

# UEX Corporation

(UEX-T: C\$0.34) *intraday*

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**BUY**

Target: C\$0.50 (from C\$0.40)

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## Unlocking Cobalt Value: 4.90% Intercept Remains Open

UEX-T	New	Last
Rating	--	Buy
Target	C\$ 0.50 ▲	C\$ 0.40
Projected Return	--	49%
DCF Multiple	--	0.80x
Corporate DCF	0.43 ▼	0.44
Cash, and Investments	0.02 ▲	0.01
Debt	--	0.00
Exploration & Unmodelled Resources	0.15 ▲	0.04
NAV	0.60 ▲	0.49
P/NAV	0.56x ▲	0.35x

Company Data	
Last Price	C\$ 0.34
52-week Range	C\$ 0.15 - C\$ 0.41
Market Cap (\$MM)	C\$ 116.6
Enterprise Value (\$MM)	C\$ 111.5
Shares Outstanding - Basic (MM)	316.0
Shares Outstanding - FD (MM)	358.4
Avg Volume - 100d (000 shares/day)	526.2
Cash (\$MM)	C\$ 5.11
Debt (\$MM)	C\$ 0.00
Working Capital (\$MM)	C\$ 4.75

Uranium Forecast	2016A	2017A	2018E	LT
Spot (US\$/lb)	27.9	23.2	29.0	60.0
Term (US\$/lb)	41.1	32.0	34.0	60.0
Realized Prices (US\$/lb)	0.0	0.0	0.0	
Revenue (\$MM)	0.11	0.07	0.00	
EPS	(\$0.01)	(\$0.02)	(\$0.02)	

All Figures in C\$ Unless Otherwise Noted

Source: Company Reports, FactSet, Eight Capital

### UEX-T: Price/Volume Chart



Source: Factset

### Company Description

UEX Corporation has a large diversified portfolio of projects in the Athabasca Basin of Northern Saskatchewan, the premier uranium mining jurisdiction in the world. UEX has world class deposits, large, well situated land positions, a focused management team and excellent joint venture partners. Focus is currently on earning into a 70% interest at Christie Lake project in the eastern Athabasca Basin. Elsewhere, the 100%-owned Hidden Bay hosts 40 MM lbs, and 49%-owned Shea Creek hosts another 96 MM lbs of U3O8.

We recommend UEX Corp. as a Buy and increase our target price from C\$0.40 to C\$0.50/sh based on a 0.8x multiple applied to our 10% DCF model after incorporating additional resource value for pre-resource West Bear cobalt and nickel mineralization. Further high grade Co and Ni have been encountered at the West Bear Co-Ni deposit located at 100%-owned Hidden Bay in the Athabasca Basin ([see 8-Nov-17 note](#)). Mineralization is located immediately east of West Bear uranium deposit, host to 1.3 MM lbs U3O8. Growth of another high grade North American Co deposit should appeal to many investors in this hot market. Upon success of current drilling, we provide additional Co-Ni resource value for the first time. After incorporating West Bear grade and size, coupled with a discount to our long term prices, we assume highly preliminary additional value of \$43 MM. Application of project economics would change the way we estimate the value of the project.

Only 41 holes down to a maximum ~75m vertical depth were drilled this winter. There was enough historical information to complete a preliminary resource estimate; however, further drilling was required to adequately test the deposit. Given an expanded footprint, discovery of an upper lens, and that mineralization remains open, initial results are impressive and more improvement is likely to come. Historical work focused on unconformity uranium and avoided Co-Ni by stopping too early. That drilling did not test structures down-dip from the unconformity which is being tested now.

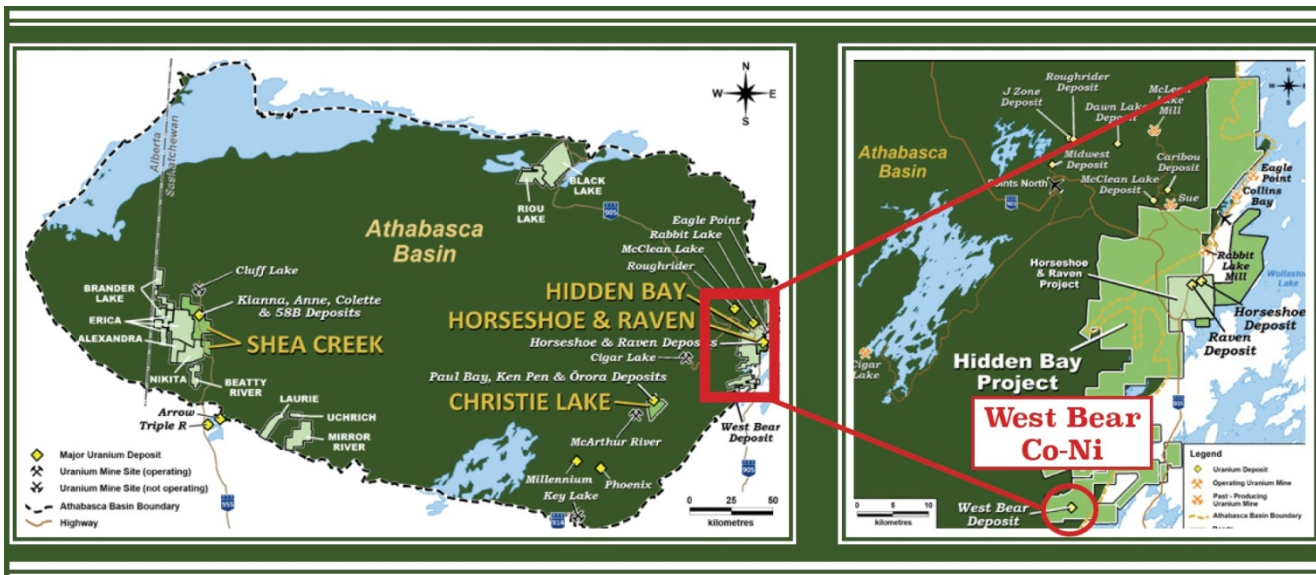
Cobalt mineralization was intersected in eight of nine samples from the second batch of assays. Included are the highest grade Co and Ni intercepts (4.90% Co, 2.08% Ni) to date at West Bear. The high grade was identified within a newly discovered upper lens. Width of West Bear has almost doubled, having been extended both up- and down-dip. The deposit also remains open along strike in both directions. Assays from 12 of 41 holes (4,457m) have now been reported. Previous intercepts include: 0.78% Co and 0.53% Ni over 30.9m including 2.00% Co and 1.26% Ni over 10.5m (WBC-001). Second tranche highlights include:

- 1.78% Co and 1.06% Ni over 22.5m including 4.90% Co and 2.08% Ni over 8.0m from 77.0 to 85.0 m (WBC-012); Lower Zone: 1.26% Co and 0.59% Ni over 9.5 m including 3.78% Co and 1.47% Ni over 3.0 m (WBC-009); Upper Zone: 0.56% Co and 0.28% Ni over 11.5m incl. 1.64% Co and 0.58% Ni over 3.5m. Lower Zone: 0.87% Co and 1.26% Ni over 1.5m (WBC-010).

**Rapidly expanding West Bear deposit.** Co-Ni mineralization appears to be accumulating in two ways: expansion of zone footprint in multiple directions, and discovery of a second, higher grade cobalt lens.

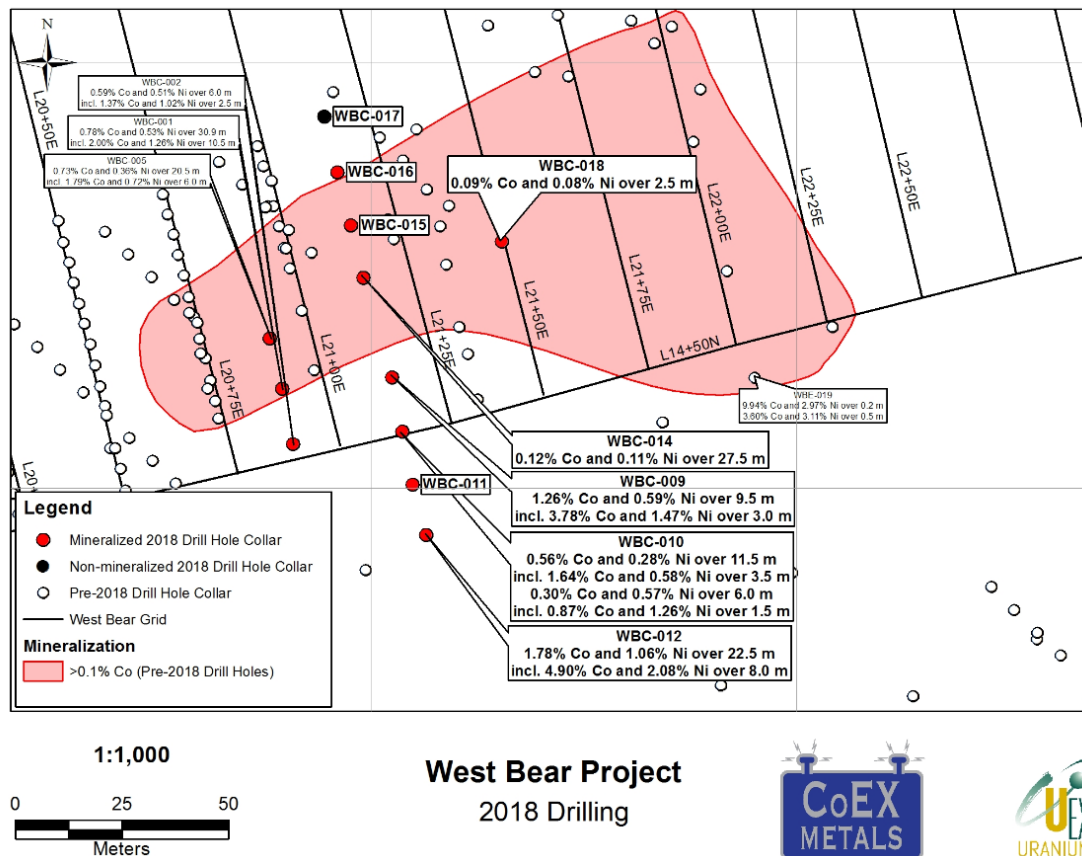
- **Increased deposit footprint.** The deposit now measures about ~150-175m along strike by 100m wide (down-dip). Current drilling has expanded the width of the zone by 10m up-dip towards the unconformity and up to 45m down-dip. The zone remains open east and west along strike and down-dip beyond the highest grade intercepts to date. Shallow mineralization above 100m and gentle dip makes West Bear an ideal open pit candidate.
- **Second higher grade lens.** Not known before this drill program, an upper lens of higher grade Co-Ni mineralization (up to 4.9% Co and 2.08% Ni) occurs along the upper contact of a distinct graphite unit. Recognizing this should help future drilling track this lens or provide insight as to how to find others. Multiple zones may add incremental Co and Ni pounds within the same area. This bodes well for resource estimates and economic studies.

**Figure 1: Plan map of the Athabasca Basin including inset of the Hidden Bay Project in the eastern part of the Basin. The West Bear Co-Ni deposit is located immediately adjacent to the West Bear Uranium deposit (~1.3 MM lbs U3O8). The project hosts ~40 MM lbs U3O8 in total, dominantly at the Horseshoe and Raven deposits located in close proximity to the Rabbit Lake mill.**



Source: Company Reports

**Figure 2: Plan map of the West Bear Co-Ni deposit showing current and historical drill collar placement. Recent drilling has extended mineralization beyond the historical limits of the deposit by 10m up-dip (northward) and 45m down-dip (southward) where the zone remains open. The deposit also remains open along strike in both directions.**



Source: Company Reports

UEX Corp. (UEX-T)					
Rating	BUY	C\$ Target	\$0.50	Shares O/S (MM)	316.0
		C\$ Close	\$0.34	Fully Diluted Shares (MM)	358.4
David A. Talbot, Director, Mining Research		12-month return	49%	Basic Mkt. Capitalization (\$MM)	C\$ 116.6
<a href="mailto:dtalbot@uicapital.com">dtalbot@uicapital.com</a>				Enterprise Value (\$MM)	C\$ 111.5

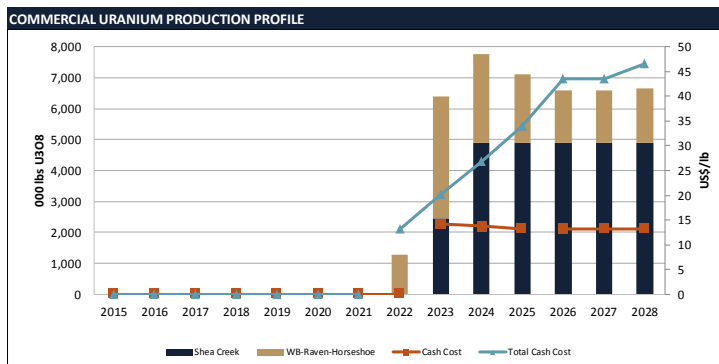
PRODUCTION ESTIMATES (000 lbs)					
Year-end December	2019E	2020E	2021E	2022E	2023E
Shea Creek	0	0	0	0	2,450
WB-Raven-Horseshoe	0	0	0	1,288	3,958
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,288</b>	<b>6,408</b>

TOTAL CASH COST ESTIMATES (excl. non-cash) (US\$/lb)					
Year-end December	2019E	2020E	2021E	2022E	2023E
Shea Creek	0.0	0.0	0.0	0.0	19.6
WB-Raven-Horseshoe	0.0	0.0	0.0	13.2	20.2
<b>Wt. Avg.</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>13.2</b>	<b>20.0</b>

URANIUM RESERVES & RESOURCES					
	Ownership	Tonnes MM t	Grade % U3O8	Cont U3O8 (MM lbs) 100% Basis	UEX Share
<b>Historic Resources (non-NI-43-101 compliant) (up to 70%)</b>					
Christie Lake Earn-in	70%	0.32	3%	20.9	14.6
<b>Total Historic Resources</b>		<b>0.32</b>	<b>3.22%</b>	<b>20.87</b>	<b>14.61</b>
<b>Measured and Indicated Resources</b>					
Kianna	49%	1.03	1.53%	34.8	17.1
Anne	49%	0.56	1.99%	24.8	12.1
Colette	49%	0.33	0.79%	5.7	2.8
S8B	49%	0.14	0.77%	2.4	1.2
Horseshoe	100%	5.12	0.20%	22.9	22.9
Raven	100%	5.17	0.11%	12.1	12.1
West Bear	100%	0.08	0.91%	1.6	1.6
<b>Total Measured and Indicated Resources</b>		<b>12.44</b>	<b>0.38%</b>	<b>104.29</b>	<b>69.78</b>
<b>Inferred Resources</b>					
Kianna	49%	0.56	1.36%	16.9	8.3
Anne	49%	0.13	0.88%	2.6	1.3
Colette	49%	0.49	0.72%	7.8	3.8
S8B	49%	0.08	0.51%	0.9	0.5
Horseshoe	100%	0.29	0.17%	1.0	1.0
Raven	100%	0.82	0.09%	1.7	1.7
<b>Total Inferred Resources</b>		<b>2.38</b>	<b>0.59%</b>	<b>30.91</b>	<b>16.53</b>
<b>TOTAL RESOURCES</b>		<b>15.14</b>	<b>0.47%</b>	<b>156.06</b>	<b>100.92</b>
<b>Current Per Pound Metrics</b>					
UEX			Dev. Peers	Prem./Disc.	
EV/lb (US\$)		\$0.90	0.75	19%	
Mkt Cap/lb (US\$)		\$0.46	0.64	(28%)	

NET ASSET VALUE (C\$) - 10%			
	NAV (\$ MM)	/Share	% NAV
Shea Creek (49%)	-10.3	-0.03	-5%
Hidden Bay (100%)	16.9	0.05	9%
Resources	46.2	0.15	25%
Exploration, G&A, and Other	130.6	0.41	69%
<b>Balance Sheet Items:</b>			
Cash & Investments	4.7	0.02	3%
Debt	0.0	0.00	0%
<b>Total</b>	<b>188.1</b>	<b>0.60</b>	<b>100%</b>
<b>Eight Capital DCF Target Multiple</b>		<b>0.80x</b>	
<b>Share Price Target</b>		<b>0.50</b>	

Long Term Uranium Price Assumption (US\$/lb)					
NAV (C\$/share)	40	50	60	70	80
0% Discount	0.37	0.63	0.90	1.16	1.43
5% Discount	0.28	0.46	0.64	0.82	0.99
10% Discount	0.23	0.35	0.47	0.59	0.72
15% Discount	0.19	0.28	0.36	0.45	0.53



BALANCE SHEET (C\$ MM)				
Year-end December	2015A	2016A	2017A	Q1/18E
<b>Assets:</b>				
Cash & ST Investments	5.14	4.14	5.11	5.11
Other Current Assets	0.16	0.25	0.21	0.21
<b>Current Assets</b>	<b>5.30</b>	<b>4.39</b>	<b>5.32</b>	<b>5.32</b>
Mineral Properties	160.08	9.50	10.25	10.25
Other non-current Assets	0.34	0.07	0.31	0.31
<b>Total Assets</b>	<b>165.73</b>	<b>13.95</b>	<b>15.87</b>	<b>15.87</b>
<b>Liabilities:</b>				
Current Liabilities	0.48	0.53	0.36	0.36
Long-term Debt	0.00	0.00	0.00	0.00
Other non-current Liabilities	10.60	0.00	0.02	0.02
<b>Total Liabilities</b>	<b>11.07</b>	<b>0.53</b>	<b>0.38</b>	<b>0.38</b>
Capital Stock	183.46	186.60	193.85	193.85
Retained Earnings	-28.80	-173.19	-178.36	-178.36
<b>Total Shareholder Equity</b>	<b>154.66</b>	<b>13.42</b>	<b>15.49</b>	<b>15.49</b>

INCOME STATEMENT (C\$ MM)				
Year-end December	2015A	2016A	2017A	2018E
Total Revenue:	0.1	0.1	0.1	0.0
% Uranium	0%	0%	0%	0%
% Other	100%	100%	100%	100%
Operating Costs	0.0	0.0	0.0	0.0
G&A	1.7	1.1	1.4	1.7
Exploration	0.0	4.8	4.2	5.0
Depreciation	0.0	0.0	0.0	0.0
Other	0.7	0.4	0.5	0.7
<b>EBITDA</b>	<b>(2.3)</b>	<b>(6.2)</b>	<b>(6.1)</b>	<b>(7.4)</b>
<b>EBIT</b>	<b>(2.3)</b>	<b>(6.2)</b>	<b>(6.1)</b>	<b>(7.4)</b>
Interest Expense	0.0	0.0	0.0	0.0
<b>EBT</b>	<b>(2.3)</b>	<b>(6.2)</b>	<b>(6.1)</b>	<b>(7.4)</b>
Taxes	(0.2)	(0.3)	(0.2)	0.0
Equity Earnings	0.0	0.0	(0.0)	0.0
Other	0.0	(0.1)	0.0	0.0
<b>Net Income (Reported)</b>	<b>(2.5)</b>	<b>(6.7)</b>	<b>(6.3)</b>	<b>(7.4)</b>
<b>Net Income (Adjusted)</b>	<b>(2.5)</b>	<b>(6.7)</b>	<b>(6.3)</b>	<b>(7.4)</b>
<b>EPS (Reported) \$/sh</b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>(0.02)</b>	<b>(0.02)</b>
<b>EPS (Adjusted) \$/sh</b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>(0.02)</b>	<b>(0.02)</b>
Average Shares (MM)	242.1	284.0	316.0	339.8

CASH FLOW STATEMENT (C\$ MM)				
Year-end December	2015A	2016A	2017A	2018E
Net Income (Reported)	(2.5)	(6.7)	(6.3)	(7.4)
Depreciation	(0.0)	(0.0)	0.0	0.0
Working Capital Changes	(0.3)	(0.1)	0.0	0.0
Other	0.5	0.8	0.9	0.0
<b>Operating Cash Flow</b>	<b>(2.3)</b>	<b>(6.0)</b>	<b>(5.4)</b>	<b>(7.4)</b>
<b>Operating Cash Flow/sh (\$/sh)</b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>(0.02)</b>	<b>(0.02)</b>
Capital Expenditures	(4.8)	(0.1)	0.0	0.0
Acquisitions	0.0	(3.8)	(1.0)	(1.0)
Other	(0.1)	0.1	0.0	0.0
<b>Investing Cash Flow</b>	<b>(4.9)</b>	<b>(3.7)</b>	<b>(1.0)</b>	<b>(1.0)</b>
Common Share Dividends	0.0	0.0	0.0	0.0
Equity Financing	3.3	9.3	8.0	9.0
Debt Issue	0.0	0.0	0.0	0.0
Debt Repayment	0.0	0.0	0.0	0.0
Other	(0.2)	(0.5)	(0.6)	0.0
<b>Financing Cash Flow</b>	<b>3.1</b>	<b>8.7</b>	<b>7.4</b>	<b>9.0</b>
<b>Net Change in Cash</b>	<b>(4.2)</b>	<b>(1.0)</b>	<b>1.0</b>	<b>0.6</b>
<b>Cash Balance</b>	<b>5.1</b>	<b>4.1</b>	<b>5.1</b>	<b>5.7</b>
<b>Free Cash Flow</b>	<b>(7.1)</b>	<b>(6.1)</b>	<b>(5.4)</b>	<b>(7.4)</b>

VALUATION DATA				
Year-end December	2015A	2016A	2017A	2018E
P/E	--	--	--	--
P/CF	--	--	--	--
EV/EBITDA	--	--	--	--
FCF Yield	--	--	--	--

INPUT PRICES				
Year-end December	2015A	2016A	2017A	2018E
Eight Capital Spot Uranium (US\$/lb)	36.8	27.9	23.2	29.0
Uranium Realized Price (US\$/lb)	0.0	0.0	0.0	0.0
Exchange (US\$/C\$)	0.78	0.77	0.75	0.78

Source: Company Reports, FactSet, Eight Capital

**UEX Corp.**

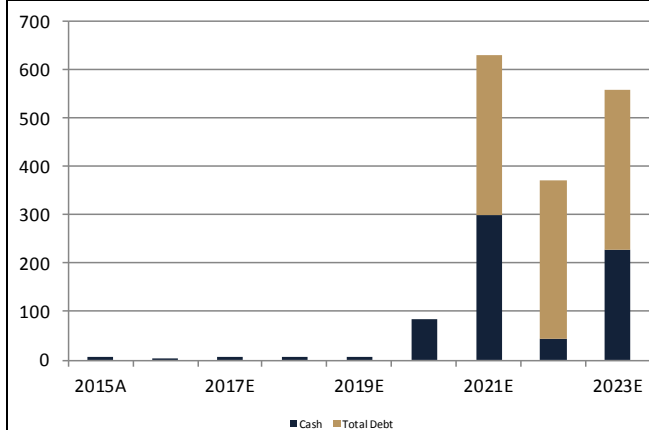
**Net Asset Valuation at Eight Capital Price Deck (C\$)**

	Target Setting NAV		
	Discount Rate	(\$MM)	(\$/Share)
<b>Uranium Assets</b>			
Shea Creek (49%)	10%	-10	-0.03
Hidden Bay (100%)	10%	17	0.05
<b>Total Uranium Assets</b>		<b>7</b>	<b>0.02</b>
<b>Other Assets &amp; Expenses</b>			
Cash		5	0.02
Debt		0	0.00
Resources		46	0.15
Exploration, G&A, Other	10%	131	0.41
<b>Net Other Assets</b>		<b>182</b>	<b>0.57</b>
<b>Net Asset Value</b>		<b>188</b>	<b>0.60</b>
<b>Share Price</b>			<b>0.34</b>
<b>P/NAV</b>			<b>0.56x</b>

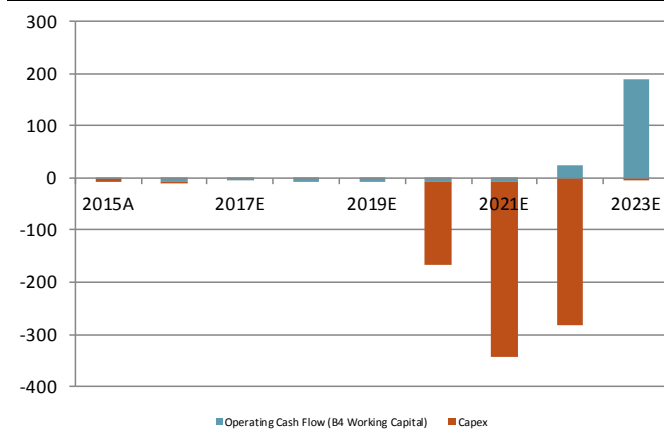
	NAV at Various Discount Rates					
	0%		5%		15%	
	(\$MM)	(\$/Share)	(\$MM)	(\$/Share)	(\$MM)	(\$/Share)
Uranium Assets	34	0.11	6	0.02	-19	-0.06
Other Assets & Expenses	47	0.15	29	0.09	9	0.03
<b>Total</b>	<b>81</b>	<b>0.26</b>	<b>34</b>	<b>0.11</b>	<b>-10</b>	<b>-0.03</b>
Cash	5	0.02	5	0.02	(19)	(0.06)
Debt	0	0.00	0	0.00	9	0.03
Resources	46	0.15	46	0.15	5	0.02
Exploration, G&A, Other	165	0.52	146	0.46	0	0.00
<b>Net Other Assets</b>	<b>216</b>	<b>0.68</b>	<b>197</b>	<b>0.62</b>	<b>(5)</b>	<b>(0.02)</b>
<b>Net Asset Value</b>	<b>297</b>	<b>0.94</b>	<b>232</b>	<b>0.73</b>	<b>-15</b>	<b>-0.05</b>
<b>Share Price</b>		<b>0.34</b>		<b>0.34</b>		<b>0.34</b>
<b>P/NAV</b>		<b>0.36x</b>		<b>0.46x</b>		<b>-6.92x</b>

**Financial Forecasts at Eight Capital Price Deck (MM C\$)**

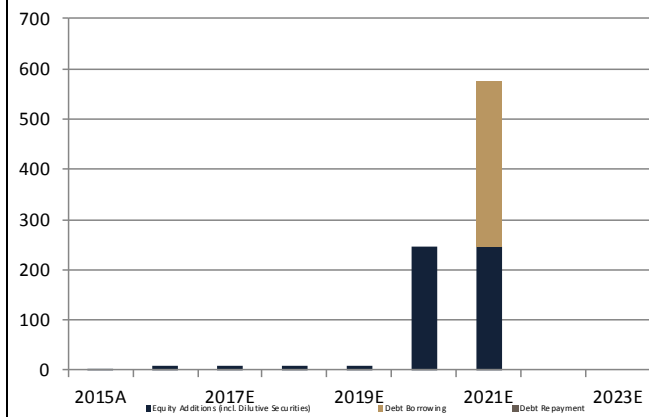
**Cash and Debt**



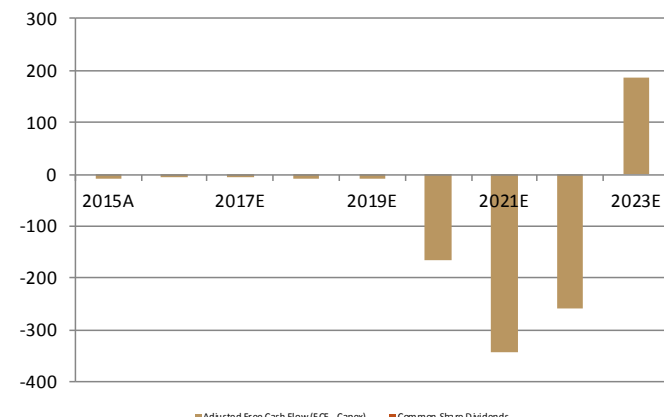
**Operating Cash Flow and Capital Spending**



**Changes in Debt and Equity**



**Free Cash Flow and Common Share Dividends**



Source: Company Reports, FactSet, Eight Capital

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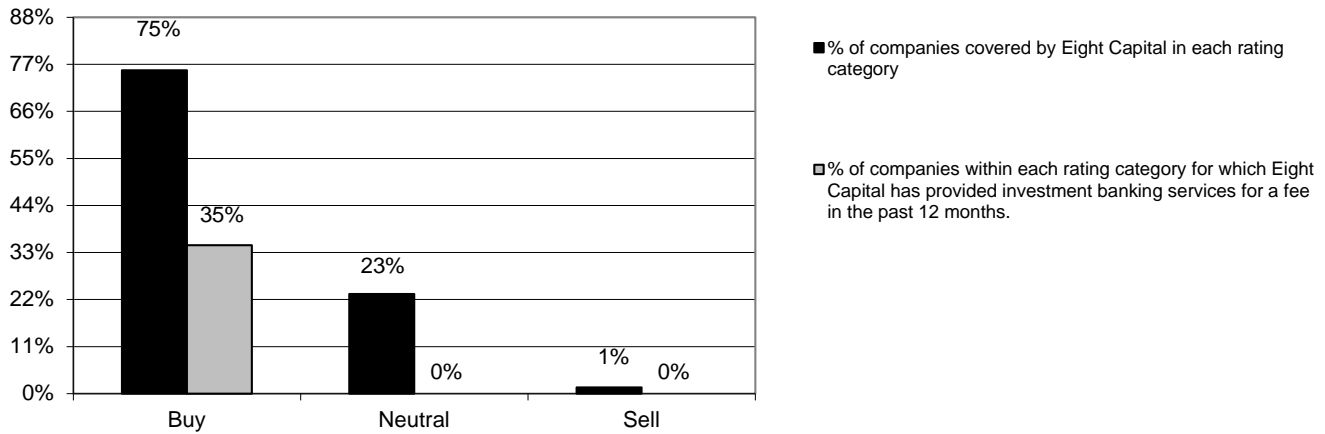
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**Recommendations:** **BUY:** Total returns expected to be materially better than the overall market with higher return expectations needed for more risky securities. **NEUTRAL:** Total returns expected to be in line with the overall market. **SELL:** Total returns expected to be materially lower than the overall market. **TENDER:** The analyst recommends tendering shares to a formal tender offer. **UNDER REVIEW:** The analyst will place the rating and/or target price Under Review when there is a significant material event with further information pending; and/or when the analyst determines it is necessary to await adequate information that could potentially lead to a re-evaluation of the rating, target price or forecast; and/or when coverage of a particular security is transferred from one analyst to another to give the new analyst time to reconfirm the rating, target price or forecast.

**SECURITY ABBREVIATIONS:** NVS (non-voting shares); RVS (restricted voting shares); RS (restricted shares); SVS (subordinate voting shares).

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