

URANIUM ENERGY CORP.

Reno Creek Adds Near-Term Production; Possible Russell 3000 Inclusion

EVENT

Uranium Energy Corp. has announced that it has entered into a definitive share purchase agreement to acquire the fully permitted Reno Creek in-situ recovery project located in the Powder River Basin, Wyoming. Also, the Russell 3000 annual rebalancing is expected this month and UEC appears to be in position to be added.

BOTTOM LINE

Positive – The acquisition adds 22M lbs of fully permitted, near-term production for UEC. We reiterate our Buy recommendation and are increasing our target price to \$2.50/share, or by 32%.

FOCUS POINTS

- **Entry into the Powder River Basin** – The Reno Creek project has an NI43-101 compliant Measured & Indicated resource of 27.47M tons at a grade of 0.0415% U₃O₈ that contains an estimated 21.98M lbs U₃O₈. It received the critical Source and By Product Materials License from the U.S. Nuclear Regulatory Commission in February 2017 to produce up to 2M lbs U₃O₈ annually.
- **Accretive project** – We estimate that Reno Creek is an accretive acquisition for UEC as it provides an NPV_{10%} of \$161M and an IRR of 52%. This is based on initial production of 850,000 lbs U₃O₈ that expands to 1.5M lbs annually at an all-in sustaining cost averaging \$34.87/lb over the life of mine. Development CapEx is forecast at \$55M.
- **Acquisition cost** – Based on Monday's close, the total share portion of the deal is valued at \$17.3M, or \$0.79/lb of M&I, which we view as attractive for a near-term, fully permitted asset, that is located in a uranium-producing region.

Recommendation:

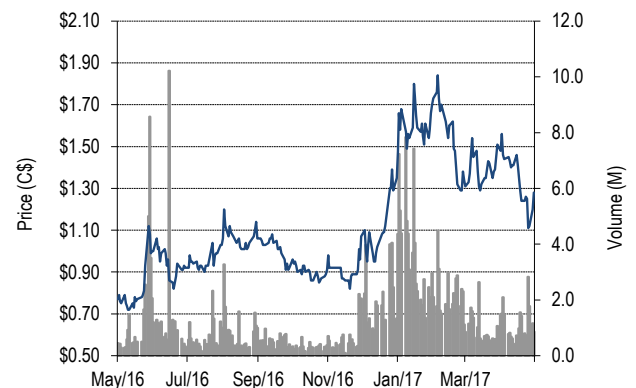
BUY

Symbol/Exchange: UEC /NYSE
Sector: Metals and Mining
All dollar values in US\$ unless otherwise noted.
Current price \$1.35
One year target: \$2.50↑
Return target 85%
Cash on hand \$29.9M

Company Summary

	2015A	2016A	2017E	2018E
Shares O/S (M)	150.4	52-week range	\$0.72-	1.84
Market cap (\$M)	\$209.1	Avg. weekly vol. (000)	6.482	
Market float (\$M)	\$196.9	Fiscal year-end	31-Jul	
Uranium Production (000 lbs)	0.0	0.0	0.0	377.1
Revenue (\$M)	3.1	0.0	0.0	15.1
Operating Cost (\$M)	2.3	0.0	0.0	8.0
Cash Cost (US\$/lb)				\$21.12
EBITDA (\$M)	(\$20.3)	(\$14.3)	(\$12.4)	(\$58.9)
EPS	-\$0.24	-\$0.14	-\$0.10	-\$0.41
CFPS	-\$0.22	-\$0.11	-\$0.07	-\$0.39

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.

RENO CREEK ADDS NEAR TERM PRODUCTION

Located in Wyoming’s Powder River Basin, The Reno Creek project has an NI 43-101 Measured and Indicated resource of 27.47M tons at a grade of 0.0415 U₃O₈ that contains an estimated 21.98M lbs U₃O₈. It received the critical Source and By Product Materials License from the U.S. Nuclear Regulatory Commission in February 2017 to produce up to 2M lbs U₃O₈ annually.

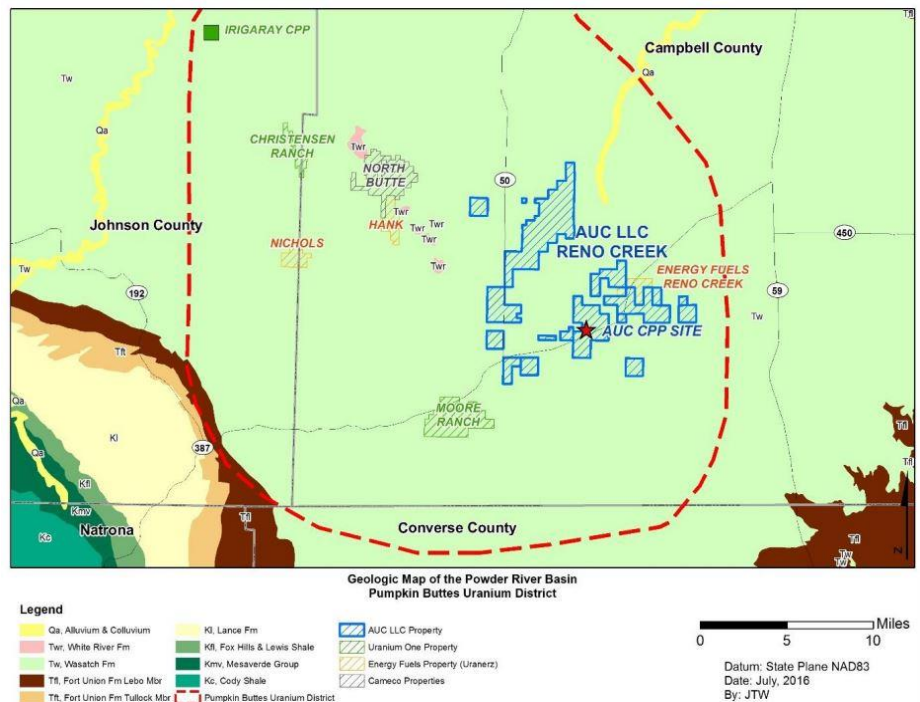
Exhibit 1: Reno Creek 43-101 compliant resource

Class	Tons (Millions)	U3O8 Grade (%)	Lbs. U3O8 (millions)
Measured & Indicated	27.47	0.041	21.98
Inferred	1.36	0.034	0.93

Source: Uranium Energy Corp.

The Powder River Basin has to date produced over 85M lbs of uranium and is home to projects in various stages of permitting, design, construction, operation, or on standby. Notable projects include Uranium One’s Moore Ranch and Willow Creek projects, Energy Fuels’ (EFR-TSX/UUUU-NYSE: Buy, Target \$5.05 per share) Hank and Nichols Ranch (currently in production) projects and Cameco’s (CCO-TSX/CCJ-NYSE; Buy, Target \$16.90 per share) North Butte Project.

Exhibit 2: Powder River Basin Uranium Projects



Source: Reno Creek Technical Report - July 31, 2016

A Pre-Feasibility Study (“PFS”) was completed in 2014 on Reno Creek that estimated 1.5M lbs of annual production at an all-in cost of \$33.87/lb. over a 15 year mine life. Initial capital costs were estimated at \$78M and \$225M over the life of mine. Estimated project economics at \$65/lb returned an NPV_{8%} of \$150M and an IRR of 32.2%.

Exhibit 3: 2014 Pre-Feasibility Highlights

2014 PFS Summary	
Base Case U ₃ O ₈ Price (\$/lb)	\$65/lb
U ₃ O ₈ Reserves (Mlbs)	20.1
LOM Production (Mlbs)	14.9
Mine Life (yrs)	12 yrs
Annual Production (Mlbs/yr)	1.5 Mlbs
Recovery (%)	74.3%
Initial Capex (\$M)	\$78M
LOM Capex (\$M)	\$225M
Cash Cost (\$/lb)	\$18.84/lb
All-In Cost: Opex & Capex (\$/lb)	\$33.87/lb
After-Tax NPV8% (\$M)	\$150M
IRR (%)	32.2%

Source: Uranium Energy Corp.

Using the most recent mine start-ups in the region as reference, such as Energy Fuels' Nichols Ranch and Ur-Energy's (URE-TSX, URG-NYSE, Buy, Target \$2.25) Lost Creek, we make the following estimates for UEC's Reno Creek project:

Exhibit 4: Reno Creek Estimates and Forecasts

Mining Method	In-Situ Recovery
Initial Production	2019
Life of Mine	13 years
Production Capacity - Stage 1	850,000 lbs
Production Capacity - Stage 2	1,500,000 lbs
Stage 1 CapEx	\$30M
Stage 2 CapEx	\$25M
Production Grade	0.083%
Average Recovery	85%
Average Cash Cost per Lb.	\$24.00
Avg. AISC/Lb.	\$33.83
Long Term Uranium Price	\$80.00
Discount Rate	10%
Project NAV	\$160.9M
IRR	52%

Source: CFCC Estimates

We forecast production in fiscal 2019 as our uranium price forecast expects a spot price environment of \$53.75/lb in the preceding four quarters. Assuming a one-year build process, which is similar to the development timelines of Lost Creek, Nichols Ranch, and Peninsula Energy's (PEN:ASX, Not Rated) Lance ISR mine, we forecast production to commence in late 2019 at 850,000 lbs of annual production. After three years, we expect an expansion to a 1.5M per year production with a \$25M investment. Sustaining capital will total \$175M over the life of mine as it includes the cost to drill additional wellfields. Ultimately leading to an average all-in sustaining cost of \$33.83/lb.

DEAL TERMS

UEC is in the process of acquiring the project via a deal with Pacific Road Resources Funds. In exchange for Pacific Road's 97.27% ownership UEC will give Pacific Road:

- 14.0M shares of the Company
- 11.0M warrants with each warrant entitling the holder to acquire one share of the Company at an exercise price of \$2.30/share for a period of five years from closing. The warrants will have an accelerator clause which provides that, in the event that the closing price of UEC's common shares on its principally traded exchange is equal to or greater than \$4.00/share for a period of 20 consecutive trading days, UEC may accelerate the expiry date of the warrants to within 30 days by providing written notice to the holders
- 0.5% net profits interest royalty, capped at \$2.5M

The remaining 2.73% of the company will be acquired from Bayswater Uranium by way of drag along rights for pro-rata consideration. The transaction is subject to NRC approval and is expected to close on or about July 31, 2017.

Based on Monday's close, the total share portion of the deal is valued at \$17.3M, or \$0.79/lb of M&I. We view this as an attractive acquisition price for fully permitted, near term production in a uranium producing region. Upon completion of the deal, Pacific Road will own about 9% of UEC's shares.

RUSSELL 3000 INCLUSION

The Russell 3000 annual rebalancing is occurring this month and it appears UEC is on track to be added back to the index. At a market cap of \$165M, it currently sits above the projected threshold of ~ \$138M and is a candidate to be added should it remain above that mark as of the close on May 12 and stay above \$1/share.

If UEC does make it back into the Index, we expect substantial strength in the name as index funds accumulate shares.

VALUATION AND RECOMMENDATION

We have adjusted our UEC model to include Reno Creek as per the parameters listed above. This was somewhat offset by a pushing back of our expected production from Burke Hollow by a year as the market does not appear supportive of additional production at this time. As a result our NAV for UEC increases to \$2.49/share, which is up 32% from our previous valuation of \$1.89/share.

We are reiterating our Buy recommendation and are increasing our target price to \$2.50/share, which is up 32% from our previous target price of \$1.90/share. Our target price is based on a 1.0x multiple to our NAV.

Exhibit 5: Net Asset Valuation

Projects	Uranium Energy Corp.		Comment
	NAV	Per Share	
Palangana	76,066,424	\$0.50	10% NPV
Goliad	145,660,091	\$0.95	10% NPV
Burke Hollow	63,515,772	\$0.41	10% NPV
Reno Creek	160,892,370	\$1.05	10% NPV
Salvo	2,839,000	\$0.02	\$1.0/lb In-situ Valuation
Nichols	1,307,000	\$0.01	\$1.0/lb In-situ Valuation
Yuty	5,570,000	\$0.04	\$0.50/lb In-situ Valuation
Anderson	29,000,000	\$0.19	\$1.0/lb In-situ Valuation
Workman Creek	5,542,000	\$0.04	\$1.0/lb In-situ Valuation
NPV of Debt	(18,356,396)	(\$0.12)	10% Discount Rate
Working Capital (net of cash)	(1,174,599)	(\$0.01)	Fiscal Q2/17
NPV of Corporate Costs	(119,955,951)	(\$0.78)	10% Discount Rate
Cash	29,857,146	\$0.19	Fiscal Q2/17
Total	380,762,858	\$2.49	

Source: Cantor Fitzgerald Canada Research

Exhibit 6. Uranium Price History & Forecast

USD\$	2014A	2015A	2016A	2017E	2018E	2019E	2020E	LT
U3O8 Spot Price	\$33.93	\$35.95	\$32.98	\$24.02	\$36.88	\$53.75	\$76.25	\$80.00

Source: Cantor Fitzgerald Canada Research and Ux Consulting

APPENDIX

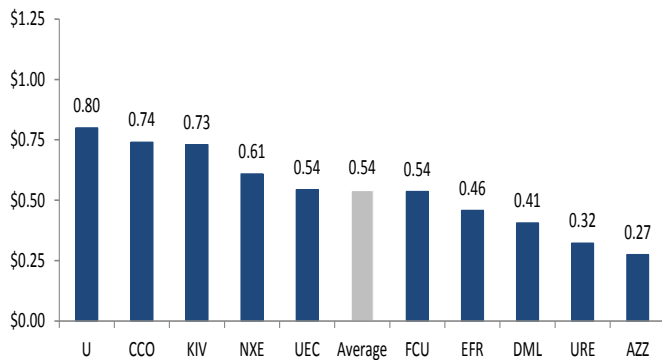
Exhibit 7. Comparable Valuation

Uranium Producer Company Name	Stage	Stock Price (Local \$)	Market Cap (\$'000)	Enterprise Value (\$'000)	NI43-101 Resources/JORC (M lbs)					MKT / LB	EV / LB	Est. 2016 Cash Cost / LB	Performance			
					Avg Grade	P&P	M&I	Inferred	Total				1 DAY %	1 MTH %	3 MTH %	YTD %
Cameco Corporation (TSX:CCO)	Production	13.68	5,414,441.7	6,664,062.7	6.089%	416.7	471.2	243.4	1,131.3	\$4.79	\$5.89	\$17.69	0.59%	-9.15%	-4.60%	-1.92%
Energy Fuels Inc. (TSX:EFR)	Production	2.30	161,980.8	134,448.2	0.076%	0.0	110.3	61.9	172.2	\$0.94	\$0.78	\$17.65	-3.77%	-13.09%	-20.33%	4.07%
Paladin Energy Ltd (ASX:PDN)*	Production	0.11	190,262.1	475,057.6	0.080%	130.0	226.3	150.4	506.6	\$0.38	\$0.94	\$25.88	0.00%	0.00%	52.17%	27.91%
Peninsula Energy Ltd. (ASX:PEN)*	Production	0.35	79,792.3	112,181.4	0.050%	0.0	17.2	30.2	47.4	\$1.68	\$2.37	\$88.00	-2.82%	-27.37%	-54.61%	-38.39%
Uranium Energy Corp. (NYSE:UEC)*	Production	1.35	254,641.5	243,772.1	0.062%	0.0	32.4	36.3	68.7	\$3.70	\$3.55	\$23.21	12.50%	-20.53%	-27.71%	20.54%
UR-Energy Inc. (TSX:URE)	Production	0.73	106,487.9	99,994.5	0.080%	0.0	34.5	10.3	44.9	\$2.37	\$2.23	\$23.21	1.39%	-19.10%	-28.00%	2.82%
Producer Average			\$1,034,601.1	\$1,288,252.7		91.1	148.6	88.8	328.5	\$2.31	\$2.63	\$34.49	1.32%	-14.87%	-13.85%	2.50%

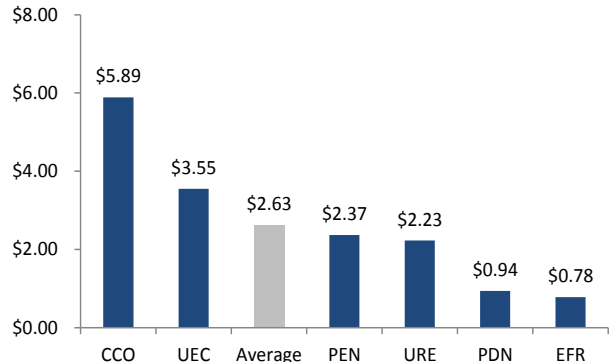
*Market Cap and Enterprise value for PDN, PEN and UEC. has been converted to \$CAD at the prevailing \$AUD/\$CAD or \$USD/\$CAD market exchange rates, P/NAV for PDN & PEN is from Bloomberg

Uranium Explorer/Developer Company Name	Stage	Stock Price (\$Local)	Market Cap (C\$'000)	Enterprise Value (C\$'000)	NI43-101/JORC Resources (M lbs)				MKT / LB	EV / LB	Performance					
					Avg Grade	M&I	Inferred	Total			1 DAY %	1 MTH %	3 MTH %	YTD %		
Hathor Exploration (Acquired)	Exploration	4.70	654,240.0	581,240.0	8.63%	17.2	40.7	57.9	\$11.29	\$10.03						
Denison Mines (TSX:DML)	Exploration	0.71	396,940.3	245,921.0	2.29%	102.0	97.6	199.7	\$1.99	\$1.23						
Fission Uranium Corp. (TSX:FCU)	Exploration	0.64	310,142.7	259,894.3	1.51%	79.6	25.9	105.5	\$2.94	\$2.46						
NexGen Energy (TSX:NXE)	Exploration	3.15	965,628.2	966,903.2	2.54%	179.5	122.1	301.6	\$3.20	\$3.21						
Kivalliq Energy Corp. (TSXV:KIV)	Exploration	0.12	28,375.9	28,024.5	0.69%	0.0	43.3	43.3	\$0.66	\$0.65						
UEX Corp. (TSX:UEX)	Exploration	0.22	68,636.4	64,499.6	0.84%	68.2	16.5	84.7	\$0.81	\$0.76						
Azarga Uranium (TSX:AZZ)	Development	0.32	24,030.4	19,757.2	0.17%	18.1	5.7	23.8	\$1.01	\$0.83						
Average			\$349,713.4	\$309,462.8		\$66.4	\$50.3	\$116.7	\$3.13	\$2.74			0.68%	-12.06%	-22.89%	8.09%

Uranium Coverage P/NAV



Uranium Producer EV/Resource



Source: Cantor Fitzgerald Canada

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