



Uranium Energy Corp.

(UEC-US)

SECTOR: Mining

STOCK PRICE	\$1.43
RATING	BUY
TARGET PRICE	\$2.90
RISK	Very High

PERMITTING UPDATE

Burke Hollow Receives Last Major Permit Required ahead of Development

OUR TAKE: UEC has announced receipt of the Radioactive Materials License (RML) from the Texas Commission on Environmental Quality (TCEQ). The RML is the last of the four major permits required to advance Burke Hollow to development and **represents a significant de-risking event for the Company.**

KEY HIGHLIGHTS

- ◆ **RML Last Major Permit for Burke Hollow:** The Radioactive Materials License for Burke Hollow outlines a 5,385 acre boundary at the project that includes “multiple production areas” and would allow the construction of a satellite processing facility to load resin to be transported to UEC’s fully constructed and licensed central Hobson facility for final processing and packaging under the Company’s South Texas hub-and-spoke ISR uranium strategy. We are following up with UEC to determine what portion of the Burke Hollow resource / production areas are encompassed by the RML boundary.
- ◆ **Summary of Resources at Burke Hollow:** UEC last updated the resource estimate for Burke Hollow in late 2017 outlining NI 43-101 inferred resources of 7.1 Mlb pU₃O₈ (Figure 2). The Burke Hollow project resource is approaching our conceptual production model which is based on 10 Mlb U₃O₈, and carries a 10% better grade than we assume. We remain confident that with further exploration work, Burke has the potential to exceed our conceptual resource (see Figure 3 for production concept). The mineralized trend at Burke Hollow has been delineated over 4.5 miles with evidence of extension potential at the +30 mile² property.
- ◆ **Drilling to Commence Imminently at Burke:** UEC will start drilling at Burke in early March with plans to install 120 monitor wells in preparation for development of the first production area as well as 20 additional delineation drill holes.
- ◆ **Our Model Includes Production from Burke Hollow in 2020:** With all four major permits in-hand, we believe UEC could potentially deliver first loaded resins from Burke Hollow in later 2020 if uranium prices justify (we expect they will). UEC has multiple near production ready assets within its South Texas ISR portfolio and we believe UEC is one of the best positioned vehicles for playing a potential positive outcome of the US DoC Section 232 investigation in domestic uranium supply, and as such, remains a “Top Pick”.

RECOMMENDED ACTION

We recommend UEC as our top U.S.-based uranium stock.

- ◆ **Reiterate our Buy rating and \$2.90/sh Target.** Our target implies a 103% return, which we believe could be conservative if a sustained increase in the uranium price drives a major shift in sentiment over the next two years. Our downside valuation of \$1.00 implies 30% risk, making the reward to risk ratio 3.4x.
- ◆ **UEC remains our top pick to play potential near-term catalysts in the U.S. uranium space** expected with conclusion of the U.S. Department of Commerce investigation into domestic uranium supply, which is set to conclude in April 2019 (possibly delayed due to Gov. shutdown). We recommend those looking for exposure continue to accumulate UEC shares at current levels, noting a major resistance level at \$2.00.
- ◆ **Price action has been improving despite softness in uranium equities.** UEC shares have formed an inverse head and shoulders bottom pattern and have crossed over its 50/200-day EMAs with rising momentum, relative strength, and on-balance volume. We see this as an ideal entry point and recommend looking at the ~\$1.60 resistance level as a spot to add to positions.

KEY STATISTICS AND METRICS

52-Week High/Low	\$1.89/\$1.12
YTD Performance	14.4%
Dividend Yield	N/A
Shares O/S	189M
Market Capitalization	\$254M
Cash	~\$25M
Debt	\$19.5M
Enterprise Value	\$249M
Daily Volume (3 mos.)	984,452
Currency	USD

HAYWOOD ESTIMATES (USD)

	2017A	2018E	2019E
U3O8 Production	0	0	0.8
Revenue (\$M)	0	0	31.5
EBITDA (\$M)	(14.4)	(15.5)	7.0
CFPS (\$)	(0.08)	(0.10)	0.01

VALUATION

We value UEC using a 1.0x corporate NAV multiple based on our fully-financed DCF_{8%} on the Hobson ISR Uranium portfolio + Reno Creek (\$517M NPV), combined with our fully-financed DCF_{10%} of the Yuty project (\$70.5M NPV). After corporate adjustments, this yields a NAV of \$651M or \$2.90/share.

Figure 1. UEC Stock Chart (Daily)



Source: Haywood Securities Inc., Stockcharts.com



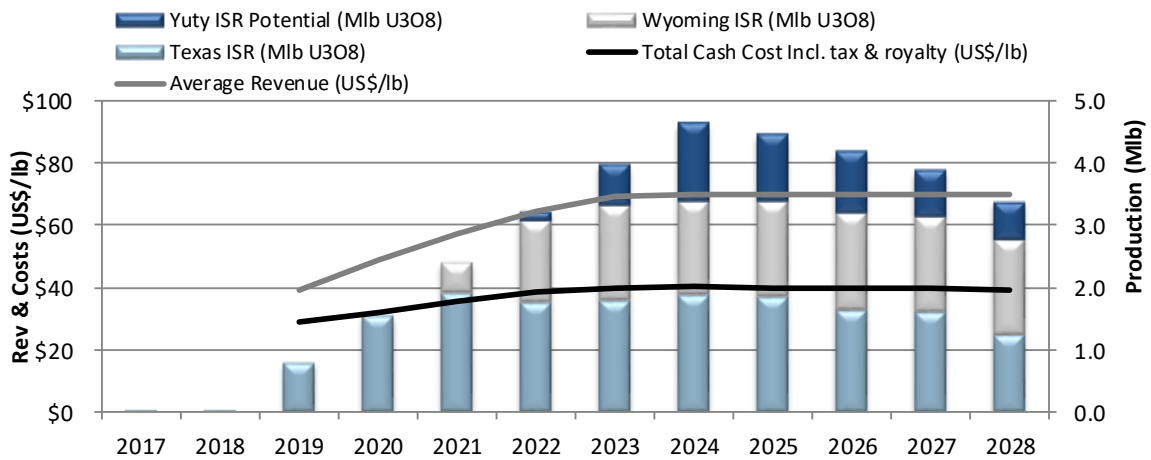
Figure 2. Summary of Resource Estimate for Burke Hollow

Burke Hollow Inferred Resource - November 2017			
Graben Trend	Tons (M)	Grade (% pU3O8)	pU3O8 (Mlb)
Lower A1	837,549	0.097	1,624,845
Lower A2	111,732	0.073	163,129
Upper B	285,050	0.063	359,163
Lower B1	267,433	0.091	486,728
Lower B2	224,963	0.091	409,432
Graben Total	1,726,727	0.088	3,043,297
East Side Trend	Tons (M)	Grade (% pU3O8)	pU3O8 (Mlb)
Lower B1	1,020,149	0.090	1,836,269
Lower B2	1,317,699	0.084	2,213,734
East Side Total	2,337,848	0.087	4,050,003
Project Total	4,064,575	0.087	7,093,300

Source: UEC, Haywood presentation/calculations

(pU3O8 grades by prompt fission neutron analysis; Grade cut-off, 0.02% pU3O8; GT cut-off, 0.3 pU₃O₈*ft.)

Figure 3. UEC Potential Production Profile



Source: UEC



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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.

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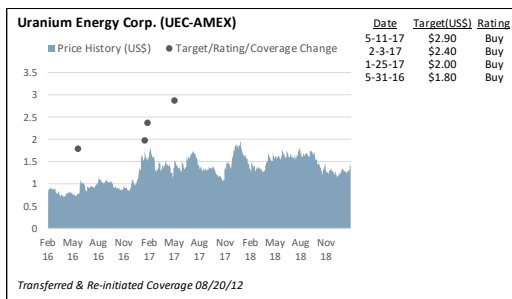
Other material conflict of interest of the research analyst of which the research analyst or Haywood Securities Inc. knows or has reason to know at the time of publication or at the time of public appearance:

- ◆ n/a

Distribution of Ratings (as of February 20, 2019)

	%	#	IB Clients (TTM)
Buy	75.2%	76	95.8%
Hold	7.9%	8	4.2%
Sell	2.0%	2	0.0%
Tender	2.0%	2	0.0%
UR (Buy)	0.0%	0	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	12.9%	13	0.0%

Price Chart, Rating and Target Price History (as of February 20, 2019)



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

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