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WESTWATER RESOURCES, INC.

Update Report

August 14, 2018

WWR / Nasdaq

SPECULATIVE BUY

Unchanged

$1.50

Unchanged

CAPITALIZATION	
Shares Outstanding (8/8/18)	52.0 M
Recent Price (8/13/18)	$0.31
Market Capitalization	$15.6 M
+ Debt	0.0 M
- Cash	2.7 M
Enterprise Value	$12.9 M
Book Value	$27.9 M
Working Capital	$ 2.2 M
Dividend	Nil

Balance sheet figures as of 6/30/18

MARKET DATA	
Bid-Ask Spread, % Price	3.2%
52 Week High/Low	$1.70 - $0.30
Shares Outstanding	52.0 M
Inside Ownership	<2%
Institutional Ownership	15.0%
Estimated Flotation	51.0 M
Average Daily Volume	372 K
Short Interest, % of Float	5.7%
Beta	0.85

Source: Bloomberg LP

INVESTMENT RETURNS	WWR	Sector*
Return on Equity	Neg	7.5%
Return on Assets	Neg	3.4%
Return on Capital	Neg	4.7%

Source: Crystal Equity Research, CSI Markets

FINANCIAL PROFILE	FY16	FY17
Sales	$ 0.0 M	$ 0.0 M
EBITDA	($13.1) M	($24.7) M
EPS	($3.72)	($0.77)

Source: Company Reports

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HIGHLIGHTS

- **Quarter Report -** Westwater reports net loss of $20.4 million in 2Q18, including $18.0 million asset impairment charge related to revocation of uranium mining licenses in Turkey; cash usage of $2.4 million in quarter provides better view on quarter performance.
- **Business Plan -** Management reports progress with plans for producing battery-grade graphite materials from natural flake graphite; initial production from pilot plant expected in early 2019.
- **Cash Resources -** The Company held $2.7 million in cash and $579,000 in marketable securities on the balance sheet at end of June 2018; estimated $28.4 million available from a common stock purchase arrangement with a leading capital markets company.
- **Updated Model -** Assuming no change in spending rates we estimate the Company could use $11.2 million in cash to support operations in 2018.
- **Valuation -** WWR remains deeply undervalued at less than half asset value.

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INDUSTRY: INDUSTRIAL, ENERGY MATERIALS	WWR: NASDAQ

RECENT DEVELOPMENTS

Westwater Resources reported a $20.5 million net loss in the quarter ending June 2018, including a one-time non-cash charge of $18.0 million for impairment of the Company's uranium assets in Turkey. The accounting treatment was triggered by the revocation of licenses by the Turkish mining authority without any specified compensation figure. Concerns over the license discrepancy and asset write-down have been amplified by continued discussion of the souring of Turkey-U.S. relations that could potentially undermine negotiations for a fair resolution. The Company has made a response to the Turkey authority and awaits a reply.

Fortunately, management appears to have kept its eye on the prizes in the graphite and lithium materials markets. The quarter financial report was accompanied by an update on the Company business plan for developing the recently acquired natural flake graphite asset in Alabama. Management also confirmed that it has enough cash on hand and access to sufficient capital resources to support operations through September 2019.

RECOMMENDATION

We continue to rate WWR at Speculative Buy with a $1.50 price target. The target may seem more elusive than ever given recent trading weakness in the shares. Disappointing news related to uranium assets in Turkey has overshadowed the progress made by the Westwater team in both its lithium and graphite resource development plans. In our view, investors need to keep perspective on all three market opportunities and look more objectively at the prognosis for success based on execution.

As shown in Table I on page 6, WWR is now trading at just under half total asset value even after the full write-off of the uranium assets in Turkey. The valuation suggests a fire sale at Westwater, which may be premature given positive developments on the markets for all three energy materials represented on the Company's balance sheet. The lithium and graphite markets in particular are heated up, driving valuation of any asset with strong geological data. A review of the economic analysis of the Company's graphite resource in Alabama shows that it is in an area of proven and previously exploited natural flake graphite deposits. In our view, it is not logical that promising assets should be discounted to such degree.

We view the current stock prices as a buying opportunity for investors with long-term horizon and the patience to follow execution on resource development.

VALUATION

Price/Sales	Neg
Price/Cash Flow	Neg
Price/EPS	Neg
Price/Book Value	0.56 X
Consensus EPS 2018	na
Forward PE	na

Per share figures estimated 6/30/18

OPERATING PROJECTIONS

	2017A	1Q18A	2Q18A	*2018E*	*2019E*
Sales	$ 0.0	$0.0	$ 0.0	$ 0.0	$ 0.0
Operating Loss	($ 24.8)	($3.5)	($20.5)	*($30.4)*	*($ 13.2)*
Net Inc (Loss)	($ 19.0)	($3.4)	($20.5)	*($31.0)*	*($ 13.2)*
CFO	($ 11.6)	($3.7)	($ 2.4)	*($11.2)*	*($11.5)*
EPS (LPS)	($0.77)	($0.12)	($0.51)	*($0.72)*	*($0.24)*

Dollars in millions except per share earnings

Company Reports and Crystal Equity Research Estimates

ASSET IMPAIRMENT: a shock but not a surprise

Westwater Resources reported using $2.4 million in cash to support operations during the quarter ending June 2018. Management provided this figure during a conference call with investors to discuss quarter financial results, but the number may have eluded those shareholders and traders who looked only at the Company's quarterly filing with the SEC or followed the headlines in financial press.

The quarter included a one-time charge for impairment of the Company's Turkey uranium mining licenses. The charge totaling $18.0 million reflects the carrying value of the mining licenses net of historic depreciation and amortization. Westwater had previous revealed notification by the Turkey mining authority that uranium extraction licenses for two sites in Turkey's midsection were revoked. Despite unspecified compensation offered by the mining authority and following tests against generally accepted accounting rules, the asset was deemed impaired. The write-off bloated operating expenses in the quarter

Reported operating expenses totaled $20.7 million in the June 2018 quarter. Excluding the one-time asset impairment charge, operating expenses were an estimated $2.7 million. The cash used in operations of $2.4 million as mentioned above reflect this and other non-cash adjustment, providing in our view a better view on the quarter performance than the reported operating or net loss.

Westwater ended the June 2018 quarter with $2.7 million in cash and $579,000 in marketable securities on the balance sheet. The balance sheet also reflects a note receivable valued at $2.7 million following the sale of mineral assets to Laramide Resources. The initial payment of interest and principle was made on time and in full amount, suggesting the receivable will be repaid as scheduled over the next couple of years.

The Company remains capitalized only by equity and is free of both short- or long-term debt. This point is worth highlighting as part of risk assessment. In our view, management is given a level of flexibility by the debt-free balance sheet in addressing the various sources of business risk in its various energy materials projects.

GRAPHITE MATERIALS: execution on development plan

Management provided a summary of accomplishments along with the financial report on the June 2018 quarter. Most on the list such as issuance of a business plan had already been presented in earlier presentations. That said, progress has apparently been made in the design of an alternative production process. The Westwater team wants to use more conventional methods than had originally been envisioned by planners at the Alabama Graphite operation before it was acquired in April 2018. With a design finalized we expect the Company to move forward more rapidly with establishing the pilot graphite processing plant that is slated to begin producing low volumes of *Purified Micronized Graphite (PMG)* materials sometime in early 2019. The Company expects to use the initial production as samples for testing and evaluation by prospective customers.

Westwater is gearing up to bring new flake graphite materials to market at a time with the global graphite market may be poised to experience the first economic shock in some years. Graphite is one of thirty-five minerals designated as critical to the U.S. economic and national security, and may be among thirty-two critical minerals that will the basis for new import tariffs. China is the source of about 35% of U.S. imports of natural graphite. We comment further on this development in the Outlook and Valuation section.

URANIUM LICENSES: Turkey conundrum

During the second quarter earnings conference call, management revealed the Company has made its allowed response to the General Directorate of Mining Affairs within the Turkish Ministry of Energy and Natural Resources related to revoked mining licenses. In late June 2018, Westwater received notice from the Turkish mining agency that licenses to mine uranium from the Temrezli and Saafatli uranium development projects in central Turkey. Westwater's response to the notice paves the way for subsequent negotiations with the Turkish authority. The Company is currently awaiting a response from the Turkish agency.

Any compensation above the $18.0 million figure that represented the net book value of the Turkey licenses would represent a gain on disposition of assets. Unfortunately, it is unclear what level of compensation the Turkish agency might have in mind. Notably if the Company is not satisfied with the offer, international courts could provide a venue for arbitration of the disagreement. Experienced legal counsel with knowledge of mining license laws and international law as well as doing business in Turkey has been engaged to represent management in discussions with Turkey or motions before international courts if necessary.

The U.S.-Turkey Business Council includes sixty of the largest U.S. multinational corporations. The council, chaired by Cargill, has been largely silent since the political turmoil in Turkey ramped up with a failed coup in July 2015. Nonetheless, U.S. companies remain in operation in the country along with European and Asian counterparts. According to the Turkey Economy Ministry, in 2017, Turkey attracted $10.8 billion in net international direct investment, of which $7.4 billion was equity investment. That was down 18.8% compared to the previous year. In terms of the equity investment, the European Union members represented almost two-thirds of the inflow to Turkey. By the end of 2017, there were nearly 59,000 companies with international capital operating in Turkey.

UPDATED FINANCIAL MODEL: tight grip on cash resources

Our earnings model has been updated to reflect financial results in the second quarter ending June 2018. Additionally, we have fine-tuned some expense assumptions to reflect recent spending levels. Our model also reflects recent issuances of common stock for cash and the exercise of pre-paid warrants subsequent to the quarter end.

We continue to expect the Company to use approximately $11.2 million in cash to support operations during the year 2018. Our assumptions for cash operating expenses in the second half of 2018, reflect no significant change in spending rates from the recent quarter and what appears to be a tight grip on the corporate purse strings. The model reflects similar spending levels in 2019, culminating in an estimated cash usage of $11.5 million.

At the spending levels reflected in our model, we believe the Company will need to raise additional capital before the end of 2018. At the end of June 2018, Westwater had available $28.4 million on a common stock purchase arrangement with Cantor Fitzgerald & Co., of which $7.8 million is subject to a registration statement filed with the SEC. Given the spending levels reflected in our model, we expect the Company to raise at least $3.7 million in the coming months through this facility to support operations.

Management reiterated a budget of $7.0 million for land and equipment for a graphite materials pilot plant. The pilot plant is slated to begin processing graphite in early 2019, to meet orders for test materials from prospective customers. To meet this target date, we believe the Company will need to order and install equipment and prepare a site in the second half 2018.

While land is specified in the budget, we note that the processing equipment required to produce *PMG* materials, Westwater's planning initial graphite product, is largely portable. We believe it may be possible for the Company to lease a site, which could reduce the initial budget and thereby conserve cash. Direct ownership of land could be an option for the future. Regardless, before the end of 2018, we expect the Company to use the Cantor agreement to raise additional capital for the pilot plant project.

Table I: Historic and Projected Balances

Dollars in Millions	2016A	2017A	*2018E*	*2019E*
Cash	$3.3	$4.1	*$1.3*	*$1.0*
Current Assets	$3.9	$7.8	*$3.9*	*$3.7*
Property, plant & equipment, net	$46.9	$35.4	*$26.3*	*$26.2*
Total Assets	$56.9	$50.2	*$35.2*	*$33.5*
Current Liabilities	$8.1	$4.0	*$4.3*	*$5.3*
Long-term Debt	-0-	-0-	*-0-*	*-0-*
Shareholder Equity	$43.0	$41.1	$25.3	$22.2

Source: Company Reports and Crystal Equity Research estimates

OUTLOOK and VALUATION

We believe developments in Turkey are frustrating shareholders, who had already been concerned about the adequacy of financial resources to pursue development of a third energy material following the acquisition of Alabama Graphite in April 2018.

Westwater shares recently set yet another 52-week low price at $0.28 per share as news of political discord between the U.S. and Turkey dominate the headlines. Just after the beginning of August 2018, the U.S. imposed sanctions against Turkey in retaliation for Turkey's refusal to release a U.S. citizen accused of participating in a 2016 coup attempt against Turkey's current leadership. The political bluster is rubbing salt into an already troubling wound inflicted by Turkey's mining authority's revocation of Westwater's uranium mining licenses in Turkey. The news may be leading some traders to strike a pessimistic view on Westwater's chances of getting adequate compensation for the loss.

As shown in Table II below, the shares are currently priced at 0.43 times total assets and 0.56 times book value. Balance sheet values reflect the impairment charge for the Turkey uranium mining assets. Granted minerals companies have struggled against tepid investor interest in recent months. Nonetheless, we view the current price of Westwater as egregiously low given the merits of the Company's remaining mineral asset portfolio.

Table II: Valuation Metrics

	Reported 6/30/18	Price Multiple @ $0.30 / sh
Assets	$36.7 M	0.43 X
Book Value	$27.9 M	0.56 X
Shares outstanding	52.0 M	

Source: Crystal Equity Research estimates

In our view, it is important not to lose sight of the value in Westwater's diversified portfolio of mineral assets. Uranium is but one of three energy materials under development by the Company. Westwater is coming to market with graphite and lithium materials at a time when demand for both is reaching record levels. We note the following:

- Energy storage is a crucial driver of growth for both lithium and graphite. According to Bloomberg New Energy Finance, the global energy storage market is poised to double six times between 2016 and 20390, to over 300 gigawatt-hours.
- Dominance in the market for lithium has shifted to demand. As recently as June 2018, Benchmark Mineral Intelligence, an industry research firm, reported prices of lithium carbonate have increased nearly 40% in the last twelve months to $15,750 per metric ton at the midrange of prices.
- Prices in the graphite market were flat in the month of July 2018, with spherical uncoated natural graphite trading in a range of $2,600 to $2,900 per metric ton as per the MetalBulletin. Demand growth appears to be steady-as-she-goes as well, growing at a healthy rate of 5.2% annually through 2022, as projected by industry research firm Markets and Markets.

We believe current demand trends present highly favorable conditions for new competitors. Strong, stable pricing conditions support profitable business models for new entrants such as Westrock. It brings greater certainly to strategic plans and encourages decision making by capital sources.

In one final note, we expect little in the way of fallout for Westwater Resources as a consequence of any graphite import tariff as discussed in the earlier section. In our view, the primary concern within the Company's graphite materials segment is related to execution. We believe that as long as investors can see successful, timely execution on the business plan, the segment merits favorable valuation. In the quarter report, Westwater management did provide commentary suggesting they have been able to check off as accomplished several critical steps for the graphite segment.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST.

Table III: Historic and Projected Annual Financial Performance

Dollars in Thousands	2014 Year	2015 Year	2016 Year	2017 Year	*2018 Year*	*2019 Year*	*2020 Year*	*2021 Year*	*2022 Year*
Total revenue	-	-	-	-	-	-	*900*	*16,900*	*84,750*
Operating expenses:									
Mineral property expenses	3,502	4,470	3,248	4,584	*3,751*	*4,400*	*5,500*	*6,000*	*6,500*
General and administrative	9,132	7,488	7,650	6,614	*7,659*	*8,000*	*8,500*	*9,000*	*10,500*
Accretion of asset retirement obligations	425	450	480	1,039	*538*	*1,000*	*1,000*	*1,000*	*1,000*
Depreciation and amortization	331	336	247	142	*147*	*160*	*160*	*160*	*160*
Impairment of mineral properties	160	960	1,673	11,436	*17,968*	-	-	-	-
Other	-	3,048	-	1,003	*333*	-	-	-	-
Total operating expenses	13,550	16,752	13,298	24,818	*30,396*	*13,160*	*15,160*	*16,160*	*18,160*
Operating income (loss)	(13,550)	(16,752)	(13,298)	(24,818)	*(30,396)*	*(13,160)*	*(14,710)*	*(13,710)*	*6,040*
Other income (expense)									
Interest income	-	-	-	614	*346*	-	-	-	-
Interest expense	(2,368)	(2,645)	(2,800)	-	-	-	-	-	-
Gain on derivatives	2,919	-	-	-	-	-	-	-	-
Gain on uranium properties	2,313	4,268	-	4,927	*8*	-	-	-	-
Loss on extinguishment of convertible debt	-	-	(3,322)	(39)	-	-	-	-	-
Other, net	2	(14)	(185)	28	*16*	-	-	-	-
Total other income (expense)	2,866	1,609	(6,307)	5,530	*370*	-	-	-	-
Income (loss) before income taxes	(10,684)	(15,143)	(19,605)	(19,288)	*(30,026)*	*(13,160)*	*(14,710)*	*(13,710)*	*6,040*
Provision for income taxes (benefit from)	-	-	-	-	-	-	-	-	*1,812*
Unrealized change in value, mkt. securities	-	(67)	(49)	287	*(963)*	-	-	-	-
Realized loss on sale securities	-	-	116	-	-	-	-	-	-
Net income (loss)	(10,684)	(15,210)	(19,538)	(19,001)	*(30,989)*	*(13,160)*	*(17,710)*	*(13,710)*	*4,228*
Net EPS (LPS), comprehensive	$ (5.28)	$ (5.65)	$ (3.72)	$ (0.77)	*$ (0.72)*	*$ (0.24)*	*$ (0.19)*	*$ (0.16)*	*$ 0.05*
Wtd shares outstanding, diluted in 000s	2,023	2,691	5,252	24,737	*42,967*	*63,107*	*54,496*	*76,246*	*78,746*

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ANALYST

Debra Fiakas, CFA is a seasoned, credentialed investment professional with a diversified and successful track record as a research analyst and as an investment banker. Her decade-plus career includes solid experience in all aspects of the equity capital markets with particular emphasis on emerging growth companies operating in the technology sectors. Ms. Fiakas is also the principal member of Crystal Equity Research, LLC.

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RATING SYSTEM

Buy	Price appreciation expected 10% or more over a 12-month period.
Hold	Price appreciation/depreciation expected between 10% and –10% over 12 months.
Sell	Price depreciation expected 10% or more over a 12-month period.

CRYSTAL RESEARCH UNIVERSE

Buys	60%
Holds	10%
Sells	30%
Total	100%

HISTORICAL RECOMMENDATIONS AND TARGET PRICE: Westwater Resources / WWR

Report	Date	Price	Rating	Target Price
Initial	4/10/18	$0.53	Buy	$1.50
Update	5/24/18	$0.42	Buy	$1.50
Update	7/2/18	$0.40	Buy	$1.50
Update	8/14/18	$0.30	Buy	$1.50

DISCLOSURES

Name	**Symbol: Exchange**	**Disclosures**
Westwater Resources, Inc.	WWR: Nasdaq	D*

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A A member or employee of Crystal Equity Research, LLC serves on the board of directors of the company.

B A controlling member of Crystal Equity Research, LLC has a beneficial interest in the common stock of the company.

C A person or persons preparing this report or an immediate family member of the preparer has a beneficial interest in the common stock of the company.

D Crystal Equity Research, LLC received compensation for research coverage from the company or one of its agents. The fees are paid in advance in cash.

E The company has a convertible issue outstanding.

F The securities covered in this report can be optioned.

G The securities covered in this report can be margined.

* *Crystal Equity Research previously published research on Alabama Graphite and received compensation from the company.*

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