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WESTWATER RESOURCES, INC.

Update Report

September 15, 2020

WWR / Nasdaq

SPECULATIVE BUY

Unchanged

$30.00

(Affirmed 5/20/20)

CAPITALIZATION	
Shares Outstanding (8/1/20)	7.6 M
Recent Price (9/14/20)	$1.81
Market Capitalization	$ 13.8 M
+ Debt	0.0 M
- Cash	2.3 M
Enterprise Value	$ 11.5 M
Book Value	$ 17.6 M
Working Capital	($ 0.7) M
Dividend	Nil

Balance sheet figures as of 6/30/20

MARKET DATA	
Bid-Ask Spread, % Price	3.8%
52 Week High/Low	$9.25 - $0.25
Shares Outstanding	7.6 M
Inside Ownership	<1%
Institutional Ownership	10.0%
Estimated Flotation	7.4 M
Average Daily Volume	920 K
Short Interest, % of Float	Nil
Beta	1.90

Source: Bloomberg LP

INVESTMENT RETURNS	WWR	Sector*
Return on Equity	Neg	7.8%
Return on Assets	Neg	3.1%
Return on Capital	Neg	3.8%

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)	($5.39)

Source: Company Reports

HIGHLIGHTS

- **Graphite focus.** With sale of North American uranium assets and planned exit from lithium exploration, Westwater Resources will pivot to exclusive graphite materials development.
- **Graphite process patent**. A provision patent application in U.S. would protect proprietary process to purify natural flake concentrate for battery-grade graphite materials.
- **Graphite pilot plant**. Assembly has begun on ‘pilot’ processing capacity to purify and shape graphite concentrate into battery-grade materials. Low volume production expected yet in 2020.
- **Cash flow savings**. Sale of Texas and New Mexico uranium assets and lithium exit estimated by Company to reduce annual cash outflow by $4.2 million beginning in 2021, which can be diverted to graphite market penetration efforts and graphite production.
- **Business pipeline**. At least one prospective customer is planning high-volume testing of Westwater’s *Purified Micronized Graphite (PMG)* material for performance enhancement in alkaline batteries.

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INDUSTRY: INDUSTRIAL, ENERGY MATERIALS	WWR: NASDAQ

RECENT DEVELOPMENTS

Through two strategic moves Westwater Resources is now able to direct all human and capital resources to the development of battery-grade graphite and the extraction of natural flake graphite from its Coosa County, Alabama graphite asset. Mid-September 2020, the Company announced the planned sale of its North American uranium assets to a U.S. uranium exploration and development company in exchange for an equity stake in the public stock of the acquirer. Additionally, the Company announced the intention to relinquish its lithium claims and licenses in the states of Nevada and Utah. The Company estimates that the strategic moves could free up as much as $4.2 million in operating cash flow over the next year, an outcome that could be pivotal in getting the Company's battery-grade graphite materials to customers. A low-volume pilot process is currently being assemble in Germany. Before the end of 2020, the pilot plant is expected to produce at least one ton of the Company's *Purified Micronized Graphite (PMG)* for a use by a prospective customer in final testing and verification tests.

RECOMMENDATION

We continue to rate Westwater Resources shares at Speculative Buy and reiterate our bullish view at the current stock price. In our view, the decisions to exit the uranium and lithium sectors are astute and timely given the real progress the Company has made with its graphite materials development. There appear to be near-term commercial opportunities for the graphite materials that could lead the Company to breakeven or profit in the next couple of years. We agree with management's argument that it is wise cash management to exit the uranium and lithium initiatives and redirect cash resources to graphite. Both the uranium and lithium initiatives were facing long trajectories to reach an economic stage while the graphite picture appears more promising than ever.

VALUATION

Price/Sales	Neg
Price/Cash Flow	Neg
Price/EPS	Neg
Price/Book Value	0.78 X
Consensus EPS 2020	na
Forward PE	na

Per share figures estimated 6/30/20

OPERATING PROJECTIONS

	2017A	2018A	2019A	*2020E*	*2021E*
Sales	$ 0.0	$0.0	$ 0.0	*$ 0.0*	*$ 0.9*
Operating (Loss)	($ 24.8)	($36.0)	($10.9)	*($ 11.7)*	*($ 14.6)*
Net Inc (Loss)	($ 19.0)	($35.7)	($ 10.6)	*($11.7)*	*($ 14.6)*
CFO (U)	($ 11.6)	($11.7)	($ 10.0)	*($10.5)*	*($ 14.2)*
EPS (LPS)	($38.50)	($38.50)	($5.39)	*($1.30)*	*($1.52)*

Dollars in millions except per share earnings

Company Reports and Crystal Equity Research Estimates

GRAPHITE PROCESS PATENT and PILOT PLANT

Attendant with other strategic news Westwater Resources announced application for provisional patent protection for its graphite minerals purification process. Understandably management's commentary has been circumspect about the purification process, which is to be used to produce battery-grade graphite materials aimed at a highly competitive market. The Company's patent application encompasses three successive steps for processing graphite concentrate: 1) caustic roasting, 2) acid leaching and 3) thermal treatment. The patent will protect the Company's proprietary knowledge related to the optimum caustic solution, roasting time and temperatures.

Westwater has provided assurances that the proprietary process does not rely on hydrofluoric acid that has been widely used by other processors. While accepted in China where large amounts of graphite are processed, such highly volatile chemicals have not been well received in some U.S. communities. One of Westwater's competitors in the battery-graphite space, Syrah Resources, was forced to abandon a proposed location for a graphite processing pilot plant after community groups objected to potential contamination of waterways from Syrah's planned use of hydrochloric acid, hydrofluoric acid, sodium hydroxide and lime.

The patent application comes on the heels of Westwater's announcement that assembly of a long-planned pilot plant is underway. A German engineering firm, Dorfner Anzaplan, had been commissioned to complete a final graphite process design that would be the basis for volume production capacity. A pilot plant version of this design is being organized in Germany near the engineering firm's headquarters for the purpose of final design verification and low-volume production.

URANIUM ASSET DIVESTITURE

Last week Westwater Resources announced the planned sale of its North American uranium assets to enCore Energy Corporation (ENCUF: OTC/QB; EU: TSX-V), a uranium minerals exploration and development company. Trading in enCore's shares on the Canadian Exchange was briefly halted pending dissemination of the news.

<u>What is being sold.</u> Encore is acquiring Westwater's Texas mineral lease and uranium production facilities, including the Kingsville plant in Kleberg County and the Rosita plant in Duval County. Included in the deal is a collection of resin transfer trucks and ion exchange equipment used for *in situ* uranium extraction. The asset package also includes Westwater's deeded uranium mineral estate property, mineral leases and mining claims along the Grants mineral belt in New Mexico. enCore will be welcoming the Westwater employees responsible for reclamation and maintenance work at the Texas facilities. At the closing of the transaction, Westwater will have no uranium mineral interests.

What Westwater receives. At closing Westwater will receive $1.95 million in enCore shares, of which $500,000 is contingent upon completion of certain reclamation work at the Rosita and Vasquez projects in Duval County, Texas. The 2020 scheduled includes 1) reclamation of the waste disposal well and pond at the Vasquez Project as well as the last of the surface area and 2) surface reclamation at the Rosita Project. If Westwater completes more than the scheduled reclamation work, Westwater will receive an additional $250,000 in enCore shares for every $1.0 million reduction in the bond amount. Additionally, should enCore move forward with development of the New Mexico uranium assets, Westwater will also receive a 2% smelter return royalty on certain of the mineral rights and 2.5% interest in net profits on the Juan Tafoya and Cebolleta projects in New Mexico.

Scheduled transaction closing. The deal is expected to close before the end of December 2020, pending completion of due diligence by enCore and finalization of the purchase agreement. Additionally, Westwater's reclamation bonds for the Texas uranium assets must be replaced. Westwater will pay enCore $3.0 million in cash as soon as the reclamation bonds are replaced, which now total $9.25 million. As noted above the final amount of the reclamation bonds at closing is subject to completion of ongoing reclamation work at the Texas operations over the next few months.

Turkey uranium license dispute. The asset sale to enCore has no impact on Westwater's claim against the Republic of Turkey related to the revocation of the license to mine uranium at the Company's Temrezli and Sefaatli uranium projects in Turkey. In December 2018, Westwater filed a request for arbitration against the Republic of Turkey before the International Center for the Settlement of Investment Disputes, as provided for by treaty between the U.S. and Turkey. An arbitration panel has been seated and a hearing is scheduled in September 2021, after which the panel would render a final decision on Westwater's claim. The Company has asked for $36.5 million in compensation for the uranium mining assets, repayment of legal expenses and interest.

LITHIUM EXPLORATION EXIT

Westwater Resources also announced plans to exit lithium mineral exploration. The Company is putting its remaining lithium mining claims in Nevada and Utah back to the U.S. government. Water rights associated with certain Nevada lithium claims will expire.

In 2016, the Company paid $50,000 in cash and 100,000 in unregistered shares of common stock to Mesa Exploration Corporation for the Sal Rica lithium project in Utah. During the same year the Company also staked placer mining claims in for its Columbus Basin project in Nevada. Placer mining claims for the Railroad Valley project were placed in 2017. Mining claims for the Railroad Valley project were previously returned to the U.S. government. The remaining claims at Columbus Basin and Sal Rica are being returned in the third quarter 2020.

FINANCIAL IMPACT

Reduction in cash outflow. The financial effect of these divestitures will be primarily in terms of the reduction in cash usage to support the Texas uranium assets and lithium mineral exploration. This is, of course, the primary motivation for the strategic actions in the first place, as the Company seeks financial resources to accelerate its battery-grade graphite materials development. Westwater management claimed the sale of uranium assets to enCore could free up $4.0 million in annual cash flow that had previously been required for reclamation and maintenance of the Texas uranium assets. Additionally, management claims an annual savings of $200,000 related to its lithium exploration activities.

We note work completed on uranium and lithium properties in the full year 2019, resulted in a total of $2.7 million in operating expenses and an additional $293,000 in restoration liability added to the balance sheet. Included in the 2019 operating expenses was $237,000 in expenditures for the lithium projects in Utah and Nevada.

Uranium asset writedown. If the uranium asset sale to enCore is completed as scheduled in December 2020, shareholders will first see significant changes in Westwater's balance sheet beginning with the year-end 2020 financial report. The Company reported a total of $20.4 million in net book value for its property, plant and equipment (PP&E) at the end of June 2020, of which $3.1 million was for the Company's Texas uranium plant and equipment and $7.8 million was for the New Mexico uranium mineral rights and properties. With the sale of the uranium assets to enCore the total of $10.9 million will be removed from PP&E.

Additionally, at the end of June 2020, the Company reported $3.7 million in restricted cash on its balance sheet related to reclamation bonds covering the Texas uranium operations. The Company has agreed to transfer $3.0 million of this cash to enCore as part of the uranium asset sale.

Since Westwater is selling the assets for less than the book value, we expect the Company to report a loss on the sale. The difference between the final value received from enCore and these net values will be reported as a charge at the time of the sale, which at this time is expected to be in the December 2020 quarter. The amount will be adjusted by the final asset retirement obligation after reclamation work completed in the final months of 2020. At the end of June 2020, the asset retirement obligation totaled $6.3 million. Using the June 2020 balance sheet figures and assuming only scheduled reclamation work is completed, we estimate the loss on the sale could be approximately $3.2 million.

No lithium adjustment. To this point the Company has not capitalized any of its lithium project expenditures. Accordingly, return of the lithium claims to the U.S. government will not result in an asset write down or impairment charge. We estimate that since the original investment in 2016, the Company has recorded a total of $2.7 million in operating expenses related to the three lithium mineral exploration projects.

Based on expenses in the full year that totaled $237,000 related to the Columbus Basin and Sal Rica projects, the Company expects to save approximately $200,000 per year in operating cash flow.

OUTLOOK

In our view, Westwater's strategic moves bode well for the Company's graphite materials plans. Competing cash requirements will be eliminated and critical human resources can be focused on graphite.

We expect traders and shareholders to take some time to sort through the announcements, in part because there remain a couple of moving parts related to the uranium assets reclamation that frustrate accurate estimation of the deal's impact on the balance sheet. Progress in the graphite initiative in the form of a patent application and assembly of pilot processing capacity are likely to be supportive of the stock price, but it may be that traders will wait for news that pilot plant has produced *Purified Micronized Graphite (PMG)* for customer testing. Indeed, we expect to use that milestone as a trigger for a recalibration of our 2021 and 2022 estimates, which at this time reflect the onset of revenue streams from graphite sales. An updated valuation exercise and an adjustment in price target will follow.

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	*2,554*	*5,000*	*6,500*
General and administrative	9,132	7,488	7,650	6,614	7,357	6,086	*6,988*	*8,000*	*10,500*
Accretion of asset retirement obligations	425	450	480	1,039	993	390	*238*	*500*	*1,000*
Depreciation and amortization	331	336	247	142	116	73	*70*	*80*	*160*
Impairment of mineral properties	160	960	1,673	11,436	23,712	143	-	-	-
Other	-	3,048	-	1,003	333	1,378	*1,872*	*1,500*	*1,500*
Total operating expenses	13,550	16,752	13,298	24,818	36,049	10.922	*11.722*	*15,080*	*19,080*
Operating income (loss)	(13,550)	(16,752)	(13,298)	(24,818)	(36,049)	(10,922)	*(11,722)*	*(14,630)*	*(1,980)*
Total other income (expense)	2,866	1,609	(6,307)	5,530	365	357	*28*	-	-
Income (loss) before income taxes	(10,684)	(15,143)	(19,605)	(19,288)	(35,684)	(10,565)	*(11,694)*	*(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)	*(11,694)*	*(14,630)*	*(1,980)*
Net EPS (LPS), comprehensive	na	na	na	$ (38.50)	$ (38.50)	$ (5.39)	*$ (1.30)*	*$ (1.52)*	*$ (0.19)*
Wtd shares outstanding, diluted in 000s	na	na	na	495	928	1,961	*9,000*	*10,583*	*11,000*

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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

Report	**Date**	**Price**	**Rating**	**Target Price**
Previous reports by request				
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
Update	5/20/20	$1.78	Buy	$30.00
Update	8/17/20	$2.05	Buy	$30.00
Update	9/15/20	$1.81	Buy	$30.00

DISCLOSURES

Name	Symbol: Exchange	Disclosures
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