

Action Note

Equity Research

June 24, 2021

Metals & Minerals

NexGen Energy Ltd.

(NXE-T) C\$5.23

Nexgen to List on ASX - Corporate Update

Craig Hutchison, P. Eng

Event

Nexgen announced this morning that it has filed a prospectus with the Australian Securities Exchange in order to list its shares as a Chess Depository Instrument (CDI) on the ASX under the ticker 'NXG'. In addition, the company announced that it is in the final stages of preparing for an exploration program at Rook I.

On the back of today's announcement we have made some minor changes to our estimates to reflect the company's most recent financials.

Impact: NEUTRAL

- Grassroots exploration program at Rook I** - Nexgen is in the final stages of preparing its 2021 exploration program at the Rook I property, which hosts the Arrow deposit. Details on the size of the program were not provided; however, there is no shortage of targets, with 90% of the property unexplored to date and an additional eight conductive corridors to test. **The company is well funded, with over \$200mm of cash on its balance sheet following its recent equity raise.**
- Uranium market outlook** - Uranium prices are up 7.5% to date to US\$32.30/lb. Year-to-date, UxC is reporting total spot volumes of ~33.3mmlbs on 185 transactions, which is below 2020 levels, but ~20% above the previous three-year average trend levels. Spot purchases of uranium by developers and physical holding companies (Yellow Cake and UPC) continue to be a major theme in 2021. We calculate that a total of ~14mmlbs has been purchased year-to-date at an average price of ~US\$30/lb. The recent purchases have been supported by strong investor interest in the space, on renewed optimism and growing government support towards nuclear energy's role in meeting climate goal targets and decarbonizing the grid.
- Outlook** - In addition to restarting drilling at Rook I, the company will advance engineering work and optimization studies on Arrow and continue to engage with regulators and local communities. Nexgen plans to submit its Environmental Impact Statement (EIS) and licensing applications in H2/21.

TD Investment Conclusion

We are maintaining our SPECULATIVE BUY rating and C\$7.00 target price. Nexgen is well positioned, in our view, to benefit from an improving macro-backdrop for uranium prices supported by our expectation for increasing utility contracting over the next several years.

Recommendation:	SPEC BUY
Risk:	SPECULATIVE
12-Month Target Price:	C\$7.00
12-Month Dividend (Est.):	C\$0.00
12-Month Total Return:	33.8%

Market Data (C\$)

Current Price	C\$5.23
52-Week Range	\$1.68 - \$6.08
Mkt Cap (f.d.) (\$mm)	\$2,684.4
EV (\$mm)	\$2,311.8
Current Dividend	\$0.00
Dividend Yield	0.0%
Avg. Daily Trading Vol.	3,411,255

Financial Data (C\$)

Fiscal Y-E	December
Shares O/S (f.d.) (mm)	513.3
Float Shares (mm)	388.4
Net Debt (\$mm)	\$(170.9)
NAVPS	\$5.78
Working Cap (\$mm)	\$221.8

*Share O/S (f.d.) represents fully diluted in-the-money share count.

All figures in C\$, unless otherwise specified



Company Profile

NexGen Energy Ltd. (NXE-T) is a Canadian uranium exploration company. Its flagship asset is the Rook I project located along the southwestern rim of the Athabasca Basin. Rook I is host to the Arrow Deposit, one of the largest high-grade undeveloped uranium deposits in the world.

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Outlook

The ASX listing could increase the company's investor base - the company noted that approximately 30% of its current outstanding share capital is held by investors in the Asia Pacific and Australia region. By listing on the ASX, the company should get exposure to additional pools of capital that are limited to investing in ASX-listed issuers. Shares are expected to begin trading on the ASX on July 2nd subject to final approvals.

Very strong balance sheet to fund development program – We have updated our estimates to reflect the company's Q1/21 balance sheet. As at March 31st, the company had \$227mm in cash to fund its development program for Arrow. As a reminder, the company completed a \$172mm equity financing in Q1/21 to support the development of Arrow.

The majority of the proceeds are expected to be allocated to pre-commitment early works (~\$94.5mm), with a scope that includes preparing the site, completing initial freeze hole drilling, and building the supporting infrastructure. Total pre-commitment early works, as set out in the company's latest technical report, calls for \$158mm in capital spend. NexGen is preparing pre-commitment early works program that will encompass all scheduled activities planned for Year-4 Month 1 through Month 6 of the technical report. As part of this initiative, Nexgen is advancing 'Front End Engineering Design' (FEED) work with a selected engineering, procurement, construction and management company.

We have made no significant changes to our assumptions for Arrow. We continue to assume that major construction works will begin in 2024, with pre-commitment early-works capital spent in late-2023 which allows two years of permitting following the planned submission of the EIS in H2/21. We assume production begins in 2027, with a ramp-up to peak production in 2028.

We calculate a project level 8%NAV of \$2.09bln (or \$4.08/share). Our base-case 10%NAV DCF valuation for Arrow is \$1.66bln (\$3.23/share).

Exhibit 1. Arrow Development Assumptions

Parameter		PEA	PFS	FS	TDS
		Jul-17	Nov-18	Feb-21	
Total Resource (Indicated and Inferred)	Kt	5,430	7,730	8,153	8,153
Grade U3O8	%	2.51	2.05	1.88	1.88
Contained U3O8	Mlb	301.6	348.3	337.4	337.4
Resource Assumed in DCF (100%)	Kt	7,310	3,433	4,575	4,575
Head Grade U3O8	%	1.73	3.09	2.37	2.37
Total Contained U3O8	Mlb	278.8	234.1	239.6	239.6
Avg. Daily Throughput	tpd	1,448	1,039	1,207	1,067
LOM U3O8 Recovery	%	96.0%	97.6%	97.6%	97.6%
LOM U3O8 Production	Mlb	267.2	228.4	233.8	233.3
Mine Life	Years	14	9	10.7	11
Average Life-of-mine production	Mlb	18.5	25.4	21.7	21.2
Start Up	Date	**	**	**	2027
Cost Per Tonne Underground Mining	\$/t	\$132	\$157	\$151	\$151
Cost Per Tonne Processed	\$/t	\$111	\$165	\$141	\$141
Cost Per Tonne Other (tailings/contingency)	\$/t			\$31	\$31
Cost Per Tonne G&A	\$/t	\$63	\$67	\$63	\$63
Total Site Cost/tonne ore milled	\$/t	\$306	\$389	\$387	\$387
Cost Per Pound Underground Mining	\$/lb	\$3.61	\$2.35	\$2.96	\$2.96
Cost Per Pound Processed	\$/lb	\$3.03	\$2.46	\$2.77	\$2.77
Cost Per Pound Other (tailings)	\$/lb			\$0.62	\$0.62
Cost Per Pound G&A	\$/lb	\$1.73	\$1.00	\$1.23	\$1.23
Total Site Costs /lb Produced	\$/lb	\$8.37	\$5.81	\$7.58	\$7.58
Off Site Transportation Costs	\$/lb		\$0.34		\$0.36
Saskatchewan Revenue and Profit Royalties	\$/lb	\$11.15			\$8.90
Total Costs (incl. Royalties and Offsite)	\$/lb				\$16.85
Total Costs US\$ (incl. Royalties and Offsite)	US\$/lb				\$13.48
* Pre-Production Capex	\$ mm	\$1,188	\$1,247	\$1,300	\$1,400
* LOM Sustaining Capex	\$ mm	\$468	\$262	\$362	\$385
LOM Total Capex	\$ mm	\$1,656	\$1,509	\$1,662	\$1,785
Long Term Forex Assumption	CAD/USD	0.80	0.75	0.75	0.80
Long Term Uranium Price Assumption	US\$/lb	\$50.00	\$50.00	\$50.00	\$45.00
**8% After Tax NAV	\$ mm	\$3,490	\$3,661	\$3,470	\$2,093
**10% After Tax NAV	\$ mm				\$1,659
**12% After Tax NAV	\$ mm				\$1,316
IRR	%	56.7%	56.8%	52.4%	39.3%
In-Situ Value per tonne	US\$/t				\$2,295

* 2021 FS capex assumption includes pre-commitment early works. Sustaining capex includes decommissioning costs

** TDS Estimate discounted from start of 2021. FS discounted from start of construction

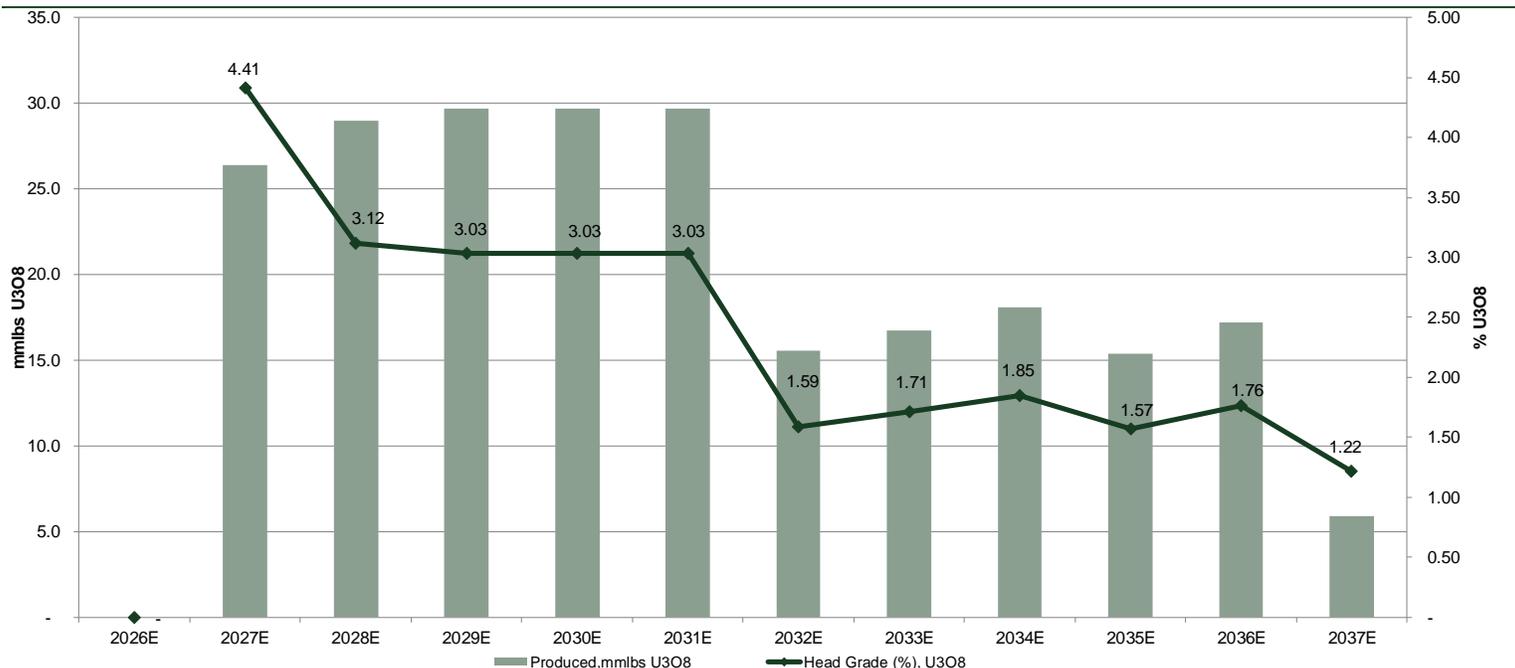
Source: Company, TD Securities

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Exhibit 2. Arrow Production Profile



Source: Company, TD Securities

Exhibit 3. TD Securities Uranium Supply/Demand Model

	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Mine Supply - Western World (Mlb U3O8)									
Total Mine Supply - Western World	100	83	85	81	73	80	85	88	86
Net Eastern Mine Supply (lbs U3O8)	54	54	55	44	52	53	60	66	72
Total World Mine Supply (Mlb U3O8)	154	138	140	125	126	132	145	154	158
YoY % change	-7.6%	-10.2%	1.7%	-10.9%	0.7%	5.3%	9.1%	6.8%	2.6%
Secondary Supply									
Global underfeeding and tails re-enrichment*	19	18	18	16	16	15	15	14	14
Mixed Oxide Fuel (MOX)*	5	5	6	6	6	6	6	7	8
US government sales (DOE Proposed)*	3	2	2	1	0	0	0	0	0
Additional Russian secondary supply*	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0
Total Secondary Supply (Mlb)	27	24	26	24	22	21	21	21	21
Secondary supply as % of global reactor demand	16%	14%	15%	13%	12%	12%	12%	11%	11%
Mobilization of Commercial Inventory	7								
Total Supply	187	169	173	156	155	161	173	183	187
Total World Demand									
Total World Nuclear Generating Capacity (MWe) *	358,819	368,571	372,978	374,420	384,508	385,211	389,242	394,906	398,885
Uranium requirements per MWe	472	472	472	472	472	472	472	472	472
Uranium demand (mmlb)	169	174	176	177	181	182	184	186	188
First Core Requirement (2 year lead)	-	-	-	-	-	-	-	-	-
Total World Demand (Mlb U3O8)	169	174	176	177	181	182	184	186	188
YoY % change	1.7%	2.7%	1.2%	0.4%	2.7%	0.2%	1.0%	1.5%	1.0%
Supply / Demand Balance (Mlb)	18	-5	-3	-21	-27	-21	-11	-4	-2
Spot Uranium Price (US\$/lb U3O8)	\$22.12	\$24.82	\$25.94	\$29.52	\$32.99	\$36.00	\$38.00	\$40.00	\$45.00

Source: Company, TD Securities

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Valuation

NexGen is trading at 0.91x our corporate 10%NAVPS estimate of \$5.78 (previously \$5.77) in line with the base metal developers in our coverage universe of 0.91x. NexGen is currently trading at an EV/lb of US\$6.35/lb based on its M&I resources. This compares to its peer average currently trading at an EV/lb of US\$6.23 and a median of US\$6.34.

Exhibit 4. Uranium Comps

Comparable Company Analysis: Uranium Producers & Developers/Explorers

Ticker	23-Jun-21 Share Price (C\$)	EV (US\$mm)	Corporate Resources ¹			EV/Res			
			2P (Mlbs)	M+I (Mlbs)	Global Resources (Mlbs)	EV/2P (US\$/lb)	EV/M&I (US\$/lb)	EV/All (US\$/lb)	
Cameco Corp.	CCO	24.33	7,816.4	467.1	891.1	1,065.8	16.73	8.77	7.33
Denison Mines Corp.	DML	1.61	913.7	98.6	144.2	156.9	9.26	6.34	5.82
Fission Uranium Corp.	FCU	0.58	282.5	-	102.4	135.2	n/a	2.76	2.09
NexGen Energy Ltd.	NXE	5.23	1,630.9	234.1	256.7	337.4	6.97	6.35	4.83
Paladin Energy, Ltd.	PDN	0.47	1,162.1	76.8	275.6	356.2	15.14	4.22	3.26
UEX Corp.	UEX	0.39	135.6	-	69.8	104.0	n/a	1.94	1.30
Uranium Energy Corp.	UEC	3.48	618.2	-	58.4	103.9	n/a	10.58	5.95
Ur-Energy Corp.	URE	1.91	293.2	-	32.9	41.2	n/a	8.90	7.12
Median							12.20	6.34	5.33
Average							12.03	6.23	4.71

1: Resources are shown inclusive of reserves; M&I+I includes historical resource estimates.

Source: Capital IQ, Company Reports, TDS

Exhibit 5 outlines our sensitivity analysis for changes to uranium prices and CAD/USD forex.

Exhibit 5. Sensitivity Analysis

Forex CAD/USD	8% NAVPS at LT Uranium Price, US\$/lb								10% NAVPS at LT Uranium Price, US\$/lb							
	\$30	\$35	\$40	\$45	\$50	\$55	\$60	\$30	\$35	\$40	\$45	\$50	\$55	\$60		
0.74	\$4.79	\$5.58	\$6.36	\$6.99	\$7.75	\$8.52	\$9.28	0.74	\$4.26	\$4.91	\$5.56	\$6.07	\$6.71	\$7.34	\$7.97	
0.77	\$4.61	\$5.36	\$6.12	\$6.88	\$7.46	\$8.19	\$8.93	0.77	\$4.11	\$4.73	\$5.36	\$5.99	\$6.46	\$7.07	\$7.68	
0.80	\$4.44	\$5.16	\$5.89	\$6.62	\$7.18	\$7.89	\$8.60	0.80	\$3.97	\$4.57	\$5.17	\$5.78	\$6.23	\$6.82	\$7.40	
0.83	\$4.28	\$4.98	\$5.68	\$6.38	\$6.93	\$7.61	\$8.29	0.83	\$3.83	\$4.42	\$5.00	\$5.58	\$6.02	\$6.58	\$7.15	
0.86	\$4.13	\$4.81	\$5.49	\$6.16	\$6.84	\$7.35	\$8.00	0.86	\$3.71	\$4.27	\$4.84	\$5.40	\$5.96	\$6.37	\$6.91	
0.89	\$3.99	\$4.65	\$5.30	\$5.96	\$6.61	\$7.10	\$7.74	0.89	\$3.60	\$4.14	\$4.68	\$5.23	\$5.77	\$6.17	\$6.69	

Source: TD Securities Inc

Justification of Target Price

Our \$7.00 target price (unchanged) is based on 1.2x (unchanged) our NAVPS-10% estimate (weighted 100%). We also continue to ascribe US\$7.00/lb to NexGen's inferred mineral resources at Arrow (not included in our DCF).

Key Risks to Target Price

Relative to the other companies in our equity coverage universe, we believe that an investment in NexGen Energy is subject to a SPECULATIVE level of risk. Our recommendation is subject to forecast, financial, technical, political, and deposit-size risks. These include risks related to uranium prices; fuel cost; the governing fiscal and legislative regimes; the timing of key developments; market conditions; capital and operating costs; foreign exchange rates; resources; access to capital; operating parameters; permitting; environment; indigenous people; and staffing and key personnel retention. NexGen's development assets could be negatively affected by the ongoing restrictions to travel, social-distancing measures, and other challenges related to the COVID-19 pandemic.

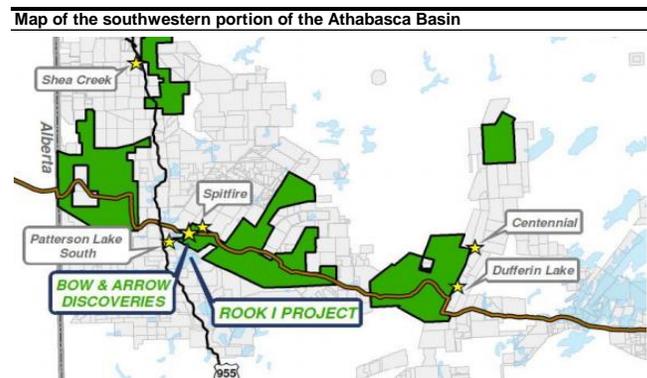
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Exhibit 6. Company Snapshot

NexGen Energy Ltd.				2019A	2020A	2021E	2022E	
Risk Profile:	SPEC			Realized Metal Prices & Forex				
Stock Rating:	Spec BUY			Uranium, U3O8 (US\$/lb)	25.94	29.52	32.99	36.00
Target Price:	C\$7.00			Forex CAD to USD	0.75	0.74	0.79	0.80
Target Price Calculator				Total U3O8 Production (000' lbs)				
	Multiple	Implied Target	Weight	Contribution	-	-	-	-
Price 10% NAV Mining Assets	1.20	\$5.91	100%	\$5.91				
Corporate Adjustments	1.00	\$0.85		\$0.85				
Calculated Target Price				\$6.76				
Rounded Target Price				\$7.00				



Financial Data (C\$m)	2019A	2020A	2021E	2022E
Reported net earnings	(17)	(114)	(88)	(25)
Adjusted net earnings	(38)	(38)	(29)	(25)
EPS Reported (C\$/sh.)	(0.05)	(0.30)	(0.21)	(0.05)
EPS (Adjusted) (C\$/sh.)	(0.11)	(0.10)	(0.07)	(0.05)

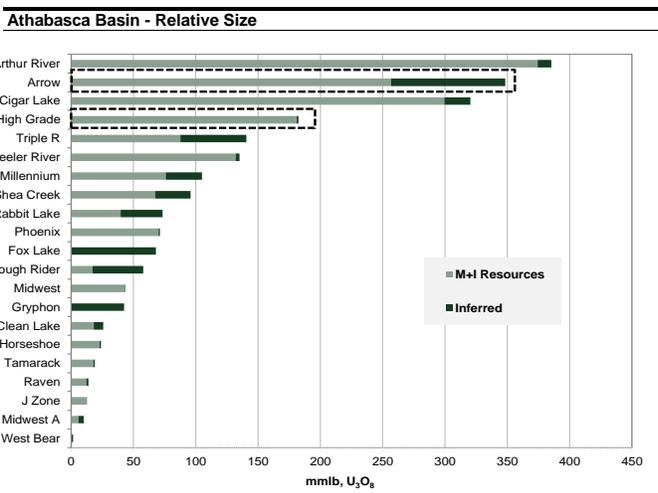
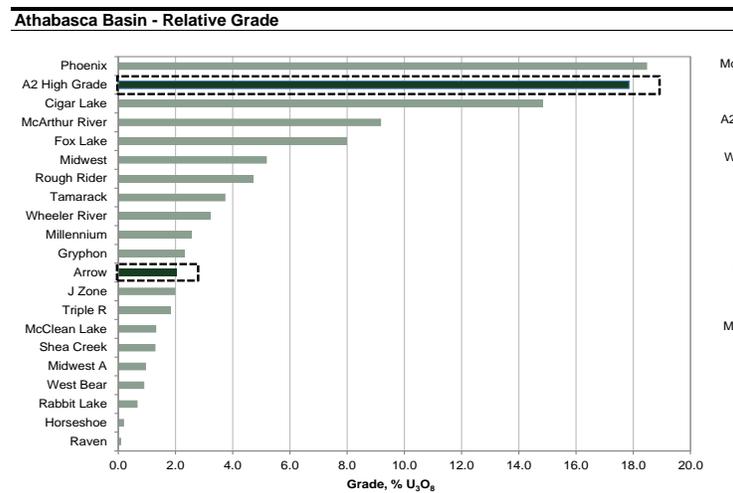
Cash Flow Statement (C\$m)	2019A	2020A	2021E	2022E
Operating CF bf. ch. in WC	(11)	(11)	(16)	(16)
CF from operating activities	(13)	(11)	(15)	(16)
CF from financing activities	(1)	51	164	(2)
CF from investing activities	(58)	(18)	(44)	(60)
CAPEX	-	-	-	-

Balance Sheet (C\$m)	2019A	2020A	2021E	2022E
Cash	52	74	178	100
Current assets	53	75	179	100
Total assets	314	357	501	481
Current liabilities	5	7	6	6
Long term debt	120	227	56	56
Total liabilities	127	238	65	65
Non Controlling Interest	22	25	24	24
Shareholders' equity	165	94	413	380

Rook I Resource, Cut-off Grade 0.25% U3O8				
	Sub Zone	000 t	% U3O8	mmlb U3O8
Measured & Indicated				
A2	Main	1620	0.79	28.1
A2	High Grade	497	15.90	174.2
A3	Main	1637	1.51	54.4
A3	High Grade	n/a	n/a	n/a
Total Measure & Indicated		3,754	3.10	256.7
Inferred				
A1	Main	1557	0.69	23.7
A2	Main	863	0.61	11.5
A2	High Grade	3	10.95	0.6
A3	Main	1207	1.12	29.8
A3	High Grade	n/a	n/a	n/a
A4	Main	769	0.89	15.0
Total Inferred		4,399	0.83	80.7
Total Indicated and Inferred Resources		8,153	1.88	337.4

NAV Analysis	8% Discount		10% Discount	
	C\$m	C\$/sh	C\$m	C\$/sh
Mining Assets				
Arrow Deposit (DCF)	2,092.8	4.08	1659.4	3.23
TOTAL PROJECT NAV	2,092.8	4.08	1659.4	3.23
OTHER TANGIBLE ASSETS				
Regional Targets at Rook I	870.0	1.70	870.0	1.70
TOTAL OTHER ASSETS	870.0	1.70	870.0	1.70
Corporate Adjustments				
Working Capital	207.5	0.40	207.5	0.40
Long Term Debt	0.0	0.00	0.0	0.00
Options & Warrants In the Money	88.4	0.17	88.4	0.17
Estimated Working Capital Additions	0.0	0.00	0.0	0.00
Equity Holdings in IsoEnergy (ISO-TSXV)	139.0	0.27	139.0	0.27
Total Net Asset Value	3,397.7	6.62	2,964.3	5.78

Implied US\$ EV/lb (Measured & Indicated and Inferred Resources) **\$6.35**



Source: Company, TD Securities Inc.



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TD Securities Equity Research Disclosures

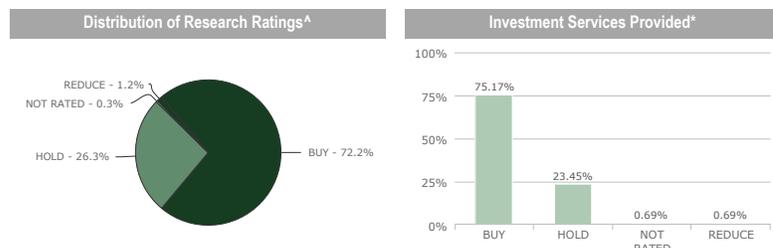
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NexGen Energy Ltd.	NXE-T	1, 2, 4, 9

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Current as of: June 24, 2021

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Action Note

Equity Research

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