

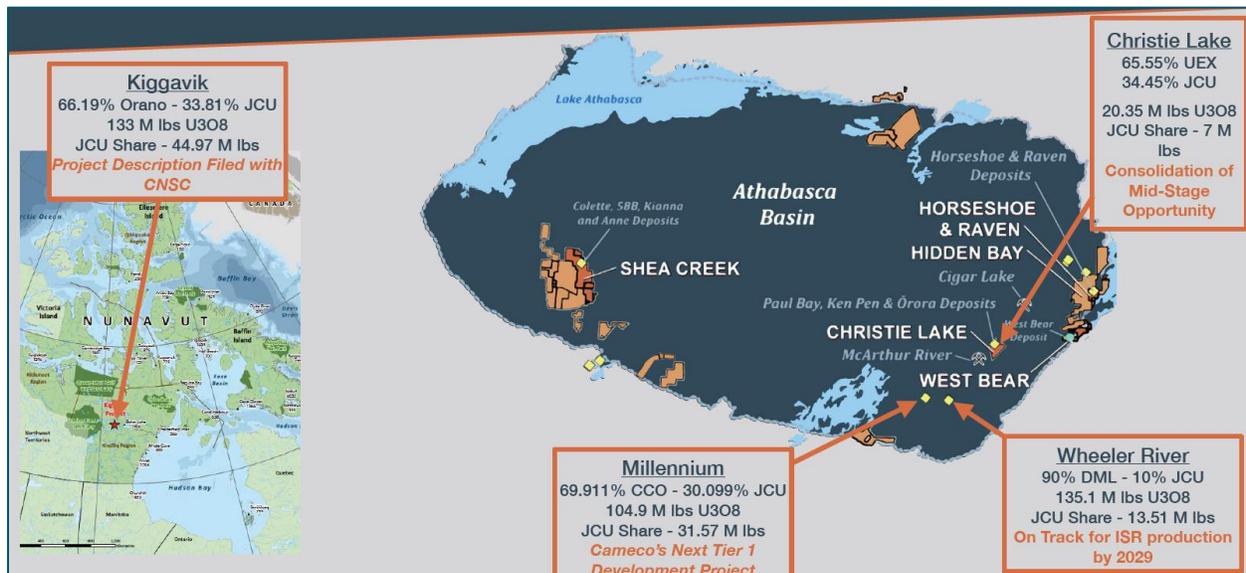
| | | |
|------------------------------|--------------------------------|---|
| Ticker: UEX CN | Net cash: C\$7m | Project: Multiple incl Millennium, Wheeler River |
| Market cap: C\$133m | Price: C\$0.295/sh | Country: Saskatchewan, Canada |
| <i>RECOMMEND. (unc): BUY</i> | <i>TARGET (up): C\$1.10/sh</i> | <i>RISK RATING: HIGH</i> |

UEX's acquisition of JCU's assets transforms UEX into a major player in the next generation of Canadian uranium projects, giving the company a 30.1% stake in Cameco's Millennium, a 10% stake in Denison's Wheeler River and a 33.8% stake in Orano's Kiggavik projects in addition to 1,209km² of Athabasca land holdings, all for a net C\$10m or just ~C\$0.10/lb of U₃O₈. Millennium is Cameco's leading next generation deposit, Wheeler River is the flagship project on which Denison has built a US\$830m market cap, and Orano demonstrated its intent for Kiggavik by advancing the project through the CNSC permitting process to project decision. The value gained from this transaction cannot be overstated in our view. Just the 10% stake in Wheeler River (13Mlbs attributable), at Denison's current multiple of US\$4.31/lb generates a 6x uplift on the total acquisition cost of C\$10m. We include Wheeler River and Millennium at US\$4/lb (C\$5/lb), between Denison's valuation and the weighted Athabasca developer average, Kiggavik at C\$1.50/lb and the now fully consolidated Christie Lake at C\$1.50/lb, in line with our previous valuation for UEX's high grade projects. **This lifts our SOTP NAV by 120% and we raise our target price to C\$1.10/sh, maintaining our BUY recommendation. We see this as an unambiguously positive transaction.**

Transformational acquisition of 97Mlbs in prime Canadian projects for C\$0.10/lb, raise TP from C\$0.50 to C\$1.10/sh

UEX announced the acquisition of JCU's Canadian uranium assets for C\$10m in cash and a C\$2.5 working capital adjustment. JCU's assets include a 10% stake in Denison's Wheeler River project, a 30.099% stake in Cameco's Millennium project and a 31.8123% stake in Orano's Kiggavik project in Nunavut, the remaining 34.45% stake in UEX's Christie Lake project and 1,209km² of Athabasca exploration properties.

Figure 1: Map of JCU assets acquired and key Athabasca landholdings



Source: UEX Corporation

Key Terms: Consideration includes C\$10m of cash and up C\$2.5m for working capital, however the majority of working capital is expected to be cash and liquid assets, thus these amounts net out. UEX has also agreed to assume a deferred payment liability due to Orano. The deferred payment no longer applies after 31 March 2030 and equates to 10% of FCF once FCF exceeds C\$35m plus exploration and capex costs incurred since 2014. The transaction is subject to OURD (a consortium of Japanese nuclear industry players) board and shareholder approval and is expected to close in June 2021.

Acquired assets

Millennium (30.099% UEX, 69.911% Cameco): Millennium is a high-grade underground deposit located 36km north of Cameco's Key Lake Mill, which processes ore from the McArthur River mine. Cameco purchased Orano's (then named AREVA) 27.94% stake in the project in 2012 for C\$150m. According to the Environmental Assessment for the project, the mine is expected to produce 150-200tpa of ore (~8.0-12.5Mlbs based on M&I grades) per year over a 10-year mine life utilizing a shaft-accessed underground mine. Cameco's filings also reference the orebody's characteristics as facilitative of bulk extraction mining methods, similar to Eagle Point, indicating potential for a low-cost stoping operation.

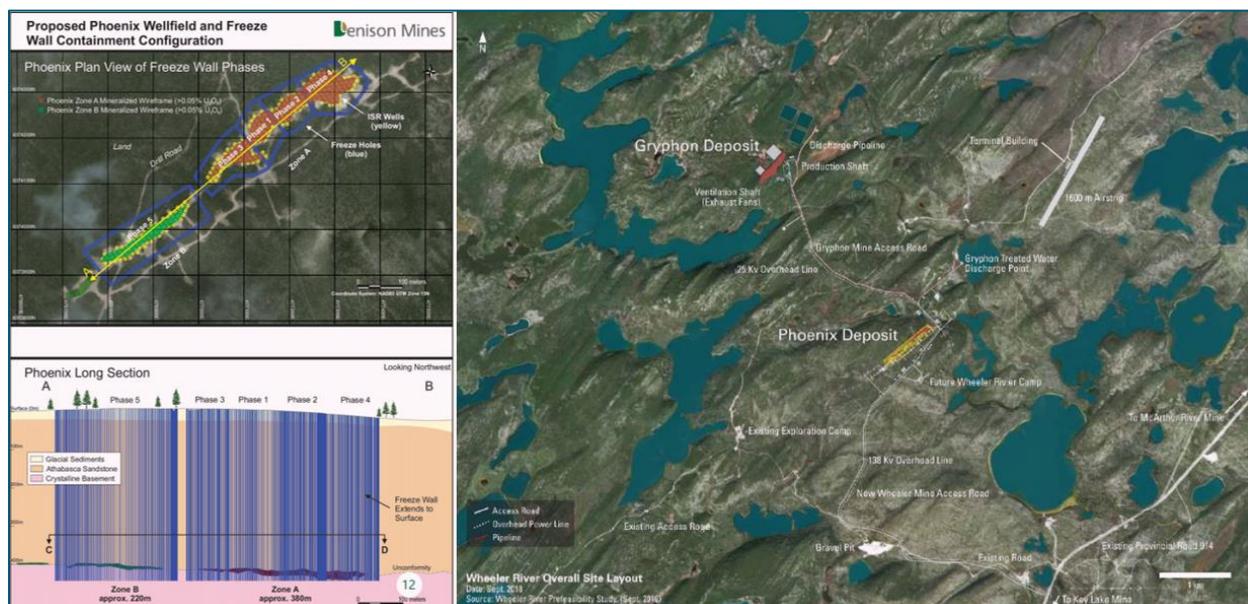
Figure 2: Reserves and resource estimates of assets acquired

| Property | Acquired Ownership (%) | Reserves (Proven & Probable) | | | Measured & Indicated Resources | | | Inferred Resources | | | Total Resources | | | Resources Attributable to UEX | | |
|------------------------------|------------------------|------------------------------|--|---|--------------------------------|--|---|--------------------|--|---|-----------------|--|---|-------------------------------|--|---|
| | | Tonnes (kt) | Grade (% U ₃ O ₈) | Contained (klbs U ₃ O ₈) | Tonnes (kt) | Grade (% U ₃ O ₈) | Contained (klbs U ₃ O ₈) | Tonnes (kt) | Grade (% U ₃ O ₈) | Contained (klbs U ₃ O ₈) | Tonnes (kt) | Grade (% U ₃ O ₈) | Contained (klbs U ₃ O ₈) | Tonnes (kt) | Grade (% U ₃ O ₈) | Contained (klbs U ₃ O ₈) |
| Millennium | 30.10% | | | | 1,443 | 2.39% | 75,900 | 412 | 3.19% | 29,000 | 1,855 | 2.57% | 104,900 | 558 | 2.57% | 31,574 |
| Wheeler River - Phoenix | 10.00% | 141 | 19.21% | 59,700 | 166 | 19.18% | 70,200 | 9 | 5.54% | 1,100 | 175 | 18.48% | 71,300 | 18 | 18.48% | 7,130 |
| Wheeler River - Gryphon | 10.00% | 1,257 | 1.79% | 49,700 | 1,643 | 1.71% | 61,900 | 73 | 1.18% | 1,900 | 1,716 | 1.69% | 63,800 | 172 | 1.69% | 6,380 |
| Wheeler River - Total | 10.00% | 1,398 | 3.55% | 109,400 | 1,809 | 3.31% | 132,100 | 82 | 1.66% | 3,000 | 1,891 | 3.24% | 135,100 | 189 | 3.24% | 13,510 |
| Christie Lake ⁽¹⁾ | 34.45% | | | | -- | -- | -- | 589 | 1.57% | 20,340 | 589 | 1.57% | 20,340 | 203 | 1.57% | 7,007 |
| Kiggavik | 33.81% | | | | 10,418 | 0.55% | 127,267 | 731 | 0.33% | 5,353 | 11,149 | 0.54% | 132,620 | 3,770 | 0.54% | 44,842 |
| Total | | 1,398 | 3.55% | 109,400 | 13,670 | 1.11% | 335,267 | 1,814 | 1.44% | 57,693 | 15,484 | 1.15% | 392,960 | 4,720 | 0.93% | 96,933 |

Sources: Cameco 2020 year-end R&R statement, Denison 2018 PFS, UEX Corp, Orano 2019 annual report; (1) Note UEX already owns the remaining 65.55% of Christie Lake

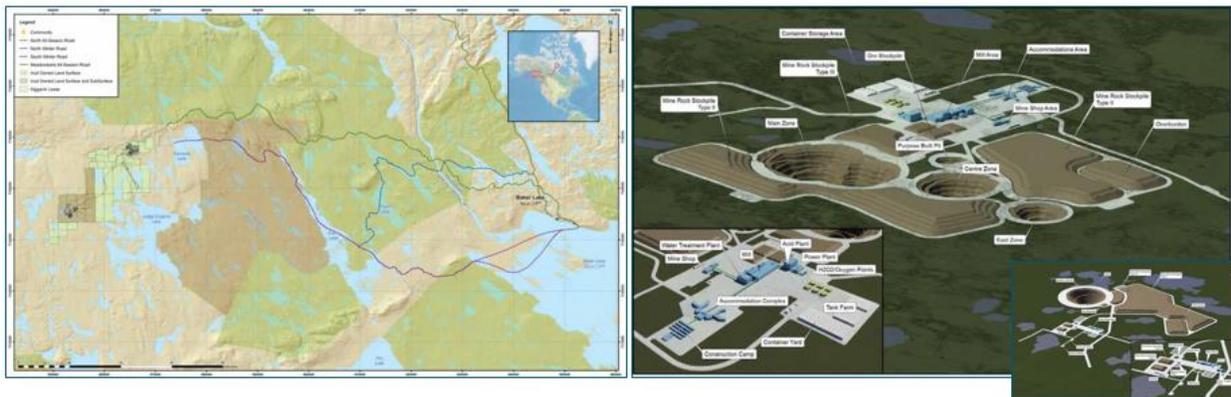
Wheeler River (10% UEX, 90% Denison Mines): Wheeler River consists of two deposits: Phoenix and Gryphon, located 14km and 11km east of the Millennium deposit in the eastern Athabasca Basin. **Phoenix** is a high grade unconformity hosted deposit with a total resource of 71.3Mlbs at 18.5% U₃O₈ including a high grade core of 59.9Mlbs at 43.2% U₃O₈. The 2018 PFS envisaged a co-development with Phoenix to be mined via in-situ leaching and processed at a precipitation plant built on site. Per the PFS, LOM production at Phoenix was 6.0Mlbs per year at C1 cash costs of C\$4.33/lb (US\$3.33/lb) and AIC of C\$11.57/lb (US\$8.90/lb) with C\$322.5m of initial capex for an NPV8% of C\$930.4m (at UxC's forward curve prices US\$29-45/lb). **Gryphon** is basement hosted and envisaged to be mined as a long-hole stoping operation with ore to be processed at the McClean Lake Mill. The PFS envisaged a 6.5-year mine life producing 7.6Mlbs per year at C1 cash costs of C\$15.21/lb (US\$11.70/lb) and AIC of C\$29.67/lb (US\$22.82/lb) including C\$623m of initial capex for an NPV8% of C\$561m.

Figure 3: (A) Phoenix ISR configuration and (B) long section; (C) Wheeler River PFS project layout



Kiggavik (33.81% UEX, 66.19% Orano): Kiggavik is a large scale unconformity-related open pit-able project with a total resource of 132Mlbs at 0.54% U₃O₈. The project is located in Nunavut Territory, 80km west of the community of Baker Lake. The project was first identified in the 1970s and was acquired by AREVA in 1993. In 2007 field studies and engineering resumed. Orano advanced Kiggavik to final permit decision in 2015 but the Nunavut Impact Review Board (NIRB) denied the permit on the grounds that the project start date was not specified; (Orano chose not to specify due to uncertain market conditions). The NIRB finding made clear that the project parameters were acceptable and the decision could be reconsidered at a later date when the project start date is more certain. The proposed project scope includes four open pits and an underground mine, feeding a dedicated milling facility, producing 107Mlbs over a 14-year mine life including 12 years of steady state averaging 8.6Mlbs per year.

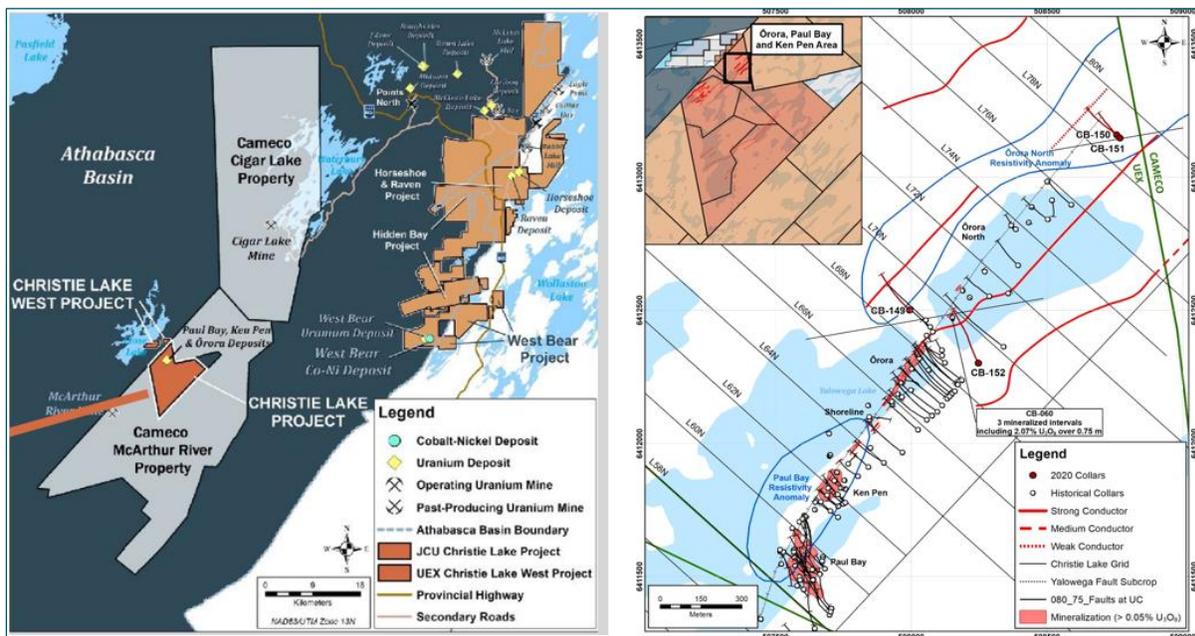
Figure 4: (A) Map of Kiggavik; (B) Proposed site layout for Kiggavik (3 pits and plant) and Sissons (1 pit, 1 UG connected by 18km road) sites



Source: AREVA environmental filings

Christie Lake (100% UEX): Through the transaction, UEX consolidates the 34.5% stake in the Christie Lake project that it did not already own. The Christie Lake project, covering 7,992Ha, is located 9km NE of the McArthur River mine and is the only junior controlled land package situated between Cameco's large and ultra-high-grade McArthur River and Cigar Lake mines.

Figure 5. (A) Location of Christie Lake in East Athabasca and (B) local conductors and drill locations



Source: UEX Corporation

Raise price target to C\$1.10/sh from C\$0.50/sh, reiterate BUY Rating

We have adjusted our valuation for the transaction, valuing Millennium and Wheeler River at US\$4/lb (C\$5/lb), between Denison and the weighted average for NexGen, Denison and Fission. We value Kiggavik and the acquired portion of Christie Lake at C\$1.50/lb, in line with our existing valuation for UEX's high grade projects. This increases our SOTP valuation by 120% to C\$546m, truly remarkable for a C\$10m transaction value.

Figure 6: Comp table of Athabasca developers

| Company | Ticker | Primary Asset Stage | FD Market | | Reserves (Mlbs) | Resources (Mlbs) | P/NAV (x) | EV/Reserves (US\$/lb) | EV/Resources (US\$/lb) |
|--------------------------------|----------|---------------------|-------------|------------|-----------------|------------------|-------------|-----------------------|------------------------|
| | | | Cap (US\$m) | EV (US\$m) | | | | | |
| NexGen Energy | TSX:NXE | DFS | 1,879 | 1,525 | 240 | 337 | 0.7x | 6.37 | 4.52 |
| Denison Mines | TSX:DML | PFS | 831 | 676 | 98 | 157 | 0.8x* | 6.87 | 4.31 |
| Fission Uranium | TSX:FCU | PFS | 297 | 256 | 81 | 135 | 0.5x | 3.14 | 1.89 |
| IsoEnergy | TSXV:ISO | Exploration | 233 | 213 | -- | -- | 0.6x | -- | -- |
| UEX Corporation | TSXV:UEX | Exploration | 118 | 113 | 11 | 197 | 0.3x | 10.3 | 0.57 |
| Average ex UEX | | | | | | | 0.7x | 4.09 | 2.68 |
| Weighted Average ex UEX | | | | | | | 0.7x | 5.97 | 3.90 |

Source: SCP, company disclosure; UEX shown pro-forma transaction, P/NAV SCPE except Denison which is S&P Capital IQ consensus

The quality of the assets acquired at just C\$0.10/lb is instantly and unambiguously accretive and transforms UEX into one of the most important uranium pre-producers. UEX now has the second largest resource base in the Athabasca after NexGen and meaningful participation in Millennium, Cameco's premier development project, and Denison's highly regarded Wheeler River project. Equally importantly, as a minority partner, UEX is able to maintain its focus on the next discovery, with over 4,000km² of exploration holdings, the fully consolidated Christie Lake project, an impressive exploration track record, and a proven willingness to generate and prove up new prospects.

Why we like UEX Corporation

- Lowest cost access to leading Tier-I projects including Millennium and Wheeler River
- Largest (4,151km²) landholdings in the Athabasca by an independent
- Experienced geology team with a proven history of discovering and growing resources in the basin

Catalysts

- 2H21: Wheeler River field tests, summer exploration programme at Christie Lake (unconformity uranium) and West Bear-Michael Lake (Co-Ni)

| | | | | | | | | | | | |
|-------------------------------------|--|---|---|-------------|---------------|--|--|---------------|--------------|------------------|-------------------|
| Ticker: UEX CN | Price / mkt cap: C\$0.295/sh, C\$133m | Project PNAV today: 0.27x | Asset: Multiple Athabasca Properties | | | | | | | | |
| J Chan / B Gaspar | Rec / 1xNAV PT: BUY, C\$1.10/sh | 1xNAV_{1Q21} FF FD: C\$1.10/sh | Country: Saskatchewan, Canada | | | | | | | | |
| SOTP project valuation | | | | | | | | | | | |
| | C/lb | C\$m | O/ship | NAVx | C\$/sh | Commodity price | CY21E | CY22E | CY23E | CY24E | CY25E |
| Millennium (attributable) | 5.0 | 158 | 30% | 1.00x | 0.32 | LT uranium price (US\$/lb) | 50.00 | 50.00 | 50.00 | 50.00 | 50.00 |
| Wheeler River (attributable) | 5.0 | 68 | 10% | 1.00x | 0.14 | USD/CAD | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 |
| Kiggavik (attributable) | 1.5 | 67 | 34% | 1.00x | 0.13 | Measured, ind. & inf. - Hurricane | kt | % U3O8 | Mlbs | UEX share | EV/lb U3O8 |
| Shea Creek (attributable basis) | 1.5 | 94 | 49% | 1.00x | 0.19 | Millennium (30.1%) | 11,149 | 0.54% | 132.6 | 31.6 | |
| Christie Lake | 1.5 | 41 | 100% | 1.00x | 0.08 | Wheeler River (10%) | 1,891 | 3.24% | 135.1 | 13.5 | |
| Horseshoe Raven | 1.0 | 50 | 100% | 1.00x | 0.10 | Kiggavik (33.9%) | 11,149 | 0.54% | 132.6 | 44.8 | |
| West-Bear | 1.0 | 12 | 100% | 1.00x | 0.02 | Horseshoe-Raven (100%) | 11,403 | 0.15% | 37.8 | 37.8 | |
| Cash (4Q20) | | 7.2 | 100% | 1.00x | 0.01 | Shea Creek (UEX 49.1%) | 3,340 | 1.30% | 95.9 | 47.1 | |
| Debt and transaction payable (C\$m) | | (10.2) | 100% | 1.00x | (0.02) | Christie Lake (UEX 64.3%) | 589 | 1.57% | 20.3 | 20.3 | |
| Cash from options | | 8.9 | 100% | 1.00x | 0.02 | West Bear (100%) | 79 | 0.91% | 1.6 | 1.6 | |
| C\$50m for licences | | 50 | 100% | 1.00x | 0.10 | TOTAL URANIUM | | | | 196.7 | 0.57 |
| Asset NAV8% US\$50/lb | | 546 | | | PT: 1.10 | West Bear Ni-Co | 1.2Mt @ 0.19% Co and 0.21% Ni for 5.1Mlbs Co and 5.66Mlbs Ni | | | | |
| | | | | | | Capital structure | Basic | FD | | | |
| | | | | | | Market P/NAV | 0.27x | Shares (m) | 452.2 | 498.3 | |

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

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| SELL: | 0 |
| UNDER REVIEW: | 0 |
| TENDER: | 0 |
| NOT RATED: | 0 |
| TOTAL | 36 |

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