

NexGen Energy Ltd.

(NYSE-T: C\$2.59)

BUY

Target: C\$6.10

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Assays Confirm New Trend Discoveries at Rook 1

NXE-T	New	Last
Rating	--	Buy
Target	--	C\$6.10
Projected Return	--	136%
Target/DCF multiple	--	0.80x
Corporate DCF	--	7.61
Cash, and Investments	--	-0.05
Debt	--	-0.46
Exploration & Unmodelled Resources	--	0.06
Total NAV	--	7.63
P/NAV	0.34x ▲	0.36x

Company Data	
Last Price	\$2.59
52-week Range	\$2.12 - \$3.58
Market Cap (\$MM)	\$889
Enterprise Value (\$MM)	\$856
Shares Outstanding - Basic (MM)	343.4
Shares Outstanding - FD (MM)	347.4
Avg Volume - 100d (000 shares/day)	457.3
Cash (est.) (\$MM)	\$181
Debt(\$MM)	\$148
Working Capital est. (\$MM) (as of Q3/17)	\$174
Forecast	2016A 2017E 2018E LT
Spot (US\$/lb)	28 23 29 60
Term (US\$/lb)	44 32 34 60

All Figures in C\$ Unless Otherwise Noted

Source: FactSet, Company Reports, Eight Capital

NXE-T: Price/Volume Chart



Source: Factset

Company Description

NexGen Energy is a Canadian based uranium exploration and development company focused on the Athabasca Basin, SK. Its 100% owned Rook 1 property hosts the Arrow deposit which contains an updated 301.6 MM lb U3O8, with Measured and Indicated hosting 179.5 MM lbs grading 6.88%. It has already demonstrated some of the highest grade and thickest intercepts in the entire Athabasca Basin.

We recommend NexGen Energy as a BUY with a C\$6.10/sh target price based on a 10% DCF model and a 0.8x DCF multiple.

Winter drill results were provided from various Arrow Deposit trends at Rook 1 Project in the western Athabasca Basin. Specifically, results were reported from newly discovered areas of: A0 Shear; 160m to the NW and NE along strike of A0; new A1 and A2 shear extensions; and the A3 shear high grade domain infill program. Assays confirmed these discoveries previously announced by scintillometer results in early May. This suggests that several new large, wide open zones of uranium mineralization might help add to the ultimate size of the world class Arrow Deposit. Overall, these didn't return the killer grades that we have seen in the past, but one shouldn't expect that from discovery holes. We now anticipate management to focus drilling to help hone in on finding additional mineralization on these trends, specifically zeroing in on higher grades. Results from A2 shear expansion and A3 infill drilling programs are more typical of what we are used to at Arrow in terms of high uranium grades and wide thicknesses. These results should help add incremental pounds and improve our confidence in the deposit. See [NexGen's press release](#).

While new discoveries are interesting, Arrow is already massive at over 300 MM lbs U3O8, and we believe many investors have eyes on project development. An updated resource estimate and Pre-Feasibility Study are due Q3-Q4/18 and include ongoing geotechnical, hydrogeological, and metallurgical work. A PEA suggests that Arrow may host the largest uranium mine in the world at 27 MM lbs U3O8 pa. But this is a long term project, and development will likely have to go underground, meaning permits may be required for that too. Athabasca Deposits typically turn out even better than first expected once underground testing has begun. NexGen Energy continues to become a brand-name in the uranium sector. It has enjoyed price appreciation upon announcement of this zone in May and June, although with some volatility. We see some upwards momentum right now in a few of the larger uranium stocks, mainly the producers, but select developers such as NXE are also participating ([see note](#)).

A0 Shear zone discovery returned 0.47% U3O8 over 2.5m and 0.21% over 8.5m, located 40m away from another hole that returned 1.42% over 8m. This lies 95m outside of the existing resource area.

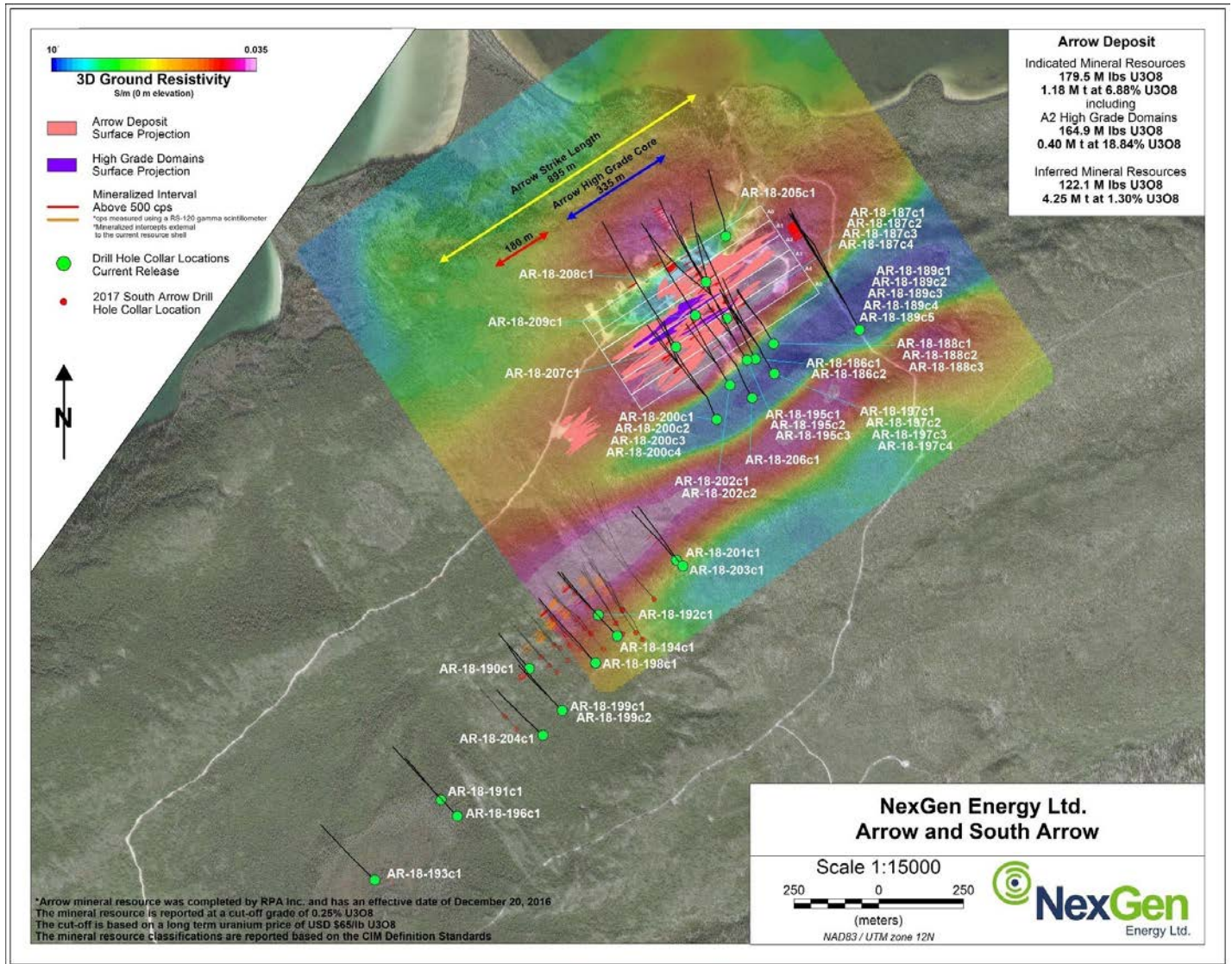
New discovery 160m to NW of A0 hit 0.6% over 0.5m and 0.35% over 3m. This hole is 175m outside of the existing resource area.

New mineralization NE of A1 and A2 Shears with results of up to 1.78% over 7m including 5.86% over 2m. This is 35m NE of a 0.47% over 19.5m intercept and located 215m outside existing resources.

Positive results on previously known shears. Good news along these trends were extensive and many zones remain open in various directions.

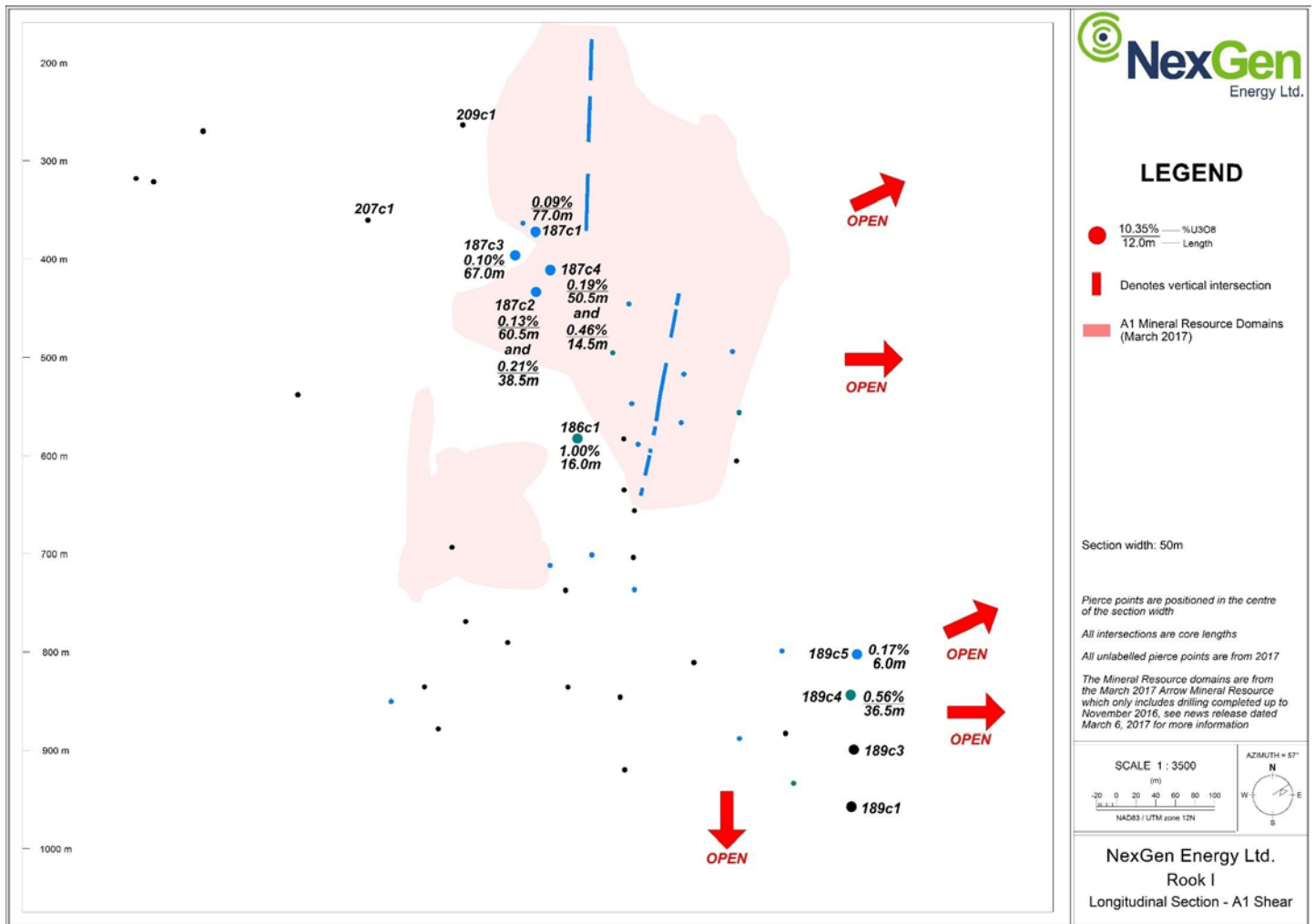
- **A2 shears expanded** with 3.87% over 23.5m including 8.36% over 6.5m.
- **A3 infill drilling successful** with 1.52% over 32.5m incl. 18.65% over 2m.
- **South Arrow potential remains high** but assays were not provided.

Figure 1: Plan map showing the relative location of the Shear Zones at Arrow and South Arrow. This is the first time that significant mineralization has been identified on the AO Shear.



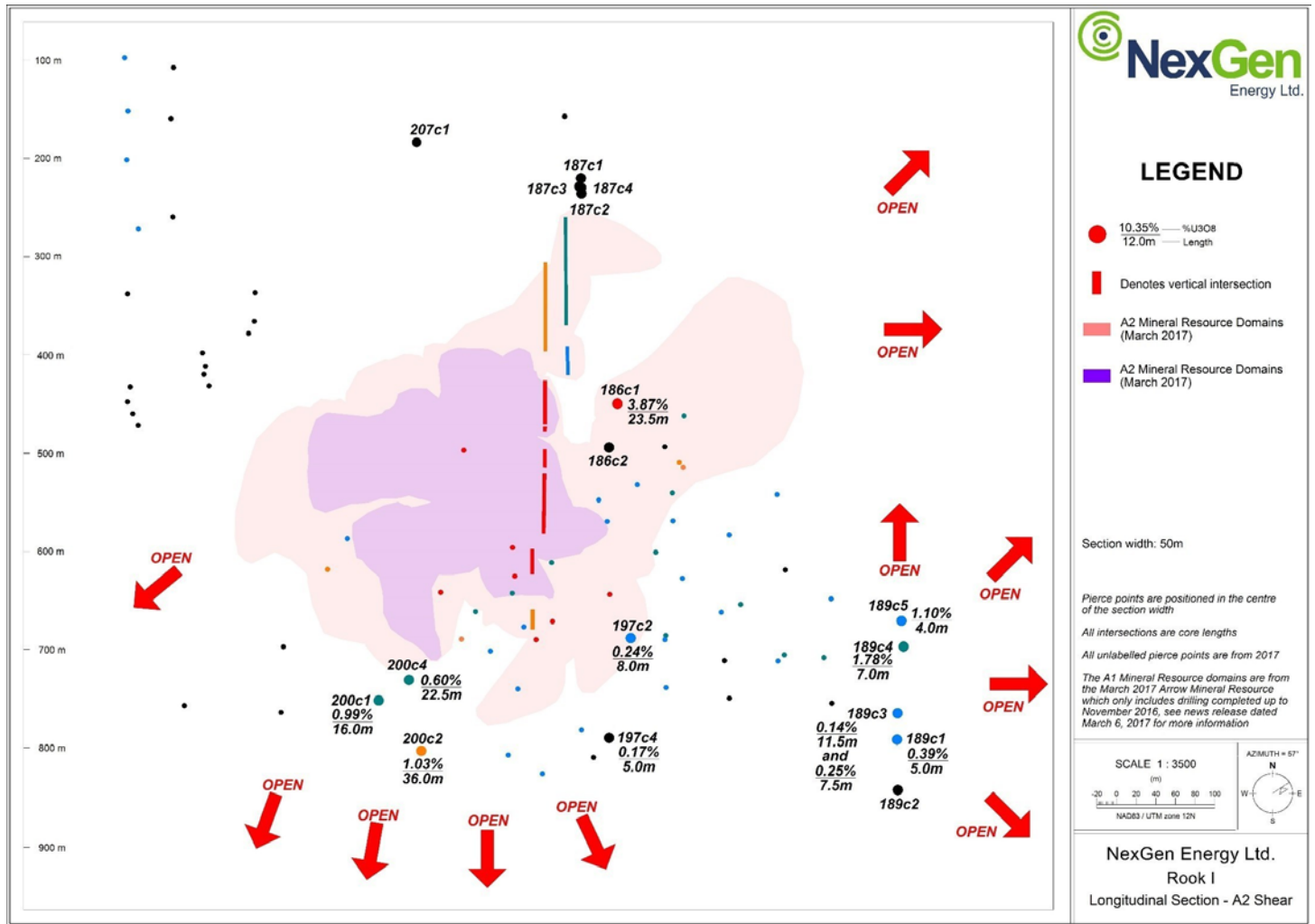
Source: Company Reports

Figure 2: A1 Shear Zone longsection shows current resources and location of winter drill holes. The zone remains open to the NE, particularly around new intercepts of hole -189c4 and -189c5. The gap within the deposit might also show signs of closing...much of A1 Shear wasn't specifically tested, but was intersected by holes targeting the A2 Shear.



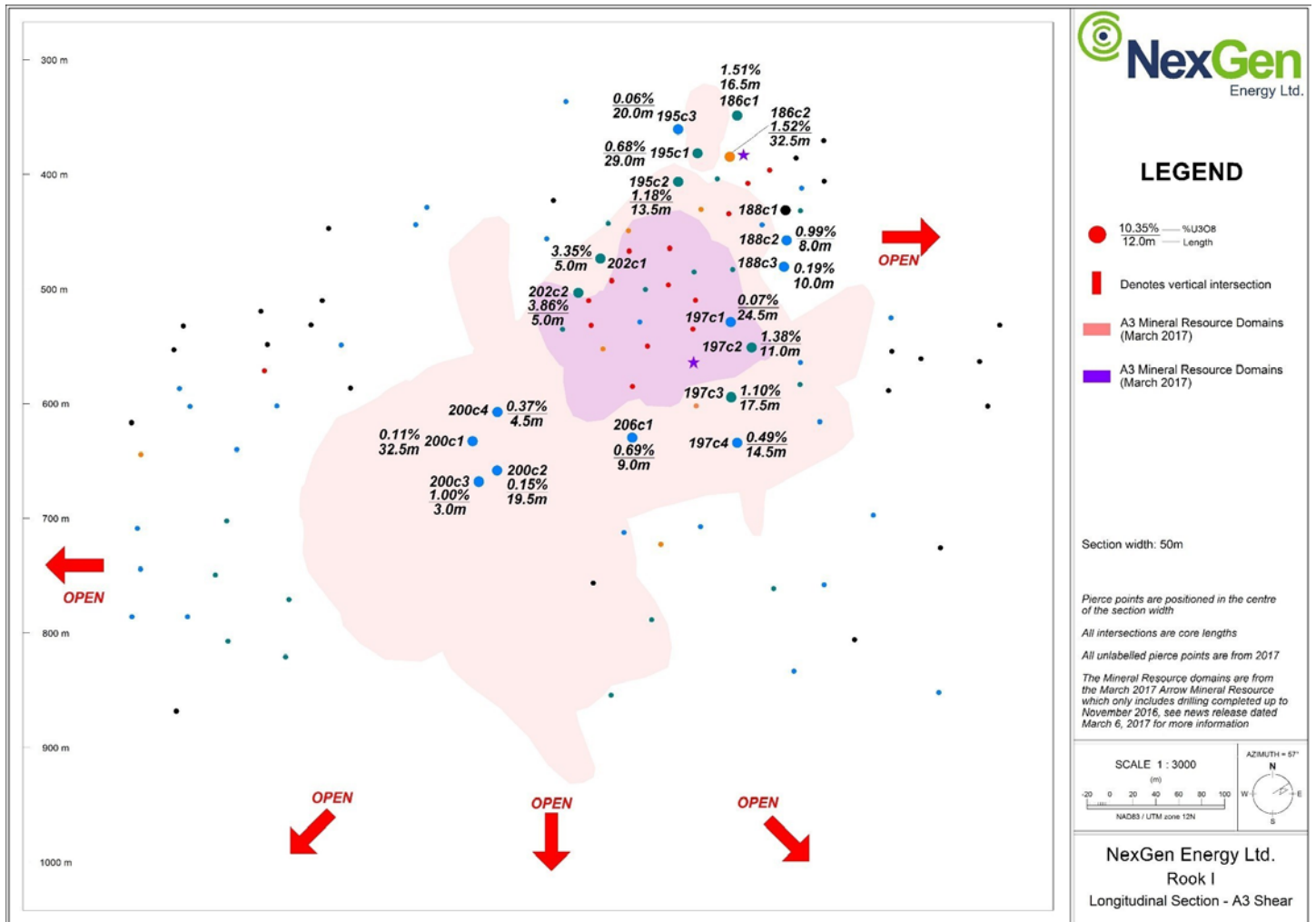
Source: Company Reports

Figure 3: A2 Shear Zone longsection shows potential expansion at depth, up dip, and to the NE in the vicinity of holes -189c1 through -189c5. Certain holes within the lower grade halo also show potential to increase thickness of the deposit.



Source: Company Reports

Figure 4: A3 Shear Zone longsection shows considerable expansion on all sides of the A3 Shear High Grade core. Most of this represents infill drilling to improve confidence from inferred to measured and indicated, but there is some expansion to the NE and up-dip.



Source: Company Reports

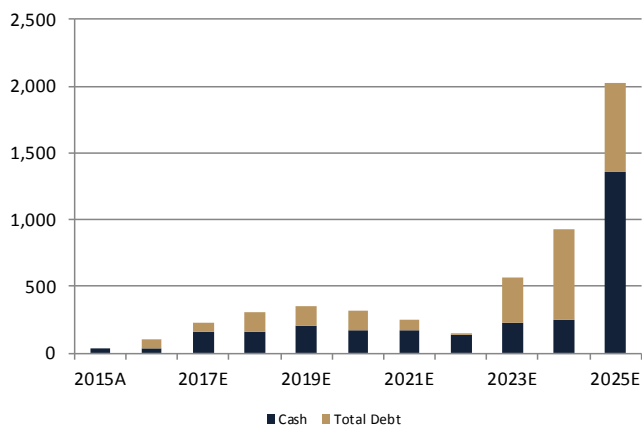
NexGen Energy Ltd.

Net Asset Valuation at Eight Capital Price Deck (C\$)

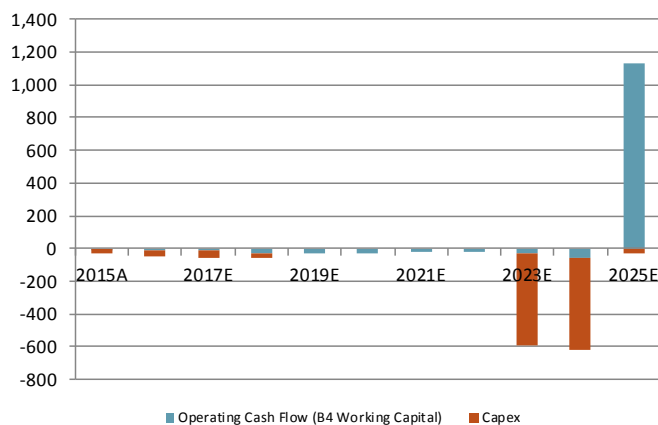
	Target Setting NAV			NAV at Various Discount Rates					
	Discount Rate	(\$MM)	(\$/Share)	0%		5%		15%	
				(\$MM)	(\$/Share)	(\$MM)	(\$/Share)	(\$MM)	(\$/Share)
Uranium Assets									
Arrow	10%	3,313	10.69	10,649	34.36	5,808	18.74	1,954	6.31
Total Uranium Assets		3,313	10.69	10,649	34.36	5,808	18.74	1,954	6.31
Other Assets & Expenses									
Cash		159	0.51	159	0.51	159	0.51	159	0.51
Investments		0	0.00	0	0.00	0	0.00	0	0.00
Debt		(71)	(0.23)	(71)	-0.23	(71)	-0.23	(71)	(0.23)
Resources		15	0.05	15	0.05	15	0.05	15	0.05
Exploration, G&A, Other	10%	(1070)	(3.45)	4,337	-13.99	(2165)	-6.99	(491)	(1.59)
Net Other Assets		(968)	(3.12)	4,234	-13.66	(2062)	-6.65	(389)	(1.25)
Net Asset Value		2,345	7.57	6,415	20.70	3,746	12.09	1,565	5.05
Share Price			2.59		2.59		2.59		2.59
P/NAV			0.34x		0.13x		0.21x		0.51x

Financial Forecasts at Eight Capital Price Deck (MM C\$)

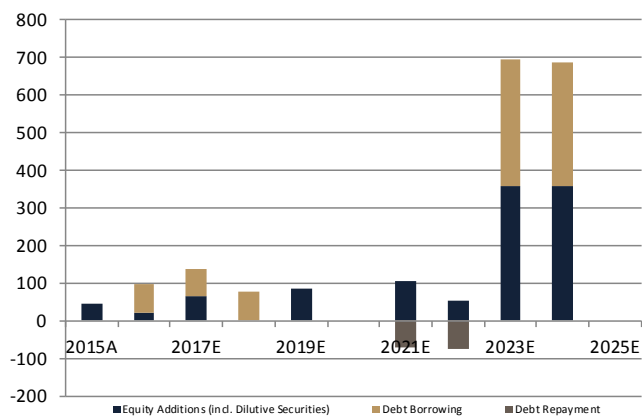
Cash and Debt



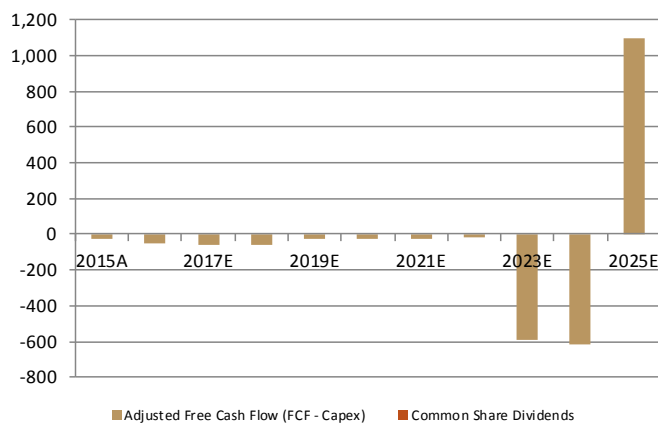
Operating Cash Flow and Capital Spending



Changes in Debt and Equity



Free Cash Flow and Common Share Dividends



Source: Company Reports, FactSet, Eight Capital

NexGen Energy Ltd.					
Rating	BUY	C\$ Target	\$6.10	Shares O/S (MM)	343.4
		C\$ Close	\$2.59	Fully Diluted Shares (MM)	347.4
David A. Talbot, Director, Mining Research		12-month return	136%	Basic Mkt. Capitalization (\$MM)	C\$ 889.3
dtalbot@viiicapital.com				Enterprise Value (\$MM)	C\$ 856.5

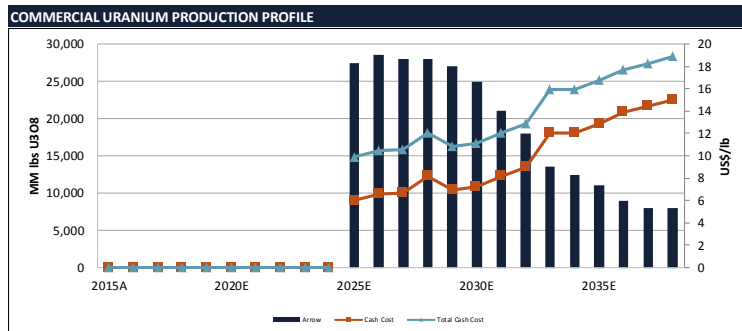
PRODUCTION ESTIMATES (000 lbs)					
Year-end June	2024E	2025E	2026E	2027E	2028E
Arrow	0	27,400	28,500	28,000	28,000
TOTAL	0	27,400	28,500	28,000	28,000

TOTAL CASH COST ESTIMATES (excl. non-cash) (US\$/lb)					
Year-end June	2024E	2025E	2026E	2027E	2028E
Arrow	0.0	9.9	10.4	10.6	12.1
Wt. Avg. Total Cash Costs	0.0	9.9	10.4	10.6	12.1

URANIUM RESERVES & RESOURCES				
	Tonnes MM t	Grade % U3O8	Cont U3O8 (MM lbs) 100% Basis	NXE Share
Ownership				
Proven and Probable Reserves				
*The company currently has no Mineral Reserves				
Total Reserves	0.00	0.00%	0.00	0.00
Indicated Resources				
A2+HG	100%	400	18.84%	164.90
A2	100%	790	0.84%	14.60
Total Indicated Resources	1,190	6.89%	179.50	179.50
Inferred Resources				
A2+HG	100%	30	12.72%	8,500
A2	100%	1100	0.76%	18,500
A1	100%	860	0.76%	14,300
A3+HG	100%	150	8.74%	28,200
A3+HG	100%	1460	1.16%	37,300
A4	100%	550	1.07%	12,900
SouthWest Arrow	100%	110	0.94%	2,300
Total Inferred Resources	4,260	0.01	122	122
Total Arrow (Q1 2017)	5,450.00	2.53%	301.50	301.50
Current Per Pound Metrics				
EV/lb (US\$)		NXE	Exp. Peers	Prem./Disc.
		\$2.84	1.21	135%
Mkt Cap/lb (US\$)		\$2.95	0.73	303%

NET ASSET VALUE (C\$) - 10%			
	NAV (\$ MM)	/Share	% NAV
Assets:			
Arrow (100%)		10.69	141%
Un-Mined Resources	14.5	0.05	0%
Balance Sheet & Other Items:			
Cash & Investments	88.1	0.28	4%
Debt	0.0	0.00	0%
Exploration, G&A, and Other	-1,070.3	-3.45	-46%
Total	-968	7.57	100%
Eight Capital DCF Target Multiple		0.80x	
Share Price Target		6.10	

Long Term Uranium Price Assumption (US\$/lb)					
Target (C\$/share)	30	40	50	60	70
0% Discount	6.27	10.05	13.83	17.61	21.39
5% Discount	3.71	5.82	7.94	10.05	12.17
10% Discount	2.35	3.61	4.86	6.11	7.36
15% Discount	1.60	2.38	3.15	3.93	4.70



BALANCE SHEET (C\$ MM)				
Year-end June	2016A	2017E	2018E	Q3/17
Assets:				
Cash & Cash Equivalents	31.09	158.90	154.97	180.72
Other Current Assets	48.34	1.14	1.14	1.14
Current Assets	79.43	160.04	156.11	181.87
Mineral Properties	109.45	142.37	142.37	142.37
Other non-current Assets	3.62	16.91	51.91	4.21
Total Assets	192.50	319.33	350.39	328.44
Liabilities:				
Current Liabilities	2.43	7.70	7.70	7.70
Long-term Debt	70.81	70.81	149.17	147.93
Other non-current Liabilities	0.25	73.13	50.67	0.33
Total Liabilities	73.49	151.64	207.55	155.97
Capital Stock	125.74	193.87	193.87	193.73
Retained Earnings	(6.7)	(26.2)	(51.0)	(21.3)
Total Shareholder Equity	119.01	167.69	142.84	172.48

INCOME STATEMENT (C\$ MM)				
Year-end June	2016A	2017E	2018E	2019E
Total Revenue:	0.7	1.3	0.8	0.8
% Uranium	0%	0%	0%	0%
% Other	100%	100%	100%	100%
Operating Costs	0.0	0.0	0.0	0.0
G&A	5.7	8.3	10.0	10.0
Exploration	0.0	0.0	0.0	0.0
Depreciation	0.6	0.0	0.0	0.0
Other	8.1	24.6	5.2	5.2
EBITDA	(13.1)	(31.6)	(14.4)	(14.4)
EBIT	(13.8)	(31.6)	(14.4)	(14.4)
Interest Expense	(3.5)	(6.8)	(10.5)	(10.5)
EBT	(17.2)	(38.4)	(24.8)	(24.8)
Taxes	(0.3)	0.3	0.0	0.0
Equity Earnings	0.0	16.1	0.0	0.0
Other	0	0	0	0
Net Income (Reported)	(17.5)	(21.8)	(24.8)	(24.8)
Net Income (Adjusted)	(17.5)	(21.8)	(24.8)	(24.8)
EPS (Reported) \$/sh	(0.06)	(0.06)	(0.08)	(0.07)
EPS (Adjusted) \$/sh	(0.06)	(0.06)	(0.08)	(0.07)
Average Shares (MM)	300.3	395.9	309.9	347.6

CASH FLOW STATEMENT (C\$ MM)				
Year-end June	2016A	2017E	2018E	2019E
Net Income (Reported)	(17.5)	(21.8)	(24.8)	(24.8)
Depreciation	(0.6)	0.0	0.0	0.0
Working Capital Changes	0.3	0.0	0.0	0.0
Other	9.9	8.3	0.0	0.0
Operating Cash Flow	(8.0)	(13.5)	(24.8)	(24.8)
Operating Cash Flow/sh (\$/sh)	(0.03)	(0.03)	(0.08)	(0.07)
Capital Expenditures	(41.1)	(41.9)	(35.0)	0.0
Acquisitions	(0.0)	56.3	0.0	0.0
Other	(50.8)	(9.2)	(22.5)	(11.2)
Investing Cash Flow	(92.0)	5.1	(57.5)	(11.2)
Common Share Dividends	0.0	0.0	0.0	0.0
Equity financing	23.0	67.4	0.0	86.6
Debt Issue	74.1	71.0	78.4	0.0
Debt Repayment	0.0	0.0	0.0	0.0
Other	(2.0)	(0.2)	0.0	0.0
Financing Cash Flow	95.1	138.3	78.4	86.6
Net Change in Cash	(3.9)	129.5	(3.9)	50.6
Cash Balance	30.4	159.9	156.0	206.6
Free Cash Flow	(49.2)	(55.4)	(59.8)	(24.8)

VALUATION DATA				
Year-end June	2016A	2017E	2018E	2019E
P/E	--	--	--	--
P/CF	--	--	--	--
EV/EBITDA	--	--	--	--
FCF Yield	--	--	--	--

INPUT PRICES				
	2016A	2017E	2018E	2019E
Eight Capital Spot Uranium (US\$/l)	28	23	29	35
Uranium Realized Price (US\$/lb)	0.0	0.0	0.0	0.0
Exchange (US\$/C\$)	0.76	0.77	0.80	0.80

Source: Company Reports, FactSet, Eight Capital

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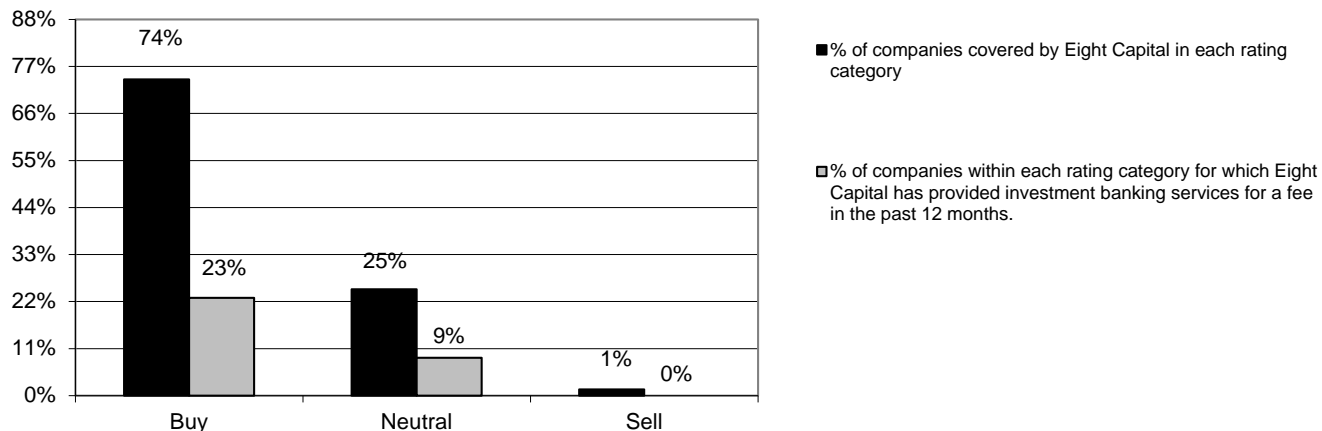
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As at June 29, 2018
Source: Eight Capital