

Ticker: UEX CN
Market cap: C\$145m
RECOMMEND. (unc): BUY

Net cash: C\$8m
Price: C\$0.32/sh
TARGET (unc): C\$0.50/sh

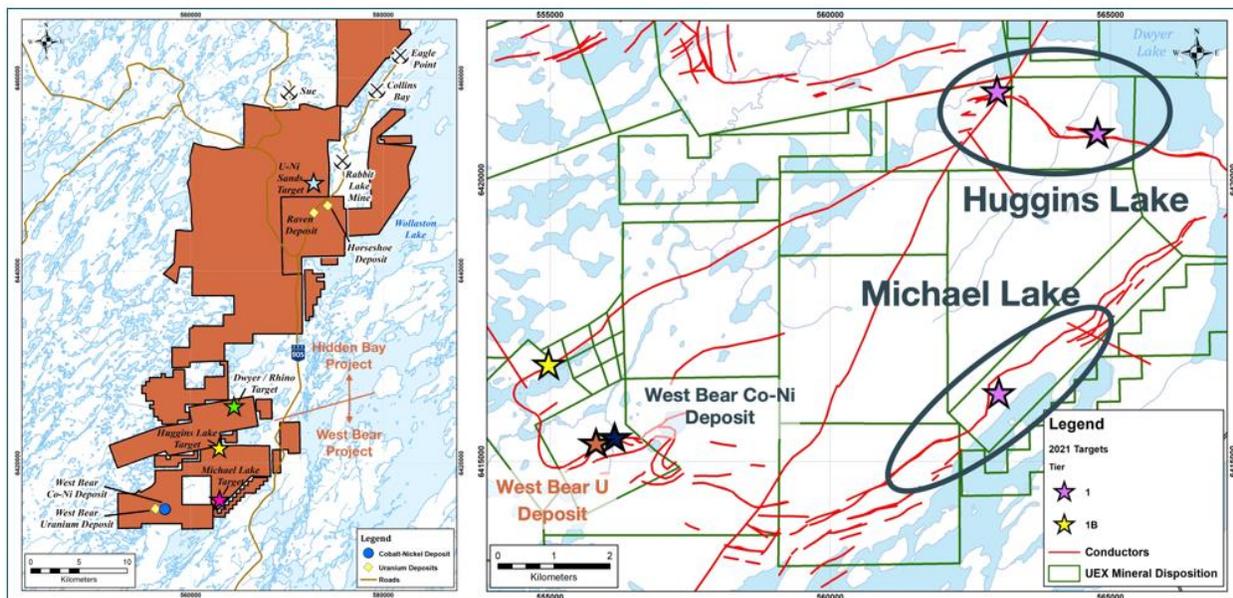
Project: West Bear
Country: Canada, Saskatchewan
RISK RATING: SPECULATIVE

UEX's announced drill result of 23.5m at 0.52% Co and 1.05% Ni, including 4.5m at 2.08% Co and 3.58% Ni at the Michael Lake target suggests that the West Bear Co-Ni deposit was not a one-off; there are more Co-Ni deposits on the license and UEX's geology team has a good understanding of the discovery vectors. Mineralization deposit is pitable at 38-50m below surface. While it is early to estimate scale and repeatability with certainty, a speculative interpretation is the West Bear Co-Ni development concept could be a series of 1-2Mt, 5-10Mlb pits feeding a central flotation processing plant. We believe the results highlight UEX's strengths: the company combines a strong track record of discovery and deposit progression with an active approach and one of the largest landholdings on the basin at 2,942km². **We maintain our BUY rating and C\$0.50/sh PT** based on our SOTP in-situ valuation (US\$1.50/lb U₃O₈ at Shea Creek and Christie Lake, 5% of in-situ at West Bear and US\$1.00/lb U₃O₈ at Horseshoe-Raven).

Pittable 4.5m at 2.08% Co and 3.58% Ni indicates UEX has identified key vectors for Co-Ni

UEX announced discovery of a new Co-Ni mineralization zone at the Michael Lake target in its fourth hole of UEX's Winter 2021 drilling programme. 23.5m at 0.52% Co and 1.01% Ni was intersected from 44m downhole, including 4.5m at 2.08% Co and 3.58% Ni and 3.5m at 0.93% Co and 0.79% Ni. Estimated depth of mineralization is 38-58m below surface, thus mineralization is pitable. UEX noted it has reallocated resources from other planned target areas on the West Bear and Hidden Bay Projects scheduled for winter drilling, to follow up at Michael Lake. The target is east of the boundary of the Athabasca sandstone. The summer 2021 uranium drilling program at Christie Lake is still planned.

Figure 1: (A) Hidden Bay and West Bear project map ; (B) Enlarged map of Michael Lake and Huggins Lake drilling targets



Source: UEX Corporation

Our View

The results today validate UEX's vectoring techniques for basement-hosted Co-Ni mineralization. As Athabasca uranium deposits are traditionally 0-10Mt (NexGen's Arrow is one of the largest at 8.2Mt currently defined), and proposing this is likely to be similar for Co-Ni, we believe the likely development concept would be a series of pitable targets feeding a central processing plant, although further drilling and met tests are needed to confirm this. As UEX has already found 0.2% and higher Co-Ni grades in

traditionally lower uranium grade (sub 1% U₃O₈) areas on the margin of the basin, a logical follow-on question is whether equivalent discrete Co-Ni deposit size and grade potential exists in traditionally higher uranium grade areas (1-20% U₃O₈) areas of the basin. While it is too early for answers, we think today highlights potential to unlock significant value on UEX's 2,942km² land package without taking away from UEX's uranium exploration prospects, with holdings in the most prolific trends in the Athabasca Basin.

Why we like UEX Corporation

- Largest (2,942km²) landholdings in the Athabasca by an independent
- Valuation underpinned by 99.5Mlbs of attributable resources
- Resources in each of the key Athabasca districts – Rabbit Lake, Cigar Lake/McArthur River, Western Athabasca
- Experienced geology team with a proven history of discovering and growing resources in the basin

Catalysts

- 1H21: Winter exploration at West Bear / Hidden Bay property (U, Co-Ni)
- 2H21: Summer exploration programme at Christie Lake (unconformity uranium)

Ticker: UEX CN	Price / mkt cap: C\$0.32/sh, C\$145m	Project PNAV today: 0.64x	Asset: Multiple Athabasca Properties							
J Chan / B Gaspar	Rec / 1xNAV PT: BUY, C\$0.50/sh	1xNAV_{1Q21} FF FD: C\$0.50/sh	Country: Saskatchewan, Canada							
SOTP project valuation										
	C\$m	O/ship	NAVx	C\$/sh	Commodity price	CY21E	CY22E	CY23E	CY24E	CY25E
Shea Creek (attributable basis)	94	100%	1.00x	0.19	LT uranium price (US\$/lb)	50.00	50.00	50.00	50.00	50.00
Christie Lake (attributable basis)	26	100%	1.00x	0.05	USD/CAD	0.75	0.75	0.75	0.75	0.75
Horseshoe Raven	50	100%	1.00x	0.10	Measured, ind. & inf. - Hurricane	kt	% U3O8	Mlbs	UEX share	EV/lb U3O8
West-Bear	13	100%	1.00x	0.03	Horseshoe-Raven (100%)	11,403	0.15%	37.8	37.8	
Cash (3Q20)	8.0	100%	1.00x	0.02	Shea Creek (UEX 49.1%)	3,340	1.30%	95.9	47.1	
Debt (C\$m)	(0.2)	100%	1.00x	(0.00)	Christie Lake (UEX 64.3%)	589	1.57%	20.3	13.1	
Cash from options	7.3	100%	1.00x	0.01	West Bear (100%)	79	0.91%	1.6	1.6	
C\$25m for licences	50	100%	1.00x	0.10	TOTAL URANIUM				99.5	1.12
Asset NAV8% US\$50/lb	249			PT: 0.50	West Bear NI-Co	1.2Mt @ 0.19% Co and 0.21% Ni for 5.1Mlbs Co and 5.66Mlbs Ni				
				Market P/NAV	0.64x	Capital structure	Basic	FD		
						Shares (m)	452.2	489.5		

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TENDER: The analyst recommends tendering shares to a formal tender offering

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NOT RATED ((N/R): The stock is not currently rated

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HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	31

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