



# NexGen Energy Ltd.

{NXE-T}

SECTOR: Mining

STOCK PRICE	\$5.36
RATING	BUY
TARGET PRICE	\$7.50
RISK	Very High

## 2021 EXPLORATION SUMMARY AND ASSAY RESULTS

### 2022 Summer Regional Exploration Program Commences

**OUR TAKE:** This morning, NexGen released drill assay results from its 2021 exploration program and announced the commencement of its 2022 regional exploration program. **The 2021 program intersected anomalous uranium mineralization below the known Arrow Deposit envelope and along the Patterson Corridor at Camp East highlighting the potential for additional discoveries at Rook 1.** The 2021 exploration program consisted of 18 holes for a total of 10,849.04m (see Figure 2), where it tested prospective electromagnetic conductors near Arrow with ~6,400 metres of drilling and used the remaining ~4,449 metres to test significantly below the current outline of the Arrow Deposit resource (see Figure 3). According to NexGen, brittle structural disturbance and hydrothermal alteration were intersected in all targeted areas including anomalous uranium concentration below Arrow (highlighted by 0.10% U<sub>3</sub>O<sub>8</sub> over 7.0m in AR-21-268 from 1128m to 1135m down hole (see Table 1 and Figure 3)). The Company plans to conduct a 3-drill rig, 12,000 metre 2022 exploration program that builds off the positive 2021 drilling results and will focus on testing six regional high-priority conductive trends (see Figure 1). These high priority target areas include the Patterson Corridor (which hosts Arrow and extends for 9km along trend on the Rook 1 project, and includes the Camp East target), Mirror, PLC East, Derkson West, Derkson, and Derkson East. According to NexGen “[a]ll target areas exhibit similar geophysical characteristics to Arrow, including strong conductive signatures with numerous off-sets coincident with discrete gravity lows and steep magnetic gradients.” The Company also plans to carry out geophysical surveys at its SW1 (ground electromagnetics), SW2 (ground gravity) and SW3 (ground IP/Resistivity) properties, also in the southwestern Athabasca Basin. **With 2022 Exploration Programs underway, NexGen will not be quiet in 2022. We continue to believe the Rook 1 property is highly prospective for additional discovery with regional drilling continuing to indicate strong geological conditions and view the Arrow deposit as ‘the best undeveloped uranium asset globally and highly strategic’.** The February 2021 Feasibility Study outlined a >21 Mlb U<sub>3</sub>O<sub>8</sub> per year, 10-year mine operation with an after-tax NPV<sub>8%</sub> of \$3.47B at US\$50/lb uranium.

#### KEY HIGHLIGHTS:

- ◆ **2021 Drill Program Highlights:**
  - **Below Arrow** – multiple intersections of uranium mineralization were made significantly below Arrow, including **0.10% U<sub>3</sub>O<sub>8</sub> over 7.0m in AR-21-268 from 1128m to 1135m down hole;**
  - **Camp East** – uranium concentration of **0.10% U<sub>3</sub>O<sub>8</sub> in RK-21-140 from 166m to 167m down hole** in association with brittle structure and hydrothermal alteration.
- ◆ **2022 Drilling and Exploration Programs scoped.** NexGen has outlined a 12,000m, 3 rig drill program which will test 6 regional high-priority conductive trends with aggressive step-outs on the Rook 1 property, including the Patterson Corridor which hosts Arrow and extends for 9km along trend on the Rook 1 project, and includes the Camp East target. The other targets include the Mirror, PLC East and the 3 Derkson trends where multiple highly prospective targets have been identified for follow up (see Figure 1). In addition, NexGen will carry out geophysical surveys at its SW1 (ground electromagnetics), SW2 (ground gravity) and SW3 (ground IP/Resistivity) properties, also in the southwestern Athabasca Basin.
- ◆ **NexGen has \$164M in cash to advance 2022 Priorities:** Following the submission of the project EIS late last month, we expect that the remaining of 2022 will see NexGen’s updated Sustainability Report, completion of the Front-End Engineering Design (FEED, being carried out by HATCH), the commencement of Detailed Engineering for Arrow development, and continuation of its regional exploration programs outside of Arrow.

#### RECOMMENDED ACTION

*We recommend having exposure to NexGen given our thesis that a major miner must control Arrow due to its disruptive potential...*

- ◆ **NXE remains a top pick in the uranium sector due to the disruptive potential of the Arrow deposit, with its massive scale and strong economics.** We continue to be very bullish on NexGen and believe it controls one of the best undeveloped resources globally, in any commodity. We see NexGen as perfectly positioned to fill the supply gap beyond 2025. We expect Arrow will be ramping up production just as major sources of production (Cigar Lake) are nearing end-of-life. We believe the project will realize very robust economics with the scale to be disruptive and the quality, grade and simplicity necessary to evolve into a Tier 1 producer able to withstand commodity price fluctuations and capital swell; two of the major risks facing mining companies. We believe that it is critical for existing major producers to control this deposit because of its disruptive potential and that this is key to preserving the value of their existing deposits and maintaining their ability to affect price with production rate management strategies. **NXE is a 'must-own' for those looking for exposure to the uranium sector.**

#### KEY STATISTICS AND METRICS

52-Week High/Low	\$8.30/\$4.43
YTD Performance	-3.2%
Dividend Yield	NA
Shares O/S	479M
Market Capitalization	\$2,567M
Cash (May '22 presentation)	\$164M
Debt (as of March 31, 2022)	\$93M
Enterprise Value	\$2,497M
Daily Volume (3 mos.)	1,472,500

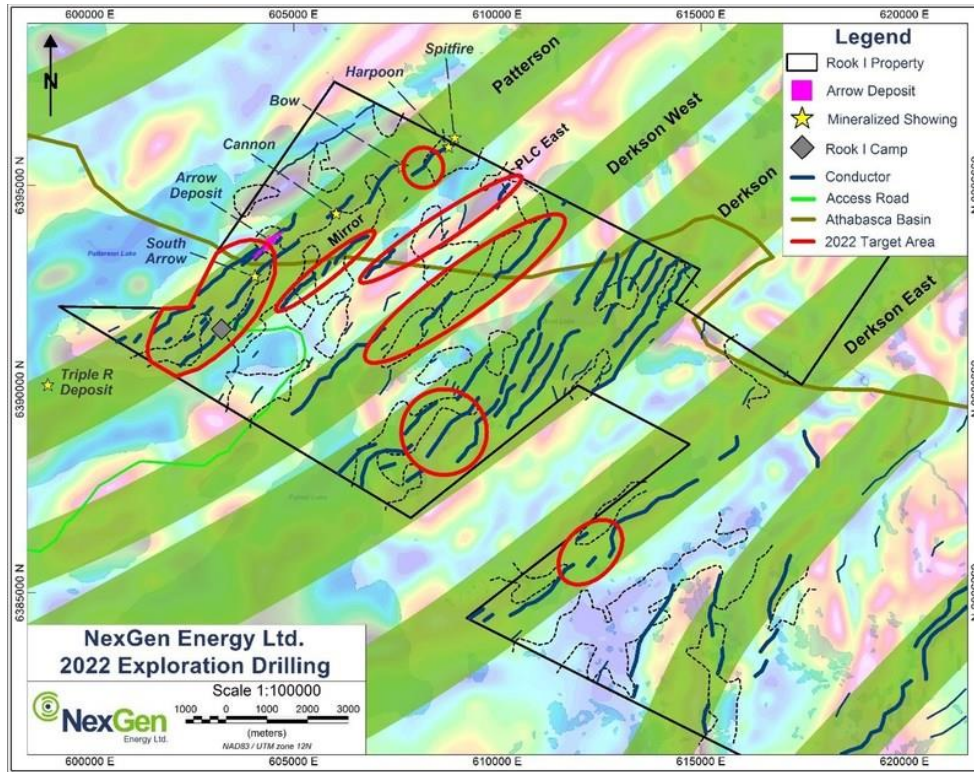
#### HAYWOOD ESTIMATES (CAD)

	2021A	2022E	2023E
U <sub>3</sub> O <sub>8</sub> Production	0.0	0.0	0.0
Revenue (\$M)	0.0	0.0	0.0
EBITDA (\$M)	(50.0)	(43.5)	(39.8)
CFPS (\$)	(0.04)	(0.04)	(0.03)

#### VALUATION

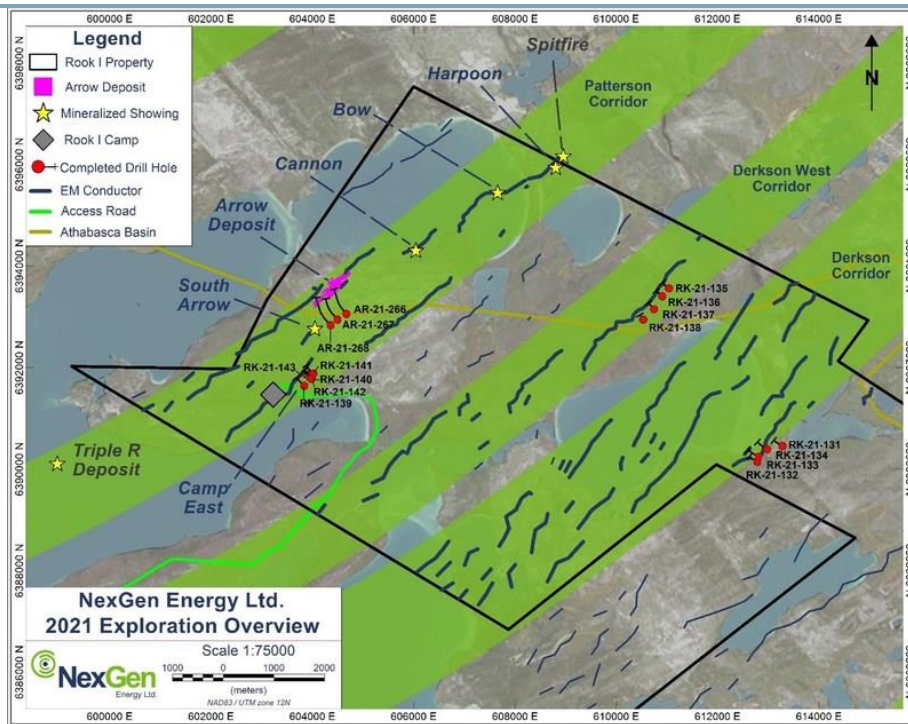
**Our \$7.50 target** is based on a 1.0x multiple of our estimated corporate net asset value (NAV) per share of \$7.50, based on a discounted cash flow (DCF<sub>8%</sub>) analysis of our conceptual uranium mining operation at Arrow.

Figure 1: 2022 Exploration Drilling



Source: NexGen Energy

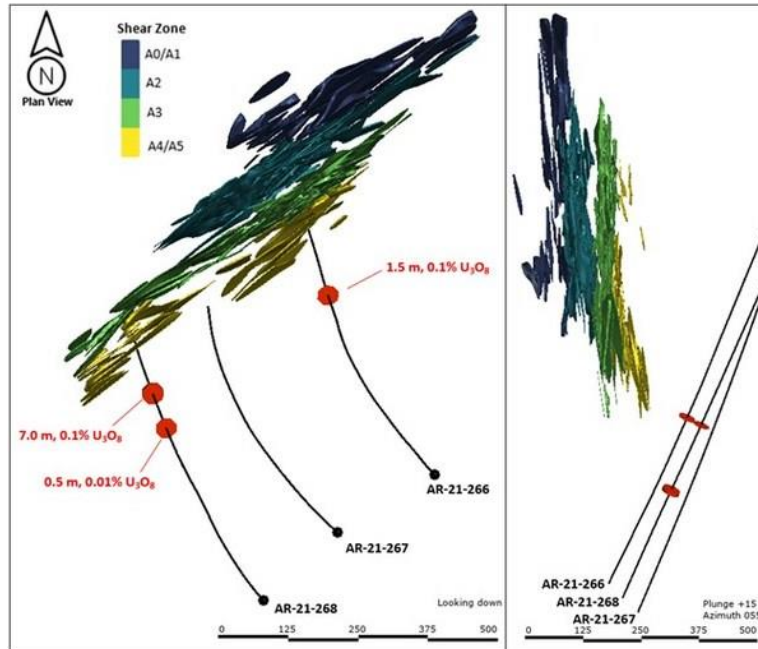
Figure 2: 2021 Exploration Overview



Source: NexGen Energy



Figure 3: 2021 Exploration Program Results (holes AR-21-268, 267, and 266)



Source: NexGen Energy

Table 1: 2021 Exploration Assay Results (Cutoff of 0.01% U<sub>3</sub>O<sub>8</sub>)

Drill Hole				Unconformity	SRC Geoanalytical Results			
Hole ID	Azimuth	Dip	Total Depth (m)	Depth (m)	From (m)	To (m)	Width (m)	U <sub>3</sub> O <sub>8</sub> (wt%)
AR-21-266	314.00	-73.00	1482.73	129.50	1058.50	1060.00	1.50	0.10
AR-21-266a	314.00	-73.00	120.00	N/A	No significant mineralization			
AR-21-267	314.00	-73.00	1446.00	117.30	No significant mineralization			
AR-21-268	314.00	-73.00	1400.00	113.75	965.00	965.50	0.50	0.01
					1125.00	1125.50	0.50	0.04
					1128.00	1135.00	7.00	0.10
RK-21-131	300.00	-65.00	501.00	51.00	No significant mineralization			
RK-21-132	300.00	-65.00	468.00	34.00	No significant mineralization			
RK-21-133	300.00	-65.00	555.00	49.00	No significant mineralization			
RK-21-134	300.00	-65.00	516.63	57.70	No significant mineralization			
RK-21-135	310.00	-70.00	534.00	81.00	No significant mineralization			
RK-21-136	310.00	-70.00	447.00	88.10	No significant mineralization			
RK-21-137	310.00	-70.00	534.00	90.70	No significant mineralization			
RK-21-138a	310.00	-70.00	96.88	90.00	No significant mineralization			
RK-21-138	310.00	-70.00	486.00	82.30	No significant mineralization			
RK-21-139	315.00	-65.00	495.00	84.00	No significant mineralization			
RK-21-140	315.00	-70.00	479.40	80.95	166.00	167.00	1.00	0.10
RK-21-141	315.00	-70.00	488.00	92.10	No significant mineralization			
RK-21-142	315.00	-70.00	465.00	84.00	No significant mineralization			
RK-21-143	315.00	-70.00	334.40	79.90	No significant mineralization			

Parameters:

- Maximum internal dilution 2.0 m downhole
- Minimum thickness of 0.5 m downhole
- Cutoff grade of 0.01% U<sub>3</sub>O<sub>8</sub>
- All depths and intervals are metres downhole

Source: NexGen Energy





## Important Information and Legal Disclosures

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### Analyst Certification

I, Colin Healey, hereby certify that the views expressed in this report (which includes the rating assigned to the issuer’s shares as well as the analytical substance and tone of the report) accurately reflect my/our personal views about the subject securities and the issuer. No part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations.

### Important Disclosures

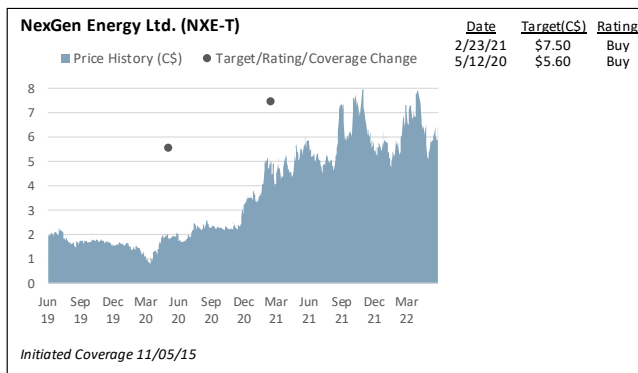
Of the companies included in the report the following Important Disclosures apply:

- ◆ Haywood Securities, Inc. has reviewed lead projects of NexGen Energy Ltd. (NXE-T) and a portion of the expenses for this travel have been reimbursed by the issuer.

### Distribution of Ratings (as of July 28, 2022)

	%	#	IB Clients (TTM)
<b>Buy</b>	77.8%	77	71.4%
<b>Hold</b>	14.1%	14	23.8%
<b>Sell</b>	0.0%	0	0.0%
<b>Tender</b>	1.0%	1	4.8%
<b>UR (Buy)</b>	0.0%	0	0.0%
<b>UR (Hold)</b>	0.0%	0	0.0%
<b>UR (Sell)</b>	0.0%	0	0.0%
<b>Dropped (TTM)</b>	7.1%	7	0.0%

### Price Chart, Rating and Target Price History (as of July 28, 2022)



B: Buy; H: Hold; S: Sell; T: Tender; UR: Under Review  
Source: Capital IQ and Haywood Securities

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