



June 14, 2020

NexGen Energy Ltd.

Company description

NexGen Energy is a uranium development and exploration company, focused on the Athabasca Basin in Saskatchewan. The company's flagship Rook I project contains the large, high-grade Arrow deposit, which we consider as one of the best undeveloped uranium assets globally. A pre-feasibility study has been completed for the Arrow project indicating robust economics, while the company is working to complete a definitive feasibility study and start environmental permitting through 2019. Additionally, NexGen has discovered several other areas of potentially significant uranium mineralization within the Rook I project area (South Arrow, Bow, Harpoon). The company also owns a majority interest in junior uranium exploration company IsoEnergy.

Investment summary

NexGen Energy is a uranium development and exploration company, focused on the Athabasca Basin in Saskatchewan. The company's flagship Rook I project contains the large, high-grade Arrow deposit, which we consider as one of the best undeveloped uranium assets globally.

Top tier uranium mine in development: We think the deposit has potential to be developed into a top-tier uranium mine with production comparable to or above today's largest mines, while realizing operating costs at the lower end of the cost curve.

Favourable geology a unique benefit: Arrow benefits from favourable geology, which is a distinct advantage that separates the project from other undeveloped uranium assets, helping to reduce estimated capital costs, operating costs, and technical risks.

Large resource with potential upside: We see potential to support a project life and annual product beyond the parameters currently envisioned in the PEA, which adds to future long-term strategic value and optionality.

Strategic asset with takeover potential: We view the Arrow project as a potential long-term strategic asset in the uranium and nuclear industry, as the start-up should coincide with an increasing uranium supply deficit by the mid-2020s.

Potential risks

1) **Permitting delays**, especially with respect to uranium mine development due to heightened sensitivities and concerns regarding nuclear material and radiation. 2) **Technical challenges and construction delays**, given the limited uranium mine development in the Western Athabasca region and lack of infrastructure. 3) **Financing risk**, as a pre-production company with debt and developing a uranium mine while market conditions remain challenging. 4) **Uranium price**, which has a significant impact on future cash flows and profitability. 5) **CAD/USD exchange rate**, as the company's costs are primarily based on CAD while sales will primarily be in USD.

RBC Dominion Securities Inc.

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Outperform Speculative Risk

TSX: NXE; CAD 1.77

Price Target CAD 5.00

Key Statistics

Shares O/S (MM):	360.3	Market Cap (MM):	638
Dividend:	0.00	Yield:	0.0%
NAVPS:	10.48	P/NAVPS:	0.17x
		Enterprise Val. (MM):	821
		Avg. Daily Volume:	1,572,407

RBC Estimates

FY Dec	2018A	2019A	2020E	2021E
EPS, Adj Diluted	0.00	(0.04)	(0.10)	(0.09)
P/AEPS	NA	NM	NM	NM
FCFPS	(0.13)	(0.20)	(0.08)	(0.13)
P/FCF	nm	nm	nm	nm

EPS, Adj Diluted	Q1	Q2	Q3	Q4
2019	0.02A	(0.03)A	(0.00)A	(0.03)A
2020	(0.03)A	(0.02)E	(0.02)E	(0.02)E
2021	(0.02)E	(0.02)E	(0.02)E	(0.02)E

FCFPS	2019	2020	2021
2019	(0.06)A	(0.05)A	(0.03)A
2020	(0.03)A	(0.02)E	(0.02)E
2021	(0.03)E	(0.03)E	(0.03)E

Major shareholders - CEF and Li Ka Shing (18% fully diluted); Mega Uranium (5% fully diluted)

All values in CAD unless otherwise noted.

Financial data, including our investment thesis and forecasts, represent our views as of the latest published research (May 20, 2020) and are not reviewed or confirmed if the security is restricted pursuant to RBC Capital Markets policy.

Priced as of prior trading day's market close, EST (unless otherwise noted).

For Required Non-U.S. Analyst and Conflicts Disclosures, see page 5.

NXE Earnings Model

Earnings Model														
<i>CAD\$ millions unless noted</i>	Assump.	2018A	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,385	\$1,458	\$1,855	\$1,855	\$1,855
Finance income		\$2	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Revenue		\$2	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$1,385	\$1,458	\$1,855	\$1,855	\$1,855
Cost of Goods		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$595)	(\$599)	(\$677)	(\$668)	(\$659)
G&A		\$7	(\$9)	(\$25)	(\$24)	(\$22)	(\$22)	(\$22)	(\$22)	(\$22)	(\$22)	(\$22)	(\$22)	(\$22)
Impairment		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gain/loss on FX		\$4	(\$1)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
EBITDA		\$15	(\$7)	(\$23)	(\$22)	(\$21)	(\$21)	(\$21)	(\$21)	\$904	\$961	\$1,270	\$1,270	\$1,270
DD&A		(\$2)	(\$2)	(\$2)	(\$2)	(\$1)	(\$1)	(\$1)	(\$1)	(\$136)	(\$124)	(\$114)	(\$104)	(\$96)
EBIT		\$13	(\$9)	(\$25)	(\$24)	(\$22)	(\$22)	(\$22)	(\$22)	\$768	\$837	\$1,156	\$1,166	\$1,174
Interest expense		(\$12)	(\$12)	(\$12)	(\$12)	(\$12)	(\$12)	(\$12)	(\$12)	(\$12)	(\$12)	(\$12)	(\$12)	(\$12)
EBT		\$1	(\$21)	(\$37)	(\$36)	(\$34)	(\$34)	(\$34)	(\$34)	\$756	\$825	\$1,144	\$1,154	\$1,162
Taxes		\$0	(\$0)	\$0	\$0	\$0	\$0	\$0	\$0	(\$166)	(\$181)	(\$252)	(\$254)	(\$256)
Tax rate	27%	26%	0%	0%	0%	0%	0%	0%	0%	-22%	-22%	-22%	-22%	-22%
Net Income		\$1	(\$21)	(\$37)	(\$36)	(\$34)	(\$34)	(\$34)	(\$34)	\$590	\$643	\$893	\$900	\$907
Non-controlling interests		(\$1)	(\$0)	(\$1)	(\$1)	(\$1)	(\$1)	(\$1)	(\$1)	(\$1)	(\$1)	(\$1)	(\$1)	(\$1)
Net Income to Shareholders		\$1	(\$22)	(\$38)	(\$37)	(\$34)	(\$34)	(\$34)	(\$34)	\$589	\$643	\$892	\$899	\$906
Shares		346	352	352	352	352	352	352	352	352	352	352	352	352
EPS		\$0.00	(\$0.06)	(\$0.11)	(\$0.11)	(\$0.10)	(\$0.10)	(\$0.10)	(\$0.10)	\$1.67	\$1.83	\$2.54	\$2.56	\$2.58

Source: Company reports, RBC Capital Markets estimates

NXE Cash Flow Model

Cash Flow														
<i>CAD\$ millions unless noted</i>	Assump.	2018A	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Earnings		\$1	(\$21)	(\$37)	(\$36)	(\$34)	(\$34)	(\$34)	(\$34)	\$590	\$643	\$893	\$900	\$907
D&A		\$2	\$2	\$2	\$2	\$1	\$1	\$1	\$1	\$136	\$124	\$114	\$104	\$96
Share-based payments		\$14	\$12	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13
Interest expense		\$12	\$7	\$6	\$6	\$6	\$6	\$6	\$6	\$6	\$6	\$6	\$6	\$6
Unrealized FX loss (gain)		(\$4)	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other		(\$33)	(\$16)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Change in non-cash WC														
Cash from Operations		(\$8)	(\$17)	(\$16)	(\$15)	(\$14)	(\$14)	(\$14)	(\$14)	\$745	\$787	\$1,025	\$1,023	\$1,021
PP&E		(\$38)	(\$53)	(\$32)	(\$32)	(\$32)	(\$100)	(\$648)	(\$499)	(\$15)	(\$15)	(\$15)	(\$15)	(\$15)
Sale/Acquisition of S-T investments		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash from Investing		(\$38)	(\$53)	(\$32)	(\$32)	(\$32)	(\$100)	(\$648)	(\$499)	(\$15)	(\$15)	(\$15)	(\$15)	(\$15)
Equity issued		\$10	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Issuance of convertible debentures		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other		(\$8)	(\$0)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash from Financing		\$2	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Change in cash and equivalents		(\$44)	(\$68)	(\$48)	(\$47)	(\$46)	(\$114)	(\$662)	(\$513)	\$730	\$772	\$1,010	\$1,008	\$1,006
Cash & equiv., beginning of period		(\$17)	(\$57)	(\$126)	(\$174)	(\$221)	(\$267)	(\$381)	(\$1,043)	(\$1,556)	(\$826)	(\$55)	\$955	\$1,964
FX impact on cash held		\$4	(\$1)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash & equiv., end of period		(\$57)	(\$126)	(\$174)	(\$221)	(\$267)	(\$381)	(\$1,043)	(\$1,556)	(\$826)	(\$55)	\$955	\$1,964	\$2,970

Source: Company reports, RBC Capital Markets estimates

NXE Balance Sheet Model

Balance Sheet														
<i>CAD\$ millions unless noted</i>	Assump.	2018A	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Cash and cash equivalents		\$125	\$56	\$8	(\$39)	(\$85)	(\$199)	(\$861)	(\$1,374)	(\$644)	\$127	\$1,137	\$2,146	\$3,152
Short-term investments		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Amounts receivable		\$0	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1
Prepaid expenses		\$0	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1
Current assets		\$126	\$58	\$10	(\$37)	(\$83)	(\$197)	(\$859)	(\$1,372)	(\$643)	\$129	\$1,139	\$2,148	\$3,154
Deposits		\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Exploration and evaluation assets		\$194	\$248	\$280	\$312	\$344	\$344	\$344	\$344	\$344	\$344	\$344	\$344	\$344
Property & Equipment		\$7	\$8	\$5	\$3	\$2	\$101	\$749	\$1,247	\$1,126	\$1,017	\$918	\$828	\$748
Total Assets		\$327	\$314	\$296	\$278	\$264	\$249	\$234	\$219	\$828	\$1,490	\$2,402	\$3,321	\$4,246
Accounts payable		\$6	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9
Flow-through liability		\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Short-term loan		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other		\$0	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1
Current liabilities		\$7	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10
Deferred income tax liability		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Deferred lease inducement		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Convertible debentures		\$138	\$122	\$122	\$122	\$122	\$122	\$122	\$122	\$122	\$122	\$122	\$122	\$122
Other		\$0	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2
Total liabilities		\$145	\$135	\$135	\$135	\$135	\$135	\$135	\$135	\$135	\$135	\$135	\$135	\$135
Share capital		\$209	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210
Reserves		\$42	\$44	\$44	\$44	\$44	\$44	\$44	\$44	\$44	\$44	\$44	\$44	\$44
Accumulated deficit		(\$85)	(\$91)	(\$110)	(\$127)	(\$142)	(\$156)	(\$171)	(\$186)	\$423	\$1,085	\$1,996	\$2,915	\$3,841
Non-controlling interests		\$17	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16
Shareholders Equity		\$182	\$179	\$161	\$144	\$129	\$114	\$99	\$85	\$693	\$1,356	\$2,267	\$3,186	\$4,111
Total liabilities & equity		\$327	\$314	\$296	\$278	\$264	\$249	\$234	\$219	\$828	\$1,490	\$2,402	\$3,321	\$4,246
Net Debt		(\$125)	(\$56)	(\$8)	\$39	\$85	\$199	\$861	\$1,374	\$644	(\$127)	(\$1,137)	(\$2,146)	(\$3,152)
Change		\$40	\$69	\$48	\$47	\$46	\$114	\$662	\$513	(\$730)	(\$772)	(\$1,010)	(\$1,008)	(\$1,006)

Source: Company reports, RBC Capital Markets estimates



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RBC Capital Markets, LLC makes a market in the securities of NexGen Energy Ltd..

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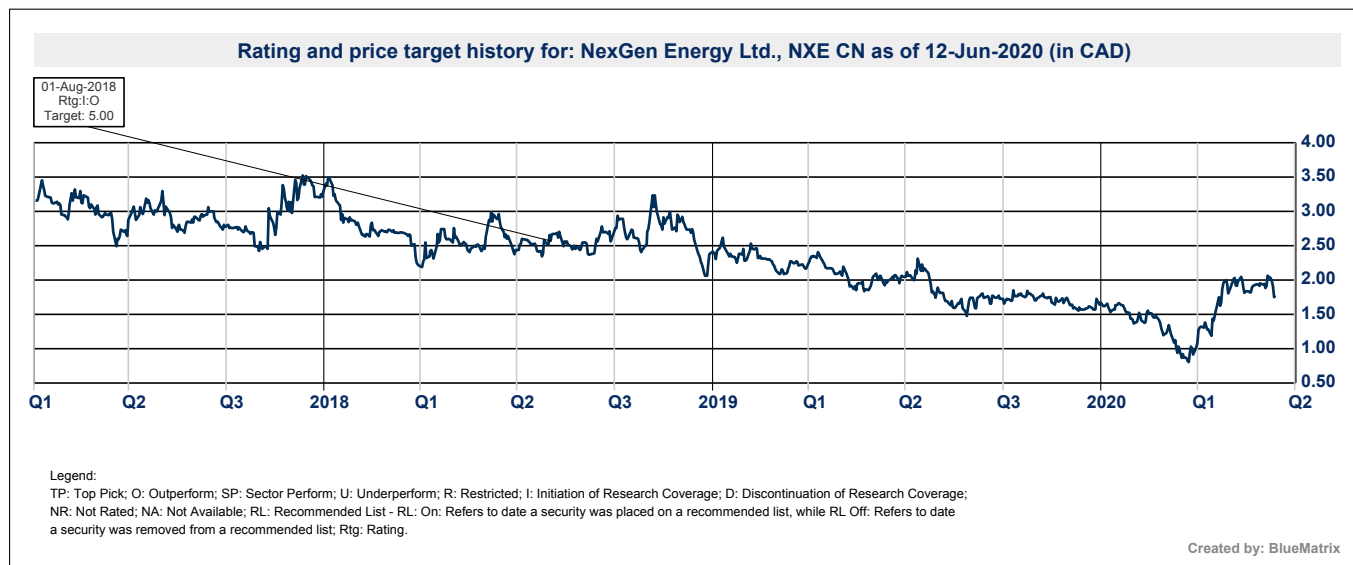
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			Count	Percent
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NexGen Energy Ltd.

Valuation

We rate NexGen shares Outperform, Speculative Risk with a \$5 price target. We value NexGen based on a NAV analysis using an 8% discount and 0.5x P/NAV multiple. The discount rate is in line with the rate used to evaluate other mining projects. The P/NAV multiple reflects a typical multiple assigned to a development stage company that is not expected to start production until the



mid-2020s while dealing with uncertainties in the interim related to regulatory approvals, construction delays, potential technical risks, and financing. We assign a Speculative Risk qualifier for the same reasons that influence the P/NAV multiple we use in our valuation. Our price target supports an Outperform rating.

Risks to rating and price target

1) Permitting delays, especially with respect to uranium mine development due to heightened sensitivities and concerns regarding nuclear material and radiation. 2) Technical challenges and construction delays, given the limited uranium mine development in the Western Athabasca region and lack of infrastructure. 3) Financing risk, as a pre-production company with debt and developing a uranium mine while market conditions remain challenging. 4) Uranium price, which has a significant impact on valuation. 5) CAD/USD exchange rate, as operations are located in Canada while uranium sales are primarily in USD.

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