

FEASIBILITY STUDY DRILLING

Feasibility-Stage Drilling Continues to add Confidence Ahead of FS

OUR TAKE: Tight-spaced (9.0-17m) drilling targeting the A2 & A3 shear zones continues to intersect some of the best areas of the Arrow deposit as NXE focusses on upgrading 'Indicated' resources to 'Measured' in these zones with today's results. 2019 drilling is all in support of mine planning for the upcoming Feasibility Study (FS) expected in "mid-H1 2019". Today's results confirm our assumptions about previously reported radioactivity results and continue to reinforce the quality of the Arrow deposit which is the best undeveloped mining asset globally in any commodity in our view. Figure 1 highlights the intense drilling of the A2/A3 zones which will be integrated into a resource update and FS next year.

KEY HIGHLIGHTS

- ◆ **Assays from Drilling Focused on Upgrading Resources:** The Arrow deposit 'Indicated' resource includes a very high-grade core of 181 Mlb U₃O₈ (0.46Mt grading 17.85% U₃O₈) within total 'Indicated' resources of 256.6 Mlb U₃O₈ (2.89Mt grading 4.0% U₃O₈) (plus 91.7 Mlb U₃O₈ 'Inferred'). The assay results from 20 holes published today targeted the A2/A3 shear zones with the objective of upgrading confidence, where there are a total of 309 holes intersecting A2/A3. Assay results from the 20 tightly spaced holes all intersected strongly-mineralized intercepts, adding confidence of a high conversion rate to 'Measured' from 'Indicated' within the high-grade domain.
- ◆ **A2/A3 Shear Highlights:**
 - **A2-Hole AR-19-229c2 – 48.0 metres grading 3.81% U₃O₈ from 624.0 metres depth, including 6.0 metres grading 13.5% U₃O₈.** Prior radioactivity results returned 46.5 m total composite radioactivity within an 86.0 m section from 602.0 m depth.
 - **A2-Hole AR-19-229c4 - 41.0 metres grading 3.42% U₃O₈ from 612.5 metres depth, including 7.0 metres grading 15.48% U₃O₈.** Prior radioactivity results returned 39.0 m total composite radioactivity within an 88.0 m section from 578.0 m depth.
 - **A3-Hole AR-19-231c2 - 41.0 metres grading 1.61% U₃O₈ from 505.5 metres depth, including 33.0 metres grading 15.64% U₃O₈.** Prior radioactivity results returned 48.0 m total composite radioactivity within a 102.0 m section from 469.0 m depth.
 - **A3-Hole AR-19-232c3 - 24.0 metres grading 1.22% U₃O₈ from 552.0 metres depth, including 2.0 metres grading 11.99% U₃O₈.** Prior radioactivity results returned 26.0 m total composite radioactivity within an 89.0 m section from 560.0 m depth.

RECOMMENDED ACTION

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

- ◆ **NXE remains one of our top picks due to disruptive potential of the Arrow deposit, with its massive scale and strong economics.** We continue to recommend NexGen as our global 'top-pick' in the uranium sector. We view the Arrow deposit as '*the best undeveloped uranium asset globally and highly strategic*'. We believe that it is critical for existing major producers to control this deposit because of its disruptive potential and that this is their only option to preserve the value of their existing deposits and maintain their ability to affect price with production curtailments. The Arrow PFS suggests cash operating costs of US\$4.65/lb vs. a current UxC term price of US\$32/lb, implying an industry leading margin for a tier 1 scale operation.
- ◆ **Depressed share price creates accumulation opportunity for long-term investors.** NXE shares remain in a downtrend after failing to form a bottom this summer. Despite this, our momentum analysis with the daily and weekly RSI indicator suggests evidence of underlying strength. We recommend investors with a long-term view use the recent test of weekly support at the \$1.45 zone as an opportunity to accumulate.

KEY STATISTICS AND METRICS

52-Week High/Low	\$3.05/\$1.46
YTD Performance	-27.8%
Dividend Yield	N/A
Shares O/S	356M
Market Capitalization	\$619M
Cash (Nov. 19, 2019)	\$65M
Debt	\$122M
Enterprise Value	\$676M
Daily Volume (3 mos.)	444,645
Currency	CAD

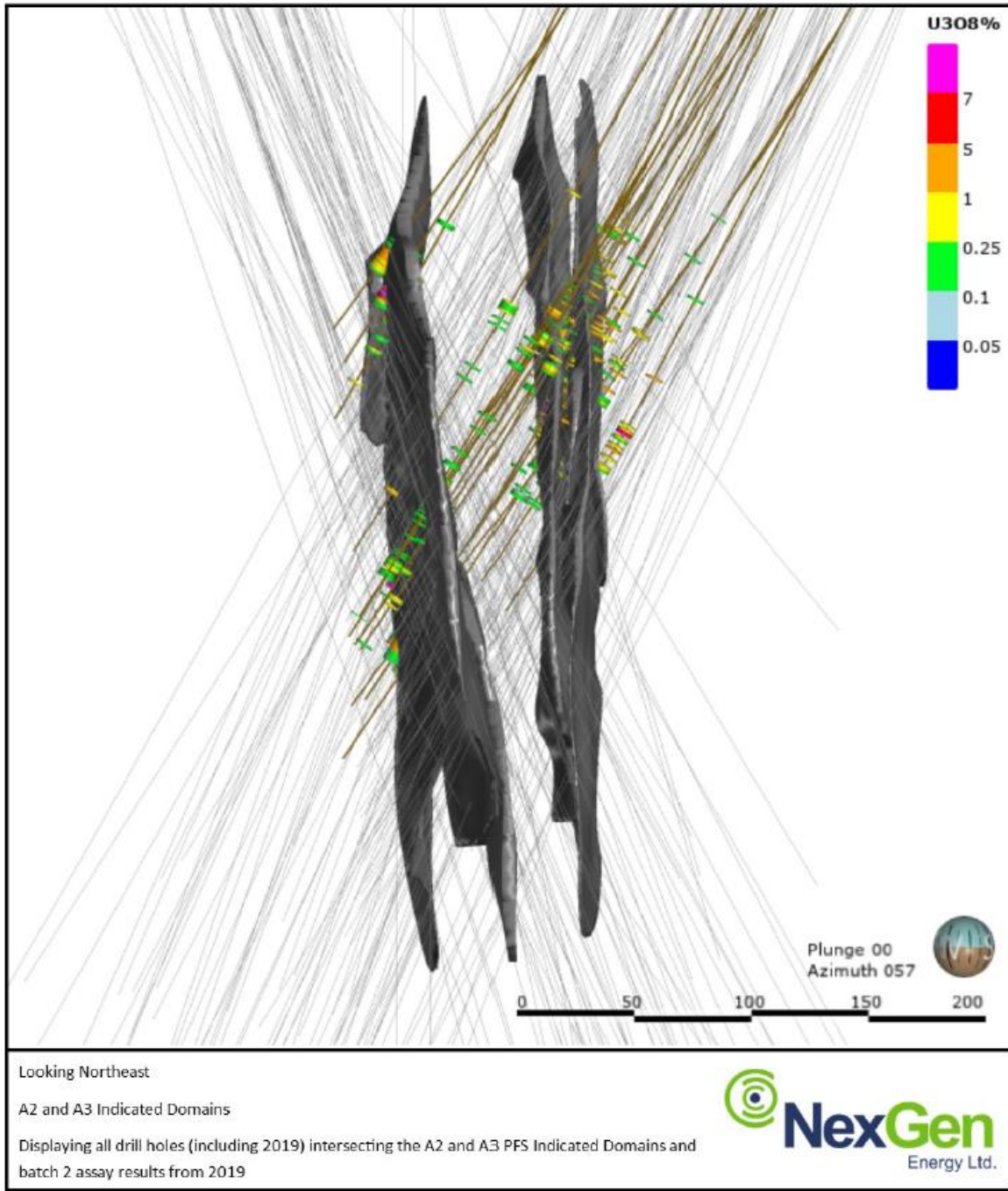
HAYWOOD ESTIMATES (CAD)

	2018A	2019E	2020E
U3O8 Production	0	0	0
Revenue (\$M)	0	0	0
EBITDA (\$M)	(27)	(27)	(27)
CFPS (\$)	(0.06)	(0.05)	(0.05)

VALUATION

Our \$6.00 target is based on a 1.0x multiple of our estimated corporate net asset value (NAV) per share of \$6.17, based on a discounted cash flow (DCF_{10%}) analysis of our conceptual uranium mining operation at Arrow.

Figure 1. Arrow Deposit A2 & A3 'Indicated' Resource Domain Cross-section Showing Drilling (looking NE)



Source: NexGen Energy



Figure 2. Stock Chart (Daily)



Source: Haywood Securities Inc., Stockcharts.com



Figure 3. Stock Chart (Weekly)



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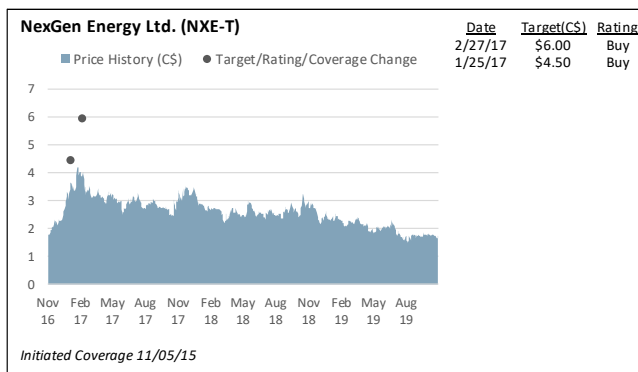
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- ◆ n/a

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	%	#	IB Clients (TTM)
Buy	76.6%	82	96.7%
Hold	8.4%	9	0.0%
Sell	2.8%	3	0.0%
Tender	0.9%	1	3.3%
UR (Buy)	0.9%	1	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	10.3%	11	0.0%

Price Chart, Rating and Target Price History (as of November 20, 2019)



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

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