



Uranium Energy Corp.

(UEC-US)

SECTOR: Mining

STOCK PRICE	\$3.84
RATING	BUY
TARGET PRICE	\$6.60
RISK	Very High

ACQUISITION OF DEVELOPMENT-STAGE ROUGHRIDER URANIUM PROJECT

UEC Remains in Acquisition Mode Building out Athabasca Portfolio

OUR TAKE: This morning, UEC announced that it has entered into a definitive agreement to acquire 100% of Rio Tinto's (RIO-AU, not rated) Roughrider uranium project in the Athabasca Basin, Saskatchewan, Canada, for \$80M in cash and \$70M in stock. UEC says it will fund the \$80M cash component from existing cash/liquidity, but it is unclear at this time what UEC will tap in its \$173M liquidity pool to top up the cash requirement which exceeds cash on hand of ~\$47M. It could sell several hundred thousand pounds of its 1.8Mlb U₃O₈ physical inventory on-hand, or possibly monetize the 3.7Mlb of physical uranium it has contracted for future delivery. Alternately or in conjunction, selling some of its equity interest in other pub cos is also an option. The share-based component of \$70M in stock (17.8M shares at \$3.93) represents ~5.1% dilution to UEC shareholders. The Roughrider Project is a development stage, conventional uranium project located ~13 km west of Orano's McClean Lake Mill (Fig. 1). The 597 hectare project was previously the focus of extensive study and drilling campaigns completed by both Rio Tinto and the previous owner, Hathor Exploration. In the fall of 2011, Hathor completed a Preliminary Economic Assessment (PEA, Sept. 2011) including the Roughrider East and West Zones. **Roughrider hosts a historic, non-current resource across the East and West deposits of ~57.9Mlb U₃O₈ at an average grade of 4.73% U₃O₈ (see Table 1). Based on total consideration of \$150M, the deal reflects an acquisition cost of ~\$2.59/lb U₃O₈, a significant discount to UEC's current EV/lb resource trading metric of \$4.23/lb (last close).** While Roughrider could benefit from resource expansion to solidify a position in the future global production pipeline, **we do believe there is potential for UEC to gain market recognition for the asset in excess of the acquisition price** in a rising uranium price environment and consider Roughrider to be UEC's premier asset in the basin. As mentioned, prior to Rio Tinto purchasing Roughrider in 2012 in a bidding war with Cameco, which ended in a \$642M acquisition (~\$11/lb in-situ), Hathor Exploration carried out a PEA (September 2011) on the Roughrider project which outlined a conventional underground mining operation using a base case \$70/lb uranium price indicating a \$1.0B NPV_{7%}, scoping a 5 mlb/y, 10y-life project generating a pre-tax IRR of 38% and a 1.8y payback period.

KEY HIGHLIGHTS

- ◆ **Transaction Highlights:** Consideration for the purchase will comprise of \$80 million in cash (paid on close) and 17,805,815 UEC common shares, valued at \$70 million based on the 5-day VWAP of \$3.93 per share as of October 7, 2022. UEC will fund the \$80M cash component of the transaction from existing cash/liquidity and the \$70M in stock (17.8M shares at \$3.93) represents ~5.1% dilution to UEC shareholders. **Based on the total consideration of \$150M, the deal parameters reflect an acquisition cost of ~\$2.59/lb U₃O₈, a significant discount to UEC's current EV/lb resource trading value of \$4.23/lb at last night's close.**
- ◆ **Roughrider Project Background:** Located approximately 13km west of Orano's McClean Lake Mill, in 2011 Hathor Exploration completed a Preliminary Economic Assessment (September 2011) on the project outlining a conventional underground mining operation using a base case \$70/lb uranium price indicating a \$1B NPV_{7%} for a 5 mlb/y, 10y-life project generating a pre-tax IRR of 38% and a 1.8y payback period on \$14.44/lb OPEX and \$567M CAPEX. The historic, non-current resource estimate for Roughrider East and West sits at ~57.9Mlb U₃O₈ (avg. grade of 4.73% U₃O₈, Table 1). In 2012, Rio Tinto purchased Roughrider through a bidding war with Cameco which ended in a \$642M acquisition (~\$11/lb in-situ).
- ◆ **Resource Update Coming:** With more than 650 drill holes and 225 km of drilling, **UEC will now work to publish an updated technical report on the project (S-K 1300) to bring the resource to 'current'.** UEC will then focus on integrating Roughrider into its eastern Athabasca Basin strategy which includes other properties like the Horseshoe/Raven deposits and Christie Lake, acquired with the UEX transaction (see Figure 1).

RECOMMENDED ACTION

We recommend accumulating shares at the current levels for leverage to improving uranium sector fundamentals...

- ◆ **Reiterate our Buy rating and \$6.60/sh Target.** UEC sits among a small group of US-based neo-producers that can rapidly move to production when uranium prices justify. UEC controls multiple permitted, near production-ready uranium ISR assets in the US, as well as a longer-term exploration/development portfolio in Canada. In the last 12 months UEC has invested \$570 million to expand its position with the acquisitions of Uranium One Americas, UEX, and the Roughrider Project. In so doing, the Company has more than tripled its resources to reach total resources of 198 M lbs. U₃O₈ M&I and 68 M lbs. U₃O₈ Inferred. The Company currently has a strong balance sheet with \$173M of cash and liquid assets, no debt, and physical uranium holdings of 5.5 M lbs. U.S. warehoused U₃O₈ (approx. \$37/lb average cost) as of October 10, 2022.

KEY STATISTICS AND METRICS

52-Week High/Low	\$6.60/\$2.34
YTD Performance	14.0%
Dividend Yield	N/A
Shares O/S	286.3M
Market Capitalization	\$1,099M
Cash (July 31, 2022)	\$32.5M
Debt (July 31, 2022)	\$1M
Enterprise Value	\$1,068M
Daily Volume (3 mos.)	9,817,630
Currency	USD

HAYWOOD ESTIMATES (USD)

	2021A	2022E	2023E
U ₃ O ₈ Production (Mlb)	0	0	0.2
Revenue (\$M)	0	0	11.2
EBITDA (\$M)	(17.1)	(17.9)	(16.2)
CFPS (\$)	(0.07)	(0.08)	(0.06)

VALUATION

We value UEC using a 1.0x corporate NAV multiple based on our DCF_{6%} NAV of the combined US hub-and-spoke strategies, plus our DCF_{8%} NAV of the Yuty project, plus credit for other assets and UEC's physical uranium holdings and contracted purchases, for a total corporate NAV of \$6.55/share.

UEC trades at 0.59x Haywood NAV (0.64x cons. NAV) vs peers in the 0.5-0.7x NAV range.

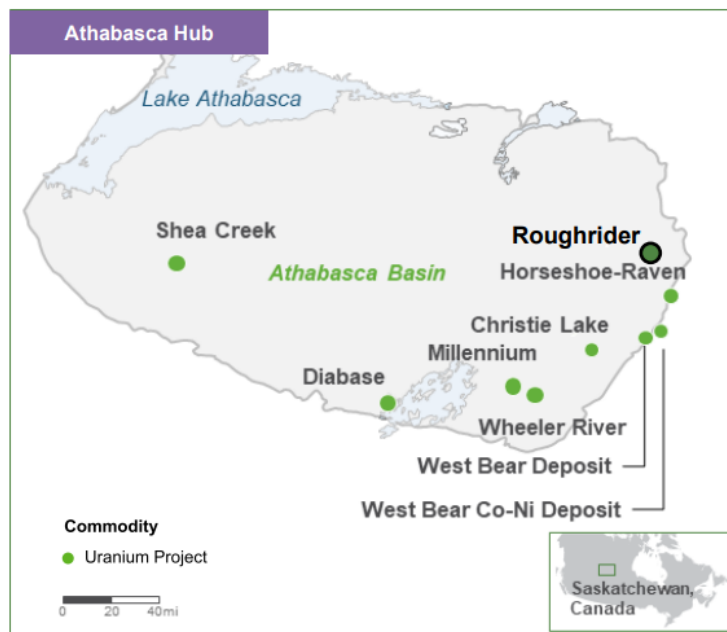
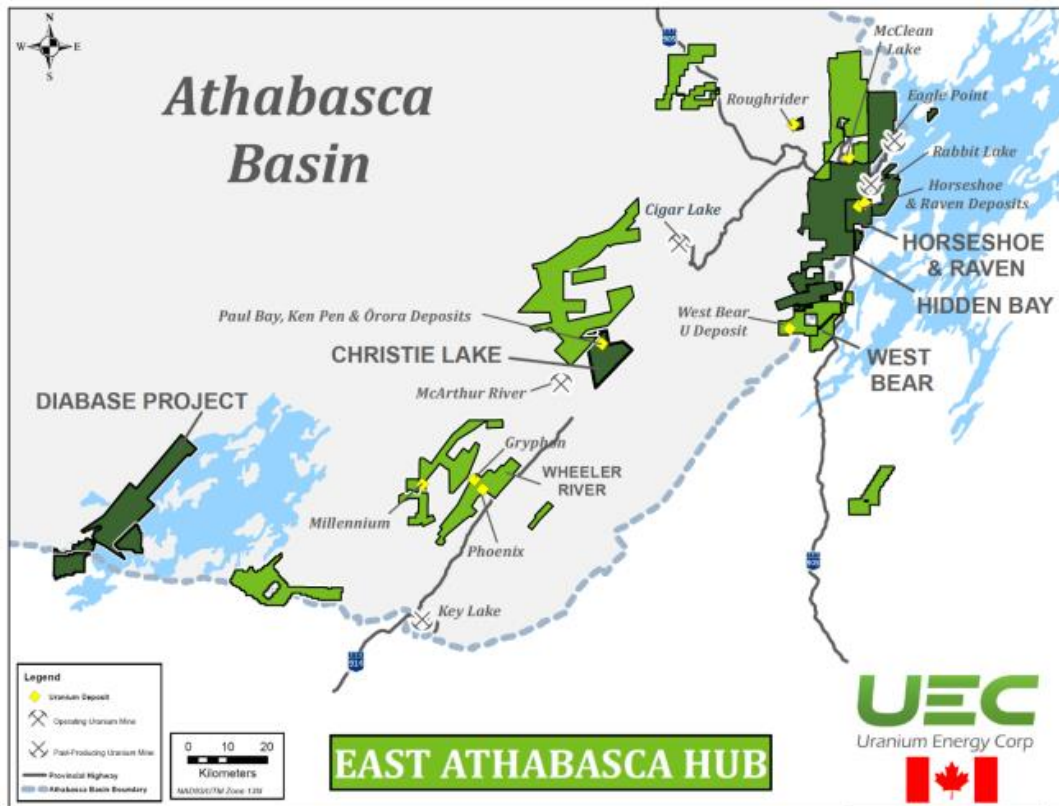
Table 1: Roughrider Historic NI 43-101 Compliant Mineral Resource Estimates -Mineral Resource Statement* for the Roughrider West Zone Deposit, November 29, 2010 (West Zone) and, May 6, 2011 (East Zone))

Category	Quantity	Grade							Contained
	[Tonnes]	U ₃ O ₈ [%]	As [%]	Co [%]	Cu [%]	Mo [%]	Ni [%]	Se [ppm]	U ₃ O ₈ [lb]
West Zone									
Indicated High Grade Zone	58,200	10.68	0.17	0.03	0.41	0.22	0.15	46	13,703,000
Inferred High Grade Zone	36,600	13.07	0.69	0.10	0.57	0.26	0.55	56	10,546,000
Indicated Low Grade Zone	336,000	0.48	0.00	0.00	0.00	0.00	0.00	8	3,556,000
Inferred Low Grade Zone	7,000	0.31	0.00	0.00	0.00	0.00	0.00	4	48,000
Total Indicated West Zone	394,200	1.98	0.03	0.00	0.06	0.03	0.02	13	17,207,000
Total Inferred West Zone	43,600	11.03	0.58	0.08	0.48	0.22	0.47	48	10,602,000
East Zone									
Inferred Zone 1	26,000	12.17	0.02	0.01	1.49	0.05	0.01	15	6,970,000
Inferred Zone 2	30,000	13.34	0.03	0.01	1.34	0.13	0.02	49	8,930,000
Inferred Zone 3	32,000	17.39	0.03	0.01	0.15	0.14	0.02	22	12,140,000
Inferred Zone 4	3,000	1.34	0.00	0.00	0.08	0.03	0.00	9	80,000
Inferred Zone 5	11,000	1.65	0.01	0.01	0.40	0.14	0.01	14	390,000
Inferred Zone 6	12,000	3.57	0.01	0.01	1.05	0.06	0.01	31	940,000
Inferred Zone 7	5,000	6.84	0.00	0.00	0.04	0.03	0.00	13	680,000
Total East Zone Inferred	118,000	11.58	0.02	0.01	0.86	0.10	0.02	27	30,130,000
Combined East and West Zones									
Total Indicated	394,200	1.98	0.03	0.00	0.06	0.03	0.02	13	17,207,000
Total Inferred	161,600	11.43	0.17	0.03	0.76	0.14	0.14	32	40,730,000
<p>*CIM Definition Standards have been followed for classification of mineral resources. The cut-off grade of 0.05 percent U₃O₈ for the West Zone and 0.4 percent U₃O₈ was for the East zone. U₃O₈ price of US\$80 per pound and assumed. Reasonable prospect for economic extraction" assumes open pit extraction for West Zone and underground extraction for East Zone and metallurgical recovery of 98 percent. Mineral resources are not mineral reserves and do not have demonstrated economic viability. Totals may not add correctly due to rounding.</p>									

Source: NI 43-101 Preliminary Economic Assessment Technical Report on the East and West Zones Roughrider Uranium Project, Saskatchewan (effective date of September 13, 2011)



Figure 1 – Project Locations and Athabasca Hub



Source: Uranium Energy Corp.



Important Information and Legal Disclosures

This report is intended for institutional investors and may only be distributed to non-institutional US clients in the following states: all states are exempt. Otherwise, this report may only be distributed into those states with an institutional buyer state securities registration exemption.

Analyst Certification

I, Colin Healey, hereby certify that the views expressed in this report (which includes the rating assigned to the issuer's shares as well as the analytical substance and tone of the report) accurately reflect my/our personal views about the subject securities and the issuer. No part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations.

Important Disclosures

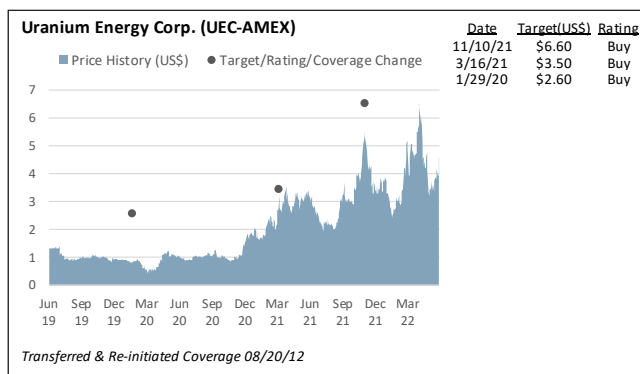
Of the companies included in the report the following Important Disclosures apply:

- Haywood Securities, Inc. has reviewed lead projects of Uranium Energy Corp. (UEC-US) and a portion of the expenses for this travel may have been reimbursed by the issuer.

Distribution of Ratings (as of October 12, 2022)

	%	#	IB Clients (TTM)
Buy	76.0%	76	72.7%
Hold	10.0%	10	13.6%
Sell	0.0%	0	0.0%
Tender	1.0%	1	4.5%
UR (Buy)	0.0%	0	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	13.0%	13	9.1%

Price Chart, Rating and Target Price History (as of October 12, 2022)



B: Buy; H: Hold; S: Sell; T: Tender; UR: Under Review
Source: Capital IQ and Haywood Securities

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