

# URANIUM ENERGY CORP.

## Progress Report: As inventories grow, a 2016 production ramp remains on course

### EVENT

In light of the recently announced quarterly results for the three month period ended on January 31, 2015, we take a closer look at UEC's progress thus far and highlight the milestones which have been achieved as Palangana and Burke Hollow advance towards a ramp in production.

### BOTTOM LINE

**Neutral** - Similar to previous quarters, no revenues were incurred in the quarter as the company's strategic focus (announced in September 2013) of producing at a minimal level in anticipation for a rebound in prices is still being enforced. Stockpiled inventories continue to grow and now total just over 80,000 lbs of U<sub>3</sub>O<sub>8</sub>.

Future production at both Palangana and Burke Hollow continues to progress as the company looks to build up on its hub and spoke strategy in anticipation of a recovery in uranium prices. We maintain our Buy rating and \$2.75 target price.

### FOCUS POINTS

- **Progress Thus Far** – Over the last six months, draft mine permits and production area authorizations have been authorized for PAA-4 at Palangana. At Burke Hollow, a 77% increase in inferred resource (to 5.12M lbs inferred) was announced in November. An Aquifer Exemption application is at the review stage while a class I disposal well application and a radioactive Material Licence application has been submitted to the Texas Commission on Environmental Quality.
- **2016 Production Ramp** – With the above progressing as scheduled, we continue to see a large increase in production to nearly 400,000 lbs for FY 2016 at Palangana. We forecast an initial production start at Burke Hollow by 2017.

### Recommendation:

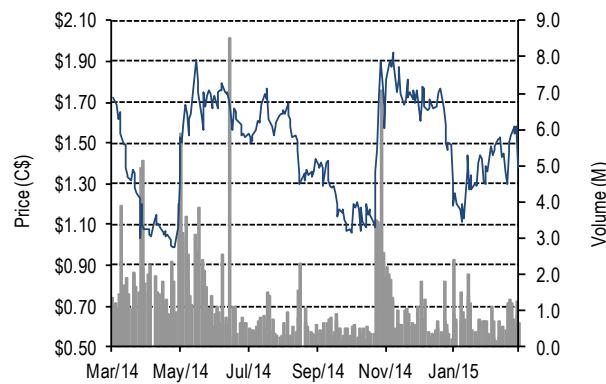
**BUY**

|   |                   |
|---|-------------------|
| Symbol/Exchange:  | UEC /NYSE         |
| Sector:   | Metals and Mining |
| <i>All dollar values in C\$ unless otherwise noted.</i> |                   |
| Current price   | \$1.42            |
| One year target:  | \$2.75            |
| Return target   | 93%               |
| Cash on hand  | \$4.4M            |

### Company Summary

|                              | 91.0     | 52-week range          | \$0.99- 1.94 |
|------------------------------|----------|------------------------|--------------|
| Shares O/S (M)               |          |                        |              |
| Market cap (\$M)             | \$129.2  | Avg. weekly vol. (000) | 5.505        |
| Market float (\$M)           | \$121.7  | Fiscal year-end        | 31-Jul       |
|                              | 2013A    | 2014A                  | 2015E        |
| Uranium Production (000 lbs) | 194.0    | 37.5                   | 40.0         |
| Revenue (\$M)                | 9.0      | 0.0                    | 0.0          |
| Operating Cost (\$M)         | 8.4      | 0.0                    | 0.0          |
| Cash Cost (US\$/lb)          | \$38.37  |                        | \$23.21      |
| EBITDA (\$M)                 | (\$21.8) | (\$22.8)               | (\$12.0)     |
| EPS                          | -\$0.26  | -\$0.29                | -\$0.14      |
| CFPS                         | -\$0.23  | -\$0.24                | -\$0.13      |
|                              |          |                        | \$0.07       |

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).

**Rob Chang, MBA**

 RChang@cantor.com  
 (416) 849-5008

**Sales/Trading — Toronto:** (416) 363-5757, (866) 442-4485

**Associate: Michael Wichterle, MBA**

 MWichterle@cantor.com  
 (416) 849-5005

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

## HUB AND SPOKE STRATEGY UPDATE

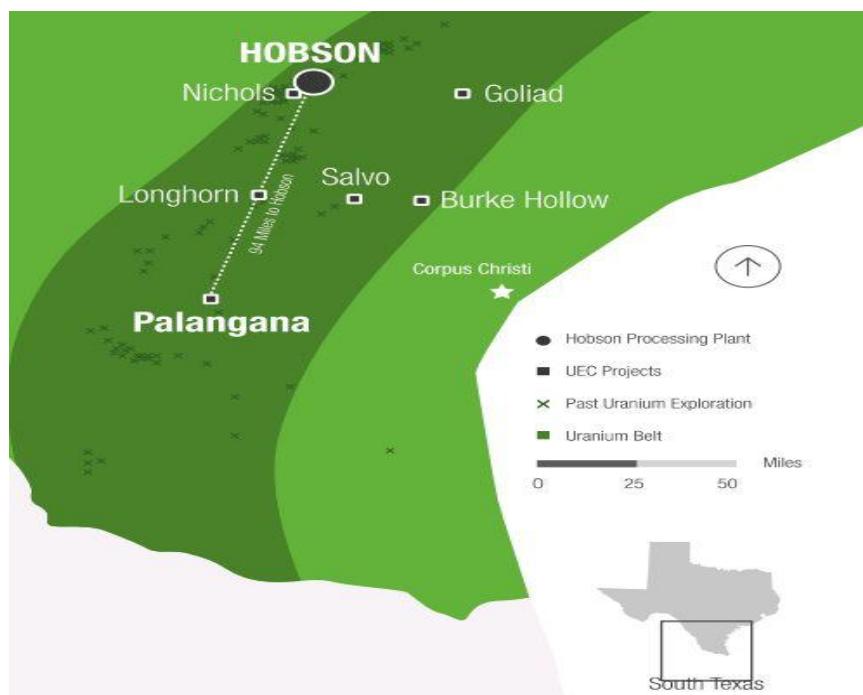
UEC has had much news flow over the last six months as work continues to progress at both Palangana and Burke Hollow.

At Palangana, draft permits for the mine permit and production area authorization for PAA-4 has been issued. Moreover, the draft aquifer exemption order to expand the aquifer exemption boundary for PAA-4 has been issued. The draft RML license for PAA-4 has also been issued, moving the project one step closer to increased production capabilities. At this point, the final steps to approve new production at Palangana will include issuance of final permits and concurrence of the aquifer exemption.

At Burke Hollow, the company has given notice that the mine permit and aquifer exemption applications are administratively complete. The applications have now moved forward into the technical review stage of the permitting process with the Texas Commission on Environmental Quality (TCEQ). Moreover, two Class I waste disposal well applications were submitted in July. These applications have been declared administratively complete and are now under technical review with the TCEQ. Lastly, The Radioactive Material License application for Burke Hollow has also been completed and submitted to the TCEQ. It was the last major application to be submitted for the project.

Note as well that a 77% increase in inferred resource was also announced at Burke Hollow in mid November. The NI 43-101 compliant resource increased from the previously reported 2.89M lbs. inferred U<sub>3</sub>O<sub>8</sub> at 0.048% to the current 5.12M lbs. inferred at 0.09% U<sub>3</sub>O<sub>8</sub>.

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. Note that the wholly owned Hobson processing facility has the physical capacity to process up to 2.0M lbs U<sub>3</sub>O<sub>8</sub> 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 U<sub>3</sub>O<sub>8</sub> 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.

**CORPORATE STRATEGY DEFERS PRODUCTION**

Similarly to previous quarters, no revenues were incurred in the quarter as the company's strategic focus (announced in September 2013) of producing at a minimal level in anticipation for a rebound in prices is still being enforced. Stockpiled inventories continue to grow and now total just over 80,000 lbs of U<sub>3</sub>O<sub>8</sub>.

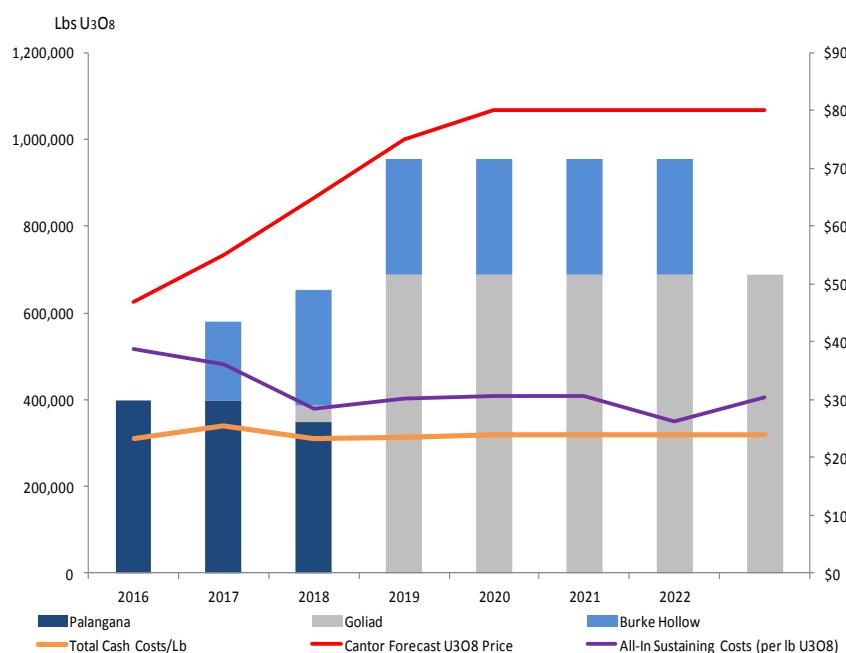
During the three months ended January 31, (fiscal Q2, 2015) the Palangana mine extracted 4,000 lbs while the Hobson Processing facility processed 3,000 lbs. Note that since the start of production from Palangana in November 2010, a total of 572,000 lbs has been produced, of which 490,000 lbs have been sold.

UEC will continue to produce at reduced levels in anticipation for a rebound in prices. The company does not currently have any fixed delivery commitments or off-take agreements. Working capital totaled \$5.7M on January 31, with cash and equivalents totaling \$4.4M.

## PRODUCTION RAMP BY 2016

Given the permitting updates from October, we continue to forecast a large ramp in production to nearly 400,000 lbs for FY 2016 at Palangana, along with an initial start in production at Burke Hollow for 2017. UEC continues to be one of the most sensitive companies to changes uranium pricing seeing as the company is currently stockpiling inventory and is completely un-hedged in terms of long term sales contracts.

### Exhibit 3: UEC Production and Cost Forecast



Source: Cantor Fitzgerald Canada Research

**Exhibit 4: Net Asset Valuation**

| Uranium Energy Corp.          |                    |               |                            |
|-------------------------------|--------------------|---------------|----------------------------|
| Projects                      | NAV                | Per Share     | Comment                    |
| Palangana                     | 23,320,550         | \$0.25        | 8% NPV                     |
| Goliad                        | 139,164,733        | \$1.50        | 10% NPV                    |
| Burke Hollow                  | 56,645,750         | \$0.61        | 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        | \$1.0/lb In-situ Valuation |
| Anderson                      | 29,000,000         | \$0.31        | \$1.0/lb In-situ Valuation |
| Workman Creek                 | 5,542,000          | \$0.06        | \$1.0/lb In-situ Valuation |
| NPV of Debt                   | (18,148,760)       | (\$0.20)      | Fiscal Q2/2015             |
| Working Capital (net of cash) | 1,307,885          | \$0.01        | Fiscal Q2/2015             |
| Cash                          | 5,183,032          | \$0.06        | Fiscal Q2/2015             |
| <b>Total</b>                  | <b>251,731,191</b> | <b>\$2.71</b> |                            |

Source: Cantor Fitzgerald Canada Research

**Exhibit 5: Uranium Price Forecast**

| USD                                      | 2011A   | 2012A   | 2013A   | 2014A   | 2015E   | 2016E   | 2017E   | LT      |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
| U <sub>3</sub> O <sub>8</sub> Spot Price | \$57.01 | \$48.86 | \$38.53 | \$33.48 | \$41.13 | \$50.00 | \$60.00 | \$80.00 |

Source: Cantor Fitzgerald Canada Research

## DISCLAIMERS AND DISCLOSURES

### **Disclaimers**

The opinions, estimates and projections contained in this report are those of Cantor Fitzgerald Inc. ("Cantor") as of the date hereof and are subject to change without notice. Cantor makes every effort to ensure that the contents have been compiled or derived from sources believed to be reliable and that contain information and opinions that are accurate and complete; however, Cantor makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions which may be contained herein and accepts no liability whatsoever for any loss arising from any use of or reliance on this report or its contents. Information may be available to Cantor that is not herein.

This report is provided, for informational purposes only, to institutional investor clients of Cantor Fitzgerald Inc. Canada, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited. This report is issued and approved for distribution in Canada, Cantor Fitzgerald Inc., a member of the Investment Industry Regulatory Organization of Canada ("IIROC"), the Toronto Stock Exchange, the TSX Venture Exchange and the CIPF. This report has not been reviewed or approved by Cantor Fitzgerald USA, a member of FINRA. This report is intended for distribution in the United States only to Major Institutional Investors (as such term is defined in SEC 15a-6 and Section 15 of the Securities Exchange Act of 1934, as amended) and is not intended for the use of any person or entity that is not a major institutional investor. Major Institutional Investors receiving this report should effect transactions in securities discussed in the report through Cantor Fitzgerald USA.

**Non US Broker Dealer 15a-6 disclosure:** This report is being distributed by (CF Canada/CF Europe/CF Hong Kong) in the United States and is intended for distribution in the United States solely to "major U.S. institutional investors" (as such term is defined in Rule15a-6 of the U.S. Securities Exchange Act of 1934 and applicable interpretations relating thereto) and is not intended for the use of any person or entity that is not a major institutional investor. This material is intended solely for institutional investors and investors who Cantor reasonably believes are institutional investors. It is prohibited for distribution to non-institutional clients including retail clients, private clients and individual investors. Major Institutional Investors receiving this report should effect transactions in securities discussed in this report through Cantor Fitzgerald & Co. This report has been prepared in whole or in part by research analysts employed by non-US affiliates of Cantor Fitzgerald & Co that are not registered as broker-dealers in the United States. These non-US research analysts are not registered as associated persons of Cantor Fitzgerald & Co. and are not licensed or qualified as research analysts with FINRA or any other US regulatory authority and, accordingly, may not be subject (among other things) to FINRA's restrictions regarding communications by a research analyst with a subject company, public appearances by research analysts, and trading securities held by a research analyst account.

### **Potential conflicts of interest**

The author of this report is compensated based in part on the overall revenues of Cantor, a portion of which are generated by investment banking activities. Cantor may have had, or seek to have, an investment banking relationship with companies mentioned in this report. Cantor and/or its officers, directors and employees may from time to time acquire, hold or sell securities mentioned herein as principal or agent. Although Cantor makes every effort possible to avoid conflicts of interest, readers should assume that a conflict might exist, and therefore not rely solely on this report when evaluating whether or not to buy or sell the securities of subject companies.

### **Disclosures as of March 16, 2015**

Cantor *has* provided investment banking services or received investment banking related compensation from Uranium Energy Corporation within the past 12 months.

The analysts responsible for this research report *do not have*, either directly or indirectly, a long or short position in the shares or options of Uranium Energy Corporation.

The analysts responsible for this report *have* visited the material operations of Uranium Energy Corporation. No payment or reimbursement was received for the related travel costs.

### **Analyst certification**

The research analyst whose name appears on this report hereby certifies that the opinions and recommendations expressed herein accurately reflect his personal views about the securities, issuers or industries discussed herein.

### **Definitions of recommendations**

**BUY:** The stock is attractively priced relative to the company's fundamentals and we expect it to appreciate significantly from the current price over the next 6 to 12 months.

**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.

**SELL:** The stock is overpriced relative to the company's fundamentals, and we expect it to decline from the current price over the next 6 to 12 months.

**TENDER:** We believe the offer price by the acquirer is fair and thus recommend investors tender their shares to the offer.

**UNDER REVIEW:** We are temporarily placing our recommendation under review until further information is disclosed.

### **Member-Canadian Investor Protection Fund.**

Customers' accounts are protected by the Canadian Investor Protection Fund within specified limits. A brochure describing the nature and limits of coverage is available upon request.