

enCore Energy Corp. (TSXV:EU)

Target Increased on 3-for-1 Share Consolidation

Corporate Update

September 14, 2022

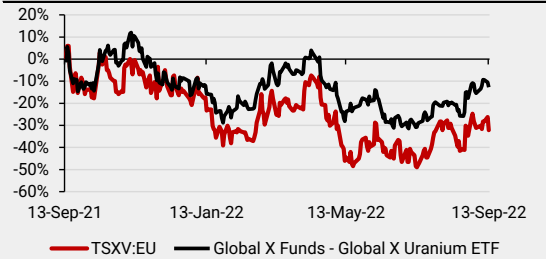
(Currency is CAD\$ unless noted otherwise)

Closing Price (\$/sh)	\$1.49
Rating	BUY
Target (\$/sh)	\$7.60
Return to Target	410%
52 Week Low / High	\$2.91 / \$6.81
CAPITALIZATION	
	Basic Diluted
Shares Outstanding (M)	107.6 123.7
Market Capitalization (\$MM)	\$160.3
Enterprise Value (\$MM)	\$138.6
Cash and Cash Equivalents (\$MM)	\$21.7
Total Debt (\$MM)	\$0.0

STOCK CHART



RELATIVE PERFORMANCE



NET ASSET VALUE	C\$M	C\$/sh
Project NAV	\$984.8	\$7.96
Corporate NAV	\$934.0	\$7.55

RELATIVE VALUATION	US\$ EV/lb U ₃ O ₈	P/NAV
enCore Energy Corp.	\$3.21	0.54x
Peers*	\$4.01	0.45x

* S&P Capital IQ Pro

MAJOR SHAREHOLDERS

Management (12.87%), Mirae Asset Global Investments Co., (15.47%), Sprott Asset Management LP (13.73%)

DISCLOSURE CODE: 1,2,3,4

(Please refer to the disclosures listed on the back page)

Source: RCS, Company Information, Capital IQ

Company Description

enCore Energy Corp. is a U.S. domestic uranium developer focused on becoming a leading in-situ recovery (ISR) uranium producer. The company's portfolio of assets includes two South Texas production facilities (Rosita and Kingsville Dome) and multiple uranium projects located across the United States (South Dakota, New Mexico, Wyoming, Utah and Arizona).

Impact: Positive

enCore Energy plans to consolidate its shares on a 3-for-1 basis, effective Sep 14th. As a result of this, EnCore's outstanding shares have decreased from 322.8M to 107.6M post-consolidation, helping to satisfy the requirements for a planned NASDAQ listing ([read more](#)). **Based on these changes to its capital structure, we are increasing our target price for enCore to C\$7.60/sh (was C\$2.75/sh).**

- **NASDAQ listing to provide greater liquidity.** The reduced share count along with the pending NASDAQ listing should help increase the company's liquidity and visibility of the stock. Overall, this move was anticipated as enCore's asset base is located in the U.S., and the listing could position it well to gain exposure to U.S. institutional investors ahead of the commissioning of the Rosita processing plant in Q4/22 and planned production in H1/23.
- **Two licensed ISR production facilities with 1.6M lb U₃O₈ production capacity.** In Texas, enCore owns the Rosita and Kingsville Dome facilities where both plants have 800k lb U₃O₈ annual production capacity but could see expansion to 2M lb/year. Refurbishment of Rosita is on schedule for Q3/22.
- **Aggressive exploration plans in Texas.** The Rosita Extension Production Authorization Area (PAA) is the first production area planned. While the entire project area currently has less than 1M lb U₃O₈ in historic resources, an aggressive drilling campaign with 145 holes completed has returned significant mineralization which could help increase the existing resource base. Based on our site visit to the project in Feb/22 ([read more](#)), we see the possibility of adding a potential 6M lb U₃O₈ at Rosita.
- **Dewey Burdock - a high-grade, low capital project next in the pipeline.** A 2019 PEA outlined potential production of 1M lb U₃O₈ over a 16-year mine life from this permitted project in South Dakota. Cash operating costs are estimated at US\$10.46/lb U₃O₈ with low initial capital of US\$31.7M. The project has a post-tax NPV_{8%} of US\$147.5M and IRR of 50%, assuming a long-term uranium price of US\$55/lb. Dewey Burdock demonstrates positive economics even at low uranium prices (pre-tax IRR of 17% at a US\$35/lb uranium price).
- **Making adjustments to our model.** We have decreased the number of shares outstanding and assume the 3-for-1 consolidation also applies to options and warrants outstanding. We have also adjusted the company's equity investments in American Future Fuel Corp. (CSE:AMPS, Not Rated) and Group 11 Technologies based on its most recent financial statements (Figure 1).

We maintain our BUY rating and increase our target to C\$7.60/sh (was C\$2.75/sh) and are confident that resource growth from current drilling activities will not only support upcoming production, but the potential for future plant expansion. This near-term production potential should help support longer term development of additional projects in the pipeline like Gas Hills in Wyoming. **Upcoming catalysts:** 1) Off-take and M&A discussions (ongoing), 2) Rosita Expansion resource growth drilling (ongoing) and 3) Rosita refurbishment (Q3/22) and planned production (H1/23).

Figure 1: enCore Energy NAV summary

Asset	Status	Resource (M lb U ₃ O ₈)	Valuation Method	Fair Value Estimate		%
				C\$ M	C\$/sh	
Processing Facilities						
Rosita (100%-owned)	Development	N/A	DCF at 8%	258.09	2.09	28%
Kingsville Dome	Standby	N/A	N/A	0.00	0.00	0%
Uranium Assets						
Marquez-Juan Tafoya (100%)	Development	8.62	DCF at 8%	22.15	0.18	2%
Marquez-Juan Tafoya (100%)	Exploration	9.21	In-situ - US\$3.00/lb U3O8	36.85	0.30	4%
Dewey Burdock (100%-owned)	Development	17.83	DCF at 8%	193.18	1.56	21%
Gas Hills (100%-owned)	Development	11.26	DCF at 8%	107.00	0.87	11%
Crownpoint & Hosta Butte (100%-owned)	Exploration	32.63	In-situ - US\$3.00/lb U3O8	130.51	1.06	14%
Aladdin (100%-owned)	Exploration	1.14	In-situ - US\$3.00/lb U3O8	4.56	0.04	0%
Juniper Ridge (100%-owned)	Exploration	6.19	In-situ - US\$3.00/lb U3O8	24.75	0.20	3%
Centennial (100%-owned)	Exploration	12.70	In-situ - US\$2.00/lb U3O8	33.86	0.27	4%
Nose Rock (100%-owned)	Exploration	34.95	In-situ - US\$2.00/lb U3O8	93.21	0.75	10%
West Largo (100%-owned)	Exploration	17.18	In-situ - US\$2.00/lb U3O8	45.81	0.37	5%
Ambrosia Lake-Treeline (100%-owned)	Exploration	7.10	In-situ - US\$2.00/lb U3O8	18.93	0.15	2%
Moonshine Springs (100%-owned)	Exploration	4.70	In-situ - US\$2.00/lb U3O8	12.53	0.10	1%
Butler Ranch (100%-owned)	Exploration	1.26	In-situ - US\$2.00/lb U3O8	3.37	0.03	0%
Upper Spring Creek (100%-owned)	Exploration	0.00	In-situ - US\$2.00/lb U3O8	0.00	0.00	0%
35-75 (100%-owned)	Exploration	0.00	In-situ - US\$2.00/lb U3O8	0.00	0.00	0%
Coal Hill (100%-owned)	Exploration	0.00	In-situ - US\$2.00/lb U3O8	0.00	0.00	0%
Tidwell District Area (100%-owned)	Exploration	0.00	In-situ - US\$2.00/lb U3O8	0.00	0.00	0%
Project NAV		164.78		984.81	7.96	105%
Corporate adjustments						
Cash				21.73	0.18	2%
Debt				0.00	0.00	0%
Inventory			N/A	0.00	0.00	0%
G&A				(77.68)	(0.63)	-8%
Equity Investments:						
American Future Fuel Corp.			11.3M shares held	4.52	0.04	0%
Group 11 Technologies			34.46% of Book Value	0.58	0.00	0%
Corporate NAV				933.96	7.55	100%

Source: Company Reports, RCS Estimates

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Disclosure Statement
 Updated September 13, 2022

Recommendation / Target Change			Red Cloud Securities has this percentage of its universe assigned as the following:	
Date	Rating	Target	Status	%
2021-05-14	NA	NA	BUY	70%
2021-06-25	NA	NA	BUY (S)	24%
2021-09-08	NA	NA	HOLD	0%
2021-10-13	NA	NA	TENDER	1%
2021-10-21	NA	NA	NA	2%
2021-11-17	BUY	2.75	UNDER REVIEW	2%
2021-11-23	BUY	2.75		
2021-11-24	BUY	2.75		
2022-02-14	BUY	2.75		
2022-02-28	BUY	2.75		
2022-03-03	RESTR	RESTR		
2022-03-10	RESTR	RESTR		
2022-06-27	BUY	2.75		

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Company Name	Ticker Symbol	Disclosures
enCore Energy Corp.	TSXV:EU	1,2,3,4

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2. The issuer paid for or reimbursed the analyst for a portion or all of the travel expense associated with a visit.

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- Under Review – our rating and target are under review pending, prior estimates and rating should be disregarded.

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