

Terra Clean Energy Corp. (TCEC)

Changes Afoot: Financing, Share Consolidation & Board Updates

Event

Terra Clean Energy Corp. last night announced a set of corporate updates pertaining to financing, a share consolidation and changes to the current Board. The former items have been expected to a certain extent however we are still awaiting details on the size and terms for the upcoming financing. The share consolidation will be on a four-for-one basis. The Board changes were unexpected but set the company up for increased engagement with the Bay Street community. Given that the details for the upcoming financing are still unknown (this event will take place only after the share consolidation) and may impact the size and scope of the winter drilling campaign, we withdraw our price objective (previously \$0.14 per share) until additional details will be finalized and communicated.

Details

- **Upcoming Share Consolidation & Financing** – Once the share consolidation will be completed (four-for-one basis, currently 39.689M shares o/s), in accordance with the policies of the Canadian Securities Exchange, shareholder consent will be required for the financing. The financing will be material and will result in the issuance of more than 100% of the currently outstanding share capital of the company.
- **Board Changes** – Given two recent Board vacancies, Mr. Greg Cameron and Mr. Tony Wonnacott have been appointed to the BOD of the company. Collectively, these two individuals bring a wealth of experience to the Board given decades of experience in investment banking, capital raisings, listings and corporate securities law (among others).
- **Gearing up for an Impactful Winter Drilling Session** – As announced last month, The upcoming drill program will expand on the Winter 2024 campaign by extending the mineralized footprint associated with the Fraser Lakes B Uranium deposit and test nearby targets with prospective alteration and structure, as identified from historic drilling. The primary objective of the campaign is to conduct both infill and step-out drilling at the Fraser Lakes B deposit in order to confirm the presence and continuity of existing mineralization and to expand the footprint of the deposit. We note that the mineralization is open both down dip and along strike. The assay results will be used to prepare an updated NI43-101 compliant resource estimate. The concrete drilling details will only be ascertained following the upcoming financing.

Conclusion

Only post-share consolidation and financing will the details of the upcoming drill program be announced. The program as announced last month may be expanded or modified as deemed fit. We continue to believe that at the current microcap valuation, the risk remains on the upside given future drilling success. Seeing that the deposit remains open in most directions, additional work spend may lead to an increase in both grade and resource size. That said, only after we have concluded the corporate restructuring/re-capitalization and have been presented with the definite winter drilling plans will we re-establish a 12-month price objective. The full online note can be found [here](#):

Company Profile

Sector	Mining
Sub-Sector	Uranium
Company	Terra Clean Energy Corp.
Ticker	TCEC
Current Price (C\$)	C\$0.05
12-Mth Price Objective (C\$)	n/a
Potential Upside	n/a
Mkt Cap, Basic (C\$M)	\$2.0
EV (C\$M)	\$1.8
Shares O/S Basic (M)	39.69
1-Mth Return	-33.3%
3-Mth Return	-16.7%
YTD Return	-69.7%

Measured & Indicated Grade U308	Attrib. lbs	
South Falcon East	n/a	n/a

Inferred Resources	Grade U308	Attrib. lbs
South Falcon East	0.03%	6.9M lbs*

* South Falcon East at 100%

Company Description

Terra Clean Energy Corp. is an exploration company advancing the South Falcon East property, located in the periphery of the Athabasca Basin. Ownership of the South Falcon East property is via earn-in agreement with Skyharbour Resources. Given annual milestone payments, a 51% ownership stake may be achieved in 2026, increasing to 75% by 2028.

2-Year Stock Chart



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FINANCING AND SHARE CONSOLIDATION

As announced last night, following a proposed four-for-one share consolidation (which will bring the share count down from 39.689M currently to 9.922M), Terra Clean Energy Corp. intends to conduct a financing on a private placement basis. The terms have yet to be finalized however it has already been stated that the financing will result in the issuance of more than 100% of the current outstanding share capital of the company. As a result, the company will be required to obtain shareholder approval for the financing in accordance with the policies of the Canadian Securities Exchange.

Exhibit 1. Two-Year Share Price Performance



Source: HoldCo Markets

ANY CHANGES TO THE PROPOSED WINTER 2025 CAMPAIGN ?

In mid-October Terra announced plans for its upcoming winter 2025 work program at its South Falcon East Uranium Project, located by the Athabasca Basin. As announced last month, approximately 2,000m of drilling was expected to be undertaken at budget of \$1.5M. The purpose of the upcoming program was to expand on the Winter 2024 campaign by extending the mineralized footprint associated with the Fraser Lakes B Uranium deposit and test nearby targets with prospective alteration and structure, as identified from historic drilling. We note that the mineralization is open both down dip and along strike. Given that targeted drilling remains a key pillar to the development and de-risking of the Fraser Lakes B deposit, we continue to look forward to the start of the drilling campaign. The assay results will be used to prepare an updated NI43-101 compliant resource estimate.

NEW ADDITIONS TO THE BOARD OF DIRECTORS

Mr. Cameron brings extensive capital markets experience in business development, strategy, acquisitions and divestitures as well as corporate restructurings. He was a former Senior Investment Banker at leading Canadian and International Investment Banks including Canaccord Genuity, Orion Securities and Macquarie. He currently is the Managing Director of Colby Capital Limited, a private merchant bank in Toronto. Mr. Cameron has spent the past two decades serving on numerous public and private company boards from startups to seasoned public companies, having helped raise hundreds of millions in financings.

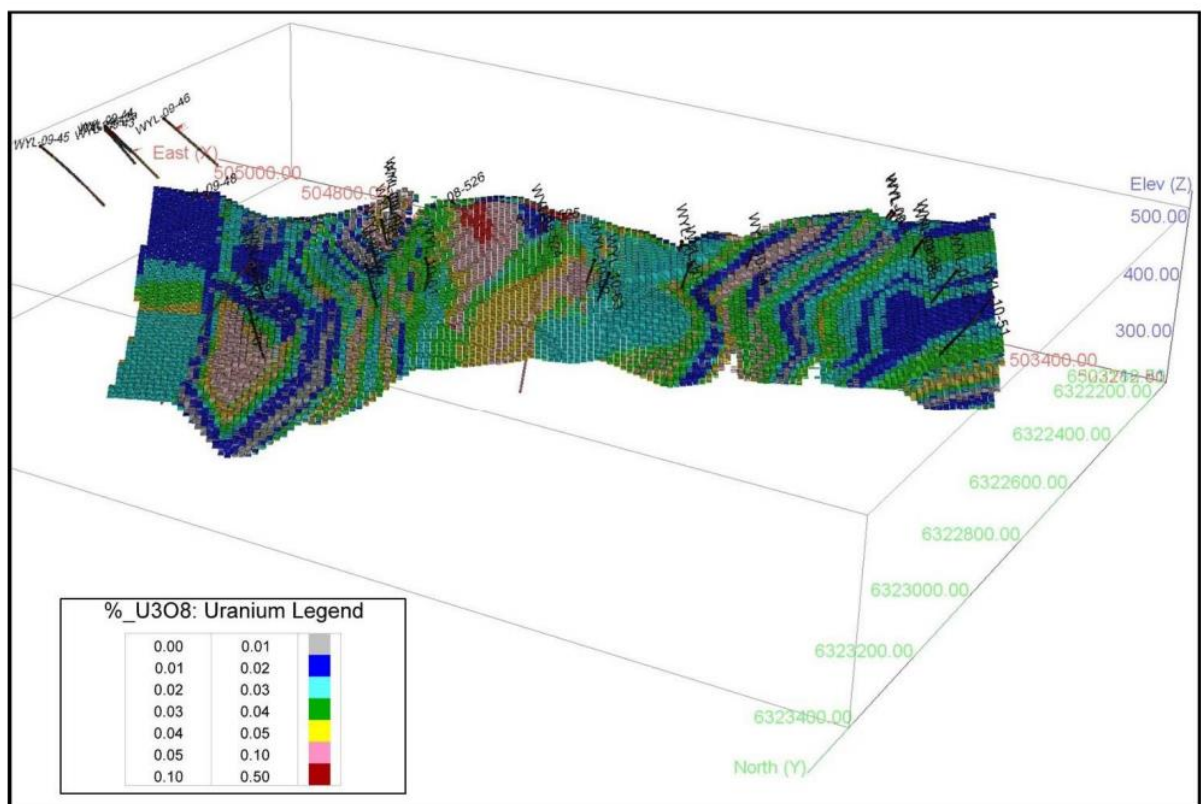
Mr. Wonnacott is a corporate securities lawyer based in Toronto, Ontario with over 25 years of experience. He is a member of the Law Society of Upper Canada and holds a B.Comm. (cum laude) from Saint Mary's University and an LL.B. from Dalhousie University. He began his career at a major Toronto law firm in the banking and securities field before moving to work as a legal consultant for a number of companies, primarily in the mining and resource industry. As a consultant, officer and director of several of these companies, Mr. Wonnacott has been involved with the successful listings of private companies, the outright sale of a company for approximately \$750M and capital raisings in excess of \$1.0B.

RECAPPING THE SOUTH FALCON EAST PROJECT

Strategically situated at the periphery of the Athabasca Basin, the South Falcon East Project is located 50km east of **Cameco's (CCJ, CCO)** Key Lake uranium mill and just 7km north of the powerline servicing the Key Lake operations. Terra's upcoming drill program will encompass approximately 2,000m. As previously defined, the Fraser Lakes B currently hosts a NI43-101 compliant uranium resource (Inferred) estimated to be 10.35Mt grading 0.03% U3O8 for 6.96M lbs, along with thorium (ThO2) mineralization. The deposit remains open in almost all directions.

Exhibit 2. Fraser Lakes B Resource Estimate

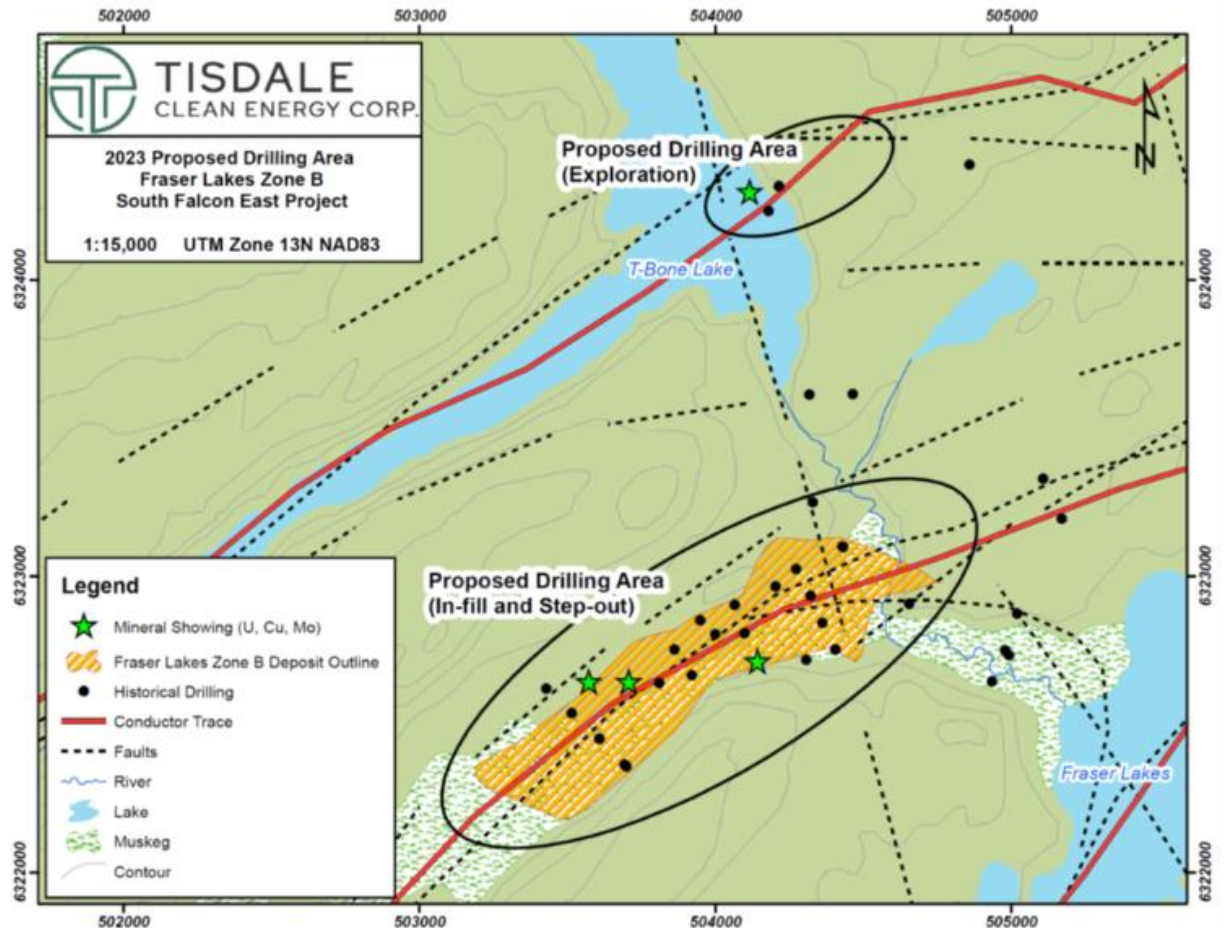
Cut-off % % U3O8	Tonnes (M)	U3O8		ThO2	
		Grade (%)	Lbs (M)	Grade (%)	Lbs (M)
<0.01%	12.94	0.025%	7.106	0.019%	5.503
0.01%	10.35	0.030%	6.960	0.023%	5.339
0.02%	7.25	0.037%	5.948	0.028%	4.549
0.03%	4.25	0.046%	4.275	0.034%	3.164
0.04%	2.21	0.056%	2.744	0.042%	2.047
0.05%	1.03	0.069%	1.576	0.047%	1.058



Source: Technical Report on the Falcon Point Project – March 20, 2015 by GeoVector Management Inc.

The results from the upcoming campaign will be used to prepare an updated NI43-101 compliant resource estimate. The updated resource will also integrate other results not included in the historical resource estimate, including higher-grade mineralization encountered to date at Fraser Lakes B, intersected in drillhole FP-15-05. This particular drill hole returned 0.165% U3O8 and 0.112% ThO2 over 2.0m at 135.0m depth within a broader interval containing 0.103% U3O8 and 0.062% ThO2 over 6.0m at a depth of 134.5m, and a second high grade intercept of 0.172% U3O8 and 0.113% ThO2 over 2.5m at 146.0m depth.

Recall that mineralization at Fraser Lakes B is accompanied by anomalous pathfinder elements, including Bi, Mo, Pb, and Zn, that are also associated with ultra high-grade basement-hosted unconformity uranium deposits in the Athabasca Basin.

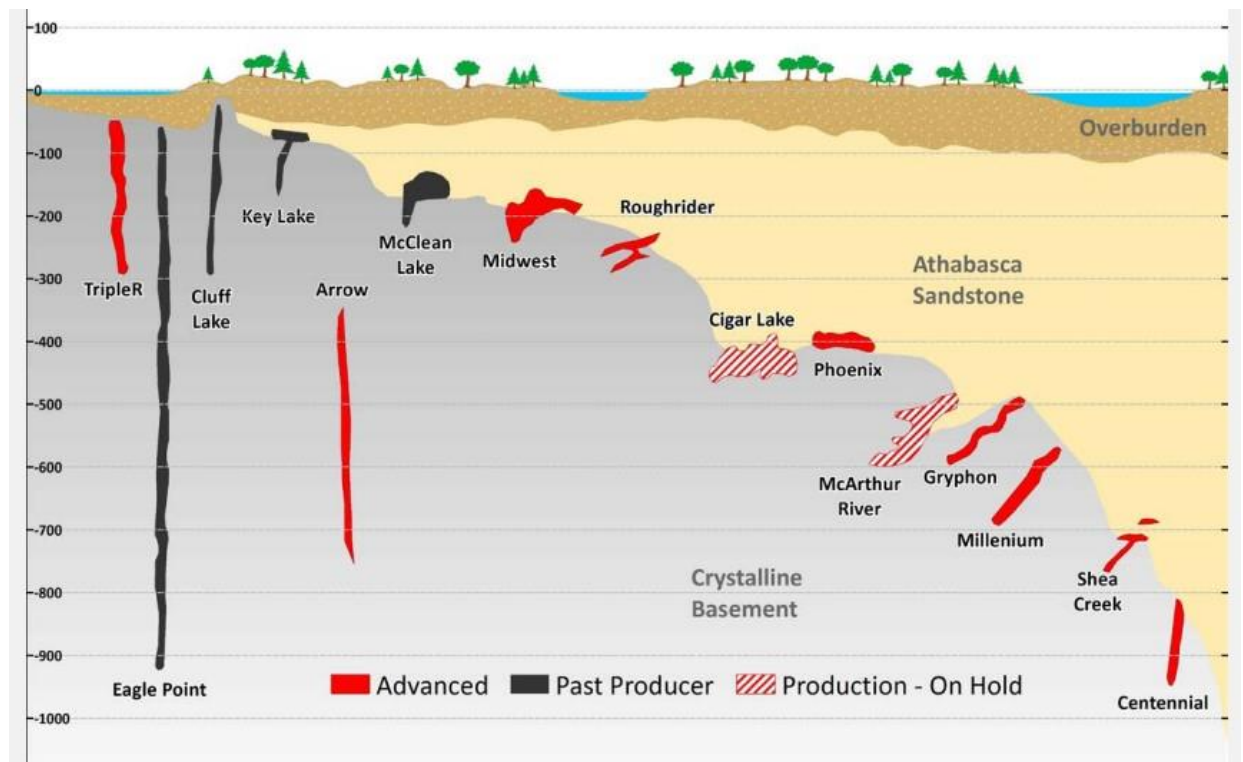
Exhibit 3. Initially Proposed Drilling Area at the South Falcon East Project


Source: Terra Clean Energy Corp.

While the Fraser Lakes B uranium deposit will likely remain the primary focus of the company with the proposed infill and step-out targets, additional drill-ready targets along the Way Lake conductor at South Falcon East are also in the longer term pipeline. These additional targets include the T-Bone Lake area, just north of Fraser Lakes B, where limited drilling encountered highly prospective clay alteration, anomalous radioactivity, and uranium mineralization (including up to 0.055% U₃O₈ over 0.9m at 39.5m depth in drillhole WYL-10-53) associated with a north-northwest trending fault cross-cutting the northeast-trending Way Lake conductor. The alteration encountered at T-Bone Lake is similar to that encompassing several high-grade basement-hosted uranium deposits in the eastern Athabasca Basin, including the former Eagle Point Mine and the Millenium uranium deposits.

NOT YOUR TYPICAL ATHABASCA BASIN DEPOSIT: LOWER GRADE BUT SHALLOW DEPTH

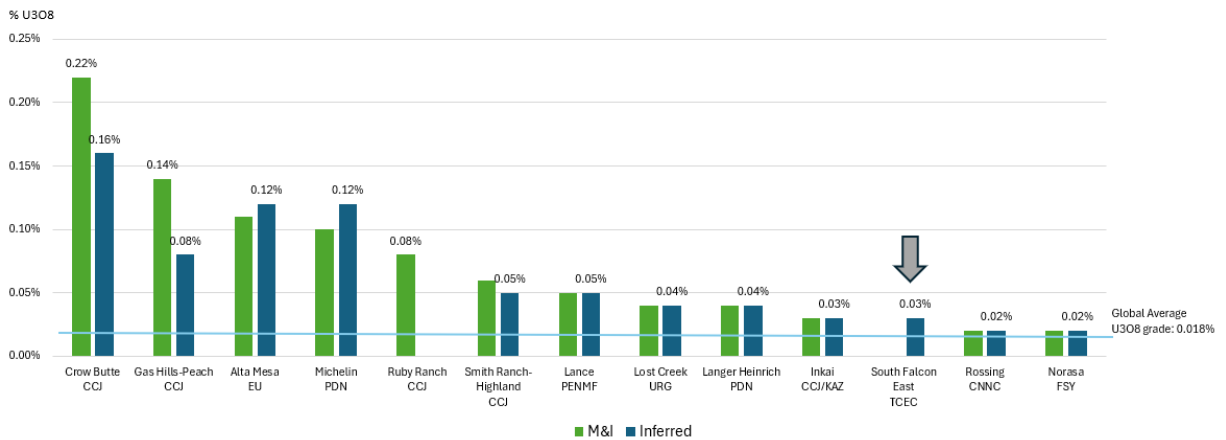
As per the currently defined Inferred resource estimate, the drill holes tested mineralization to a vertical depth up to 175.0m. Of note is that some of the best intercepts from historic drilling (WYL-08-525) returned 0.08% eU₃O₈ over 12.0m from a near surface 77.5m-89.5m depth. The most recent drill holes from Terra's Phase I drilling intersected the highest level of uranium mineralization at depths between ~130.0m-140.0m. The currently defined orebody is situated relatively close to the surface in comparison to many other of the more established Athabasca Basin uranium mines/projects such as Midwest (~200.0m), Cigar Lake (~450.0m in depth), McArthur River (~550.0m) and Gryphon (~550.0m).

Exhibit 4. Athabasca Basin Uranium Deposit Comparison


Source: NexGen Energy Inc.

With regards to grades, given numerous high grade deposits such as Arrow, Triple R and McArthur River (among numerous others), the average grade of any deposit in the Athabasca Basin is ~2.0% U₃O₈. The prevalence of high grades for many of the deposits located in the Basin has led to elevated expectations for any exploration project located in or at the periphery of the Basin. Be reminded however that the average uranium grade globally is considerably lower at an estimated 0.018% U₃O₈. Additionally, the trade-off between lower grade and shallower depth can also lead to a profitable mining operation. If situated near the needed infrastructure (South Falcon East is situated just ~50km from Cameco's Key Lake mill), then the economics can potentially improve even further.

There are numerous much lower grade mining operations currently being developed or currently in production. Some of these larger scale (conventional) operations include Namibia's Langer Heinrich (Paladin Energy) and Rossing (China National Nuclear Company). The average grade of these operations are 0.04% U₃O₈ and 0.02% U₃O₈ respectively. Meanwhile a typical In-Situ Recovery (ISR) operation located in Wyoming (Lost Creek, Ur-Energy and Lance, Peninsula Energy) or Kazakhstan (Inkai, Kazatomprom/Cameco) boast average grades of ~0.03% -0.05% U₃O₈.

Exhibit 5. Uranium Mine Grades & Resources


	Owner	Location	P&P		M&I		Inferred	
			lbs	% U3O8	lbs	% U3O8	lbs	% U3O8
Rabbit Lake	CCJ	Athabasca	-	-	38.6	0.95%	33.7	0.62%
Kintyre	CCJ	Australia	-	-	53.5	0.62%	6.0	0.53%
Crow Butte	CCJ	Nebraska	-	-	13.9	0.22%	1.8	0.16%
Gas Hills-Peach	CCJ	Wyoming	-	-	13.3	0.14%	6.0	0.08%
Alta Mesa	EU	Texas	-	-	3.4	0.11%	16.8	0.12%
Ruby Ranch	CCJ	Wyoming	-	-	4.1	0.08%	0.2	0.14%
Michelin	PDN	Labrador	-	-	105.6	0.09%	22.1	0.09%
Smith Ranch-Highland	CCJ	Wyoming	-	-	24.9	0.06%	7.7	0.05%
Lance	PENMF	Wyoming	-	-	16.2	0.05%	41.7	0.05%
Lost Creek	URG	Wyoming	-	-	12.7	0.04%	6.1	0.04%
Langer Heinrich	PDN	Namibia	83.8	0.04%	119.7	0.04%	0.4	0.04%
Inkai	KAP/CCI	Kazakistan	261.7	0.04%	89.1	0.03%	23.9	0.03%
South Falcon East	TCEC	Athabasca	-	-	-	-	6.9	0.03%
Rossing	CNNC	Namibia	n/a	0.03%	n/a	0.02%	n/a	0.02%
Norasa	FSY	Namibia	90.7	0.02%	115	0.02%	11.0	0.02%

Source: HoldCo Markets, Company Reports

INVESTMENT THESIS & CONCLUSION

Our initial investment thesis remains intact: with Terra Clean Energy we see a microcap valuation leading to exposure to a pre-established, 6.9M lb Inferred shallow uranium resource situated near the needed infrastructure required for mining. Given the required ~C\$10.0M exploration spend required until 2028, the risk remains on the upside for meaningful resource and grade expansion.

Terra currently trades at a market capitalization of C\$2.0M. That would equate to a pro-rata valuation of C\$0.39/lb given the 6.9M lb Inferred resource (5.2M lbs at 75%). Since the earn-in is still a few years away from completion, more telling is the remaining spend/lb metric, for both 51% ownership of South Falcon East and at 75% ownership.

Exhibit 6. In-Situ Valuation

	Ownership	at 51%	at 75%
TCEC current mcap C\$M	\$2.00		
South Falcon East lbs	6.9M lbs		
Pro-rata lbs		3.5M lbs	5.2M lbs
Valuation/lb		\$0.57	\$0.39
Remaining earn-in spend (ex-work) C\$M		\$5.75	\$10.75
Remaining earn-in spend (all) C\$M		\$11.25	\$21.25
\$/lb (ex-work)		\$1.67	\$2.08
\$/lb (all)		\$3.26	\$4.11

Source: HoldCo Markets

Since exploration work and robust drilling campaigns are necessary standards for all exploration companies, we look at both all-in, earn-in cost and the earn-in ex-work cost. Once backing out of the work budget, isolating the dedicated cash and share payments are more representative of the earn-in (asset) cost. These pro-rata valuations would equate to C\$1.67/lb (at 51%) or C\$2.08/lb (at 75%). These amounts being considerably lower to some of the more recently seen valuations in the Athabasca Basin.

See our initiation report dated August 22, 2024 for additional details.

CONCLUSION

Ultimately, the rationale for investing in Terra Clean Energy is the tradeoff between 1) investing in an exploreco which owns a property which in future may or may not eventually prove out an established resource, or 2) investing in an earn-in play such as Terra which has a pathway to a 75% ownership stake into an established 6.9M lb shallow resource at a reasonable \$2.08/lb valuation metric (75%). Given that the deposit remains open in most directions, additional work spend may lead to an increase in both grade and resource size. We believe that at the current microcap valuation, the risk remains on the upside provided future drilling success.

Until the upcoming share consolidation, financing and drilling program details are finalized and/or ascertained, we retract our previous \$4.50/lb in-situ valuation for the Fraser Lakes B Inferred deposit at South Falcon East and our corresponding targeted NAV multiple of 0.35x. We will revisit the valuation front once more clarity will be provided.

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