

# URANIUM ENERGY CORP.

## Progress Report: As inventories grow, a 2016 production ramp remains on course

### EVENT

In light of the recently announced quarterly results for the three month period ended on January 31, 2015, we take a closer look at UEC's progress thus far and highlight the milestones which have been achieved as Palangana and Burke Hollow advance towards a ramp in production.

### BOTTOM LINE

**Neutral** - Similar to previous quarters, no revenues were incurred in the quarter as the company's strategic focus (announced in September 2013) of producing at a minimal level in anticipation for a rebound in prices is still being enforced. Stockpiled inventories continue to grow and now total just over 80,000 lbs of U<sub>3</sub>O<sub>8</sub>.

Future production at both Palangana and Burke Hollow continues to progress as the company looks to build up on its hub and spoke strategy in anticipation of a recovery in uranium prices. We maintain our Buy rating and \$2.75 target price.

### FOCUS POINTS

- **Progress Thus Far** – Over the last six months, draft mine permits and production area authorizations have been authorized for PAA-4 at Palangana. At Burke Hollow, a 77% increase in inferred resource (to 5.12M lbs inferred) was announced in November. An Aquifer Exemption application is at the review stage while a class I disposal well application and a radioactive Material Licence application has been submitted to the Texas Commission on Environmental Quality.
- **2016 Production Ramp** – With the above progressing as scheduled, we continue to see a large increase in production to nearly 400,000 lbs for FY 2016 at Palangana. We forecast an initial production start at Burke Hollow by 2017.

### Recommendation:

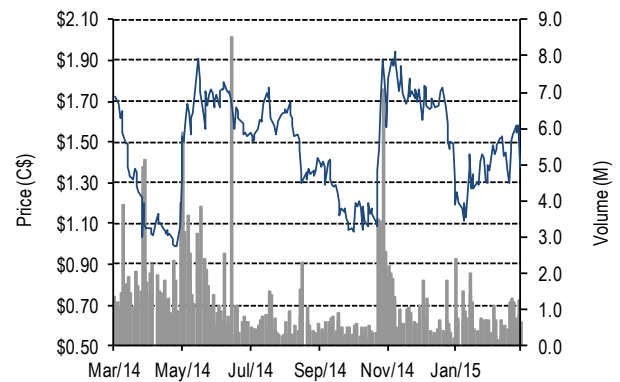
**BUY**

Symbol/Exchange:	UEC /NYSE
Sector:	Metals and Mining
<i>All dollar values in C\$ unless otherwise noted.</i>	
Current price	\$1.42
One year target:	\$2.75
Return target	93%
Cash on hand	\$4.4M

### Company Summary

	2013A	2014A	2015E	2016E
Shares O/S (M)	91.0	52-week range	\$0.99-	1.94
Market cap (\$M)	\$129.2	Avg. weekly vol. (000)	5.505	
Market float (\$M)	\$121.7	Fiscal year-end	31-Jul	
Uranium Production (000 lbs)	194.0	37.5	40.0	397.4
Revenue (\$M)	9.0	0.0	0.0	18.6
Operating Cost (\$M)	8.4	0.0	0.0	9.2
Cash Cost (US\$/lb)	\$38.37			\$23.21
EBITDA (\$M)	(\$21.8)	(\$22.8)	(\$12.0)	(\$7.1)
EPS	-\$0.26	-\$0.29	-\$0.14	-\$0.08
CFPS	-\$0.23	-\$0.24	-\$0.13	-\$0.07

Source: Company Reports and Cantor Fitzgerald Estimates



**Company profile:** Uranium Energy Corp. is a production stage uranium company with primary assets located in south Texas. Additional exploration stage assets are located in Arizona (Anderson), Colorado, New Mexico, Wyoming, and Paraguay (Yuty, Oviedo).

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See disclosure and a description of our recommendation structure at the end of this report.

## HUB AND SPOKE STRATEGY UPDATE

UEC has had much news flow over the last six months as work continues to progress at both Palangana and Burke Hollow.

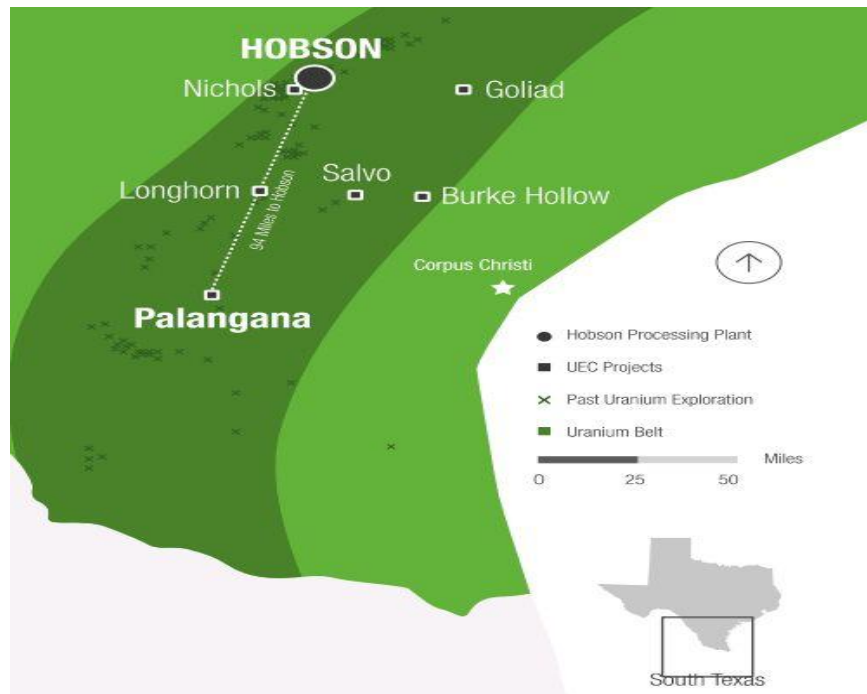
At Palangana, draft permits for the mine permit and production area authorization for PAA-4 has been issued. Moreover, the draft aquifer exemption order to expand the aquifer exemption boundary for PAA-4 has been issued. The draft RML license for PAA-4 has also been issued, moving the project one step closer to increased production capabilities. At this point, the final steps to approve new production at Palangana will include issuance of final permits and concurrence of the aquifer exemption.

At Burke Hollow, the company has given notice that the mine permit and aquifer exemption applications are administratively complete. The applications have now moved forward into the technical review stage of the permitting process with the Texas Commission on Environmental Quality (TCEQ). Moreover, two Class I waste disposal well applications were submitted in July. These applications have been declared administratively complete and are now under technical review with the TCEQ. Lastly, The Radioactive Material License application for Burke Hollow has also been completed and submitted to the TCEQ. It was the last major application to be submitted for the project.

Note as well that a 77% increase in inferred resource was also announced at Burke Hollow in mid November. The NI 43-101 compliant resource increased from the previously reported 2.89M lbs. inferred  $U_3O_8$  at 0.048% to the current 5.12M lbs. inferred at 0.09%  $U_3O_8$ .

As can be seen in exhibit 1 below, the Hobson Processing facility forms the nucleus of the hub and spoke strategy in which future feedstock will be derived from assets each located within 100 miles of the facility. Note that the wholly owned Hobson processing facility has the physical capacity to process up to 2.0M lbs  $U_3O_8$  annually. It is currently licensed to process up to 1.0M lbs annually.

**Exhibit 1: UEC Hub & Spoke Strategy.**



Source: Uranium Energy Corp.

**Exhibit 2: Current Texas Based U<sub>3</sub>O<sub>8</sub> Resource**

	NI 43-101 compliant resource (lbs)		
	M&I	Inferred	Total Resource
Palangana	1,057,000	1,154,000	2,211,000
Goliad	5,475,200	1,501,400	6,976,600
Burke Hollow		5,120,000	5,120,000
Salvo		2,839,000	2,839,000
Nichols		1,307,000	1,307,000
	6,532,200	11,921,400	18,453,600

Source: Uranium Energy Corp.

**CORPORATE STRATEGY DEFERS PRODUCTION**

Similarly to previous quarters, no revenues were incurred in the quarter as the company’s strategic focus (announced in September 2013) of producing at a minimal level in anticipation for a rebound in prices is still being enforced. Stockpiled inventories continue to grow and now total just over 80,000 lbs of U<sub>3</sub>O<sub>8</sub>.

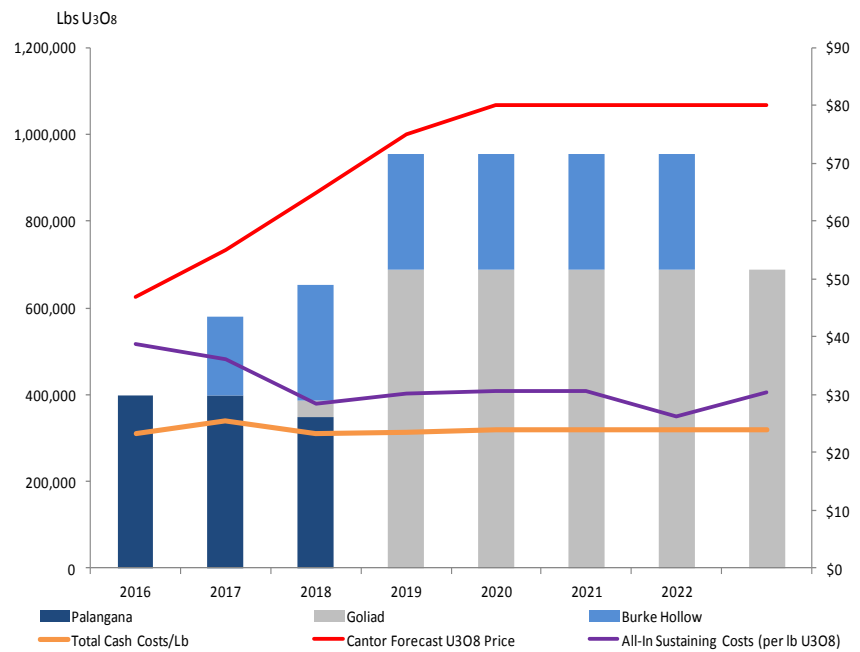
During the three months ended January 31, (fiscal Q2, 2015) the Palangana mine extracted 4,000 lbs while the Hobson Processing facility processed 3,000 lbs. Note that since the start of production from Palangana in November 2010, a total of 572,000 lbs has been produced, of which 490,000 lbs have been sold.

UEC will continue to produce at reduced levels in anticipation for a rebound in prices. The company does not currently have any fixed delivery commitments or off-take agreements. Working capital totaled \$5.7M on January 31, with cash and equivalents totaling \$4.4M.

**PRODUCTION RAMP BY 2016**

Given the permitting updates from October, we continue to forecast a large ramp in production to nearly 400,000 lbs for FY 2016 at Palangana, along with an initial start in production at Burke Hollow for 2017. UEC continues to be one of the most sensitive companies to changes uranium pricing seeing as the company is currently stockpiling inventory and is completely un-hedged in terms of long term sales contracts.

**Exhibit 3: UEC Production and Cost Forecast**



Source: Cantor Fitzgerald Canada Research

**Exhibit 4: Net Asset Valuation**

Projects	Uranium Energy Corp.		Comment
	NAV	Per Share	
Palangana	23,320,550	\$0.25	8% NPV
Goliad	139,164,733	\$1.50	10% NPV
Burke Hollow	56,645,750	\$0.61	10% NPV
Salvo	2,839,000	\$0.03	\$1.0/lb In-situ Valuation
Nichols	1,307,000	\$0.01	\$1.0/lb In-situ Valuation
Yuty	5,570,000	\$0.06	\$1.0/lb In-situ Valuation
Anderson	29,000,000	\$0.31	\$1.0/lb In-situ Valuation
Workman Creek	5,542,000	\$0.06	\$1.0/lb In-situ Valuation
NPV of Debt	(18,148,760)	(\$0.20)	Fiscal Q2/2015
Working Capital (net of cash)	1,307,885	\$0.01	Fiscal Q2/2015
Cash	5,183,032	\$0.06	Fiscal Q2/2015
<b>Total</b>	<b>251,731,191</b>	<b>\$2.71</b>	

Source: Cantor Fitzgerald Canada Research

**Exhibit 5: Uranium Price Forecast**

USD	2011A	2012A	2013A	2014A	2015E	2016E	2017E	LT
U <sub>3</sub> O <sub>8</sub> Spot Price	\$57.01	\$48.86	\$38.53	\$33.48	\$41.13	\$50.00	\$60.00	\$80.00

Source: Cantor Fitzgerald Canada Research

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**HOLD:** The stock is fairly valued, lacks a near term catalyst, or its execution risk is such that we expect it to trade within a narrow range of the current price in the next 6 to 12 months. The longer term fundamental value of the company may be materially higher, but certain milestones/catalysts have yet to be fully realized.

**SELL:** The stock is overpriced relative to the company's fundamentals, and we expect it to decline from the current price over the next 6 to 12 months.

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