

# UEX Corporation

(UEX-T: C\$0.16)

**BUY**  
Target: C\$0.50

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## Initial High Grade Resource Confirms Potential at Christie Lake

UEX-T	New	Last
<b>Rating</b>	--	Buy
<b>Target</b>	--	C\$ 0.50
Projected Return	213% ▲	49%
DCF Multiple	--	0.80x
Corporate DCF	--	0.43
Cash, and Investments	--	0.02
Debt	--	0.00
Exploration & Unmodelled Resources	--	0.15
NAV	--	0.60
P/NAV	0.27x ▼	0.56x

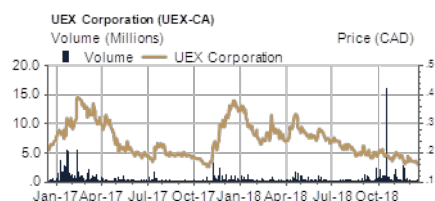
Company Data			
Last Price			C\$ 0.16
52-week Range	C\$ 0.16 -		C\$ 0.41
Market Cap (\$MM)			C\$ 61.0
Enterprise Value (\$MM)			C\$ 55.0
Shares Outstanding - Basic (MM)			316.0
Shares Outstanding - FD (MM)			391.9
Avg Volume - 100d (000 shares/day)			804.8
Cash (\$MM)			C\$ 5.98
Debt (\$MM)			C\$ 0.00
Working Capital (\$MM)			C\$ 5.14

Uranium Forecast	2016A	2017A	2018E	LT
Spot (US\$/lb)	35.0	40.0	50.0	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 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 with a C\$0.50/sh target price based on a 0.8x multiple applied to our 10% DCF model. An initial inferred resource estimate for Christie Lake's three near surface uranium deposits totals 20.35 MM lbs U3O8. This is size-wise in line with historical estimates (20.87 MM lbs at 3.22%) from Paul Bay (PB) and Ken Pen (KP) deposits. Discovery of a third zone, Órora, came just 20 months ago (see note [22.8% U3O8 over 8.6m Discovery at Christie Lake](#)) and represents 17% of resources. It comes as no surprise that resources should grow at Christie Lake as it finally sees some attention. Cameco's (BUY, C\$18.00TP, covered by R. Profiti) McArthur River mine lies a mere 10km SW and exploration will now head in that direction.

This Christie Lake resource averages 1.57% U3O8 and denotes the same high grades we have grown accustomed to from large Athabasca Basin uranium deposits. It compares well against its peers such as Arrow (2.53% U3O8), Wheeler River's Gryphon (1.95%) and PLS underground (1.81%). However, grades are down from 3.22% historically, while resource size remained the same. The new grade is much more realistic, as previous estimates from days before NI 43-101 compliance used inverse squared and smeared two very high grade holes much further than they should have been, one each at PB and KP. To compound issues, historical work was also drilled in various ways, vertical, down dip or at oblique angles and scattered everywhere at between 25m and 75m drill spacing. It was a challenge for UEX to fill in these deposits at regularly spaced intervals. This has been achieved with largely 25m spacing at PB, and even close 12.5m spacing on 25m sections at Órora.

A new discovery is key. UEX is looking for the next zone rather than expanding the existing zones, as accretive addition of pounds may not move the needle. Fortunately, Athabasca uranium deposits tend to occur in clusters. Focus will be to test the Yalowega trend towards the SW and McArthur River mine, in the direction that this 1.3km long mineralized trend appears to be plunging into the basement. At the NE end, Órora occurs at the unconformity. Further SW, KP starts to extend in the basement (open in areas). Even further SW, PB occurs almost completely in basement (also open) but comes up to the unconformity as well. The trend further SW has not seen any drilling.

**Exploration potential along strike and at depth.** Thick high grade uranium at Christie Lake can be classified as unconformity style mineralization, found between or at overlying sandstones and graphitic basement rocks. Alteration extends into basement rocks, although management believes that there are plenty of signs that Christie Lake may develop more basement hosted mineralization like its Arrow, PLS and Gryphon counterparts.

**Standing pat at 60% interest.** UEX won't be spending enough to achieve 70% even though funds are available to do so which would have cost \$5 MM in exploration + \$1 MM cash to get just another 10%. That is more than the market is paying. Plus getting to 70% wouldn't provide any further benefits, so only a modest program is going to be completed this year in absence of a new

Continued on Page 2

discovery. That said, JCU is diluting out, as it didn't participate in funding its share of exploration under the Christie Lake Option agreement. This isn't surprising, as it saw little interest in obtaining a larger share of Wheeler River when Cameco decided to divest of that as well. UEX will assume JCU's share of exploration costs in 2019. The 2019 budget is \$2 MM to provide 4,800m of drilling on the Paul Bay Deposit, and a 120km DC resistivity survey.

**Impressive and growing resource profile.** Current resources include a 49% share in Shea Creek's 95.9 MM lbs U3O8 (67.7 MM lbs M&I, 28.2 MM lbs inf), and a 100% interest in Hidden Bay's 39.3 MM lbs (36.6 MM lbs M&I, 2.7 MM lbs inf). Christie Lake's historical 20.9 MM lb mineral inventory estimate can now be replaced with today's 20.87 MM lb inferred resource.

**Battery metal exposure.** Hidden Bay's West Bear project also has an additional and new nickel-cobalt inferred resource totaling 390,000t averaging 0.37% Co and 0.22% Ni for 3,172,000 lbs contained Co and 1,928,000 lbs contained Ni. Most drilling has not tested well below the unconformity, as it was designed to test for unconformity uranium style mineralization. We suspect this deposit will increase in size as modern exploration ideas are also practiced on it.

**Trading below its uranium developer peers:** UEX is trading at an EV/lb of 0.47 versus peers at 0.56. A P/NAV at 0.31x compares to peers at 0.38x. We suspect this is for various reasons, namely that its peers are well advanced on a single large project. Meanwhile, UEX's Shea Creek is deep, Hidden Bay is lower grade, West Bear nickel-cobalt is currently small and Christie Lake is only now getting the attention it needs to show off its upside potential.

**Table 1: Summary of inferred uranium resources at the Christie Lake Project, including the Paul Bay, Ken Pen and Órora deposits, as completed by SRK (19-Dec-18).**

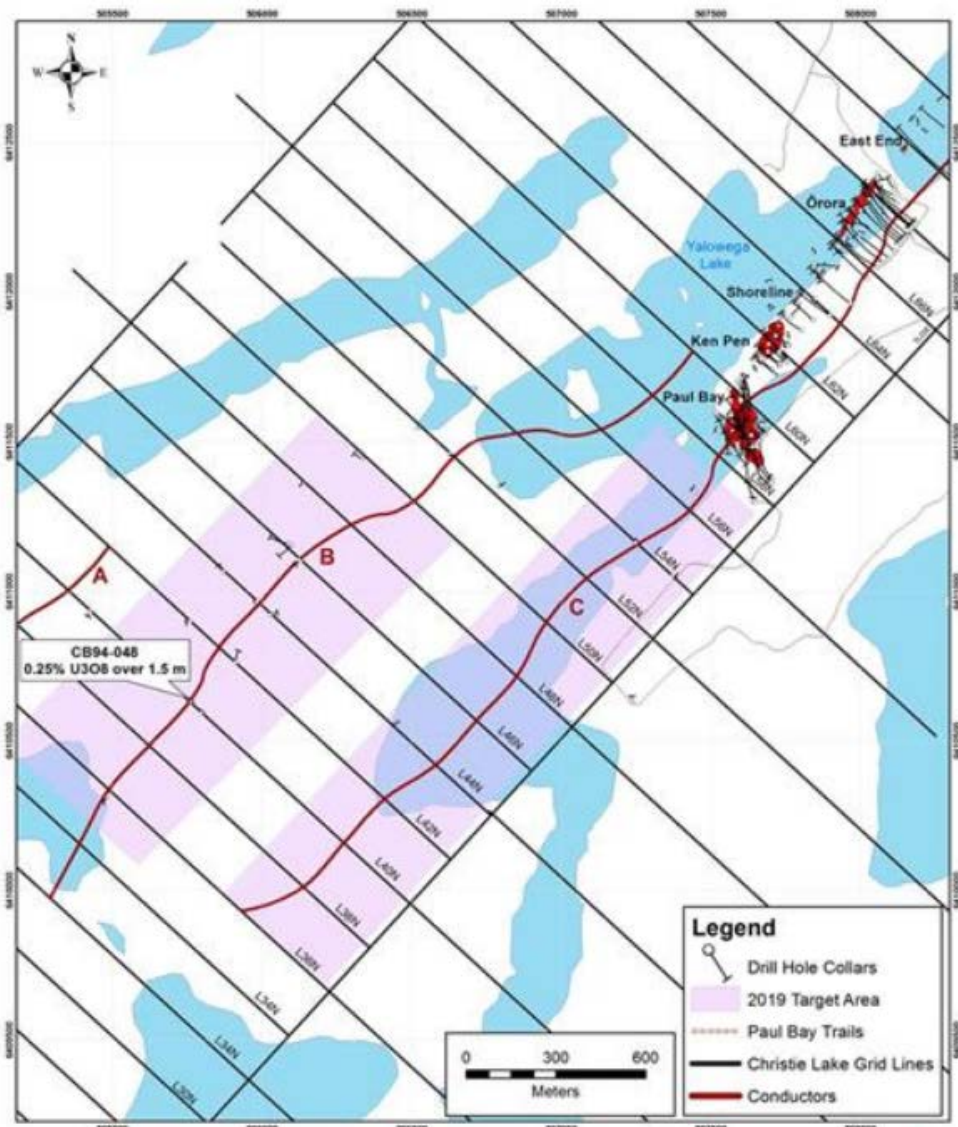
**Table 1: Mineral Resource Statement\*, Christie Lake Project, Saskatchewan, Canada, SRK Consulting (Canada) Inc., December 13, 2018**

Deposit	Tonnage (000s)	Grade (% U <sub>3</sub> O <sub>8</sub> )	Contained Metal (Mlb U <sub>3</sub> O <sub>8</sub> )
<b>Inferred Mineral Resources</b>			
Paul Bay	338	1.81	13.49
Ken Pen	149	1.05	3.44
Órora	102	1.53	3.41
<b>Total</b>	<b>588</b>	<b>1.57</b>	<b>20.35</b>

\* Mineral resources are not mineral reserves and have not demonstrated economic viability. All figures have been rounded to reflect the relative accuracy of the estimates. Reported at a cut-off grade of 0.2% uranium.

Source: Company Reports

**Figure 1: Christie Lake Project - Yalowega trend highlights multiple corridors and high prospectively for the 2019 drill campaign**



Source: Company Reports

UEX Corp. (UEX-T)					
Rating	BUY	C\$ Target	\$0.50	Shares O/S (MM)	316.0
		C\$ Close	\$0.16	Fully Diluted Shares (MM)	391.9
David A. Talbot, Director, Mining Research		12-month return	213%	Basic Mkt. Capitalization (\$MM)	C\$ 61.0
<a href="mailto:dtalbot@viiicapital.com">dtalbot@viiicapital.com</a>				Enterprise Value (\$MM)	C\$ 55.0

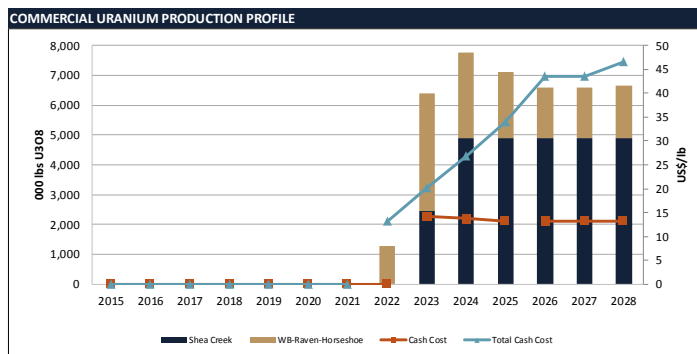
PRODUCTION ESTIMATES (000 lbs)					
Year-end December	2019E	2020E	2021E	2022E	2023E
Shea Creek	0	0	0	0	2,450
WB-Raven-Horseshoe	0	0	0	1,288	3,958
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,288</b>	<b>6,408</b>

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>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
58B	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
58B	49%	0.08	0.51%	0.9	0.5
Horseshoe	100%	0.29	0.17%	1.0	1.0
Christie Lake Earn-in	60%	0.59	1.57%	20.4	12.2
Raven	100%	0.82	0.09%	1.7	1.7
<b>Total Inferred Resources</b>		<b>2.97</b>	<b>0.78%</b>	<b>51.26</b>	<b>28.74</b>
<b>TOTAL RESOURCES</b>		<b>15.4098</b>	<b>0.46%</b>	<b>155.54</b>	<b>98.52</b>
<b>Current Per Pound Metrics</b>					
	UEX	Dev. Peers	Prem./Disc.		
EV/lb (US\$)	\$0.37	0.60	(38%)		
Mkt Cap/lb (US\$)	\$0.46	0.46	(1%)		

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	47.6	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>189.5</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	Q3/18E
<b>Assets:</b>				
Cash & ST Investments	5.14	4.14	5.11	5.98
Other Current Assets	0.16	0.25	0.21	0.18
<b>Current Assets</b>	<b>5.30</b>	<b>4.39</b>	<b>5.32</b>	<b>6.16</b>
Mineral Properties	160.08	9.50	10.25	9.86
Other non-current Assets	0.34	0.07	0.31	0.70
<b>Total Assets</b>	<b>165.73</b>	<b>13.95</b>	<b>15.87</b>	<b>16.72</b>
<b>Liabilities:</b>				
Current Liabilities	0.48	0.53	0.36	0.84
Long-term Debt	0.00	0.00	0.00	0.00
Other non-current Liabilities	10.60	0.00	0.02	0.01
<b>Total Liabilities</b>	<b>11.07</b>	<b>0.53</b>	<b>0.38</b>	<b>0.85</b>
Capital Stock	183.46	186.60	193.85	198.95
Retained Earnings	-28.80	-173.19	-178.36	-183.08
<b>Total Shareholder Equity</b>	<b>154.66</b>	<b>13.42</b>	<b>15.49</b>	<b>15.87</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>

INPUT PRICES				
Year-end December	2018E	2019E	2019E	2020E
Eight Capital Spot Uranium (US\$/lb)	29.0	35.0	40.0	50.0
Uranium Realized Price (US\$/lb)	0.0	0.0	0.0	0.0
Eight Capital Spot Cobalt (US\$/lb)	35.5	36.5	38.0	40.0
Exchange (US\$/C\$)	0.78	0.76	0.77	0.80

Source: Company reports, FactSet, Eight Capital

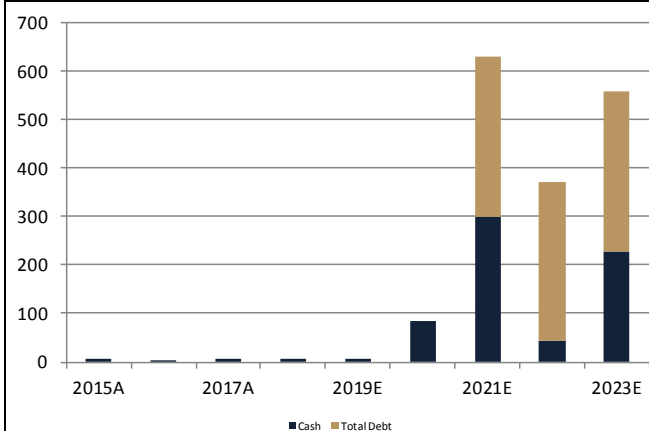
**UEX Corp.**

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

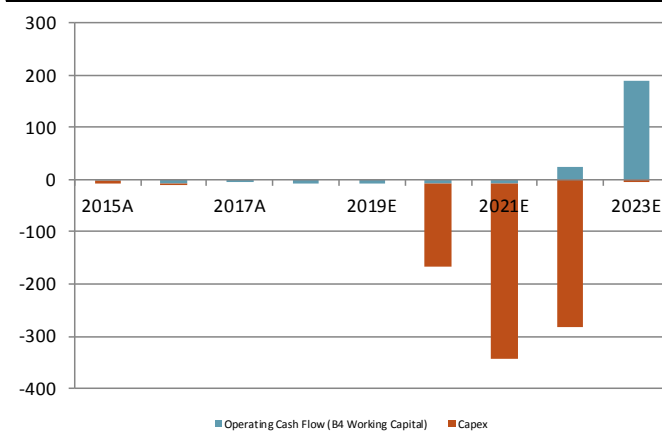
	Target Setting NAV			NAV at Various Discount Rates					
	Discount Rate	(\$MM)	(\$/Share)	0%		5%		15%	
				(\$MM)	(\$/Share)	(\$MM)	(\$/Share)	(\$MM)	(\$/Share)
<b>Uranium Assets</b>									
Shea Creek (49%)	10%	-10	-0.03	34	0.11	6	0.02	-19	-0.06
Hidden Bay (100%)	10%	17	0.05	47	0.15	29	0.09	9	0.03
<b>Total Uranium Assets</b>		<b>7</b>	<b>0.02</b>	<b>81</b>	<b>0.26</b>	<b>34</b>	<b>0.11</b>	<b>-10</b>	<b>-0.03</b>
<b>Other Assets &amp; Expenses</b>									
Cash		5	0.02	5	0.02	5	0.02	(19)	(0.06)
Debt		0	0.00	0	0.00	0	0.00	9	0.03
Resources		48	0.15	48	0.15	48	0.15	5	0.02
Exploration, G&A, Other	10%	131	0.41	165	0.52	146	0.46	0	0.00
<b>Net Other Assets</b>		<b>183</b>	<b>0.58</b>	<b>217</b>	<b>0.69</b>	<b>199</b>	<b>0.63</b>	<b>(5)</b>	<b>(0.02)</b>
<b>Net Asset Value</b>		<b>190</b>	<b>0.60</b>	<b>298</b>	<b>0.94</b>	<b>233</b>	<b>0.74</b>	<b>-15</b>	<b>-0.05</b>
<b>Share Price</b>			<b>0.16</b>		<b>0.16</b>		<b>0.16</b>		<b>0.16</b>
<b>P/NAV</b>			<b>0.27x</b>		<b>0.17x</b>		<b>0.22x</b>		<b>-3.31x</b>

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

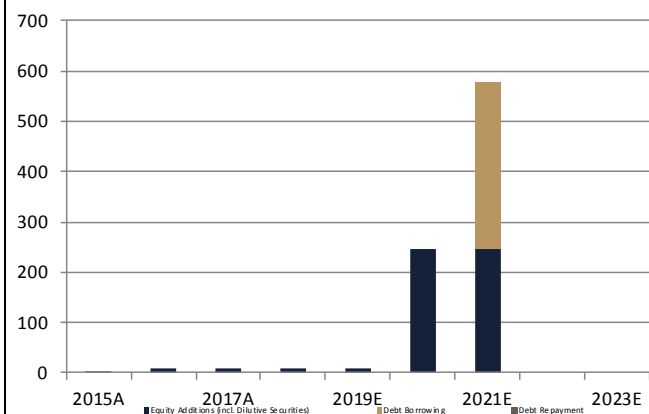
**Cash and Debt**



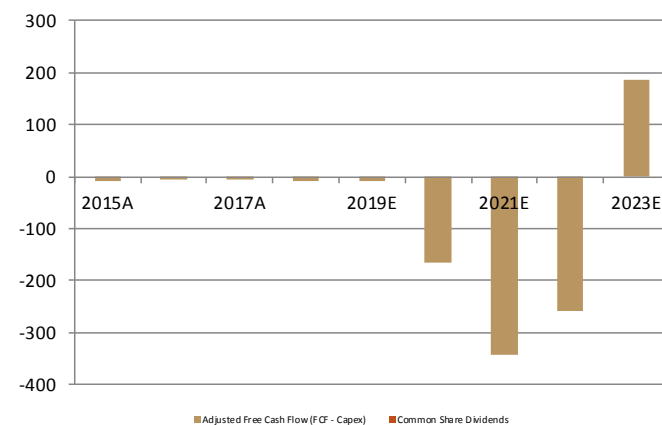
**Operating Cash Flow and Capital Spending**



**Changes in Debt and Equity**



**Free Cash Flow and Common Share Dividends**



Source: Company reports, FactSet, Eight Capital

## Disclosures and Disclaimers

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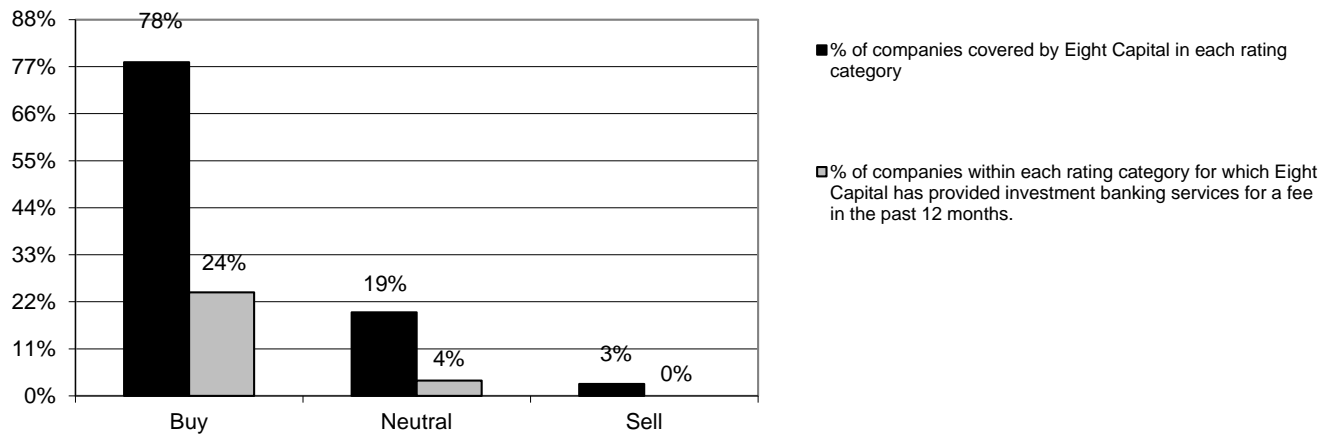
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*As at October 1, 2018*  
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