Sprott Equit	Sprott Equity Research						
Ticker: FCU CN	Net cash: C\$42m	Project: Patterson Lake South (PLS)					
Market cap: C\$473m	Price: C\$0.72/sh	Country: Saskatchewan, Canada					
RECOMMEND. (unc): BUY	TARGET (unc): C\$1.45/sh	RISK RATING: HIGH					

Today's update highlights three things for us. The quantity of geotechnical drilling, with three large diameter holes into the R780E deposit (the largest contributor to the mine plan), and one hole each in the R0E, R840W and R1515W, combined with resource drilling, and the 72-hole geotechnical program completed in 2021, should provide understanding of fault structures, rock competency and fracture characteristics necessary for realistic mine planning. Second, the inclusion of R840W (15Mlbs at $1.8\% U_3O_8$) and R1515W (6Mlbs at $1.0\% U_3O_8$) in the geotechnical drilling program highlights the potential to incorporate these zones into the mine plan, especially after 25-holes were drilled at R840W. One year of mining (350kt at 1.5% diluted grade) from R780W adds C\$420m of FCF at US\$60/lb so additions to mine life are highly accretive. Third, Fission continues to prioritize quality technical work that de-risks the mine build and we think this bodes well for M&A or a standalone development; in both cases this adds value for shareholders. We maintain our BUY rating and price target of C\$1.45/sh based on 1.0x NAV8%-60/lb. Stepping back, we think Fission has a world class uranium asset, with equally good exploration potential in a strategic location in the Patterson Lake trend. At 0.5x NAV and just US\$3/lb we think the value and quality on offer here are outstanding.

Fission continues to de-risk PLS with focus on geotechnical drilling for winter 2022

Fission announced plans for the winter 2022 field season. The focus will be on geotechnical drilling with six HQ large diameter geotechnical holes planned. Three are planned for R780E, and one each are planned for R00E, R840W and a first pass geotechnical hole at the R1515W zone. Data from the 2021 drill program on the R840W zone (25 holes) is expected in the next few weeks.

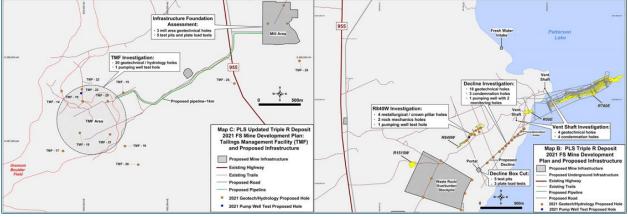


Figure 1: Proposed FS development plan showing completed 2021 geotechnical drilling

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



25 January 2022

Catalysts

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

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Ticker: FCUCN J Chan / B Gaspar / E Magdzinski	Price / mkt o Rec / PT:	ap:	C\$0.72/sh, BUY / C\$1.4		
			8017 C\$1.		
Group-level SOTP valuation	3Q21	4Q21 C\$m	0/ship	NAVx	C\$/sh
PLS NPV 4Q21		1,145.8	100%	1.0x	1.53
Central SG&A & fin costs 4Q21		(166.6)		1.0x	(0.22)
_bs outside mine plan (US\$2/lb U308)		19.4		1.0x	0.03
Other assets		1.8		1.0x	0.00
Cash and restr. cash 3Q21		49.6		1.0x	0.07
Debt 3Q21		(7.6)		1.0x	(0.01)
TM options		54.1		1.0x	0.07
1xNAV8% US\$60/Ib		1,096		1.04	1.46
Assumed build equity issuance		325.0			0.33
1xNAV fully funded8% US\$60/Ib		1,421			1.46
P/NAV - fully diluted for build (x)		.,			0.49x
Farget multiples		Multiple			C\$/sh
Farget P/NAV Multiple		1.00x			1.45
Target price					1.45
Sources			Uses		
	C\$1177m	SCPe		ITM options	C\$61m
SCPe contingency				60% gearing	
SCPe G&A + fin. cost to first Au			@	Build Equity	
SCPe working capital	C\$62m			Offtake	C\$350m
	C\$1536m		To	tal proceeds	
1xNAV sensitivity to gold price and discou		ltiple			
1xNAV PLS (C\$m)	\$40/lb	\$50/lb	\$60/lb	\$70/lb	\$80/lb
10% discount	198	534	871	1,207	1,543
9% discount	265	633	1,000	1,367	1,735
8% discount	341	744	1,146	1,548	1,950
7% discount	429	869	1,310	1,751	2,192
6% discount	528	1,012	1,497	1,981	2,465
5% discount	641	1,174	1,707	2,240	2,773
Valuation (C\$/sh)	\$40/lb	\$50/lb	\$60/lb	\$70/lb	\$80/lb
0.8xNAV	0.25	0.70	1.15	1.60	2.05
0.9xNAV	0.25	0.80	1.30	1.80	2.30
1.00xNAV	0.30	0.90	1.45	2.00	2.60
1.10×NAV	0.35	1.00	1.60	2.20	2.85
1.0xNAV	0.30	0.90	1.45	2.00	2.60
Valuation over time	1Q20E	1Q21E	1Q22E	1Q23E	1Q24E
Mines NPV (US\$m)	964	1,044	1,139	1,241	1,356
Cntrl G&A & fin costs (US\$m)	-155	-159	-166	-174	-182
Net cash at 1Q (US\$m)	23	42	31	11	620
Other Assets + Options	56	56	56	56	56
1xNAV (US\$m)	888	983	1,060	1,134	1,851
P/NAV (x):	0.40	0.48	0.45	0.42	0.30
1xNAV share px FD (C\$/sh)	1.79	1.50	1.61	1.71	2.38
ROI to equity holder (% pa)	148%	108%	49%	33%	35%
1.2xNAV share px FD (C\$/sh)	2.14	1.79	1.93	2.05	2.86
ROI to equity holder (% pa)	198%	149%	64%	42%	41%
Resource / Reserve	Mt	Mlbs		EV/oz U308	EV/Ib
Veasured, ind. & inf Triple R	3,437	135.2		2.92	2.92
5CPe Mine inventory - Triple R	3,918	127.5		3.09	3.09
Production (100%)	CY27E	CY28E	CY29E	CY30E	CY31E
Triple R (000lb U308)		10.0	13.0	15.0	13.4
Triple R cash cost (US\$/Ib)		\$19.98	\$18.40	\$17.48	\$17.65
Triple R AISC (US\$/Ib)		\$19.98 \$22.74	\$18.40 \$20.51	\$17.48 \$19.31	\$17.65 \$19.70
C1 = opex (excl. G&A) + royalties; AISC = C1 +				-	ψ19.7U
T = opex (excl. GoA) + royalites; AISC = CT +			Group AISC (L		
20mlbs		•-			- US\$30/lb
15mlbs					– US\$25/lb
10mlbc					LIC¢20/Ib

20mlbs		mple ((00002)		• 0.00007.00	c (05\$7.02)	US\$30/Ib
15mlbs	_			_		US\$25/lb
10mlbs	-					US\$20/lb
5mlbs	_					US\$15/lb
Omlbs					, .	US\$10/lb
	CY27E	CY28E	CY29E	CY30E	CY31E	

	Market P/NAV:			Assets:		
	1xNAV _{2Q20} FD:	C\$1.46/sh		Country:	Canada (Sask)
	Share data					
_	Basic shares (m): 657.5	FD +	options (m):	750.1	FD + FF	976.3
	Commodity price	CY25E	CY26E	CY27E	CY28E	CY29E
	Uranium price (US\$/Ib)	60.0	60.0	60.0	60.0	60.0
	Ratio analysis	СҮ25Е	CY26E	CY27E	CY28E	CY29E
_	FD shares out (m)	925.5	968.6	976.3	976.3	976.3
	EPS (C\$/sh)	0.001	(0.025)	(0.076)	0.176	0.322
	CFPS before w/c (C\$/sh)	0.00	0.00	(0.00)	0.41	0.56
	FCFPS pre growth (C\$/sh)	0.00	(0.02)	(0.08)	0.30	0.49
	FCF/sh (C\$/sh)	(0.15)	(0.63)	(0.72)	0.30	0.49
	FCF yield - pre growth (%)	0.2%	neg	neg	52.0%	85.9%
	FCF yield (%)	neg	neg	neg	52.0%	85.9%
	EBITDA margin (%)				66.0%	68.8%
	FCF margin (%)			38.3%	48.3%	52.0%
1	ROA (%)	0.1%	(1.7%)	(4.2%)	10.1%	17.8%
	ROE (%)	0.1%	(3.6%)	(12.5%)	22.5%	29.2% 38.7%
	ROIC (%) EV (C\$m)	(3.2%) 3	(0.7%) 627	(0.4%) 1,334	25.9% 1,154	38.7% 739
	PER (x)	5 628.8x	(23.2x)	(7.5x)	3.2x	739 1.8x
	P/CF (x)	628.8x 413.5x	(23.2x) 2245.3x	(7.5x) (317.1x)	3.2x 1.4x	1.8x
	P/Book value (x)	413.5X 0.8x	0.8x	(317.1x) 0.9x	0.7x	0.5x
	EV/EBITDA (x)	(0.6x)	(125.5x)	(266.8x)	2.3x	1.1x
1	Income statement	CY25E	CY26E	CY27E	CY28E	CY29E
	Revenue (C\$m)				756	989
ľ	COGS (C\$m)				(252)	(303)
	Gross profit (C\$m)				504	686
	Expenses (C\$m)	(5)	(5)	(5)	(5)	(5)
	Impairment & other (C\$m)					
	Net finance costs (C\$m)	6	(19)	(69)	(84)	(40)
	Tax (C\$m)				(96)	(133)
	1 dx (C\$111)				(50)	(155)
	Minority interest (C\$m)					
		 1				
	Minority interest (C\$m) Net income attr. (C\$m) EBITDA	1 1	 (24) (24)	 (74) (74)	 319 <i>172</i>	 508 <i>315</i>
	Minority interest (C\$m) Net income attr. (C\$m) EBITDA Cash flow	1 1 CY25E	 (24) (24) CY26E	(74) (74) CY27E	 319 172 CY28E	 508 315 CY29E
	Minority interest (C\$m) Net income attr. (C\$m) EBITDA Cash flow Profit/(loss) after tax (C\$m)	1 1 CY25E 1	(24) (24) CY26E (24)	 (74) (74) CY27E (74)	 319 172 CY28E 172	 508 315 CY29E 315
	Minority interest (C\$m) Net income attr. (C\$m) <i>EBITDA</i> Cash flow Profit/(loss) after tax (C\$m) Add non-cash items (C\$m)	1 1 CY25E	 (24) (24) CY26E (24) 24	 (74) (74) CY27E (74) 72	319 <i>172</i> CY28E 172 231	 508 315 CY29E 315 233
	Minority interest (C\$m) Net income attr. (C\$m) EBITDA Cash flow Profit/(loss) after tax (C\$m) Add non-cash items (C\$m) Less wkg cap / other (C\$m)	1 7 CY25E 1 0 	 (24) (24) CY26E (24) 24 	(74) (74) CY27E (74) 72 	319 <i>172</i> CY28E 172 231 (62)	 508 315 CY29E 315 233 (16)
	Minority interest (C\$m) Net income attr. (C\$m) EBITDA Cash flow Profit/(loss) after tax (C\$m) Add non-cash items (C\$m) Less wkg cap / other (C\$m) Cash flow ops (C\$m)	1 7 CY25E 1 0 1	 (24) (24) CY26E (24) 24 0	 (74) (74) CY27E (74) 72 (2)	319 172 CY28E 172 231 (62) 341	 508 315 CY29E 315 233 (16) 532
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SELL: The stocks total returns are expected to be materially lower than the overall market

TENDER: The analyst recommends tendering shares to a formal tender offering

UNDER REVIEW: The stock will be placed under review when there is a significant material event with further information pending; and/or when the research analyst determines it is necessary to await adequate information that could potentially lead to a re-evaluation of the rating, target price or forecast; and/or when coverage of a particular security is transferred from one analyst to another to give the new analyst time to reconfirm the rating, target price or forecast.

NOT RATED ((N/R): The stock is not currently rated

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9	The analyst has been reimbursed for travel expenses for a site visit by the issuer	NO

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Summary of Recommendations as of January 2022	
BUY:	50
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	1
NOT RATED:	0
TOTAL	51

¹ As at the end of the month immediately preceding the date of issuance of the research report or the end of the second most recent month if the issue date is less than 10 calendar days after the end of the most recent month

