

Fission Uranium Corp.

(FCU-T: C\$0.38) *intraday*

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BUY

Target: C\$2.30 (from C\$2.00)

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PFS Suggests Vast Improvement By Going UG Only

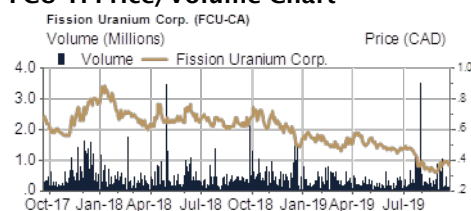
FCU-T	New	Last
Rating	--	BUY
Target	C\$ 2.30 ▲	2.00
Projected Return	505% ▲	285%
Target/NAV multiple	--	0.80x
Corporate DCF	1.77 ▲	1.64
Cash, and Investments	0.06 ▲	0.01
Debt	--	0.00
Exploration & Unmodelled Resources	0.83 ▲	0.71
Total NAV	2.67 ▲	2.35
P/NAV	0.14x ▼	0.22x

Company Data				
Last Price			\$0.38	
52-week Range	\$0.32 -		\$0.75	
Market Cap (\$MM)			\$184.69	
Enterprise Value (\$MM)			\$176.17	
Shares Outstanding - Basic (MM)			486.0	
Shares Outstanding - FD (MM)			533.1	
Avg Volume - 100d (000 shares/day)			328.2	
Cash (est.) (\$MM)			\$8.51	
Debt(\$MM)			\$0.00	
Working Capital est. (\$MM)			\$8.16	
Forecast	2016A	2017A	2018E	LT
Spot (US\$/lb)	33	23	29	60
Term (US\$/lb)	44	32	34	60

All Figures in C\$ Unless Otherwise Noted

Source: FactSet, Company Reports, Eight Capital

FCU-T: Price/Volume Chart



Source: Factset

Company Description

Fission Uranium is a Canadian uranium exploration company advancing its Triple R deposit on the west side of the Athabasca Basin. A new UG only option contemplates annual production of over 11 MM lbs pa over 7 years, potentially making this one of the largest uranium mines pending development. A hybrid OP/UG PFS option contemplates 15 MM lbs pa of annual production over the initial five years of production and over 11 MM lbs pa LOM. Pre- and post-tax NPV 8% is \$1.33 B and \$702 MM, respectively for the UG only option. Pre- and post-tax NPV 8% is \$1.32 B and \$693 MM, respectively for the OP/UG hybrid option.

We reiterate our BUY recommendation for Fission, and increase our 12-month target price to C\$2.30 from C\$2.00, based on a 0.8x multiple applied to a 10% DCF model, after incorporating an UG only PFS for the PLS Project.

A positive Triple R Underground Only (UG) PFS was announced overnight. Its economics didn't deviate much from April's UG Only PEA ([see note](#)), but it is a vast improvement over previous OP/UG development plans. Today's UG PFS should not only improve confidence greatly, but lay the groundwork for Fission's ultimate development plans. It remains a large, shallow, high grade deposit suitable to sustain long life, low cost uranium production. The quickest way to improve value for the project now is to convert existing inferred resources from all five known deposits to indicated, and this would allow inclusion into the mine plan. Running permitting in parallel will also help minimize development timeline. Baseline studies near completion, and filing the Project Description to kickstart permitting is imminent. A FS underway is due within 18 months. We have updated our DCF model to match these new development plans. FCU is one of our top developer picks as it may come in cheaper and quicker to production than certain peers, assuming it can execute (hiring of a COO would send a strong signal to the market that management is serious).

- **Improved economics.** The new UG only option is ~\$300 MM cheaper than the hybrid UG/OP option and still boasts a low Opex.
- **Simple development.** Multiple uranium deposits are short distances apart and may quickly add to mine plans upon upgrading resources to Indicated.
- **90% of earthworks eliminated.** Going UG removes need for retaining wall dykes, slurry walls, dewatering & overburden removal, as compared to OP.
- **Quicker to production.** Construction period cut by 12 months on decreased earthworks; ramp eliminates need for expensive shaft.
- **Shorter and easier permitting.** Smaller footprint and minor direct impact to Paterson Lake should lead to less community pushback.

UG production of 11.2 MM lbs pa U3O8. Cash operating costs are US\$7.18/lb, total cash costs are US\$14.95/lb. Pre-tax NPV (8%) is \$1.33 B, 34% IRR, 2.2 yr payback. Post-tax NPV (8%) of \$702 MM, 25% IRR, 2.5 yr payback. \$1.18B Capex is 21% lower than previous \$1.5 B of hybrid OP/UG project. Obvious synergies may stem from development of Triple R alongside Arrow deposit, as benefits may arise by sharing camp, power, airstrip, mill and tailings costs.

7-year LOM can easily expand. Reserves total 2.3 MM t ore grading 1.61% for 81.4 MM lbs U3O8. Additional resources total 21 MM lbs Indicated and 32.8 MM lbs Inferred, with opportunity to upgrade and expand. Existing plans only use R780E/ROE Indicated resources leaving 27.5 MM lbs outside of the current mine plan. Plus ~9 MM lbs (10%) of indicated resources are sterilized, partly by leaving material in crown pillars, but more to do with ignoring lower grades.

Permitting set to begin. Baseline studies are nearly done. Project Description filing is due in October. FS is already underway and due in 18 months. \$30-35 MM needed for drilling, and FS through H1/21. FCU had \$8.5 MM cash at 30-Jun-19. Will likely need another \$25 MM by 2024 to get through environmental and licensing. Timeline should meld nicely with higher U3O8 demand and expected market improvement. Raising cash may prove difficult in this market and we might see an overhang on the stock until complete. It will be interesting to see if Chinese nuclear utility, CGN, who owns ~20% of FCU, will participate.

Table 1 - Summary of the OP/UG and UG Only mining options for Triple R

	Units	2019 Hybrid PFS	2019 U/G PFS
PROJECT TIMELINE			
Construction Period	yrs	4.0	3.0
Operations Period	yrs	8.2	7.0
MINING and PROCESSING			
Ore Tonnes mined	kt	2,888	2,299
U3O8 Grade	%	1.42%	1.61%
Contained Pounds	'000 lbs U3O8	90,498	81,355
Overburden and 505 Cut	kt	28,598	1,853
Waste Rock	kt	20,260	1,219
Total Moved	kt	51,155	5,372
Recovery	%	96.7%	96.8%
Recovered U3O8	'000 lbs U3O8	87,548	78,747
CAPITAL AND OPERATING COSTS			
LOM Operating Costs	C\$ millions	790	753
Unit Operating Cost	C\$ / t proc	274	328
Unit Operating Cost	C\$ / lb U3O8	9.03	9.57
Initial Capital Cost	C\$ millions	1,499	1,177
Total Capital Cost	C\$ millions	1,713	1,459
PROJECT ECONOMICS			
Pre-Tax Payback Period	yrs	2	2.2
Pre-Tax IRR	%	29%	34%
Pre-Tax NPV @ 8%	C\$ millions	1,319	1,334
Post-Tax Payback Period	yrs	2.3	2.5
Post-Tax IRR	%	21%	25%
Post-Tax NPV @ 8%	C\$ millions	693	702

Source: Company Reports

Table 2: Mineral resource statement (23-Oct-2018).

Classification	Zone	Tonnes	Metal Grade		Contained Metal	
		(kt)	% U3O8	g/t Au	(M lbs U3O8)	(koz Au)
Indicated	R780E	1,922	2.18	0.66	92.4	40.6
	R000E	97	1.5	0.16	3.2	0.5
	R1620E	42	2	0.22	1.8	0.3
	R840W	88	1.68	0.32	3.3	0.9
	R1515W	66	1.13	0.38	1.6	0.8
Indicated Total		2,215	2.1	0.61	102.4	43.1
Inferred	R780E	549	0.83	0.57	10.1	10
	R000E	8	4.09	0.78	0.7	0.2
	R1620E	59	3.52	0.47	4.6	0.9
	R840W	280	1.86	0.49	11.5	4.4
	R1515W	227	0.94	0.41	4.7	3
	HALO	98	0.58	0.38	1.2	1.2
Inferred Total		1,221	1.22	0.5	32.8	19.7

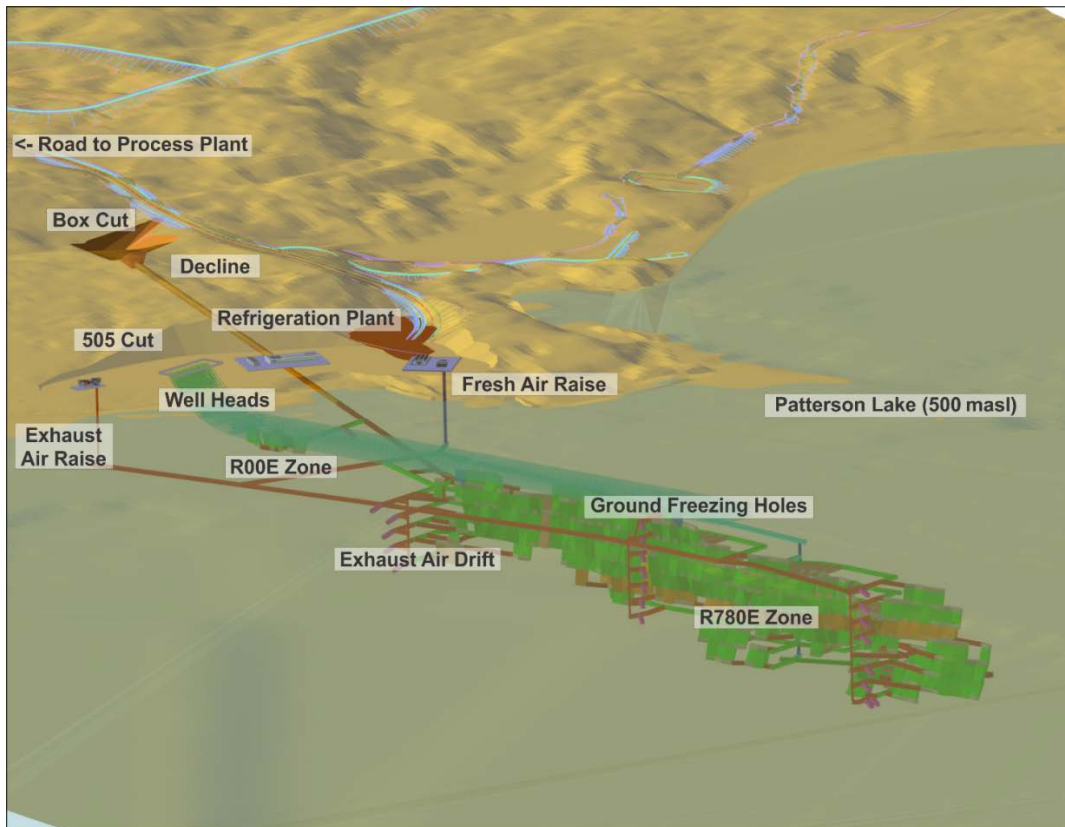
Source: Company Reports

Table 3: Mineral Reserve Statement as of 19-Sep-19.

Classification	Tonnes	Grade	Contained Metal
	(kt)	(% U3O8)	(M lbs U3O8)
Probable Reserves	2,299	1.61	81.4

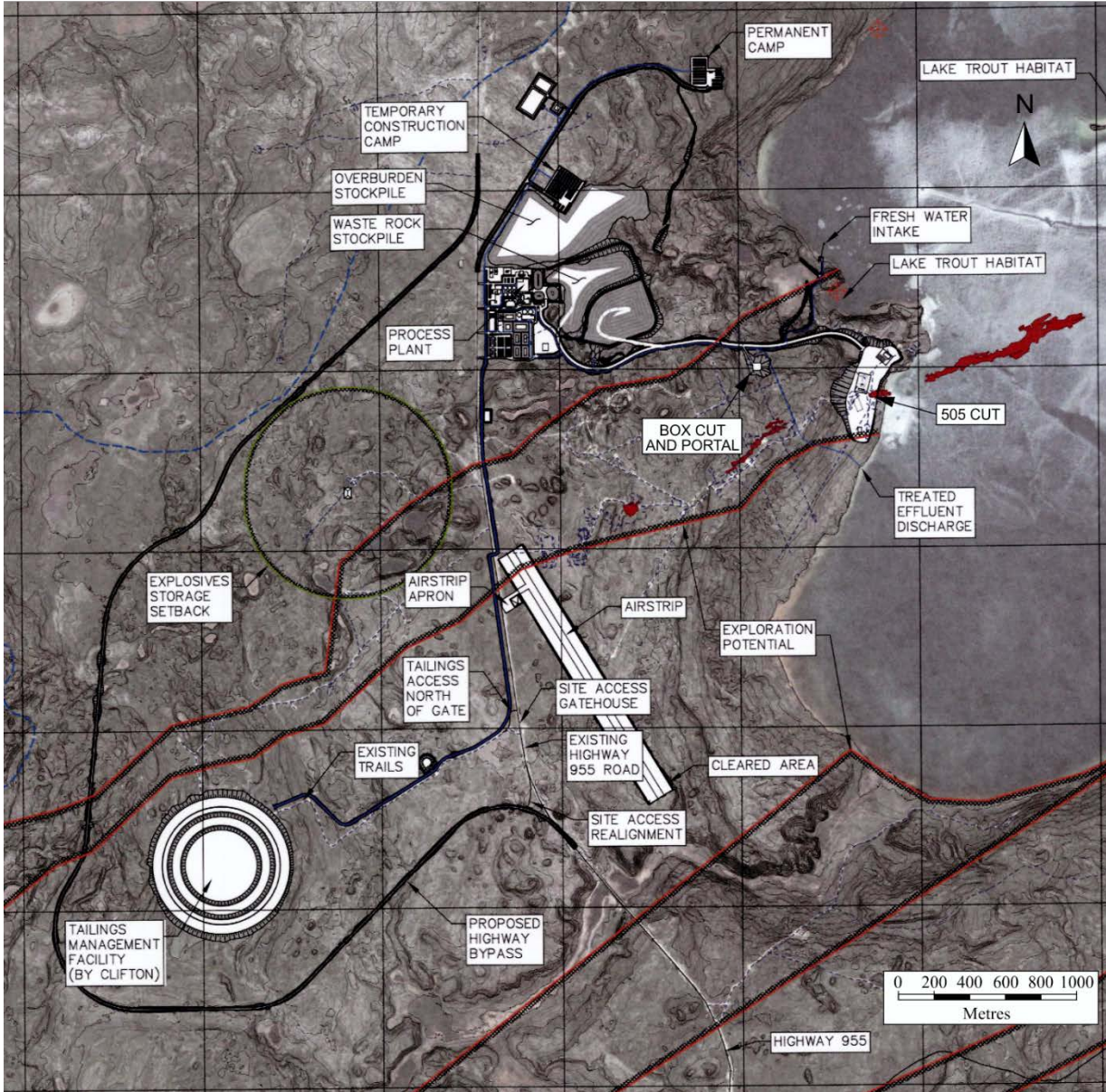
Source: Company Reports

Figure 1 - Overview of mine plan. The process plant is based on conventional uranium processing technology. Main components of the processing plant are grinding; leaching; liquid-solid separation via counter current decantation; solvent extraction; yellowcake precipitation; yellowcake packaging; tailings neutralization and thickening. Recoveries are estimated to be 96.8%. A number of ancillary facilities include an on-site acid generating facility.



Source: Company reports

Figure 2: Major infrastructure components include camp and catering facilities; airstrip; liquified natural gas (LNG) power plant; Tailings Management Facility (TMF); administration building and warehouse; maintenance facility; effluent treatment system.



Source: Company reports

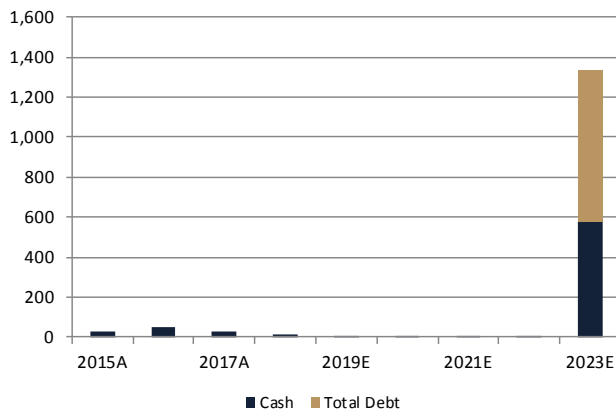
Fission Uranium Corp.

Net Asset Valuation at Eight Capital Price Deck (C\$)

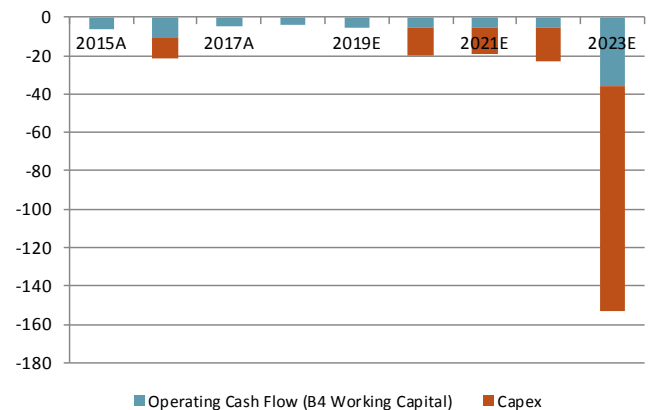
	Target Setting NAV			NAV at Various Discount Rates					
	Discount Rate	(\$MM)	(\$/Share)	0%		5%		15%	
				(\$MM)	(\$/Share)	(\$MM)	(\$/Share)	(\$MM)	(\$/Share)
Uranium Assets									
PLS	10%	739	1.52	2,128	4.38	1,264	2.60	416	0.86
Total Uranium Assets		739	1.52	2,128	4.38	1,264	2.60	416	0.86
Other Assets & Expenses									
Cash		31	0.06	31	0.06	31	0.06	31	0.06
Investments		0	0.00	0	0.00	0	0.00	0	0.00
Debt		0	0.00	0	0.00	0	0.00	0	0.00
Resources		404	0.83	404	0.83	404	0.83	404	0.83
Exploration, G&A, Other	10%	122	0.25	508	-1.05	(98)	-0.20	235	0.48
Net Other Assets		557	1.15	73	-0.15	337	0.69	670	1.38
Net Asset Value		1,296	2.67	2,055	4.23	1,601	3.30	1,086	2.24
Share Price			0.38		0.38		0.38		0.38
P/NAV			0.14x		0.09x		0.12x		0.17x

Financial Forecasts at Eight Capital Price Deck (MM C\$)

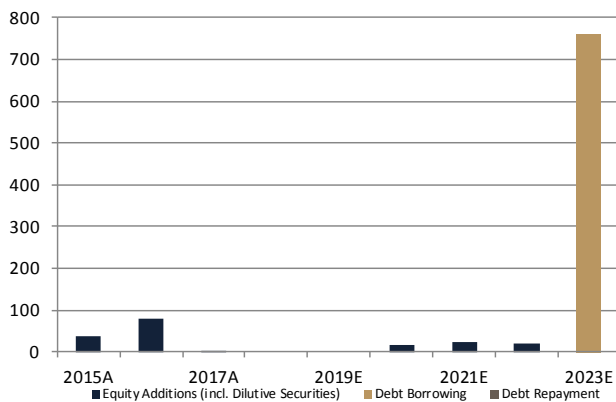
Cash and Debt



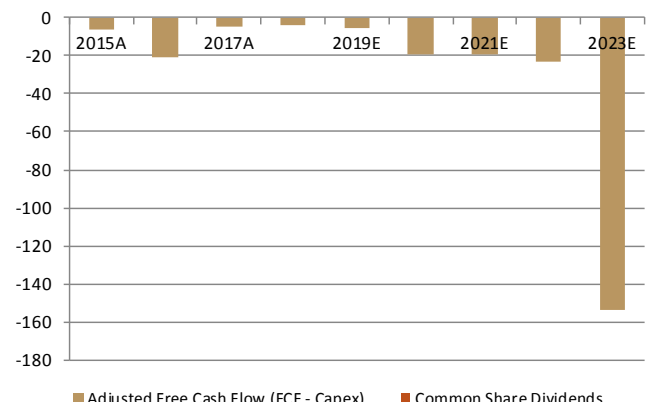
Operating Cash Flow and Capital Spending



Changes in Debt and Equity



Free Cash Flow and Common Share Dividends



Source: Company Reports, Factset, Eight Capital Estimates

Fission Uranium Corp.					
Rating	BUY	C\$ Target	\$2.30	Shares O/S (MM)	486.0
		C\$ Close	\$0.38	Fully Diluted Shares (MM)	533.1
David A. Talbot, Director, Mining Research dtalbot@eightcapital.com		12-month return	505%	Basic Mkt. Capitalization (\$MM)	C\$ 184.7
				Enterprise Value (\$MM)	C\$ 176.2

PRODUCTION ESTIMATES (000 lbs)					
Year-end December	2024E	2025E	2026E	2027E	2028E
PLS	0	0	10,756	16,326	15,365
TOTAL	0	0	10,756	16,326	15,365

TOTAL CASH COST ESTIMATES (excl. non-cash) (US\$/lb)					
Year-end December	2024E	2025E	2026E	2027E	2028E
PLS	0.0	0.0	10.1	9.0	10.1
Wt. Avg. Total Cash Costs	0.0	0.0	10.1	9.0	10.1

URANIUM RESERVES & RESOURCES					
	Ownership	Tonnes MM t	Grade % U3O8	Cont U3O8 (MM lbs) 100% Basis	FCU Share
Proven and Probable Reserves					
PLS Deposit	100%	23.0	1.61%	81.40	81.40
Total Reserves		22.99	1.61%	81.40	81.40

Indicated Resources (incl. Reserves)					
		MM t	% U3O8	100% Basis	FCU Share
R780E	100%	1,922.0	2.18%	92.4	92.4
R000E	100%	97.0	1.50%	3.2	3.2
R1620E	100%	42.0	2.00%	1.8	1.8
R840W	100%	88.0	1.68%	3.3	3.3
R1515W	100%	66.0	1.13%	1.6	1.6

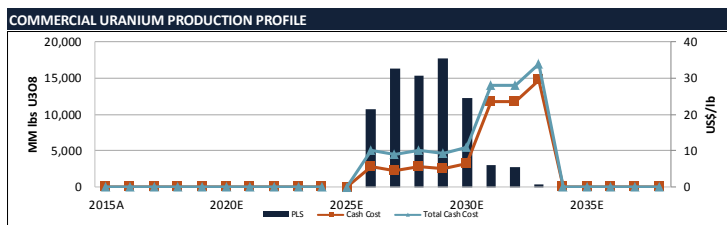
TOTAL INDICATED RESOURCES					
		2,215	2.1%	102.4	102.4

Inferred Resources					
		MM t	% U3O8	100% Basis	FCU Share
R780E	100%	549	0.83%	10.10	10.10
R000E	100%	8	4.09%	0.70	0.70
R1620E	100%	59	3.52%	4.60	4.60
R840W	100%	280	1.86%	11.50	11.50
R1515W	100%	227	0.94%	4.70	4.70
HALO	100%	98	0.58%	1.2	1.2

Inferred Resource Total	1,221	1.22%	32.8	32.8
TOTAL INDICATED AND INFERRER RESOURCE	3,436	1.79%	135.2	135.2

NET ASSET VALUE (C\$) - 10%				
	NAV (\$ MM)	/Share	% NAV	
Assets:				
PLS (100%)		1.52	57%	
Un-Mined Resources	404.0	0.83	31%	
Balance Sheet & Other Items:				
Cash & Investments	30.7	0.06	2%	
Debt	0.0	0.00	0%	
Exploration, G&A, and Other	122.0	0.25	9%	
Total	557	2.67	100%	
Eight Capital DCF Target Multiple		0.80x		
Share Price Target		2.30		

Long Term Uranium Price Assumption (US\$/lb)					
Target (C\$/share)	30	40	50	60	70
0% Discount	1.50	2.20	2.88	3.56	4.25
5% Discount	1.45	1.91	2.36	2.82	3.27
10% Discount	1.38	1.70	2.01	2.31	2.62
15% Discount	1.32	1.54	1.75	1.97	2.18



BALANCE SHEET (C\$ MM)				
Year-end December	2017A	2018A	2019E	Q2/19A
Assets:				
Cash & Cash Equivalents	30.74	10.94	5.09	8.51
Other Current Assets	10.47	10.61	10.61	0.14
Current Assets	41.21	21.55	15.70	8.65
Mineral Properties	291.46	306.49	306.49	0.04
Other non-current Assets	0.28	0.20	0.20	0.16
Total Assets	332.95	328.24	322.39	8.84
Liabilities:				
Current Liabilities	0.49	1.09	1.09	0.49
Long-term Debt	0.00	0.00	0.00	0.00
Other non-current Liabilities	0.76	0.00	0.00	0.43
Total Liabilities	1.25	1.09	1.09	0.91
Capital Stock	413.16	413.40	413.40	413.52
Retained Earnings	(81.5)	(86.3)	(92.1)	(88.9)
Total Shareholder Equity	331.70	327.15	321.30	324.63

INCOME STATEMENT (C\$ MM)				
Year-end December	2017A	2018A	2019E	Q2/19A
Total Revenue:	0.0	0.0	0.0	0.0
% Uranium	--	--	--	--
% Other	--	--	--	--
Operating Costs	0.0	0.0	0.0	0.0
G&A	2.3	2.3	2.3	1.0
Exploration	0.0	0.0	0.0	0.0
Depreciation	0.1	0.1	0.0	0.0
Other	5.8	3.6	3.6	0.2
EBITDA	(8.1)	(5.8)	(5.8)	(1.2)
EBIT	(8.2)	(5.9)	(5.8)	(1.3)
Interest Expense	0.0	0.0	0.0	0.1
EBT	(8.2)	(5.9)	(5.8)	(1.2)
Taxes	1.2	0.8	0.0	0.0
Equity Earnings	0.0	0.0	0.0	0.0
Other	0	0	0	0
Net Income (Reported)	(7.0)	(5.2)	(5.8)	(1.2)
Net Income (Adjusted)	(7.0)	(5.2)	(5.8)	(1.2)
EPS (Reported) \$/sh	(0.01)	(0.01)	(0.01)	0.00
EPS (Adjusted) \$/sh	(0.01)	(0.01)	(0.01)	0.00
Average Shares (MM)	484.4	485.8	485.8	486.1

CASH FLOW STATEMENT (C\$ MM)				
Year-end December	2017A	2018A	2019E	Q2/19A
Net Income (Reported)	(7.0)	(5.2)	(5.8)	(1.2)
Depreciation	(0.1)	(0.1)	0.0	(0.0)
Working Capital Changes	0.2	0.2	0.0	0.0
Other	2.5	0.8	0.0	(4.6)
Operating Cash Flow	(4.5)	(4.2)	(5.8)	(5.8)
Operating Cash Flow/sh (\$/sh)	(0.01)	(0.01)	(0.01)	(0.01)
Capital Expenditures	0.0	0.0	0.0	0.0
Acquisitions	(0.4)	(0.4)	0.0	0.0
Other	(15.0)	(15.2)	0.0	0.0
Investing Cash Flow	(15.4)	(15.6)	0.0	0.0
Common Share Dividends	0.0	0.0	0.0	0.0
Equity financing	0.3	0.0	0.0	0.0
Debt Issue	0.0	0.0	0.0	0.0
Debt Repayment	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Financing Cash Flow	0.3	0.0	0.0	0.0
Net Change in Cash	(19.5)	(19.8)	(5.8)	(5.8)
Cash Balance	30.7	10.9	5.1	5.1
Free Cash Flow	(4.5)	(4.2)	(5.8)	(5.8)

VALUATION DATA				
Year-end December	2017A	2018A	2019E	Q2/19A
P/E	--	--	--	--
P/CF	--	--	--	--
EV/EBITDA	--	--	--	--
FCF Yield	--	--	--	--

INPUT PRICES				
	2017A	2018A	2019E	Q2/19A
Eight Capital Spot Uranium (US\$/l)	23	29	35	35
Uranium Realized Price (US\$/lb)	0.0	0.0	0.0	0.0
Exchange (US\$/C\$)	0.77	0.77	0.77	0.77

Source: Company Reports, Factset, Eight Capital Estimates

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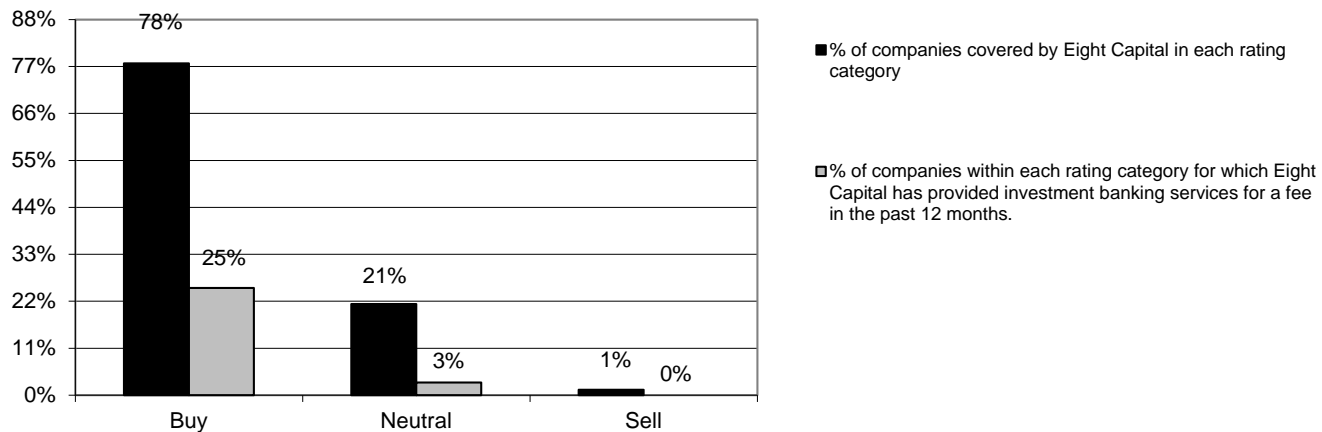
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Eight Capital target: Represents the price target as required under IROC Rule 3400. Valuation methodologies used in determining the price target(s) for the issuer(s) mentioned in this research report are contained in current and/or prior research. Eight Capital target N/A: a price target and/or NAV are not available if the analyst deems there are limited financial metrics upon which to base a reasonable valuation.

Recommendations: **BUY:** Total returns expected to be materially better than the overall market with higher return expectations needed for more risky securities. **NEUTRAL:** Total returns expected to be in line with the overall market. **SELL:** Total returns expected to be materially lower than the overall market. **TENDER:** The analyst recommends tendering shares to a formal tender offer. **UNDER REVIEW:** The analyst will place the rating and/or target price Under Review when there is a significant material event with further information pending; and/or when the 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.

SECURITY ABBREVIATIONS: NVS (non-voting shares); RVS (restricted voting shares); RS (restricted shares); SVS (subordinate voting shares).

Eight Capital Equity Research Ratings:



As at June 30, 2019
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