Michael S. (Mickey) Fulp
M.Sc., C.P.G.

MercenaryGeologist.com
contact@mercenarygeologist.com

Mercenary Alert: An Update on Uranium Energy Corp

A Special Alert Musing from Mickey the Mercenary Geologist

For Subscribers Only

Contact@MercenaryGeologist.com

March 13, 2015

Uranium supply and demand fundamentals are quite positive for the mid- and long-term (**Mercenary Musing, December 16, 2013**). For nearly four years after the Fukushima tsunami event, uranium's short-term equation has been problematic. The shutdown of 54 Japanese reactors removed 10% of annual demand from the marketplace and resulted in a supply imbalance.

Now that 13 of Japan's idled reactors have applied for restarts and four have been approved, the short-term outlook is a bit rosier and the uranium spot price has reflected a new optimism. Since its low of around $28/lb last summer, U_3O_8 is now trading above $39/lb on the spot market for a gain of nearly 40%. But the current price is still only 55% of the $73/lb high reached a few weeks before Fukushima.

Few uranium miners, including the low-cost ISR producers, can make money at $39/lb. Those miners who have maintained production during the downturn have long-term contracts in place at much higher prices. The long episode of low prices has severely affected the term contract market as well, with that price now shown as $49/lb. Again, that is well below what most miners require to profit.

However, low prices will always be the cure for low prices. Worldwide, supply destruction has been rampant with several large mines shuttered, production cut back at many others, and new project developments cancelled or put on hold.

Over the past three weeks, additional supply disruptions include temporary processing plant shutdowns at Langer Heinrich, Olympic Dam, and Rossing, and shuttering of a failed mine in Niger. Ongoing unrest, corrupt and unstable governments, and terrorism in central and southern Africa shed doubt on the security of supply from a region that currently produces 18% of the world's mined uranium.

In addition, the demise of the Russian and United States "Megatons for Megawatts" program at year-end 2013 and current economic sanctions against Russia have removed a significant amount of secondary supply from the market in the form of low-enriched U^{235}.

On the demand side, some major US utilities are entering a new contracting cycle and are likely to fill mid-term needs in 2015 and 2016. Note also there are currently 69 reactors under construction and another 183 on order or planned in the world. Current supply simply cannot service future demand in the mid- to long-term.

A company that stands to benefit significantly from the coming supply crunch and a higher uranium price is one of my core holdings. **Uranium Energy Corp (UEC.MKT)** is an emerging ISR producer in South Texas that also controls a portfolio of 20 exploration and development projects in Arizona, Colorado, New Mexico, and Paraguay.

UEC made a strategic decision upon commencing production in 2010 not to hedge any of its yellowcake with long-term contracts in order to provide its shareholders full exposure to the spot price. The company benefited from this strategy in its early days as a producer when the spot price was much higher than peers were selling their contracted yellowcake. However over the past 18 months, UEC has underperformed this domestic peer group. Note that is the most highly leveraged US producer to a rise in the price of uranium.

As the price continued downward in September 2013, Uranium Energy Corp revised its corporate strategy. The company placed the Palangana ISR mine and Hobson processing facility on low operational status and turned its focus to exploring, developing, and permitting its other satellite assets in South Texas while awaiting a higher spot price.

Since my last report one year ago (**Mercenary Alert, February 28, 2014**), Uranium Energy Corp has accomplished the following:

- Mine permit, aquifer exemption, disposal well, and radioactive material license applications were submitted for its Burke Hollow project. All have been accepted by as administratively complete by the Texas Commission on Environmental Quality (TCEQ).

- An updated 43-101 resource estimate was completed at Burke Hollow and nearly doubled the tonnage and grade to 5.1 million pounds at 0.09% U_3O_8. The company has also defined new exploration targets within the project area.

- A draft mine permit and aquifer exemption was issued by the TCEQ for expansion of the Palangana mine into new well fields.

- The Longhorn ISR-amenable project in South Texas was acquired along with an existing aquifer exemption and extensive database.

- Preliminary economic assessment reports were filed for two of its non-core assets, the Anderson project in Arizona and the Slick Rock project in Colorado.

- The company took down a second tranche of a loan facility provided by Sprott and Hong Kong-based CEF Holdings in the amount of $10 million and negotiated an extension to a four-year payback of principal on the total of $20 million. The loan is subject to an 8% annualized interest rate, 2,600,000 bonus warrants, and 4.5% interest for the extension, payable in two tranches via shares and $50,000 in July 2015 and again in July 2016.

- $5.6 million of surety bonds were secured subject to 2% per annum and $1.7 million collateral. They replaced an equivalent amount of reclamation deposits for future decommissioning activities in South Texas and released $3.9 million in cash to working capital for the company.

- Management changes included the appointment of industry veterans Scott Melbye as Executive V-P (former President of Cameco) and Ganpat Mani as Director (former CEO of Converdyn).

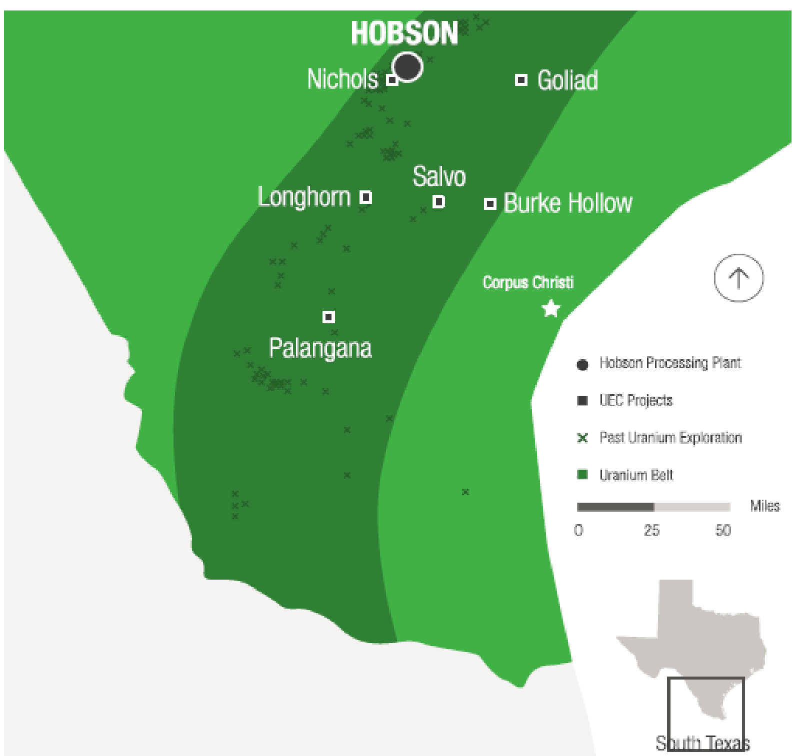
UEC's resources contained in core holdings in South Texas now total over 18 million lbs of ISR-amenable U_3O_8:

Texas Hub & Spoke
18.3* M lbs.

Project/ Historic Operator	Stage	Resources M lbs.
Palangana/ Union Carbide	(P)	2.2*
Goliad/ Moore Energy	(NT)	6.9*
Burke Hollow/ Total Minerals	(D)	5.1*
Salvo/ Mobil Oil	(E)	2.8*
Nichols/ Texaco Corp	(E)	1.3*
Longhorn/ US Steel	(E)	-
Infrastructure		
Hobson Processing Plant/ Uranium One		

E = Exploration; D = Development; NT = Near-Term Production; P = Production.

This map shows the location of UEC's Hobson yellowcake production hub and its current pipeline of six spoke deposits slated to feed uranium for processing once spot prices strengthen another 15-20%:



Uranium Energy Corp's share structure has changed little since my previous musing a year ago. It now has 92.0 million shares outstanding and 108.0 million fully diluted. Included are 5.0 million of mostly out-of-the-money warrants with strike prices of $1.00-$2.60 and expiries of March 2016 to July 2018. There are 11.0 million options issued to management, employees, directors, and consultants at weighted average price of $1.39 and expiry of 4.2 years.

Fully diluted the UEC team, including management, insiders, and employees, own 18% of the stock. As of January 31, institutions control about 30-35% of issued shares, and the public float is around 45-50%. Key investors and backers include Asia's richest man, Li Ka-shing, Doug Casey, Rick Rule, and Eric Sprott. UEC carries $20 million in long-term debt via a credit facility from Sprott Resource Lending and CEF Holdings, which includes a Chinese concern and CIBC. Working capital is $7.5 million including $4.4 million in cash and $3.1 million in inventoried uranium. Company guidance indicates this is sufficient to execute the company's plans for 2015. That said, UEC may do an equity raise later this year.

The one-year chart illustrates a cyclical pattern with a 52-week high of $2.02 and low of $0.94. UEC has good liquidity with a three-month average volume of about 750,000 shares and therefore, is more volatile than its domestic uranium-mining peers. Despite recent positive developments in the sector, Uranium Energy Corp has ranged from $1.30 to $1.58 over the past month and closed yesterday at $1.38:

As detailed previously, Uranium Energy Corp has significantly advanced its South Texas satellite projects over the past year. The Goliad deposit is fully permitted and ready for development. Resources at Burke Hollow continue to grow and permitting is in its final stages. This project is quickly becoming the company's flagship asset. Minimal production continues at Palangana and permitting of a new production area is largely complete. Hobson continues to process minor uranium-loaded resin and yellowcake is being stored pending higher prices.

Thus UEC's South Texas hub and spoke operations are ready to ramp up when the uranium price reaches a viable level. Based on the previous production profile from 2010-2013, its average price of sales was $46/lb. Therefore, I opine that a sustained price in the mid-$40 range will be sufficient for the company to start full-scale extraction and recovery operations.

No one can say for certain when higher spot and/or term contract prices will come to pass. However, the uranium sector is certainly looking better for the many reasons detailed above

.
If you have not done so already, this may be an opportune time to make a contrarian play in uranium. I personally favor a low-cost domestic uranium producer such as Uranium Energy Corp for a leveraged play to a rising spot price. Additionally, consolidation of the US uranium sector continues with recent merger activity and I think more is to come.

However, note that I am biased as a shareholder of UEC and the company is also a website sponsor. Always take my opinion as just that, and do your own due diligence before making any stock market speculation.

Ciao for now,

Mickey Fulp
Mercenary Geologist

Acknowledgment: Gwen Preston is the editor of **MercenaryGeologist.com**.

The **Mercenary Geologist Michael S. "Mickey" Fulp** is a Certified Professional Geologist with a B.Sc. Earth Sciences with honor from the University of Tulsa, and M.Sc. Geology from the University of New Mexico. Mickey has 35 years experience as an exploration geologist and analyst searching for economic deposits of base and precious metals, industrial minerals, uranium, coal, oil and gas, and water in North and South America, Europe, and Asia.

Mickey worked for junior explorers, major mining companies, private companies, and investors as a consulting economic geologist for over 20 years, specializing in geological mapping, property evaluation, and business development. In addition to Mickey's professional credentials and experience, he is high-altitude proficient, and is bilingual in English and Spanish. From 2003 to 2006, he made four outcrop ore discoveries in Peru, Nevada, Chile, and British Columbia.

Mickey is well-known and highly respected throughout the mining and exploration community due to his ongoing work as an analyst, writer, and speaker.

Contact: **Contact@MercenaryGeologist.com**

Disclaimer and Notice: I am a shareholder of Uranium Energy Corp and it pays a fee of $4000 per month as a sponsor of this website. I am not a certified financial analyst, broker, or professional qualified to offer investment advice. Nothing in any report, commentary, this website, interview, and other content constitutes or can be construed as investment advice or an offer or solicitation or advice to buy or sell stock or any asset or investment. All of my presentations should be considered an opinion and my opinions may be based upon information obtained from research of public documents and content available on the company's website, regulatory filings, various stock exchange websites, and stock information services, through discussions with company representatives, agents, other professionals and investors, and field visits. My opinions are based upon information believed to be accurate and reliable, but my opinions are not guaranteed or implied to be so. The opinions presented may not be complete or correct; all information is provided without any legal responsibility or obligation to provide future updates. I accept no responsibility and no liability, whatsoever, for any direct, indirect, special, punitive, or consequential damages or loss arising from the use of my opinions or information . The information contained in a report, commentary, this website, interview, and other content is subject to change without notice, may become outdated, and may not be updated. A report, commentary, this website, interview, and other content reflect my personal opinions and views and nothing more. All content of this website is subject to international copyright protection and no part or portion of this website, report, commentary, interview, and other content may be altered, reproduced, copied, emailed, faxed, or distributed in any form without the express written consent of Michael S. (Mickey) Fulp, MercenaryGeologist.com LLC.