

URANIUM ENERGY CORP.

Palangana expansion fully permitted; Burke Hollow receives disposal well permit

EVENT

Uranium Energy Corp. announced that progress continues to be made at two key ISR projects. It was announced that the Palangana mine is now fully permitted given the receipt of a new larger mine permit, aquifer exemption, and additional production area permit. At Burke Hollow, the project has received the needed disposal well draft permit which represents the first key pre-extraction permit.

BOTTOM LINE

Positive – The permits at Palangana effectively unlock a higher grade area with additional resource upside. While the draft deep disposal permits for Burke Hollow successfully clears one of the more difficult permitting hurdles. We reiterate our Buy recommendation and are increasing our target price to US\$3.10/share.

FOCUS POINTS

- Palangana Expanded & Fully Permitted** – The ISR mine is now fully permitted for extraction in new resource areas with a larger mine permit and an aquifer exemption. The expanded mine area boundary now increases to 8,722 acres versus 6,200 acres previously. The expanded area now includes Production Area-4 (PA-4). We estimate that this will add 2M lbs of U3O8 to Palangana at an average grade of 0.20%.
- Burke Hollow Also Advancing** – The Texas Commission on Environmental Quality (“TCEQ”) has issued two Class I disposal well draft permits, thus signalling the conclusion of a successful technical review. This is positive news for UEC as the deep disposal wells have traditionally been one of the more difficult to permit in the U.S. ISR space.

Recommendation:

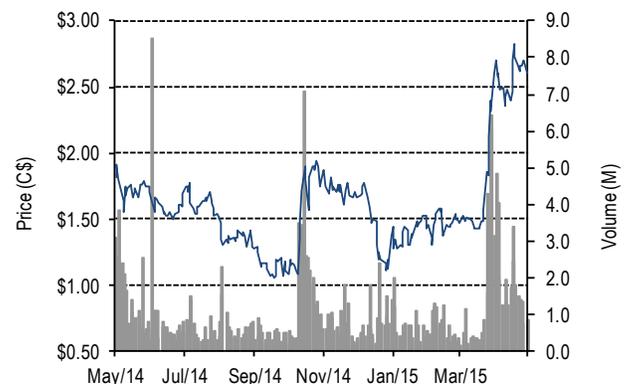
BUY

Symbol/Exchange: UEC /NYSE
Sector: Metals and Mining
All dollar values in C\$ unless otherwise noted.
Current price US \$2.61
One year target: US \$3.10
Return target 19%
Cash on hand \$4.4M

Company Summary

	2013A	2014A	2015E	2016E
Shares O/S (M)	91.0	52-week range	\$1.06- 2.82	
Market cap (\$M)	\$241.6	Avg. weekly vol. (000)	5.050	
Market float (\$M)	\$227.6	Fiscal year-end	31-Jul	
Uranium Production (000 lbs)	194.0	37.5	0.0	298.1
Revenue (\$M)	9.0	0.0	0.0	14.4
Operating Cost (\$M)	8.4	0.0	0.0	7.7
Cash Cost (US\$/lb)	\$38.37		\$25.67	\$25.67
EBITDA (\$M)	(\$21.8)	(\$22.8)	(\$13.1)	(\$9.5)
EPS	-\$0.26	-\$0.29	-\$0.16	-\$0.10
CFPS	-\$0.23	-\$0.24	-\$0.15	-\$0.10

Source: Company Reports and Cantor Fitzgerald Estimates



Company profile: Uranium Energy Corp. is a production stage uranium company with primary assets located in south Texas. Additional exploration stage assets are located in Arizona (Anderson), Colorado, New Mexico, Wyoming, and Paraguay (Yuty, Oviedo).

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

PALANGANA NOW BIGGER AND FULLY PERMITTED

The Palangana ISR mine is now fully permitted for extraction in new resource areas with a larger mine permit and an aquifer exemption. The expanded mine area boundary now increases to 8,722 acres versus 6,200 acres previously. The expanded area now includes Production Area-4 (PA-4). As reported earlier, 296 drill holes have been completed inside of PA-4 to delineate three mineralized trends.

Well field design is currently being finalized in preparation for installment of the first module in the new production area. We estimate that it would cost \$1M to install a well field in the PA-4 area.

DISPOSAL WELL DRAFT PERMIT RECEIVED AT BURKE HOLLOW

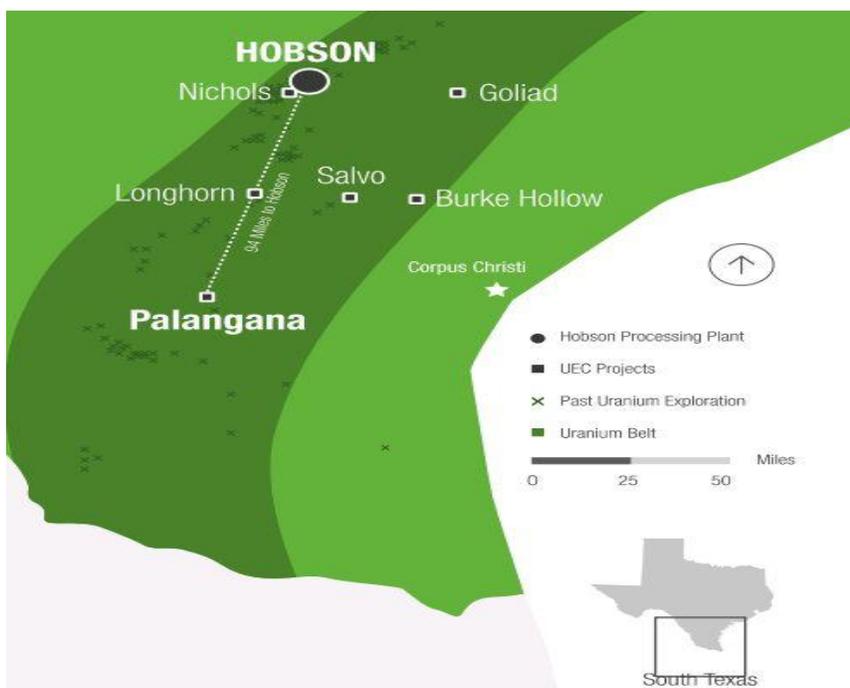
The Texas Commission on Environmental Quality (TCEQ) has issued two Class I disposal well draft permits, thus signaling the conclusion of a successful technical review. At present, the mine permit and aquifer exemption applications for the project remain in the later stages of technical review with the TCEQ. We view this as notable feather in the cap for UEC to receive a draft disposal well permit this early as we have noticed that this particular permit tends to be among the most difficult to obtain for U.S. ISR miners. This speaks either to the quality of the project, the quality of management, or perhaps both.

Recall that a 77% increase in inferred resource was announced at Burke Hollow in mid November. The NI 43-101 compliant resource increased from the previously reported 2.89M lbs. inferred U_3O_8 at 0.048% to the current 5.12M lbs. inferred at 0.09% U_3O_8 . The project itself encompasses 20,000 acres. Additional drilling on two newly discovered prospective mineralized areas has the potential for additional resource additions.

HUB AND SPOKE PRODUCTION STRATEGY ADVANCING

As can be seen in exhibit 1 below, the Hobson Processing facility forms the nucleus of the hub and spoke strategy in which future feedstock will be derived from assets each located within 100 miles of the facility. The wholly owned Hobson processing facility has the physical capacity to process up to 2.0M lbs U_3O_8 annually. It is currently licensed to process up to 1.0M lbs annually.

Exhibit 1: UEC Hub & Spoke Strategy.



Source: Uranium Energy Corp.

Exhibit 2: Current Texas Based U₃O₈ Resource

	NI 43-101 compliant resource (lbs)		
	M&I	Inferred	Total Resource
Palangana	1,057,000	1,154,000	2,211,000
Goliad	5,475,200	1,501,400	6,976,600
Burke Hollow		5,120,000	5,120,000
Salvo		2,839,000	2,839,000
Nichols		1,307,000	1,307,000
	6,532,200	11,921,400	18,453,600

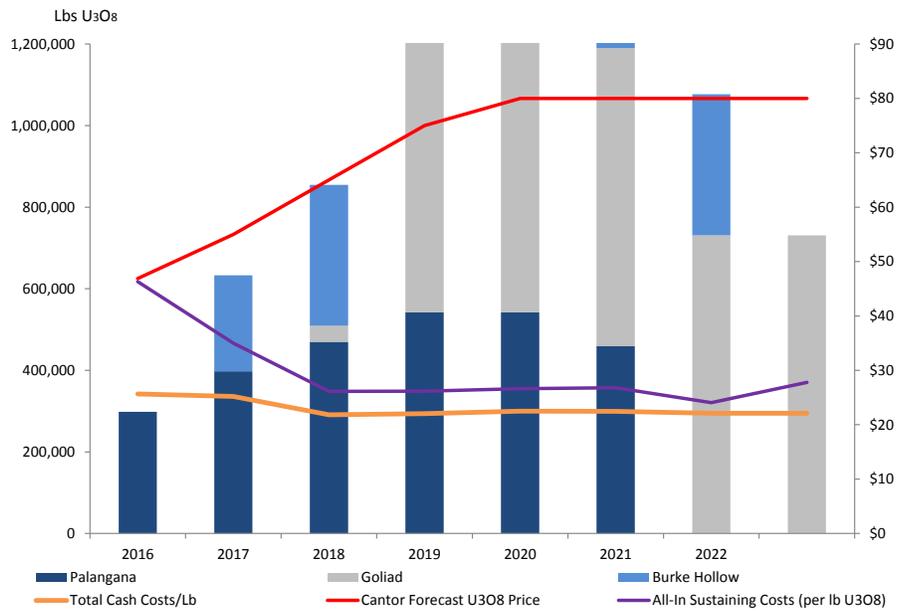
Source: Uranium Energy Corp.

VALUATION AND RECOMMENDATION

We have adjusted our Palangana model to include an estimated resource increase of 2M lbs U₃O₈ at an average grade of 0.20%. We have also assumed that it would cost UEC \$1M to install a well field into PA-4 with it contributing to production in Q2/18. With Burke Hollow, we are encouraged by the permitting progress and are more confident in our estimate that production will commence in Q3/16. As a result our NAV for UEC increases to \$3.08/share, which is up 13% from our previous valuation of \$2.73/share.

We are reiterating our Buy recommendation and are increasing our target price to US\$3.10/share, which is up 13% from our previous target price of US\$2.75/share. Our target price is based on a 1.0x multiple to our NAV.

Exhibit 3: UEC Production and Cost Forecast



Source: Cantor Fitzgerald Canada Research

Exhibit 4: Net Asset Valuation

Projects	Uranium Energy Corp.		Comment
	NAV	Per Share	
Palangana	70,351,717	\$0.72	8% NPV
Goliad	135,410,164	\$1.39	10% NPV
Burke Hollow	54,120,471	\$0.55	10% NPV
Salvo	2,839,000	\$0.03	\$1.0/lb In-situ Valuation
Nichols	1,307,000	\$0.01	\$1.0/lb In-situ Valuation
Yuty	5,570,000	\$0.06	\$0.50/lb In-situ Valuation
Anderson	29,000,000	\$0.30	\$1.0/lb In-situ Valuation
Workman Creek	5,542,000	\$0.06	\$1.0/lb In-situ Valuation
NPV of Debt	(19,030,303)	(\$0.20)	Fiscal Q2/2015
Working Capital (net of cash)	1,307,885	\$0.01	Fiscal Q2/2015
Cash	14,165,925	\$0.15	Fiscal Q2/2015
Total	300,583,859	\$3.08	

Source: Cantor Fitzgerald Canada Research

Exhibit 5. Uranium Price History & Forecast

	2013A	2014A	2015E	2016E	2017E	2018E	2019E
U ₃ O ₈ Price	\$38.17	\$33.21	\$41.47	\$50.00	\$60.00	\$70.00	\$80.00

Source: Cantor Fitzgerald Canada Research and Ux Consulting

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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.

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