

WWR / Nasdaq

**SPECULATIVE
BUY**

Unchanged

\$30.00

(Revised 5/6/19)

CAPITALIZATION

Shares Outstanding (2/14/20)	4.2 M
Recent Price (4/13/20)	\$1.00

Market Capitalization	\$ 4.2 M
+ Debt	0.0 M
- Cash	1.9 M
Enterprise Value	\$ 2.3 M

Book Value	\$ 17.1 M
Working Capital	(\$ 1.3) M
Dividend	Nil

Balance sheet figures as of 12/31/19

MARKET DATA

Bid-Ask Spread, % Price	6.0%
52 Week High/Low	\$9.50 - \$0.25

Shares Outstanding	4.2 M
Inside Ownership	<1%
Institutional Ownership	10.0%
Estimated Flotation	4.1 M

Average Daily Volume	231 K
Short Interest, % of Float	Nil
Beta	1.33

Source: Bloomberg LP

INVESTMENT RETURNS

	WWR	Sector*
Return on Equity	Neg	9.06%
Return on Assets	Neg	3.80%
Return on Capital	Neg	5.10%

Source: Crystal Equity Research, CSI Markets

FINANCIAL PROFILE

	FY18	FY19
Sales	\$ 0.0 M	\$ 0.0 M
EBITDA	(\$36.1) M	(\$10.3) M
(L)EPS	(\$38.47)	(\$0.539)

Source: Company Reports

HIGHLIGHTS

- **Shareholder Meeting.** Westwater management puts safety over expedience for annual meeting scheduled April 28, 2020. Shareholders are welcome to appear in person with pre-registration, but strongly urged to vote by proxy.
- **Operation Update.** Despite widespread stay-at-home and essential-services-only directives in response to a coronavirus outbreak, Westwater personnel and contractors have apparently continued with the graphite materials development project by working from home.
- **Asset Value.** A review of current pricing and demand conditions, particularly in the graphite sector that is the Company's priority market, we have maintained our estimates of future earnings from Westwater's mineral assets.
- **Valuation.** Based on how the market now values its peers, WWR intrinsic or current value is \$11.20. At a buck a share, the stock appears undervalued.
- **Rating.** We reiterate our Buy recommendation on WWR. Additionally, we have recommended approval of certain proposals before shareholders at the annual meeting related to share issuance and board of directors.

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INDUSTRY: INDUSTRIAL, ENERGY MATERIALS

WWR: NASDAQ

RECENT DEVELOPMENTS

Recently we discussed with Westwater management the status of current operations. Despite widespread stay-at-home and shelter-in-place directives, Westwater personnel and contractors have apparently continued with projects by working from home. Progress is continuing on the design and engineering work necessary for the planned graphite processing pilot plant and it appears that the Company is still in a position to put the new plant into operation before the end of 2020. This will allow Westwater to fill a request for one ton of the Company's proprietary *Purified Micronized Graphite (PMG)* to be used in qualification tests by an unnamed battery manufacturer. We believe production orders are more likely than not to follow when the customer's tests are completed.

RECOMMENDATION

While the impact of COVID-19 is still playing out and economic conditions remains uncertain, investors can be assured that company value is determined as usual by future earnings that can accrue from assets and knowhow. Westwater Resources' assets are a mix of licenses that allow the Company to extract minerals from large tracts of land. The uranium, lithium, graphite and vanadium deposits remain unperturbed by the health disaster playing out across the world. True enough future earnings are the key to asset value and such projections involve judgment. After a review of current pricing and demand conditions, particularly in the graphite sector that is the Company's priority market, we have maintained our estimates of future earnings from Westwater's mineral assets. (See pages 5 and 6)

What is still in flux for investors is how and when the government and society will stage a recovery. Various letters of the alphabet have been used as predictive illustrations. A V-shaped future suggests recovery as rapid as the collapse we observed in March 2020. Most investors would prefer this outcome, but acknowledge it is just as likely that recovery will be U-shaped with the world economy tracking a period of weakness and consolidation before gradual revival.

Regardless of which letter is used to illustrate economic revival, Westwater is moving forward as planned with its graphite materials project. At this point, it appears the Company can sidestep the worst effects of the coronavirus outbreak. We view the much of the recent sell-off in WWR as an overreaction. (See page 8) Accordingly, we reiterate our Buy recommendation on the shares. Additionally, we have recommended approval of certain proposals before shareholders at the annual meeting scheduled in late April 2020. (See pages 3 and 4)

VALUATION

Price/Sales	Neg
Price/Cash Flow	Neg
Price/EPS	Neg
Price/Book Value	0.48 X
Consensus EPS 2020	na
Forward PE	na

OPERATING PROJECTIONS

	<u>2017A</u>	<u>2018A</u>	<u>2019A</u>	<u>2020E</u>	<u>2021E</u>
Sales	\$ 0.0	\$0.0	\$ 0.0	\$ 0.0	\$ 0.9
Operating (Loss)	(\$ 24.8)	(\$36.0)	(\$10.9)	(\$ 12.0)	(\$ 14.6)
Net Inc (Loss)	(\$ 19.0)	(\$35.7)	(\$ 10.6)	(\$12.0)	(\$ 14.6)
CFO (U)	(\$ 11.6)	(\$11.7)	(\$ 10.0)	(\$10.3)	(\$ 14.2)
EPS (LPS)	(\$38.50)	(\$38.50)	(\$5.39)	(\$2.18)	(\$2.05)

Dollars in millions except per share earnings

Per share figures estimated 12/31/19

Company Reports and Crystal Equity Research Estimates

ANNUAL MEETING AT SOCIAL DISTANCE

Westwater Resources is scheduled to hold its annual meeting on April 28, 2020. A recent announcement from the Company confirms that the meeting will still be held in corporate offices in Centennial, Colorado. However, this year there is a step intended to comply with temporary restrictions on public activity in put place by state and local governments in Colorado in response to the public health threat posed by a novel coronavirus outbreak. Shareholders who wish to attend in person must first register and obtain an admission ticket. Consequently, management has made a special appeal to shareholders to vote by proxy this year, which can be accomplished by mail, phone or through a corporate website.



The independent proxy advisory firm, Glass Lewis, has recommended favorable votes for all of the proposals before shareholders. We looked at all items on the ballot for the differences made by each in Westwater's future.

Election of Directors

There is one new name among the five director nominees. *Deborah Peacock appears to be well qualified for a director position and a good fit for the work ahead with Westwater. Our view is informed by a check of Peacock's education and recent experience.*

With licenses to practice law in three U.S. states, she brings legal expertise to the board and in particular knowledge of patent law. Interestingly, she is also an engineer with a degree in metallurgical engineering. This background could serve shareholders well as it should give her deeper understanding Westwater's various operations and strategic plans. Peacock also serves on the board of regents for the state of New Mexico Institute of Mining & Technology.

If Peacock is approved by shareholders, committee memberships will be determined later. She has been nominated to fill a seat left vacant by Marvin Kaiser, who has opted not to stand for re-election. Kaiser is considered an independent director and Peacock would qualify for that same classification. Kaiser has been the chairman of the audit committee and also serves on the compensation and corporate governance committees.

It is also important to note that Peacock already serves on the board of directors of a public natural resources company, THEMAC Resources Group (MACQF: OTC/PK). This has likely given her experience with government and audit committee work for a public company as well as the insight into financing and executing on natural resource projects.

Share Issuance Ceiling

Management is asking shareholders to authorize the issuance of shares to Lincoln Park Capital Fund should it be necessary to raise capital by selling common stock. Specifically, the shareholders are being asked to approve issuance of shares in excess of 19.99% of outstanding shares, a requirement imposed by the Nasdaq market where Westwater's shares are traded. Importantly, with shareholder approval management would have authorization but would not be committed to issue shares.

Management plans to enter into a second share purchase agreement with Lincoln Park Capital, wherein Lincoln agrees to purchase Westwater's common stock up to a maximum of \$12 million in share value. As with the previous agreement with Lincoln Park entered into in June 2019, the Company is not obligated to sell shares and can forego use of the agreement should market conditions discourage share issuance or if the Company finds an alternative capital source.

Management has indicated that capital raised through the new agreement with Lincoln Park will be used to support construction and operation of the graphite processing pilot plant as well as other working capital needs related to bringing battery-grade graphite to market. *Given continued restrictions on business interaction and weaker capital market conditions, we believe it is in the best interests of shareholders to maintain existing capital relationships, such as Lincoln Park Capital.*

Getting shareholder approval in advance to issue shares totaling more than 19.99% of the Company's outstanding shares, will give management more flexibility in using the Lincoln Park capital source. For example, if the share price spikes higher it is typically a timely to raise capital and to issue as many shares as possible to minimize dilution. Without authorization, the Company would be faced with raising capital in smaller increments and with greater frequency that could result in higher dilution. Alternatively, management would need to seek authorization at the time through a special shareholder meeting, a course of action that could increase costs and could lead to delays and a missed the opportunity.

The Company could avoid the formality of this shareholder approval step by removing its shares from listing on the Nasdaq market. However, alternatives are few. In our view, approval for the New York Stock Exchange is not likely. Furthermore, we believe quotation on the Over the Counter service would likely lead to wider bid/ask spreads and lead to greater dilution in the event of an equity capital raise.

Incentive Plan and Compensation

Executive incentives and compensation are also on the annual meeting agenda. First, shareholders are asked to approve an increase in the number of shares the board can issue to incent senior officers and employees. The proposal also increases issuance limitations. The proposal is similar to share issuance authorizations requested previously to support incentive plan authorizations

Second, a 'say on pay' proposal related to executive compensation is among proposals before shareholders. This is an advisory vote, but given the attention paid to the matter on the 2020 agenda it appears that Westwater leadership is serious about including shareholder input on compensation matters. The lengthy 'compensation discussion and analysis' section of the proxy lays out in detail the work completed over the last year by management and the committee to address shareholder views on salaries, cash and stock compensation, and the basis for awards.

This year the executive compensation proposal is based in part on a shareholder survey completed in late 2019, the results of which are included in the proxy statement. Additionally, the 2020 proxy provides more detail on compensation objectives and procedures, including a table detailing long-term goals that are the keys to management earning bonus compensation. It is noteworthy that over the last year, the board's compensation committee has been led by Karli Anderson, who was elected to the board of directors in April 2019. Anderson appears to have more experience in human resources than the previous compensation committee chair, whose talent is in the capital market and law.

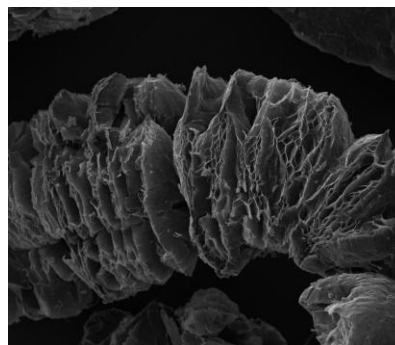
In our view, shareholders should at least be pleased with the significant increase in transparency related to compensation matters.

Accountant Ratification

Shareholders are asked to reappoint Moss Adams LP as the Company's audit firm. Given that the Company's audit was completed thoroughly and in a timely manner, it would seem to be appropriate to keep the same auditor.

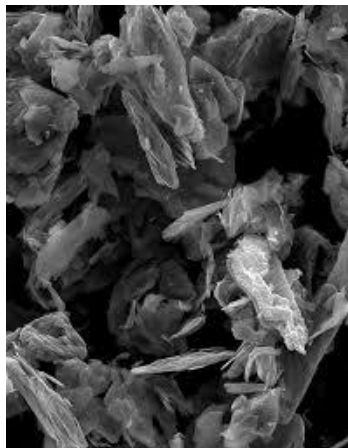
ESTIMATES AFFIRMED

We have revisited our estimates for Westwater Resources in light of the dramatic business interruption that has occurred as governments across the globe have shutdown all but essential work and services. At this point, we are maintaining our model without changes. This decision is informed by a review of the Company's readiness to go to market and ability to execute on its strategic plan for battery-grade graphite as well as a review of pricing and demand conditions.



Coosa Project Graphite

Recently we discussed with management the status of current operations. Despite widespread stay-at-home and essential-services-only directives, Westwater personnel and contractors have apparently continued with projects by working from home. Progress is continuing on the design and engineering work necessary for the planned graphite processing pilot plant and it appears that the Company is still in a position to put the pilot plant into operation before the end of 2020. Our earnings model is already predicated on this timetable.



Coosa Project Graphite

Importantly, management has received no indication of changes from its potential customer that could delay or change that customer's request for one ton of the *Purified Micronized Graphite (PMG)* material for testing and qualification purposes. The Company continues to work toward fulfilling the requested test materials using capacity at the planned pilot plant.

Given that the Company's priority is battery-grade graphite, it is important to monitor demand and pricing conditions for this particular material. Considerable uncertainty has been injected into the graphite market by the emergence of a novel coronavirus first in China, the principal location for graphite processing, and then in nearly every other country in the world. Surprisingly, accordingly to

Roskill, an industry research firm, graphite prices have remained stable. Indeed, by the end of March 2020, medium and large size flake graphite prices were posting well above lows established near the end of 2017. Likewise a recent report from FastMarkets pointed to a 3% increase in prices quoted in Europe for medium and large flake graphite during the first two months of 2020. Particular attention is paid to medium and large flake graphite given the preference of lithium-ion battery manufacturers for these grades.

Firmness in pricing may be due in part to interruptions in supply stemming from government policies related to the coronavirus threat that has matched a slowing in orders. We note that Syrah Resources, which began mining natural flake graphite in Mozambique in 2018, has suspended production at its Balama mine in compliance with government orders. Graphite India also shut operations in the third week in March 2020, in response to local health policies. At the same time, graphite buyers have also been shutdown along with all other non-essential businesses. China graphite processing operations were shut down in February 2020 for an extended 'New Year celebration.' China processing operations are free to open again, but restart of business has been slow as some employees have chosen to remain in self-isolation.

In our view, pinpointing near-term prognosis for either graphite supply or demand remains more or less a fool's occupation. We suggest investors can sidestep this problem as regards Westwater because it is the long-term dynamic that is more important for the Company. It will be until well into 2021 when Westwater is expected to ship its first graphite product to market. Additionally, initial orders are likely to come from a customer that has already been in discussion with the Company for some time. The pricing in those orders, if and when they are received by Westwater, are subject to negotiation and will likely be based on the pricing dynamic that is in place at the time. For the purposes of our model, we are continuing to use current pricing information given that there is no suggestion at that long-term graphite prices are moving significantly lower or higher.

Uranium Assets

We also note that Westwater has significant uranium assets in Texas that have been shuttered for some time. The Company has been monitoring the market for more appealing selling prices before bringing those assets back into play. With spot prices stubbornly in the high 20s that triggering price level is some time away. That said, we do expect to see some price pressure as certain producers have cut production plans for 2020. Prices could rise to the low 30s in coming weeks. While a price increase of that magnitude is not sufficient to trigger Westwater's Texas assets back into production, it would make Westwater's assets more interesting to potential buyers interested in building a uranium portfolio.

Our view on pricing is informed by the potential for a short-fall in production below annual uranium demand. Notably Kazatomprom in Kazakhstan has dramatically reduced its annual production forecast by 10.4 million pounds, which is equivalent to approximately 8% of global supply of yellow cake uranium used principally by the utility industry. Likewise, in response to the virus pandemic Cameco announced a temporary halt in production at its Cigar Lake mine in Canada, leaving only safety and maintenance workers at what is the world's largest uranium mine. Based on historic production rates, the Cigar Lake shutdown equates to 1.5 million pounds per month, representing approximately 12% of global supply on an annual basis.

Some industry analysts have pointed to these shutdown actions as precursors to a deeper supply deficit that could trigger higher prices. However, we note that both Kazatomprom and Cameco have indicated that they will meet current contractual obligations from inventories. Such action could stall any pricing pressure due to unmet demand. Furthermore, we believe there is likely to be a reduction in demand from the power industry over the coming months. The utility industry has already reported seeing load impacts due to work stoppages beginning in March 2020. Anecdotally grid operators describe shifts and reductions in demand. For example, residential use has increased modestly, but the cancellation of major events and the shuttering production has significantly reduced commercial and industrial usage. We expect these conditions to prevail only in the near-term. Most likely long-term demand for electricity will return to 2019 levels. The conundrum will be in determining the timing and location of such demand changes and whether those could impact demand from nuclear power plants.

Given that the Company's developed uranium assets in Texas are currently shuttered and pricing conditions may change only modestly, we do not expect to see significant changes in this segment. Our model continues to expect no revenue from this segment in the next two to three years.



Kingsville Dome Site, Texas

VALUATION AND OUTLOOK

In early March 2020, equity values collapsed on worries over the impact of a coronavirus pandemic and inadequate government policies to deal with the threat. In our view, the health crisis is more akin to a natural disaster than an economic event or even to a business event, in that it is exogenous to the world economy and to company operations. However, unlike in a natural disaster event, corporate assets remain intact and unchanged by the health threat. Shutdown policies to combat and mitigate the health threat only impact near-term earnings, but are not likely to impact asset value in the long term.

In our view, Westwater shares were undervalued before the recent U.S. equity market corrections. That undervaluation has deepened with a reduction in valuation multiples observed in the U.S. equity market. For example, according to Yardeni Research the price-earnings ratio of the S&P 600 Small-cap Index is 15.9 times. This compares to a price-earnings multiple of 18.5 times at the end of December 2019. We believe the reduction in the P/E multiple is largely due to a shift in sentiment that requires higher compensation for risk and uncertainty.

The shift in risk sentiment is also evident in the mining and minerals sector. Over the last two months we observe that valuation multiples have decline by approximately 15% for a group of energy materials developers and producers that are comparable to Westwater Resources. *Based on how the market now values its peers, WWR intrinsic or current value is \$11.20. At a buck a share, the stock appears to be egregiously undervalued.*

We have maintained our target price at \$30.00 throughout a series of strategic accomplishments and economic events. The hurdle is based on a volume-related line of price resistance that we observe in historic trading of WWR. We set this as a target price, because the line of resistance is considered an impediment to achievement of a significantly higher value implied primarily by future earnings from the Company's graphite assets. It is notable that in the last year another line of volume-related price resistance has developed at the \$4.00 price level. However, we believe that price level represents undervaluation of the shares based on the potential in the graphite market. In our view, continuous adjustment of the target price implies an element of granularity and vision in the forecast that is simply not possible at this time. Accordingly, we have left our target price at the \$30.00 level.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST.

Table I: Historic and Projected Annual Financial Performance

Dollars in Thousands	2014A Year	2015A Year	2016A Year	2017A Year	2018A Year	2019A Year	2020E Year	2021E Year	2022E Year
Total revenue	-	-	-	-	-	-	-	900	28,500
Gross profit	-	-	-	-	-	-	-	450	17,100
Operating expenses:									
Mineral property expenses	3,502	4,470	3,248	4,584	3,538	2,852	3,500	5,000	6,500
General and administrative	9,132	7,488	7,650	6,614	7,357	6,086	6,500	8,000	10,500
Accretion of asset retirement obligations	425	450	480	1,039	993	390	500	500	1,000
Depreciation and amortization	331	336	247	142	116	73	80	80	160
Impairment of mineral properties	160	960	1,673	11,436	23,712	143	-	-	-
Other	-	3,048	-	1,003	333	1,378	1,400	1,500	1,500
Total operating expenses	13,550	16,752	13,298	24,818	36,049	10,922	11,980	15,080	19,080
Operating income (loss)	(13,550)	(16,752)	(13,298)	(24,818)	(36,049)	(10,922)	(11,980)	(14,630)	(1,980)
Total other income (expense)	2,866	1,609	(6,307)	5,530	365	357	-	-	-
Income (loss) before income taxes	(10,684)	(15,143)	(19,605)	(19,288)	(35,684)	(10,565)	(11,980)	(14,630)	(1,980)
Provision for income taxes (benefit from)	-	-	-	-	-	-	-	-	-
Unrealized change in value, mkt. securities	-	(67)	(49)	287	(861)	-	-	-	-
Realized loss on sale securities	-	-	116	-	484	90	-	-	-
Net income (loss)	(10,684)	(15,210)	(19,538)	(19,001)	(36,061)	(10,475)	(11,980)	(14,630)	(1,980)
Net EPS (LPS), comprehensive	na	na	na	\$ (38.50)	\$ (38.50)	\$ (5.39)	\$ (2.18)	\$ (2.05)	\$ (0.24)
Wtd shares outstanding, diluted in 000s	na	na	na	495	928	1,961	5,502	7,145	8,083

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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.

ANALYST CERTIFICATION

The analyst who is primarily responsible for this research and whose name is listed first on this front cover certifies that: 1) all of the views expressed in this research accurately reflect his or her professional views about any and all of the subject securities or issuers, and 2) no part of any of the analyst's compensation was, is or will be directly or indirectly related to the specific rating expressed by analyst in this research.

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	70%
Holds	15%
Sells	15%
Total	100%

HISTORICAL RECOMMENDATIONS AND TARGET PRICE: Westwater Resources / WWR

<u>Report</u>	<u>Date</u>	<u>Price</u>	<u>Rating</u>	<u>Target Price</u>
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
Update	11/13/18	\$0.20	Buy	\$1.50
Update	12/20/18	\$0.16	Buy	\$1.50
Update	2/26/19	\$0.14	Buy	\$1.50
Update	5/6/19	\$7.25	Buy	\$30.00
Update	7/15/19	\$5.01	Buy	\$30.00
Update	8/13/19	\$3.30	Buy	\$30.00
Update	11/19/19	\$2.79	Buy	\$30.00
Update	2/25/20	\$1.96	Buy	\$30.00
Update	4/14/20	\$1.00	Buy	\$30.00

Post reverse split

DISCLOSURES

<u>Name</u>	<u>Symbol: Exchange</u>	<u>Disclosures</u>
Westwater Resources, Inc.	WWR: Nasdaq	D

Disclosure Key

- 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.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

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