

Ticker: UEC US

Cash: US\$21m

Project: Christie Lake

Market cap: US\$1.42bn

Price: US\$3.87/sh

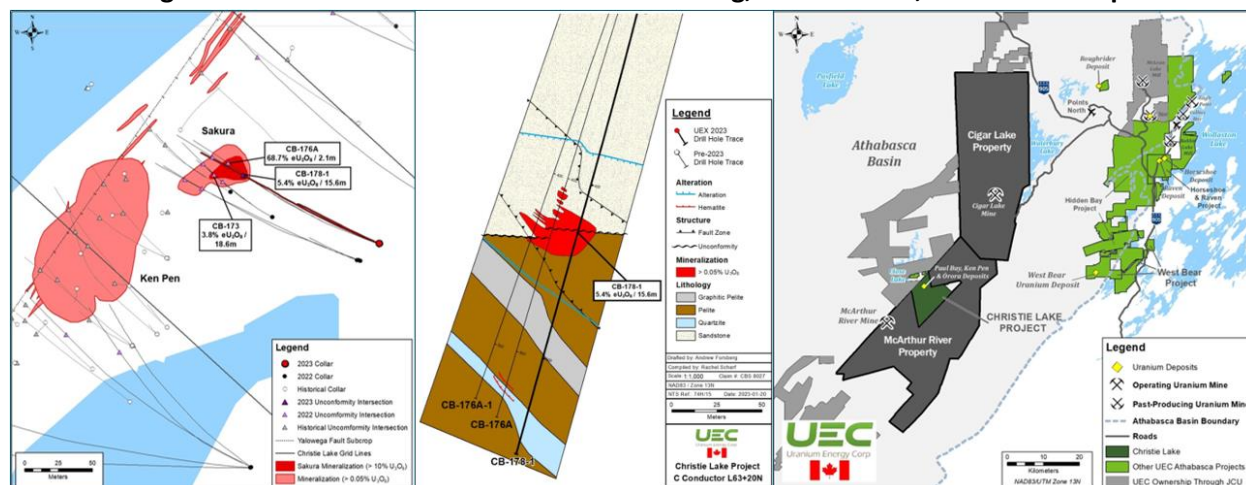
Country: Canada (Saskatchewan)

REC. (unc): BUY

TARGET (unc): US\$7.00/sh

RISK RATING (unc): HIGH

Yesterday's **15.6m @ 5.4% U₃O₈**, including **3.4m @ 23.2%**, at Christie Lake highlights what UEC has added to its portfolio in the last year: Athabasca licenses capable of delivering step change discoveries. Grades are better than the current 20Mlb at 3.2% Christie Lake resource so there's promise here. Sakura's proximity to existing resources at Ken Ben is a benefit (existing lbs nearby reduces development requirements) but the strike length to the east has prior drilling, thus our current interpretation is a helpful high grade pod but not yet step change. Ultimately it's early days for UEC in the basin, but we think the real potential here is to become the basin's most aggressive explorer, backed by UEC's strong balance sheet and tier I licences. The potential to leverage flow through funding, UEC's trading liquidity, and UEC's strong industry connections to fast track a new discovery means we think UEC should move through new targets quickly, knowing that it can both fund and derive greater value from discoveries than standalone explorers, or developers. **We maintain our BUY rating and US\$7.00/sh price target based on US\$7/lb.** Our expectation for 2023 is that UEC will accelerate Athabasca explorations plans while retaining the option to restart production in Wyoming for minimal capex when market conditions strengthen further.

Figure 1. Plan view of Christie Lake-Sakura drilling, cross section, and license map


Source: UEC

3.4m @ 24.2% U₃O₈ at Christie Lake highlights UEC's new role in the Athabasca

UEC announced assay results of 15.6m @ 5.42% U₃O₈ from 419.1m DH (vertical depth ~420m to the unconformity), including 3.4m @ 23.2% U₃O₈, from drill hole CB-178-1 at its Christie Lake project located between Cameco's McArthur River and Cigar Lake properties. The results were 10m along strike of prior hit 2.1m @ 68.7% (CB-176A). These are the first results from the winter 2023 program, which will inform an updated MRE later in 2023.

Why we like UEC

- Best portfolio of production ready US ISR assets plus strong Govt and utility relationships
- Athabasca portfolio offers game changing exploration upside
- Combines mid-tier safety (>US\$45m liquidity and strong management) but at this market cap can still achieve transformational growth

Catalysts

- **2023:** SCPe restart decision (market driven)
- **2023:** Sale of 300klbs to US uranium reserve for US\$59.50/lb
- **2024:** SCPe first production in Wyoming
- **2025:** SCPe first production in Texas
- **2023-2026:** 3.1Mlbs of uranium purchases at average US\$42.25/lb

Research

Justin Chan (London) M: +44 7554 784 688 jchan@sprott.com

Eleanor Magdzinski (Toronto) M: +1 705 669 7456 emagdzinski@sprott.com

Konstantinos Kormpis (Toronto) M: +1 778-957-3623 kkormpis@sprott.com

Ticker: UEC US		Price / mkt cap: US\$3.87/sh, US\$142.1m		Market P/NAV: 0.67x		Assets: Texas / Wyoming ISR			
Author: J Chan / E Magdzinski / K Korpis		Rec / PT: BUY / C\$7.00		1xNAV FD: US\$5.75/sh		Country: USA			
Group-level SOTP valuation				Resource / Reserve					
4Q22				Mlbs U308 % U308 EV/lb U308					
1Q23				Measured, ind. & inf.					
US\$m				290 0.12% 5.16					
O/ship				Commodity price					
NAVx				2022 2023 2024 2025 2026					
US\$/sh				U308 spot price (US\$/lb)					
Wyoming ISR assets 7% 1Q23	490	100%	1.20x	1.56	51	60	60	60	60
Texas ISR assets 7% 1Q23	289	100%	1.20x	0.92	51	60	60	60	60
Roughrider @ US\$6/lb on historical MRE	350	100%	1.20x	1.11	U308 term price (US\$/lb)				
Uranium portfolio @ US\$5/lb	799	100%	1.20x	2.54	Share data				
Exploration	100	100%	1.20x	0.32	Basic shares (m): 367.1 FD + options (m): 377.8 FD/FF 377.8				
Central SG&A & fin costs 1Q23	(41)	-	1.20x	(0.13)	Ratio analysis				
Cash and securities pro-forma asset sales 4Q22	79	-	1.20x	0.25	2022 2023 2024 2025 2026				
Physical uranium inventories and deliveries	107	-	1.20x	0.34	FD shares out (m)				
Debt 4Q22	-	-	1.20x	-	290 367 367 367 367				
1xNAV7% spot fully diluted, pre-funded				2,174	6.91				
Assumed equity raised				-	1.20x				
1xNAV7% spot fully funded				2,174	7.00				
1x fully funded NAVPS sensitivity to NdPr price and discount / NAV multiple									
Valuation (US\$/sh)	\$40/lb	\$50/lb	\$60/lb	\$70/lb	\$80/lb				
9% discount	3.80	5.20	6.40	7.80	9.00				
8% discount	3.80	5.40	6.60	8.00	9.40				
7% discount	3.80	5.40	7.00	8.40	9.80				
6% discount	3.80	5.60	7.20	8.60	10.20				
5% discount	3.80	5.80	7.40	9.00	10.80				
Wyoming NPV7% (US\$m)	\$40/lb	\$50/lb	\$60/lb	\$70/lb	\$80/lb				
9% discount	35	226	417	608	799				
8% discount	39	245	451	658	864				
7% discount	44	267	490	713	936				
6% discount	50	292	534	775	1,017				
5% discount	57	319	582	845	1,108				
Texas NPV7% (US\$m)	\$40/lb	\$50/lb	\$60/lb	\$70/lb	\$80/lb				
9% discount	38	144	250	355	461				
8% discount	42	155	269	382	495				
7% discount	47	168	289	411	532				
6% discount	52	182	312	443	573				
5% discount	58	198	338	478	618				
Valuation over time									
	Today	Jul '23	Jul '24	Jul '25	Jul '26				
Texas ISR (US\$m)	289.4	299.5	324.4	349.9	351.3				
Wyoming ISR (US\$m)	490.2	474.1	507.3	533.1	542.8				
Other uranium assets	1,049.0	1,049.0	1,049.0	1,049.0	1,049.0				
Cntrl G&A & fin costs (US\$m)	(40.7)	(50.2)	(30.6)	30.3	41.7				
Net cash at 1Q (US\$m)	79.3	32.5	52.3	57.5	84.7				
1xNAV (US\$m)	1,867	1,805	1,902	2,020	2,069				
P/NAV (x)	0.78x	0.70x	0.75x	0.70x	0.69x				
1xNAV share px FD (US\$/sh)	4.94	5.50	5.18	5.50	5.64				
ROI to equity holder (% pa)	28%	19%	10%	9%	8%				
Sources and uses of cash									
SCPe Texas Capex	US\$15m	SCPe current cash + options		US\$5m					
SCPe Wyoming Capex incl Reno Creek	US\$30m	Physical uranium sales		US\$249m					
SCPe G&A + working cap pre-positive FCF	US\$55m	Equity Raised		US\$0m					
Already contracted uranium purchases	US\$103m								
Total uses	US\$203m	Total proceeds		US\$254m					
Production (100%)									
	Jul '24	Jul '25	Jul '26	Jul '27	Jul '28				
Texas ISR prodn (Mlbs U308)	--	0.6	1.3	1.5	2.5				
Texas cash cost (US\$/lb)	--	22.4	21.6	21.0	21.9				
Texas AISC (US\$/lb)	--	34.0	33.2	32.6	34.4				
Wyoming ISR prodn (Mlbs U308)	0.5	1.3	1.3	2.6	3.3				
Wyoming cash cost (US\$/lb)	23.4	21.3	21.3	25.1	24.7				
Wyoming AISC (US\$/lb)	35.0	32.9	32.9	39.1	38.7				
Total ISR prodn (Mlbs U308)	0.5	1.9	2.6	4.1	5.8				
Physical uranium purchases (Mlbs)	0.9	0.6	0.1	--	--				
Physical uranium sales	1.6	0.6	0.1	--	--				
Total uranium sales (Mlbs)	2.1	2.5	2.7	4.1	5.8				
Cash cost excl royalties (US\$/lb)	41.7	25.4	21.8	23.8	23.6				
Total AISC (US\$/lb)	53.1	43.0	39.8	41.8	41.0				
Capex (US\$m)	8	33	58	58	65				
Income statement									
	2022	2023	2024	2025	2026				
Revenue (US\$m)	23	159	127	151	159				
COGS (US\$m)	(16)	(93)	(92)	(73)	(69)				
Gross profit (US\$m)	7	66	36	78	89				
Expenses (US\$m)	--	(15)	(14)	(18)	(30)				
Impairment & other (US\$m)	25	--	--	--	--				
Net finance costs (US\$m)	3	0	1	1	1				
Tax (US\$m)	0	(2)	(1)	(2)	(2)				
Minority interest (US\$m)	--	--	--	--	--				
Net income attr. (US\$m)	35	49	22	59	58				
EBITDA (US\$m)	(21)	46	18	60	77				
Cash flow									
	2022	2023	2024	2025	2026				
Profit/(loss) after tax (US\$m)	5	44	12	36	45				
Add non-cash items (US\$m)	(23)	28	45	23	30				
Less wkg cap / other (US\$m)	(35)	--	(43)	1	8				
Cash flow ops (US\$m)	(53)	72	14	60	84				
PP&E (US\$m)	(1)	--	(8)	(33)	(58)				
Other (US\$m)	(110)	(80)	--	--	--				
Cash flow inv. (US\$m)	(111)	(80)	(8)	(33)	(58)				
Debt draw (repayment) (US\$m)	(10)	--	--	--	--				
Equity issuance (US\$m)	168	28	--	--	0				
Other (US\$m)	(1)	(0)	--	--	--				
Cash flow fin. (US\$m)	157	28	--	--	0				
Net change post forex (US\$m)	(7)	20	5	27	26				
FCF (US\$m)	(17)	(22)	(54)	15	24				
Balance sheet									
	2022	2023	2024	2025	2026				
Cash (US\$m)	40	60	65	92	118				
Accounts receivable (US\$m)	--	1	31	25	20				
Inventories (US\$m)	--	--	9	12	9				
PPE & exploration (US\$m)	241	613	615	625	653				
Other (US\$m)	73	46	7	7	7				
Total assets (US\$m)	354	719	727	761	806				
Debt (US\$m)	--	--	--	--	--				
Other liabilities (US\$m)	27	105	101	99	99				
Shareholders equity (US\$m)	613	895	895	895	895				
Retained earnings (US\$m)	(287)	(242)	(230)	(194)	(148)				
Minority int. & other (US\$m)	--	(0)	(0)	(0)	(0)				
Liabilities+equity (US\$m)	354	758	767	801	846				
Net cash (US\$m)	33	52	58	85	111				
Net debt to NTM EBITDA (x)	(0.7x)	(2.9x)	(1.0x)	(1.1x)	(0.9x)				

Source: SCP estimates; fiscal year ended July 31 unless otherwise noted

DISCLOSURES & DISCLAIMERS

This research report (as defined under IIROC Rule 3600, Part B) is issued and approved for distribution in Canada by Sprott Capital Partners LP (“SCP”), an investment dealer who is a member of the Investment Industry Regulatory Organization of Canada (“IIROC”) and the Canadian Investor Protection Fund (“CIPF”). The general partner of SCP is Sprott Capital Partners GP Inc. and SCP is a wholly-owned subsidiary of Sprott Inc., which is a publicly listed company on the Toronto Stock Exchange under the symbol “SII”. Sprott Asset Management LP (“SAM”), a registered investment manager to the Sprott Funds and is an affiliate of SCP. This research report is provided to retail clients and institutional investors for information purposes only. The opinions expressed in this report are the opinions of the author and readers should not assume they reflect the opinions or recommendations of SCP’s research department. The information in this report is drawn from sources believed to be reliable but the accuracy or completeness of the information is not guaranteed, nor in providing it does SCP and/or affiliated companies or persons assume any responsibility or liability whatsoever. This report is not to be construed as an offer to sell or a solicitation of an offer to buy any securities. SCP accepts no liability whatsoever for any loss arising from any use or reliance on this research report or the information contained herein. Past performance is not a guarantee of future results, and no representation or warranty, expressed or implied, is made regarding future performance of any security mentioned in this research report. The price of the securities mentioned in this research report and the income they generate may fluctuate and/or be adversely affected by market factors or exchange rates, and investors may realize losses on investments in such securities, including the loss of investment principal. Furthermore, the securities discussed in this research report may not be liquid investments, may have a high level of volatility or may be subject to additional and special risks associated with securities and investments in emerging markets and/or foreign countries that may give rise to substantial risk and are not suitable for all investors. SCP may participate in an underwriting of, have a position in, or make a market in, the securities mentioned herein, including options, futures or other derivatives instruments thereon, and may, as a principal or agent, buy or sell such products.

DISSEMINATION OF RESEARCH: SCP’s research is distributed electronically through email or available in hard copy upon request. Research is disseminated concurrently to a pre-determined list of clients provided by SCP’s Institutional Sales Representative and retail Investment Advisors. Should you wish to no longer receive electronic communications from us, please contact unsubscribe@sprott.com and indicate in the subject line your full name and/or corporate entity name and that you wish to unsubscribe from receiving research.

RESEARCH ANALYST CERTIFICATION: Each Research Analyst and/or Associate who is involved in the preparation of this research report hereby certifies that:

- The views and recommendations expressed herein accurately reflect his/her personal views about any and all of the securities or issuers that are the subject matter of this research report;
- His/her compensation is not and will not be directly related to the specific recommendations or view expressed by the Research analyst in this research report;
- They have not affected a trade in a security of any class of the issuer within the 30-day period prior to the publication of this research report;
- They have not distributed or discussed this Research Report to/with the issuer, investment banking group or any other third party except for the sole purpose of verifying factual information; and
- They are unaware of any other potential conflicts of interest.

UK RESIDENTS: Sprott Partners UK Limited (“Sprott”) is an appointed representative of PillarFour Securities LLP which is authorized and regulated by the Financial Conduct Authority. This document has been approved under section 21(1) of the FMSA 2000 by PillarFour Securities LLP (“PillarFour”) for communication only to eligible counterparties and professional clients as those terms are defined by the rules of the Financial Conduct Authority. Its contents are not directed at UK retail clients. PillarFour does not provide investment services to retail clients. PillarFour publishes this document as non-independent research which is a marketing communication under the Conduct of Business rules. It has not been prepared in accordance with the regulatory rules relating to independent research, nor is it subject to the prohibition on dealing ahead of the dissemination of investment research. It does not constitute a personal recommendation and does not constitute an offer or a solicitation to buy or sell any security. Sprott and PillarFour consider this note to be an acceptable minor non-monetary benefit as defined by the FCA which may be received without charge. This is because the content is either considered to be commissioned by Sprott’s clients as part of their advisory services to them or is short term market commentary. Neither Sprott nor PillarFour nor any of its directors, officers, employees or agents shall have any liability, howsoever arising, for any error or incompleteness of fact or opinion in it or lack of care in its preparation or publication; provided that this shall not exclude liability to the extent that this is impermissible under the law relating to financial services. All statements and opinions are made as of the date on the face of this document and are not held out as applicable thereafter. This document is intended for distribution only in those jurisdictions where PillarFour is permitted to distribute its research.

IMPORTANT DISCLOSURES FOR U.S. PERSONS: This research report was prepared by Sprott Capital Partners LP (“SCP”), a company authorized to engage in securities activities in Canada. SCP is not a registered broker/dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to “major U.S. institutional investors” in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”). Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Sprott Global Resource Investments Ltd. (“SGRIL”), a broker dealer in the United States registered with the Securities Exchange Commission (“SEC”), the Financial Industry Authority (“FINRA”), and a member of the Securities Investor Protection Corporation (“SIPC”). Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through SCP.

SGRIL accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor. The analyst whose name appears in this research report is not licensed, registered, or qualified as a research analyst with FINRA and may not be an associated person of SGRIL and, therefore, may not be subject to applicable restrictions under FINRA Rule 2241 regarding communications by a research analyst with a subject company, public appearances by the research analyst, and trading securities held by a research analyst account. To make further inquiries related to this report, United States residents should contact their SGRIL representative.

ANALYST CERTIFICATION / REGULATION AC: The analyst and associate certify that the views expressed in this research report accurately reflect their personal views about the subject securities or issuers. In addition, the analyst and associate certify that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

SPROTT CAPITAL PARTNERS EXPLANATION OF RECOMMENDATIONS: Should SCP issue research with recommendations, the research rating guidelines will be based on the following recommendations:

BUY: The stocks total returns are expected to be materially better than the overall market with higher return expectations needed for more risky securities markets

NEUTRAL: The stock's total returns are expected to be in line with the overall market

SELL: The stocks total returns are expected to be materially lower than the overall market

TENDER: The analyst recommends tendering shares to a formal tender offering

UNDER REVIEW: The stock will be placed under review when there is a significant material event with further information pending; and/or when the research analyst determines it is necessary to await adequate information that could potentially lead to a re-evaluation of the rating, target price or forecast; and/or when coverage of a particular security is transferred from one analyst to another to give the new analyst time to reconfirm the rating, target price or forecast.

NOT RATED ((N/R): The stock is not currently rated

Research Disclosure	Response
1 SCP and its affiliates collectively beneficially owns 1% or more of any class of the issuer's equity securities ¹	NO
2 The analyst or any associate of the analyst responsible for the report or recommendation or any individual directly involved in the preparation of the report holds or is short any of the issuer's securities directly or through derivatives	NO
3 An SCP partner, director, officer or analyst involved in the preparation of a report on the issuer, has during the preceding 12 months provided services to the issuer for remuneration other than normal course investment advisory or trading execution services	NO
4 SCP has provided investment banking services for the issuer during the 12 months preceding the date of issuance of the research report or recommendation	YES
5 Name of any director, officer, employee or agent of SCP who is an officer, director or employee of the issuer, or who serves in an advisory capacity to the issuer	NO
6 SCP is making a market in an equity or equity related security of the issuer	NO
7 The analyst preparing this report received compensation based upon SCP's investment banking revenue for the issuer	NO
8 The analyst has conducted a site visit and has viewed a major facility or operation of the issuer	NO
9 The analyst has been reimbursed for travel expenses for a site visit by the issuer	NO

Sprott Capital Partners Equity Research Ratings:

Summary of Recommendations as of January 2023	
BUY:	53
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	55

¹ As at the end of the month immediately preceding the date of issuance of the research report or the end of the second most recent month if the issue date is less than 10 calendar days after the end of the most recent month