

Uranium Market Update

Uranium Stocks are Moving – Juniors Dusting off the Basin

Thematic

May 13, 2021

Uranium equities continue to suggest that 2021 is the year of the uranium bull. While the Cigar Lake mine has recently returned to production, that mine alone is not enough to hurt momentum in the sector, still driven by Covid-19 impacts, physical uranium purchases and US Government support. The world's two largest producers, Cameco and KazAtomProm were/are active spot buyers. While the move in equities is encouraging, and we believe there is still room for investors to pick up some undervalued stocks through low-cost toe-hold positions, the current sector momentum is only partially based on a rising uranium price. The current uranium spot price isn't much different than the US\$30.05/lb U_3O_8 price at year-end 2020. We still await an increase in long-term contracting to support uranium prices on a sustainable basis. We are hesitant to time this event but point out that fundamentals remain as strong today as they have been at any time in the past couple of decades.

The nuclear industry is in good shape, we forecast a supply-demand deficit. The 443 reactors in operation are in line with ten years ago. A total of 54 reactors are under construction. China plans to triple nuclear capacity by 2030, that will put China 50% ahead of the US. Uranium demand continues to rise. Government support is increasing, particularly in the US, China, and Russia. Uranium is getting recognition as a green energy source, and China is on track to become the largest nuclear power producer. Uranium supply has been falling. There have been significant mine curtailments and Covid-19 impact was severe. With a decade of low prices, we have not seen investment necessary to sustain production levels. We anticipate a supply gap of ~55M lb this year.

\$1.05 B in uranium company financings already announced/raised YTD. Of this, 40% is earmarked for physical uranium purchases, 29% for African projects, 26% for Canadian, 4% for US, and 1% elsewhere. Of the \$271M earmarked for Canada, only \$18M is destined for the pre-resource stage Athabasca Basin explorers that have perhaps the greatest discovery potential. We focus on those high-risk, high-reward stocks in this report.

The Athabasca Basin remains a key jurisdiction for discovery. High grades get investors excited. Cigar Lake is anticipated to supply ~14% of global uranium once it returns. We expect that rising prices should return the world's largest uranium mine, McArthur River, back to production in coming years as well. Other projects sit in the wings, such as Millennium or several around the McClean Lake Mill. Last cycle led to significant uranium discoveries that move towards feasibility, including Arrow, Triple R, Phoenix and Gryphon. However, perpetual underfunding for uranium exploration resulted in a lack of recent discoveries, and supply is needed for the next uranium cycle. While Cameco, Orano, NexGen Energy, Fission Uranium, Denison Mines and perhaps UEX should play a role in this coming supply cycle, we believe that un-made discoveries by pre-resource, grassroots junior explorers are still required.

Junior explorers are dusting off project pipelines. Many Athabasca projects have not seen modern exploration techniques, nor has focus been on basement-hosted deposit potential. As investment flows into the sector, we foresee the potential for new high-grade uranium discoveries as being attractive to investors, particularly in a bull uranium market. We urge investors to consider a breadbasket of junior stocks to help maximize upside and minimize exploration risk.

We initiate coverage of five junior Athabasca Basin companies: Purepoint Uranium, Buy (Speculative), C\$0.25 target; Skyharbour Resources, BUY (Speculative), C\$0.95 target; Azincourt Energy, BUY (Speculative), No Target; Baselode, BUY (Speculative), No Target; and CanAlaksa Uranium, BUY (Speculative), No Target. CanAlaksa, Skyharbour and Purepoint fare the best in our relative peer rankings. We also continue to recommend Standard Uranium with a Buy (Speculative) rating and no target; and while not an early-stage explorer, UEX Corp. is a Buy with a C\$0.80/sh target. **Our top Athabasca Basin picks are UEX Corp, Skyharbour and Purepoint, with honourable mention to CanAlaksa.**

The nuclear industry is even stronger than it was pre-Fukushima. The 442 reactors in operation represent roughly the same number as ten years ago. Global uranium demand is ~177 M lbs and growing at 2.5-3% annually according to WNA. There are 54 reactors currently under construction. China plans to triple nuclear capacity by 2030, and that would put China 50% ahead of the US (~75M lb of annual uranium demand alone). India plans 21 new reactors by 2031, and Japan is targeting 20-22% nuclear power. Several other Countries are entering the sector, including the United Arab Emirates (three in operation and plans for four more reactors). Russia does a great job as a one-stop shop for any countries looking to go nuclear, and ~1/3 of all new reactors are built by Russia. It helps these new participants with regulations, funding, and construction, even provide fuel and waste handling. The US is building a couple new reactors and maintains 20% of its electricity from nuclear.

Uranium production declined to 123 M lbs last year. This leaves a 54M lb gap between supply and demand. About 35% of global production come off-line in 2020. Some certainly was Covid-19 related – Cigar Lake for example. While the pandemic affected production over the short term, some mine closures were permanent, such as Ranger and Cominak. In recent years we have seen major operations come offline – McArthur River and Rabbit Lake in Canada; Cominak in Niger; Ranger in Australia; Akdala and Zarechnoye in Kazakhstan; and almost everything in the US. McArthur was a shock to the system when it closed in early 2018. Investors saw it as the world's largest uranium mine and presumed it was low cost, but sub US\$40/lb wasn't sustainable. Uranium production sustainability is at high risk, due partially to the fact that the industry is dominated by just a few mines. The top ten mines produced 55% of all uranium in 2019. When considering jurisdiction, it becomes even more concerning. Uranium is only produced in 14 countries – and seven produced 94% of all uranium: Kazakhstan, Canada, Australia, Namibia, Uzbekistan, Niger and Russia. While technical risk isn't much of a concern from these jurisdictions, political risk is, particularly for the Americans. The real issue is that there are no new mines to come in and take their place. With uranium prices so low for so long, there has been little incentive to explore for uranium or to move development projects forward.

Secondary supplies are still significant but declining. The current supply gap of 50-55M lb is filled by secondary supply from non-mined sources. This may include low or high enriched uranium stockpiles, leftover uranium tails, excess inventories being held by governments or utilities or underfeeding. We believe that secondary supplies are on the decline and may only supply 15-20M lb pa in a few years. The US Government no longer will sell its excess uranium supply to fund cleanup of nuclear sites. There is no more highly enriched uranium being down blended. And underfeeding in decline, reducing the amount of excess uranium that was available as enrichment facilities continuing to work. For a while it was cheaper to keep the centrifuges spinning, but that is no longer the case.

We believe that the fundamentals point to a new uranium bull market. Given our supply-demand model (Figure 1) and forward production cost curves (Figure 2), we remain confident that a new bull market in uranium is coming. Additionally, the two largest suppliers are actively buying in the spot market to offset COVID-19 production losses, reinforcing our view that supply deficits are here to stay. The only major hurdle in the short term is secondary supply which covered 55M lb in 2020. Longer term, we believe patience is required, as the key driver of term prices is a return to term contracting by nuclear utilities. Only then might we see seriously higher uranium prices that would incentivise major new exploration and development spending. Our uranium price deck remains intact (Figure 3).

Figure 1: Red Cloud Updated Supply-Demand Model

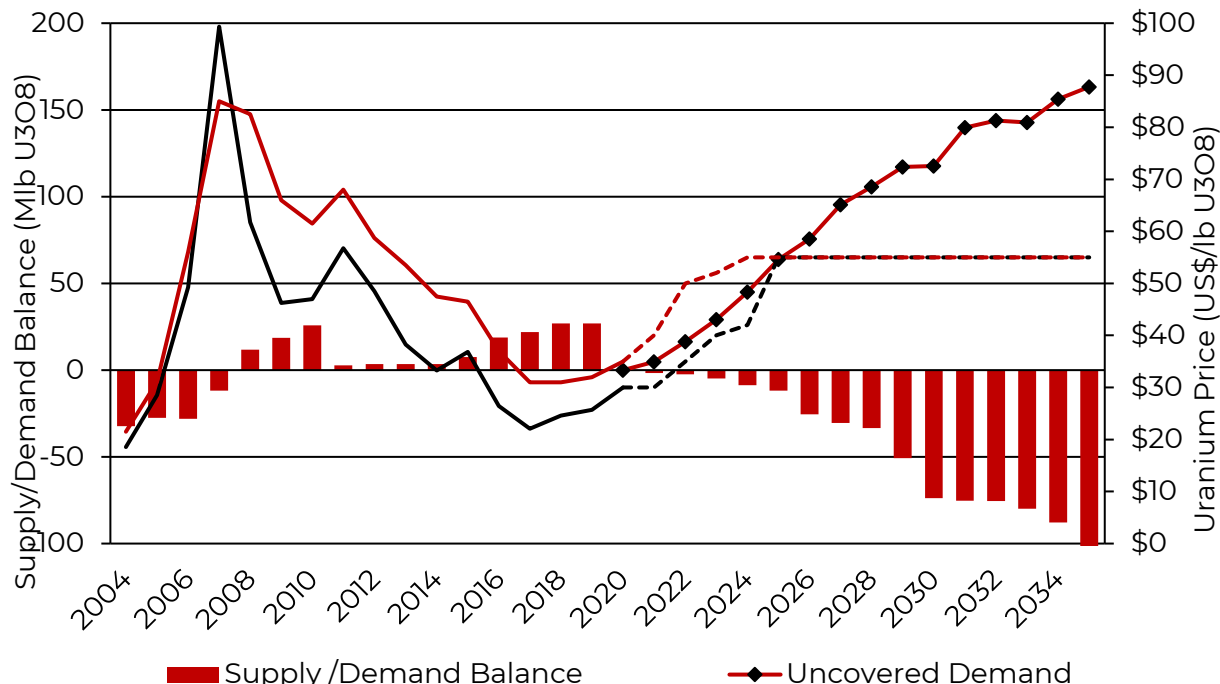


Figure 2: 2030E Forward Looking Uranium Cost Curve

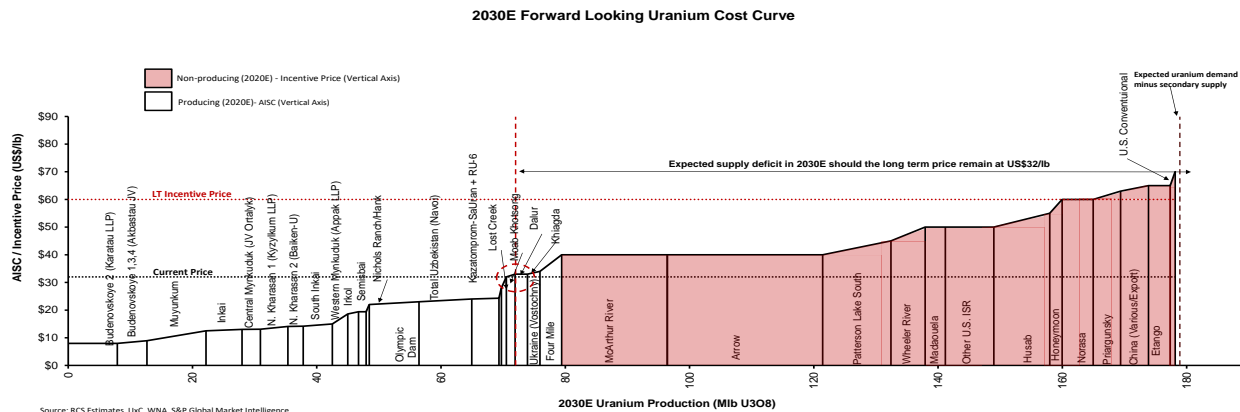


Figure 3: Red Cloud spot and term uranium price forecasts

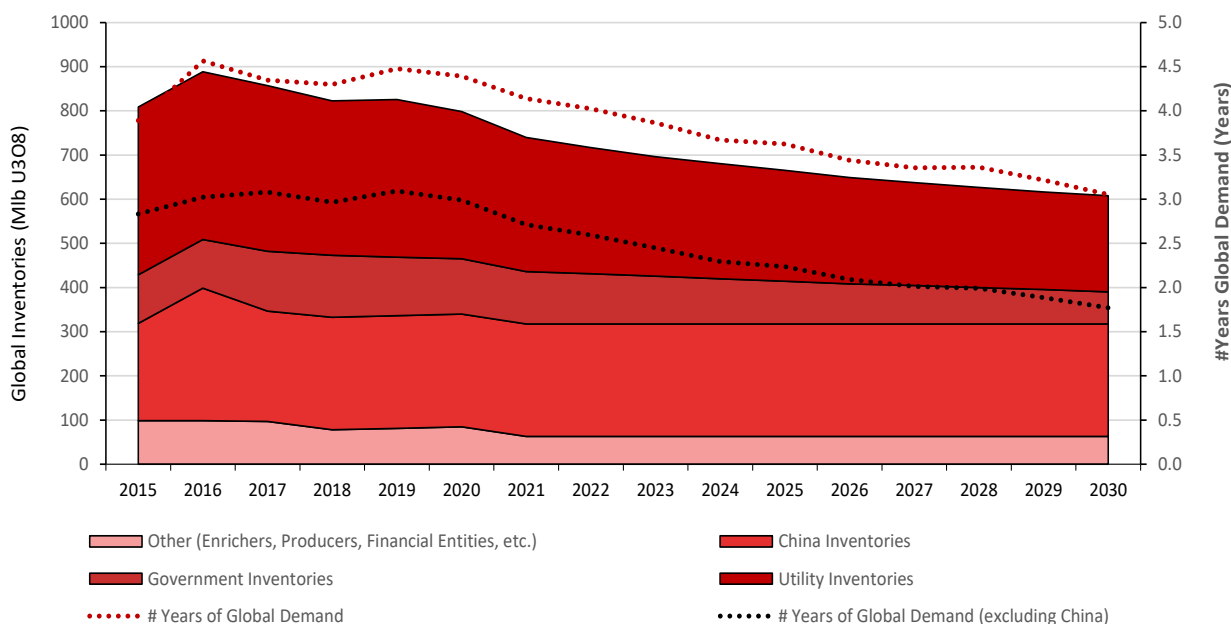
Uranium Price Assumptions (US\$/lb)						
	2021E	2022E	2023E	2024E	2025E	LT
Spot Price (US\$/lb)	\$30	\$35	\$40	\$42	\$55	\$55
LT Price (US\$/lb)	\$40	\$50	\$52	\$55	\$55	\$55

Source: UxC, RCS Estimates

Source: RCS Estimates, UxC, WNA, S&P Global Market Intelligence

The world's two largest producers remain spot market buyers. While inventories appear to be at somewhat comfortable levels (approximately 3.0 years demand, ex-China – Figure 4), we expect a significant draw down in 2021, as we model primary production of ~130M lb U_3O_8 , while according to the WNA primary demand is expected to be 177M lb U_3O_8 . To that end, both KazAtomProm and Cameco have been buyers in the spot market to offset production shutdowns. Cameco only produced 5M lb in 2020 but purchased 11 M in the spot market. We anticipate Cameco production to be at least 6-7M lb in 2021 again. In January when Yellow Cake exercised its annual physical uranium purchase of ~3.5M lb, there was suddenly concern that KazAtomProm could not fill the order without hitting the market. The impact of KazAtomProm's reduced production was felt in early 2021, and, coupled with spot buying from other physical uranium holding companies and uranium companies seeping physical, we are witnessing another run in the spot price back up beyond US\$30/lb U_3O_8 .

Figure 4: Estimated Global Uranium Inventories



Source: RCS Estimates, UxC, WNA

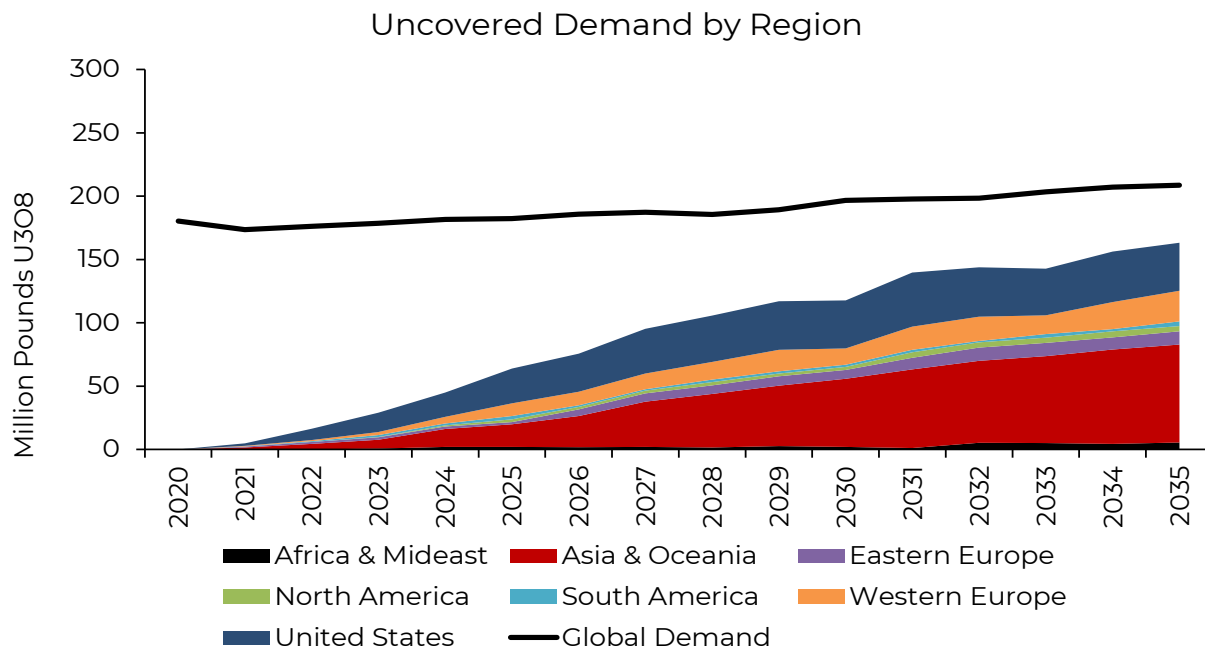
The USA is finally throwing its full support behind nuclear power. What has changed is that the world is now focused on lower greenhouse gas emissions. There are only two ways to do that with baseload power – hydro and nuclear. Biden's recent White House Factsheet on his \$2 trillion infrastructure plan made it clear that American hydro and nuclear need to be leveraged. This could include small modular reactors or advanced reactors in the future, but we believe support of the current nuclear fleet of 93 reactors (21% of the world) is more important in the near term.

Biden's new \$2 trillion infrastructure plan is positive for nuclear power, electric vehicles, rare earth elements and other critical elements. Besides trying to kickstart a Covid-19 impacted economy, the goal of this spending spree is to "position the United States to out-compete China". We should be pleased with the attention that was given to nuclear. Specifically, its recognition as a key source of base load clean energy along with hydro. Major infrastructure spending will include: modernizing power generation; delivering clean electricity; leveraging pollution-free energy sources such as nuclear and hydropower; investment into climate R&D priorities including advanced nuclear; and support for American made advanced nuclear reactors and nuclear fuel.

Beyond the recent infrastructure bill there are several other US programs that are designed to help the American nuclear power and uranium industry. The US Nuclear Fuels Working Group established a Uranium Reserve. About \$75M funding was provided for this year, with plans to buy \$150M per year in uranium and enrichment services over the next decade. The Russian Suspension agreement was extended, reducing Russian U imports from 20% to 17%. An executive order in support of domestic mining of critical elements, including uranium, was also signed. More recently, Reuters reported that the White House had signaled privately to lawmakers and stakeholders in recent weeks that it supports subsidies to keep existing nuclear power plants from closing. We see this as important, as most economic support had typically been from the State level. It was suggested that production tax credits could fall under the Biden infrastructure bill. Bank of America has suggested that delaying closures of reactors over the next nine years would result in an additional 26M lb of demand.

Physical uranium market suddenly all the rage. Almost \$420M is earmarked for physical uranium purchases based on recent equity raises. We have never seen uranium mining and development companies buy spot uranium like they have this year, at least without having delivery contracts at the time. Excluding the two or three physical uranium holding companies that do this as normal course of business (Uranium Participation, Yellow Cake and Uranium Royalty Corp), several uranium companies have removed ~7M lb from the spot market. Denison Mines (TSX:DML, Not Rated) started the trend with the purchase of 2.5 M lbs in mid March; Uranium Energy (NYSE:UEC, Not Rated) has since purchased 2.1MM lb; Boss Energy (ASX:BOE, Not Rated) purchased 1.25 M lbs in late March; and enCore Energy followed with 0.4M lb. The result was spot market strength, and we saw uranium prices return to over US\$30/lb. The trend is expected to continue given that Uranium Participation and Uranium Royalty have recently come back to the trough to raise \$70M and \$25M, respectively. The non-physical uranium companies are buying in the spot market for different reasons. Some to pad their treasuries to help fund future capital projects, others to help de-risk initial start-up, and yet others might be speculating on higher prices. While the spot market has reacted well to this removal of pounds, keep in mind that this isn't necessarily real demand, and these pounds could re-enter the market down the road. Our hope is that they are delivered into term contracts rather than back into the spot market. What might make a serious impact is a plan by Sprott Asset Management to take over Uranium Participation Corporation (TSX:U, Not Rated) and turn it into the Sprott Physical Uranium Trust, in line with its similar gold and silver vehicles. A rebranding, US listing and potentially high liquidity could likely draw investment from large funds. From the standpoint of the uranium sector, we could see ongoing physical uranium purchases and strong daily visibility on the price of the commodity.

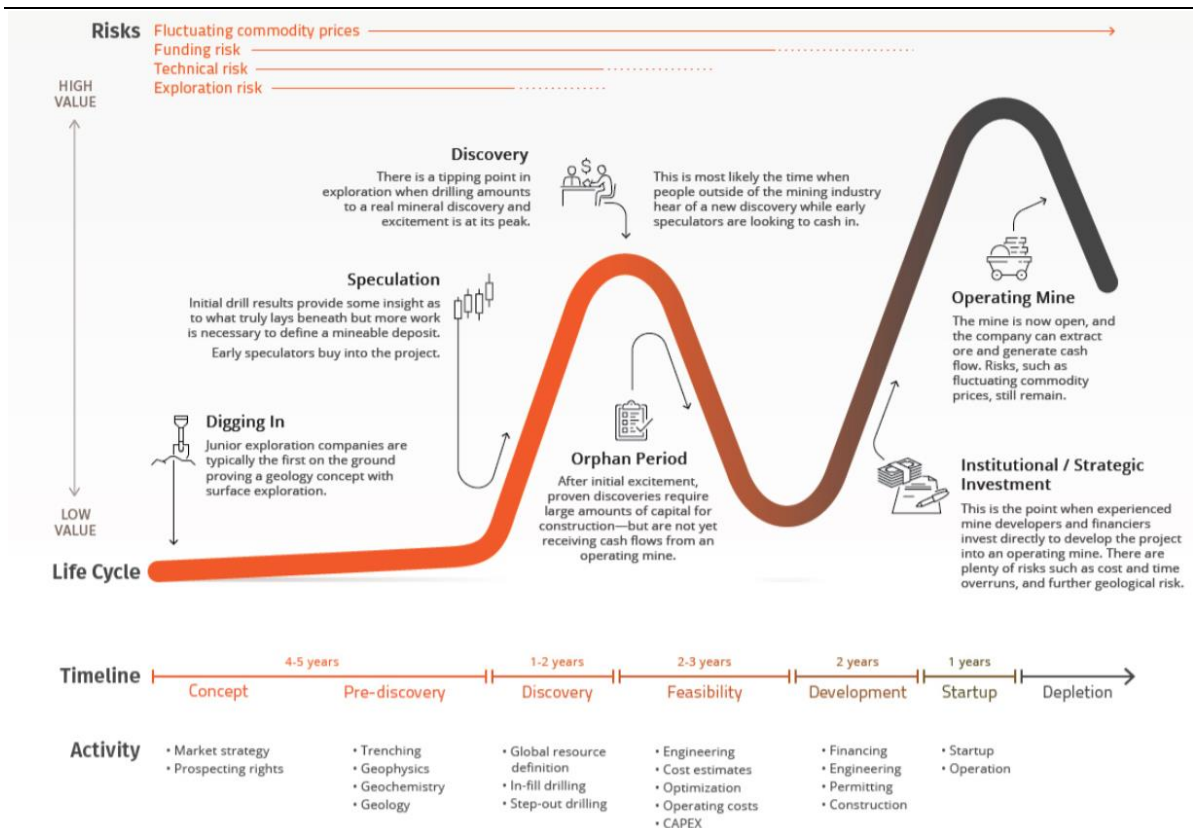
Long-term contracting must return. Perhaps more equity investment into the uranium sector and physical uranium companies will take product out of the spot market. We estimate that the ~\$420M of the \$1,048M invested into the sector is destined for the spot market. At US\$30/lb U₃O₈, this represents potential purchases of 14M lb. This demand will likely support spot prices further, and spot prices should support term prices. Uranium trading and contracting might start to return to normal as spot and term prices converge. Last year spot trading volumes were 92 M lbs or 63% of all trading despite that those pounds were heading into a reactor. Term volumes were 53M lb, even though nuclear reactors needed 177M lb last year. We just don't see that as sustainable. Meanwhile uncovered uranium requirements by nuclear utilities are rapidly approaching (Figure 5).

Figure 5: Uncovered Demand by Region


Source: UxC, RCS Estimates

Putting Investment Dollars to Work in the Athabasca Basin

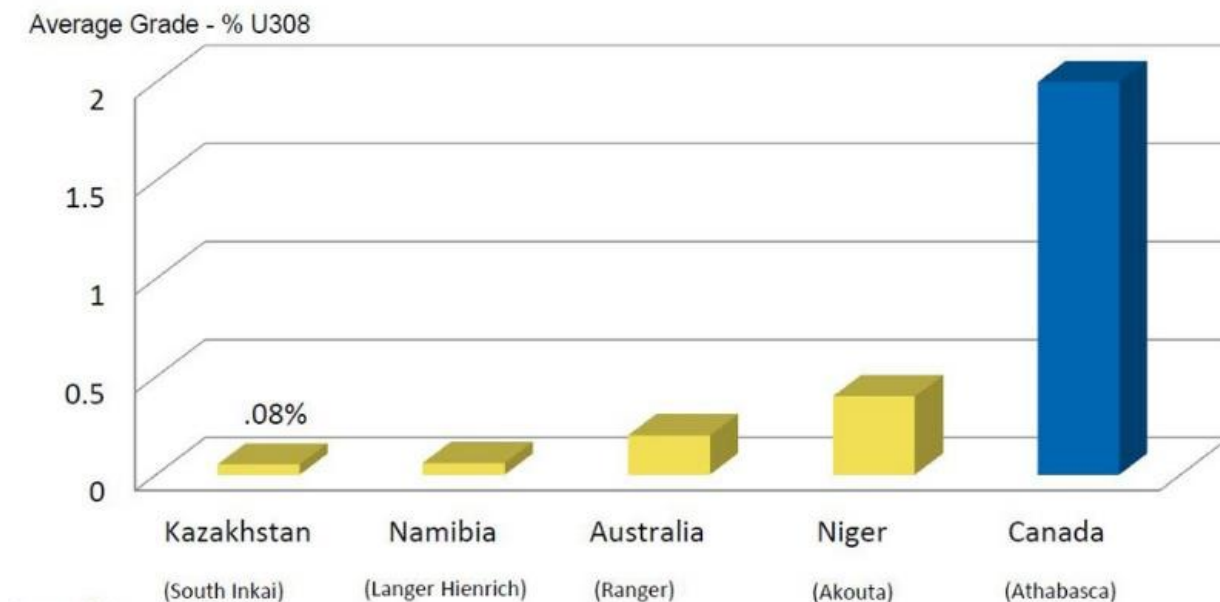
Spread the risk – pick up several Buy (Speculative) rated stocks. Money is flowing into the uranium sector. More deposits are required to be developed into mines to supply demand growth. Additional discoveries must also be made to ensure enough project area available to be advanced through the various development phases. The Athabasca Basin is one of the best jurisdictions for juniors to make high-grade discoveries. Some of the most recent winners include NexGen Energy and Fission Uranium. The Lassonde curve (Figure 6) highlights the risk and upside discovery potential from early exploration to mining. Only a small handful of projects make it from a theory to discovery to mine. While we suggest investors do look at quality of assets and exploration management teams, a little luck is involved as well, so we recommend to investors that look at Buy (Speculative) rated stocks, to buy a basket of potential names.

Figure 6: The Lasso Curve


Source: Visual Capitalist

Why the Athabasca Basin?

The Athabasca Basin is the world's most prolific uranium jurisdiction. It is home to the world's largest and highest-grade uranium mines, including McArthur River and Cigar Lake, and the Key Lake, McClean Lake and Rabbit Lake mills. The Basin was responsible for 13% of global uranium production in 2019 from just a single mine (Cigar Lake). Saskatchewan ranks 3rd in the world from an investment attractiveness point of view according to the Fraser Institute (2020). It has excellent mining and civil infrastructure, a straightforward licensing and approval process and support from several levels of Government. Uranium grades average over an order of magnitude higher in the Basin at almost 2% U_3O_8 as compared to 0.15% from the rest of the world (Figure 7).

Figure 7: Average uranium grade by jurisdiction


Source: WNA

Source: World Nuclear Association

Numerous high-grade uranium discoveries made last cycle. The Athabasca Basin was the focus of considerable exploration expense during the run up of the last uranium bull market (2003-2007).

SW Athabasca Basin Discoveries since 2012

- Triple R discovery at Patterson Lake South by Fission Uranium
 - Resources include 102.3M lb at 2.1% U₃O₈ indicated, 32.8M lb at 1.22% inferred
- Arrow discovery at Rook 1 by NexGen Energy
 - Resources include 256.7M lb at 3.1% indicated, 80.7M lb at 0.83% inferred
- Spitfire Zone at Hook Lake by Cameco, Orano (formerly AREVA) and Purepoint
 - Estimated 10 M lb mineral inventory (RCSI estimate)

Eastern Athabasca Basin Discoveries since 2005

- Roughrider deposit by Hathor Exploration since acquired by Rio Tinto
 - resources include 17.2M lb at 1.98% U₃O₈ indicated; 40.7M lb at 11.2% inferred
- Phoenix and Gryphon deposits at Wheeler River by Denison Mines
 - Resources include 70.2M lb at 19.1% indicated and 1.1 Mlb at 5.8% inferred at Phoenix; and 61.9M lb at 1.7% indicated and 1.9M lb at 1.2% inferred at Gryphon.
- J-Zone discovery at Waterbury Lake by Fission Energy (acquired by Denison)
 - Resources include 10.2M lb at 1.52% indicated; 2.7M lb at 0.90% inferred
- Hurricane Zone at Larocque East by ISO Energy
 - Mineral inventory estimate of 40-50M lb at 8% U₃O₈ (RSCI estimate)

Our Athabasca Basin Explorer Assessment

Valuations continue to provide investors an opportunity to establish starter positions. We have incorporated our Athabasca Basin uranium exploration company rankings (Figure 8). This involved such criteria including price performance, financeability, exploration potential, relative valuation (EV/Ha in this case) attributes (Appendix A). We have also added our Athabasca Basin

uranium explorer and developer comp table. Most of our Athabasca Basin explorers fare well relative to global peers given high jurisdiction and exploration upside scores typical of the group. While ISO Energy (TSXV:ISO, Not Rated) may lead the way in our relative peer rankings, CanAlaska, Skyharbour and Purepoint all fare well. Notably, Skyharbour and Purepoint either have compliance resources, or a mineral inventories can be estimated. Do not confuse this table with a recommendation to buy or sell the securities – it doesn't take in to account the current share price of the stock.

Figure 8: Pre-Research Estimate Athabasca Basin Peer Company Assessment

Uranium Explorer	Ticker	MC (US\$M)	Country Name	Financeability	Exploration Upside	Country	Relative valuation	Time to Production	Total Score	Δ
IsoEnergy Limited	TSXV:ISO	\$ 222.7	Canada							△
CanAlaska Uranium Limited	TSXV:CVV	\$ 46.1	Canada							▽
Forum Energy Metals	TSXV:FMC	\$ 45.4	Canada							▽
Skyharbour Resources Ltd.	TSXV:SYH	\$ 42.2	Canada							△
Purepoint Uranium Group Inc.	TSXV:PTU	\$ 35.8	Canada							△
Azincourt Energy	TSXV:AAZ	\$ 24.1	Canada							▽
Fission 3.0 Corp.	TSXV:FUU	\$ 16.9	Canada							▽
Standard Uranium	TSXV:STND	\$ 19.6	Canada							▽
Baselode Energy	TSXV:FIND	\$ 24.7	Canada							▽
ALX Uranium Corp.	TSXV:AL	\$ 12.6	Canada							▽

Source: Company Reports, RCS Estimates, Capital IQ, UxC, WNA

Explorers undervalued relative to combined explorer/developer group. Our exploration peer group is comprised of 10 largely pre-resource Athabasca Basin stocks and four developer stocks. Given that almost all explorers do not have resources, we do not use it as a relative metric. That said, valuations on an EV/lb U₃O₈ basis are quite consistent. The explorers, developers, and combined explorers + developers trade at an EV/lb of C\$3.90, C\$3.85 and C\$3.87, respectively (Figure 9). Notably, Skyharbour is the only explorer with resources (South Falcon Point), and we estimate that its Moore Project has a 7M lb mineral inventory for a combined resource/mineral inventory of 14M lb. We estimate that ISO Energy has a resource inventory of between 45-50M lb at 8% U₃O₈ at the Hurricane discovery; and that Purepoint has a mineral inventory of ~10M lb at its Spitfire Zone.

EV/Ha is a more varied metric. What it is meant to represent is the prospectivity of the respective company. And while not all pounds are created equal, not all property packages were created equal either. This metric likely understates the value of companies with small projects (we assume they keep only highly prospective ground), and possibly overvalues companies with large land packages. At least, this tends to hold true for the junior explorers that trade at an average EV/Ha of ~\$400, whereas the developers trade at ~\$4,100 (and they tend to own large property positions). Combined, the non-weighted average EV/Ha for explorers + developers is ~\$1,461 (Figure 9).

Figure 9: Pre-Research Estimate Athabasca Basin Peer Company Assessment

	Uranium Explorers										Uranium Developers			
	IsoEnergy	Forum Energy	CanAlaska	Skyharbour	Azincourt	Purepoint	Standard Uranium	Fission 3.0	ALX Resources		NexGen Energy	Denison Mines	Fission Uranium	UEX
Company Ticker	TSXV:ISO	TSXV:FMC	TSXV:CVV	TSXV:SYH	TSXV:AAZ	TSXV:PTU	TSXV:FIND	TSXV:STND	TSXV:FUU	TSXV:AL	TSXNXX	TSXDMML	TSXFCU	TSXUEX
Share Price (C\$/sh)	272	0.37	0.68	0.44	0.09	0.13	0.52	0.24	0.12	0.09	5.21	1.30	0.60	0.37
Shares Outstanding (M)	95.1	148.3	80.8	115.8	343.0	320.5	52.3	92.8	170.3	151.9	469.3	803.9	586.2	453.7
Shares Fully Diluted (M)	106.6	178.2	92.5	137.5	361.9	352.0	58.7	99.1	180.3	156.2	490.4	812.3	614.3	477.2
Market Cap (C\$M)	258.7	54.1	55.0	50.9	29.2	41.7	27.2	22.3	20.4	13.7	2445.2	1045.1	351.7	167.9
Enterprise Value (C\$M)	262.2	51.6	47.7	42.4	24.9	35.4	20.2	18.4	19.8	12.7	2301.7	872.3	329.0	160.8
Primary Asset	Larocque East	Several	West McArthur	Moore	East Preston	Hook Lake	Shadow Hook	Davidson River	PLN	Several	Rook I	Wheeler River	Patterson Lake South	Several
Province	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask, Nunavut
Region	East Athabasca	Athabasca	West Athabasca	East Athabasca	West Athabasca	West Athabasca	South/SE Athabasca	SW Athabasca	West Athabasca	NE Athabasca	SW Athabasca	East Athabasca	SW Athabasca	Athabasca
Ownership	1.0	0.3	70/30% JV with Cameco	1.0	JV with Skyharbour & Dixie Gold	JV with Orano and Cameco	1.0	100% (under option)	1.0	Various	1.0	0.9	1.0	Various
Landholdings (Ha)	267,300	58,700	280,600	240,000	32,400	191,966	171,000	56,400	205,600	140,500	209,000	280,000	310,000	433,346
Res./Mineral Inv. (M lbs)	50.0	No	No	14.0	No	10.0	No	No	No	No	348.3	156.8	135.4	196.7
EV/Resource lb (C\$/lb)	5.24	N/A	N/A	3.03	N/A	3.54	N/A	N/A	N/A	N/A	6.61	5.56	2.43	0.82
EV/Hectare (C\$/Ha)	981	880	170	177	769	185	118	327	96	90	11013.0	3115.4	1061.4	371.1

Source: Company Reports, RCS Estimates, Capital IQ, UxC, WNA

We initiate coverage of five junior Athabasca Basin companies:

- Skyharbour Resources, BUY (Speculative), C\$0.95 target (116% lift);
- Purepoint Uranium, Buy (Speculative), C\$0.25 target (92% lift);
- Azincourt Energy, BUY (Speculative), No Target;
- Baselode, BUY (Speculative), No Target; and
- CanAlaksa Uranium, BUY (Speculative), No Target.

We continue to recommend Standard Uranium with a Buy (Speculative) rating and no target as the stock was previously covered by Red Cloud Securities.

UEX Corp. is also recommended as Buy with a C\$0.80/sh target, a uranium developer and thus not included within the explorer peer group, and previously covered by Red Cloud Securities.

Our top Athabasca Basin picks are UEX Corp, Skyharbour Resources and Purepoint Uranium, with honourable mention to CanAlaska given its recent West McArthur discovery. We recommend investors interested in participating in potential high-risk high-reward uranium discoveries to buy a basket of early-stage exploration vehicles to hedge their bets.

The following pages include initiation reports for Azincourt, Baselode, CanAlaska, Purepoint and Skyhabour; and updates on Standard Uranium and UEX.

Appendix A: Criteria for Grading Uranium Companies

Our assessment is based on six criteria, which we believe represent the key factors to consider when evaluating a uranium company and its project(s). These are cost profile, exploration upside, financeability, time to production, jurisdiction and relative valuation to similar stage peers. Each factor is rated from 1 to 5, where 5 refers to the most favourable rating (green – Figure 8) and 1 refers to the worst and least favourable rating (red – Figure 8). The six criteria include the following.

- **Cost** – A uranium company's cost-profile or expected cost-profile is important for future economic viability for projects with such long development timelines. This rating also considers incentive price and pre-production capex for development projects. We do not use this column for pre-resource exploration companies.
- **Exploration Upside** – Larger cap companies with resources believed to have already reached critical mass to enter mine development have been rated less favourably to reflect the limited near-term resource growth potential as a result of the shifted focus to permitting and mine development. We also believe exploration news from these larger cap producers/developers are less likely to move the stock.
- **Financeability** – Depending on where the asset is in the project life cycle, we have given a less favourable rating to early-stage exploration assets and a more favourable rating to producers. We have rated uranium developers based on our expectation of the company's ability to finance the pre-production cost of the asset, which takes into account management team, joint venture partners and strategic and/or institutional ownership. Metrics including EV/Capex and LOM capital intensity were also computed and considered.
- **Jurisdiction** – Our view has been based on the most recent Fraser Institute rankings with upward adjustments for countries with a rich uranium mining history.
- **Relative Valuation** – Relative valuation is based on conventional comparable valuation metrics such as P/NAV, EV/EBITDA for producers and EV/lb or EV/Ha for explorers/developers.
- **Time to production** – Given the extensive permitting timeline for uranium mines, we have estimated the time to production for each asset evaluated based on the stage of the project in the permitting process and our knowledge of the host country's permitting process.

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Company Specific Disclosure Details

Company Name	Ticker Symbol	Disclosures	Company Name	Ticker Symbol	Disclosures
Azincourt Energy Corp.	TSXV:AAZ	3,4	Skyharbour Resources Ltd.	TSXV:SYH	3,4
Baselode Energy Corp.	TSXV:FIND	3,4	Standard Uranium Ltd.	TSXV:STND	3,4
CanAlaska Uranium Ltd.	TSXV:CVV	3,4	UEX Corporation	TSX:UEX	1,2,3,4
Purepoint Uranium Group Inc.	TSXV:PTU	3,4			

- The analyst has visited the head office of the issuer or has viewed its material operations.
- 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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- In the last 12 months, a partner, director or officer of Red Cloud Securities Inc., or the analyst involved in the preparation of the research report has received compensation for investment banking services from the issuer.
- The analyst who prepared this research report has a long position, in the issuer's securities.
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- Red Cloud Securities Inc. and its affiliates collectively beneficially owned 1% or more of any class of issuer's equity securities as of the end of the month 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.
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- The analyst who prepared this research report was compensated from revenues generated solely by the Red Cloud Securities Inc.'s Investment Banking Department.
- Red Cloud Securities Inc. is a market maker in the equity of the issuer.
- There are material conflicts of interest with Red Cloud Securities Inc. or the analyst who prepared the report and the issuer.

Recommendation Terminology

Red Cloud Securities Inc. recommendation terminology is as follows:

- BUY – expected to outperform its peer group

- HOLD – expected to perform with its peer group
- SELL – expected to underperform its peer group
- Tender – clients are advised to tender their shares to a takeover bid
- Not Rated or NA – currently restricted from publishing, or we do not yet have a rating
- Under Review – our rating and target are under review pending, prior estimates and rating should be disregarded.

Companies with BUY, HOLD or SELL recommendations may not have target prices associated with a recommendation. Recommendations without a target price are more speculative in nature and may be followed by “(S)” or “(Speculative)” to reflect the higher degree of risk associated with the company. Additionally, our target prices are set based on a 12-month investment horizon.

Dissemination

Red Cloud Securities Inc. distributes its research products simultaneously, via email, to its authorized client base. All research is then available on www.redcloudsecurities.com via login and password.

Analyst Certification

Any Red Cloud Securities Inc. research analyst named on this report hereby certifies that the recommendations and/or opinions expressed herein accurately reflect such research analyst's personal views about the companies and securities that are the subject of this report. In addition, no part of any research analyst's compensation is, or will be, directly or indirectly, related to the specific recommendations or views expressed by such research analyst in this report.

Azincourt Energy Corp. (TSXV:AAZ)

East Preston Earn-In Brought Stock to New Level

Initiating Coverage

May 13, 2021

(Currency is C\$ unless noted otherwise)

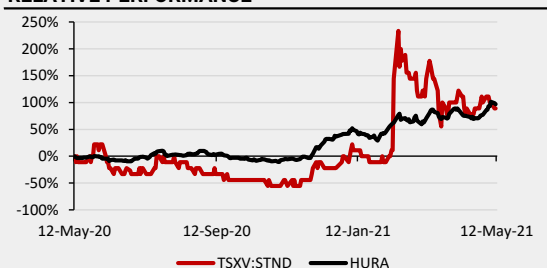
Closing Price (C\$/sh)	\$0.09
Rating	BUY (\$)
Target (C\$/sh)	NA
Return to Target	NA
52 Week Low / High (C\$/sh)	\$0.02 / \$0.18

CAPITALIZATION	Basic	Diluted
Shares Outstanding (M)	327.2	522.4
Market Capitalization (C\$M)	\$27.8	
Enterprise Value (C\$M)	\$23.6	
Cash and Cash Equivalents (C\$M)	\$4.2	
Total Debt (C\$M)	\$0.0	

STOCK CHART



RELATIVE PERFORMANCE



Relative Valuation	EV (C\$M)
Azincourt Energy Corp.	\$23.6
Peers*	\$67.4

*S&P Capital IQ

MAJOR SHAREHOLDERS

Management (0.33%), MM Asset Management Inc (9%), Westview Consulting Ltd. (0.37%)

DISCLOSURE CODE: 3,4

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

Source: RCS, Company Information, S&P Capital IQ

Company Description

Azincourt Energy Corp., an exploration and development company, focuses on the alternative fuels/alternative energy sector in Canada and Peru. It explores for uranium and lithium deposits, as well as other clean energy elements. The company has a 70% interest in the East Preston project located in Saskatchewan and a 100% interest in the Escalera group projects located in Peru.

We are initiating coverage on Azincourt Energy (TSXV:AAZ) with a BUY (Speculative) rating and no target price. Azincourt Energy is an early-stage uranium exploration company focused on its East Preston JV in the Athabasca Basin of SK and its Escalera project in Peru. While not discounting its South American assets, we urge investors to buy AAZ for its discovery potential of high-grade basement hosted uranium deposits.

- **Southwestern Athabasca Basin focus.** Targets are shallow basement-hosted unconformity related uranium like NexGen Energy's (TSX:NXE, Not Rated) Arrow deposit and Cameco's (TSX:CCO, Not Rated) Eagle Point mine. The project is located along a parallel conductive trend between PLS-Arrow trend and Cameco's Centennial deposit (Virgin River-Dufferin Lake trend).
- **Completed 70% earn-in at the East Preston project in Q1/21.** AAZ issued shares and cash and is to spend a total of C\$3.5M over three years. This de-risking event cemented Azincourt's interest and reinstates the project as a JV where its partners need to help fund future exploration.
- **Three prospective conductive, low magnetic signature corridors** totaling over 25km strike have been discovered. Gravity surveys show structural conduits well, including a notable trend through the central portion of the property. VTEM coverage suggests the structure has graphite, which is required to create a reducing environment (chemical trap). Initial drilling in 2019 identified closely spaced discrete graphitic conductors within mag lows. 2020 drilling confirmed these graphitic structures are associated REE mineralization and favourable alteration.
- **Winter drilling cut short.** Only five holes were completed due to an early spring. Management is exploring ways to complete the program. Options include a summer drill campaign or expanded winter 2021/2022 program.
- **Secondary project in Peru is highly prospective.** The 7,400 Ha Escalera property occurs within Macasani Crucero-Picotani volcanics, an emerging Li-U district. Two uranium rich areas with over 6.5km of mineralized trend has returned up to 3560 ppm U, and 153 ppm Li.

Valuation: We are initiating coverage of Azincourt Energy with a Buy (Speculative) rating and no target price. Azincourt ranks 3rd of 10 stocks using a relative valuation metric of EV/Ha, partially given its smaller properties and the run on the stock recently as it earned-in to East Preston. Assuming a peer average of C\$400/Ha and adding cash back, we would estimate a potential valuation of C\$0.05/sh, 44% lower than its current share price. This relative valuation seems duly unfair to Azincourt given that its 32,400 Ha land package is drastically smaller than peers, despite being in both Peru and the Athabasca, and it doesn't represent its geological potential. We do await results from a shortened winter program and expect discovery driven exploration to resume. **Upcoming Catalysts:** 1) winter assays pending; 2) potential summer of expanded fall/winter 2021 program. **Mining/exploration is inherently risky** and Azincourt is subject to various geopolitical, technical, corporate, or financial risks.

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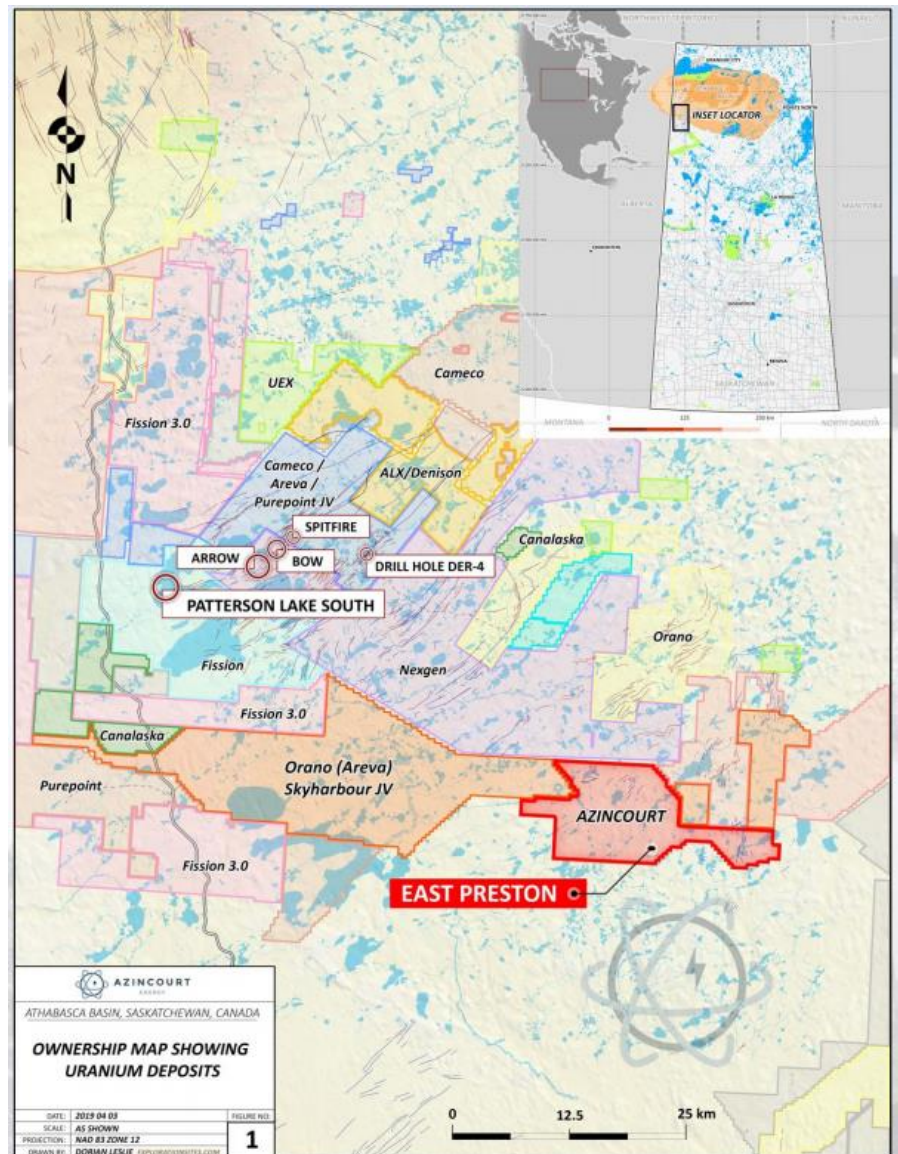
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Investment Thesis

The Athabasca Basin is the world's most prolific uranium jurisdiction. Uranium grades average over an order of magnitude higher in the Basin at 3.95% U_3O_8 as compared to 0.15% from the west of the world. The Basin was responsible for 13% of global uranium production in 2019 from just a single mine (Cigar Lake). Saskatchewan ranks 3rd in the world from an investment attractiveness point of view according to the Fraser Institute (2020). It has excellent mining and civil infrastructure, a straightforward licensing and approval process and support from several levels of Government.

East Preston is an early-stage uranium exploration project in a very prospective area of the Athabasca Basin. Early indications suggest uranium mineralization may be present. Targets are shallow basement-hosted unconformity related uranium like NexGen's Arrow deposit and Cameco's Eagle Point mine. The project is located along a parallel conductive trend between the PLS-Arrow trend and Cameco's Centennial deposit (Virgin River-Dufferin Lake trend).

Figure 1: Property locations



Source: Company Reports

Five holes of an initial ten hole drilling program were completed at East Preston

Current exploration

Ten holes (2,500m and \$1.1 M budget) were initially planned for winter 2021, but an early spring cut the program along the A Zone corridor short at five holes (1,195m). Preliminary results indicate that the conductive corridor through the A to G zones contains a thick graphitic package and associated complex structural pattern ideal for the placement of uranium mineralization.

2021 winter drilling was designed to include property wide VTEM and magnetic surveys on the conductive corridor from the A-Zone through to the G-Zone. Multiple EM conductor trends, gravity and radon anomalies and key pathfinder elements for unconformity uranium deposit discovery have been identified and targets were based on these and past drilling. While 10 holes per year can provide a methodical and systematic program, a goal would be to drill more aggressively with 20-30 holes.

Peruvian exploration may simply look at expanding on previous sampling, and geophysics to help define drill targets along a 4km long trend.

Key Catalysts

Winter drill results remain outstanding. Otherwise, management is exploring ways to complete the winter 2021 program. Options might include a summer 2021 drill campaign or expanded winter 2021/2022 drill campaign. These plans would be subject to permit approval and community consultations.

Valuation

We are initiating coverage of Azincourt Energy with a Buy (Speculative) rating and no target price. Azincourt ranks 3rd of 10 stocks using a relative valuation metric of EV/Ha, partially given its peer leading land holdings. If we were to assume a peer average of C\$400/Ha, and add back cash, we would estimate a potential valuation of C\$0.05/sh, which is 44% lower than its current share price (Figure 2). This relative valuation seems duly unfair to Azincourt given that its 32,400 Ha in landholdings is drastically smaller than its peers, despite having projects in the Athabasca Basin and Peru. That said, the stock has run on little news, save for completion of its 70% earn in at East Preston. We await drill results from a shortened winter campaign.

With two highly prospective projects to advance in a top uranium-mining district, we see potential for a new discovery. As well, we continue to be bullish on uranium and believe the stock could materially re-rate with a changing market. The company currently trades at C\$769/Ha which is almost double the average its exploration peer group (~C\$400/Ha), yet 81% below the average of the developer peer group (~C\$4,000/Ha) and 46% below the average of all explorers/developers combined (~C\$1,425/Ha).

We see compelling opportunities in uranium, and while equities continue to rise, they remain attractively valued. We provide relative rankings for 10 different Athabasca Basin pre-resource exploration companies (Figure 4). Our assessment is based on six criteria, which we believe represent the key factors to consider when evaluating a uranium company and its project(s). These are cost profile, exploration upside, financeability, time to production, jurisdiction and relative valuation to similar stage peers. Each factor is rated from favourable (5) to unfavourable (1). The assessment is focused on each company's flagship asset.

We estimate that Azincourt has \$4.2M in cash. Shares outstanding total 327.20M with 11.29M options and 183.95M warrants. The potential funding from warrant exercise is ~C\$12M. Its last equity raise increased institutional ownership from 18% to 30%, while insiders and associates own 10% and friends and family another 10%.

Figure 2: Potential valuation estimate

Asset	Ownership	Status	Landholdings (ha)	Valuation Method	Fair Value Estimate		(%)
					(C\$M)	(C\$/sh)	
Assets							
East Preston	70%	Exploration	25,000	Landholdings (C\$400/ha)	\$10.0	\$0.03	58%
Escalera Group	100%	Exploration	7,400	Landholdings (C\$400/ha)	\$3.0	\$0.01	17%
Project NAV					\$13.0	\$0.04	75%
Cash					\$4.2	\$0.01	25%
Total Corporate Adjustments					\$4.2	\$0.01	25%
Corporate NAV					\$17.2	\$0.05	100%

Source: S&P Capital IQ, Company Reports

Figure 3: Comparable Companies comp table – all stocks pre-resource estimate.

	Uranium Explorers										Uranium Developers			
	IsoEnergy	Forum Energy	CanAlaska	Skyharbour	Azincourt	Purepoint	Baselode	Standard Uranium	Fission 3.0	ALX Resources	NexGen Energy	Denison Mines	Fission Uranium	UEX
Company Ticker	TSXV:ISO	TSXV:FMC	TSXV:CVV	TSXV:SYH	TSXV:AAZ	TSXV:PTU	TSXV:FIND	TSXV:STND	TSXV:FUU	TSXV:AL	TSXN:NE	TSX:DML	TSX:FCU	TSX:UEX
Share Price (C\$/sh)	2.72	0.37	0.68	0.44	0.09	0.13	0.52	0.24	0.12	0.09	5.21	1.30	0.60	0.37
Shares Outstanding (M)	95.1	148.3	80.8	115.8	343.0	320.5	52.3	92.8	170.3	151.9	469.3	803.9	586.2	453.7
Shares Fully Diluted (M)	106.6	178.2	92.5	137.5	361.9	352.0	58.7	99.1	180.3	156.2	490.4	812.3	614.3	477.2
Market Cap (C\$M)	258.7	54.1	55.0	50.9	29.2	41.7	27.2	22.3	20.4	13.7	2445.2	1045.1	351.7	167.9
Enterprise Value (C\$M)	262.2	51.6	47.7	42.4	24.9	35.4	20.2	18.4	19.8	12.7	2301.7	872.3	329.0	160.8
Primary Asset	Larocque East	Several	West McArthur	Moore	East Preston	Hook Lake	Shadow Hook	Davidson River	PLN	Several	Rook I	Wheeler River	Patterson Lake South	Several
Province	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.
Region	East Athabasca	Athabasca	West Athabasca	East Athabasca	West Athabasca	West Athabasca	South/SE Athabasca	SW Athabasca	West Athabasca	NE Athabasca	SW Athabasca	East Athabasca	SW Athabasca	Athabasca
Ownership	1.0	0.3	70/30% JV with Cameco	1.0	JV with Skyharbour & Dixie Gold	JV with Orano and Cameco	1.0	100% (under option)	1.0	Various	1.0	0.9	1.0	Various
Landholdings (Ha)	267,300	58,700	280,600	240,000	32,400	191,966	171,000	56,400	205,600	140,500	209,000	280,000	310,000	433,346
Res./Mineral Inv. (M lbs)	50.0	No	No	14.0	No	10.0	No	No	No	No	348.3	156.8	135.4	196.7
EV/Resource lb (C\$/lb)	5.24	N/A	N/A	3.03	N/A	3.54	N/A	N/A	N/A	N/A	6.61	5.56	2.43	0.82
EV/Hectare (C\$/Ha)	981	880	170	177	769	185	118	327	96	90	11013.0	3115.4	1061.4	371.1

Source: S&P Capital IQ, Company Reports

Figure 4: Comparable companies heatmap

Uranium Explorer	Ticker	MC (US\$M)	Country Name	Financeability	Exploration Upside	Country	Relative valuation	Time to Production	Total Score	Δ
IsoEnergy Limited	TSXV:ISO	\$ 222.7	Canada							Δ
CanAlaska Uranium Limited	TSXV:CVV	\$ 46.1	Canada							▽
Forum Energy Metals	TSXV:FMC	\$ 45.4	Canada							▽
Skyharbour Resources Ltd.	TSXV:SYH	\$ 42.2	Canada							Δ
Purepoint Uranium Group Inc.	TSXV:PTU	\$ 35.8	Canada							Δ
Azincourt Energy	TSXV:AAZ	\$ 24.1	Canada							▽
Fission 3.0 Corp.	TSXV:FUU	\$ 16.9	Canada							▽
Standard Uranium	TSXV:STND	\$ 19.6	Canada							▽
Baselode Energy	TSXV:FIND	\$ 24.7	Canada							▽
ALX Uranium Corp.	TSXV:AL	\$ 12.6	Canada							▽

Source: S&P Capital IQ, Company Reports

Assets

Preston property (70%-owned)

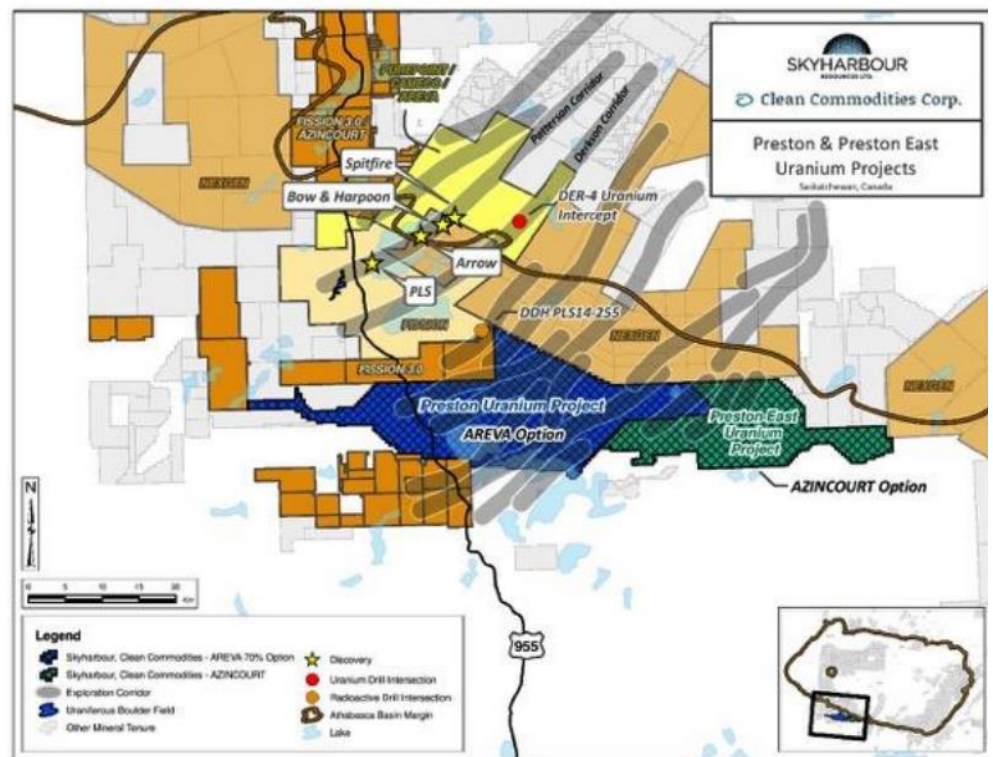
The 49,635 Ha East Preston property is one half of a larger Preston Property. It is located ~25km SE of NexGen Energy's (TSX:NXE, Not Rated) Rook 1 project, and southeast of Fission Uranium's (TSX:FCU, Not Rated) Paterson Lake South, over C\$4.8M has been spent on the property to date.

Located close to the Rook 1 and Paterson Lake South projects, the Preston property has significant exploration potential

Significant potential. Major NE-SW trending conductive corridors trend onto NexGen Energy's adjacent Rook 1 property. Although early stage, exploration work at the project includes significant ground sampling and geophysical work, small drill programs with some anomalous intercepts. Recent drilling has identified anomalous uranium intercepts, right geological setting, and indicator minerals. Exploration has only focused on about half of the property to date.

Building a picture for basement hosted uranium deposits. Gravity surveys show structural conduits very well, including a trend through the central portion of the property. VTEM coverage also suggests that structure has graphite, which is required to create a reducing environment (chemical trap). Initial drilling in 2019 identified closely spaced discrete graphitic conductors within mag lows. 2020 drilling confirmed these graphitic structures are associated REE mineralization and favourable alteration.

Figure 5: Claim map of the Preston and East Preston projects



Source: S&P Capital IQ, Company Reports

Ownership

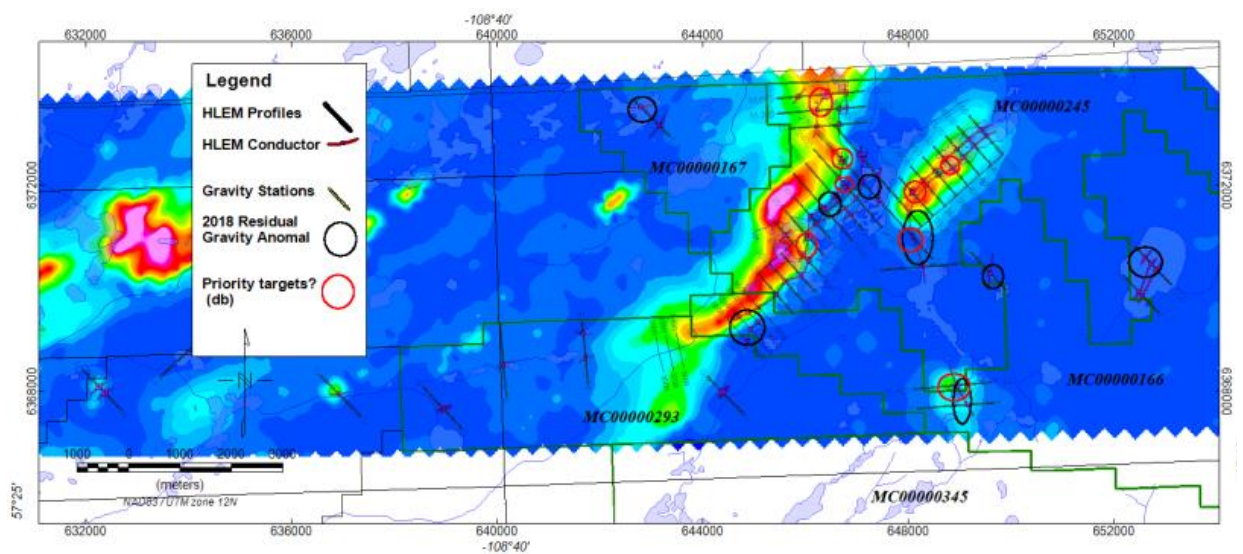
Azincourt has now earned-in to the East Preston JV and owns 70%, while Skyharbour (SYH, BUY (S), C\$0.95 target) retains 15% and Dixie Gold (Not Rated) retains 15%. We expect Dixie Gold to be bought out or diluted in the near-term.

History

Historical exploration includes ground gravity, airborne and ground electromagnetics, radon, soil, silt, bio-geochem, lake sediment, and geological mapping surveys, and several drill programs. Three prospective conductive, low magnetic signature corridors totaling over 25km strike and multiple EM conductor trends have been discovered to date. EM conductors, gravity and radon anomalies and key pathfinder elements for unconformity uranium deposit discovery have been identified.

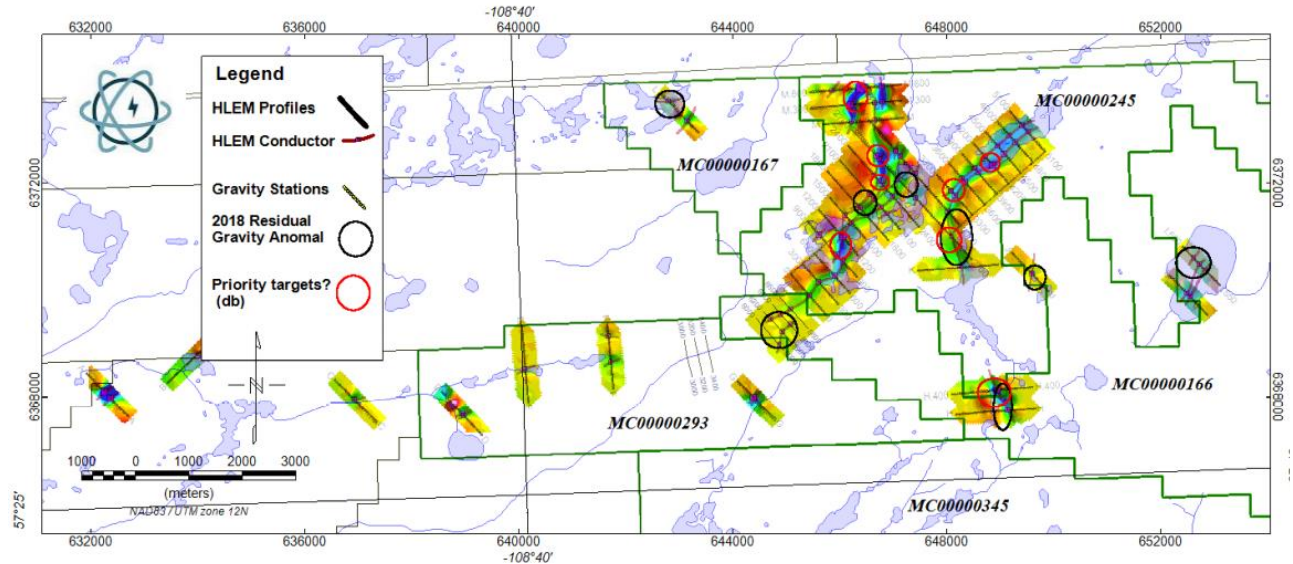
Drill targets were generated through HLEM and Gravity surveys completed in 2017-18 (Figure 6). About 46.05 km of horizontal loop electromagnetic (HLEM), and 40.6 km of gravity surveys were carried out to identify the location of multiple shallow conductive systems in basement rocks. The initial ground geophysical program confirmed the interpretation of the previous airborne data and several drill targets within previously untested corridors.

Figure 6: HLEM and gravity geophysical survey map



Source: S&P Capital IQ, Company Reports

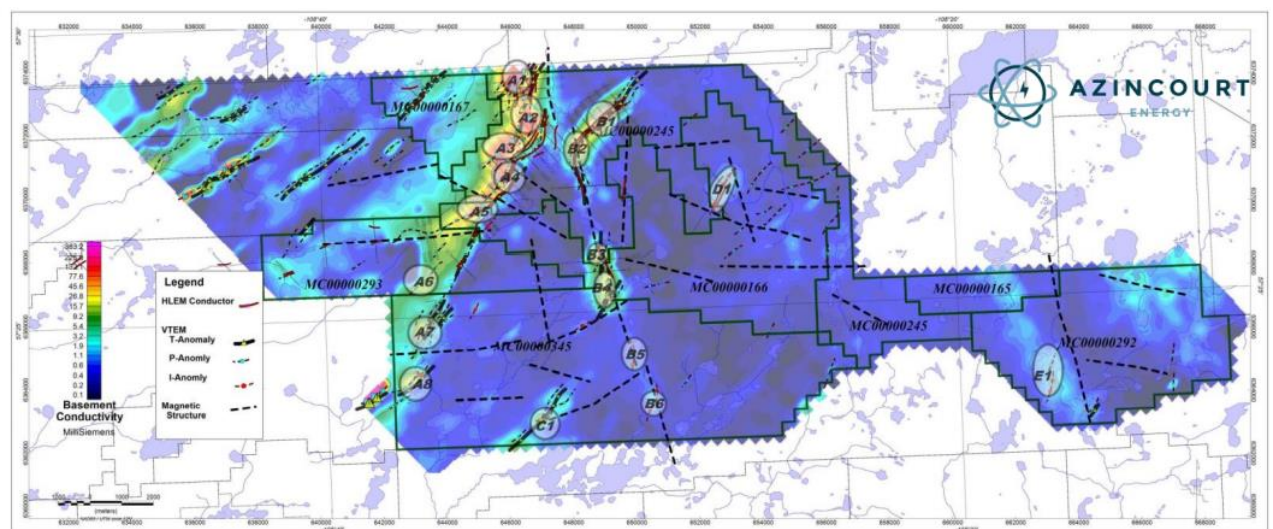
Figure 7: Linear conductors that have flexures, changes of direction or orientation, and offset breaks close to faults or regional structures are classic targets for basement hosted unconformity uranium targets



Source: S&P Capital IQ, Company Reports

Versatile Time-Domain Electromagnetic (VTEM) and Magnetic surveys from 2019 have helped cover the entire East Preston property and outline the 15km long A Conductor corridor (Figure 8). The surveys highlight an additional 7.5-10km along two previously identified trends. Offset breaks have been identified. Four new target areas (A7, A8, B4 and C1) are breaks that show multiple conductors, and three new target areas (B5, B6 and E1) show single conductors associated with magnetic structures of offset breaks.

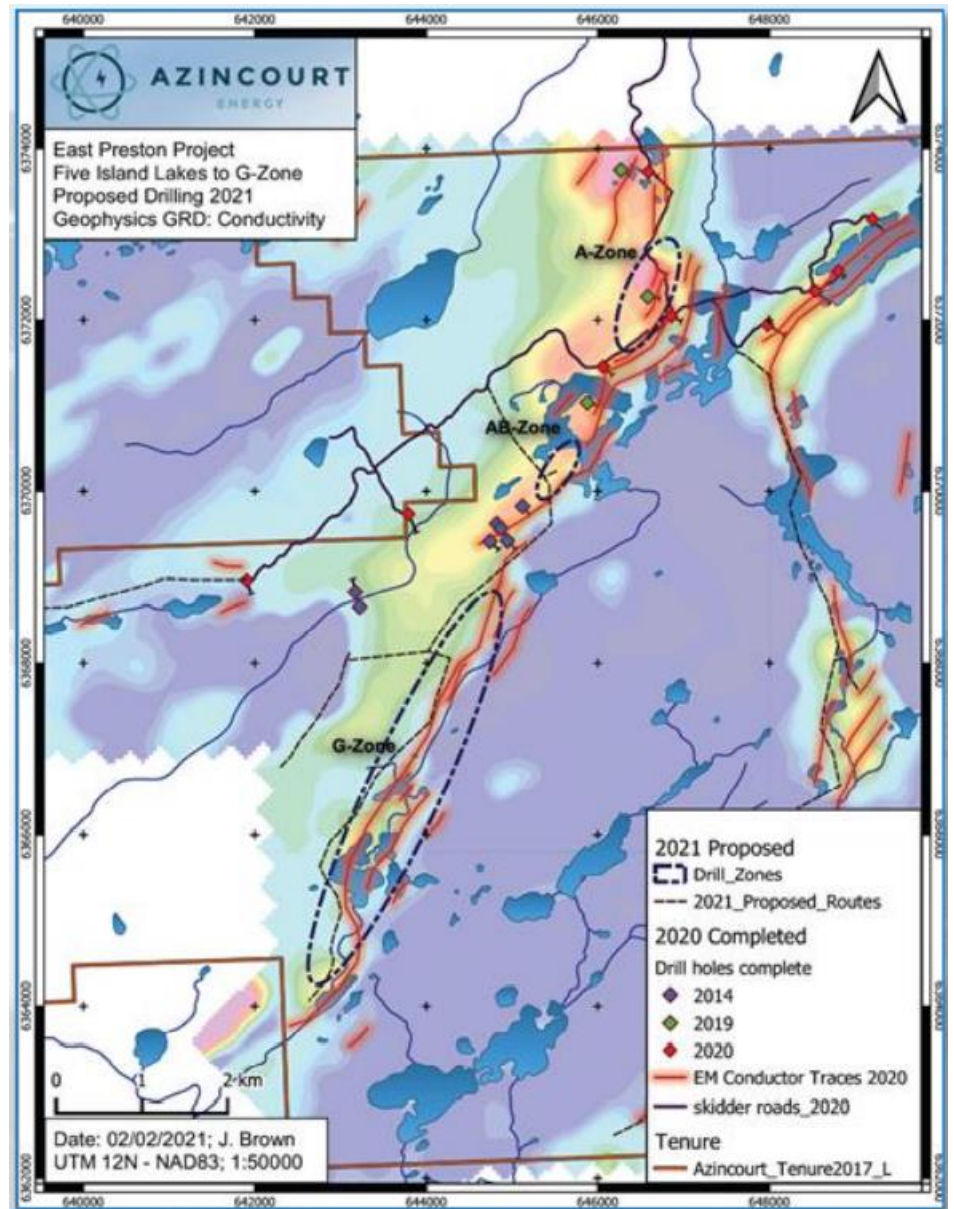
Figure 8: Geophysical VTEM map showing the location on HLEM conductors and magnetic structures have helped define high priority drill targets



Source: S&P Capital IQ, Company Reports

Drill targets occur along the conductive corridors from the A-zone through to the G-zone. Historical A Zone drilling indicates the structural corridor hosts significant graphitic packages, strongly sheared, faulted and offset structures and host rocks, suggesting an environment suitable for fluid movement and uranium deposition. Pre-2021 East Preston drilling totaled 12 holes (2,983m).

Figure 9: Conductivity map showing the main structural corridor on the East Preston property and A-Zone to G-Zone target areas



Source: S&P Capital IQ, Company Reports

Azincourt's winter 2021 drill program at East Preston was cut short around the half-way mark, given that spring came early in northern Saskatchewan. The original C\$1 to C\$1.4M budget was supposed to cover 2,000-2,500m (10-12 holes). Targets were based on coincidental anomalies from previous drilling, and EM, VTEM, magnetic and gravity surveys. Five holes of assays remain pending.

Previous drilling has set the stage for a basement hosted uranium discovery

Geology & Mineralization

Targets are shallow basement-hosted unconformity related uranium, like NexGen's Arrow deposit and Cameco's Eagle Point mine. The project is located along a parallel conductive trend between the Paterson Lake corridor and the Virgin River-Dufferin Lake trend (Centennial deposit). Limited drilling has confirmed basement rocks and graphitic structures found at East Preston appear to be like those basement hosted deposits and zones located just to the north – Triple R, Arrow and Spitfire. Trace element geochemistry has found anomalous pathfinders such as Ni, Co, Cu, Zn and As are associated with graphitic schist intervals, particularly those rocks hosting uranium. Management believes that previous drilling has set the stage for a basement hosted uranium discovery with the right rocks, structure, and alteration.

Resources

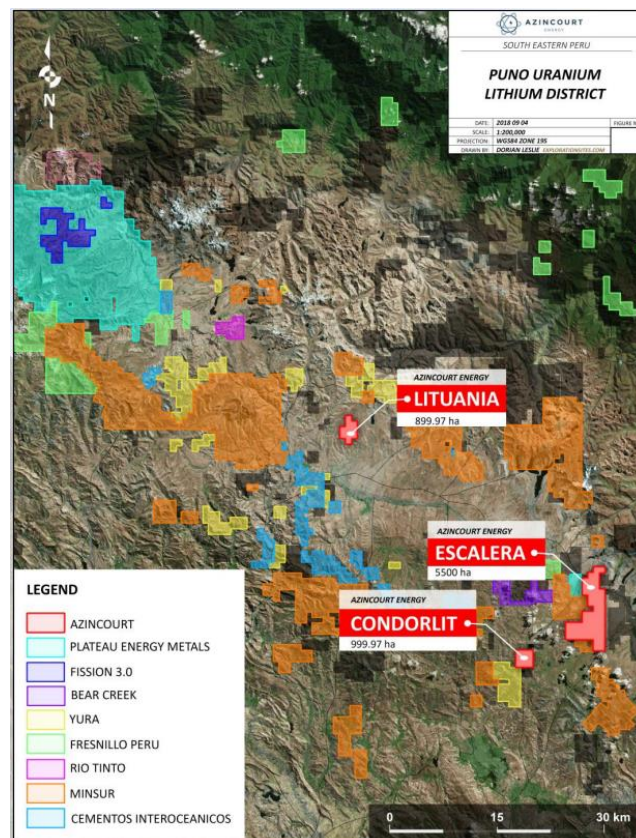
There are no compliant uranium resources on the property.

Escalera Group property (100%-option)

Escalera Group in Peru is a highly prospective secondary project.

Escalera Group consists of three concessions (Lituania, Condorlit, Escalera) of prospective exploration targets for volcanic hosted supergene/surficial uranium and lithium on the Picotani Plateau, Puno district, southeastern Peru. The 7,400 Ha property occurs within the Macasani Crucero-Picotani volcanic field. Two uranium areas with over 6.5km of mineralized trend have returned up to 3560 ppm U, and 153 ppm Li.

Figure 10: Claim map of property



Source: S&P Capital IQ, Company Reports

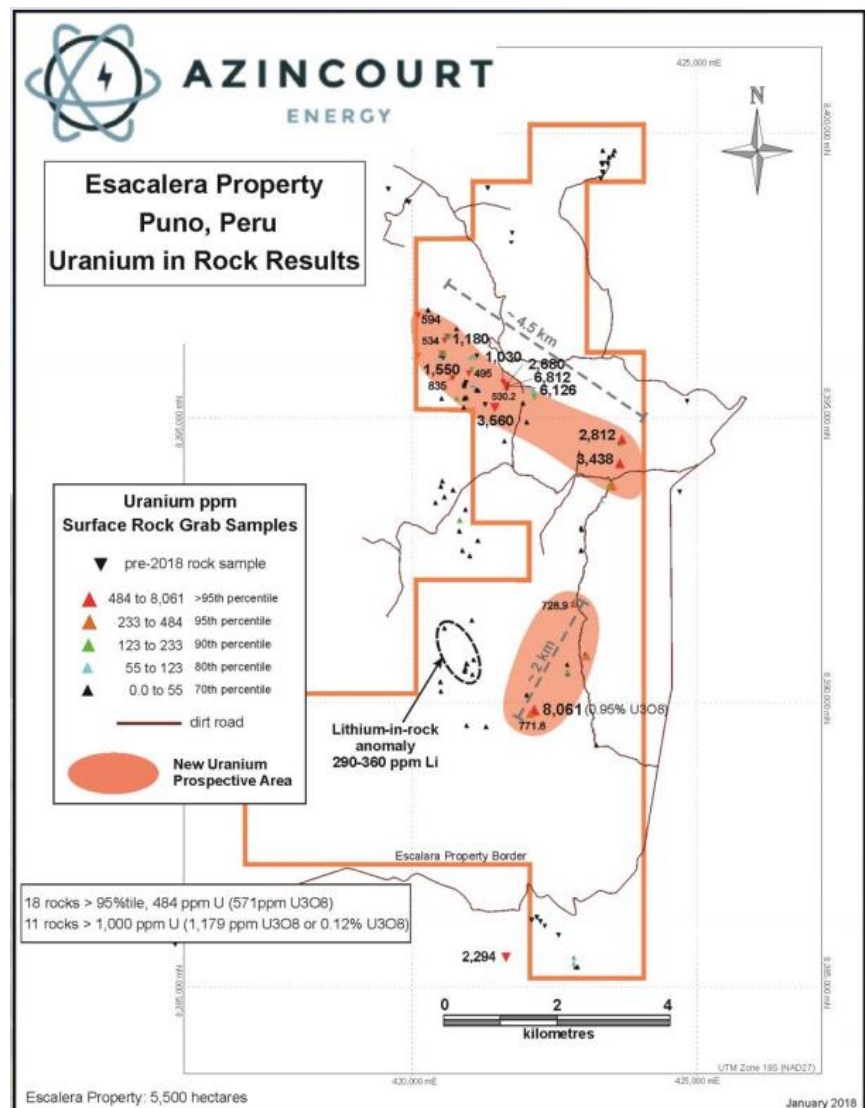
History

Initial groundwork included mapping and sampling to locate favorable areas and known host rocks. Ground radiometric geophysical surveys using hand portable scintillometers helped test for radioactivity at surface. A total of 113 rock samples were collected, and 11 returned above 1,000-ppm uranium ($0.12\% \text{ U}_3\text{O}_8$), with assays of up to 8,061 ppm ($0.95\% \text{ U}_3\text{O}_8$), 6,812 ppm, 6,126 ppm, 3,560 ppm and 3,438 ppm uranium. A total of 113 rock samples were collected during the three-week long reconnaissance sampling and prospecting program; with a total of 94 rock samples collected on the 5,500-hectare Escalera Property.

Geology & Mineralization

At Escalera, the proposed uranium mineralization model is like that found at the Macusani uranium deposit (Plateau Energy Metals), located 100km to the NW. Macusani deposit hosts an M&I resource of 52.9M lb at 248ppm U_3O_8 and an inferred resource of 72.1M lb at 251ppm. Secondary mineralization is interpreted to have been sourced from frothy volcanic debris flow rocks, through interaction between topography, groundwater movement and evaporation.

Figure 11: Uranium mineralization



Source: S&P Capital IQ, Company Reports

Risks

Exploration, development, and mining projects are inherently risky investments given the large initial expenses that are required in advance of any potential revenue. Our view is based on publicly available information but note that our estimates and views are not without political, technical, geologic or financing risk typical for junior exploration companies.

1. **Geopolitical/jurisdictional risks** – Some of these risks may be out of the control of the company, including royalty and taxation levels, land agreement liabilities, regulatory, environmental and permit requirements and timing, global trade wars and political instability.
2. **Technical risks** – This covers a wide variety of issues that we see associated with the deposit including exploration, development and exploitation strategies and methods. It would cover such issues as accuracy of geological interpretation, resource/reserve estimates and economic studies and inputs such as commodity prices, cost and grade fluctuations, assay reconciliation, metallurgical issues and exploration success. Our positive view relies on using existing technical data, recent exploration results and to a limited extent, expected positive results from future drilling. Future results may differ and negatively impact our assumptions.
3. **Corporate risks** – These may include project execution by management, investor relations effectiveness, or market sentiment. Management pedigree and performance are paramount. Market sentiment is also an issue. Uranium is a particularly risky commodity given both the strong support and distain for the commodity and nuclear power as an answer to greenhouse gas emissions.
4. **Financial risks** – These may occur at the project or corporate level, including variation in valuation parameters/metrics, commodity price or foreign exchange fluctuations, access to credit including debt, equity financing or potential for shareholder dilution.

As new information becomes available, we plan to refine our estimates and forecasts.

Management and Directors

Alex Klenman – President, CEO & Director: Mr. Klenman has 30+ years of experience as a junior mining executive, in both the private and public sectors. In the past decade he has held or continues to hold leadership roles with numerous mining companies such as Nexus Gold, Leocor Gold, Cross River, Arbor Metals.

C. Trevor Perkins, P.Geo, B.Sc – Exploration Manager: Trevor is a professional geologist with 25+ years of experience in mineral exploration in some of the world's prolific mining regions. Mr. Perkins was formerly Exploration Manager for UEX, responsible for overseeing exploration in the Athabasca Basin.

Ted O'Connor, P.Geo, M.Sc, B.Sc – Director: Ted has 25+ years of experience in the uranium/lithium exploration industry including 20 years with Cameco. Mr. O'Connor was also former CEO and current member of the Board of Directors at Plateau Energy Metals.

Paul Reynolds, B.Sc, P.Geo – Director: Professional geoscientist with 30+ years of experience working in Canada, USA, Bolivia, Argentina and Guyana. Paul holds B.Sc degree in geology from the University of British Columbia (1987), and is a member of the Association of Professional Engineers and Geoscientists of the Province of British Columbia (since 1992).

Vivien Chuang, CPA – Chief Financial Officer: Vivien is a CPA with several years of experience in the resource and mining sector. She worked at PwC LLP from 2006 – 2010 and Charlton & Company from 2010-2011.

Baselode Energy Corp. (TSXV:FIND)

Basement Hosted Uranium is Easier to FIND

Initiating Coverage

May 13, 2021

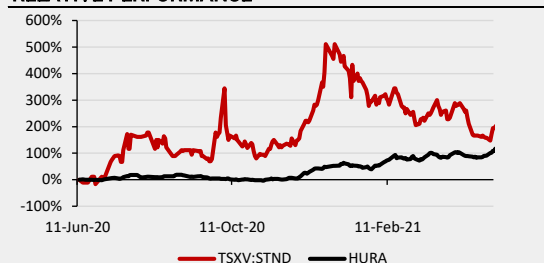
(Currency is C\$ unless noted otherwise)

Closing Price (C\$/sh)	\$0.52
Rating	BUY (S)
Target (C\$/sh)	NA
Return to Target	NA
52 Week Low / High (C\$/sh)	\$0.15 / \$1.19
CAPITALIZATION	Basic Diluted
Shares Outstanding (M)	52.3 83.4
Market Capitalization (C\$M)	\$27.2
Enterprise Value (C\$M)	\$20.2
Cash and Cash Equivalents (C\$M)	\$7.0
Total Debt (C\$M)	\$0.0

STOCK CHART



RELATIVE PERFORMANCE



Relative Valuation	EV (C\$M)
Baselode Energy Corp.	\$20.2
Peers*	\$68.2

*S&P Capital IQ

MAJOR SHAREHOLDERS

Management (3.43%), QC Copper and Gold Inc. (34.14%)

DISCLOSURE CODE: 3,4

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

Source: RCS, Company Information, S&P Capital IQ

Company Description

Baselode Energy Corp. operates as a uranium exploration company. It focuses on discovering basement-hosted orebodies in the Athabasca basin in Saskatchewan, Canada, and is currently advancing its 100%-owned Shadow and Hook projects. The company is based in Toronto, Canada.

We are initiating coverage on Baselode Energy (TSXV:FIND) with a BUY (Speculative) rating and no target price. Baselode Energy is an early-stage uranium exploration company focused in the Athabasca Basin in. It has a district-scale portfolio of ~171,000 ha in a prolific uranium jurisdiction, and a leadership team with a proven track record. FIND is well capitalized and actively exploring its properties to help define prospective drill targets.

- **A uranium explorer that can differentiate itself.** Targets are typically outside of the Athabasca Basin proper, in areas that have seen little work. Targets are easily accessible, basement rocks in areas that either come right to surface or have almost no sandstone cover. Basement-hosted deposits are typically more competent, easier to mine, and shallower than sandstone-hosted unconformity-style uranium deposits. Deep seated structures are being targeted, particularly when on trend with high-grade uranium deposits, like the Arrow deposit or Eagle Point mine.
- **The Athabasca Basin is the world's most prolific uranium jurisdiction.** Uranium grades average over an order of magnitude higher in the Basin, supplying over 13% of global uranium in 2019. SK is ranked 3rd in global investor attractiveness in 2020 according to the Fraser Institute.
- **Its flagship Shadow project** is a large, early-stage project located south of the Basin. Shadow hosts a massive and deep-rooted structure and is an excellent host for basement-hosted deposits. It is similar geologically to the Uranium City area, Eagle Point, Arrow and Key Lake mines. Discussions continue with local First Nations to gain social license to allow field work in 2021.
- **Hook project is located near McArthur River mine** along the Western Wollaston and Mudjatik domain. It covers a NW trending geophysical feature that hosts very high-grade uranium occurrences. One showing has returned an average of 44.5% U₃O₈ at surface. New claims cover boulder trains with high-grades (up to 3.49% U₃O₈) hosted in pegmatite.
- **Catharsis uranium project is located 73km S of Key Lake**, 60km south of the Athabasca Basin and straddles the Western Wollaston and Mudjatik tectonic domains. Little work has been carried out but grab samples have returned up to 1.38% U₃O₈ and glacial float samples of up to 1800 ppm U₃O₈.
- **Management is experienced.** James Sykes, CEO is an Athabasca focused uranium geologist that has already made couple of discoveries. His detail-oriented exploration approach is well suited to this role.

We are initiating coverage of Baselode Energy with a Buy (Speculative) rating and no target price. Baselode ranks 8th of 10 stocks using a relative valuation metric of EV/Ha. Assuming a peer average of C\$400/Ha and adding cash back, we would estimate a potential valuation of C\$1.44/sh which is a lift of 177% from its current share price. **Mining/exploration is inherently risky** and FIND is subject to various geopolitical, technical, corporate, or financial risks.

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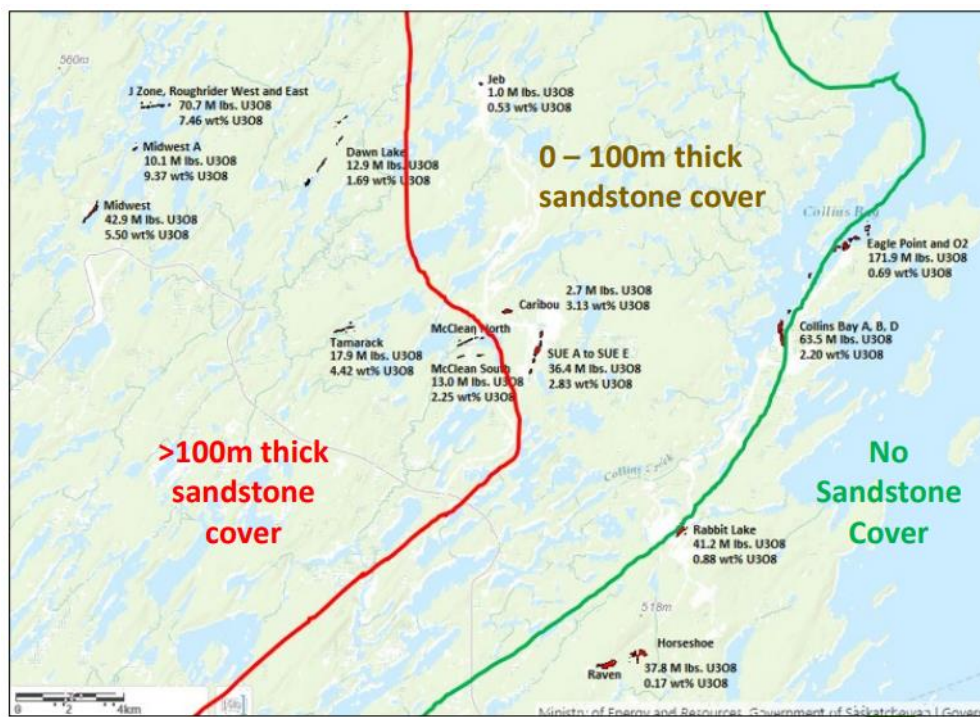
Investment Thesis

The Athabasca Basin is the world's most prolific uranium jurisdiction. Uranium grades average over an order of magnitude higher in the Basin at 3.95% U_3O_8 as compared to 0.15% from the west of the world. The Basin was responsible for 13% of global uranium production in 2019 from just a single mine (Cigar Lake). Saskatchewan ranks 3rd in the world from an investment attractiveness point of view according to the Fraser Institute (2020). It has excellent mining and civil infrastructure, a straightforward licensing and approval process, and support from several levels of Government.

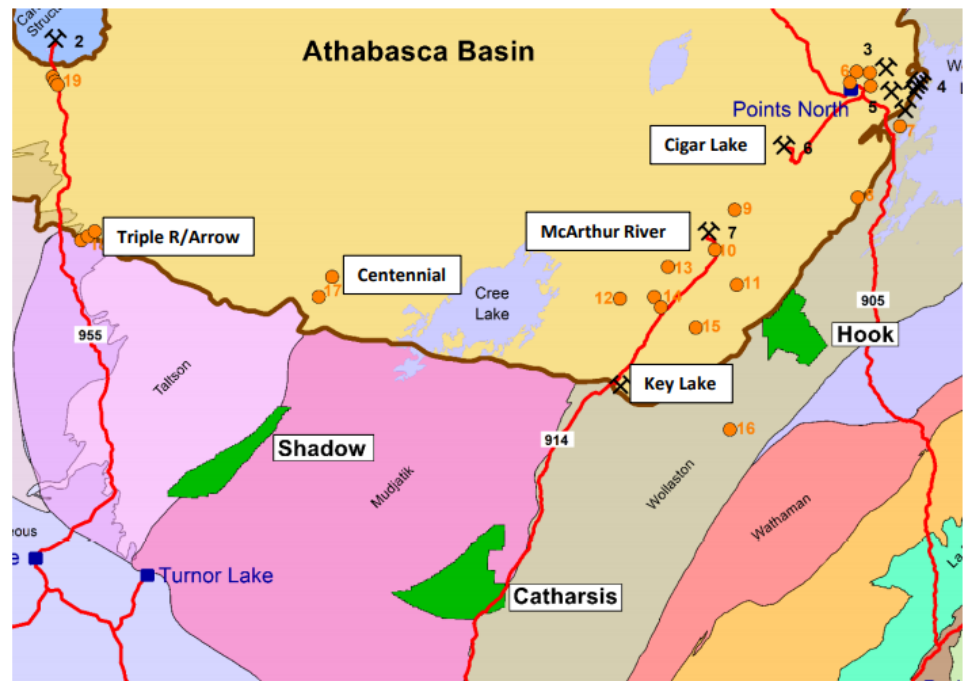
Specifically targeting basement hosted deposits. Management calls it the "Athabasca 2.0" approach, as it takes steps of trying to avoid the sandstone-hosted unconformity issues or costs that have plagued some of the world's largest uranium deposits. Those deposits are often deeper, show complex geology, soft sandstone that leads to incompetent rocks and mining difficulties that require freezing to overcome. The result is higher capital expenditures at mines such as McArthur River and Cigar Lake.

Basement hosted deposits are considered "simpler" with no sandstone or alteration products, leaving more competent rock and impacting future mining processes. Basement hosted deposits include Arrow, Rabbit Lake, Eagle Point, and Uranium City. Most recent uranium discoveries have been hosted within basement rocks, partially because they were misunderstood in the past and little exploration was performed in these areas, and partially because they are often deeper and covered by sandstone.

Figure 1: Sandstone cover within the eastern side of the Athabasca Basin



Source: Company Reports

Figure 2: Property locations


Source: Company Reports

Exploration activities are planned for Shadow, Hook and Catharsis projects

Current Exploration

Exploration is planned for all three projects. Targets are typically outside of the Athabasca Basin proper, in areas that have seen little work. Exploration is focused on easily accessible basement rocks in areas of little to no sandstone, targeting deep seated structures, particularly those along trend of high-grade uranium deposits.

Immediate focus shifted to Hook and recently acquired Catharsis project (both on strike with the Key Lake mine and mill). These properties will see some geophysical work over the next couple of months including gravity, magnetics, EM and radiometrics, to help define structures that might transport or host uranium. Follow-up geophysics and mapping will help further refine drill targets.

A fixed-wing airborne gravity survey is underway. A Falcon® Plus airborne gravity gradiometer, gravity and magnetic survey, covering all of Baselode's properties in the Athabasca Basin is underway. Catharsis saw 400m flight line-spacing and Hook had 200–400m flight line-spacing. The goal is to find gravity low features along known structural corridors on both properties. These corridors are commonly associated with hydrothermal alteration systems and may host uranium mineralization. Immediate follow-up plans include: 1) high-resolution airborne magnetics and radiometrics over Catharsis and Hook, and 2) an airborne EM survey over Catharsis, prioritizing structural targets.

Spring/summer ground reconnaissance, mapping and sampling is planned to help delineate and prioritize drill targets, with drill targets due to be tested in coming months.

Exploring along trend of existing uranium deposits, outside of the Athabasca Basin proper area

Based on its landholdings, Baselode could potentially be valued at C\$1.44/sh

Shadow project discussions continue. Management notes that positive dialogue is taking place between Baselode and the Turnor Lake Indigenous communities (Birch Narrows Dene Nation and Métis Nation Saskatchewan local #40). Management is sure that a mutually beneficial and environmentally responsible resolution can be achieved in the near term that would allow for early-stage ground exploration to begin.

Baselode's unique exploration stance could be an advantage. There are several things going for Baselode as it attempts to make a discovery in the Athabasca Basin. The company is relatively new, and it started its property search from first principals. Probably most important, it is searching along trend of existing uranium deposits, which in our opinion tend to occur in clusters. It is also often looking outside the Athabasca Basin proper area, which means little overlying sandstone and shallower mineralization, with the potential for exposure within outcrop (pending glacial cover). Very little exploration work has been done in this area by past explorers.

Key Catalysts

Key catalysts include target definition and drilling.

Upcoming catalysts include:

1. Shadow project discussions with First Nations (ongoing)
2. Shadow project exploration work is expected to commence as soon as social licenses with local First Nations can be arranged. Expect airborne radiometrics, ground prospecting, mapping and sampling, and at least 3,000-5,000m diamond drilling, the first ever for the property (Q2-Q3/21)
3. Hook project exploration work with airborne radiometrics, magnetics, and EM, ground prospecting, mapping and sampling, and another 3,000-5,000m drill program (Q2-Q3/21)
4. Catharsis project ongoing historic assessment compilation followed by a gravity survey and an EM survey, to help prioritize and define areas for planned groundwork and diamond drilling (Q3/21)

Valuation

We are initiating coverage of Baselode Energy with a Buy (Speculative) rating and no target price. Baselode ranks 8th of 10 stocks using a relative valuation metric of EV/Ha. Assuming a peer average of C\$400/Ha and adding cash back, we would estimate a potential valuation of C\$1.44/sh which is a lift of 162% from its current share price (Figure 3).

With two highly prospective projects to advance in a top uranium-mining district, we see potential for a new discovery. As well, we continue to be bullish on uranium and believe the stock could materially re-rate with a changing market. The company currently trades at C\$127/Ha which is 68% below than its exploration peer group (~C\$400/Ha), 97% below the average of the developer peer group (~C\$4,000/Ha) and 91% below the average of all explorers/developers combined (~C\$1,425/Ha).

We see compelling opportunities in uranium, and while equities continue to rise, they remain attractively valued. We provide relative rankings for 10 different Athabasca Basin pre-resource exploration companies (Figure 5). Our assessment is based on six criteria, which we believe represent the key factors to consider when evaluating a uranium company and its project(s). These are cost profile, exploration upside, financeability, time to production, jurisdiction and relative valuation to similar stage peers. Each factor is rated

from favourable (5) to unfavourable (1). The assessment is focused on each company's flagship asset. **Where it counts, we believe that Baseload fares well with a 3.5 of 5.0 on exploration upside. We anticipate it may increase within this key category should its burgeoning exploration programs lead to uranium discoveries.**

Baseload Energy currently has \$7M cash. Shares outstanding total 49.3M with 31.1M warrants and options. Shareholders include QC Copper and Gold (36%), institutional (25%) and insiders (4%).

Figure 3: Potential valuation estimate

Asset	Ownership	Status	Landholdings (ha)	Valuation Method	Fair Value Estimate		(%)
					(C\$M)	(C\$/sh)	
Assets							
Shadow Project	100%	Exploration	46,000	Landholdings (C\$400/ha)	\$18.4	\$0.35	24%
Hook Project	100%	Exploration	42,000	Landholdings (C\$400/ha)	\$16.8	\$0.32	22%
Catharsis Project	100%	Exploration	83,000	Landholdings (C\$400/ha)	\$33.2	\$0.63	44%
Project NAV					\$68.4	\$1.31	91%
Cash					\$7.0	\$0.13	9%
Total Corporate Adjustments					\$7.0	\$0.13	9%
Corporate NAV					\$75.4	\$1.44	100%

Source: S&P Capital IQ, Company Reports

Figure 4: Comparable Companies comp table – all stocks pre-resource estimate

Company Ticker	Uranium Explorers										Uranium Developers			
	IsoEnergy	Forum Energy	CanAlaska	Skyharbour	Azincourt	Purepoint	Baseload	Standard Uranium	Fission 3.0	ALX Resources	NexGen Energy	Denison Mines	Fission Uranium	UEX
Share Price (C\$/sh)	2.72	0.37	0.68	0.44	0.09	0.13	0.52	0.24	0.12	0.09	5.21	1.30	0.60	0.37
Shares Outstanding (M)	95.1	148.3	80.8	115.8	343.0	320.5	52.3	92.8	170.3	151.9	469.3	803.9	586.2	453.7
Shares Fully Diluted (M)	106.6	178.2	92.5	137.5	361.9	352.0	58.7	99.1	180.3	156.2	490.4	812.3	614.3	477.2
Market Cap (C\$M)	258.7	54.1	55.0	50.9	29.2	41.7	27.2	22.3	20.4	13.7	2445.2	1045.1	351.7	167.9
Enterprise Value (C\$M)	262.2	51.6	47.7	42.4	24.9	35.4	20.2	18.4	19.8	12.7	2301.7	872.3	329.0	160.8
Primary Asset	Larocque East	Several	West McArthur	Moore	East Preston	Hook Lake	Shadow Hook	Davidson River	PLN	Several	Rook I	Wheeler River	Patterson Lake South	Several
Province	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask, Nunavut
Region	East Athabasca	Athabasca	West Athabasca	East Athabasca	West Athabasca	West Athabasca	South/SE Athabasca	SW Athabasca	West Athabasca	NE Athabasca	SW Athabasca	East Athabasca	SW Athabasca	Athabasca
Ownership	1.0	0.3	70/30% JV with Cameco	1.0	JV with Skyharbour & Dixie Gold	JV with Orano and Cameco	1.0	100% (under option)	1.0	Various	1.0	0.9	1.0	Various
Landholdings (Ha)	267,300	58,700	280,600	240,000	32,400	191,966	171,000	56,400	205,600	140,500	209,000	280,000	310,000	433,346
Res./Mineral Inv. (M lbs)	50.0	No	No	14.0	No	10.0	No	No	No	No	348.3	156.8	135.4	196.7
EV/Resource lb (C\$/lb)	5.24	N/A	N/A	3.03	N/A	3.54	N/A	N/A	N/A	N/A	6.61	5.56	2.43	0.82
EV/Hectare (C\$/Ha)	981	880	170	177	769	185	118	327	96	90	11013.0	3115.4	1061.4	371.1

Source: S&P Capital IQ, Company Reports

Figure 5: Comparable Companies heatmap

Uranium Explorer	Ticker	MC (US\$M)	Country Name	Financeability	Exploration Upside	Country	Relative valuation	Time to Production	Total Score	Δ
IsoEnergy Limited	TSXV:ISO	\$ 222.7	Canada							△
CanAlaska Uranium Limited	TSXV:CVV	\$ 46.1	Canada							▽
Forum Energy Metals	TSXV:FMC	\$ 45.4	Canada							▽
Skyharbour Resources Ltd.	TSXV:SYH	\$ 42.2	Canada							△
Purepoint Uranium Group Inc.	TSXV:PTU	\$ 35.8	Canada							△
Azincourt Energy	TSXV:AAZ	\$ 24.1	Canada							▽
Fission 3.0 Corp.	TSXV:FUU	\$ 16.9	Canada							▽
Standard Uranium	TSXV:STND	\$ 19.6	Canada							▽
Baseload Energy	TSXV:FIND	\$ 24.7	Canada							▽
ALX Uranium Corp.	TSXV:AL	\$ 12.6	Canada							▽

Source: S&P Capital IQ, Company Reports

Located on the Virgin River shear zone, one of the largest structural trends in the Basin

Assets

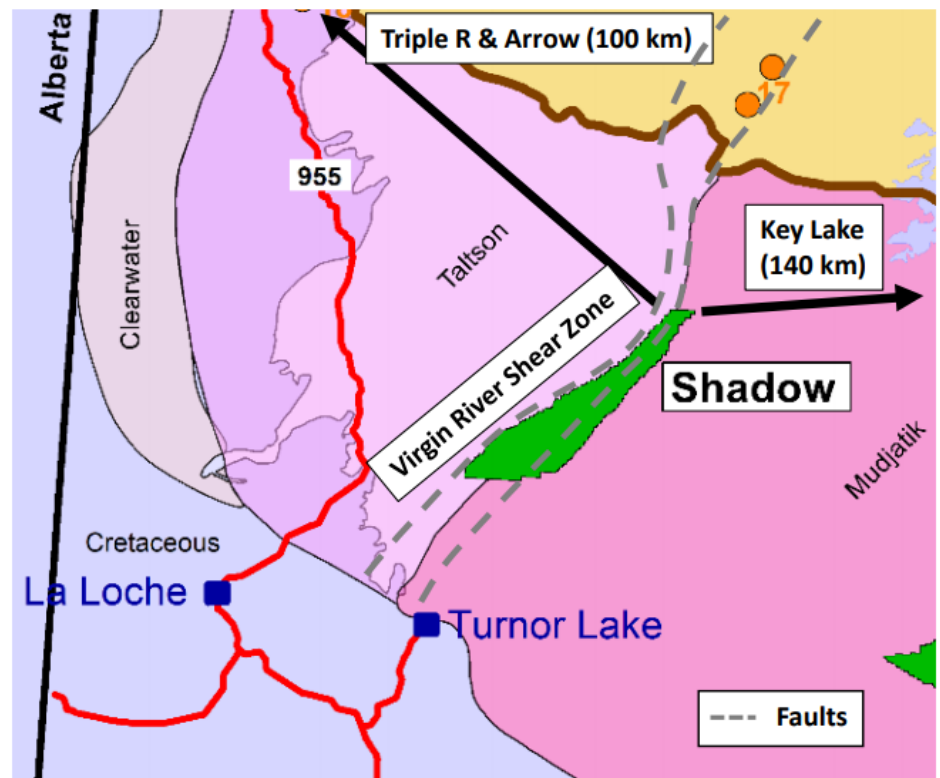
Shadow Property (100%-owned)

Shadow is located on one of the largest structural trends observed in northern Saskatchewan, the Virgin River shear zone, which hosts other uranium deposits, most notably Cameco's Centennial uranium deposit. The property encompasses ~46,000 hectares along the Virgin River shear zone 30km south of the Athabasca Basin margin.

Potential

We see high potential to host basement hosted uranium deposits. The pegmatites and graphitic shears host primary uranium (Orano Model). Baseload believes that the whole sandstone should have played a role to create secondary uranium deposition (redox environment -Cameco model). Furthermore, regional structures intersect the unconformity to create dilation zones suitable for uranium entrapment well below the unconformity, similar to the Arrow deposit.

Figure 6: Claim map and geology of the Shadow property



Source: S&P Capital IQ, Company Reports

Infrastructure

The Shadow property is located 22km east of all season highway 955 and a powerline, 140km west of the Key Lake uranium mill, and 100km southeast of the Triple R and Arrow high-grade uranium deposits.

Ownership

100% with no royalties

Basement rocks in the area are naturally enriched with uranium

Geology & Mineralization

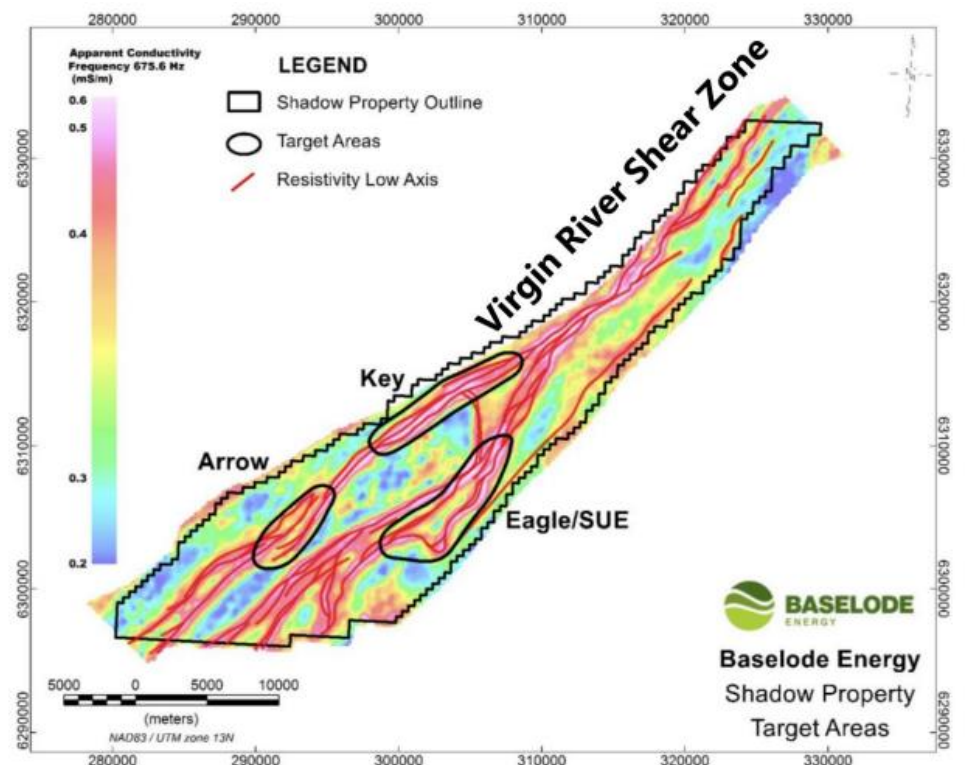
Shadow hosts a massive and deep-rooted structure (Virgin River shear zone or VRSZ) and is an excellent host for basement-hosted deposits, similar geologically to the Uranium City area, Eagle Point system, Arrow system and Key Lake mine, including a structure that runs parallel to the preferred NE-SW geological fabric. Such a deep-rooted system allows for more fluid migration.

Basement rocks in the area are naturally enriched with uranium, roughly three times more concentrated as compared with most basement rocks in the Western Wollaston domain, a trend that includes the McArthur River deposit. Grades range from 15.1 to 18.1 ppm uranium versus 3.2 to 6.0 ppm background concentrations elsewhere.

A >10 km-long airborne radiometric anomaly has been recognized at Shadow. This feature correlates well with specific rocks immediately adjacent to the VRSZ. This may represent a large boulder field (which has led to past discoveries such as Cliff Lake and Triple R), outcrop hosting anomalous uranium or possibly even high-grade uranium veins.

The property was recently expanded based on Mobile magnetotellurics (MT) results. The 2,600 line-km survey covered the entire property. It identified ~12 km strike-length of prospective structural corridors in the Key target area, ~12 km in the Eagle/SUE target area, and ~7 km strike-length in the Arrow target area (Figure 7). The survey confirmed presence of deep-rooted Virgin River shear zone structures and cross structures.

Figure 7: Geophysics



Source: S&P Capital IQ, Company Reports

Consultations with local communities are underway with exploration work set to begin in the near-term

Resources

There have been no resources defined on the property.

Exploration

Shadow on-site work has been paused to continue consultations with local communities. Consultations began in October 2020 upon applying for permits. Management believes a solution is imminent and would then continue with its exploration.

Baselode plans to use newly identified structures as targeting vectors for their upcoming drill program. A gravity survey with 4,706 gravity stations covering 50km² are planned to cover three target areas (Key, Arrow, Eagle targets) as defined by the prior airborne mobile MT survey.

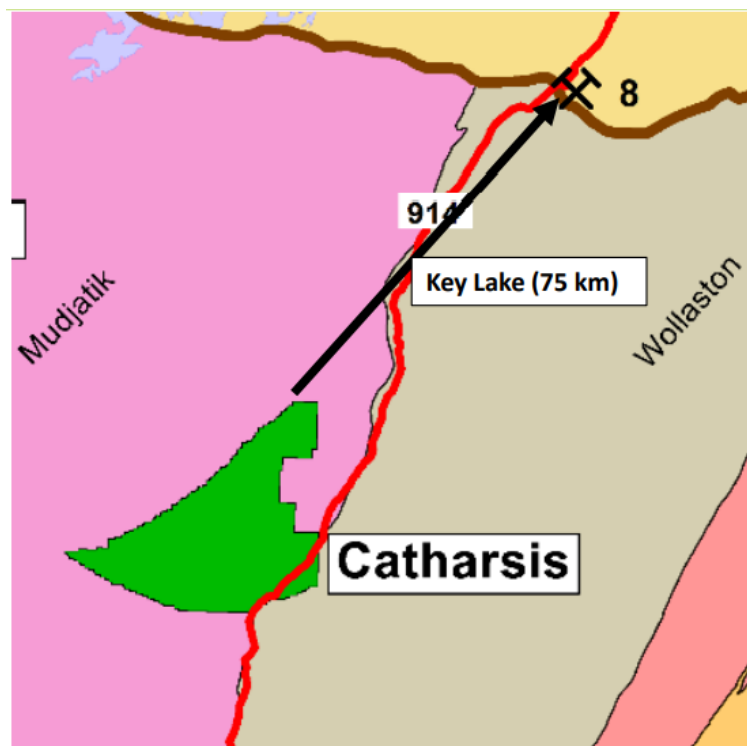
Catharsis Property (100%-owned)

Catharsis is an 83,000 Ha property located 60km south of the Athabasca Basin's edge. It straddles the Western Wollaston and Mudjatik domains that hosts many of the Basin's largest uranium deposits. This is a very deep-rooted structural system, with well-developed and numerous graphitic conductors.

Potential

We see excellent potential for Catharsis to host basement-hosted deposits, like those found at Arrow, Key Lake, Eagle Point and Millennium. Targets on the property fit **Baselode's strategy of exploring for near-surface, structurally controlled, basement-hosted, high-grade uranium deposits in under-explored areas outside the perimeter of the Athabasca Basin.** Several months of evaluation for prospective uranium targets came ahead of staking this property.

Figure 8: Claim and geological map of property



Source: S&P Capital IQ, Company Reports

Infrastructure

Catharsis is located 75 km southwest from the Key Lake uranium mill. All-season provincial highway 914, which services the Key Lake mill and McArthur River mine, cuts through the property. The property encompasses ~71,000 hectares 60 km south of the Athabasca Basin edge.

Ownership

The Catharsis project is 100% owned by Baselode Energy with no underlying royalties.

History

Minimal exploration in the 1970's has revealed one area in the northeast part of the property where a grab sample returned 1.38% U_3O_8 , hematite altered fracture returned 3,200 ppm U_3O_8 , and numerous outcrop float grab samples returned up to 1,800 ppm U_3O_8 .

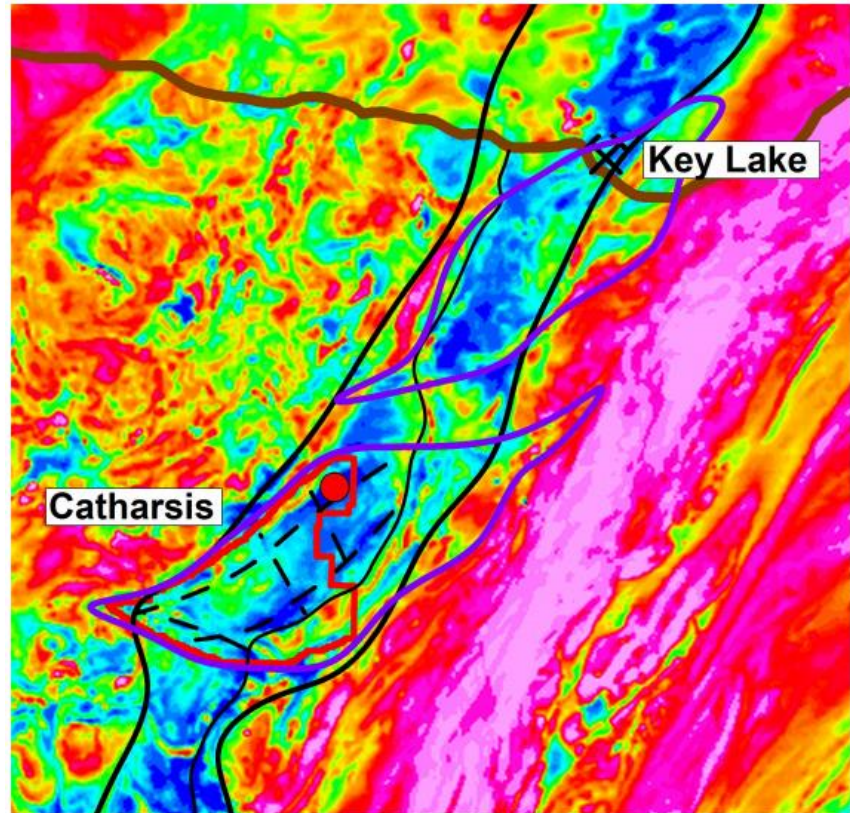
Geology & Mineralization

Catharsis straddles the Western Wollaston and Mudjatik domains (WWM, the transition area that was host to over 2B lb of high-grade uranium). Baselode has identified well-developed graphitic structural corridors. The project area is part of a large regional zone of structural deformation. This zone could have deep-roots and could be host to numerous secondary structures that would create permeability in the rocks to increase hydrothermal fluid flow. Similar geological horizons and structural elements to the Key Lake, Eagle Point and Millennium uranium systems have been interpreted on the property (Figure 9).

Recent Catharsis gravity survey identifies numerous targets. Numerous gravity low features have been identified, which could be indicative of clay alteration of basement rocks associated with uranium mineralization. These gravity low features also correlate with magnetic features of interest. This increases confidence in the geological model and helps vector towards potential basement-hosted uranium mineralization. Plans are to follow-up with an EM survey to help prioritize and define areas for planned groundwork and diamond drilling.

Gravity survey identifies multiple gravity lows, indicative of clay alteration

Figure 9: Geophysics



Source: S&P Capital IQ, Company Reports

Resources

There have been no resources defined on the property.

Hook Property (100%-owned)

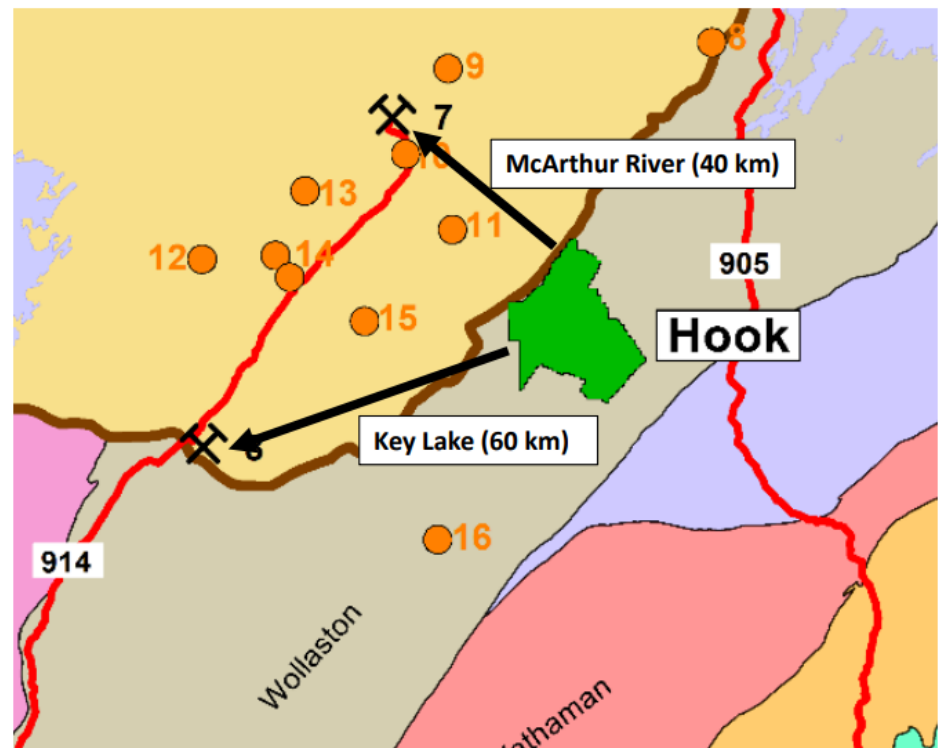
This 42,000 Ha property lies adjacent to the eastern margin of the Athabasca Basin. McArthur River mine located to the NW is the world's largest high-grade uranium deposit, having mined over 250.6M lb U_3O_8 to date.

Potential

Hook is located along a NW trending geophysical feature that hosts several very high-grade uranium occurrences. The Hook showing returned an average of 44.5% U_3O_8 . The property was recently expanded to cover boulder trains with high-uranium grades hosted in pegmatites interpreted to originate from areas prospective for hydrothermal clay alteration. Boulders have returned grades as high as 3.49% U_3O_8 . Management continues to re-evaluate historic geological and geophysical information with the goal of identifying areas that deserve further examination. We see potential for a near-surface, high-grade unconformity uranium discovery.

We see potential for a near surface, high grade unconformity uranium discovery

Figure 10: Claim and geological map of Hook Lake property



Source: S&P Capital IQ, Company Reports

Infrastructure

Hook is located 40 km southeast from the McArthur River mine, 60 km E-NE from the Key Lake mill, and 16 km west of all-season provincial highway 905 and powerlines. The property encompasses ~42,000 hectares adjacent to the Athabasca Basin, having recently added 12,000 Ha surrounding the original Hook claims.

Ownership

The Hook project is 100% owned by Baselode Energy with no underlying royalties or option agreements.

Geology & Mineralization

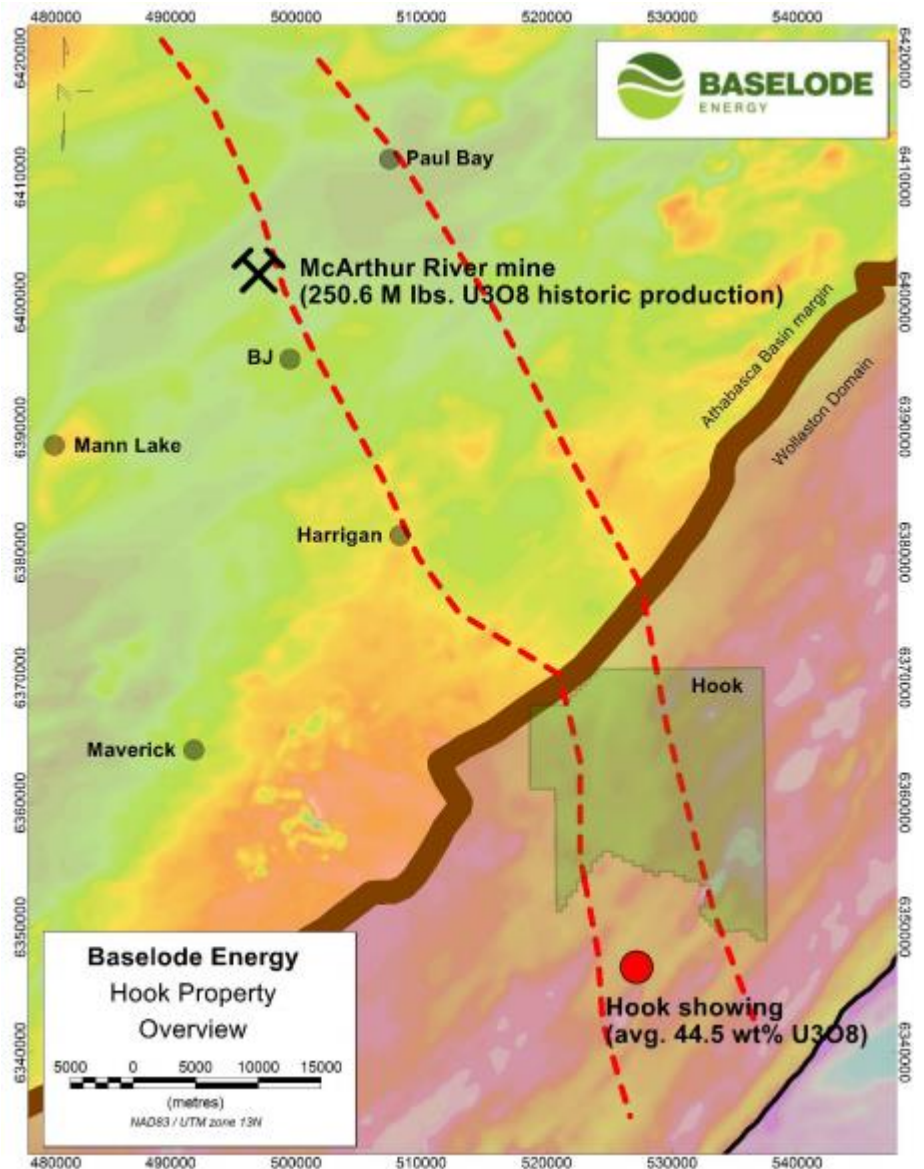
The Hook project is hosted within the basement rocks of the Wollaston domain, which hosts some of the highest-grade uranium deposits in the world. This is in line with Baselode's "Athabasca 2.0" strategy; exploring and developing projects with little to no sandstone cover, in areas that have deep rooted structures with ideal structural "traps" for uranium mineralization.

Hook is on a northwest oriented geophysical strike with two high-grade uranium occurrences; the McArthur River mine and the Hook Lake surface showings where veins have returned 44.5% U_3O_8 from grab samples. This regional fabric is apparent in the magnetics with some associated with weak conductors.

The key geophysical feature is a NW oriented magnetic low that may have a direct causal relationship with structurally-controlled uranium occurrences locally. Baselode plans to further investigate the magnetic low

corridor as a potential for uranium-bearing hydrothermal fluid migration pathway.

Figure x: Geophysics



Source: Company Reports

Resources

There have been no resources defined on the property.

Exploration plans.

Baselode is planning follow-up high-resistivity radiometric and magnetic surveys over the newly expanded property this summer with the goal of determining the source area of these boulders. Drilling may follow.

Risks

Exploration, development, and mining projects are inherently risky investments given the large initial expenses that are required in advance of any potential revenue. Our view is based on publicly available information but note that our estimates and views are not without political, technical, geologic or financing risk typical for junior exploration companies.

5. **Geopolitical/jurisdictional risks** – Some of these risks may be out of the control of the company, including royalty and taxation levels, land agreement liabilities, regulatory, environmental and permit requirements and timing, global trade wars and political instability.
6. **Technical risks** – This covers a wide variety of issues that we see associated with the deposit including exploration, development and exploitation strategies and methods. It would cover such issues as accuracy of geological interpretation, resource/reserve estimates and economic studies and inputs such as commodity prices, cost and grade fluctuations, assay reconciliation, metallurgical issues and exploration success. Our positive view relies on using existing technical data, recent exploration results and to a limited extent, expected positive results from future drilling. Future results may differ and negatively impact our assumptions.
7. **Corporate risks** – These may include project execution by management, investor relations effectiveness, or market sentiment. Management pedigree and performance are paramount. Market sentiment is also an issue. Uranium is a particularly risky commodity given both the strong support and distain for the commodity and nuclear power as an answer to greenhouse gas emissions.
8. **Financial risks** – These may occur at the project or corporate level, including variation in valuation parameters/metrics, commodity price or foreign exchange fluctuations, access to credit including debt, equity financing or potential for shareholder dilution. Very early-stage exploration companies often have little.

As new information becomes available, we plan to refine our estimates and forecasts.

Management and Directors

James Sykes, B.Sc – CEO: James has 10+ years of experience in uranium exploration and discovery. Mr. Sykes was directly involved in the discovery of over 450M lbs of U₃O₈ in the Athabasca Basin. He also discovered NexGen's Arrow Deposit and is integral in the discovery of Hathor's Roughrider deposits.

Stephen Stewart, M.Sc, MBA – Chairman of the Board: Stephen has 15+ years of experience in the resource and finance industries. He previously held positions as a senior officer with numerous TSX Venture companies.

Alex Stewart B.A., J.D. – Director: Alex has 40+ years of experience in the practice of securities law and natural resource investment. Mr. Stewart is also the founder behind numerous mining projects including Cote Lake deposit and Eagle One deposit.

Charles Beaudry M.Sc., P.Geo – Director: Charles is a geologist with 35+ years of experience across the globe. Previously, Mr. Beaudry spent 17 years with Noranda-Falconbridge-Xstrata in addition to his tenure with IAMGOLD.

Michael Mansfield, CPA, CA, CFA – Director: Michael has 20+ years of experience as an investment advisor and is currently Vice President at Industrial Alliance Securities. He has successfully taken 100+ companies public through Capital Pool Corporations and secondary financings.

Appendix A: Criteria for Grading Uranium Companies

Our assessment is based on six criteria, which we believe represent the key factors to consider when evaluating a uranium company and its project(s). These include cost profile, exploration upside, financeability, time to production, jurisdiction and relative valuation to similar stage peers. Each factor is rated from 1 to 5, where 5 refers to the most favourable rating (green – Figure 4) and 1 refers to the worst and least favourable rating (red – Figure 4). The six criteria include the following:

1. **Cost** – A uranium company's cost-profile or expected cost profile is of significant importance for future economic viability of projects with long development timelines. This rating also considers incentive price and pre-production capex for development projects.
2. **Exploration Upside** – Larger cap companies with resources which are believed to have already reached critical mass to enter mine development, have been rated less favourably to reflect the limited near-term resource growth potential as a result of the shifted focus to permitting and mine development. We also believe exploration news from these larger cap producers/developers is less likely to move the stock.
3. **Financeability** – Depending on where the asset is in the project life cycle, we have given a less favourable rating to early-stage exploration assets and a more favourable rating to producers. We have rated uranium developers based on our expectation of the company's ability to finance the pre-production cost of the asset, which takes into account management team, joint venture partners and strategic and/or institutional ownership. Metrics including EV/Capex and LOM capital intensity were also computed and considered.
4. **Jurisdiction** – Our view has been based on the most recent Fraser Institute rankings with upward adjustments for countries with a rich uranium mining history.
5. **Time to production** – Given the extensive permitting timeline for uranium mines, we have estimated the time to production for each asset evaluated based on the stage of the project in the permitting process and our knowledge of the host country's permitting process.
6. **Relative Valuation** – Relative valuation is based on conventional comparable valuation metrics such as P/NAV, EV/EBITDA for producers and EV/lb or EV/Ha for explorers/developers.

CanAlaska Uranium Ltd. (TSXV:CVV)

Generating Excitement with West McArthur

Initiating Coverage
May 13, 2021

(Currency is C\$ unless noted otherwise)

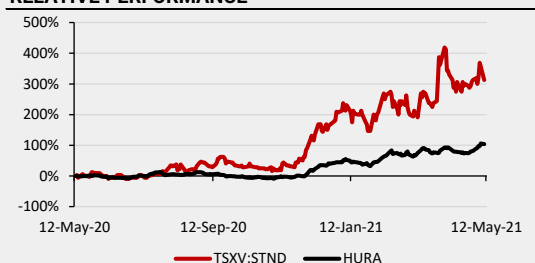
Closing Price (C\$/sh)	\$0.68
Rating	BUY (S)
Target (C\$/sh)	NA
Return to Target	NA
52 Week Low / High (C\$/sh)	\$0.14 / \$0.84

CAPITALIZATION	Basic	Diluted
Shares Outstanding (M)	80.8	110.3
Market Capitalization (C\$M)		\$55.0
Enterprise Value (C\$M)		\$47.7
Cash and Cash Equivalents (C\$M)		\$7.3
Total Debt (C\$M)		\$0.0

STOCK CHART



RELATIVE PERFORMANCE



Relative Valuation	EV (C\$M)
CanAlaska Uranium Ltd.	\$47.7
Peers*	\$66.5

*S&P Capital IQ

MAJOR SHAREHOLDERS

Management (5.57%), MM Asset Management Inc (6.89%), Sprott Asset Management, LP (4.14%)

DISCLOSURE CODE: 3,4

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

Source: RCS, Company Information, S&P Capital IQ

Company Description

CanAlaska Uranium Ltd. is a project generator that holds interests in approximately 214,000 ha of prospective ground within Canada's Athabasca Basin and Wollaston regions. The company's strategic holdings have attracted interest from major mining companies, and it is currently working with Cameco and Denison Mines at two of its uranium projects in the eastern Athabasca Basin. The company also holds properties prospective for nickel, copper, gold and diamonds.

We are initiating coverage on CanAlaska Uranium (TSXV:CVV) with a BUY (Speculative) rating and no target price. CanAlaska is an early-stage uranium exploration company running on the project generator model and focused on the Athabasca Basin in SK.

- **Project generator strategy helps reduce risk, funding.** Properties are developed and marketed to groups interested in advanced exploration projects. Many assets were acquired during the downturn including uranium claims in the Athabasca Basin, a new nickel project in MB and a new copper project in BC.
- **Athabasca Basin focused.** Like other junior explorers active in this prolific uranium district, CanAlaska hopes to discover high grades that can only be found here. Multiple top tier assets are found nearby including Key Lake, McArthur River, Wheeler River and Cigar Lake. Coupled with an excellent regulatory regime, experienced labour force and plenty of infrastructure, we believe the Athabasca Basin is one of the best uranium mining districts globally.
- **High ranking for its exploration upside potential.** While we see a chance for uranium discoveries at any one of its Athabasca projects, we favour West McArthur, Cree East and Waterbury. West McArthur in particular, a project located just west of Cameco's (TSX:CCO, Not Rated) high-grade McArthur River mine, has attracted investment by Cameco. Drilling at West McArthur's Grid 5 area hit 6.8% U₃O₈ over 0.7m with a huge alteration halo.
- **Recent purchase of past-producing Manibridge nickel mine** in Manitoba's world-class Thompson Nickel Belt makes this a strategic asset. The property has top tier targets for battery grade nickel.
- **Diamond and copper exposure.** It owns 100% of the Western Athabasca diamond project with several prospective targets, as well as the Mouse Mountain Cu-Au porphyry prospect in BC, which has potential for a large, bulk tonnage discovery.

Valuation:

We are initiating coverage of CanAlaska Uranium with a BUY (Speculative) rating and no target price. However, CanAlaska ranks 7th of 10 stocks using a relative valuation metric of EV/ha, partially given its peer leading land holdings. If we were to assume a peer average of C\$400/ha valuation multiple and add back cash, we'd estimate a potential valuation of C\$1.48/sh, which is a lift of 118% from its current share price. **Upcoming catalysts:** 1) Waterbury drill results and interpretation (near-term); 2) Nickel drilling in Thompson (2021); 3) Drilling at West McArthur (Q3/21); 4) Ground exploration at NE Wollaston (Q3/21); 5) Diamond exploration in NW Athabasca (Q3/21); 6) Potential M&A activity (ongoing). **Mining/exploration is inherently risky** and CanAlaska Uranium is subject to various geopolitical, technical, corporate, or financial risks.

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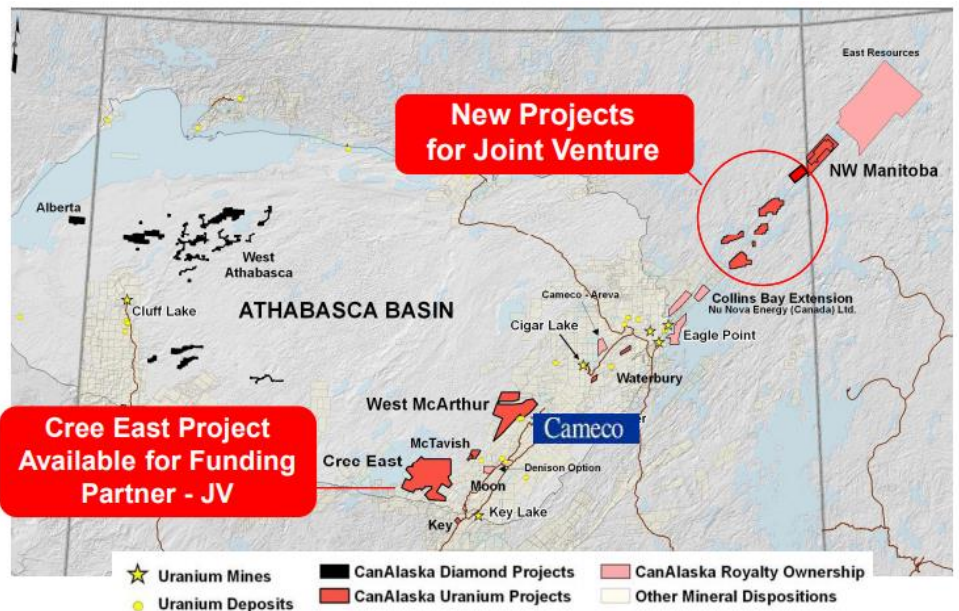
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Investment Thesis

The Athabasca Basin is the world's most prolific uranium jurisdiction.

Uranium grades average over an order of magnitude higher in the Basin at 3.95% U_3O_8 as compared to 0.15% U_3O_8 from other parts of the world. The Basin was responsible for 13% of global uranium production in 2019 from just a single mine (Cigar Lake). Saskatchewan ranks 3rd in the world from an investment attractiveness point of view according to the Fraser Institute (2020). It has excellent mining and civil infrastructure, a straightforward licensing and approval process and support from several levels of government.

Figure 1: Property locations – Athabasca/Wollaston region



Source: Company Reports

Project generator/exploration focus. CanAlaksa, as a project generator, develops and markets properties to groups interested in advanced exploration projects. CVV may conduct initial work to develop drill targets and subsequently option out or sell the property. Joint ventures are also a favourite means to move a project forward, helping spread out exploration risk and financing cost with an incoming partner. CanAlakas tends to seek out major industry partners, such as Cameco.

Several projects are available for option, JV, or partnership:

Uranium

- Key Lake: Two drill holes intersected the main structure and infill drilling is warranted. The property is located close to a road and uranium mill. \$1.0M has been sunk.
- McTavish: Multiple drill holes have identified uranium on the perimeter of property. A shallow structural target, coincident with VTEM anomalism, remains undrilled. The property is adjacent to Cameco's Millennium mine. \$1.4M has been sunk.
- West Patterson: Adjoining Fission's Paterson Lake claims, the project contains a large (1.2km-long), untested gravity anomaly with

anomalous uranium values in surrounding drill holes. \$580k has been sunk over the last three years.

- Waterbury: Geophysics and drilling has identified a large conductive target. Recent drilling intersected uranium but likely overshot the target. The property is close to infrastructure and local mines. \$2.5M has been sunk.
- Cree East: Multiple target zones have been defined for unconformity and basement hosted uranium mineralization. The project is proximal to Key Lake infrastructure. \$20M has been sunk by CanAlaska and South Korean nuclear industry partners (2007-2016).
- Five new projects recently acquired in NE Athabasca are on trend from the Eagle Point mine.

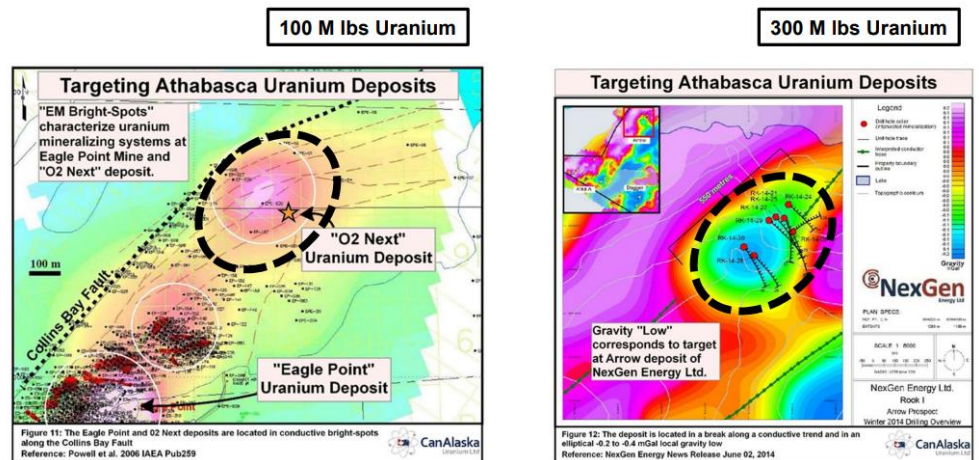
Copper-Zinc:

- Ruttan North: a VMS Cu-Zn-Au occurrence, 3.5km north of the Ruttan Mine (Canada's 3rd largest VMS deposit with ~83Mt of open pit and underground mineralization). One large target has 12 shallow drill holes within the 1.2km sulphide zone.

Diamonds:

- NW Athabasca diamond project: De Beers defined 85 target areas with multiple kimberlite style targets. \$2.5M has been sunk.

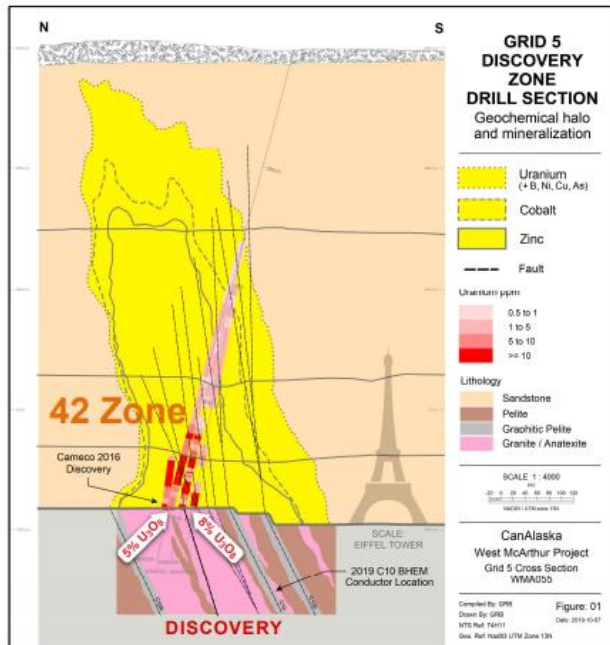
Figure 2: Geophysical targeting of uranium deposits



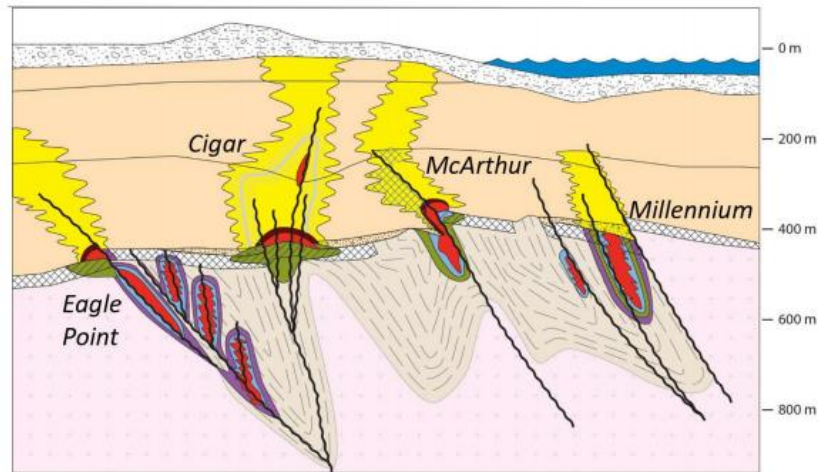
Source: Company Reports

Model based searched for high-grade uranium deposits. Management does not appear to be selective – they would likely take either basement hosted uranium deposits (typically smaller deposits, Arrow or Triple R notwithstanding), or high-grade unconformity deposits. They look for EM bright spots that could highlight uranium systems such as those found along the Collins Bay fault, or gravity lows to help pinpoint alteration above such a deposit. Deposits that occur within major structures at the unconformity may also have extensive alteration halos that extend well up into the overlying sandstone.

Figure 3: Alteration haloes extend from the deposit and well up into the overlying sandstone. Mineralization tends to occur within major regional structures and often associated with graphitic shearing into the basin. Mineralization itself may occur within the basement, at the unconformity or perched up in the sandstone.

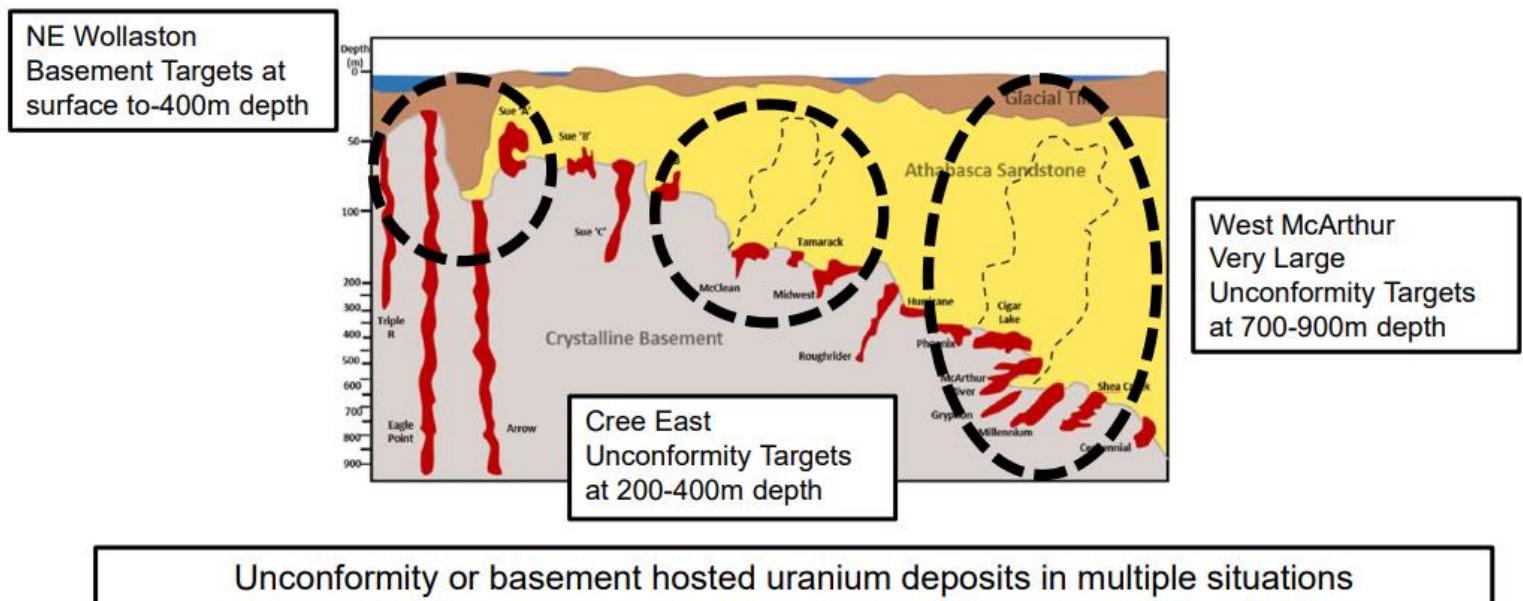


- On major structure that hosts nearby deposit
- Uranium halos extending to near surface
- >5% U_3O_8 in drill holes



Source: Company Reports

Figure 4: CanAlaska targets include shallow basement targets (NE Wollaston), modest depth unconformity targets (Cree East) and deep unconformity targets (West McArthur).



Source: Company Reports

At least three projects will see drilling this year, including Waterbury and West McArthur

Current exploration focused on uranium discovery. Three projects will see most attention this year. At Waterbury, a \$1.5M (~six hole) program was planned at the East claim, at an untested 2km-long trend with a kink in a VTEM conductor structural target associated with alteration in sandstone, as well as drilling at the South claim to test part of a conductor swarm along the Rabbit Lake fault seeking a structural break into the sandstones. An early spring halted drilling at the halfway point with only three holes drilled at the South claim and none on the East. At West McArthur, a \$2.5M (~20 hole) program is scheduled for summer 2021. The goal is to expand this significant high-grade target with a huge alteration halo. A recent review old core once drilled along trend to the south suggests that this significant high-grade target may continue.

Winter came and went quickly. A short field season meant not everything planned was tested. Three Waterbury South holes denote encouraging fault structures and alteration within a package of graphitic basement rocks. The program was designed to test targets near previously drilled holes that returned significant alteration and anomalous uranium along trend with the regional Rabbit Lake – Collins Bay fault system that host the Rabbit Lake, Collins Bay and Eagle Point uranium deposits. Follow up is warranted given the strong faulting and wide sections of intense alteration (clay, secondary hematite and dravite). These are indications of fluid flow associated with uranium mineralizing events.

Catalysts

Key catalysts are entirely driven by exploration and attempts to find partners for its exploration projects. Drilling has already been completed for copper at its Quesnel BC project and for uranium at Waterbury in SK.

Upcoming catalysts include:

1. Digest Waterbury drill results
2. Nickel drilling in Thompson, MB
3. Summer drilling at West McArthur
4. Summer ground exploration at NE Wollaston
5. Late summer diamond exploration in NW Athabasca
6. Ongoing search for buyers/partners and project generation

Valuation

We are initiating coverage of CanAlaska Uranium with a BUY (Speculative) rating and no target price. However, CanAlaska ranks 7th of 10 stocks using a relative valuation metric of EV/ha, partially given its peer leading land holdings. If we were to assume a peer average of C\$400/ha valuation and add back cash, we'd estimate a potential valuation of C\$1.48/sh, which is a lift of 118% from its current share price.

While we see potential for a uranium discovery at any one of its Athabasca projects, especially West McArthur, Cree East and Waterbury. West McArthur in particular, a project located just between 6-30km west of Cameco's high-grade McArthur River mine, has attracted investment by Cameco. As well, we continue to be bullish on uranium and believe the stock could materially re-rate with a changing market. The company currently trades at an C\$170/ha which is 58% lower than its exploration peer group (~C\$400/ha), 96% below the average of the developer peer group (~C\$4,000/ha) and 88% below the average of all explorers/developers combined (~C\$1,425/ha).

We estimate a potential NAVPS of C\$1.48 based on CVV's landholdings

We rated CanAlaska a 4/5 on exploration upside potential

We see compelling opportunities in uranium, and while equities continue to rise, they remain attractively valued. We provide relative rankings for 10 different Athabasca Basin early-stage exploration companies. Our assessment is based on six criteria, which we believe represent the key factors to consider when evaluating a uranium company and its project(s): cost profile, exploration upside, financeability, time to production, jurisdiction and relative valuation to similar stage peers. Each factor is rated from favourable (5) to unfavourable (1). The assessment is focused on each company's flagship asset. **Where it counts, we believe that CanAlaska scores high at a 4.0 of 5.0 on exploration upside given its projects with great addresses, and we believe that it may already be on to something at West McArthur.**

CanAlaska Uranium had \$4.3M cash in January but since raised \$3M via private placement. We estimate shares outstanding at 80.8M with 116.2M fully diluted. Insiders own 8% of the company (14% fully diluted), and Sprott Asset Management owns 5.36%.

Figure 5: Peer Analysis – Comp Table

	Uranium Explorers										Uranium Developers			
	IsoEnergy	Forum Energy	CanAlaska	Skyharbour	Azincourt	Purepoint	Baselode	Standard Uranium	Fission 3.0	ALX Resources	NexGen Energy	Denison Mines	Fission Uranium	UEX
Company Ticker	TSXV:ISO	TSXV:FMC	TSXV:CVV	TSXV:SYH	TSXV:AAZ	TSXV:PTU	TSXV:FIND	TSXV:STND	TSXV:FUU	TSXV:AL	TSX:NXE	TSX:DML	TSX:FCU	TSX:UEX
Share Price (C\$/sh)	272	0.37	0.68	0.44	0.09	0.13	0.52	0.24	0.12	0.09	5.21	1.30	0.60	0.37
Shares Outstanding (M)	95.1	148.3	80.8	115.8	343.0	320.5	52.3	92.8	170.3	151.9	469.3	803.9	586.2	453.7
Shares Fully Diluted (M)	106.6	178.2	92.5	137.5	361.9	352.0	58.7	99.1	180.3	156.2	490.4	812.3	614.3	477.2
Market Cap (C\$M)	258.7	54.1	55.0	50.9	29.2	41.7	27.2	22.3	20.4	13.7	2445.2	1045.1	351.7	167.9
Enterprise Value (C\$M)	262.2	51.6	47.7	42.4	24.9	35.4	20.2	18.4	19.8	12.7	2301.7	872.3	329.0	160.8
Primary Asset	Larocque East	Several	West McArthur	Moore	East Preston	Hook Lake	Shadow Hook	Davidson River	PLN	Several	Rook I	Wheeler River	Patterson Lake South	Several
Province	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask., Nunavut
Region	East Athabasca	Athabasca	West Athabasca	East Athabasca	West Athabasca	West Athabasca	South/SE Athabasca	SW Athabasca	West Athabasca	NE Athabasca	SW Athabasca	East Athabasca	SW Athabasca	Athabasca
Ownership	1.0	0.3	70/30% JV with Cameco	1.0	JV with Skyharbour & Dixie Gold	JV with Orano and Cameco	1.0	100% (under option)	1.0	Various	1.0	0.9	1.0	Various
Landholdings (Ha)	267,300	58,700	280,600	240,000	32,400	191,966	171,000	56,400	205,600	140,500	209,000	280,000	310,000	433,346
Res./Mineral Inv. (M lbs)	50.0	No	No	14.0	No	10.0	No	No	No	No	348.3	156.8	135.4	196.7
EV/Resource lb (C\$/lb)	5.24	N/A	N/A	3.03	N/A	3.54	N/A	N/A	N/A	N/A	6.61	5.56	2.43	0.82
EV/Hectare (C\$/Ha)	981	880	170	177	769	185	118	327	96	90	11013.0	3115.4	1061.4	371.1

Source: RCS, S&P Capital IQ, Company Reports

Figure 6: Peer Analysis – Heatmap

Uranium Explorer	Ticker	MC (US\$M)	Country Name	Financeability	Exploration Upside	Country	Relative valuation	Time to Production	Total Score	Δ
IsoEnergy Limited	TSXV:ISO	\$ 222.7	Canada							△
CanAlaska Uranium Limited	TSXV:CVV	\$ 46.1	Canada							▽
Forum Energy Metals	TSXV:FMC	\$ 45.4	Canada							▽
Skyharbour Resources Ltd.	TSXV:SYH	\$ 42.2	Canada							△
Purepoint Uranium Group Inc.	TSXV:PTU	\$ 35.8	Canada							△
Azincourt Energy	TSXV:AAZ	\$ 24.1	Canada							▽
Fission 3.0 Corp.	TSXV:FUU	\$ 16.9	Canada							▽
Standard Uranium	TSXV:STND	\$ 19.6	Canada							▽
Baselode Energy	TSXV:FIND	\$ 24.7	Canada							▽
ALX Uranium Corp.	TSXV:AL	\$ 12.6	Canada							▽

Source: RCS, S&P Capital IQ, Company Reports

Figure 7: Potential Valuation

Asset	Status	Landholdings (ha)	Valuation Method	Fair Value Estimate		(%)
				(C\$M)	(C\$/sh)	
Assets						
Athabasca/Wollaston uranium projects	Exploration	169,000	Landholdings (C\$400/ha)	\$67.6	\$0.84	57%
Athabasca diamond project	Exploration	51,000	Landholdings (C\$400/ha)	\$20.4	\$0.25	17%
Other projects (Ni, Cu, Au, etc.)	Exploration	60,000	Landholdings (C\$400/ha)	\$24.0	\$0.30	20%
Project NAV				\$112.0	\$1.39	94%
Cash				\$7.3	\$0.09	6%
Total Corporate Adjustments				\$7.3	\$0.09	6%
Corporate NAV				\$119.3	\$1.48	100%

Source: RCS, S&P Capital IQ, Company Reports

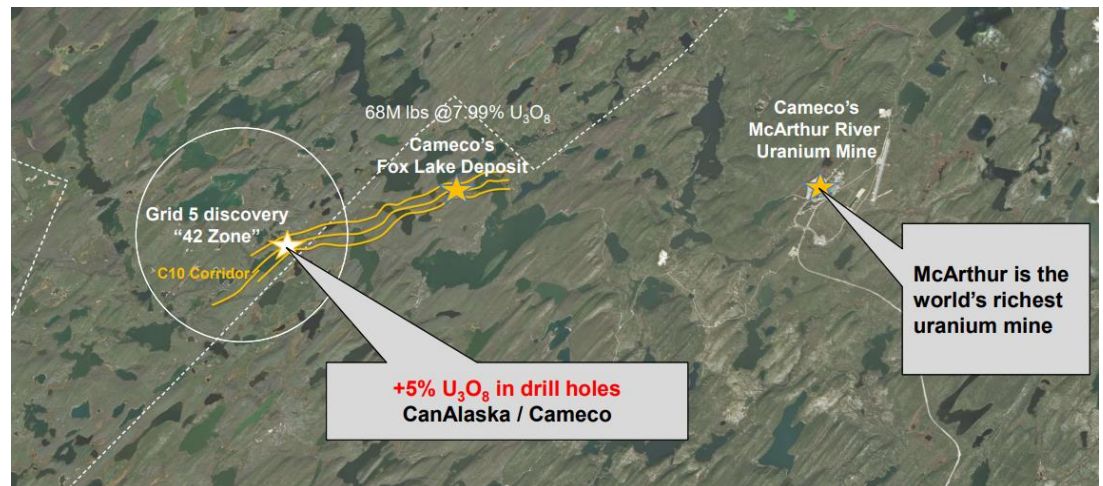
Assets

West McArthur Property (70%-owned)

West McArthur is a high-grade, prospective uranium property anticipated to be drill tested mid-year. This project is in the Athabasca Basin in Saskatchewan and lies between 6km and 30km west of Cameco's McArthur River mine (past production of 535M lb U_3O_8 including McArthur River/Key Lake), the largest producing mine in the world until it was placed on standby in early 2018 due to low uranium prices. Remaining McArthur River reserves total 391.9M lb at 6.89% U_3O_8 .

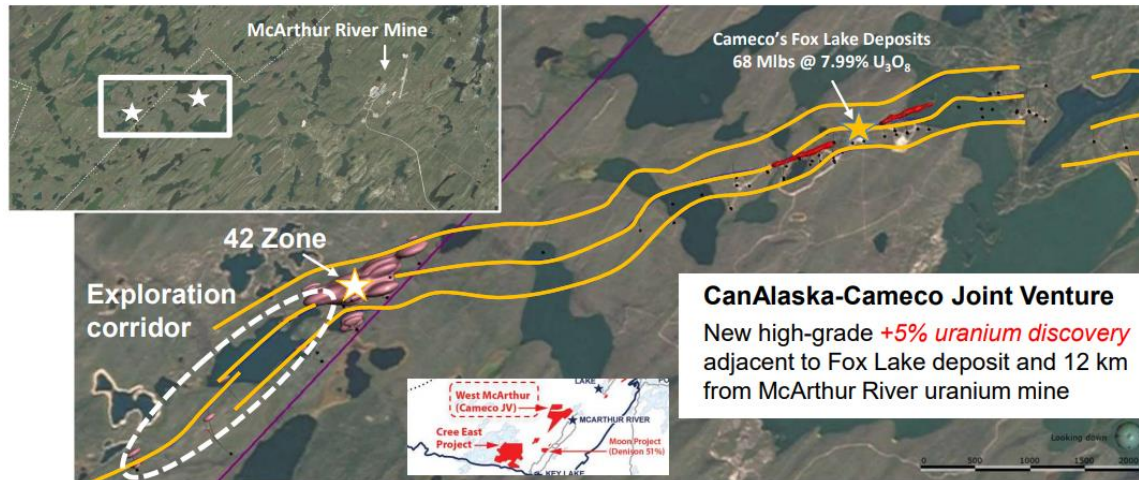
High grade uranium discovery and upside potential. Perhaps more important than proximity to McArthur River is that Cameco's new Fox Lake deposit is located immediately east of the property. This exploration project hosts 68.1M lb of 7.99% U_3O_8 , and the structure is interpreted to trend on to the West McArthur property along the C10 Corridor. Drilling at West McArthur's Grid 5 area hit a significant target with a huge alteration halo, now called the 42 Zone. Assays include 6.8% U_3O_8 over 0.7m within a broad 650m x 400m geochemical halo, extending from bedrock to surface. Old drill core along strike suggests that further potential occurs to the south.

Recent drilling at West McArthur returned 6.8% U_3O_8 over 0.7m

Figure 8: Property location relative to Cameco's projects


Source: Company Reports

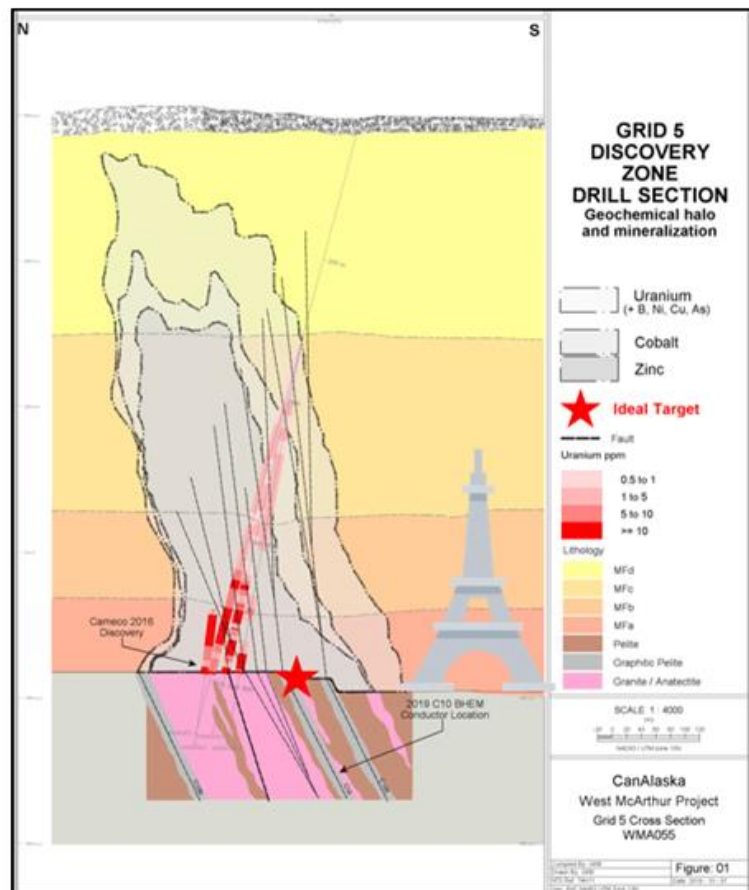
Figure 9: Map showing 42 Zone exploration corridor along trend of Cameco's Fox Lake deposit



Source: Company Reports

Figure 10: Hypothetical geological model showing 2016 uranium discovery and 2019 BHEM conductor location (the key target), and extensive alteration halo that extends from the unconformity contact all the way to surface.

West McArthur is on trend of Cameco's high-grade Fox Lake deposit



Source: Company Reports

West McArthur is 70%-owned and operated by CanAlaska, with Cameco holding 30% interest

\$20M has been spent on exploration at Cree East by former operators, and several targets have been identified

70%-owned and operated by CanAlaska. The property was staked by CanAlaska in 2004 and optioned in April 2007 to Mitsubishi Development Pty Ltd., a subsidiary of Mitsubishi Corporation of Japan. In January 2016, CanAlaska Uranium bought-out Mitsubishi's 50% interest to hold 100% interest. Cameco optioned the property in February 2016 and has earned a 30% interest. In late 2018 CanAlaska resumed operatorship, with Cameco as a 30% JV partner.

Extensive history. Prior work carried out by Kerr Addison, Cogema (now Orano), and Cameco includes airborne and ground geophysical, geochemical and lake sediment surveys. Over 61 assessment reports have been filed with the government. Several EM conductors are present and have been drilled with great success.

Basement rocks include Archean granitoids and Lower Proterozoic (Trans Hudson) Wollaston and Mudjatik group metamorphic rocks. They are overlain by an estimated 600-850m of flat-lying Athabasca sandstones and conglomerates. This would be considered a deep target relative to others in the Athabasca Basin.

Cree East Property (100%-owned)

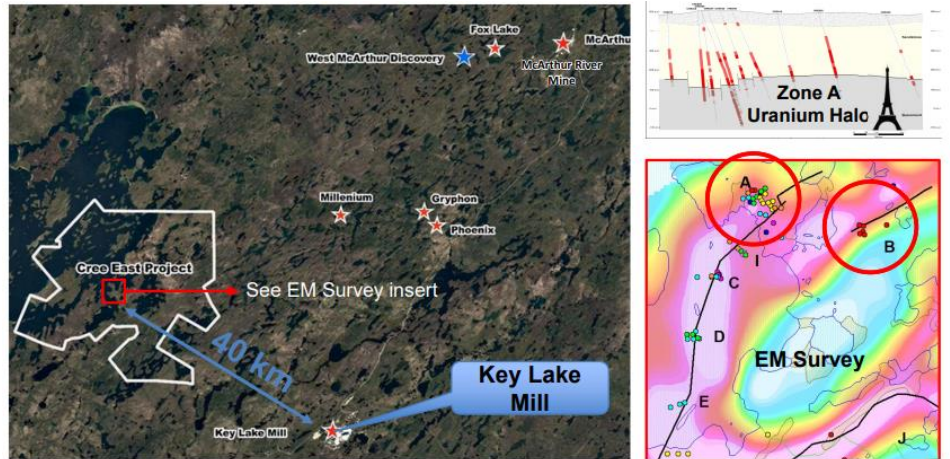
Cree East is in the southeastern Athabasca Basin, 35km west of the past-producing Key Lake mine. The project is comprised of 16 contiguous mineral claims totalling 55,935 ha. The property is only 5-22km north of the south rim of the Athabasca Basin – a favourable location for the occurrence of shallow to moderate depth deposits.

\$20M sunk. This project is once again 100%-owned by CanAlaska after the South Korean's spent \$20 M on exploration prior to Fukushima. They were able to identify several uranium bearing systems, and nine McArthur River-style unconformity targets worthy of testing at depths of 200-300m from surface.

Potential for high-grade uranium discovery. Either basement hosted or sandstone-hosted unconformity mineralization is being targeted. Numerous conductors and faults are present, which can act as conduits for hydrothermal fluids and/or as traps for mineralization. Several of these conductive structural targets have been identified and worth of follow-up.

Extensive exploration history due to the project's proximity to Key Lake mine. Explored since the early 1970's, exploration was largely focused on the southern rim of the project area given the difficulty for older geophysical surveys to penetrate at depth. Numerous conductors were found around the southern and eastern edge of the property, with only some being tested. The Cree East project was previously funded by a Korean consortium, comprising Hanwha Corporation, Korea Electric Power Corporation, Korea Resources Corporation and SK Energy Co. Ltd. CanAlaska bought-back the Korean interest in 2017 and once again owns 100% of the project.

Figure 11: Claim map of Cree Lake and its relative location from Key Lake, Millennium, Wheeler River and McArthur River.

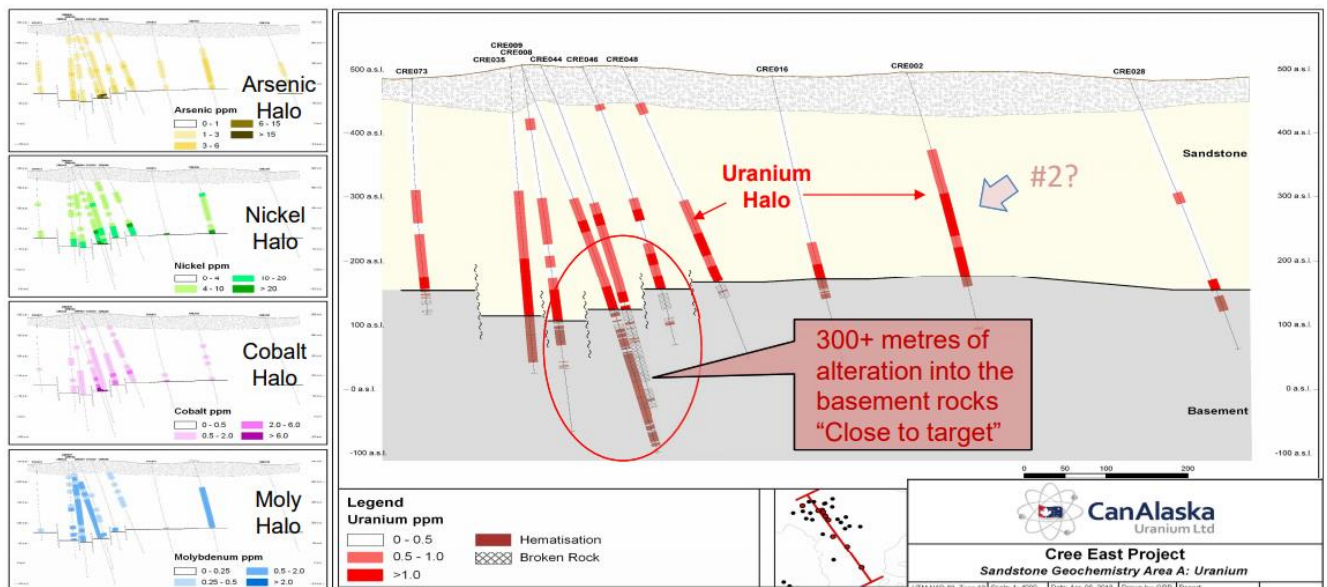


Source: Company Reports

The top results to date were found at Area B, where intense alteration extends from below the unconformity at ~400m depth to near surface. A broad arsenic geochemical halo and anomalous uranium was observed in a 400m-long by 80m-wide area, tracing a conductor.

Athabasca Group conglomerates and sandstones underlay the property. Sandstone overlies basement rocks at between 200-300m in the south, but perhaps at up to 700-800m in the north. Structural breaks trend across the property and may further down-drop basement rocks. Like many other projects, basement rocks are mainly Lower Proterozoic (Trans Hudson), Mudjatik domain, with granitoids and associated minor supracrustal rocks. A large part of property is underlain by Wollaston domain rocks.

Figure 12: Cree East drilling showing the extensive uranium and polymetallic alteration halo surrounding its main target in the basement rocks.



Source: Company Reports

Past drilling at Waterbury East returned 17m of basement-hosted U_3O_8

Waterbury East and South Properties (100%-owned)

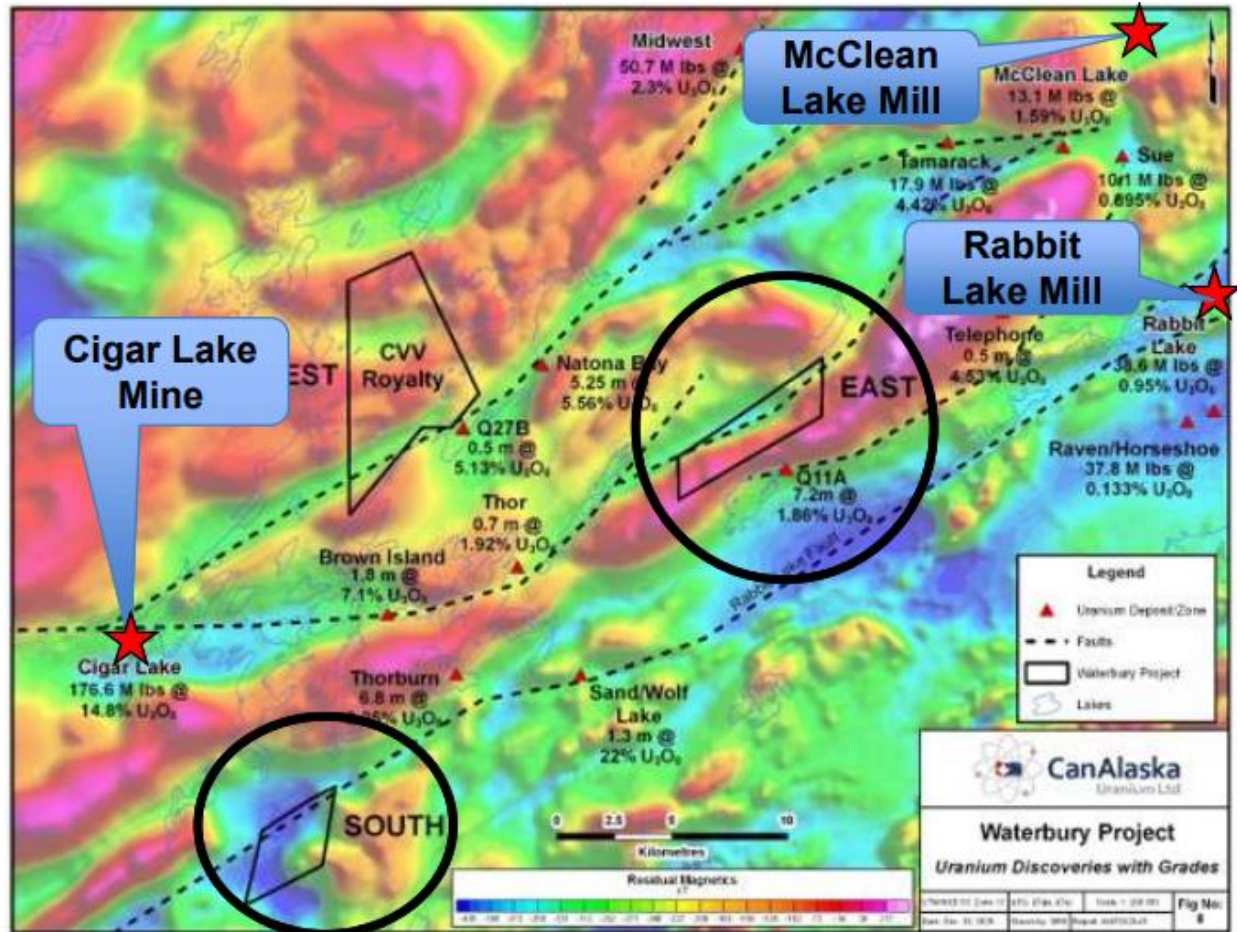
Waterbury is comprised of several groups of claims totaling 6,089 ha, located 12km east from the Cigar Lake deposit and 10km south of the Midwest mine. Only two remain in the hands of CanAlaska: East and South. The property is along trend of recent discoveries made by Cameco at Brown Island (7% U_3O_8 over 2m) and Thor (2% U_3O_8 over 2m). Athabasca sandstones and conglomerates overlie a basement of Wollaston supercrustals (psammites, graphitic pelites and calcsilicates) that in turn overlie Archean granitic gneisses.

The Waterbury East and Waterbury South claims were staked by CanAlaska in 2005, are both remain prospective for high-grade, Cigar Lake-style unconformity uranium mineralization.

Waterbury East's most encouraging results were recorded in 2007, when drilling encountered 17m of basement-hosted U_3O_8 with secondary brick-red hydrothermal hematite alteration. The hole was interpreted to have undercut the unconformity target related to the drilled basement mineralization and alteration.

Waterbury South is close to the interpreted location of the regional Rabbit Lake – Collins Bay fault system, host to the Rabbit Lake, Collins Bay and Eagle Point orebodies. Depth to the unconformity ranges from 200-250m within the project areas. A drill hole intercepted a 40m basement intersection of hematized and chloritized metapelites, including 12m of clay alteration and 0.12% U_3O_8 over 0.3m. Cameco has drilled strongly faulted and altered rocks located 1km to the east above the unconformity, but the host was lost in poor ground conditions. A recent drill program was cut short due to an early spring. Three holes intersected a thick sequence of graphitic basement rocks and graphitic faults associated with alteration of clay, secondary hematite and dravite. Management believes these holes indicate ample fluid flow often associated with uranium mineralizing events.

Figure 12: Geophysical map showing the location of the Waterbury South and East properties in relation to Cigar Lake and the McClean Lake and Rabbit Lake mills. Resistivity anomalies suggest clay alteration in the sandstone and that EW lineaments cross NE trending structures.



Source: Company Reports

Risks

Exploration, development, and mining projects are inherently risky investments given the large initial expenses that are required in advance of any potential revenue. Our view is based on publicly available information but note that our estimates and views are not without political, technical, geologic or financing risk typical for junior exploration companies.

1. **Geopolitical/jurisdictional risks** – Some of these risks may be out of the control of the company, including royalty and taxation levels, land agreement liabilities, regulatory, environmental and permit requirements and timing, global trade wars and political instability.
2. **Technical risks** – This covers a wide variety of issues that we see associated with the deposit including exploration, development and exploitation strategies and methods. It would cover such issues as accuracy of geological interpretation, resource/reserve estimates and economic studies and inputs such as commodity prices, cost and grade fluctuations, assay reconciliation, metallurgical issues and exploration success. Our positive view relies on using existing technical data, recent exploration results and to a limited extent, expected positive results from future drilling. Future results may differ and negatively impact our assumptions.
3. **Corporate risks** – These may include project execution by management, investor relations effectiveness, or market sentiment. Management pedigree and performance are paramount. Market sentiment is also an issue. Uranium is a particularly risky commodity given both the strong support and distain for the commodity and nuclear power as an answer to greenhouse gas emissions.
4. **Financial risks** – These may occur at the project or corporate level, including variation in valuation parameters/metrics, commodity price or foreign exchange fluctuations, access to credit including debt, equity financing or potential for shareholder dilution.

As new information becomes available, we plan to refine our estimates and forecasts.

Management and Directors

Thomas Graham, Jr. – Chairman of the Board, Director: Thomas served under four successive U.S. presidents as a senior U.S. diplomat for the past 35 years. Mr. Graham is also Chairman of the board at Mexico Energy Corp. (since July 1997) and Chairman of Lightbridge Energy Corp. (since 2006).

Peter Dasler, P.Geo – President and CEO, Director: Peter has 20+ years of experience in Canada working as an executive and consulting geologist for companies engaged in the exploration of Au, Cu, Pt, Ni, Mo, Pb, and Zn. Mr. Dasler holds Bachelor's (1974) and Master's (1981) degrees in Geology from Canterbury University, New Zealand.

Harry Chan – CFO and Corporate Secretary: Harry has 20+ years of experience working in several different industries ranging from public practice, sports entertainment, wholesale distribution and telecommunications. He is a graduate of the University of British Columbia and received his Certified General Accountant designation in BC in 1996.

Cory Belyk, P.Geo – COO: Cory is a geologist with nearly 30 years of experience in exploration and mining, project valuation and business development. Mr. Belyk previously employed at COGEMA, Uranerz Exploration and Mining Ltd, and Cameco Corp.

Kathleen Kennedy Townsend – Director: Kathleen was the State of Maryland's first woman Lieutenant Governor and member of the bar in Maryland, Connecticut and Massachusetts.

Karl Schimann, P.Geo – VPX, Director: Karl has 30+ years of experience in exploration geology, across three continents. He previously worked for AREVA (1977-1997) and joined CanAlaska in late 2014.

Jules Lajoie – Chief Geologist: Jules has 35 years of experience and was previously a geophysicist and chief geophysicist with Cominco, TeckCominco, and Teck Ltd. Dr. Lajoie has an M.Sc. in geophysics from UBC, and Ph.D in geophysics (electromagnetic modelling) from the University of Toronto.

Jean Luc Roy – Director: Jean has 20+ years of experience in the mining industry. Most of his experience has been in Africa for such companies as International Gold Resources, Ashanti Goldfields Inc., Senafo, and First Quantum Minerals.

Daniel Faure – Advisory Board: Daniel is a senior uranium geologist with 38+ years of uranium exploration experience, of which 16 years were spent exploring the Athabasca Basin. Mr. Faure previously served AREVA/Cogema for 28 years in various senior capacities in Africa, Middle East, Australia, South America, Asia, and Canada.

Simon Szeto – Advisory Board: Simon is Vice President of Hong Kong-based SBI E-2 Capital Securities and SBI 3-2 Capital Financial Securities. Mr. Szeto was instrumental in CanAlaska's 2010 financing which involved a number of Hong Kong individuals and institutions.

Appendix A: Criteria for Grading Uranium Companies

Our assessment is based on six criteria, which we believe represent the key factors to consider when evaluating a uranium company and its project(s). These include cost profile, exploration upside, financeability, time to production, jurisdiction and relative valuation to similar stage peers. Each factor is rated from 1 to 5, where 5 refers to the most favourable rating (green – Figure 4) and 1 refers to the worst and least favourable rating (red – Figure 4). The six criteria include the following:

1. **Cost** – A uranium company's cost-profile or expected cost profile is of significant importance for future economic viability of projects with long development timelines. This rating also considers incentive price and pre-production capex for development projects.
2. **Exploration Upside** – Larger cap companies with resources which are believed to have already reached critical mass to enter mine development, have been rated less favourably to reflect the limited near-term resource growth potential as a result of the shifted focus to permitting and mine development. We also believe exploration news from these larger cap producers/developers is less likely to move the stock.
3. **Financeability** – Depending on where the asset is in the project life cycle, we have given a less favourable rating to early-stage exploration assets and a more favourable rating to producers. We have rated uranium developers based on our expectation of the company's ability to finance the pre-production cost of the asset, which takes into account management team, joint venture partners and strategic and/or institutional ownership. Metrics including EV/Capex and LOM capital intensity were also computed and considered.
4. **Jurisdiction** – Our view has been based on the most recent Fraser Institute rankings with upward adjustments for countries with a rich uranium mining history.
5. **Time to production** – Given the extensive permitting timeline for uranium mines, we have estimated the time to production for each asset evaluated based on the stage of the project in the permitting process and our knowledge of the host country's permitting process.
6. **Relative Valuation** – Relative valuation is based on conventional comparable valuation metrics such as P/NAV, EV/EBITDA for producers and EV/lb or EV/Ha for explorers/developers.

Purepoint Uranium Group Inc. (TSXV:PTU)

Dusting Off An Extensive Project Pipeline

Initiating Coverage
May 13, 2021

(Currency is C\$ unless noted otherwise)

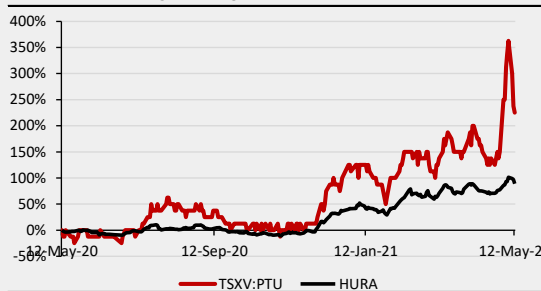
Closing Price (C\$/sh)	\$0.13
Rating	BUY (S)
Target (C\$/sh)	\$0.25
Return to Target	NA
52 Week Low / High (C\$/sh)	\$0.03 / \$0.20

CAPITALIZATION	Basic	Diluted
Shares Outstanding (M)	320.5	441.7
Market Capitalization (C\$M)		\$41.7
Enterprise Value (C\$M)		\$35.2
Cash and Cash Equivalents (C\$M)		\$6.5
Total Debt (C\$M)		\$0.0

STOCK CHART



RELATIVE PERFORMANCE



Relative Valuation	EV (C\$M)
Purepoint Uranium Group Inc.	\$35.2
Peers*	\$65.8

*S&P Capital IQ

MAJOR SHAREHOLDERS

Management (3.56%), CQS Investment Management Limited (5.03%)

DISCLOSURE CODE: 3,4

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

Source: RCS, Company Information, S&P Capital IQ

Company Description

Purepoint Uranium Group Inc., a uranium exploration company, engages in the acquisition, exploration, and development of properties for producing uranium in Canada. Its flagship project is the Hook Lake uranium project that covers an area of 28,683 hectares located in the Athabasca Basin, Northern Saskatchewan. Purepoint Uranium Group Inc. was founded in 2002 and is headquartered in Toronto, Canada.

We are initiating coverage of Purepoint with a BUY (Speculative) rating and a C\$0.25 target price. Purepoint is an early-to-mid stage uranium exploration company focused on the Athabasca Basin in SK.

- **Changing strategy to earlier stage drill-ready properties.** While Hook Lake and Spitfire zone have been the focus for several years now (\$25M sunk), the warming uranium market has opened the door for Purepoint to dust off many of its older projects. Many of these have simply been sitting idle for years during the downturn, but now management plans aggressive drill programs, seeking potential uranium discoveries.
- **There are at least 20 target areas to review.** Projects that have seen minor first pass drilling already complete include Turnor Lake, Red Willow and Smart Lake (27%-owned). Drill targets are defined on Umfreville and Henday. Follow up geophysics are planned for Carson Lake, Russell South, JebHaven, CollinEagle, MidBear, and Millkey. Permits for drill programs have now been obtained for the Red Willow, Henday Lake and Umfreville projects. We may see further Hook Lake drilling next winter.
- **Turnor Lake's deformed magnetic highs create a pinwheel shape.** These are anticipated to be granites, specifically the Kelsey Dome. Drilling will target conductors within magnetic lows. Four distinct exploration areas include Serin conductor, Laysan zone, Turnor Lake zone and Turaco zone.
- **Red Willow has 21 conductors totalling 70km,** while only seven have been drill tested to date. Management plans to drill 2,000m into Osprey and Geneva zones. The project is 10km NE of the JEB deposit and 10km N of Cameco's Eagle Point deposit.
- **Flagship Hook Lake JV (21%-owned)** with Cameco (TSX:CCO, Not Rated) and Orano lies along strike of NexGen Energy (TSX:NXE, Not Rated) and Fission Uranium (TSX:FCU, Not Rated) deposits that host combined resources of ~450M lb. The Spitfire deposit has intersections of up to 10.3% U₃O₈ over 10m, and we estimate that the zone hosts between an 8-12M lb U₃O₈ mineral inventory. Hook Lake hosts three major graphitic conductive trends – Carter, Paterson Lake, Doerksen corridors. The Paterson Lake basement hosted uranium model is being used, targeting bands of graphitic shear zones that host uranium mineralization.

We are initiating coverage of Purepoint with a Buy (Speculative) rating and C\$0.25/sh target price. Purepoint ranks 5th of 10 stocks using a relative valuation metric of EV/Ha, partially given its peer leading land holdings. We assume a peer average of C\$400/Ha valuation and add back cash and incorporate a 10M lb U₃O₈ mineral inventory for its Spitfire zone at US\$1.50/lb. **Upcoming Catalysts:** Diamond drilling at various projects including Turnor, Red Willow, and Smart Lake. **Mining/exploration is inherently risky** and PTU is subject to various geopolitical, technical, corporate, or financial risks.

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Investment Thesis

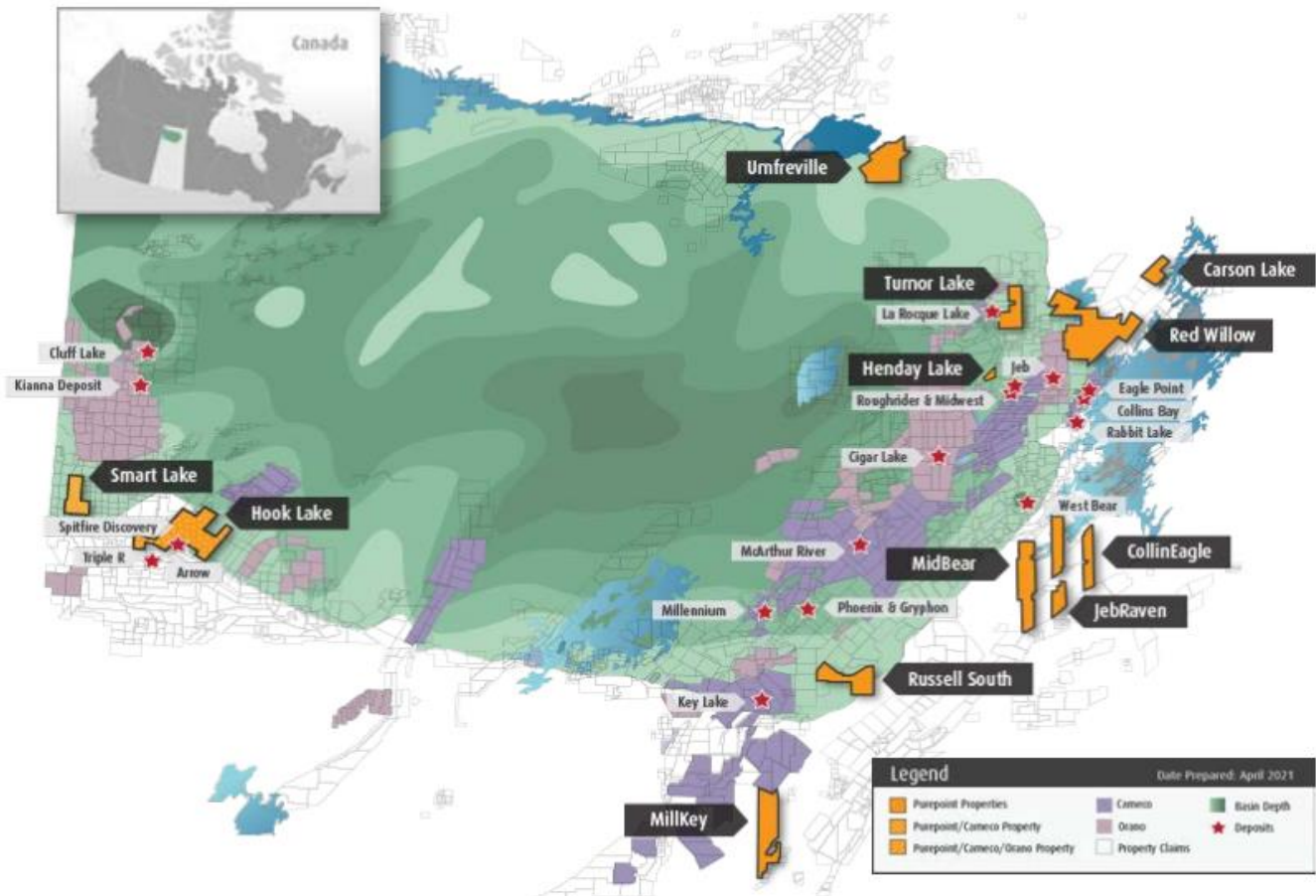
The Athabasca Basin is the world's most prolific uranium jurisdiction.

Uranium grades average over an order of magnitude higher in the Basin at 3.95% U_3O_8 as compared to 0.15% from the west of the world. The Basin was responsible for 13% of global uranium production in 2019 from just a single mine (Cigar Lake). Saskatchewan ranks 3rd in the world from an investment attractiveness point of view according to the Fraser Institute (2020). It has excellent mining and civil infrastructure, a straightforward licensing and approval process, and support from several levels of government.

The company's backstop project is flagship Hook Lake, a JV (21%-owned) with Cameco and Orano. It lies along strike of NexGen and Fission's discoveries that host combined resources of ~450M lbs. The Spitfire deposit has intersections of up to 10.3% U_3O_8 over 10m, and we estimate that the zone hosts between an 8-12M lb U_3O_8 mineral inventory. Figure 1 shows the wide array of the company's projects scattered in the Basin.

Breaking out an extensive project pipeline. Focus is shifting to several 100%-owned drill ready, early-stage projects in the Athabasca Basin, many of which were last explored over a decade ago pre-Fukushima. With significant investment flowing into uranium companies over the past six months and a general strengthening of uranium prices, Purepoint plans to move its explorations projects forward to unlock further value for shareholders.

Exploration projects are of various stages, and almost all are 100%-owned. Hook Lake (21%-owned) is relatively advanced with over \$25M sunk on the property to date. Projects that have already seen the completion of minor first pass drilling include Turnor Lake, Red Willow and Smart Lake (27%-owned). Drill targets are defined on Umfreville and Henday. Follow up geophysics are planned for Carson Lake, Russell South, JebHaven, CollinEagle, MidBear and Millkey. Figure 2 provides a schedule of Purepoint's exploration projects from May/21 and onward.

Figure 1: Project locations


Source: Company Reports

Figure 2: Exploration plans include....

Projects	May-21	June-21	July-21	Aug-21	Sept-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
Hook Lake*	JV Tech Comm Meeting					JV Tech Comm Meeting		Drilling TBD			
Smart Lake	JV Tech Comm Meeting		Permit applications		Secure service providers	JV Tech Comm Meeting	Ground Geophysics		Drilling TBD		TBD
Red Willow*	Secure service providers (drilling)	Drilling (up to 2,000 m)							TBD	TBD	TBD
Umfreville*		Drilling (up to 2,000 m)							TBD	TBD	TBD
Henday*					Drilling (up to 2,000 m)				TBD	TBD	TBD
Carson Lake			Permit applications		Secure service providers			Ground Geophysics	TBD	TBD	TBD
Russell South								Ground Geophysics	TBD	TBD	TBD
Turnor Lake						Secure service providers			Drilling		
Tabbenor Block (Midbear, JebRaven, CollinEagle & MillKey)		Secure service providers		Airborne Geophysics					TBD	TBD	TBD

Source: Company Reports

Drilling, airborne geophysics, and ground EM and resistivity surveys will be taking place in Q3 and Q4.

Catalysts

Key catalysts include drilling and geophysics. Permits are already in place to begin work exploration immediately on some projects.

Upcoming Catalysts include:

- Q3/21 drilling anticipated at Red Willow, Henday and Umfreville projects – already permitted
- Q3/21 airborne geophysics on the four Tabbernor Block projects
- Q4/21 ground EM and resistivity surveys planned for Smart Lake and Carson Lake projects
- Additional permitting underway for Turnor Lake, Smart Lake, Carson Lake and Russell South projects

Timing depends on permits, availability of contractors and seasonal weather conditions.

Purepoint ranks 5th out of 10 stocks in its relative valuation.

Valuation

We are initiating coverage of Purepoint with a Buy (Speculative) rating and C\$0.25/sh target price. Purepoint ranks 5th of 10 stocks using a relative valuation metric of EV/Ha, partially given its peer leading land holdings. We assume a peer average of C\$400/Ha valuation and add back cash and incorporate a 10M lb U₃O₈ mineral inventory for its Spitfire zone at US\$1.50/lb.

With two highly prospective projects to advance in a top uranium-mining district, we see potential for a new discovery. As well, we continue to be bullish on uranium and believe the stock could materially re-rate with a changing market. The company currently trades at C\$176/Ha which is 56% below its exploration peer group (~C\$400/Ha), 96% below the average of the developer peer group (~C\$4,000/Ha), and 88% below the average of all explorers/developers combined (~C\$1,425/Ha). Figures 3 and 4 include more detail.

We see compelling opportunities in uranium, and while equities continue to rise, they remain attractively valued. We provide relative rankings for 10 different Athabasca Basin pre-resource exploration companies. Our assessment is based on six criteria, which we believe represent the key factors to consider when evaluating a uranium company and its project(s). These are cost profile, exploration upside, ability to receive financing, time to production, jurisdiction, and relative valuation to similar stage peers. Each factor is rated from favourable (5) to unfavourable (1). The assessment is focused on each company's flagship asset. **Purepoint ranks high with a 4.5 out of 5.0 on exploration upside given that it has already started to find uranium along trend of the Paterson Lake Corridor and has a large property position in key locations along trend of many deposits within the Athabasca Basin.** Figure 5 provides a heatmap for company comparables.

Purepoint currently has \$6.5M in cash. Shares outstanding total 320.45M with 22.2M in options (\$0.08 weighted average) and 99M warrants (\$0.10 weighted average). Shareholders include institutional (27%) and insiders (4.5%).

Figure 3: NAV Summary Table

Asset	Ownership	Status	Mineral Inventory (M lb U3O8 eq)	Landholdings (ha)	Valuation Method	Fair Value Estimate		(%)
						(C\$M)	(C\$/sh)	
Assets								
Umfreville	100%	Exploration		18,273	Landholdings (C\$400/ha)	\$7.3	\$0.02	8%
Turnor Lake	100%	Exploration		9,705	Landholdings (C\$400/ha)	\$3.9	\$0.01	4%
Carson Lake	100%	Exploration		4,972	Landholdings (C\$400/ha)	\$2.0	\$0.01	2%
Red Willow	100%	Exploration		40,116	Landholdings (C\$400/ha)	\$16.0	\$0.05	18%
Henday Lake	100%	Exploration		1,029	Landholdings (C\$400/ha)	\$0.4	\$0.00	0%
Russel South	100%	Exploration		13,320	Landholdings (C\$400/ha)	\$5.3	\$0.02	6%
Tabbarnoc Block (JebRaven, Midbear, ColinEagle, Millkey)	100%	Exploration		66,068	Landholdings (C\$400/ha)	\$26.4	\$0.08	30%
Smart Lake, Hook Lake	27%, 100%	Exploration		38,483	Landholdings (C\$400/ha)	\$15.4	\$0.05	18%
Hook Lake Spitfire zone (mineral inventory)	21%	Exploration	2.1			\$4.2	\$2.00	5%
Project NAV						\$81.0	\$2.24	93%
Cash						\$6.5	\$0.02	7%
Total Corporate Adjustments						\$6.5	\$0.02	7%
Corporate NAV						\$87.5	\$0.27	100%

Multiple	0.80x
Target Price	\$0.25

Source: S&P Capital IQ, Company Reports

Figure 4: Comparable companies comp table – all stocks pre-resource estimate

	Uranium Explorers										Uranium Developers			
	IsoEnergy	Forum Energy	CanAlaska	Skyharbour	Azincourt	Purepoint	Baselode	Standard Uranium	Fission 3.0	ALX Resources	NexGen Energy	Denison Mines	Fission Uranium	UEX
Company Ticker	TSXV:ISO	TSXV:FMC	TSXV:CVV	TSXV:SYH	TSXV:AAZ	TSXV:PTU	TSXV:FIND	TSXV:STND	TSXV:FUU	TSXV:AL	TSX:NXE	TSX:DML	TSX:FCU	TSX:UEX
Share Price (C\$/sh)	2.72	0.37	0.68	0.44	0.09	0.13	0.52	0.24	0.12	0.09	5.21	1.30	0.60	0.37
Shares Outstanding (M)	95.1	148.3	80.8	115.8	343.0	320.5	52.3	92.8	170.3	151.9	469.3	803.9	586.2	453.7
Shares Fully Diluted (M)	106.6	178.2	92.5	137.5	361.9	352.0	58.7	99.1	180.3	156.2	490.4	812.3	614.3	477.2
Market Cap (C\$M)	258.7	54.1	55.0	50.9	29.2	41.7	27.2	22.3	20.4	13.7	2445.2	1045.1	351.7	167.9
Enterprise Value (C\$M)	262.2	51.6	47.7	42.4	24.9	35.4	20.2	18.4	12.7		2301.7	872.3	329.0	160.8
Primary Asset	Larocque East	Several	West McArthur	Moore	East Preston	Hook Lake	Shadow Hook	Davidson River	PLN	Several	Rook I	Wheeler River	Patterson Lake South	Several
Province	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask., Nunavut
Region	East Athabasca	Athabasca	West Athabasca	East Athabasca	West Athabasca	West Athabasca	South/SE Athabasca	SW Athabasca	West Athabasca	NE Athabasca	SW Athabasca	East Athabasca	SW Athabasca	Athabasca
Ownership	1.0	0.3	70/30% JV with Cameco	1.0	JV with Skyharbour & Dixie Gold	JV with Orano and Cameco	1.0	100% (under option)	1.0	Various	1.0	0.9	1.0	Various
Landholdings (Ha)	267,300	58,700	280,600	240,000	32,400	191,966	171,000	56,400	205,600	140,500	209,000	280,000	310,000	433,346
Res./Mineral Inv. (M lbs)	50.0	No	No	14.0	No	10.0	No	No	No	No	348.3	156.8	135.4	196.7
EV/Resource lb (C\$/lb)	5.24	N/A	N/A	3.03	N/A	3.54	N/A	N/A	N/A	N/A	6.61	5.56	2.43	0.82
EV/Hectare (C\$/Ha)	981	880	170	177	769	185	118	327	96	90	11013.0	3115.4	1061.4	371.1

Source: S&P Capital IQ, Company Reports

Figure 5: Comparable companies heatmap

Uranium Explorer	Ticker	MC (US\$M)	Country Name	Financeability	Exploration Upside	Country	Relative valuation	Time to Production	Total Score	Δ
IsoEnergy Limited	TSXV:ISO	\$ 222.7	Canada							△
CanAlaska Uranium Limited	TSXV:CVV	\$ 46.1	Canada							▽
Forum Energy Metals	TSXV:FMC	\$ 45.4	Canada							▽
Skyharbour Resources Ltd.	TSXV:SYH	\$ 42.2	Canada							△
Purepoint Uranium Group Inc.	TSXV:PTU	\$ 35.8	Canada							△
Azincourt Energy	TSXV:AAZ	\$ 24.1	Canada							▽
Fission 3.0 Corp.	TSXV:FUU	\$ 16.9	Canada							▽
Standard Uranium	TSXV:STND	\$ 19.6	Canada							▽
Baselode Energy	TSXV:FIND	\$ 24.7	Canada							▽
ALX Uranium Corp.	TSXV:AL	\$ 12.6	Canada							▽

Source: S&P Capital IQ, Company Reports

Assets

Hook Lake Property (21%-owned)

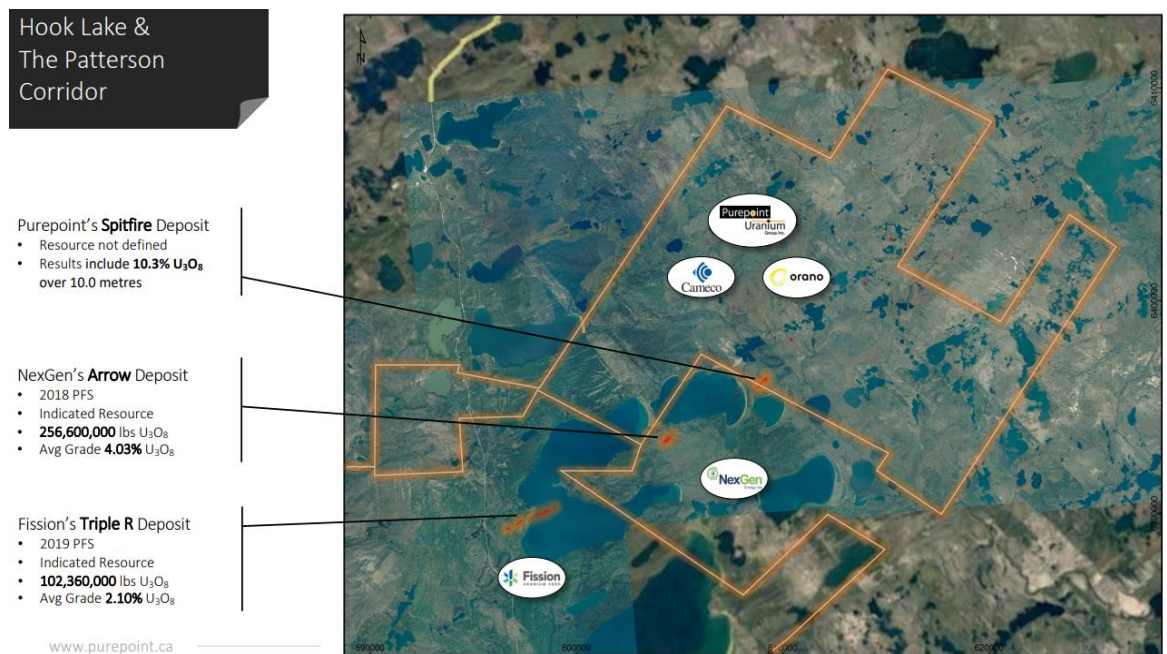
The Hook Lake JV consists of nine claims totaling 28,598 ha and is jointly owned by Cameco (39.5%), Orano (39.5%) (formerly Areva) and Purepoint (21%). This property has been Purepoint's primary focus in the past and is one of the few early-to-mid-stage projects that Cameco continued to work on over the past few years. A total of \$24.6M has been sunk including \$8M spent by PTU. Purepoint has been the operator since 2007, but both Cameco and Orano fund their share. The budget for 2021 is \$1.5M in the ground +10% management fee to PTU.

The Saber zone is a new area of focus for the company, and we await further positive drill results.

The Spitfire discovery is a basement hosted zone along the Paterson Lake corridor, on strike with both Arrow and PLS (Figure 6). The zone is found within a 0.5km wide structural corridor, right on the NexGen Energy's property boundary and its Harpoon discovery (potentially the same zone). Spitfire zone measured 500m long by up to 300m vertical. Intersections include up to 10.3% over 10m including 53.3% over 1.3m. Drilling has been extensive along strike and at depth with about 50 holes completed. It is likely the limits of the zone that have been defined. We estimate that the zone may host between 8M and 12M lb of U_3O_8 .

Sabre zone is a new area of focus located to the north. The Paterson Lake corridor bifurcates into numerous conductors. Drilling along the edge of a gravity low hit minor spotty radioactivity over ~100-150m downhole, with strong alteration and silicification. Another hole was drilled 400m to the north during the winter. Results are pending.

Figure 6: Claim map of Hook Lake property showing location of the Spitfire zone and Arrow and PLS deposits



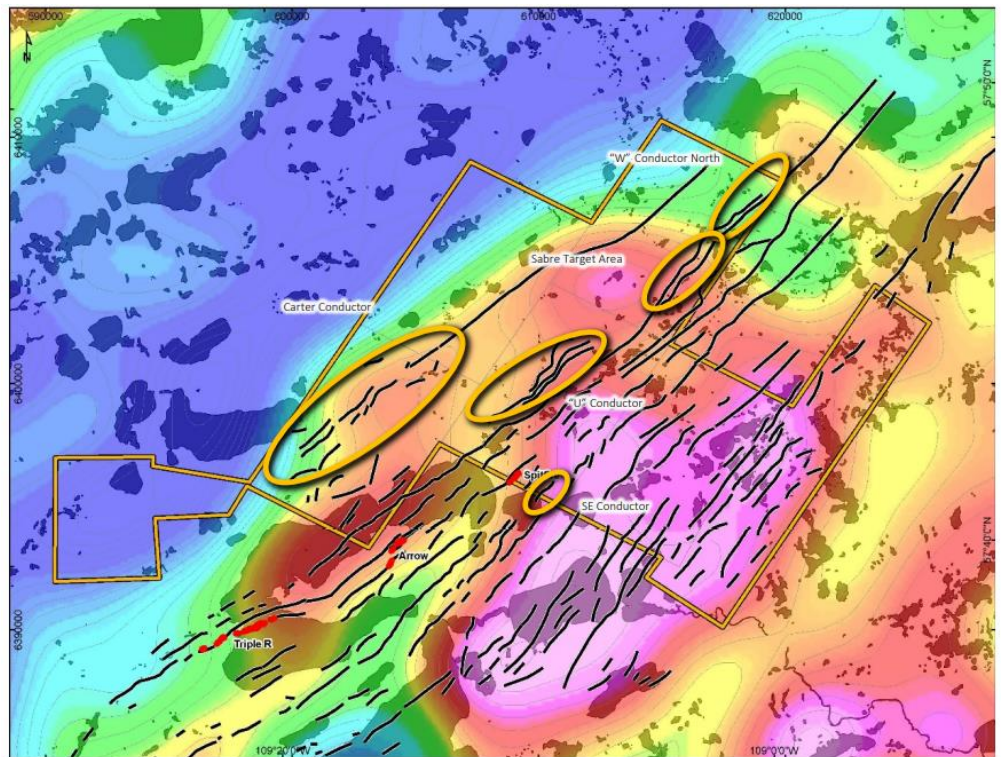
Source: S&P Capital IQ, Company Reports

Deposits could be next to gravity highs and be of another great discovery to PTU.

Hook Lake hosts three major graphitic conductive trends – Carter, Paterson Lake, and the Doerksen corridors. The Paterson Lake basement hosted uranium model is being used, targeting bands of graphitic shear zones that host uranium mineralization. This is characterized by testing for multiple parallel bands of graphitic conductors within altered granitic and dioritic gneiss. Geology is complex with crosscutting faults, bends, which is helping create structural taps along regional structures. Depth to the Athabasca unconformity is shallow, ranging from 0-350m. Figure 7 provides more detail on the priority targets, Figure 8 illustrates the location of the 2021 drill program, and Figure 9 outlines the company's project pipeline.

Uranium deposits may occur next to gravity highs. Management suggests that gravity highs may be reflecting ultramafic intrusives within granodioritic gneisses. The density contrast of the two rocks may provide zones of weakness along their contacts, creating structural traps for uranium-rich fluids.

Figure 7: Priority targets include Sabrea target area (high priority for 2021), W Conductor Far North, U Conductor, SE Conductor and Carter Conductor



Source: Company Reports

The map displays the Sabre Zone with various geological features and sampling locations. Key elements include:

- Hole HK20-115**: Located in the upper left quadrant.
- Hole HK19-105**: Located in the lower left quadrant.
- Hole HK21-C**: Located in the upper right quadrant.
- Hole HK21-B**: Located in the middle right quadrant.
- Hole HK21-D2**: Located in the center of the map.
- Hole HK21-D1**: Located just below Hole HK21-D2.
- Hole HK21-A**: Located in the lower center of the map.
- Denison/ALY Hook Center Project**: Indicated by a yellow line running diagonally across the map.
- Sabre Zone**: Labeled in the bottom right corner.
- Scale bar**: Located at the bottom right, showing distances in kilometers (0, 10, 20, 30, 40, 50, 60, 70, 80, 90, 100).

Source: Company Reports

[illegible]

Source: Company Reports

Turnor Lake Property (100%-owned)

Turnor Lake project consists of 4 claims totaling 9,705 ha on the eastern side of the Athabasca Basin, directly north of the Roughrider and Midwest deposits. The property is located along trend of the LaRocque zone (3.39% over 5m), Alligator prospect (3.8% over 10.5m) and Hurricane zone (33.9% over 8.5m).

Deformed magnetic highs create a pinwheel shape. These are anticipated to be granites, specifically the Kelsey Dome. Drilling will target conductors that form within magnetic lows around the granite.

Cogema has carried out considerable work, largely at the Turaco zone. Including 187.9 line-km of ground TEM; 34 drill holes (11,201m) targeting the TEM, and airborne VTEM. Best results up to 277 ppm U over 0.8m, 223 ppm over 0.8m, an 137 ppm over 6m. Cogema has also hit 2.5% over 1.2m at unconformity to the south and off the property.

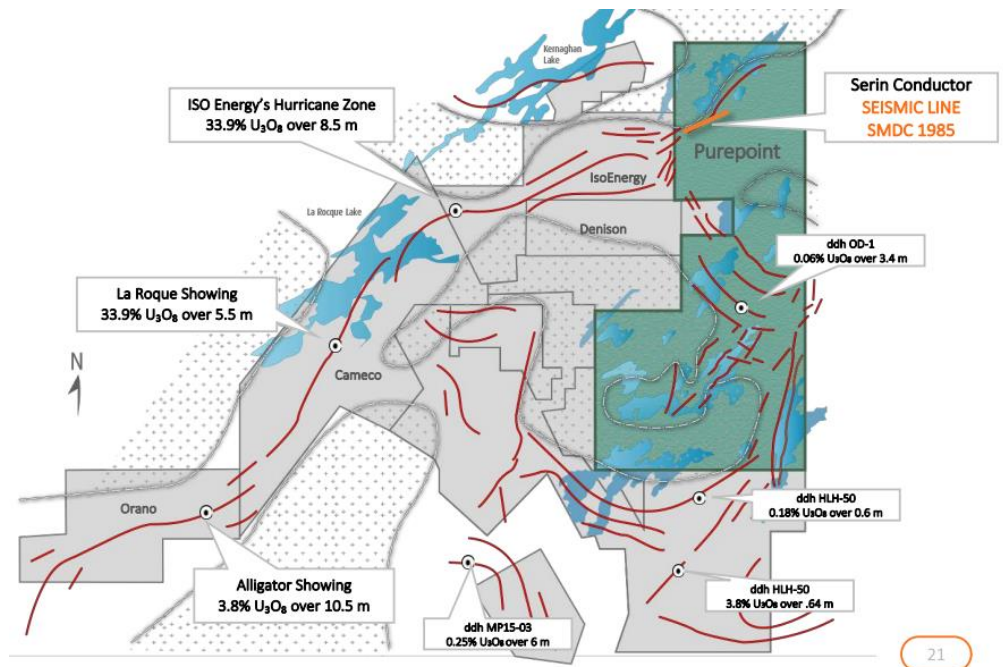
Four distinct exploration areas have been identified - Serin conductor, Laysan zone, Turnor Lake zone and Turaco zone (Figure 10)

- Turnor Lake conductor is very strong and lines up with hole HLH-50 where Cogema hit good hematite alteration and paleo-weathering.
- Laysan is made up of four major NW trending structures to the north that host over 10km strike. Best drill results include up to 468 ppm U over 3.4m
- Serin is the NE extension of LaRocque corridor, 8km east of ISO Energy's Hurricane zone (up to 33.9% over 8.5m).
- Turaco zone is a series of NE and NW trending conductors concordant with local magnetic lineaments.

Winter 2022 drilling planned. The property is most effectively drilled in the winter and permit applications are being made. Enough geophysics have been complete and good drill targets have been defined. The property is drill ready.

Figure 10: Map of conductors on the Purepoint and surrounding properties in the NE Athabasca Basin.

Winter 2022 drilling is planned, the property is drill ready, and the results could take the company to the next level.



Source: Company Reports

Smart Lake Property (27%-owned)

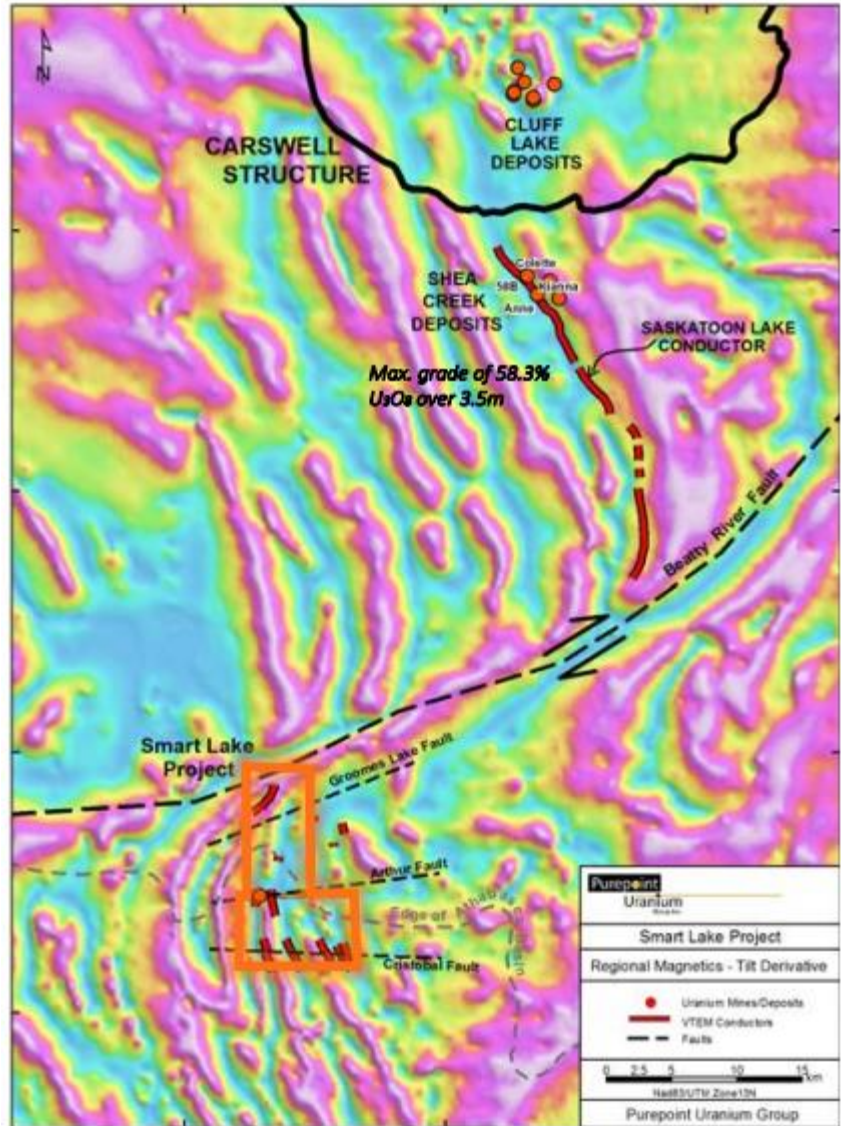
Smart Lake property includes two claims with a total area of 9,860 ha within the SW portion of the Athabasca Basin, ~60km south of the former Cluff Lake mine. Purepoint is operator with 27% interest and Cameco owns 73%. Figure 11 illustrates a claim map of the Smart Lake Property.

The Beatty River Fault might have offset several N-S trending graphitic structures to the NE of the property. These may be the same structures that host the ~100M lb (1.88% U_3O_8) Shea Creek deposits. On the property, the JV is interested in a bent conductor to the south of Beatty River Fault. The working theory is that this is an extension of the Shea Creek deposits.

Uranium, hydrothermal alteration identified elsewhere. Basement hosted uranium was drilled in 2008 along a steeply dipping, N-NW striking, hydrothermally altered, graphitic-shear zone. The best intercepts include 127 ppm U over 13.3m and 1,600 ppm U over 0.1m. Anomalous nickel, arsenic, and cobalt are associated with the uranium.

Smart Lake is one of the company's non-100%-owned properties (JV with Cameco).

Figure 11: Claim map of property



Source: Company Reports

Only a first pass drilling program has been completed at Red Willow thus far.

Red Willow Property (100%-owned)

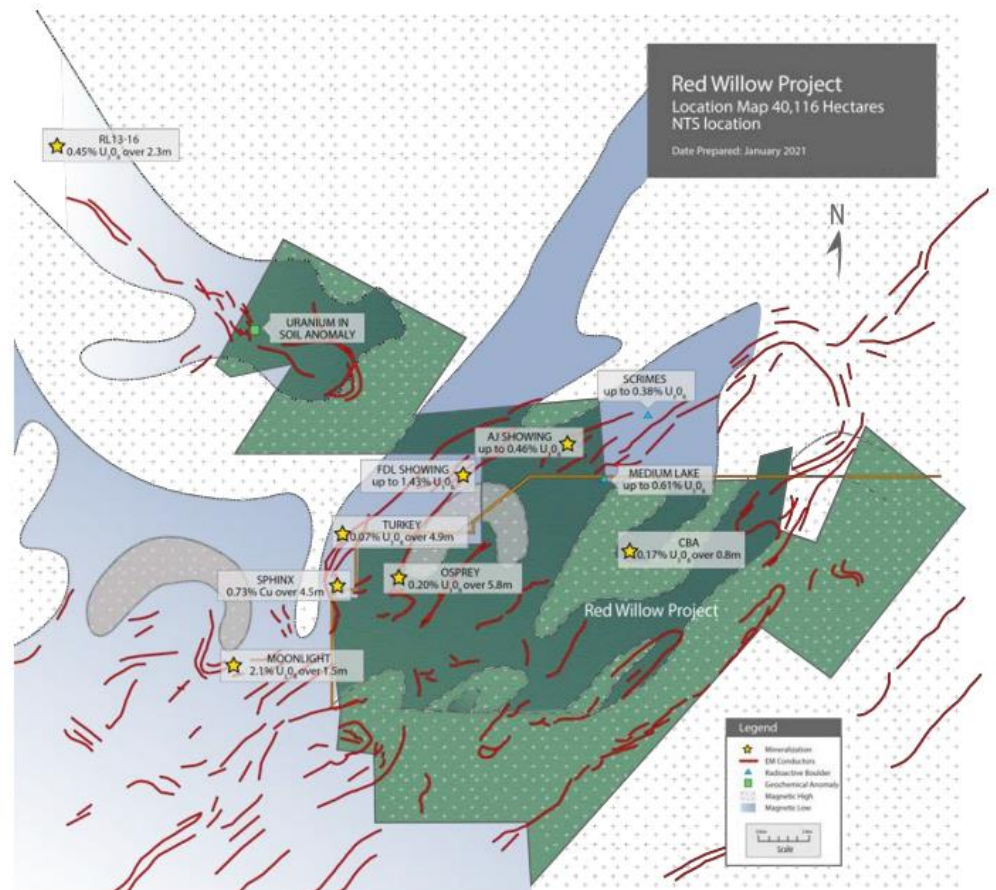
The property straddles the eastern edge of the Athabasca Basin. The property is half inside and half outside the Basin. It consists of 17 mineral claims over an area of 40,119 ha. The project is 10km NE of the JEB deposit and 10km N of Cameco's Eagle Point deposit. Several potential conductors surround the Rainbow granitic dome. Figure 12 provides more detail with the claim map.

Twenty-one conductors totalling 70km have been identified, while only seven have been drill tested. Geophysical surveys have included airborne magnetic and electromagnetic (VTEM) surveys, an airborne radiometric survey, ground gradient array IP, pole-dipole array IP, fixed-loop and moving-loop transient electromagnetics, and gravity.

Management plans to drill 2,000m into Osprey and Geneva zones. The Osprey zone is identified by geophysics, extreme clay alteration,

silicification, graphite, pyrite, and strong chloritic shearing. The zone is only 50m deep with no overlying sandstone. Drill results include up to 0.2% over 5.8m, 0.12 % over 4.2m and 0.47% over 1.5m. Geneva zone is on trend with Jeb and Dawn Lake deposits. A soil anomaly and strong bent conductor just inside a magnetic high will be targeted. Drilling has returned 0.22% over 1m and 0.68% over 0.3m.

Figure 12: Claim map showing conductors on the Red Willow property.



Source: Company Reports

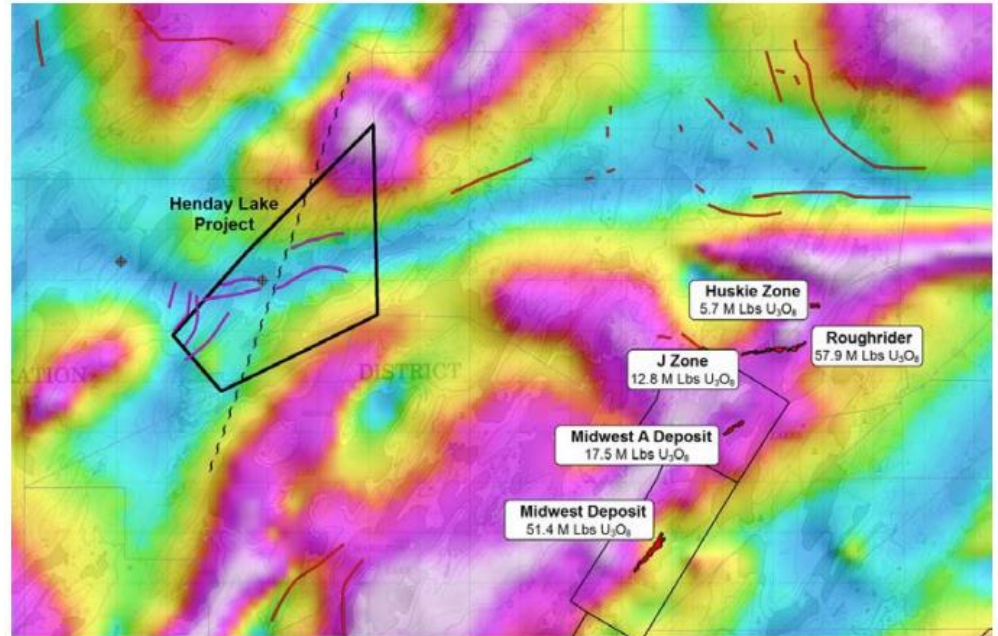
Henday Lake Property (100%-owned)

Henday Lake property is 1,029 ha in size and consists of 2 claims. It is located 9km NW of the Midwest Lake deposit (41M lb U_3O_8) and 10km W of Rio Tinto's Roughrider deposit (57M lb U_3O_8). Depth to the basement is known to be locally less than 350m. Figure 13 illustrates the magnetics and EM conductors.

7.5km of EM conductors have been identified. They are on trend with an interpreted East-West alteration corridor which hosts neighbouring Denison's J-zone/Huskie zone and Rio Tinto's Roughrider deposit. Recent results from the nearby Husky zone (10km east) include 4.5% over 6.0m and 0.57% over 6.3m including 1.9% U_3O_8 over 1.0m.

Only one drill hole is known. Hole HLH8-71 was drilled in 1998 and encountered a steeply dipping, strongly graphitic fault gouge at the bottom of the hole. The property occurs within a magnetic low believed to represent pelitic basement rocks.

Figure 13: Henday Lake plan showing magnetics and EM conductors.



Source: Company Reports

Umfreville hosts several interesting targets which continue to be discovered.

Umfreville Project (100%-owned)

Umfreville property covers ~12,217 ha and consists of eight mineral claims. It sits on the NE rim of the Athabasca Basin and lies over a complex series of cross-cutting faults. The Umfreville project hosts several prospective target areas using results from airborne gravity, magnetic and electromagnetic surveys, and uranium-in-soil geochemistry.

Risks

Exploration, development, and mining projects are inherently risky investments given the large initial expenses that are required in advance of any potential revenue. Our view is based on publicly available information but note that our estimates and views are not without political, technical, geological or financing risk typical for junior exploration companies.

- **Geopolitical/jurisdictional risks** – Some of these risks may be out of the control of the company, including royalty and taxation levels, land agreement liabilities, regulatory, environmental and permit requirements and timing, global trade wars and political instability.
- **Technical risks** – This covers a wide variety of issues that we see associated with the deposit including exploration, development and exploitation strategies and methods. It would cover such issues as accuracy of geological interpretation, resource/reserve estimates and economic studies, and inputs such as commodity prices, cost and grade fluctuations, assay reconciliation, metallurgical issues, and exploration success. Our positive view relies on using existing technical data, recent exploration results and to a limited extent, expected positive results from future drilling. Future results may differ and negatively impact our assumptions.
- **Corporate risks** – These may include project execution by management, investor relations effectiveness, or market sentiment. Management pedigree and performance are paramount. Market sentiment is also an issue. Uranium is a particularly risky commodity given both the strong support and distain for the commodity and nuclear power as an answer to greenhouse gas emissions.
- **Financial risks** – These may occur at the project or corporate level, including variation in valuation parameters/metrics, commodity price or foreign exchange fluctuations, access to credit including debt, equity financing or potential for shareholder dilution.

As new information becomes available, we plan to refine our estimates and forecasts.

Management and Directors

Chris Frostad, BBA, CA, CPA – President and CEO: Chris has 35 years of experience as a President and CEO. Mr. Frostad also sits on the board of Enthusiast Gaming (TSXV:EGLX), and is former CEO and Director of Minera Alamos (TSXV:MAI).

Scott Frostad, B.Sc, M.A.Sc, P.Geo, VPX: Scott has over three decades of experience in the mining industry throughout Canada. He has a background in mineral exploration at companies including Lac Minerals, Teck, and Placer Dome.

Ram Ramachandran, BA, CA, CPA – CFO: Previously to working at Purepoint, Ram was Deputy Director and Associate Chief Accountant with the OSC for an 11-year tenure. Mr. Ramachandran also conceived, developed, and launched the Canadian Securities Reporting Advisor, an on-line compliance tool for public companies.

Linda Tong, B.Sc – GIS Specialist: Linda has 20+ years of experience in GIS application, development, and computer programming. Linda has served Purepoint since January 2006.

Jeanny So – Corporate Communication: Jeanny has 20+ years of experience in Operations, Investor Relations, and Sales & Marketing in the financial industry. She has executed corporate communications programs for several private and publicly listed companies and is also a member of PDAC and Women in Mining.

Allan Beach, LL.B – Director: Allan has 30+ years of experience assisting in mergers & acquisitions, venture capital, tax advantaged structures and general corporate finance. Mr. Beach is a former Partner of one of Canada's largest and oldest law firms.

Borys Chabursky, B.Sc. – Director: Borys is veteran in the financial industry, currently serving as the Founder and Chairman of Shift Health. He also serves as the Chairman of SHI Capital, and President of SHI Ventures. Mr. Chabursky is a sought-after speaker and named one of Canada's "Top 40 Under 40".

Appendix A: Criteria for Grading Uranium Companies

Our assessment is based on six criteria, which we believe represent the key factors to consider when evaluating a uranium company and its project(s). These are cost profile, exploration upside, ability to receive financing, time to production, jurisdiction and relative valuation to similar stage peers. Each factor is rated from 1 to 5, where 5 refers to the most favourable rating (green – Figure 8) and 1 refers to the worst and least favourable rating (red – Figure 8). The six criteria include the following.

- **Cost** – A uranium company's cost-profile or expected cost-profile is of significant importance for future economic viability for projects with such long development timelines. This rating also considers incentive price and pre-production capex for development projects.
- **Exploration upside** – Larger cap companies with resources believed to have already reached critical mass to enter mine development have been rated less favourably to reflect the limited near-term resource growth potential as a result of the shifted focus to permitting and mine development. We also believe exploration news from these larger cap producers/developers are less likely to move the stock.
- **Ability to receive financing** – Depending on where the asset is in the project life cycle, we have given a less favourable rating to early-stage exploration assets and a more favourable rating to producers. We have rated uranium developers based on our expectation of the company's ability to finance the pre-production cost of the asset, which takes into account the management team, joint venture partners and strategic and/or institutional ownership. Metrics including EV/Capex and LOM capital intensity were also computed and considered.
- **Jurisdiction** – Our view has been based on the most recent Fraser Institute rankings with upward adjustments for countries with a rich uranium mining history.
- **Time to production** – Given the extensive permitting timeline for uranium mines, we estimated that the time to production for each asset is evaluated based on the stage of the project in the permitting process and our knowledge of the host country's permitting process.
- **Relative valuation** – Relative valuation is based on conventional comparable valuation metrics such as P/NAV, EV/EBITDA for producers and EV/lb or EV/Ha for explorers/developers.

Standard Uranium Ltd. (TSXV:STND)

Getting Ready to Drill

Update Report
May 13, 2021

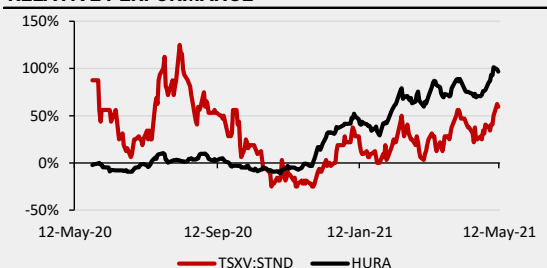
(Currency is C\$ unless noted otherwise)

Closing Price (C\$/sh)	\$0.24
Rating	BUY (S)
Target (C\$/sh)	NA
Return to Target	NA
52 Week Low / High (C\$/sh)	\$0.12 / \$0.38
CAPITALIZATION	
	Basic Diluted
Shares Outstanding (M)	92.7 130.4
Market Capitalization (C\$M)	\$22.2
Enterprise Value (C\$M)	\$18.4
Cash and Cash Equivalents (C\$M)	\$3.8
Total Debt (C\$M)	\$0.0

STOCK CHART



RELATIVE PERFORMANCE



Relative Valuation	EV (C\$M)
Standard Uranium Ltd.	\$18.4
Peers*	\$64.9

*S&P Capital IQ

MAJOR SHAREHOLDERS

Management (3.84%), Lloyd Harbor Capital Management LLC (5.16%)

DISCLOSURE CODE: 3,4

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

Source: RCS, Company Information, S&P Capital IQ

Company Description

Standard Uranium Ltd., an exploration company, acquires, evaluates, and develops uranium properties in Canada. Its flagship property is the Davidson River Project, which comprise 21 mineral claims covering an area of approximately 25,886 hectares located in the southwest part of the Athabasca Basin, Saskatchewan.

With an upcoming 10,000m drill program on the way at Standard Uranium's 100%-owned, flagship Davidson River uranium project in the southwest Athabasca Basin, we have decided to provide an update on the company ahead of our forthcoming uranium conference ([register here](#)). In our view, Standard Uranium has set itself up to make a potential uranium discovery in the Athabasca Basin. The company's technical directors, advisors, and exploration team have the right type of experience in the region to guide exploration success across its portfolio of uranium projects, such as Davidson River – a project which we consider highly prospective for basement-hosted uranium mineralization. While STND's share price is likely to benefit from the increasingly positive sentiment flowing back into the uranium space ([read more](#)), we expect exploration results to be the key driver of this stock. **With history as our guide, we believe high-grade uranium exploration success could result in the share price moving 5-10x higher. We maintain our BUY (S) rating on STND with no target price.**

- **STND's projects look more attractive than before.** Since [initiating coverage](#) on STND, the company has retrieved high-grade samples from its Sun Dog project (formerly known as Gunnar) ([read more here](#) and [here](#)), and has completed Phase I and partially completed Phase II drilling at Davidson ([read more here](#) and [here](#)).
- **All eyes on Davidson River.** The company has drilled ~8,627m at Davidson thus far. Phase I had successfully identified anomalous U3O8 grades within zones of hydrothermal alteration and structural deformation along the Warrior trend. Phase II winter drilling followed up on these results with six additional holes testing Warrior, as well as an initial hole testing the Saint corridor. While Phase II assays remain pending, the initial visual results appear highly encouraging, so much so that STND has quadrupled its planned meterage to 10,000m for its next phase of drilling ([read more](#)).
- **Cashed up and ready to explore.** After raising ~\$8M throughout 2020, STND has ~\$3.4M remaining – which is more than enough to kickstart its 2021 exploration programs at both Davidson River and Sun Dog. See following pages for more information on these projects.

We maintain our BUY (S) rating with no target price. STND ranks 5th amongst its nine Athabasca Basin exploration peers on an EV/ha basis (Figure 1), due to its relatively small landholdings. Assuming a \$400/ha valuation applies and adding back cash, we would estimate a potential valuation of \$0.28/sh for STND (a ~16% lift from current share price) (Figure 2). That said, a potential uranium discovery or higher uranium prices would likely drive valuation and re-rating of the stock. **Upcoming catalysts:** 1) Davidson Phase II drill results (near-term), 2) Davidson summer drilling (Jun/21), and 3) Sun Dog exploration (summer/21)

Figure 1: Peer Analysis

Company	Ticker	Price (C\$/sh)	YTD Perf.	Shares (M)	Mkt. Cap C\$M	Cash* C\$M	Debt C\$M	EV C\$M	EV/ha C\$/ha
Standard Uranium Ltd.	TSXV:STND	\$0.24	23%	92.7	\$22.2	\$3.8	\$0.0	\$18.4	\$327.1
IsoEnergy Ltd.	TSXV:ISO	\$2.72	45%	106.6	\$290.0	\$13.4	\$16.9	\$293.5	\$1,098.2
Forum Energy Metals Corp.	TSXV:FMC	\$0.37	49%	178.2	\$65.0	\$2.6	\$0.1	\$62.5	\$1,065.2
CanAlaska Uranium Ltd.	TSXV:CVV	\$0.68	39%	92.5	\$62.9	\$5.1	\$0.0	\$57.8	\$206.1
Skyharbour Resources Ltd.	TSXV:SYH	\$0.44	73%	137.5	\$60.5	\$2.6	\$0.0	\$57.9	\$241.1
Azincourt Energy Corp.	TSXV:AAZ	\$0.09	89%	134.8	\$11.5	\$0.4	\$0.0	\$11.0	\$340.0
Purepoint Uranium Group Inc.	TSXV:PTU	\$0.13	53%	352.0	\$45.8	\$2.3	\$0.1	\$43.5	\$291.3
Baselode Energy Corp.	TSXV:FIND	\$0.52	-53%	58.7	\$30.5	\$6.2	\$0.0	\$24.3	\$141.9
Fission 3.0 Corp.	TSXV:FUU	\$0.12	26%	180.3	\$21.6	\$0.7	\$0.0	\$21.0	\$101.9
ALX Resources Corp.	TSXV:AL	\$0.09	13%	156.2	\$14.1	\$1.1	\$0.1	\$13.0	\$92.9
								Median	\$43.5
								Average	\$64.9

Note:

*Cash balance reflects most recent financing for Standard Uranium; cash for all other companies is as of the latest financial statements.

Figure 2: Potential NAV Breakdown

Asset	Ownership	Status	Landholdings (ha)	Valuation Method	Fair Value Estimate		(%)
					(C\$M)	(C\$/sh)	
Assets							
Davidson River	100%	Exploration	25,886	Landholdings (C\$400/ha)	\$10.4	\$0.11	40%
Sun Dog	100%	Exploration	15,770	Landholdings (C\$400/ha)	\$6.3	\$0.07	24%
Atlantic, Canary, and Ascent	100%	Exploration	13,216	Landholdings (C\$400/ha)	\$5.3	\$0.06	21%
Project NAV					\$21.9	\$0.24	85%
Cash					\$3.8	\$0.04	15%
Total Corporate Adjustments					\$3.8	\$0.04	15%
Corporate NAV					\$25.7	\$0.28	100%

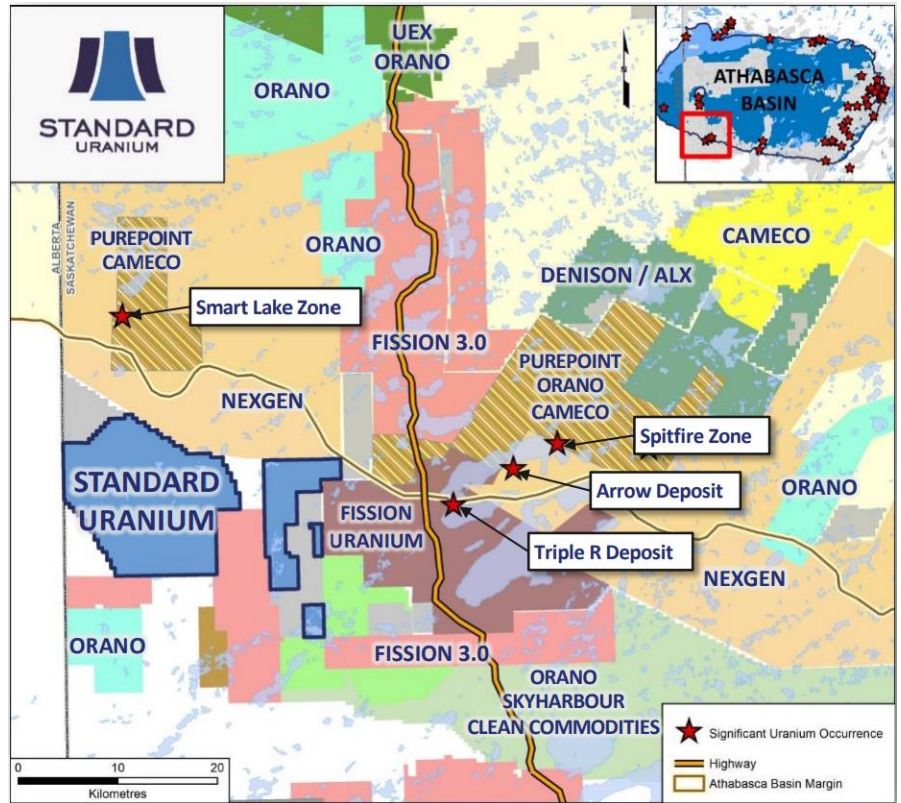
Source: RCS Estimates, Company Reports

Davidson River Update

Standard Uranium's flagship asset. Davidson River comprises 25,886 ha of ground in the southwest Athabasca Basin in an area that appears on-trend of the prolific Patterson Lake corridor – host to Fission Uranium's (TSX:FCU, Not Rated) Triple R deposit (237.6M lb U3O8 in indicated+inferred resources) and NexGen Energy's (TSX:NXE, Not Rated) Arrow deposit (348.3M lb U3O8 lb U3O8 in indicated+inferred resources).

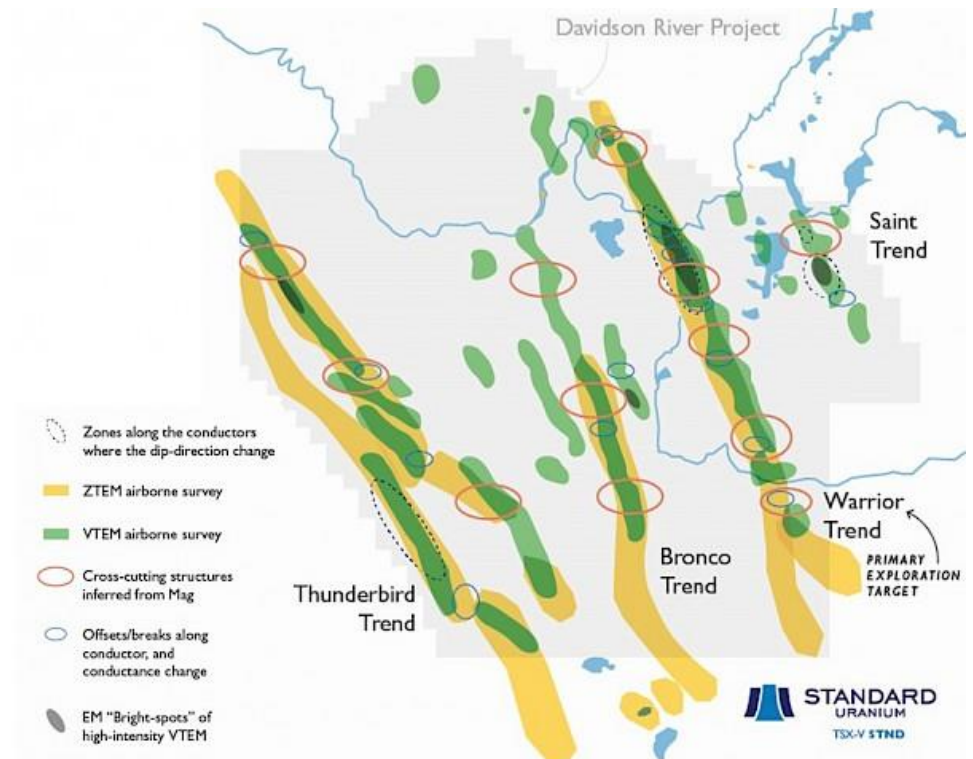
The property covers multiple NW-SE conductive trends that were previously identified using VTEM, ZTEM, and magnetic surveys. Importantly, these trends appear to show similar geophysical signatures to those observed at Triple R and Arrow, and include cross-cutting structures, conductive bright spots, wrenching/changes to dip direction of conductors, and off-setting breaks/jogs.

Figure 3: Map of Davidson River location and surrounding claims



Source: Company Reports

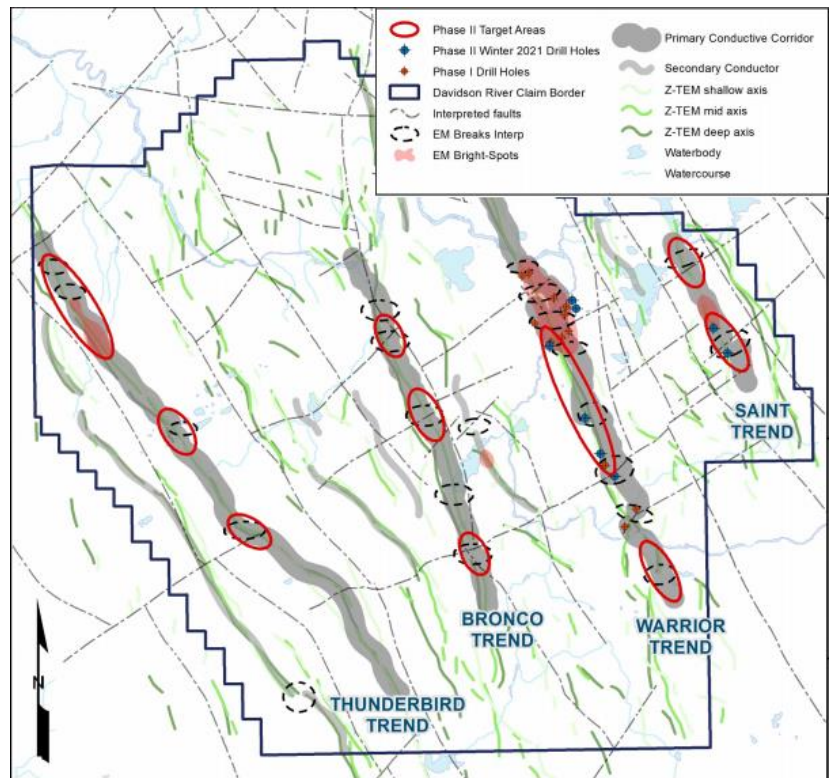
Figure 4: Map of conductive trends and targets at Davidson River



Source: Company Reports

Until last years' Phase I program, these corridors had never been drill tested. Phase I drilling consisted of 13 holes (5,607m) along the 12km-long Warrior trend only. Drilling identified zones of hydrothermal alteration and structural deformation at depths beyond 300m in basement rocks; consisting of graphitic-sulphidic rocks concentrated within discrete fault stands and high strain zones. The winter portion of Phase II drilling comprised seven holes (3,020m), with six holes following up on Phase I drilling at Warrior. Initial results from this phase have thus far identified brittle fault structures associated with strong clay alteration at the Meadow target. The company also reported elevated radioactivity (up to 310 cps) associated with pegmatitic basement rocks at the Levee target. The one hole at the Saint trend returned identified moderate to strong clay-chlorite alteration and graphite-rich shears in in the upper basement rocks, with elevated radioactivity (up to 270 cps). Assay results for the winter Phase II program are expected mid-May 2021.

Figure 5: Map of recent drilling and target areas at Davidson River



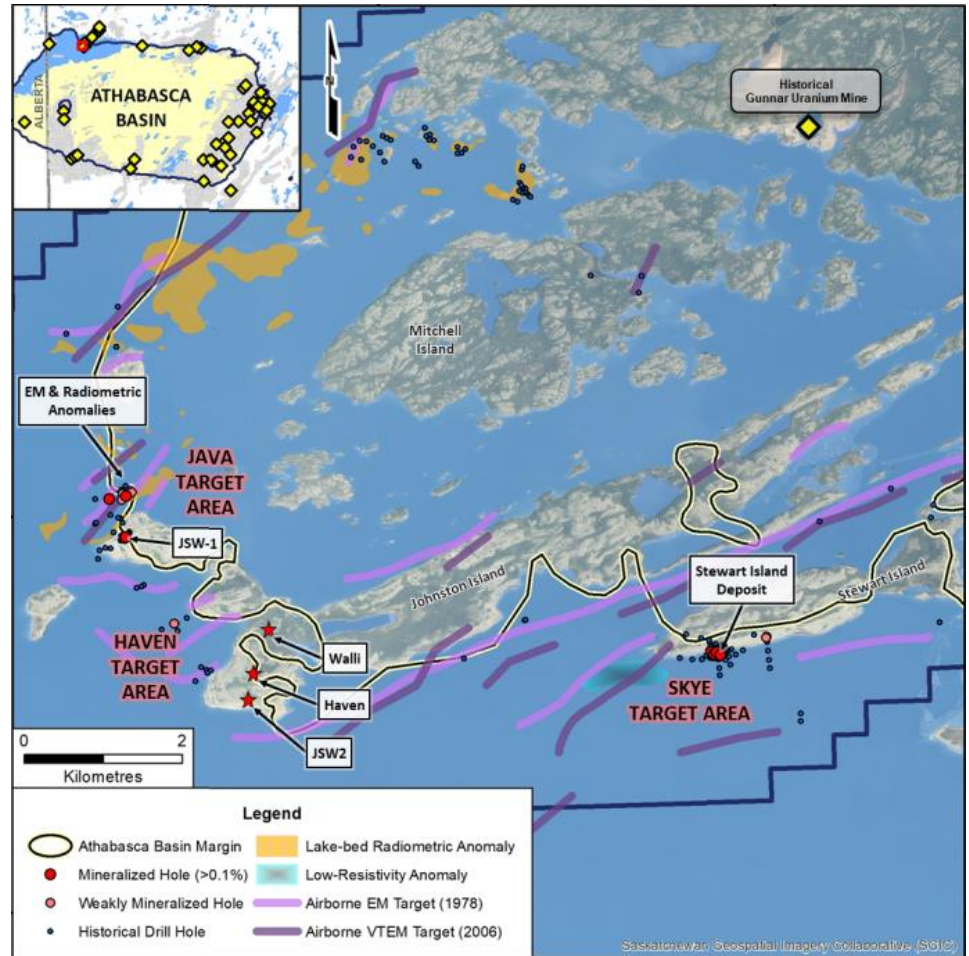
Source: Company Reports

The summer portion of Phase II drilling (10,000m) is planned to commence June 2021. In addition to further testing the Saint trend with multiple holes, the company plans to target the southwest portion of Warrior, where several structural targets have been identified. The 8.5km-long Bronco and 13km-long Thunderbird trends, which remain untested to date, also contain several geophysical targets that we expect to be drilled. All drilling, geological, helicopter and camp vendors have been secured, with drilling expected to persist through to September.

Sun Dog Update

A secondary project being advanced. Sun Dog (formerly known as “Gunnar”) comprises 15,770 ha of prospective ground in the historical Uranium City mining area of the northern Athabasca Basin. The discovery target is a high-grade, basement-hosted, unconformity-related uranium deposit.

Figure 6: Map of Sun Dog showing key target areas



Source: Company Reports

In 2020, the company conducted a site visit which confirmed the presence of mineralization at historical surface showings at the Skye, Java, and Haven targets, where grab samples had returned up to 3.58% U₃O₈, 1.7% U₃O₈, and 0.7% U₃O₈, respectively. Grab samples had also revealed gold potential, with grades up to 1.04 g/t Au at Haven.

The company plans to return to Sun Dog this summer/fall to conduct further exploration work, including ground geophysical surveying, sampling and mapping, along with community engagement. Pending this work-up program, the company hopes to begin drilling Sun Dog Q1/2022.

Skyharbour Resources Ltd. (TSXV:SYH)

A Maverick in Basement Exploration

Initiating Coverage
May 13, 2021

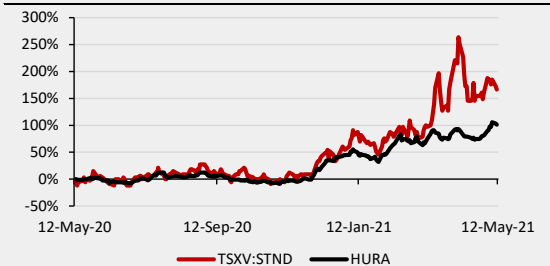
(Currency is C\$ unless noted otherwise)

Closing Price (C\$/sh)	\$0.44
Rating	BUY
Target (C\$/sh)	\$0.95
Return to Target	116%
52 Week Low / High (C\$/sh)	\$0.15 / \$0.60
CAPITALIZATION	Basic Diluted
Shares Outstanding (M)	116.0 163.2
Market Capitalization (C\$M)	\$51.0
Enterprise Value (C\$M)	\$42.5
Cash and Cash Equivalents (C\$M)	\$8.5
Total Debt (C\$M)	\$0.0

STOCK CHART



RELATIVE PERFORMANCE



Relative Valuation	EV (C\$M)
Skyharbour Resources Ltd.	\$42.5
Peers*	\$64.0

*S&P Capital IQ

MAJOR SHAREHOLDERS

Management (2.7%), MM Asset Management Inc (10.31%), Exchange Traded Concepts, LLC (3.19%)

DISCLOSURE CODE: 3,4

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

Source: RCS, Company Information, S&P Capital IQ

Company Description

Skyharbour Resources Ltd., a uranium and thorium exploration company, engages in the acquisition, exploration, and evaluation of mineral properties in Saskatchewan, Canada. Its flagship project is the Moore uranium project, an advanced stage exploration property with high-grade mineralization at the Maverick zone, covering 35,705 hectare, located on the eastern portion of the Athabasca Basin. The company also holds a 100%-interest in the South Falcon uranium project, estimated to contain a NI-43-101 Inferred resource of ~7.0M lb of U3O8 and 5.3M lb of ThO2, as well as a 15%-interest in the East Preston uranium project, located in the Athabasca Basin.

We are initiating coverage on Skyharbour Resources (TSXV:SYH) with a BUY (Speculative) rating and a C\$0.95 target price. Skyharbour is an early-stage uranium exploration company focused on the Moore uranium project in the eastern Athabasca Basin. While Skyharbour does have a pipeline of projects and considers itself a project generator to help limit dilution and risk, prospectivity of the Moore uranium project makes it one of the more established junior uranium exploration companies. We estimate a growing mineral inventory of ~7M lb U₃O₈ between the Maverick and Maverick East zones. We also see potential for further high-grade discoveries from up to 18 different target areas of the property to drive the stock. Its experienced management team will be pushing an aggressive exploration drill program deeper into largely untested basement rocks and into an area with a newly defined intersection of two conductive trends this summer.

- **Athabasca Basin focus.** Like other junior explorers active in this prolific uranium district in the world, Skyharbour hopes to discover high grades that can only be found in the Basin. Multiple top tier assets are found nearby including Key Lake, McArthur River, Wheeler River and Cigar Lake; coupled with a excellent regulatory regime, availability of an experienced labour force and plenty of infrastructure.
- **Strategic shareholder.** Denison Mines owns 22.5% of the underutilized McClean Lake mill and ~11% of SYH. Denison has knowledge on in situ recovery mining and Sabre mining processes that may come in handy.
- **Prolific Moore uranium project flagship** has over \$45M sunk with 390 drill holes (150,000m), yet remains underexplored. We estimate that Maverick and Maverick East zones may host ~7M lb U₃O₈ thus far with only 2.5km of this 4.7km long trend systematically drilled.
- **Gaining critical mass.** Maverick zone now measures roughly 170m strike x 20m width x 17m thickness with a weighted average grade of over 1.5% U₃O₈. High grade intersections include 6.0% U₃O₈ over 5.9m including 20.8% over 1.5m, and 4.03% over 10m including 20% over 1.4m. Maverick East occurs in the basement rocks, also over 170m strike, is about half the grade and somewhat narrower but open. High grade hits include 1.79% over 11.5m including 4.17% over 4.5m and 9.12% over 1.4m.
- **East Preston JV (30%-owned) recently optioned** to partner also saw recent drilling. That project is being well received by the market.

We are initiating coverage of Skyharbour with a Buy (Speculative) rating and C\$0.95 target. Skyharbour ranks 6 of 10 stocks using a relative valuation metric of EV/Ha, partially given its peer leading land holdings. We assume a peer average of C\$400/Ha and add back cash along with share ownership in JV partners. We also see value in 7M lb U₃O₈ inferred resource at South Falcon Point and perhaps a 7M lb U₃O₈ mineral inventory at its Maverick and Maverick East Zones, at US\$1.50/lb. **Upcoming Catalysts:** 1) Expect drill results from Moore, East Preston and Hook Lake (formerly North Falcon Point) and 2) potential Moore resource estimate in H2/21. **Mining/exploration is inherently risky** and SYH is subject to various geopolitical, technical, corporate, or financial risks.

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Basement hosted resources might be the key to expanding mineral resources

Investment Thesis

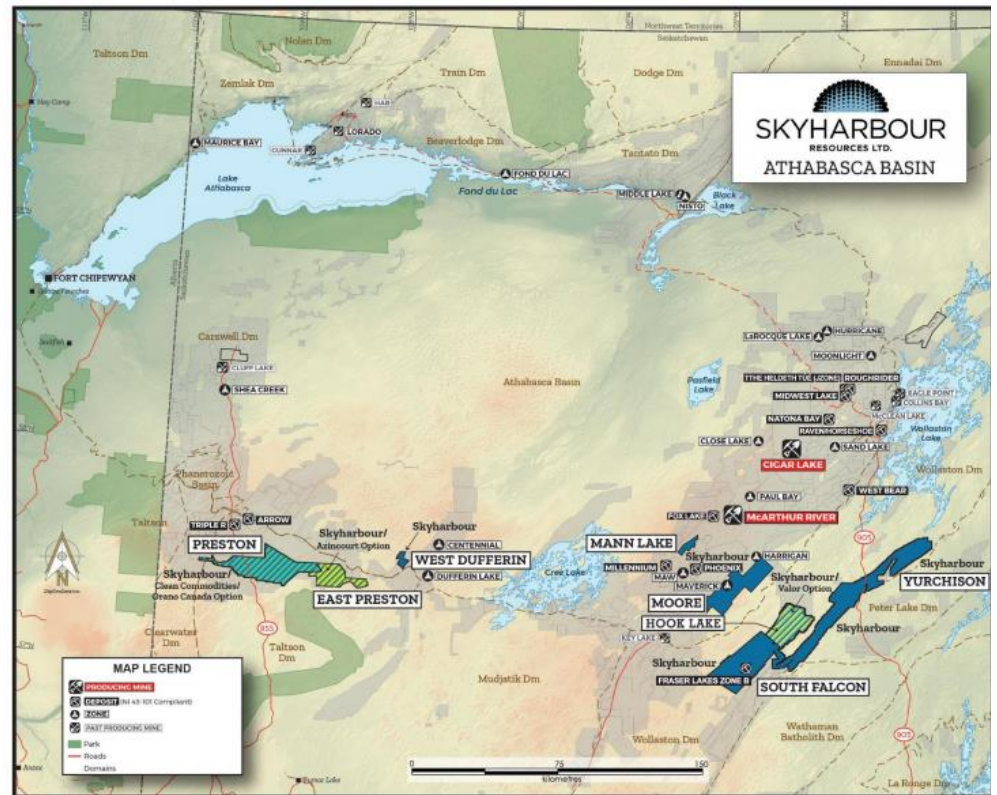
The Athabasca Basin is the world's most prolific uranium jurisdiction. Uranium grades average over an order of magnitude higher in the Basin at 3.95% U_3O_8 as compared to 0.15% from the rest of the world. The Basin was responsible for 13% of global uranium production in 2019 from just a single mine (Cigar Lake). Saskatchewan ranks 3rd in the world from an investment attractiveness point of view according to the Fraser Institute (2020). It has excellent mining and civil infrastructure, a straightforward licensing and approval process, and support from several levels of Government.

Maverick and Maverick East zones are growing. Maverick now measures roughly 170m strike x 20m width x 17m thickness with a weighted average grade of over 1.5% U_3O_8 . High grade intersections include 6.0% U_3O_8 over 5.9m including 20.8% over 1.5m, and 4.03% over 10m including 20% over 1.4m. Maverick East occurs in the basement rocks, also over 170m strike, is about half the grade and somewhat narrower but open. High grade hits include 1.79% over 11.5m including 4.17% over 4.5m and 9.12% over 1.4m.

Main Moore Lake corridor largely untested. Most work has been historical, and exploration mainly focused on finding sandstone-hosted deposits at the unconformity. Only 2.5km of the 4.7km long trend been tested, with little drilling below 300m. Basement hosted mineralization was not a focus in the past, but now this corridor could be the main target. More intensive drilling into the basement rocks has been successful, returning 0.72% over 17m and 9.12% over 1.4m within the Maverick East zone. There are also several regional scale targets on the property. Recent EM geophysical surveys have identified at the intersection of two major conductive structures in the Nineteen Grid area.

Starting to consider potential mineral extraction. While the project still requires the completion of a resource estimate, let alone a PEA; known mineralization at the unconformity and within the sandstone might be suitable for ISR or Sabre mining techniques. Each of these methods might be suitable at fast-tracking potential production. Basement hosted mineralization might be the key to expanding resources more quickly given the indication of potential for high-grade discoveries. While basement hosted deposits might not be suitable for ISR techniques, the rock quality is typically much better than within sandstone rocks.

Figure 1: Plan map of the Athabasca Basin area showing the location of Skyharbour properties.



Source: Company Reports

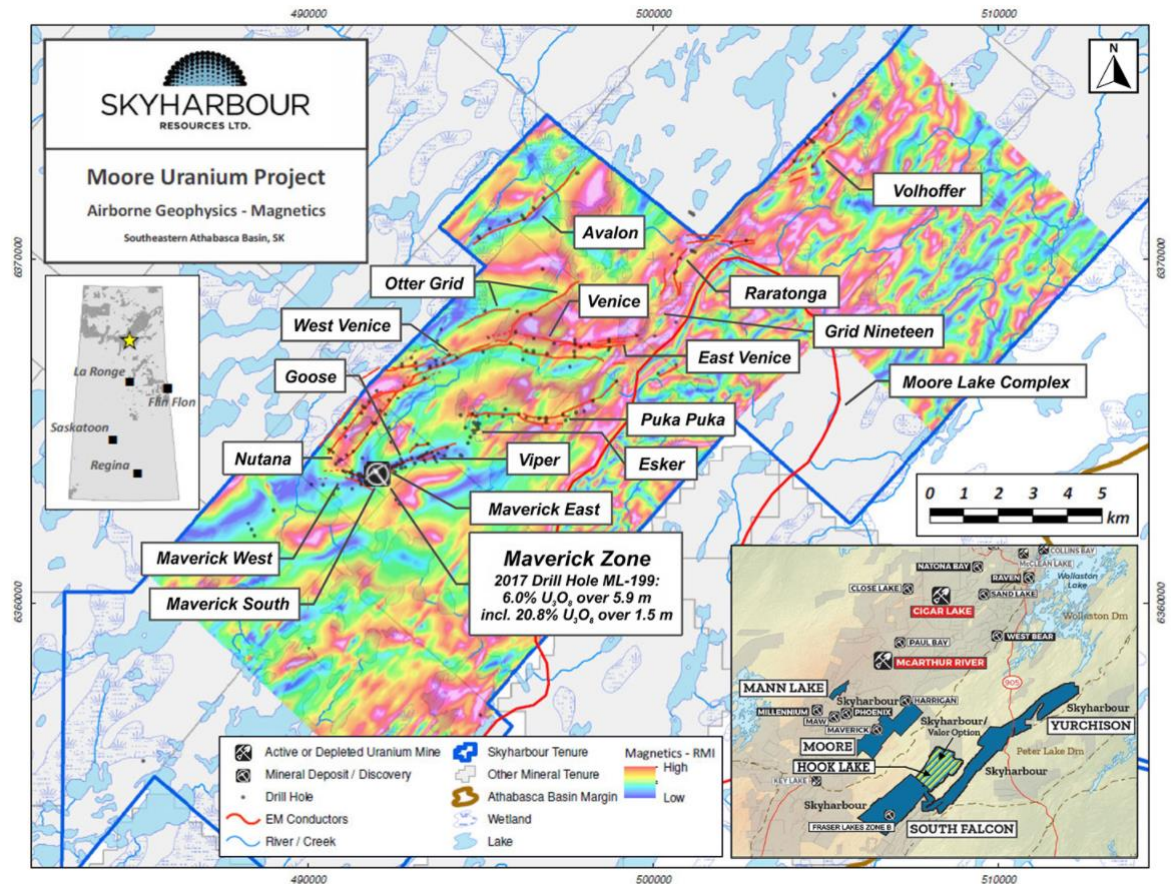
Current Exploration

New intersection of two conductors defined by recent EM survey. A 9 line-km ground Small Moving Loop EM geophysical survey was recently completed at Moore (Figure 2). This helped refine historical airborne conductors in the Grid Nineteen area and confirmed the extension of the Raratonga conductive system to the south. An abrupt change in the strike of conductors was noted at the southern end, from N-S trending Raratonga conductors, to E-W orientation of the East Venice conductors. Previous drilling had returned weak uranium of up to 0.1% over 1m within basement rocks just to the west of the strike change. Structural disruption and pathfinder element enrichment in the sandstone was noted. The intersection of these two conductive systems now becomes a new drill target.

Q2/21 drill mobilization has begun. At least 3,500m (7-8 holes) of diamond drilling is planned at Moore. To date only 2.5km of the 4.7km long, Maverick corridor has been systematically tested. Targets include Maverick East and the Esker target, along with the newly identified intersection of the Raratonga and East Venice conductors. Drilling plans to expand recently discovered high-grade mineralization at Maverick East, along strike, down-plunge and at depth with a focus on basement-hosted mineralization. The Esker target is at the NE limits of the trend. One hole returned 170 ppm U_3O_8 over 3m in sandstone and 343 ppm U_3O_8 over 5.5m in basement rocks. 0.3% U_3O_8 over 1m was identified just to the south of this area.

3,500m of diamond drilling is set to commence at the Moore uranium project

Figure 2: Moore uranium project magnetic map showing the location of the Maverick and Maverick East Zones, Esker target and Grid Nineteen area with an improved target in area where Raratonga and East Venice conductors intersect.



Source: Company Reports

Moore project milestones

Between 2016 and 2020 the Moore project hit the following milestones:

- Acquired its flagship Moore uranium project from Denison Mines
- Discovered new Maverick East basement hosted mineralization
- Completed ~24,000m of drilling since 2017, returning up to 20.8% U_3O_8 over 1.5m, 9.12% U_3O_8 over 1.4m, and 5.29% U_3O_8 over 2.5m at depths above 300m
- Majority of Preston uranium project optioned out for \$11M + Azincourt shares to both Orano (previously AREVA) and Azincourt
- Optioned North Falcon Point (Hook Lake) project to Valor Resources for C\$3.975M cash over three years plus shares.

Key Catalysts

Catalysts include ongoing discovery potential from upcoming drilling at Moore uranium project and East Preston. Management plans to continue with its prospect generator strategy by optioning projects to partners who fund exploration and pay cash/stock to Skyharbour.

Upcoming Catalysts include:

- Diamond drilling at Moore Lake of at least ~3,500m (Q2/21)
- East Preston JV drill results (Q2/21)
- Geophysics, followed by summer diamond drilling at Hook Lake conducted by Valor (Q2/21)
- Potential optioning of secondary assets
- Potential Moore resource estimate (H2/21)

Valuation

We are initiating coverage of Skyharbour with a Buy (Speculative) rating and C\$0.95 target. Skyharbour ranks 6th of 10 stocks using a relative valuation metric of EV/Ha, partially given its peer leading land holdings. We assume a peer average C\$400/Ha valuation and add back cash and the value of its share ownership in its JV partners. We also see value in a 7M lb U₃O₈ inferred resource at Hook Lake (where Valor has the option to earn 80%-interest) and perhaps a 7M lb U₃O₈ mineral inventory at its Maverick and Maverick East Zones, at US\$1.50/lb.

With two highly prospective projects to advance in a top uranium-mining district, we see potential for a new discovery. As well, we continue to be bullish on uranium and believe the stock could materially re-rate with a changing market. The company currently trades at C\$174/Ha which is 58% lower than its exploration peer group (~C\$400/Ha), 96% below the average of the developer peer group (~C\$4,000/Ha) and 88% below the average of all explorers/developers combined (~C\$1,4425/Ha).

We see compelling opportunities in uranium, and while equities continue to rise, they remain attractively valued. We provide relative rankings for 10 different Athabasca Basin pre-resource exploration companies (Figure 4). Our assessment is based on six criteria, which we believe represent the key factors to consider when evaluating a uranium company and its project(s). These include cost profile, exploration upside, financeability, time to production, jurisdiction and relative valuation to similar stage peers. Each factor is rated from favourable (5) to unfavourable (1). The assessment is focused on each company's flagship asset. **We believe that Skyharbour shows high discovery potential and given that it already has zones gaining critical mass we provide a 4.0 of 5.0 rating for its exploration upside, ranking amongst the highest of its peers.**

Skyharbour has \$6M in cash and \$2.5M in short-term investments (stock of JV partners as part of option earn-in agreements). Shares outstanding total 116M with 162.3M fully diluted. Ownership includes management and insiders (8%), Denison Mines (7%), and institutions.

Warrants include:

- 4,398,037 @ \$0.50, expire Apr 12, 2024
- 3,336,751 @ \$0.35, expire Dec 17, 2023
- 7,490,000 @ \$0.22, expire Aug 18, 2023

Skyharbour ranks at #4 from the 10 companies on our relative rankings list

- 9,683,986 @ \$0.22, expire May 1, 2023
- 8,776,526 @ \$0.22, expire Nov 29, 2022
- 6,970,900 @ \$0.27, expire Aug 10, 2021

Options include:

- 1,787,500 @ \$0.30 until September 29, 2021
- 100,000 @ \$0.35 until December 22, 2021
- 370,000 @ \$0.63 until February 13, 2022
- 1,325,000 @ \$0.42 until August 17, 2023
- 100,000 @ \$0.42 until August 28, 2023
- 1,600,000 @ \$0.20 until September 3, 2025
- 1,550,000 @ \$0.28 until January 20, 2026

Figure 3: Comparable Companies comp table – all stocks pre-resource estimate

	Uranium Explorers										Uranium Developers			
	IsoEnergy	Forum Energy	CanAlaska	Skyharbour	Azincourt	Purepoint	Baselode	Standard Uranium	Fission 3.0	ALX Resources	NexGen Energy	Denison Mines	Fission Uranium	UEX
Company Ticker	TSXV:ISO	TSXV:FMC	TSXV:CVV	TSXV:SYH	TSXV:AAZ	TSXV:PTU	TSXV:FIND	TSXV:STND	TSXV:FUU	TSXV:AL	TSX:NXE	TSX:DML	TSX:FCU	TSX:UEX
Share Price (C\$/sh)	2.72	0.37	0.68	0.44	0.09	0.13	0.52	0.24	0.12	0.09	5.21	1.30	0.60	0.37
Shares Outstanding (M)	95.1	148.3	80.8	115.8	343.0	320.5	52.3	92.8	170.3	151.9	469.3	803.9	586.2	453.7
Shares Fully Diluted (M)	106.6	178.2	92.5	137.5	361.9	352.0	58.7	99.1	180.3	156.2	490.4	812.3	614.3	477.2
Market Cap (C\$M)	258.7	54.1	55.0	50.9	29.2	41.7	27.2	22.3	20.4	13.7	2445.2	1045.1	351.7	167.9
Enterprise Value (C\$M)	262.2	51.6	47.7	42.4	24.9	35.4	20.2	18.4	19.8	12.7	2301.7	872.3	329.0	160.8
Primary Asset	Larocque East	Several	West McArthur	Moore	East Preston	Hook Lake	Shadow Hook	Davidson River	PLN	Several	Rook I	Wheeler River	Patterson Lake South	Several
Province	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask.	Sask., Nunavut
Region	East Athabasca	Athabasca	West Athabasca	East Athabasca	West Athabasca	West Athabasca	South/SE Athabasca	SW Athabasca	West Athabasca	NE Athabasca	SW Athabasca	East Athabasca	SW Athabasca	Athabasca
Ownership	1.0	0.3	70/30% JV with Cameco	1.0	JV with Skyharbour & Dixie Gold	JV with Orano and Cameco	1.0	100% (under option)	1.0	Various	1.0	0.9	1.0	Various
Landholdings (Ha)	267,300	58,700	280,600	240,000	32,400	191,966	171,000	56,400	205,600	140,500	209,000	280,000	310,000	433,346
Res./Mineral Inv. (M lbs)	50.0	No	No	14.0	No	10.0	No	No	No	No	348.3	156.8	135.4	196.7
EV/Resource lb (C\$/lb)	5.24	N/A	N/A	3.03	N/A	3.54	N/A	N/A	N/A	N/A	6.61	5.56	2.43	0.82
EV/Hectare (C\$/Ha)	981	880	170	177	769	185	118	327	96	90	11013.0	3115.4	1061.4	371.1

Source: S&P Capital IQ, Company Reports

Figure 4: Comparable companies heatmap

Uranium Explorer	Ticker	MC (US\$M)	Country Name	Finaneability	Exploration Upside	Country	Relative valuation	Time to Production	Total Score	Δ
IsoEnergy Limited	TSXV:ISO	\$ 222.7	Canada							△
CanAlaska Uranium Limited	TSXV:CVV	\$ 46.1	Canada							▽
Forum Energy Metals	TSXV:FMC	\$ 45.4	Canada							▽
Skyharbour Resources Ltd.	TSXV:SYH	\$ 42.2	Canada							△
Purepoint Uranium Group Inc.	TSXV:PTU	\$ 35.8	Canada							△
Azincourt Energy	TSXV:AAZ	\$ 24.1	Canada							▽
Fission 3.0 Corp.	TSXV:FUU	\$ 16.9	Canada							▽
Standard Uranium	TSXV:STND	\$ 19.6	Canada							▽
Baselode Energy	TSXV:FIND	\$ 24.7	Canada							▽
ALX Uranium Corp.	TSXV:AL	\$ 12.6	Canada							▽

Source: S&P Capital IQ, Company Reports

Figure 5: NAV Summary Table

Asset	Status	Mineral Inventory (M lb U3O8 eq)	Landholdings (ha)	Valuation Method	Fair Value Estimate		(%)
					(C\$M)	(C\$/sh)	
Moore uranium (100%)	Exploration	7	35,705	Landholdings (C\$400/ha)	\$14.3	\$0.12	11%
				In-situ (US\$1.50/lb)	\$14.0	\$0.12	11%
South Falcon Point uranium (100%)	Resource	7	44,470	Landholdings (C\$400/ha)	\$17.8	\$0.15	13%
				In-situ (US\$1.50/lb)	\$14.0	\$0.12	11%
Other Athabasca projects	Exploration	Exploration	159,825	Landholdings (C\$400/ha)	\$63.9	\$0.55	48%
Project NAV					\$124.0	\$1.07	94%
Cash and short-term investments					\$8.5	\$0.07	6%
Total Corporate Adjustments					\$8.5	\$0.07	6%
Corporate NAV					\$132.5	\$1.14	100%

Multiple	0.80x
Target Price	\$0.95

Source: S&P Capital IQ, Company Reports

Located in a prolific mining district in proximity to existing uranium mines

Assets

Moore uranium project (100%-owned)

The project consists of 12 claims totaling 35,705 Ha, located 42km NW of Cameco's Key Lake mill, 39km south of the McArthur River mine, and 15km east of Denison's Wheeler River project. The project is accessible via ice road from the McArthur River mine haul road, and float or ski equipped aircraft.

Over \$45M has been sunk on the property since the early 2000s. The Maverick zone was discovered by JNR Resources (acquired by Denison prior to the project being optioned to, and then sold to Skyharbour). Earlier discoveries were made at the unconformity contract between overlying sandstones and basement rocks, but more recently the search for basement hosted deposits has been the priority.

Only 2.5km of 4.7km trend tested. Two main zones have been discovered to date along a 4.7km long Maverick trend. The Maverick zone itself was discovered at the unconformity in the early 2000s. More recently Skyharbour identified the Maverick East sandstone hosted mineralization at the unconformity and then extended uranium down into the basement rocks. Only 2.5km of the 4.7km long trend has been drill tested, and none of the trend has been tested below 300m, leaving considerable potential for high grade basement hosted mineralization, particularly below known mineralized zones at the unconformity.

Maverick Zone unconformity style uranium mineralization includes drill results of up to 4.03% U_3O_8 over 10m including 20% over 1.4m; 6% over 6m including 21% over 1.5m; 5.14% over 6.2m; 4.01% over 4.7m. The zone is open in all directions.

The Maverick East discovery is 100m east of the Maverick zone and includes both sandstone and basement hosted mineralization. Best results to date include: 1.79% U_3O_8 over 11.5, including 4.17% over 4.5m and including 9.12% over 1.4m and 0.72% over 17.5m including 1% over 10m with the high-grade basal intercept returning, 0.62% over 12m with 2.31% over 2.5m within the basement. The zone is open in all directions.

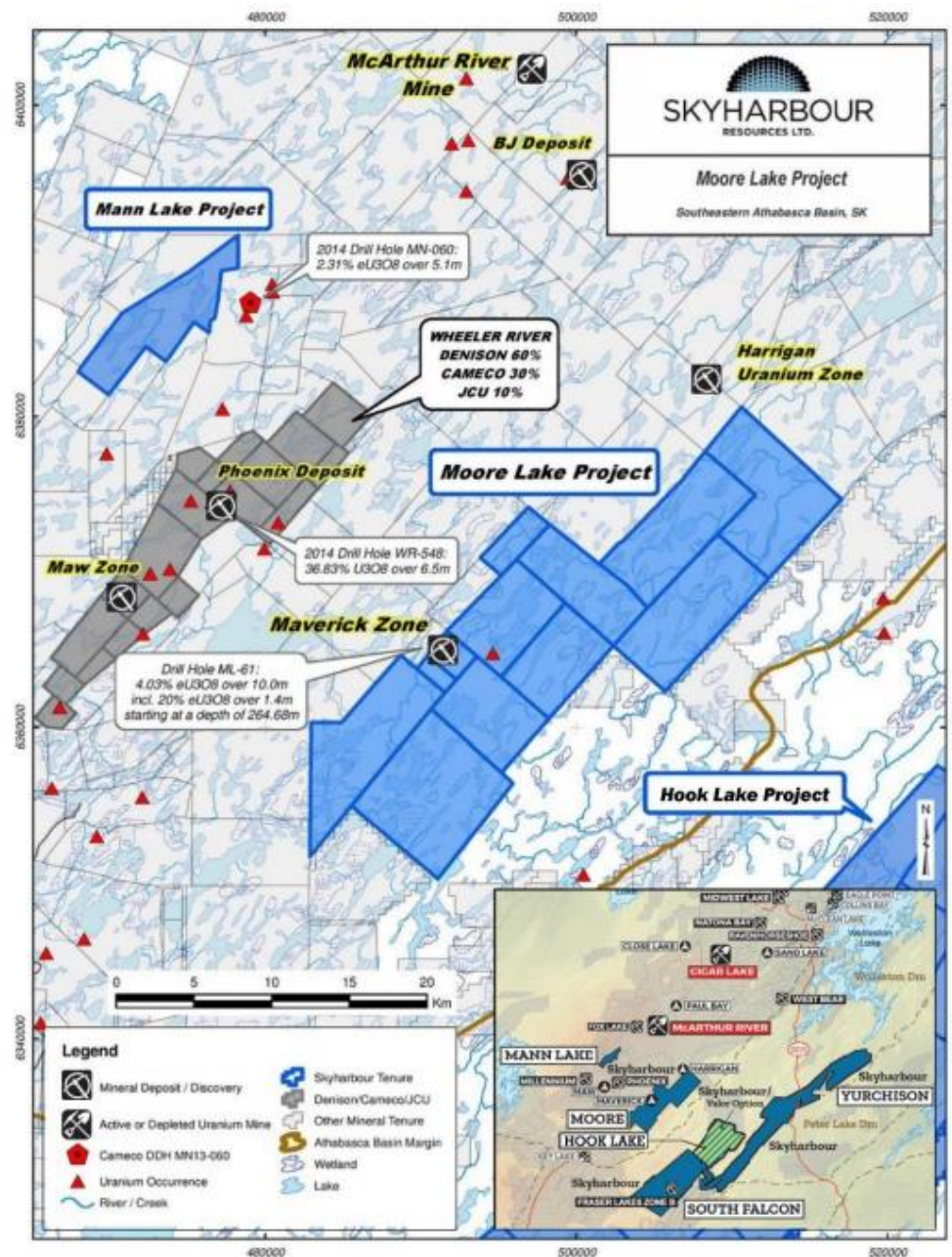
Numerous regional targets. These include multiple conductors associated with structural disruption, strong alteration, anomalous uranium, and other pathfinders. A newly identified intersection in the Gird Nineteen area is noted where there appears to be an intersection of the N-S trending Raratonga conductor and the E-W trending East Venice conductor.

Mineral inventory potential of ~7M lb U_3O_8 . Numerous drill holes have now tested both the Maverick zone and Maverick East zone. Management already suggests that a resource estimate will be considered in H2/21, but we believe this might be dependant on drill results. Our current view is that these zones are small, but 1) they are wide open, and 2) there are 16 other targets elsewhere on the property. Uranium deposits tend to occur in clusters and that certainly appears to be the case at the Moore project.

- Maverick zone is identified over at least 170m strike, up to 20m wide and 17m thick. Grades range from 0.1% to 6% and we believe weighted average close to 1.5% U_3O_8 .

- Maverick East zone is identified over at least 170m strike, 10m wide and 18m thick. Grades range from 0.1% to 1.79% and we believe weighted average close to 0.75%.

Figure 6: Claim map of the Moore property



Source: Company Reports

History

Moore is a mid- to advanced-stage project with potential to host high-grade uranium within sandstone at the unconformity and basement rocks just below. The property has been the subject to extensive historical exploration with over C\$45M sunk to date. Over 150,00m of diamond drilling has been completed in more than 390 drill holes.

Since 1969, sporadic exploration took place by Noranda, AGIP, BRINEX, Cogema, Kennecott/JNR Resources and IUC/Denison. The Maverick Zone

was discovered by JNR in 2003. International Uranium Corporation (acquired by Denison) optioned the property and earned 75% while taking over operatorship. Denison then gained 100% by acquiring JNR resources in 2013.

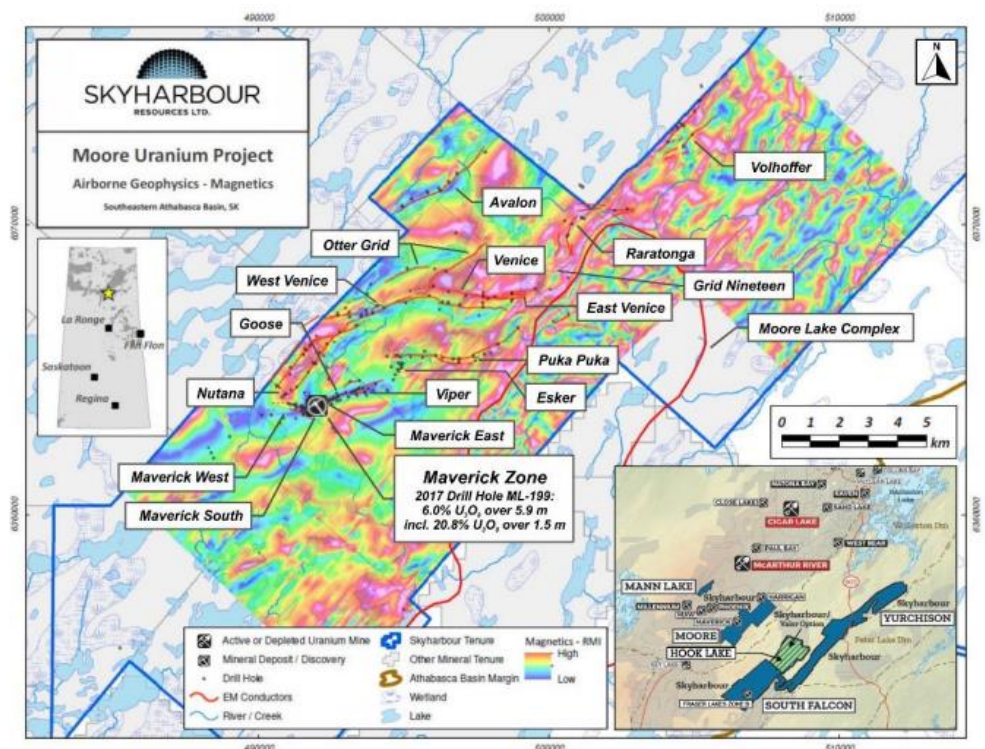
Skyharbour's head geologist and Director is Rick Kusmirski, former President and CEO of JNR Resources. Skyharbour originally agreed to option the project from Denison but has since bought the property outright (with certain back-in rights).

Exploration programs have included an assortment of airborne and ground EM and magnetic surveys, ground gravity, seismic, IP/resistivity and geochemical surveys, mapping, prospecting, lake sediment sampling and drilling. Focus has largely remained on the 4.7km Maverick structural corridor, with the best intercepts found in the SW portion of the property.

Geology and Mineralization.

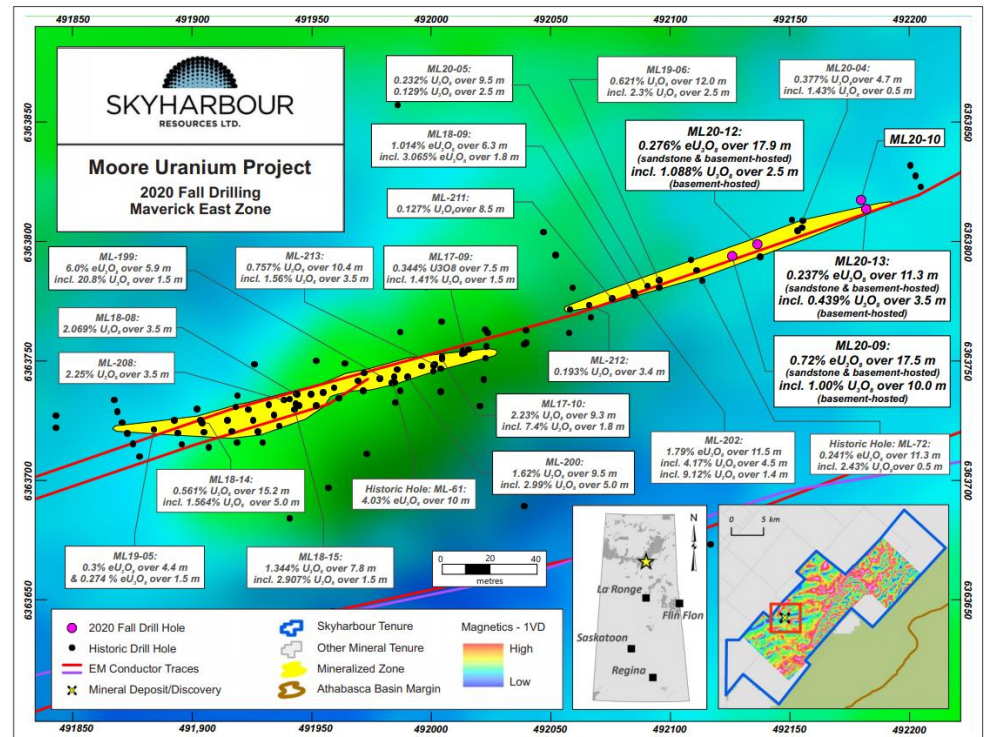
Geology and uranium potential is typical of the eastern Athabasca Basin. The depth to the unconformity is relatively shallow, with the thickness of the sandstone cover varying from <125m on the east side to >325m on the NW side of the property. Basement rocks are predominantly paragneisses belonging to the Wollaston Domain. A large mafic sill known as the "Moore Lake complex" partially overlies a portion of the eastern side of the property.

Figure 7: Magnetic map showing all targets at Moore



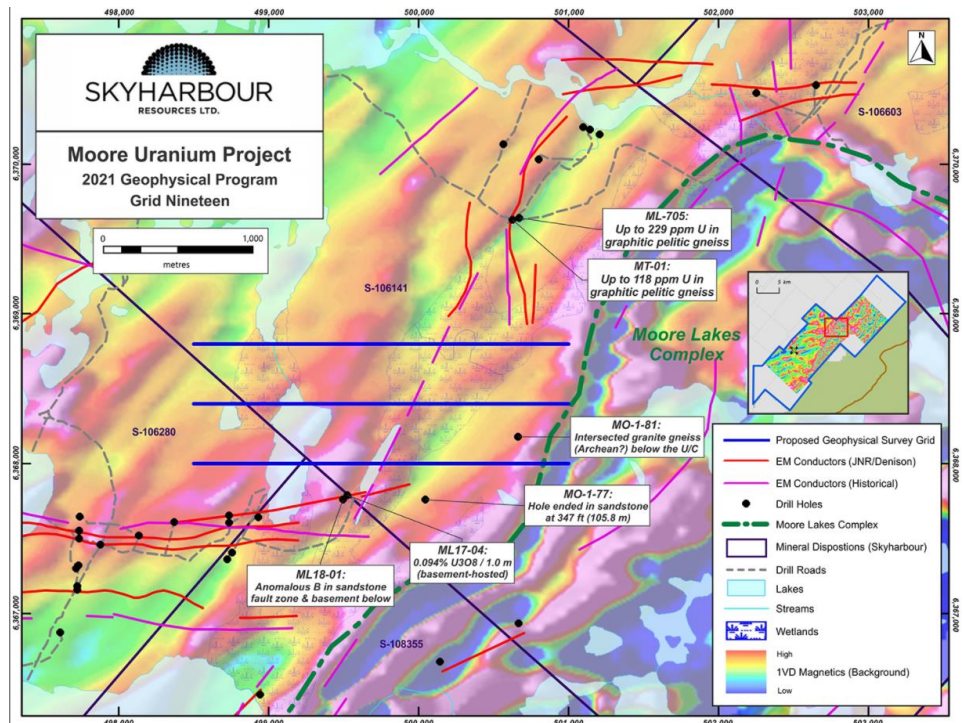
Source: Company Reports

Figure 8: Drill highlights from Maverick Zone and Maverick East Zone



Source: Company Reports

Figure 8: Recent EM survey of the Grid Nineteen area showing the potential intersection between the NS trending conductors and EW trending conductors along the edge of the Moore Lakes complex



Source: Company Reports

Resources

There are currently no compliant resources on the project.

Located close to the Rook 1 and Paterson Lake project, the minority stake projects have significant exploration potential

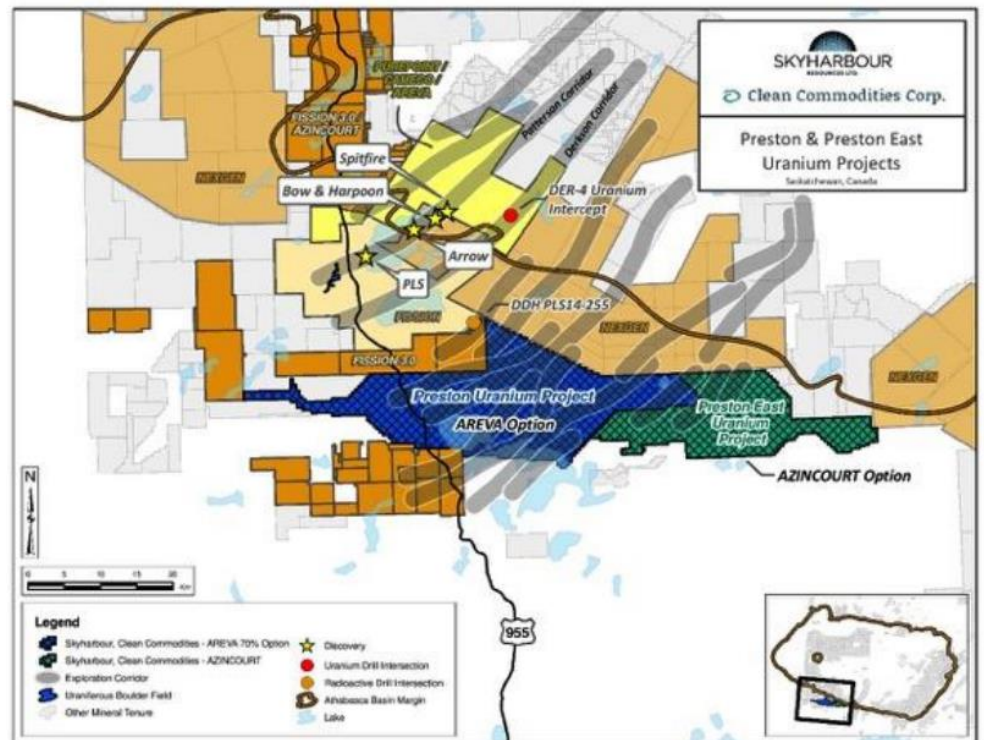
Preston property (15%-owned East/24.5%-owned Preston)

Preston is an early-stage uranium exploration project that Skyharbour has been subdivided into two properties: Preston and East Preston. Both properties were optioned out and all JV partners are fully vested.

These properties include the 24.5%-owned, 20,647 Ha Preston property and 15%-owned 49,635 Ha East Preston property. Located south of NexGen Energy's (TSX:NXE, Not Rated) Rook 1 project, and southeast of Fission Uranium's (TSX:FCU, Not Rated) Paterson Lake South, over C\$4.8M has been spent on the property to date.

Significant potential. Major NE-SW trending conductive corridors trend onto NexGen Energy's adjacent Rook 1 property. Although early stage, exploration work at the project includes significant ground sampling and geophysical work, small drill programs with some anomalous intercepts. Recent drilling has identified anomalous uranium intercepts, right geological setting, and indicator minerals. Exploration has only focused on about half of the property to date.

Figure 9: Claim map of property



Source: Company Reports

Ownership

The project has been subdivided into two strategic partnerships.

- Preston JV: Orano now owns 51% interest, with both Skyharbour and Dixie Gold owning 24.5% each. Orano can earn up to 70% interest over six years.
- East Preston JV: Azincourt Energy (TSXV:AAZ, BUY (S), David A. Talbot) has earned-in to this project earlier this year and now owns

70%, while Skyharbour retains 15% and Dixie Gold (Not Rated) retains 15%. We expect Dixie Gold to be bought out or diluted in the near-term.

History

Historical exploration includes ground gravity, airborne and ground electromagnetics, radon, soil, silt, bio-geochem, lake sediment, and geological mapping surveys, and several drill programs. Three prospective conductive, low magnetic signature corridors totaling over 25km strike and multiple EM conductor trends have been discovered to date. The EM conductor trends, radon anomalies and key pathfinder elements for unconformity uranium deposit discovery have been identified.

Drill targets occur along the conductive corridors from the A-Zone through to the G-Zone. Historical A Zone drilling indicates the structural corridor hosts significant graphitic packages, strongly sheared, faulted and offset structures and host rocks, suggesting an environment suitable for fluid movement and uranium deposition.

Azincourt's winter 2021 drill program at East Preston was cut short around the half-way mark given that spring came early in northern Saskatchewan. The original C\$1 to C\$1.4M budget was supposed to cover 2,000-2,500m (10-12 holes). Targets were based on coincidental anomalies from previous drilling, and EM, VTEM, magnetic and gravity surveys.

Geology & Mineralization

Targets are shallow basement-hosted unconformity related uranium, like NexGen's Arrow deposit and Cameco's (TSX:CCO, Not Rated) Eagle Point mine. The project is located along a parallel conductive trend between the Paterson Lake corridor (that hosts Triple R and Arrow) and the Virgin River-Dufferin Lake trend (that hosts Cameco's Centennial deposit).

Resources

There are no compliant resources on the property.

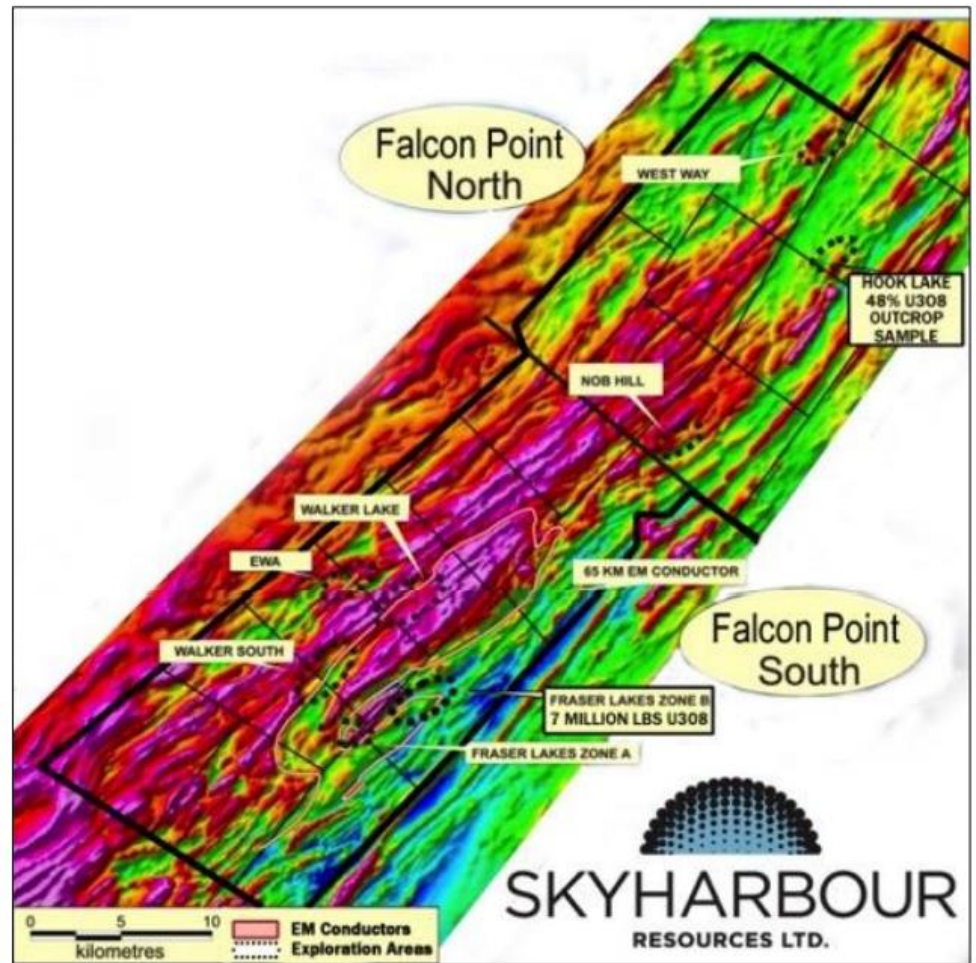
Valor Resources has an option to earn an 80%-interest in the Hook Lake project

Hook Lake (previously North Falcon Point) (100%-option)

The Hook Lake property is comprised of 16 contiguous claims totaling 25,847 Ha. The Hook Lake area is located near the northern end of the combined North Falcon Point/South Falcon Point property, and ~35km NE of Skyharbour's JNR Fraser Lakes Zone B deposit that hosts 7M lb U₃O₈ (see South Falcon Point on page 15).

Uranium mineralization discovered to date at Hook Lake is shallow and is hosted in two geological settings characterized by structurally controlled uranium mineralization which include the Hook Lake, West Way and Nob Hill zones. A massive pitchblende vein at surface returned 68% U₃O₈ in a grab sample.

Figure 9: Plan map of the hook lake property



Source: Company Reports

Ownership

The property has been optioned to Valor Resources (ASX:VAL) who can earn 80% interest through \$3.5M in exploration spending and \$475,000 in cash payments over three years, with an initial share issuance of \$1.5M (233,333,333 shares) in stock to SYH upfront.

History

Historical exploration has consisted of airborne and ground geophysics, multiple diamond drill campaigns, detailed geochemical sampling and surveys, and ground-based prospecting.

Over half a dozen significant uranium occurrences occur at Hook Lake.

Targets include:

- Hook Lake/Zone S - returning assays of up to 63% U_3O_8 from trenching
- Nob Hill - vein-type uranium up to 0.13%-0.14% U_3O_8 found on surface, up to 422 ppm U_3O_8 over 0.5m in drilling
- West Way - vein type mineralisation within a NE-trending shear zone, surface samples of up to 0.475% U_3O_8 . Drilling of an altered shear at depth returned anomalous Cu, Ni, Co, As, V, U, & Pb
- Grid T - secondary uranium mineralisation in sheared calc-silicates and marbles within a 100m x 20m zone of anomalous radioactivity, grab samples are up to 800 ppm U_3O_8
- Alexander Lake Boulder Field - 30 pegmatite boulders returned up to 360 ppm U_3O_8 , 1,400 ppm U_3O_8 and 1,600 ppm U_3O_8 respectively
- Thompson Lake Boulder Field - Numerous radioactive boulders with up to 738 ppm U_3O_8 from a granite boulder
- NE Alexander Lake – Several boulders with up to 4,800 ppm U_3O_8 , 7,600 ppm Mo and 1,220 ppm Ni

Resources

The Hook Lake property has no resource estimate.

Current exploration

Valor has hired TerraLogic Exploration Inc. to carry out exploration at Hook Lake. Compilation and reinterpretation of previous exploration work results is already underway. An airborne magnetic and VLF-EM survey over the entire Hook Lake property was completed (5,100 line-km at 75m line spacing). Data processing and interpretation is also underway to determine targets. Results are due shortly, followed immediately by fieldwork in the summer and fall of 2021. Permitting for groundwork is underway.

Other Projects

South Falcon Point (100%-owned). Previously called Way Lake, there is exceptional upside potential at this 6km x 7km property. Drilling to date over the combined North and South Falcon Point properties total 22,000m (110m holes) with over C\$15M spent. Uranium mineralization is shallow and associated with well-developed EM conductors which include EWA, Walker and Fraser Lakes zones. The Fraser Lakes Zone B deposit has a low grade, but compliant inferred resource estimate of 6.96M lb U_3O_8 at 0.03% and 5.34M lb ThO_2 at 0.23%. There is potential to increase grades at depth.

Mann Lake (100%-owned). This is a small (3,473 Ha) area located 25km SW of McArthur and 15km NE of Millennium. It is located adjacent to the Mann Lake JV by Cameco, Denison and Orano that has returned up to 2.31% over 5.1m including 10.92% over 0.4m. Skyharbour completed a ground EM survey in 2014 over a 2km long mag low that confirmed broad, NE-SW trending presence of a broad, NE-SW trending corridor of conductive basement rocks which are likely graphitic metapelites.

Risks

Exploration, development, and mining projects are inherently risky investments given the large initial expenses that are required in advance of any potential revenue. Our view is based on publicly available information but note that our estimates and views are not without political, technical, geologic or financing risk typical for junior exploration companies.

- **Geopolitical/jurisdictional risks** – Some of these risks may be out of the control of the company, including royalty and taxation levels, land agreement liabilities, regulatory, environmental and permit requirements and timing, global trade wars and political instability.
- **Technical risks** – This covers a wide variety of issues that we see associated with the deposit including exploration, development and exploitation strategies and methods. It would cover such issues as accuracy of geological interpretation, resource/reserve estimates and economic studies and inputs such as commodity prices, cost and grade fluctuations, assay reconciliation, metallurgical issues and exploration success. Our positive view relies on using existing technical data, recent exploration results and to a limited extent, expected positive results from future drilling. Future results may differ and negatively impact our assumptions.
- **Corporate risks** – These may include project execution by management, investor relations effectiveness, or market sentiment. Management pedigree and performance are paramount. Market sentiment is also an issue. Uranium is a particularly risky commodity given both the strong support and distain for the commodity and nuclear power as an answer to greenhouse gas emissions.
- **Financial risks** – These may occur at the project or corporate level, including variation in valuation parameters/metrics, commodity price or foreign exchange fluctuations, access to credit including debt, equity financing or potential for shareholder dilution.

As new information becomes available, we plan to refine our estimates and forecasts.

Management and Directors

Jordan Trimble, B.Sc., CFA – President and CEO, Director: Jordan has over 10+ of experience working in corporate development, shareholder communications, deal structuring and capital raising. He was previously Corporate Development Manager for Bayfield Ventures (acquired by New Gold in 2014).

James G. Pettit – Director, Chairman of the Board: James services as Director on the Boards of several public resource companies and offers 30+ years of experience within the financial industry. Previously, Mr. Pettit was Chairman and CEO of Bayfield Ventures Corp.

Richard Kusmirski, P.Geo, M.Sc – Head Geologist, Director: Richard has 40+ years of exploration experience in North America and abroad. He was previously Exploration Manager at Cameco Corp. (TSX:CCO), and President and CEO of JNR Resources.

David Cates, CPA, MaCC, BA – Director: David is currently President and CEO of Denison Mines (TSX:DML) and Uranium Participation Corp. (TSX:U). Prior to joining Denison, he held positions at Kinross Gold Corp. and PwC LLP with a focus on the resource industry.

Paul Matysek, M.Sc, P.Geo – Advisor: Paul was the Founder, President and CEO of Energy Metals Corp. He was previously the Chairman of Lithium X Energy Corp, President/CEO of Goldrock Mines Corp., President/CEO of Lithium One., and President and CEO of Potash One Inc.

Joseph Gallucci – Director: Joseph is currently Managing Director and Head of Mining Investment Banking at Laurentian Bank Securities. He has 15+ years of experience focused on the mining industry and working at Eight Capital, BMO, GMP, and Dundee.

Thomas S. Drolet, B.Eng, M.Sc, DIC – Advisor: Thomas has 40+ years of experience in the uranium and nuclear industry. Mr. Drolet is an industry specialist and principal of energy consultancy Drolet & Associates Energy Services Inc. His previous role included being the President and CEO of Ontario Hydro.

Simon Dyakowski, CFA, MBA – Corporate Development: Simon has 10+ years of experience working in corporate finance, corporate development, and capital markets advisory experience. Mr. Dyakowski's experience is rooted in equity research and equity sales, where he covered a multitude of sectors at Salmen Partners and Leede Financial.

Tamas Bakacs, MBA – Advisory Board: Tamas is currently a global resource portfolio manager at ACCESS Fund Management Ltd., where he manages a junior-mining-focused community equity fund in Hungary. Mr. Bakacs also served at various companies within the investment industry such as Baillie Gifford & Co. and Compass Asset Management. He is a graduate of St. Francis College (Accounting, 1999) and the University of California, Los Angeles (MBA, 2004).

Christine McKechnie, M.Sc – Consulting Geologist: Christine is a geologist specializing in Athabasca Basin uranium deposits. She previously worked at Cameco Eagle Point's uranium mine and with JNR Resources.

Donald Huston – Director: Donald has 20+ years of experience operating as an executive and on the board of various companies in the mining industry. Donald is currently President of Bayfield Ventures Corp, Cypress Development Corp, and MPH Ventures Corp. Mr. Huston is also Director at Aben Resources.

Amanda Chow, CPA, CMA – Director: Amanda is currently also on the board of Aben Resources Ltd. and Cypress Development Corp. She previously held positions as CFO of Calyx Ventures, Secretary of Rockridge Resources, and Independent Director at New Gold Bayfield Corp.

Dave Billard, P.Geo – Consulting Geologist: Dave has 30+ years of involvement in exploration. He currently serves at Cypress Geoservices Ltd. Previously, Mr. Billard served as VP Exploration and COO of JNR Resources, and Project Geologist of Cameco Corp.

Appendix A: Criteria for Grading Uranium Companies

Our assessment is based on six criteria, which we believe represent the key factors to consider when evaluating a uranium company and its project(s). These include cost profile, exploration upside, financeability, time to production, jurisdiction and relative valuation to similar stage peers. Each factor is rated from 1 to 5, where 5 refers to the most favourable rating (green – Figure 4) and 1 refers to the worst and least favourable rating (red – Figure 4). The six criteria include the following:

- **Cost** – A uranium company's cost-profile or expected cost profile is of significant importance for future economic viability of projects with long development timelines. This rating also considers incentive price and pre-production capex for development projects.
- **Exploration Upside** – Larger cap companies with resources which are believed to have already reached critical mass to enter mine development, have been rated less favourably to reflect the limited near-term resource growth potential as a result of the shifted focus to permitting and mine development. We also believe exploration news from these larger cap producers/developers is less likely to move the stock.
- **Financeability** – Depending on where the asset is in the project life cycle, we have given a less favourable rating to early-stage exploration assets and a more favourable rating to producers. We have rated uranium developers based on our expectation of the company's ability to finance the pre-production cost of the asset, which takes into account management team, joint venture partners and strategic and/or institutional ownership. Metrics including EV/Capex and LOM capital intensity were also computed and considered.
- **Jurisdiction** – Our view has been based on the most recent Fraser Institute rankings with upward adjustments for countries with a rich uranium mining history.
- **Time to production** – Given the extensive permitting timeline for uranium mines, we have estimated the time to production for each asset evaluated based on the stage of the project in the permitting process and our knowledge of the host country's permitting process.
- **Relative Valuation** – Relative valuation is based on conventional comparable valuation metrics such as P/NAV, EV/EBITDA for producers and EV/lb or EV/Ha for explorers/developers.

UEX Corporation (TSX:UEX)

An Overview of UEX; Attempting to Acquire JCU Exploration

Update Report

May 13, 2021

(Currency is CAD\$ unless noted otherwise)

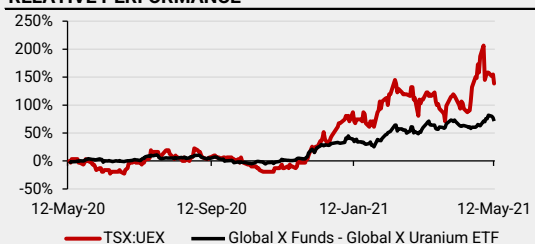
Closing Price (\$/sh)	\$0.37
Rating	BUY
Target (\$/sh)	\$0.80
Return to Target	116%
52 Week Low / High	\$0.12 / \$0.50

CAPITALIZATION	Basic	Diluted
Shares Outstanding (M)	453.7	500.9
Market Capitalization (\$MM)		\$167.9
Enterprise Value (\$MM)		\$162.9
Cash and Cash Equivalents (\$MM)		\$5.0
Total Debt (\$MM)		\$0.0

STOCK CHART



RELATIVE PERFORMANCE



MAJOR SHAREHOLDERS

Cameco Corporation (9.92%), Stephen Sorensen (7.49%), Segra Capital (2.34%)

NAV Summary	(C\$M)	(C\$/sh)
Project NAV	\$387.5	\$0.77
Working Capital	\$10.0	\$0.02
Corporate NAV	\$397.5	\$0.79
RELATIVE VALUATION	US\$EV/lb	P/NAV
UEX Corp	\$0.66	0.47x
Peers	\$2.32	0.85x
Athabasca Basin Peers	\$3.81	0.75x

DISCLOSURE CODE: 1,2,3,4

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

Source: RCS, Company Information, Capital IQ

Company Description

UEX Corporation has made significant advancements in the discovery and development of existing and new uranium and cobalt deposits in the Athabasca Basin. The company has four flagship projects that all have resources and are located in the Athabasca Basin.

Our View:

UEX is a uranium focused explorer in the Athabasca Basin with 19 projects that range from the grassroots stage through to development-stage. It has four main projects with resources including three in the eastern Athabasca Basin and one in the west. Eastern Athabasca Basin advanced uranium projects include 100%-owned Hidden Bay project (Horseshoe and Raven deposits) that also incorporates the advanced 100%-owned West Bear Cobalt-Nickel project (Figure 1); and 65.55%-owned Christie Lake project. The western Athabasca Basin advanced uranium project is the 49.1%-owned Shea Creek project, one of the largest undeveloped resources in the camp.

Investment Thesis:

- **A stock to own in the coming bull market.** The company's existing resource base provides leverage to the uranium price and using history as a guide, we expect UEX to outperform. Additionally, the company has compiled several quality exploration and development assets and could ramp-up exploration and development work with a rising uranium price. In particular, the 100%-owned Horseshoe-Raven deposit could quickly be advanced with an economic study.
- **Almost 100M lb in the ground with solid partners.** The company has total attributable resources of 99.7M lb of U_3O_8 , consisting of 37.7M lb at its Horseshoe-Raven project that is heap leach amenable as well as 1.6M lb at its West-Bear project (plus 5M lb of Ni and 5M lb of Co). The company also has 47M lb of U_3O_8 at its Shea Creek project in the West Basin where it is partnered with Orano and ~20.4M lb at its Christie Lake project where it is in a JV with JCU (Canada) Exploration Company Ltd.
- **Financed and ready to explore high-priority drill targets.** The company recently completed a C\$6M bought deal offering in December and plans to use the proceeds to support exploration activities primarily at Christie Lake. UEX is undertaking a winter drill program which was preceded by a recently completed summer drill program (four holes totalling 2,186m) which encountered strong alteration, structure and anomalous uranium and boron enrichment in the Orora North area. We look forward to the winter program following up on these identified targets.

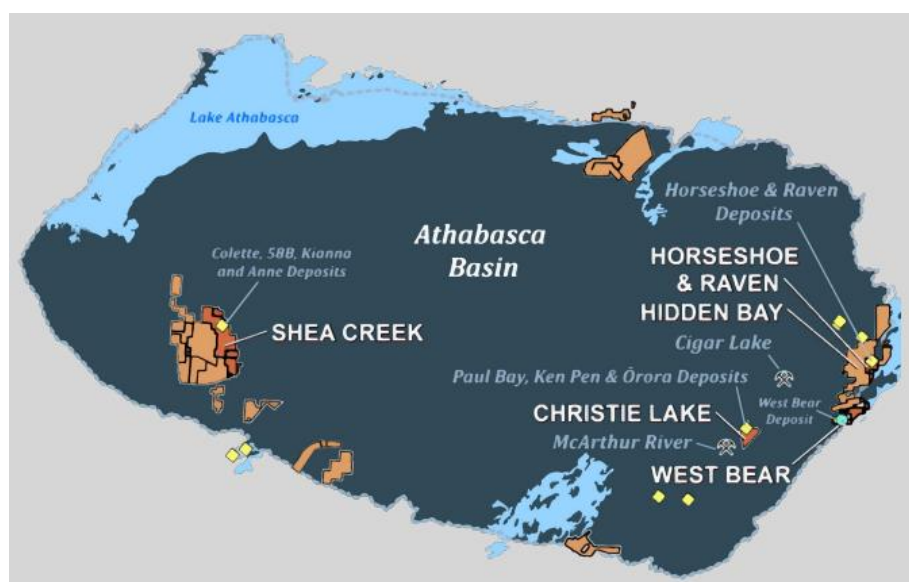
Valuation:

We maintain our BUY rating and target of C\$0.80/sh (unchanged). Our current valuation assumes success with its JCU acquisition attempt. OURD shareholders vote on the \$10 M deal (see next page for details). At US\$0.66 EV/lb, we believe the company is trading at a significant discount to its Athabasca Basin peers (US\$3.81/lb EV/lb). As well, we continue to be bullish on uranium ([read here](#)) and believe the stock could materially re-rate with a changing market. **Upcoming Catalysts:** 1) Drilling at West Bear and Hidden Bay (ongoing) and 2) Summer drilling at Christie Lake and possibly Shea Creek (H1/2021).

UEX's Attempt at Acquiring JCU (Canada) Exploration Co Ltd.

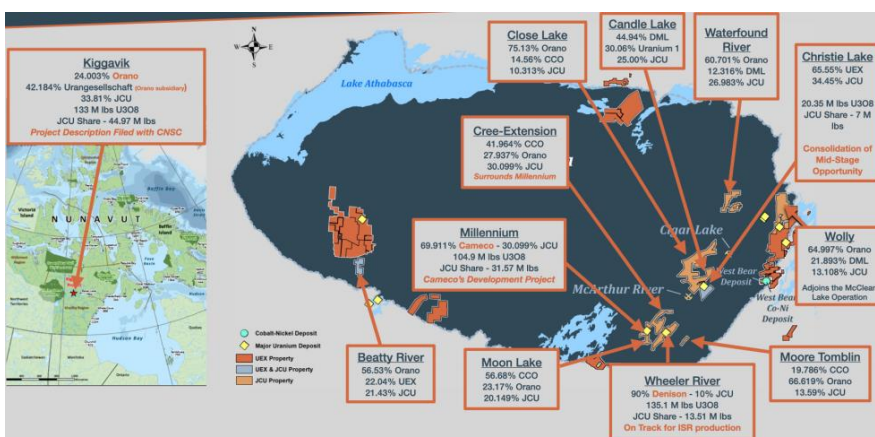
On April 22nd, UEX signed a binding definitive agreement to acquire a 100%-interest in the wholly-owned subsidiary of Overseas Uranium Resources Development Co Ltd, in JCU (Canada) Exploration Co Ltd, for a cash payment of C\$10M. JCU's key exploration projects include the Wheeler River project (10%-owned), Cameco's Millennium project (30%-owned), the Kiggavik project (34%-owned), and the UEX's Christie Lake project (~34.5%-owned); aside from a minority equity stake in eight other initial and mid-stage exploration projects within the Basin (Figure 2 and 3). We believe the key to this acquisition is the interest in 97M lb of U₃O₈ across various deposits, including the Wheeler River project, which we previously valued at ~US\$112.1M. This game-changing acquisition would make UEX the 2nd largest junior resource holder in the Basin. Denison Mines (TSX:DML, Not Rated) has since come in and bid \$40.5 M for JCU. While we believe the deal is binding and not subject to superior offers, an OURD shareholder note is still required on 18-Jun-21.

Figure 1: Map of UEX's properties in the Athabasca Basin



Source: Company Reports

Figure 2: Map of JCU projects in the Athabasca Basin and Nunavut



Source: Company Reports

Figure 3: Consolidated sum of the parts valuation assuming JCU (Canada) Exploration deal has been completed.

				Current			Previous		
Assets (Ownership %)	Status	Attributable Resources	Valuation Method	Fair Value Estimate		(%)	Fair Value Estimate		(%)
				(C\$M)	(C\$/sh)		(C\$M)	(C\$/sh)	
Uranium Resources									
Christie Lake (100%)	Resource Development	20.3 Mlbs U3O8	In-situ - US\$1.5/lb U3O8	\$40.7	\$0.08	10%	\$40.7	\$0.08	10%
Horshoe-Raven (100%)	Pre-Feas/Scoping	37.7 Mlbs U3O8	In-situ - US\$1.5/lb U3O8	\$75.5	\$0.15	19%	\$75.5	\$0.15	19%
West Bear Uranium (100%)	Resource Development	1.57 Mlbs U3O8	In-situ - US\$1.5/lb U3O8	\$3.2	\$0.01	1%	\$3.2	\$0.01	1%
Shea Creek (49.1%)	Pre-Feas/Scoping	47.0 Mlbs U3O8	In-situ - US\$1.5/lb U3O8	\$94.1	\$0.19	24%	\$94.1	\$0.19	24%
Wheeler River (10%)	Pre-Feas/Scoping	13.5 Mlbs U3O8	In-situ - US\$1.5/lb U3O8	\$27.0	\$0.05	7%	\$27.0	\$0.05	7%
Millennium (30.1%)	Pre-Feas/Scoping	31.5 Mlbs U3O8	In-situ - US\$1.5/lb U3O8	\$63.1	\$0.13	16%	\$63.1	\$0.13	16%
Kiggavik (33.8%)	Feasibility stage	44.8 Mlbs U3O8	In-situ - US\$0.75/lb U3O8	\$44.8	\$0.09	11%	\$44.8	\$0.09	11%
Nickel Cobalt Resources									
West Bear (100%)	Resource Development	19.3 Mlbs NiEq	In-situ - US\$0.35/lb Ni	\$9.0	\$0.02	2%	\$9.0	\$0.02	2%
Other Exploration Properties				\$30.0	\$0.06	8%	\$30.0	\$0.06	8%
Project NAV				\$387.5	\$0.77	97%	\$387.5	\$0.77	97%
Working Capital				\$10.0	\$0.02	3%	\$10.0	\$0.02	3%
Total Corporate Adjustments				\$10.0	\$0.02	3%	\$10.0	\$0.02	3%
Corporate NAV				\$397.5	\$0.79	100%	\$397.5	\$0.79	100%

Source: Company Reports