

Ticker: FCU CN
Market cap: C\$460m

Net cash: C\$42m
Price: C\$0.70/sh

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

RECOMMEND. (unc): BUY

TARGET (unc): C\$1.45/sh

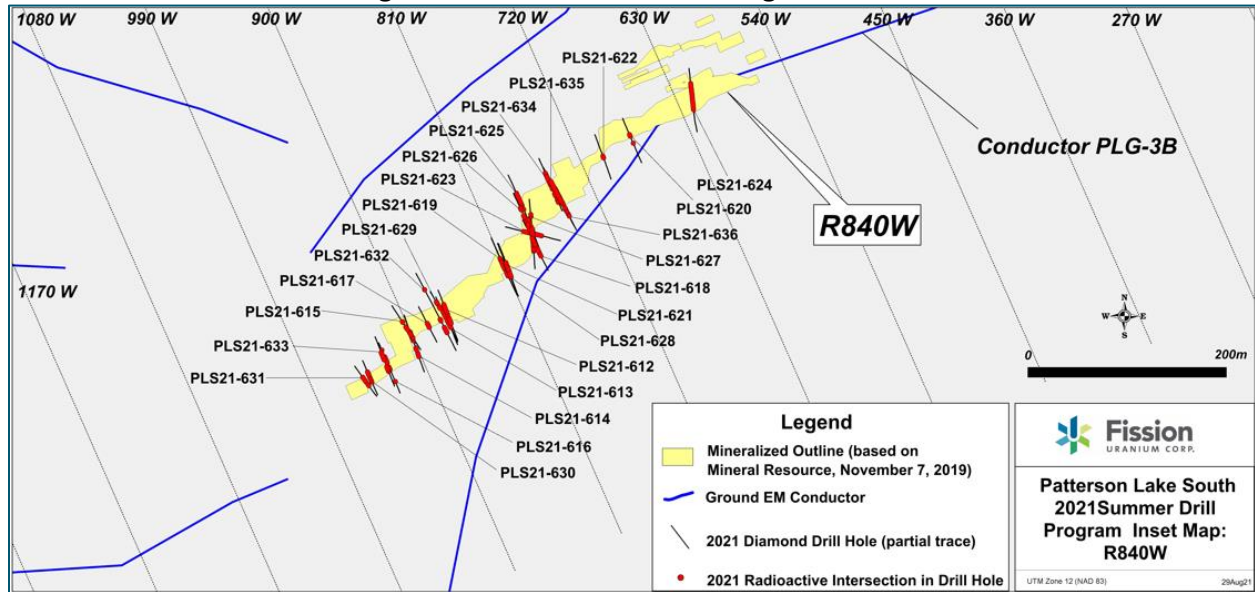
RISK RATING: HIGH

The drilling results today confirm for us that R840W will enter the mine plan. Recall that R840W has an MRE of **15Mlbs at 1.8% U₃O₈**, in line with the pre-diluted reserve grade, but was excluded from the PFS as only 22% of the resource was classified as indicated. Today's hits establish high grade across the 300m strike including **19m @ 18.3%** on line 630W (eastern end) and **9.5m @ 18.6%** on line 930W (western end). Moreover, the widths and grades intersected should add lbs to the existing resource particularly on the western end where 19m @ 18.3% is well above currently modelled grades. This should add 1.5-2 years of mine life, located near the planned portal and relatively shallow. For sensitivity, we estimate that one year of mining at 1.5% diluted reserve grade adds **C\$250m of FCF** at US\$60/lb. **We maintain our BUY rating and price target of C\$1.45/sh based on 1.0x NAV8%-60/lb.** Stepping back, today's drilling including fantastic headline widths and grades reiterate that Fission's PLS is a world class project. Together with NexGen's adjacent Arrow deposit, we think the Western Athabasca forms a strategic uranium corridor with two world class projects, and largely untapped exploration potential. At 0.5x NAV and just US\$3/lb we think Fission offers an excellent value proposition for investors looking to play uranium – PLS is a world class asset that will generate margins through the cycle.

R840W drilling hits 19m @ 18.3% U₃O₈, 51.5m @ 2.7%; adds 1.5-2 years of mine life

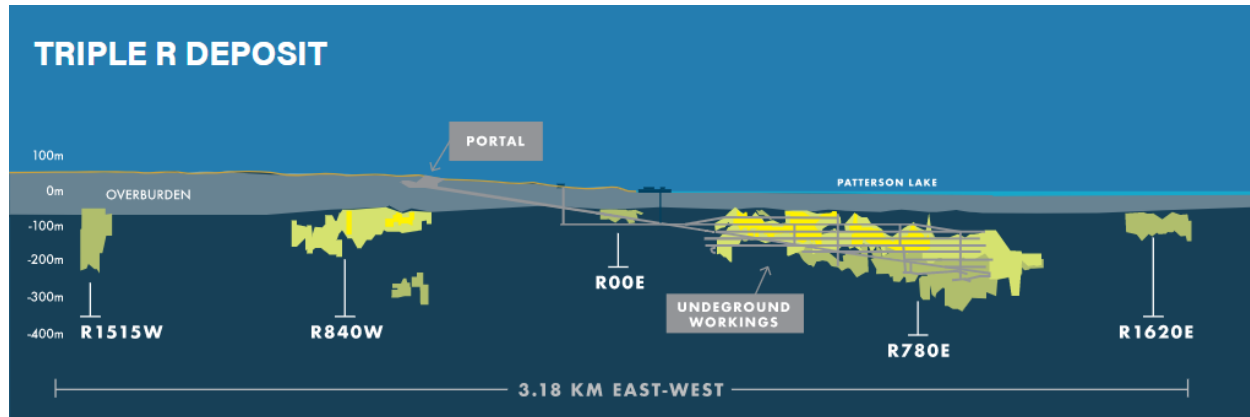
Fission announced assay results from 25 holes targeting the R840W zone to upgrade inferred material to indicated. All 25 holes intersected mineralization. Best intersections included 19m @ 18.3% U₃O₈ from 121m on line R630W, 51.5m @ 2.7% from 102m including 8m @ 14.6% on line 750W, and 9.5m @ 8.6% from 186m on line 930W.

Figure 1: Plan view of 2021 drilling at R840W



Source: Fission Uranium

Figure 2: Section view of PFS mine plan and mineralized zones



Source: Fission Uranium

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

- 2Q22: DFS 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\$0.70/sh, C\$460m	Market P/NAV: 0.48x	Assets: PLS
Chan / B Gaspar / E Magdzinski	Rec / PT: BUY / C\$1.45	1xNAV ₂₀₂₂ FD: C\$1.47/sh	Country: Canada (Sask)

Group-level SOTP valuation					Share data				
	3Q21	4Q21							
	C\$m	O/ship	NAVx	C\$/sh	Basic shares (m):	FD + options (m):	744.5	FD + FF	970.1
PLS NPV 4Q21	1,151.6	100%	1.0x	1.55					
Central SG&A & fin costs 4Q21	(167.2)	--	1.0x	(0.22)					
Lbs outside mine plan (US\$/lb U308)	19.4	--	1.0x	0.03					
Other assets	1.6	--	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	49.3	--	1.0x	0.07					

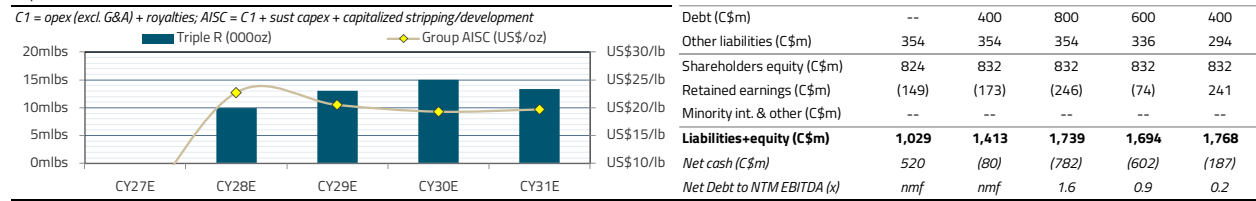
1xNAV8% US\$60/lb					Share data				
	1,097			1.47					
Assumed build equity issuance	325.0			0.34					
1xNAV fully funded 8% US\$60/lb	1,422			1.47					
P/NAV - fully diluted for build (x)				0.48x					

Target multiples					Ratio analysis				
	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\$238m	Mine debt @ 60% gearing	C\$800m						
	SCPe G&A + fin. cost to first Au C\$59m	Build Equity	C\$325m						
	SCPe working capital C\$62m	Offtake	C\$350m						
	Total uses C\$1536m	Total proceeds	C\$1536m						

1xNAV sensitivity to gold price and discount / NAV multiple						Income statement					
1xNAV PLS (C\$m)	\$40/lb	\$50/lb	\$60/lb	\$70/lb	\$80/lb		CY25E	CY26E	CY27E	CY28E	CY29E
10% discount	198	534	871	1,207	1,543	Revenue (C\$m)	--	--	--	757	991
9% discount	265	633	1,000	1,367	1,735	COGS (C\$m)	--	--	--	(252)	(304)
8% discount	341	744	1,146	1,548	1,950	Gross profit (C\$m)	--	--	--	505	687
7% discount	429	869	1,310	1,751	2,192	Expenses (C\$m)	(5)	(5)	(5)	(5)	(5)
6% discount	528	1,012	1,497	1,981	2,465	Impairment & other (C\$m)	--	--	--	--	--
5% discount	641	1,174	1,707	2,240	2,773	Net finance costs (C\$m)	6	(19)	(69)	(84)	(40)
						Tax (C\$m)	--	--	--	(97)	(133)
						Minority interest (C\$m)	--	--	--	--	--
Valuation (C\$/sh)	\$40/lb	\$50/lb	\$60/lb	\$70/lb	\$80/lb	Net income attr. (C\$m)	1	(24)	(74)	320	508
0.8xNAV	0.25	0.70	1.15	1.60	2.05	EBITDA	1	(24)	(74)	172	316
0.9xNAV	0.25	0.80	1.30	1.80	2.30	Cash flow	CY25E	CY26E	CY27E	CY28E	CY29E
1.00xNAV	0.30	0.90	1.45	2.00	2.60	Profit/(loss) after tax (C\$m)	1	(24)	(74)	172	316
1.10xNAV	0.35	1.00	1.60	2.20	2.85	Add non-cash items (C\$m)	0	24	72	231	233
1.0xNAV	0.30	0.90	1.45	2.00	2.60	Less wkg cap / other (C\$m)	--	--	--	(62)	(16)

Valuation over time						Balance sheet					
	1Q20E	1Q21E	1Q22E	1Q23E	1Q24E		CY25E	CY26E	CY27E	CY28E	CY29E
Mines NPV (US\$m)	968	1,048	1,143	1,245	1,361	Cash (C\$m)	521	321	19	(1)	214
Cntrl G&A & fin costs (US\$m)	-155	-160	-167	-174	-182	Accounts receivable (C\$m)	0	0	0	29	38
Net cash at 1Q (US\$m)	23	42	27	6	615	Inventories (C\$m)	--	--	--	63	76
Other Assets + Options	51	51	51	51	51	PPE & exploration (C\$m)	508	1,092	1,720	1,603	1,439
1xNAV (US\$m)	887	981	1,054	1,128	1,845	Other (C\$m)	0	0	0	0	0
P/NAV (x):	0.39	0.47	0.44	0.41	0.29	Total assets (C\$m)	1,029	1,413	1,739	1,694	1,768
1xNAV share px FD (C\$/sh)	1.78	1.49	1.60	1.72	2.39	Debt (C\$m)	--	400	800	600	400
ROI to equity holder (% pa)	154%	113%	51%	35%	36%	Other liabilities (C\$m)	354	354	354	336	294
1.2xNAV share px FD (C\$/sh)	2.14	1.79	1.92	2.06	2.87	Shareholders equity (C\$m)	824	832	832	832	832
ROI to equity holder (% pa)	205%	156%	66%	43%	42%	Retained earnings (C\$m)	(149)	(173)	(246)	(74)	241

Production (100%)						Liabilities+equity (C\$m)					
	CY27E	CY28E	CY29E	CY30E	CY31E		CY25E	CY26E	CY27E	CY28E	CY29E
Triple R (000lb U308)	--	10.0	13.0	15.0	13.4	Net cash (C\$m)	520	(80)	(782)	(602)	(187)
Triple R cash cost (US\$/lb)	--	\$19.97	\$18.39	\$17.47	\$17.64	Net Debt to NTMEBITDA (x)	<i>nmf</i>	<i>nmf</i>	1.6	0.9	0.2
Triple R AISC (US\$/lb)	--	\$22.72	\$20.50	\$19.30	\$19.69						



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SELL:	0
UNDER REVIEW:	0
TENDER:	1
NOT RATED:	0
TOTAL	52

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