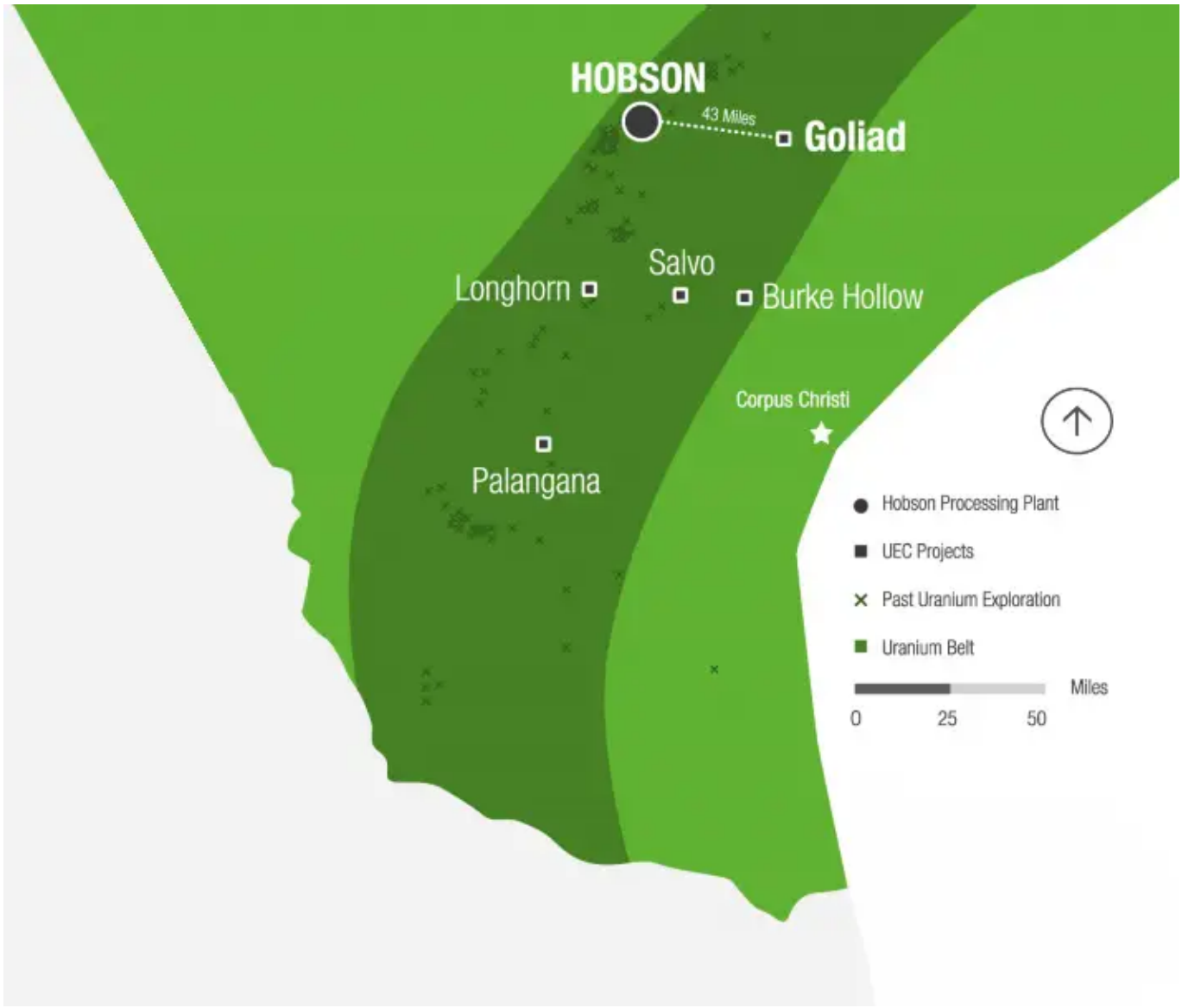
Sprott Research Says UEC Supplanting Cameco

Uranium Energy Corp. (NYSE: UEC)

Has been featured in a recommendation by Sprott Research.

Sprott say UEC is “supplanting Cameco as the go to Uranium stock”.



NYSE: UEC
Production + development
Uranium
US $1.16 Billion @ $3.17
Texas, Wyoming, USA, Paraguay

Comment

Please note, the following is a Sprott Research recommendation for information purposes only.

The opinions expressed are theirs, and not of this website, we are merely reporting their comments and recommendation.

The research note follows:

Uranium Energy Corp (UEC US) Initiation: Supplanting Cameco as the go-to uranium stock

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RECOMMENDATION: BUY PRICE TARGET: US$7.00/share RISK RATING: HIGH

North America's largest pure play uranium inventory

Since the mid-2000s, Uranium Energy Corp (UEC) has been one of the leading uranium developers and producers, initially focused on its Texas ISR assets.

Recent years have seen transformational M&A which has seen UEC

diversify to Wyoming and Saskatchewan, with a ~266Mlb resource base (excluding its minority stakes in Canadian assets) that includes fully permitted US ISR assets in WY and TX capable of producing up to 6.5Mlbs, and a >3,000km^2 land position and 146Mlb resource base in the world class Athabasca basin.

Targeting Cameco's vacated role as the go-to uranium pure play

With long time bell weather Cameco now diversified into downstream services, we think UEC is well poised to replace Cameco as the go-to uranium pure play for large institutions. Key attractions include its US listing, diversification with US ISR and high grade Athabasca projects, permitted assets in safe jurisdictions, physical uranium on balance sheet, and >US$45m per day trading liquidity. While some investors may prefer either permitted production or big, high grade Athabasca projects, UEC's has the broadest appeal, which results in sector leading liquidity, making it an institutional hub for uranium investors.

US domestic production potential with permitted TX and WY assets

UEC has the best domestic US ISR portfolio in our view, with permitted assets in Wyoming (89Mlbs) and Texas (19Mlbs), and hard rock assets in NM and AZ. Both the WY and TX hub and spoke projects have existing processing plants, permitted wellfields and operating permits for a combined 6.5Mlbs per year (~14-16% of US domestic demand). With US$93m of cash and liquid assets (incl 0.8Mlbs of U[3]O[8]), UEC is permitted and well-funded with a further 3.1Mlbs at US$42/lb of committed

purchases to add to its exposure.

Athabasca portfolio brings UEC's aggressive approach to the basin

In addition to permitted domestic US assets, UEC has one of the largest portfolios in Saskatchewan's Athabasca basin, home the world's largest and highest grade uranium deposits. This includes the Roughrider project (historic 58Mlbs at 4.7% U[3]O[8]), which Rio Tinto acquired for US$640m in 2011 (beating out Cameco), 49% of the 95Mlb at 1.3% U[3]O[8]Shea Creek project, and a 15% share of Cameco's 105Mlb at 2.6% U[3]O[8] Millennium project. In addition, UEC has >3,000km^2 of exploration holdings in prolific exploration areas. We think UEC can bring greater value out of these assets with its strong balance sheet and aggressive approach.

Initiate with Buy rating and US$7.00/sh 1.2xNAV[7%]price target

We value UEC using a combination of SOTP DCF and EV/in-situ valuation. We value the Texas and Wyoming ISR assets using NPV[7%-60/lb], and the other assets at US$2.0-6.0/lb. Adding in cash and liquid assets, we generate a US$2,280m NAV and US$5.74/sh FD/FF NAVPS estimate to which we apply a 1.2x NAV multiple for US premium, liquidity premium, and management.

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If you need clarification of any information contained in this note, or have any questions, I will be delighted to assist – Please email andrew@city-investors-circle.com

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