on the Reno Creek project. Accordingly, the project is subject to changes in operational parameters, including estimates of initial capital and operating costs that could impact our assessed valuation.

Financing risk

As an exploration and development company with no producing assets, UEC currently does not generate any operating cash flow and is therefore reliant upon the capital markets to fund operating expenditures. However, there is no guarantee that UEC will be able to access capital markets on a going-forward basis as a result of a potential change in market sentiment and/or pricing. Furthermore, if the price of uranium does not improve, UEC could face further dilution.

Policy risk

Our estimates and valuation assume ongoing bipartisan support for nuclear energy in the US; however, there is no guarantee that this will be the case. In particular, we note that no Executive actions were put forward in the Nuclear Fuel Working Group report. Rather, the report warned that any recommendation that was not already reflected within the President's Fiscal 2021 Budget would be "subject to budgetary, regulatory, and policy development processes before adoption or execution". Therefore, despite a proposed 10-year timeline for a US uranium reserve, there is no commitment to take action beyond 2021. In our view, any increased policy uncertainty in the US could have adverse effects on the development of UEC's US assets and the willingness of utilities to sign into new long-term contracts.

Distribution of Ratings:

Global Stock Ratings (as of 05/16/23)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	602	64.66%	22.26%
Hold	140	15.04%	10.71%
Sell	16	1.72%	0.00%
Speculative Buy	159	17.08%	46.54%
	931*	100.0%	

*Total includes stocks that are Under Review

Canaccord Genuity Ratings System

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.

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Risk Qualifier

SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

12-Month Recommendation History (as of date same as the Global Stock Ratings table)

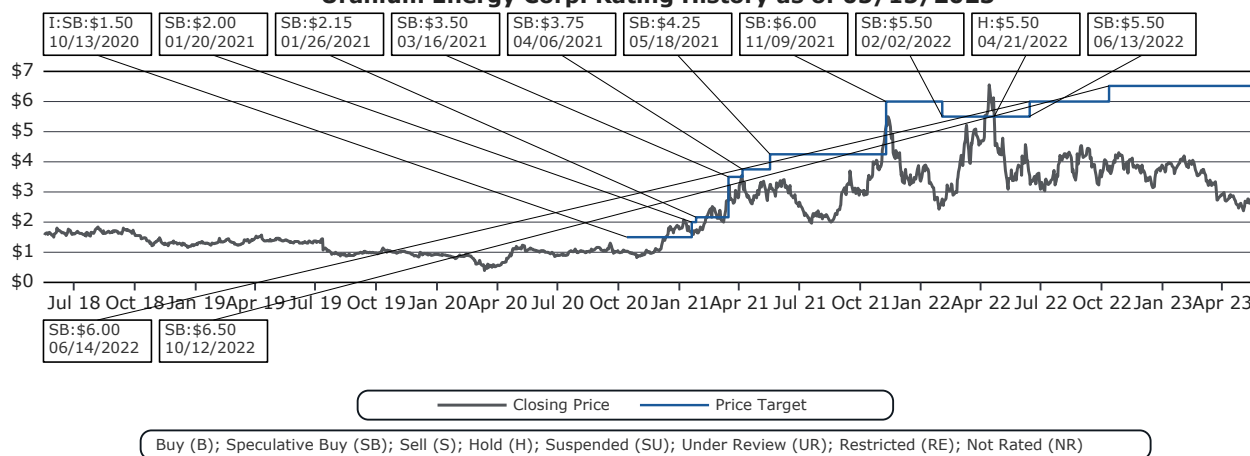
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An analyst has visited the material operations of Uranium Energy Corp.. No payment was received for the related travel costs.

Uranium Energy Corp. Rating History as of 05/15/2023



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