

Ticker: FCU CN
Market cap: C\$684m

Net cash: C\$40m
Price: C\$1.06/sh

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

RECOMMEND. (unc): BUY

TARGET (unc): C\$1.45/sh

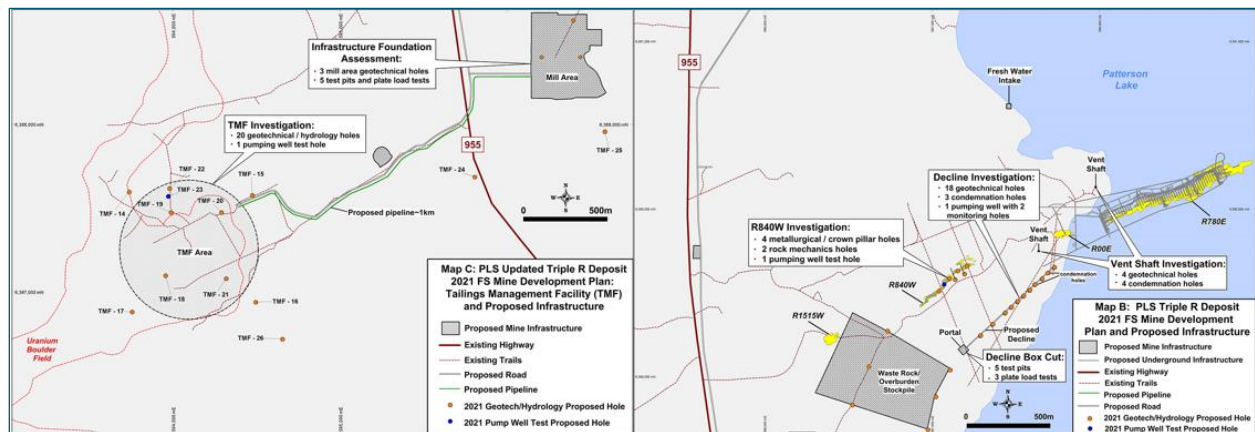
RISK RATING: HIGH

*Fission is a uranium top pick for us, offering excellent value at half the in-situ valuation of the other top Athabasca developers. Geopolitical events have highlighted the importance of Western uranium supply. Fission's PLS is a top two undeveloped uranium asset globally in our view, along with its neighbor, NexGen and we think the market valuation does not reflect the development and infrastructure synergies between the two projects, whether they are developed together through M&A or an infrastructure sharing agreement as separately owned operations. Today's update highlights Fission's strong balance sheet (C\$40m of cash and no debt), and high-quality development approach, as evidenced by detailed feasibility study work including infill drilling for resource to reserve conversion and detailed geotechnical and met testing work. **We maintain our BUY rating and price target of C\$1.45/sh based on 1.0x NAV8%-60/lb.** Stepping back, with two tier I projects less than 1 km apart, and the strategic importance of nuclear power and uranium now rightfully appreciated, we think the Western Athabasca (Fission's PLS and NexGen's Rook I) is the next tier I mining camp (across all commodities) globally.*

Debt repaid and C\$40m net cash, winter 2022 geotechnical drilling completed

Fission announced it repaid the remaining US\$7m of debt on its secured credit facility and has C\$40m of cash and no debt at present. The six geotechnical holes announced in Jan 2022 were completed, including three holes in the R780E zone, one in the R00E zone and one each in the R840W and R1515W zones. R840W and R1515W are potential additions to the DFS mine plan with conversion of inferred to indicated from the 2021 drilling program.

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/in-situ 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)

Justin Chan (London) M: +44 7554 784 688 jchan@sprott.com

Brock Salier (London) M: +44 7400 666 913 bsalier@sprott.com

Brandon Gaspar (Toronto) M: +1 437 533 3142 bgaspar@sprott.com

Eleanor Magdzinski (Toronto) M: +1 705 669 7456 emagdzinski@sprott.com

Ticker:	FCU CN	Price / mkt cap:	C\$1.04/sh, C\$684m	Market P/NAV:	0.72x	Assets:	PLS	
J Chan / B Gaspar / E Magdzinski	Rec / PT:	BUY / C\$1.45	1xNAV ₂₀₂₀ FD:	C\$1.45/sh	Country:	Canada (Sask)		
Group-level SOTP valuation				Share data				
	1Q22	2Q22		Basic shares (m):	657.5	FD + options (m):	820.4	
		C\$m	O/ship	NAVx	C\$/sh	FD + FF	1058.3	
PLS NPV 2Q22		1,201.9	100%	1.0x	1.47			
Central SG&A & fin costs 2Q22		(162.6)	--	1.0x	(0.20)			
Lbs outside mine plan (US\$/lb U308)		29.4	--	1.0x	0.04			
Other assets		1.9	--	1.0x	0.00			
Cash and restr. cash 1Q22		40.0	--	1.0x	0.05			
Debt 1Q22		--	--	1.0x	--			
ITM options		77.5	--	1.0x	0.09			
1xNAV8% US\$60/lb		1,188			1.45			
Assumed build equity issuance		325.0			0.31			
1xNAV fully funded8% US\$60/lb		1,513			1.43			
P/NAV - fully diluted for build (x)					0.73x			
Target multiples				Multiple				
Target P/NAV Multiple				1.00x				
Target price				1.45				
Sources				Uses				
	PFS capex	C\$1177m	SCPe 3Q20 cash + ITM options	C\$83m				
	SCPe contingency	C\$264m	Mine debt @ 60% gearing	C\$800m				
	SCPe G&A + fin. cost to first Au	C\$54m	Build Equity	C\$325m				
	SCPe working capital	C\$62m	Offtake	C\$350m				
	Total uses	C\$1558m	Total proceeds	C\$1558m				
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	224	572	920	1,268	1,615			
9% discount	294	673	1,053	1,432	1,811			
8% discount	373	787	1,202	1,616	2,031			
7% discount	463	916	1,370	1,824	2,277			
6% discount	565	1,062	1,559	2,057	2,554			
5% discount	681	1,227	1,773	2,319	2,865			
Valuation (C\$/sh)	\$40/lb	\$50/lb	\$60/lb	\$70/lb	\$80/lb			
0.8xNAV	0.30	0.70	1.15	1.55	2.00			
0.9xNAV	0.30	0.80	1.30	1.75	2.25			
1.00xNAV	0.35	0.90	1.45	1.95	2.50			
1.10xNAV	0.40	1.00	1.60	2.15	2.75			
1.0xNAV	0.35	0.90	1.45	1.95	2.50			
Valuation over time								
	1Q20E	1Q21E	1Q22E	1Q23E	1Q24E			
Mines NPV (US\$m)	994	1,077	1,174	1,278	1,397			
Cntrl G&A & fin costs (US\$m)	-149	-153	-160	-168	-177			
Net cash at 1Q (US\$m)	23	46	40	20	653			
Other Assets + Options	79	79	79	79	79			
1xNAV (US\$m)	948	1,049	1,132	1,210	1,953			
P/NAV (x):	0.55	0.62	0.63	0.60	0.43			
1xNAV share px FD (C\$/sh)	1.90	1.66	1.66	1.75	2.39			
ROI to equity holder (% pa)	83%	60%	26%	19%	23%			
1.2xNAV share px FD (C\$/sh)	2.29	2.00	1.99	2.10	2.87			
ROI to equity holder (% pa)	120%	92%	38%	26%	29%			
Resource / Reserve								
	Mt	Mlbs	EV/oz U308	EV/lb				
Measured, ind. & inf. - Triple R	3,437	135.2	4.69	4.69				
SCPe Mine inventory - Triple R	3,918	127.5	4.97	4.97				
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)	--	\$19.88	\$18.33	\$17.42	\$17.58			
Triple R AISC (US\$/lb)	--	\$22.60	\$20.41	\$19.22	\$19.61			
C1 = opex (excl. G&A) + royalties; AISC = C1 + sust capex + capitalized stripping/development								
Income statement				CY25E	CY26E	CY27E	CY28E	CY29E
Revenue (C\$m)	--	--	--	767	1,004			
COGS (C\$m)	--	--	--	(254)	(307)			
Gross profit (C\$m)	--	--	--	513	697			
Expenses (C\$m)	(6)	(5)	(5)	(5)	(5)			
Impairment & other (C\$m)	--	--	--	--	--			
Net finance costs (C\$m)	7	(19)	(68)	(83)	(40)			
Tax (C\$m)	--	--	--	(99)	(136)			
Minority interest (C\$m)	--	--	--	--	--			
Net income attr. (C\$m)	0	(24)	(73)	326	516			
EBITDA	2	(24)	(73)	178	323			
Cash flow				CY25E	CY26E	CY27E	CY28E	CY29E
Profit/(loss) after tax (C\$m)	2	(24)	(73)	178	323			
Add non-cash items (C\$m)	0	24	72	231	233			
Less wkg cap / other (C\$m)	--	--	--	(64)	(16)			
Cash flow ops (C\$m)	2	0	(1)	346	540			
PP&E (C\$m)	(138)	(584)	(628)	(30)	(30)			
Other (C\$m)	--	--	--	--	--			
Cash flow inv. (C\$m)	(138)	(584)	(628)	(30)	(30)			
Debt draw (repayment) (C\$m)	--	400	400	(200)	(200)			
Equity issuance (C\$m)	27	22	--	--	--			
Other (C\$m)	(0)	(24)	(72)	(132)	(88)			
Cash flow fin. (C\$m)	27	398	328	(332)	(288)			
Net change post forex (C\$m)	(110)	(186)	(302)	(16)	222			
FCF (C\$m)	(136)	(608)	(702)	296	486			
Balance sheet				CY25E	CY26E	CY27E	CY28E	CY29E
Cash (C\$m)	546	360	58	42	265			
Accounts receivable (C\$m)	0	0	0	29	38			
Inventories (C\$m)	--	--	--	64	77			
PPE & exploration (C\$m)	520	1,104	1,732	1,614	1,451			
Other (C\$m)	1	1	1	1	1			
Total assets (C\$m)	1,067	1,465	1,791	1,750	1,832			
Debt (C\$m)	--	400	800	600	400			
Other liabilities (C\$m)	354	354	354	335	294			
Shareholders equity (C\$m)	859	881	881	881	881			
Retained earnings (C\$m)	(147)	(171)	(244)	(66)	257			
Minority int. & other (C\$m)	--	--	--	--	--			
Liabilities+equity (C\$m)	1,067	1,465	1,791	1,750	1,832			
Net cash (C\$m)	544	(42)	(744)	(560)	(138)			
Net Debt to NTMEBITDA (x)	nmf	nmf	1.5	0.8	0.2			

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HOLD:	1
SELL:	0
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TENDER:	0
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TOTAL	55

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