



Uranium Energy Corp.

(UEC-AMEX: US\$2.36)

Investment Research

June 24, 2008

David A. Talbot / (416) 350-3082
dtalbot@dundeesecurities.com

Julia Carr-Wilson / (416) 350-3226
jcarr-wilson@dundeesecurities.com

BUY, High Risk* (Initiating Coverage)

12-month target price: US\$4.00

Draft Mine Permit Issued and PAA#1 Development Complete

Risk*		High
52-Week Range	\$1.80 -	\$ 4.82
Shares Outstanding (MM)		39.8
Fully Diluted Shares (MM)		50.6
Market Capitalization (MM)		\$ 94.0
Ave. Volume (000 shares/day)		165
Working Capital (30-Apr-08) - (MM)		\$ 2.4
Value Cash, ST Inv. (30-Apr-08) - (MM)		\$ 2.8

Dundee Assumptions	2007A	2008E	2009E	2010E
U Term (US\$/lb)	90	95	95	90
U Spot (US\$/lb)	98	90	105	105
U Realized (US\$/lb)	0	0	0	95
FX (C\$/US\$)	0.93	0.99	0.98	0.95

Valuation (US\$/share)	
2009E - 10% DCF Corporate Value	C\$ 2.24
2008E Year-end Cash etc.	C\$ 0.05
2008E Additional Resource Value	C\$ 1.76
NAV	C\$ 4.05
DCF Multiple	1.00
Target	C \$ 4.05
Target	US \$ 4.00

Earnings and Cash Flow (US\$/share)	2007A	2008E	2009E	2010E
EPS	-0.45	-0.42	-0.20	0.24
CFPS before WC	-0.15	-0.26	-0.20	0.25

All Figures in US\$ Unless Otherwise Noted

Source: See Note 1

UEC-A: Price/Volume Chart



Source: Thomson ONE

Company Description

Uranium Energy is a uranium exploration and development company primarily focused on developing its Goliad in situ recovery project in Texas. The company has an extensive pipeline of projects located in the Colorado Plateau, New Mexico, Wyoming, Arizona and Texas.

Highlights

- We are initiating coverage of Uranium Energy Corp, a uranium ISR development company with a focus on its **Goliad** and **Nichols** Projects on the Texas Coastal Plains.
- Goliad** has M&I resources of 5.48 million pounds U3O8 grading 0.05% and Inferred resources of 1.50 million pounds grading 0.05%. The **Nichols** project has historical resources of 1.2 million pounds U3O8. UEC also has 10.2 million pounds U3O8 at **Cebolleta** in New Mexico and 5.4 million pounds of historical resources at its **Colorado Plateau**.
- UEC has received its Draft Mine Permit for **Goliad**. All monitoring wells for its first production area are complete and pump wells have been installed in readiness of testing for its Production Area Authorization #1 (PAA#1) application, scheduled to be filed with the TCEQ this summer.
- UEC contemplates an ISR operation producing 1 million pounds U3O8 per year at **Goliad**. We estimate initial capital costs of \$33 million, total cash costs of \$31 per pound with start up in early 2010. We also provide for a satellite IX plant at Nichols.

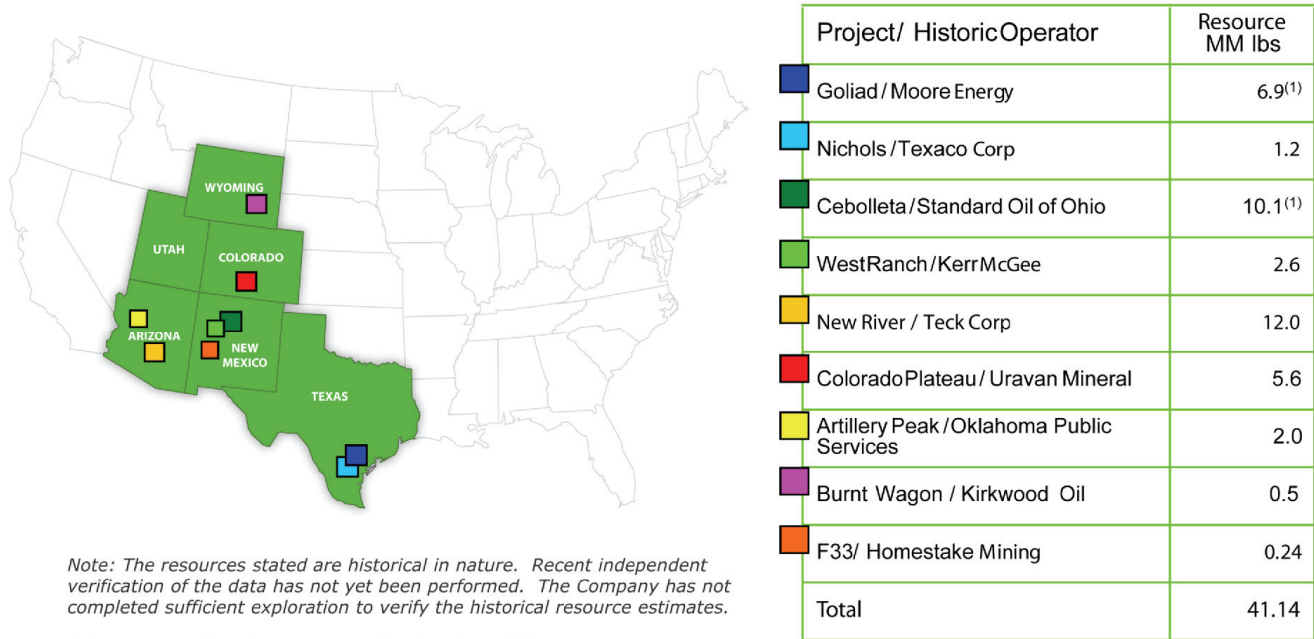
Investment Conclusion and Rating

- Uranium Energy appears ready to become the next ISR miner in Texas as **Goliad** advances towards production. With sizeable resources suitable for both ISR and conventional mining, UEC will likely provide visibility to its future production profile in the coming months. Focus is already shifting to its **Colorado Plateau** project.
- Recent receipt of its Draft Mining Permit from the Texas Commission on Environmental Quality, is obviously an important milestone. Local opposition must now voice concerns directly to TCEQ - sans the rhetoric.
- We believe that UEC appears undervalued. Ample resources provide a uranium per share ratio that is much higher than its peers. As UEC advances its projects, we believe its NAV stands to gain, as additional resource value is allocated to discounted cash flow in our valuation.
- We are initiating coverage of Uranium Energy with a BUY recommendation and 12-month share price target of US\$4.00.

Background

Uranium Energy is a uranium exploration and development company primarily focused on developing its 7 million pound U3O8 **Goliad** in situ recovery project in Texas. The company has an additional 10 million pounds of resources at **Cebolleta** in New Mexico and 24 million pounds of historical resources at various projects located in the Colorado Plateau, New Mexico, Wyoming, Arizona and Texas (Figure 1).

Figure 1 - Uranium Energy's property location map, and summary of its NI 43-101 compliant and historical resources in the western United States.



Note: The resources stated are historical in nature. Recent independent verification of the data has not yet been performed. The Company has not completed sufficient exploration to verify the historical resource estimates.

(1) 43-101 Technical Reports completed and available on SEDAR

Source: Company Reports

Management Team

Alan Lindsay, Chairman – Mr. Lindsay has experience founding and chairing companies in the mining and bio-technology sectors. He is the Chairman of MIV Therapeutics and was involved with AZCO Mining, Anatolia Minerals and New Oropu Resources.

Amir Adnani, President and CEO – Mr. Adnani is an entrepreneur with a background in business development and marketing. Founder of Blender Media, he provided financial and marketing services to mining and energy companies.

Harry Anthony, COO – Mr. Anthony is an engineer with thirty-six years experience in the uranium ISR industry in development, feasibility, design, operations and management. He was an officer for Uranium Resources and is an industry speaker for professional organizations including IAEA.

Pat Obara, CFO – Mr. Obara is a corporate finance and administration consultant and has served as CFO for two TSX Venture listed companies. He has been involved in restructuring, organizing and management of these companies based in resources and technology sectors.

Ed Brezinski, VP Corporate Development – Mr. Brezinski has twenty years experience with utility companies and nuclear fuel traders and brokers, including UG USA, Nukem Inc. and NYNCO.

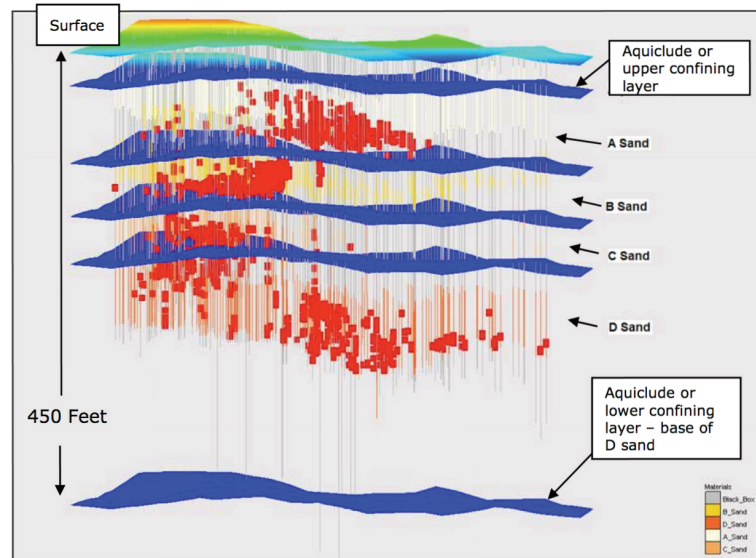
Financial

As of April 30, 2008, the company reported \$2.7 million in cash and equivalents and no debt.

Development Projects

The **Goliad** project is located in South Texas. Mineralization is hosted within tabular roll fronts in Tertiary aged sediments of the Texas Coastal Plains along a trend that extends for almost 500km. **Goliad** has measured and indicated resources of 5.48 million pounds of U₃O₈ grading 0.05% and inferred resources of 1.50 million pounds grading 0.05%. Mineralization consists of four sand horizons at depths of 90 to 450 feet and is open laterally in all directions (Figure 2).

Figure 2 - Schematic long section of the four mineralized sands within the Goliad deposit.



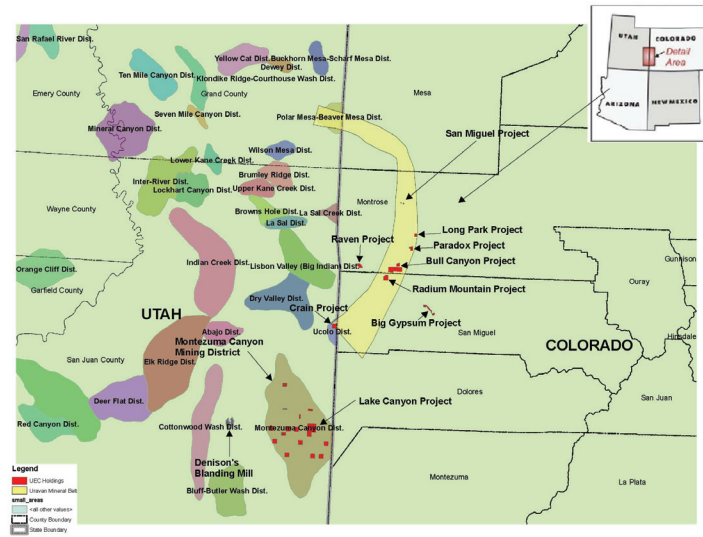
Source: Company Reports

In early June UEC reported that the Texas Commission on Environmental Quality (TCEQ) had issued a Draft Mine Permit for **Goliad**. Notice of the comment will be published in local newspapers to allow for public comment for 30 days. The TCEQ will respond to those comments. **Goliad** has seen local opposition to its development and UEC has taken potential delays into account when estimating its production timeline. The company has also completed the development of its first Production Area and is ready to start pump testing to support its production area authorization (PAA#1).

The **Nichols** Project is located ~50 to 60 miles away from **Goliad** in Texas. We anticipate this 1.2 million pound U₃O₈ deposit to be developed as a satellite operation to Goliad where resin is transported between sites to eliminate significant capital costs.

Uranium Energy's **Colorado Plateau** projects include 12,000 acres of land within the Uravan Mineral Belt (Figure 3). This package hosts 5.4 million pounds of historical resources and includes fifteen historical uranium/vanadium mine sites that accounted for past production of 5 million pounds of U₃O₈ and 16 million pounds of V₂O₅ at average grades of 0.25% uranium and 1.7% vanadium. Uranium Energy's strategy is to produce uranium and vanadium from heap leach operations. **Paradox** and **Bull Canyon** will likely be the initial primary focus for UEC in the area.

Figure 3 - Plan map of the Urvan Mineral Belt and Uranium Energy's project in the Colorado Plateau.



Source: Company Reports

Its 49% owned **Cebolleta** Project in New Mexico has privately owned mineral and surface rights on a Spanish Land Grant as outlined in an 1848 Treaty. Total uranium resources are 20.86 million pounds (10.22 million to UEC's account). Mineralization is present within discontinuous tabular lenses within sandstones, mudstones and shales at depths of 250 to 650 feet. There is access to considerable underground workings from a 640 foot deep shaft that is currently capped. Infrastructure at site has been reclaimed.

Photo 1 - UEC personnel taking water samples and measuring flow rates from one of its monitor wells at Goliad.



Source: Dundee Securities Corporation

Outlook

Following the public comment period and response by the **TCEQ**, the draft permit will likely be scheduled for completion. UEC is on track to file an application for a Disposal Well Permit and Radioactive Material License in June and its Production Area Authorization (PAA#1) in July. The company completed a pump test in May and early indications suggest good flow rates (Photo 1). A preliminary assessment is underway contemplating a 1 million pound U3O8 per year operation. A \$1.5 million exploration program is scheduled to help develop further resources at **Goliad**.

An exploration budget of \$1.0 to \$1.2 million is estimated for the **Colorado Plateau** properties. UEC is permitting 3 claim groups for exploration drilling and metallurgical testing in 2008. Bulk sampling of previously mined deposits and thirty drill holes are planned for **Paradox**. Another thirty drill holes are planned for **Bull Canyon** where an existing adit will be refurbished and sampled. Baseline environmental and archaeological studies will be initiated.

Risks

Investing in mining and exploration companies is inherently risky (see Dundee reported dated August 30, 2007 entitled "The Uranium Sector: Primary Supply Fundamentals: A Re-Examination"). Technical, regulatory, financing or third-party risks on projects could result in delays in development or production, impact economics, increase capital or operating costs, sterilize resources, or disrupt shipment schedules.

- Radiation protection – Operations may require specific mining and ore handling protocols or shielding in the plant. Such measures may result in increased capital or operating costs.
- Exploration – Lack of future exploration success may also impact upside potential of the project.
- Permitting – Always a wild card when it comes to maintaining a development schedule, permitting may require ongoing dialogue with regulatory agencies or necessitate further studies. With considerable mineral development taking place over the next five years, the regulatory agencies may be stretched to the limit prompting further delays.
- Technical issues – Poor permeability, porosity, flow rates or oxygenation of the groundwater may impact ISR recoveries and economics of the project.
- Shallow mineralization – Operations with mineralization located at shallow levels above the water table can be more difficult to mine due to the reduced hydrostatic pressures.
- Inferred or historical resources – The projects with inferred or historical resources only, without measured or indicated resources provide for additional risk potential.
- Higher standards adopted by regulators – The permitting agencies can adopt various standards, for example no deep waste disposal wells, recycled groundwater treatment instead of groundwater sweeping, which means further environmental planning and costs.
- Local opposition – Projects with higher than average local opposition may find production schedules impacted through additional public review, prolonged comment periods or debate, or potential litigation.

Valuation and Discussion

Dundee Securities has completed a DCF model for UEC contemplating a 1 million pound U3O8 per year ISR operation at **Goliad**. We estimate initial capital costs of \$33 million and start up in early 2010. Total cash costs (inclusive of taxes, royalties

and expensed well field capital beyond year one) are estimated at \$31 per pound. We also provide for a satellite IX plant at **Nichols**. UEC has considerable NI-43-101 compliant and historical resources outside of Texas. We have provided additional resource value mainly for its **Cebolleta** and **Colorado Plateau** projects.

We estimate UEC's NAV at C\$4.05 per share based on a 2009E discounted cash flow at 10% (C\$2.24/share), adding per share value for 2008E year-end cash (C\$0.05/share) and non-modelled resources (C\$1.76/share).

Conclusions and Recommendation

We are initiating coverage of Uranium Energy Corp, a uranium ISR development company with a focus on its **Goliad** and **Nichols** Projects on the Texas Coastal Plains.

Goliad has M&I resources of 5.48 million pounds U3O8 grading 0.05% and Inferred resources of 1.50 million pounds grading 0.05%. The **Nichols** project has historical resources of 1.2 million pounds U3O8.

UEC also has 10.2 million pounds U3O8 at **Cebolleta** in New Mexico (its 49% share) and 5.4 million pounds of historical resources in the **Colorado Plateau**.

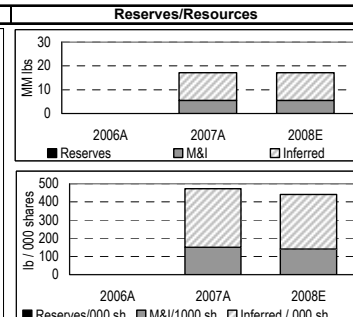
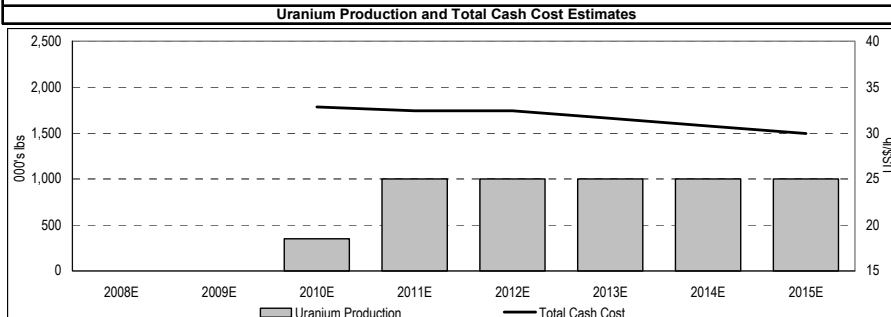
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We are initiating coverage of Uranium Energy with a BUY recommendation and 12-month share price target of US\$4.00 based on an NAV of C\$4.05 per share.

URANIUM ENERGY CORP.					UEC-A	US\$	US\$	US\$	
Rating	BUY		US\$ Target	\$4.00	Shares O/S (MM)			39.8	
Risk*	High		US\$ Close	\$2.36	Float (MM)			26.0	
12-month return	69%				Mkt. Capitalization (MM\$)			\$94.02	
All figures in US\$, unless stated otherwise									
EVALUATION DATA					Year-end July (000\$)				
Year-end July	2006A	2007E	2008E	2009E	BALANCE SHEET	2006A	2007A	Q3/08	
EPS	\$ (0.56)	\$ (0.45)	\$ (0.42)	\$ (0.20)	Assets				
P/E	N/A	N/A	N/A	N/A	Cash & ST Investments	13,582	9,084	2,814	
CFPS before changes in WC	\$ (0.23)	\$ (0.15)	\$ (0.26)	\$ (0.20)	Other Current Assets	411	889	432	
P/CF		N/A	N/A	N/A	Current Assets	13,993	9,973	3,246	
market cap/reserve lb				na	Mineral Properties	205	554	14,270	
enterprise value/reserve lb				na	Other non-current Assets	-	-	1,022	
market cap/resource lb				\$ 5.5	Total Assets	14,198	10,527	18,537	
enterprise value/resource lb				\$ 5.3	Liabilities				
ASSUMPTIONS	2007E	2008E	2009E	2010E	Current Liabilities	532	379	826	
U Price Realized US\$/lb	0	0	0	95	Capital lease / LT Debt	-	-	-	
Exchange US\$/C\$	0.93	0.99	0.98	0.95	Other non-current Liabilities	1	1	-	
Dundee Modelled Reserves and Other Mineralization (MM lbs)				8.2	Total Liabilities	533	380	826	
					Capital Stock	30,635	43,310	53,321	
					Retained Earnings	(16,970)	(33,163)	(35,610)	
					Total Shareholder Equity	13,666	10,147	17,711	
RESERVES & RESOURCES (as of Mar-08)					EARNINGS SUMMARY				
Ownership	Tonnes MM t	Grade % U3O8	Cont U3O8 100% Basis	UEC Share	2006A	2007A	2008E	2009E	
Proven and Probable Reserves					Revenue				
Goliad	-	-	-	-	Uranium	-	-	-	
Nichols	-	-	-	-	Other	106	331	202	
Colorado Plateau	-	-	-	-	Total Revenue	106	331	202	
Cebolleta	-	-	-	-	Operating Costs				
Total Reserves	0.00	0.00	0.00	0.00	NSR	-	-	-	
Measured and Indicated Resources (including reserves)					Exploration	4,716	2,453	3,230	
Goliad	100%	4.18	0.05	5.48	G&A	2,497	2,246	3,981	
Nichols	-	-	-	-	DD&A	20	50	212	
Colorado Plateau	-	-	-	-	Other	7,692	11,855	8,496	
Cebolleta	49%	9.23	0.12	20.86	Interest	-	116	26	
Total Measured and Indicated	9.23	0.10	26.34	15.70	FX	-	-	-	
Inferred Resources					EBT	(14,818)	(16,389)	(15,742)	
Goliad	100%	1.71	0.05	1.50	Taxes	-	(195)	188	
Nichols	-	-	-	-	Minority Interest	-	-	-	
Colorado Plateau	-	-	-	-	Net Income (reported)	(14,818)	(16,193)	(15,929)	
Cebolleta	-	-	-	-	EPS	\$ (0.45)	\$ (0.42)	\$ (0.20)	
Total Inferred	1.71	0.05	1.50	1.50	Average shares (MM)	26.3	36.4	39.0	
TOTAL RESOURCE	10.94	0.15	27.84	17.20	STATEMENT OF CASH FLOWS (000\$)				
PRODUCTION ESTIMATES (lbs)					2006A	2007A	2008E	2009E	
Year-end Dec.	2008E	2009E	2010E	2011E	2012E	Net Income (000's\$)	(14,818)	(16,193)	(14,446)
Goliad	0	350,000	1,000,000	1,000,000	1,000,000	D, D&A	20	50	274
Sub total	0	350,000	1,000,000	1,000,000	1,000,000	Future income taxes	-	(195)	188
TOTAL CASH COST ESTIMATES (US\$/lb)					Writedown of min. properties	-	-	-	
Year-end Dec/July	2008E	2009E	2010E	2011E	2012E	FX Gain	-	-	-
Goliad	0	33	32	32	32	Change in working capital	(66)	(55)	-
Wt. Ave.	0	33	32	32	32	Other Operating	8,804	11,098	3,845
NET ASSET VALUE (beginning 2009)					Total Operating CF	(6,061)	(5,296)	(10,139)	
	0% NAV (C\$MM)	C\$/share	10% NAV (C\$MM)	C\$/share	Short term investments	-	-	-	
Corporate DCF	156	3.23	108	2.24	Mineral Properties	(225)	(3,047)	(1,655)	
Cash and other	2	0.05	2	0.05	Acquisitions	-	-	-	
Exploration & unmodelled Resources	85	1.76	85	1.76	Increase in Investments	-	-	-	
Total	243	5.03	195	4.05	Other Investing	(136)	132	(1,326)	
Dundee DCF Target Multiple				1.0x	Total Investing CF	(361)	(2,915)	(2,981)	
Share Price Target				C\$ 4.05	Equity financing	1	-	-	
Share Price Target				US\$ 4.00	Debt Issue	-	-	-	
NAV Sensitivity (C\$/share) to Long-term Uranium Price Assumption					Debt Repayment	-	-	-	
	Long Term Uranium Price Assumption (US\$/lb)				Other financing	19,896	3,713	6,692	
NAV (C\$/share)	50	60	70	80	90	Total Financing CF	19,897	3,713	6,692
0% Discount	3.23	3.97	4.72	5.46	6.20	Foreign Exchange effect	-	-	-
5% Discount	2.97	3.59	4.20	4.82	5.43	Change in cash	13,475	(4,498)	(6,429)
10% Discount	2.62	3.07	3.52	3.97	4.42	Cash position, end of year	13,582	9,084	2,155
12% Discount	2.55	2.97	3.39	3.81	4.23				



Source: See Note 1

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The Research Analyst/Associate and/or Dundee Securities Corporation has been partially reimbursed for expenses by the following issuer(s) for travel to material operations of the issuer(s): Uranium Energy Corp.

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BUY: total returns expected to be materially better than the overall market with higher return expectations needed for more risky securities. NEUTRAL: total returns expected to be in line with the overall market. SELL: total returns expected to be materially lower than the overall market. TENDER: the analyst recommends tendering shares to a formal tender offer.

*Risk Ratings: risk assessment is defined as Medium, High, Speculative or Venture. Medium: securities with reasonable liquidity and volatility similar to the market. High: securities with poor liquidity or high volatility. Speculative: where the company's business or financial risk is high and is difficult to value. Venture: an early stage company where the business or financial risk is high, and there are limited financial metrics upon which to base a reasonable valuation.

Medium and High Risk Ratings Methodology: Medium and High risk ratings are derived using a predetermined methodology based on liquidity and volatility. Analysts will have the discretion to raise the risk rating if it is determined a higher risk rating is warranted. Securities with poor liquidity or high volatility are considered to be High risk. Liquidity and volatility are measured using the following methodology: a) Price Test: All securities with a price \leq \$3.00 per share are considered high risk for the purpose of this test. b) Liquidity Test: This is a two-tiered calculation that looks at the market capitalization and trading volumes of a company. Smaller capitalization stocks ($<$ \$300MM) are assumed to have less liquidity, and are, therefore, more subject to price volatility. In order to avoid discriminating against smaller cap equities that have higher trading volumes, the risk rating will consider 12 month average trading volumes and if a company has traded $>$ 70% of its total shares outstanding it will be considered a liquid stock for the purpose of this test. c) Volatility Test: In this two step process, a stock's volatility and beta are compared against the diversified equity benchmark. Canadian equities are compared against the TSX while U.S. equities are compared against the S&P 500. Generally, if the volatility of a stock is 20% greater than its benchmark and the beta of the stock is higher than its sector beta, then the security will be considered a high risk security. Otherwise, the security will be deemed to be a medium risk security. Periodically, the equity risk ratings will be compared to downside risk metrics such as Value at Risk and Semi-Variance and appropriate adjustments may be made. All models used for assessing risk incorporate some element of subjectivity. Risk in relation to forecasted price volatility is only one method of assessing the risk of a security and actual risk ratings

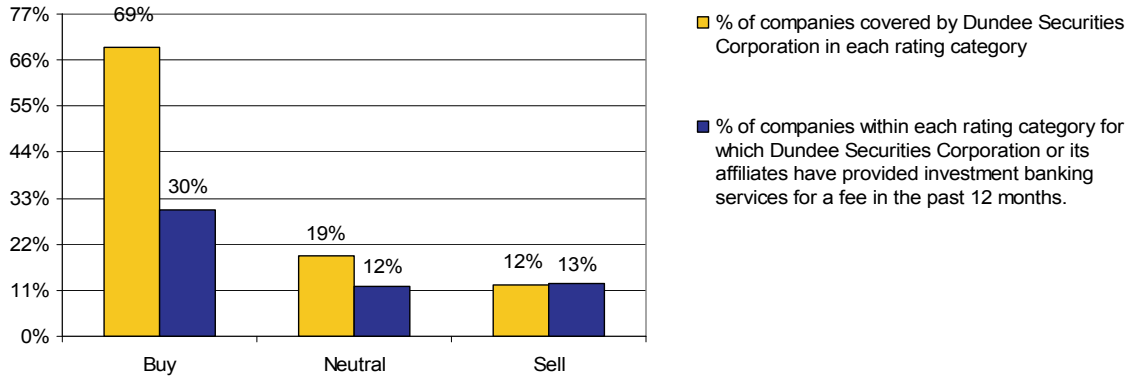
could differ.

SECURITY ABBREVIATIONS: NVS (non-voting shares); RVS (restricted voting shares); RS (restricted shares); SVS (subordinate voting shares).

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Dundee Securities Equity Research Ratings



As at May 31, 2008

Source: Dundee Securities Corp.