

enCore Energy (EU, EU-CN)

Alta Mesa Ramps Higher; Increasing Target

Event

enCore Energy yesterday provided an operational update for the Alta Mesa project, located in south Texas. Since the announced start of ISR production this past June, Wellfield 7 has gradually increased the number of injection and recovery wells. That said, flow rates have steadily increased to the current 2,100 gallons per minute (gpm) which is nearing the 2,500 gpm flow capacity per ion exchange circuit. Given the operational update coupled with the previous update highlighting high grade intercepts encountered while drilling at Alta Mesa (October 14), prompts us to increase our 12-month price objective as we go from \$5.75 to \$6.00 (rounded) per share. Our valuation methodology remains underpinned by a \$120 per lb LT uranium price however we increase our target multiple, going from a 1.15x NAV^{8%} multiple to 1.20x. Our revised 12-month price objective implies +48% upside from the most recent \$4.05 per share close.

Details

- **Alta Mesa in Production and Ramping Higher** – Back in June when the first ion exchange circuit was starting to ramping up, Wellfield 7 totaled 27 injection and 34 recovery wells. As of the latest production update, this has since expanded to 46 injection and 52 recovery wells bringing the flow rate to 2,100 gpm and nearing the circuit's flow capacity for 2,500 gpm. The next ramp higher is expected to be completed some time in November. Wellfield 7 is expected to provide initial feed to a total of three ion exchange (IX) circuits, this allowing for flow rates of up to 7,500 gpm equating to the production of 1.5M lbs of yellowcake per year. The second IX circuit is expected to begin operation in Q1/2025 while the third IX circuit is expected to come online by the end of 2025.
- **Alta Mesa Remains Largely Under-Explored** – Highlight intercepts from recent drilling on Wellfield 7 include intercepts with a Grade Thickness (GT) of up to 3.615. The cutoff GT for ISR in South Texas is generally accepted to be 0.3 with GT being the relevant factor in determining reasonable prospects for economic extraction. Recall that as defined in the 2023 NI43-101 Technical Report, Wellfield 7 is estimated to contain 1.292M lbs uranium in the Indicated category along with 0.175M lbs in the Inferred category with an average grade thickness ranging from 0.59-0.68 GT using a 0.3 GT cutoff. With an overall M&I resource of 3.4M lbs and an Inferred resource of 16.8M lbs (100%), we currently see Alta Mesa as operating over a 10 year LOM while averaging 1.1M lbs annually (100%). Given that the entire Alta Mesa project area encompasses over 200,000 acres and that to date only ~5% has been explored, the risk remains on the upside for meaningful exploration success.

Conclusion

Given our LT \$120/lb LT uranium price objective and adjusting for recent corporate updates our targeted NAV^{8%} multiple increases from 1.15x to 1.20x implying a 12-month price objective which equates to upside of +48% from the recent close. enCore shares currently trade at a 0.81x P/NAV. The full details can be found [here](#):

Company Profile

Sector	Mining
Sub-Sector	Uranium
Ticker	EU
Ticker	EU.CA
Current Price (\$)	\$4.05
12-Mth Price Objective (\$)	\$6.00
Potential Upside	48%
Mkt Cap, Basic (\$M)	\$758.2M
Mkt Cap, FD (\$M)	\$773.1M
EV (\$M)	\$707.6M
Shares O/S Basic (M)	178.4
1-Mth Return	-6.9%
3-Mth Return	+5.2%
YTD Return	+2.5%

	2024e	2025e	2026e
U3O8 Production lbs	220,000	900,000	1,490,000
LOM Production lbs	25,311,000		
LOM avg. Cash cost\$/lb	\$18.22		
LOM avg. AISC\$/lb	\$38.23		
Measured & Indicated	PPM U3O8	Attrib. lbs	
Alta Mesa (70%)	111	2.4M	
Dewey Burdock	116	17.1M	
Gas Hills	101	7.7M	
Crownpoint/Hosta Butte	105	26.6M	

Company Description

enCore Energy is a NYSE and TSXV listed in-situ recovery (ISR) uranium company with projects spread throughout Texas, South Dakota, Wyoming and New Mexico. The company currently owns three fully licensed U processing facilities in Texas (Rosita, Alta Mesa & Kingsville Dome). Rosita began production in 2023 while Alta Mesa began re-started ISR production in 2024.

2-Year Stock Chart



DISCLAIMER: Any written content contained herein should be viewed strictly as observation, analysis & opinion and not in any way as investment advice. No compensation was received for this report. Readers are encouraged to conduct their own due diligence.

X (Twitter): @HoldCoMarkets
Website: HoldCoMarkets.com

October 25, 2024

The following Terms and Conditions govern the use by readers, clients, subscribers and any other use of HoldCo Markets Advisory Inc.'s ("HoldCo Markets" or "the firm") products and associated content which is made internally and selectively distributed/accessible via holdcomarkets.com, email and/or via select social media.

Any written content contained herein should be viewed strictly as analysis, observation & opinion and not in any way as investment advice. HoldCo Markets is neither a qualified financial advisor, broker or legal advisor. All information, data and reports should be strictly seen as for informational purposes only and should not be considered in any way as investment advice or a solicitation for any security. HoldCo Markets does not make any recommendations, the firm only offers opinions.

All content encompassing reports, writings and opinions are based on what the firm deems as reliable sources such as current news/corporate events, management interviews, SEC/SEDAR or any other regulatory filing and any other source deemed credible by the firm's publishing analysts given their significant industry experience. HoldCo Markets has not been provided with any material non-public information from any company mentioned in the report.

This report contains "forward-looking" statements. Company conclusions may involve forward-looking statements concerning future company or industry performance. Though the forward looking statements are based on fair and reasonable assumptions, actual performance or results may differ. Be reminded that market volatility is inherent with investing. Past performance is no guarantee of future performance. As such, an investment in any company mentioned in the above report should be viewed as speculative, and entered into only by those who can handle potential loss of capital. Recipients of any HoldCo Markets content looking to act on any of our opinions should consider whether any information contained in this report is suitable for their particular investing circumstance.

The views and opinions expressed herein are company specific and subject to change without notice. All material contained on this website and disseminated through email or social media is strictly for informational purposes only. One should not take any financial decisions based solely on what was written from this above report, rather one should consider whether any information contained in this report is suitable for their particular investing circumstance and should seek professional advice. Volatility and the possibility of loss is inherent with any investment decision, HoldCo Markets accepts no liability for any potential direct or indirect loss arising from the use of our research, website or any additional in-house content.

Research Notes: HoldCo Markets did not receive any form of compensation from the company or companies written about in Research Notes. Conclusions and opinions expressed in the reports have been formulated independently and objectively. Research Notes are strictly an expression of our views and opinions. No compensation was received for any Research Notes publication or for its distribution. As a non IIROC registered company, HoldCo Markets Advisory Inc. neither provides investment banking services nor does it make a market in any securities written about in Research Notes.

Spotlight Research: Holdco Markets publishes and distributes Spotlight Research which is a differentiated research product which is specifically issuer-paid. Monetary compensation has been received for a twelve-month research coverage period. The purpose of Spotlight Research is to highlight growth companies which have been largely overlooked by the larger broker/dealers, largely due to constraints related to size and liquidity. Spotlight Research is strictly an expression of our views and opinions. HoldCo Markets' publishing analysts retain full control over the conclusions and opinions regarding this issuer-paid research. As a non IIROC registered company, HoldCo Markets Advisory Inc. neither provides investment banking services nor does it make a market in any securities written about in Spotlight Research.

Holdco Markets, any publishing analyst or any HoldCo Markets Board member may at one point hold a direct or indirect position by way of equity, options, warrants or debt in any or none of the companies mentioned in either Research Notes or Spotlight Research. No person with any affiliation to HoldCo Markets serves in any capacity as an officer or Director in any of the companies mentioned in the above document. The distribution of any HoldCo Markets content has no relation to the distribution of securities nor is it in any way a solicitation to buy or sell any security.

Reprinting any content or information from this report is strictly prohibited without permission. For more information or to receive future reports, please visit [Home \(holdcomarkets.com\)](http://Home(holdcomarkets.com))