

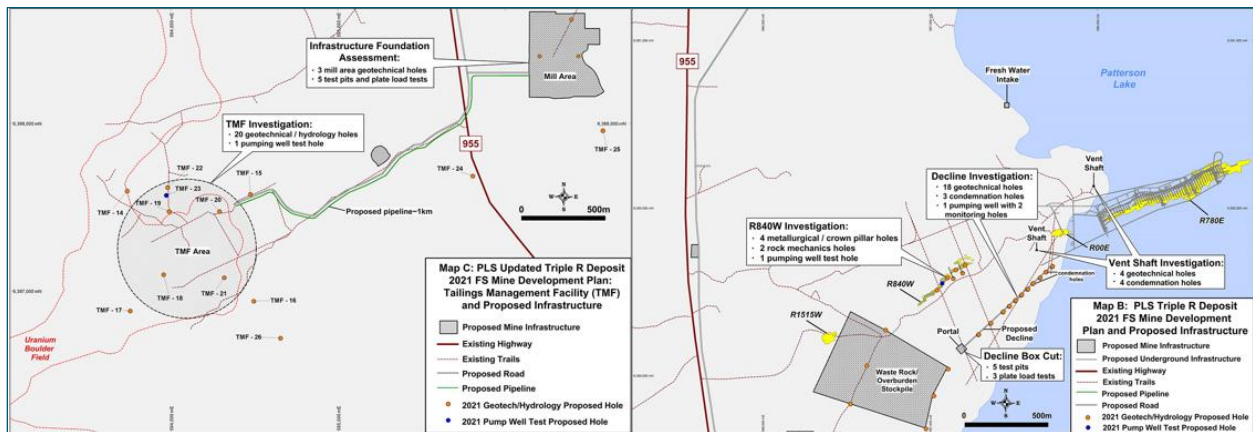
<b>Ticker:</b> FCU CN	<b>Net cash:</b> C\$49m	<b>Project:</b> Patterson Lake South (PLS)
<b>Market cap:</b> C\$543m	<b>Price:</b> C\$0.84/sh	<b>Country:</b> Saskatchewan, Canada
<b>RECOMMEND.</b> (unc): BUY	<b>TARGET</b> (unc): C\$1.45/sh	<b>RISK RATING:</b> HIGH

Fission’s PLS is an outstanding project with >10Mlbs that should generate a SCPe 67% EBITDA margin and >C\$500m FCF per year once in production. The combination of high grade at 1.61%U<sub>3</sub>O<sub>8</sub> reserve grade (US\$1,585/t or 28g/t AuEq at spot prices), longhole stoping underground mining and shallow decline accessed mineralization result in a high margin but technically conventional project. Though study work like geotechnical drilling doesn’t generate huge headlines, it is often the difference between a well planned and executed mine build, and one that encounters unforeseen issues. Today’s geotechnical work highlights Fission’s disciplined approach to its advancement of PLS. Majors buy feasibility studies, not PEAs, and in a rising uranium cycle, Fission is ensuring that it has the detailed study work to self-build the project, or achieve technical sign-off from a major project partner or acquirer. **We maintain our BUY rating and price target of C\$1.45/sh based on 1.0x NAV8%-60/lb.** Stepping back, Fission still trades at a per-lb discount to the other Athabasca developers, US ISR projects and some of the Australian and African developer peers, yet in our estimation is a top three undeveloped project globally. Yes, permitting and feasibility lead times are a factor, but falling uranium supply and growing demand in the coming decades means that utilities will need projects like PLS to come online to replace major depleting mines.

**Detailed geotechnical drilling supports project design ahead of FS**

Fission completed a 72-hole geotechnical program to support the feasibility study for PLS. Holes tested planned locations for infrastructure including the decline, ventilation shafts, stockpiles, TMF and mill buildings. 18 geotechnical holes and three condemnation holes tested the planned decline path. Four geotechnical and four condemnation holes tested the location of the ventilation shafts. In addition, four metallurgical test holes, three rock mechanic testing holes and five hydrogeology holes were drilled. Geotechnical stability holes were drilled to test the waste rock stockpile area (6 holes), mill area (3 holes), TMF (25 holes) and camp area (1 hole).

**Figure 1: 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 the two projects are <1km 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\$0.84/sh, C\$543m	<b>Market P/NAV:</b> 0.62x	<b>Assets:</b> PLS
<b>J Chan / B Gaspar / E Magdzinski</b>	<b>Rec / PT:</b> BUY / C\$1.45	<b>1xNAV<sub>2020</sub> FD:</b> C\$1.35/sh	<b>Country:</b> Canada (Sask)

Group-level SOTP valuation		2Q21	3Q21	Share data						
	C\$m	O/ship	NAVx	C\$/sh	Basic shares (m): 646.3	FD + options (m): 776.9	FD + FF	922.2		
PLS NPV 3Q21	1,022.7	100%	1.0x	1.32	<b>Commodity price</b>	CY25E	CY26E	CY27E	CY28E	CY29E
Central SG&A & fin costs 3Q21	(130.2)	--	1.0x	(0.17)	Uranium price (US\$/lb)	60.0	60.0	60.0	60.0	60.0
Lbs outside mine plan (US\$/lb U3O8)	19.1	--	1.0x	0.02	<b>Ratio analysis</b>	CY25E	CY26E	CY27E	CY28E	CY29E
Other assets	1.7	--	1.0x	0.00	FD shares out (m)	915.3	922.2	922.2	922.2	922.2
Cash and restr. cash 2Q21	55.9	--	1.0x	0.07	EPS (C\$/sh)	0.001	(0.024)	(0.075)	0.202	0.359
Debt 2Q21	(7.1)	--	1.0x	(0.01)	CFPS before w/c (C\$/sh)	0.00	0.00	(0.00)	0.43	0.58
ITM options	83.7	--	1.0x	0.11	FCFPS pre growth (C\$/sh)	0.00	(0.02)	(0.07)	0.31	0.52
<b>1xNAV8% US\$60/lb</b>	<b>1,046</b>			<b>1.35</b>	FCF/sh (C\$/sh)	(0.13)	(0.58)	(0.67)	0.31	0.52
Assumed build equity issuance	300.0			0.33	FCF yield - pre growth (%)	0.2%	neg	neg	46.7%	76.7%
<b>1xNAV fully funded8% US\$60/lb</b>	<b>1,346</b>			<b>1.46</b>	FCF yield (%)	neg	neg	neg	46.7%	76.7%
P/NAV - fully diluted for build (x)				<b>0.58x</b>	EBITDA margin (%)	--	--	--	65.6%	68.4%

Target multiples	Multiple	C\$/sh
<b>Target P/NAV Multiple</b>	<b>1.00x</b>	<b>1.45</b>
<b>Target price</b>		<b>1.45</b>

Sources	Uses
PFS capex C\$1177m	SCPe 3Q20 cash + ITM options C\$67m
SCPe contingency C\$121m	Mine debt @ 60% gearing C\$750m
SCPe G&A + fin. cost to first Au C\$58m	Build Equity C\$300m
SCPe working capital C\$61m	Offtake C\$300m
Total uses C\$1417m	Total proceeds C\$1417m

1xNAV sensitivity to gold price and discount / NAV multiple					
1xNAV PLS (C\$m)	\$40/lb	\$50/lb	\$60/lb	\$70/lb	\$80/lb
10% discount	212	485	758	1,031	1,304
9% discount	273	577	881	1,185	1,489
8% discount	344	684	<b>1,023</b>	1,362	1,701
7% discount	427	806	1,186	1,565	1,944
6% discount	524	949	1,373	1,798	2,223
5% discount	637	1,114	1,590	2,067	2,543
<b>Valuation (C\$/sh)</b>	<b>\$40/lb</b>	<b>\$50/lb</b>	<b>\$60/lb</b>	<b>\$70/lb</b>	<b>\$80/lb</b>
0.8xNAV	0.35	0.75	1.15	1.55	1.95
0.9xNAV	0.40	0.85	1.30	1.75	2.20
1.00xNAV	0.45	0.95	<b>1.45</b>	1.95	2.45
1.10xNAV	0.50	1.05	1.60	2.15	2.70
1.0xNAV	0.45	0.95	1.45	1.95	2.45

Valuation over time	1Q20E	1Q21E	1Q22E	1Q23E	1Q24E
Mines NPV (US\$m)	1,023	1,108	1,207	1,314	1,436
Ctrl G&A & fin costs (US\$m)	-125	-127	-131	-136	-141
Net cash at 1Q (US\$m)	23	50	58	38	648
Other Assets + Options	85	85	85	85	85
1xNAV (US\$m)	1,006	1,116	1,219	1,302	2,028
P/NAV (x):	0.42	0.48	0.42	0.41	0.32
1xNAV share px FD (C\$/sh)	2.02	1.73	1.99	2.05	2.63
ROI to equity holder (% pa)	141%	106%	54%	35%	33%
1.2xNAV share px FD (C\$/sh)	2.43	2.08	2.39	2.46	3.15
ROI to equity holder (% pa)	189%	148%	69%	43%	39%

Resource / Reserve	Mt	Mlbs	EV/oz U3O8	EV/lb	
Measured, ind. & inf. - Triple R	3,437	135.2	3.57	3.57	
SCPe Mine inventory - Triple R	3,918	127.5	3.79	3.79	
<b>Production (100%)</b>	<b>CY27E</b>	<b>CY28E</b>	<b>CY29E</b>	<b>CY30E</b>	<b>CY31E</b>
Triple R (000lb U3O8)	--	10.0	13.0	15.0	13.4
Triple R cash cost (US\$/lb)	--	\$20.22	\$18.63	\$17.69	\$17.86
Triple R AISC (US\$/lb)	--	\$23.01	\$20.76	\$19.54	\$19.94

C1 = opex (excl. G&A) + royalties; AISC = C1 + sust capex + capitalized stripping/development					
	CY27E	CY28E	CY29E	CY30E	CY31E
Triple R (000oz)					
Group AISC (US\$/oz)					

Income statement	CY25E	CY26E	CY27E	CY28E	CY29E
Revenue (C\$m)	--	--	--	748	978
COGS (C\$m)	--	--	--	(252)	(304)
<b>Gross profit (C\$m)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>496</b>	<b>675</b>
Expenses (C\$m)	(5)	(5)	(5)	(5)	(5)
Impairment & other (C\$m)	--	--	--	--	--
Net finance costs (C\$m)	6	(17)	(64)	(74)	(29)
Tax (C\$m)	--	--	--	(98)	(135)
Minority interest (C\$m)	--	--	--	--	--
<b>Net income attr. (C\$m)</b>	<b>1</b>	<b>(22)</b>	<b>(69)</b>	<b>319</b>	<b>505</b>
EBITDA	1	(22)	(69)	186	331
<b>Cash flow</b>	<b>CY25E</b>	<b>CY26E</b>	<b>CY27E</b>	<b>CY28E</b>	<b>CY29E</b>
Profit/(loss) after tax (C\$m)	1	(22)	(69)	186	331
Add non-cash items (C\$m)	0	23	68	208	205
Less wkg cap / other (C\$m)	--	--	--	(62)	(16)
<b>Cash flow ops (C\$m)</b>	<b>2</b>	<b>0</b>	<b>(1)</b>	<b>332</b>	<b>520</b>
PP&E (C\$m)	(120)	(509)	(548)	(30)	(30)
Other (C\$m)	--	--	--	--	--
<b>Cash flow inv. (C\$m)</b>	<b>(120)</b>	<b>(509)</b>	<b>(548)</b>	<b>(30)</b>	<b>(30)</b>
Debt draw (repayment) (C\$m)	(7)	375	375	(250)	(250)
Equity issuance (C\$m)	4	--	--	--	--
Other (C\$m)	(0)	(23)	(68)	(115)	(70)
<b>Cash flow fin. (C\$m)</b>	<b>(3)</b>	<b>352</b>	<b>307</b>	<b>(365)</b>	<b>(320)</b>
Net change post forex (C\$m)	(122)	(156)	(241)	(63)	170
FCF (C\$m)	(119)	(531)	(616)	289	476
<b>Balance sheet</b>	<b>CY25E</b>	<b>CY26E</b>	<b>CY27E</b>	<b>CY28E</b>	<b>CY29E</b>
Cash (C\$m)	534	378	137	74	244
Accounts receivable (C\$m)	0	0	0	29	38
Inventories (C\$m)	--	--	--	63	76
PPE & exploration (C\$m)	490	1,000	1,547	1,443	1,299
Other (C\$m)	0	0	0	0	0
<b>Total assets (C\$m)</b>	<b>1,025</b>	<b>1,378</b>	<b>1,684</b>	<b>1,609</b>	<b>1,656</b>
Debt (C\$m)	--	375	750	500	250
Other liabilities (C\$m)	304	304	304	293	259
Shareholders equity (C\$m)	869	869	869	869	869
Retained earnings (C\$m)	(148)	(170)	(239)	(53)	278
Minority int. & other (C\$m)	--	--	--	--	--
<b>Liabilities+equity (C\$m)</b>	<b>1,025</b>	<b>1,378</b>	<b>1,684</b>	<b>1,609</b>	<b>1,656</b>
Net cash (C\$m)	533	2	(614)	(427)	(7)
Net Debt to NTM EBITDA (x)	nmf	nmf	1.3	0.6	0.0

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TENDER:	0
NOT RATED:	0
TOTAL	46

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