

**Ticker:** FCU CN  
**Market cap:** C\$406m

**Net cash:** C\$53m  
**Price:** C\$0.63/sh

**Project:** Patterson Lake South (PLS)  
**Country:** Saskatchewan, Canada

**RECOMMEND.** (unc): BUY

**TARGET** (up): C\$0.80/sh

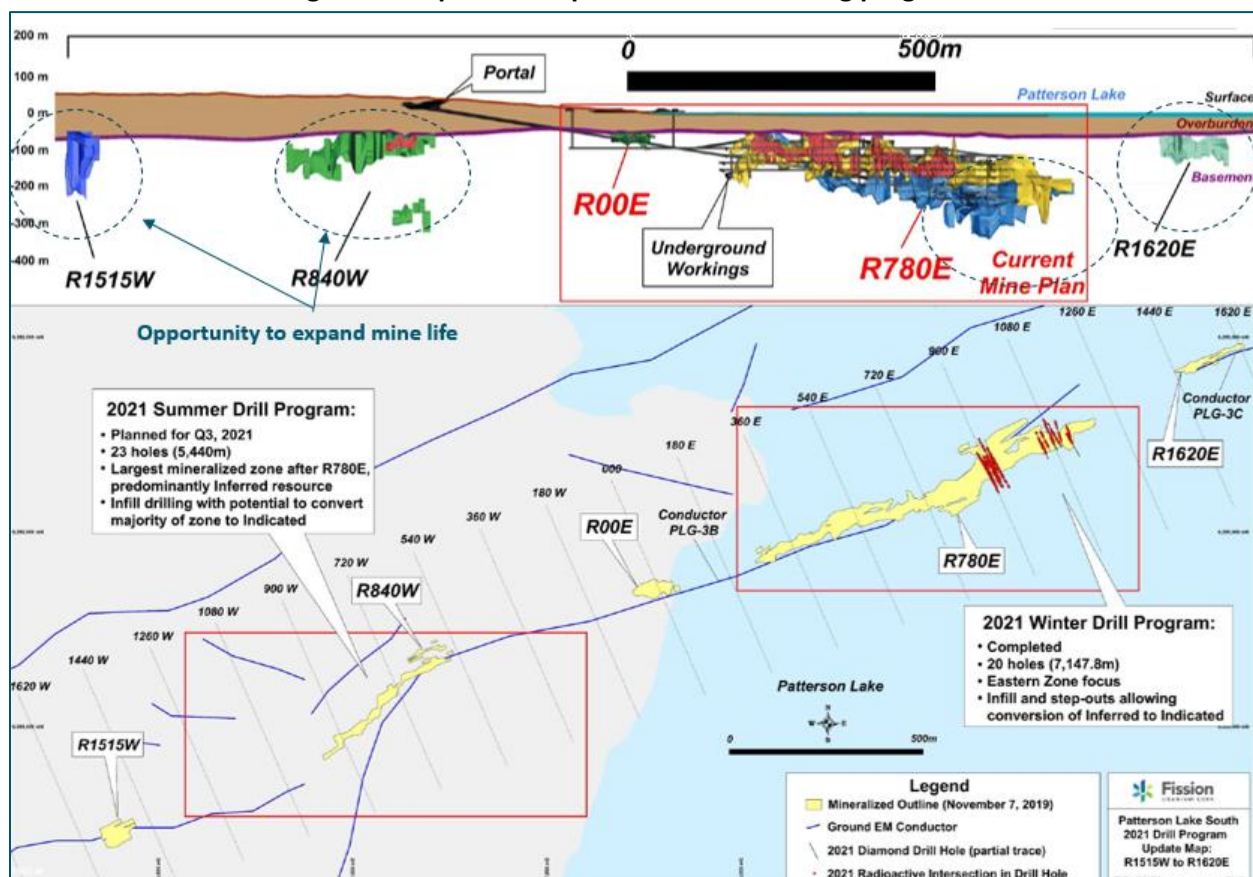
**RISK RATING:** HIGH

Fission's launch of the PLS feasibility study, targeted for 2Q22 completion, could not come at a better time. The IEA's Net Zero by 2050 plan's Announced Pledges Case projects a 73% increase in nuclear generation, for a CAGR of 1.8%. The steepest CAGR over this 30-year period is from 2025-2030 where the IEA forecasts a CAGR of 2.6% for nuclear energy generation. With supply and inventories falling and no investment in new capacity, the IEA's projected demand increase is well timed for uranium mine developers, including Fission and Nexgen. By 2050, assuming linear U3O8 demand relative to generation, this adds 110Mlbs per year of demand, equivalent to five Cigar Lakes, and 1.8bn lbs to cumulative demand over the 50-year period. In reality we'd expect the cumulative demand figure would be even higher to account for required inventory, and the higher uranium intensity of initial reactor starts. Stepping back, we think Fission is one of few scalable world class projects and is one of the highest priority deposits needed to meet increased demand. **We maintain our BUY rating and price target to C\$0.80/sh, based on 0.8x NAV8%-50/lb.**

## DFS launched, drilling campaign to upgrade 14.7Mlbs of inferred at R840W

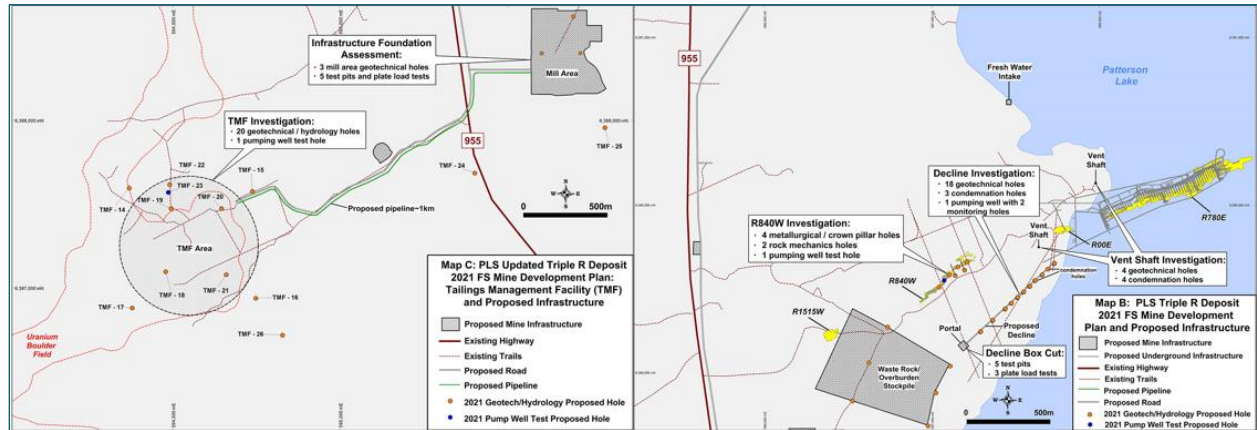
Fission announced launch of the DFS for its Patterson Lake South project. The initial phase of data collection and assessment includes 73 drill holes for 9,945m of geotechnical, hydrogeological, geochemical and metallurgical data with four rigs to be deployed. In addition, two core rigs will carry out a 25-hole (5,830m) programme focused on upgrading the majority of the R840W Zone from inferred to indicated for mine plan eligibility. R840W is incremental to the PFS mine plan and contains 3.3Mlbs at 1.68% U3O8 of indicated and 11.5Mlbs at 1.86% U3O8 of inferred resources.

**Figure 1: Map of PLS deposits and 2021 drilling programs**



Source: Fission Uranium, SCP

**Figure 2: Proposed FS development plan (A) plant, TMF and site infrastructure,(B) mine development**



Source: Fission Uranium, SCP

## Why we like Fission Uranium

- World class size, grade, jurisdiction and setting make this a globally significant asset.
- Trading at less than half of the peer EV/insitu average
- Has significant exploration holding in the highly prolific Patterson trend to add to 135Mlb resource base
- Significant potential synergies with neighbour NexGen as two projects are less than 20km apart

## Catalysts

- 2021: Commence EA
- 2Q22: FS completion
- 2023 EIS
- 2025/2026 Construction start (SCPe 2H25)
- 2028/2029 First production (SCPe 2028)

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<b>Ticker:</b> FCU CN	<b>Price / mkt cap:</b> C\$0.63/sh, C\$406m	<b>Market P/NAV:</b> 0.65x	<b>Assets:</b> PLS
<b>Justin Chan / Brandon Gaspar</b>	<b>Rec / PT:</b> BUY / C\$0.80	<b>1xNAV<sub>2020</sub> FD:</b> C\$0.97/sh	<b>Country:</b> Canada (Sask)

Group-level SOTP valuation					Share data						
	1Q21	2Q21E			Basic shares (m):	644.0	FD + options (m):	699.8	FD + FF	923.7	
	C\$m	O/ship	NAVx	C\$/sh	Commodity price	CY25E	CY26E	CY27E	CY28E	CY29E	
PLS NPV 2Q21E	796.6	100%	1.0x	1.14	Uranium price (US\$/lb)	50.0	50.0	50.0	50.0	50.0	
Central SG&A & fin costs 2Q21E	(207.3)	--	1.0x	(0.30)	Ratio analysis	CY25E	CY26E	CY27E	CY28E	CY29E	
Lbs outside mine plan (US\$/lb U3O8)	15.3	--	1.0x	0.02	FD shares out (m)	916.8	923.7	923.7	923.7	923.7	
Other assets	1.3	--	1.0x	0.00	EPS (C\$/sh)	0.001	(0.029)	(0.088)	0.131	0.252	
Cash and restr. cash 1Q21	60.0	--	1.0x	0.09	CFPS before w/c (C\$/sh)	0.00	(0.00)	(0.00)	0.38	0.51	
Debt 1Q21	(7.2)	--	1.0x	(0.01)	FCFPS pre growth (C\$/sh)	0.00	(0.03)	(0.09)	0.24	0.41	
ITM options	20.1	--	1.0x	0.03	FCF/sh (C\$/sh)	(0.13)	(0.58)	(0.68)	0.24	0.41	
1xNAV8% US\$50/lb	679			0.97	FCF yield - pre growth (%)	0.2%	neg	neg	51.4%	86.5%	
Assumed build equity issuance	300.0			0.32	FCF yield (%)	neg	neg	neg	51.4%	86.5%	
1xNAV fully funded8% US\$50/lb	979			1.06	EBITDA margin (%)	--	--	--	64.1%	67.3%	
P/NAV - fully diluted for build (x)				0.59x	FCF margin (%)	--	--	33.7%	43.4%	49.0%	
Target multiples	Multiple			C\$/sh	ROA (%)	0.1%	(1.9%)	(4.7%)	7.4%	14.6%	
Target P/NAV Multiple	0.80x			0.80	ROE (%)	0.1%	(4.2%)	(14.9%)	18.0%	25.8%	
Target price				0.80	ROIC (%)	(2.7%)	(0.7%)	(0.4%)	23.6%	35.6%	
Sources	Uses				EV (C\$m)	(34)	505	1,134	1,009	688	
PFS capex	C\$1177m	SCPe 3Q20 cash + ITM options	C\$18m		PER (x)	513.4x	(16.4x)	(5.4x)	3.6x	1.9x	
SCPe contingency	C\$281m	Mine debt @ 60% gearing	C\$900m		P/CF (x)	483.4x	(1119.4x)	(350.0x)	1.3x	0.9x	
SCPe G&A + fin. cost to first Au	C\$61m	Build Equity	C\$300m		P/Book value (x)	0.7x	0.7x	0.8x	0.7x	0.5x	
SCPe working capital	-C\$1m	Offtake	C\$300m		EV/EBITDA (x)	6.8x	(101.0x)	(226.8x)	2.4x	1.2x	
Total uses	C\$1518m	Total proceeds	C\$1518m		Income statement	CY25E	CY26E	CY27E	CY28E	CY29E	
1xNAV sensitivity to gold price and discount / NAV multiple					Revenue (C\$m)	--	--	--	665	870	
1xNAV PLS (C\$m)	\$30/lb	\$40/lb	\$50/lb	\$60/lb	\$70/lb	COGS (C\$m)	--	--	--	(233)	(280)
10% discount	-6	285	576	867	1,158	Gross profit (C\$m)	--	--	--	431	590
9% discount	30	354	679	1,003	1,327	Expenses (C\$m)	(10)	(5)	(5)	(5)	(5)
8% discount	73	435	797	1,158	1,520	Impairment & other (C\$m)	--	--	--	--	--
7% discount	124	528	933	1,337	1,742	Net finance costs (C\$m)	6	(22)	(76)	(92)	(66)
6% discount	184	637	1,090	1,543	1,996	Tax (C\$m)	--	--	--	(80)	(112)
5% discount	256	764	1,272	1,781	2,289	Minority interest (C\$m)	--	--	--	--	--
Valuation (C\$/sh)	\$30/lb	\$40/lb	\$50/lb	\$60/lb	\$70/lb	Net income attr. (C\$m)	(4)	(27)	(81)	254	407
0.6xNAV	nmf	0.25	0.60	0.95	1.30	EBITDA	1	(27)	(81)	121	233
0.7xNAV	nmf	0.30	0.70	1.15	1.55	Cash flow	CY25E	CY26E	CY27E	CY28E	CY29E
0.80xNAV	nmf	0.35	0.80	1.30	1.75	Profit/(loss) after tax (C\$m)	1	(27)	(81)	121	233
0.9xNAV	nmf	0.40	0.90	1.45	2.00	Add non-cash items (C\$m)	0	26	80	227	241
1.0xNAV	nmf	0.45	1.00	1.60	2.20	Less wkg cap / other (C\$m)	--	--	--	(56)	(14)
Valuation over time	1Q20E	1Q21E	1Q22E	1Q23E	1Q24E	Cash flow ops (C\$m)	1	(0)	(1)	291	460
Mines NPV (US\$m)	797	863	943	1,030	1,128	PP&E (C\$m)	(120)	(509)	(548)	(30)	(30)
Cntrl G&A & fin costs (US\$m)	-195	-203	-213	-224	-236	Other (C\$m)	--	--	--	--	--
Net cash at 1Q (US\$m)	23	40	42	21	582	Cash flow inv. (C\$m)	(120)	(509)	(548)	(30)	(30)
Other Assets + Options	21	21	21	21	21	Debt draw (repayment) (C\$m)	(14)	450	450	(225)	(225)
1xNAV (US\$m)	646	722	793	848	1,496	Equity issuance (C\$m)	4	--	--	--	--
P/NAV (x):	0.49	0.56	0.47	0.46	0.32	Other (C\$m)	(0)	(26)	(80)	(137)	(110)
1xNAV share px FD (C\$/sh)	1.30	1.12	1.33	1.37	1.96	Cash flow fin. (C\$m)	(9)	424	370	(362)	(335)
ROI to equity holder (% pa)	106%	78%	45%	30%	33%	Net change post forex (C\$m)	(129)	(86)	(179)	(100)	96
1.2xNAV share px FD (C\$/sh)	1.56	1.35	1.59	1.65	2.35	FCF (C\$m)	(119)	(536)	(629)	224	377
ROI to equity holder (% pa)	147%	114%	59%	38%	39%	Balance sheet	CY25E	CY26E	CY27E	CY28E	CY29E
Resource / Reserve	Mt	Mlbs	EV/oz Ag	EV/lb		Cash (C\$m)	462	376	197	97	193
Measured, ind. & inf. - Triple R	3,437	135.2	2.15	2.15		Accounts receivable (C\$m)	0	0	0	25	33
SCPe Mine inventory - Triple R	3,918	127.5	2.28	2.28		Inventories (C\$m)	--	--	--	58	70
Production (100%)	CY27E	CY28E	CY29E	CY30E	CY31E	PPE & exploration (C\$m)	490	1,000	1,547	1,443	1,299
Triple R (000lb U3O8)	--	10.0	13.0	15.0	13.4	Other (C\$m)	0	0	0	0	0
Triple R cash cost (US\$/lb)	--	\$17.56	\$16.07	\$15.19	\$15.36	Total assets (C\$m)	953	1,376	1,745	1,625	1,595
Triple R AISC (US\$/lb)	--	\$20.18	\$18.07	\$16.93	\$17.31	Debt (C\$m)	(6)	444	894	669	444
C1 = opex (excl. G&A) + royalties; AISC = C1 + sust capex + capitalized stripping/development					Other liabilities (C\$m)	304	304	304	288	251	
					Shareholders equity (C\$m)	811	811	811	811	811	
					Retained earnings (C\$m)	(155)	(182)	(263)	(143)	90	
					Minority int. & other (C\$m)	--	--	--	--	--	
					Liabilities+equity (C\$m)	953	1,376	1,745	1,625	1,595	
					Net cash (C\$m)	467	(68)	(697)	(573)	(252)	
					Net Debt to NTM EBITDA (x)	nmf	nmf	1.6	1.0	0.4	

20mlbs

15mlbs

10mlbs

5mlbs

0mlbs

■ Triple R (000oz)

● Group AISC (US\$/oz)

CY27E

CY28E

CY29E

CY30E

CY31E

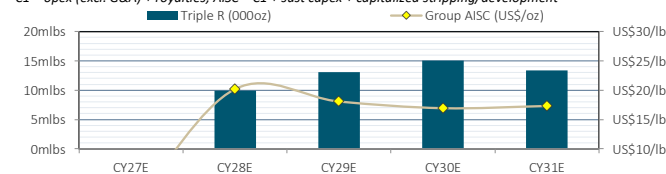
US\$30/lb

US\$25/lb

US\$20/lb

US\$15/lb

US\$10/lb



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SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	41

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