

Ticker: FCU CN
Market cap: C\$552m

Net cash: C\$42m
Price: C\$0.84/sh

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

RECOMMEND. (unc): BUY

TARGET (unc): C\$1.45/sh

RISK RATING: HIGH

*Fission has completed an important milestone in the permitting process by achieving formal Provincial acceptance of the project description to commence the EA process. We believe Fission's transparency, high quality technical work, willingness to address stakeholder concerns in project design, and high-margin project mean that permitting is a matter of when, not if. Moreover, the CNSC's guidelines of a 36-month process provide a soft backstop on perceived permitting timeline risk. For a project of this size and quality, we think that even the upper end of the estimated permitting guideline period is worth the wait, as Fission's SCPe 69% LOM average FCF yield at US\$60/lb over our estimated 11-year mine life offers one of the highest annualized equity returns in the mining sector. **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.*

Permitting milestones: Project Description accepted by Saskatchewan Ministry of Environment

The Saskatchewan Ministry of Environment formally accepted the recently submitted Project Description for PLS; this commences the Environmental Assessment (EA) process. Fission has requested designation that the project is a Development, which requires an Environmental Impact Assessment (EIA). Fission has also submitted draft terms of reference to guidance EA development. The proposed project does not trigger an Impact Assessment under Canada's Impact Assessment Act (2019). Instead the CNSC licensing process is expected to coordinate with the provincial EA process. Fission incorporated stakeholder preferences into the project scope, including the underground only mine plan, chosen over an open pit and underground concept, and no realignment of Highway 955.

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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Ticker: FCU CN	Price / mkt cap: C\$0.84/sh, C\$552m	Market P/NAV: 0.59x	Assets: PLS
Chan / B Gaspar / E Magdzinski	Rec / PT: BUY / C\$ 1.45	1xNAV₂₀₂₈ FD: C\$1.42/sh	Country: Canada (Sask)

Group-level SOTP valuation	3Q21	4Q21		
	C\$m	O/ship	NAVx	C\$/sh
PLS NPV 4Q21	1,076.1	100%	1.0x	1.43
Central SG&A & fin costs 4Q21	(132.1)	--	1.0x	(0.18)
Lbs outside mine plan (US\$2/lb U308)	19.6	--	1.0x	0.03
Other assets	2.4	--	1.0x	0.00
Cash and restr. cash 3Q21	49.6	--	1.0x	0.07
Debt 3Q21	(7.6)	--	1.0x	(0.01)
ITM options	54.1	--	1.0x	0.07
1xNAV8% US\$60/lb	1,062			1.42
Assumed build equity issuance	300.0			0.32
1xNAV fully funded8% US\$60/lb	1,362			1.44
P/NAV - fully diluted for build (x)				0.58x

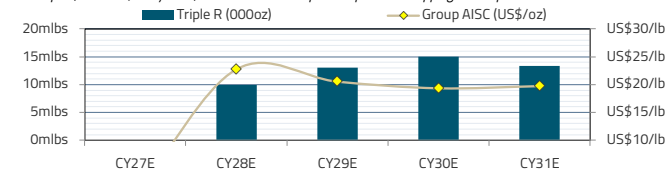
Target multiples	Multiple	C\$/sh
Target P/NAV Multiple	1.00x	1.45
Target price		1.45
Sources	Uses	
PFS capex C\$1177m	SCPe 3Q20 cash + ITM options	C\$61m
SCPe contingency C\$114m	Mine debt @ 60% gearing	C\$750m
SCPe G&A + fin. cost to first Au C\$58m	Build Equity	C\$300m
SCPe working capital C\$63m	Offtake	C\$300m
Total uses C\$1411m	Total proceeds	C\$1411m

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	1,023	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
Valuation (C\$/sh)	\$40/lb	\$50/lb	\$60/lb	\$70/lb	\$80/lb
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	1.45	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)	1,076	1,165	1,269	1,382	1,508
Cntrl G&A & fin costs (US\$m)	-126	-128	-132	-137	-142
Net cash at 1Q (US\$m)	23	42	31	11	570
Other Assets + Options	57	57	57	57	57
1xNAV (US\$m)	1,030	1,136	1,225	1,312	1,993
P/NAV (x):	0.41	0.49	0.45	0.42	0.32
1xNAV share px FD (C\$/sh)	2.07	1.73	1.86	1.98	2.62
ROI to equity holder (% pa)	146%	106%	49%	33%	33%
1.2xNAV share px FD (C\$/sh)	2.48	2.07	2.23	2.38	3.14
ROI to equity holder (% pa)	196%	147%	63%	41%	39%

Resource / Reserve	Mt	Mlbs	EV/oz U308	EV/lb	
Measured, ind. & inf. - Triple R	3,437	135.2	3.39	3.39	
SCPe Mine inventory - Triple R	3,918	127.5	3.59	3.59	
Production (100%)	CY27E	CY28E	CY29E	CY30E	CY31E
Triple R (000lb U308)	--	10.0	13.0	15.0	13.4
Triple R cash cost (US\$/lb)	--	\$20.04	\$18.49	\$17.58	\$17.75
Triple R AISC (US\$/lb)	--	\$22.76	\$20.57	\$19.38	\$19.77

C1 = opex (excl. G&A) + royalties; AISC = C1 + sust capex + capitalized stripping/development



Share data					
Basic shares (m): 657.5	FD + options (m): 750.1	FD + FF	945.8		
Commodity price	CY25E	CY26E	CY27E	CY28E	CY29E
Uranium price (US\$/lb)	60.0	60.0	60.0	60.0	60.0
Ratio analysis	CY25E	CY26E	CY27E	CY28E	CY29E
FD shares out (m)	895.0	938.0	945.8	945.8	945.8
EPS (C\$/sh)	0.000	(0.024)	(0.073)	0.208	0.365
CFPS before w/c (C\$/sh)	0.00	(0.00)	(0.00)	0.43	0.58
FCFPS pre growth (C\$/sh)	0.00	(0.02)	(0.07)	0.32	0.52
FCF/sh (C\$/sh)	(0.13)	(0.57)	(0.65)	0.32	0.52
FCF yield - pre growth (%)	0.1%	neg	neg	48.5%	79.1%
FCF yield (%)	neg	neg	neg	48.5%	79.1%
EBITDA margin (%)	--	--	--	65.9%	68.7%
FCF margin (%)	--	--	39.1%	48.8%	52.6%
ROA (%)	0.0%	(1.7%)	(4.2%)	12.4%	21.0%
ROE (%)	0.0%	(3.4%)	(11.6%)	24.8%	30.3%
ROIC (%)	(2.7%)	(0.7%)	(0.4%)	29.9%	44.5%
EV (C\$m)	94	647	1,268	1,073	640
PER (x)	1730.4x	(27.2x)	(9.0x)	3.1x	1.8x
P/CF (x)	755.8x	(7456.2x)	(394.0x)	1.5x	1.1x
P/Book value (x)	0.9x	0.9x	1.0x	0.8x	0.5x
EV/EBITDA (x)	(18.9x)	(129.3x)	(253.7x)	2.1x	0.9x

Income statement	CY25E	CY26E	CY27E	CY28E	CY29E
Revenue (C\$m)	--	--	--	767	1,004
COGS (C\$m)	--	--	--	(256)	(309)
Gross profit (C\$m)	--	--	--	511	695
Expenses (C\$m)	(5)	(5)	(5)	(5)	(5)
Impairment & other (C\$m)	--	--	--	--	--
Net finance costs (C\$m)	5	(18)	(64)	(74)	(30)
Tax (C\$m)	--	--	--	(102)	(140)
Minority interest (C\$m)	--	--	--	--	--
Net income attr. (C\$m)	0	(23)	(69)	330	520
EBITDA	0	(23)	(69)	197	345
Cash flow	CY25E	CY26E	CY27E	CY28E	CY29E
Profit/(loss) after tax (C\$m)	0	(23)	(69)	197	345
Add non-cash items (C\$m)	0	23	68	208	205
Less wkg cap / other (C\$m)	--	--	--	(63)	(16)
Cash flow ops (C\$m)	1	(0)	(2)	342	534
PP&E (C\$m)	(120)	(509)	(548)	(30)	(30)
Other (C\$m)	--	--	--	--	--
Cash flow inv. (C\$m)	(120)	(509)	(548)	(30)	(30)
Debt draw (repayment) (C\$m)	(7)	375	375	(250)	(250)
Equity issuance (C\$m)	41	8	--	--	--
Other (C\$m)	(0)	(23)	(68)	(116)	(71)
Cash flow fin. (C\$m)	34	360	307	(366)	(321)
Net change post forex (C\$m)	(86)	(149)	(242)	(54)	183
FCF (C\$m)	(120)	(532)	(617)	300	490

Balance sheet	CY25E	CY26E	CY27E	CY28E	CY29E
Cash (C\$m)	493	344	102	48	230
Accounts receivable (C\$m)	0	0	0	29	39
Inventories (C\$m)	--	--	--	64	77
PPE & exploration (C\$m)	490	1,000	1,547	1,443	1,299
Other (C\$m)	0	0	0	0	0
Total assets (C\$m)	984	1,344	1,650	1,585	1,645
Debt (C\$m)	--	375	750	500	250
Other liabilities (C\$m)	304	304	304	292	258
Shareholders equity (C\$m)	829	837	837	837	837
Retained earnings (C\$m)	(149)	(172)	(241)	(44)	301
Minority int. & other (C\$m)	--	--	--	--	--
Liabilities+equity (C\$m)	984	1,344	1,650	1,585	1,645
Net cash (C\$m)	492	(32)	(649)	(453)	(21)
Net Debt to NTMEBITDA (x)	nmf	nmf	1.3	0.7	0.0

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BUY:	49
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	49

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