

FEASIBILITY STUDY DRILLING

Phase I Feasibility-Stage Drilling Adds Confidence

OUR TAKE: Tight-spaced (9.0-16.7m) drilling targeting the A2 & A3 shear zones reminds us of how impressive the Arrow deposit is and why we call it the best undeveloped mining asset globally in any commodity. Results include very strong radioactivity results from all 20 holes (7,970m) reported, which is to be expected, as NXE is targeting some of the best areas of the Arrow deposit looking to upgrade 'Indicated' resources to 'Measured' in support of mine planning for the upcoming Feasibility Study.

KEY HIGHLIGHTS

- ◆ **Phase I Drilling Focused on Upgrading Resources:** The Arrow deposit 'Indicated' resource includes an enviable 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 Phase I drill program is targeting the A2/A3 shear zones, with the objective of upgrading, where there are already 122 km of drilling (189 holes). Initial radioactivity results from 20 tightly-spaced holes all intersected strongly mineralized intercepts, adding confidence of a high conversion rate to 'Measured'.
- ◆ **A2/A3 Shear Highlights:**
 - **A2-Hole AR-19-229c2** - 46.5 m total composite radioactivity within an 86.0 m section from 602.0 m depth, including 12.05 m registering >10,000 to >61,000 cps on the scintillometer.
 - **A2-Hole AR-19-229c4** - 39.0 m total composite radioactivity within an 88.0 m section from 578.0 m depth, including 8.55 m registering >10,000 to >61,000 cps on the scintillometer.
 - **A3-Hole AR-19-231c2** - 48.0 m total composite radioactivity within a 102.0 m section from 469.0 m depth, including 5.75 m registering >10,000 to >61,000 cps on the scintillometer.
 - **A3-Hole AR-19-232c3** - 26.0 m total composite radioactivity within an 89.0 m section from 560.0 m depth, including 5.1 m registering >10,000 to >61,000 cps on the scintillometer.

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.
- ◆ **Share price weakness creates opportunity for accumulation.** NXE shares have trended lower for much of 2019 (down ~23% YTD) with on-balance volume (OBV) indicating distribution throughout much of Q1. The OBV indicator and RSI both appear to be flattening out, suggesting that we may see a bottom in the share price soon. We view this weakness as an opportunity to accumulate positions.

KEY STATISTICS AND METRICS

52-Week High/Low	\$3.31/\$1.81
YTD Performance	-22.8%
Dividend Yield	N/A
Shares O/S	354M
Market Capitalization	\$659M
Cash	\$103M
Debt	\$122M
Enterprise Value	\$678M
Daily Volume (3 mos.)	545,400
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. Stock Chart (Daily)



Important Information and Legal Disclosures

This report is intended for institutional investors and may only be distributed to non-institutional US clients in the following states: Alaska, Alabama, Arkansas, Arizona, California, Colorado, Connecticut, District of Columbia, Delaware, Florida, Georgia, Guam, Hawaii, Iowa, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Massachusetts, Maryland, Maine, Michigan, Minnesota, Missouri, Mississippi, Montana, North Carolina, North Dakota, Nebraska, New Hampshire, New Jersey, New Mexico, Nevada, New York, Ohio, Oklahoma, Oregon, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Virgin Islands, Vermont, Washington, Wisconsin, West Virginia, and Wyoming. Otherwise, this report may only be distributed into those states with an institutional buyer state securities registration exemption.

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.
- ◆ Haywood Securities, Inc. or one of its subsidiaries has received compensation for investment banking services from NexGen Energy Ltd. (NXE-T) in the past 24 months.

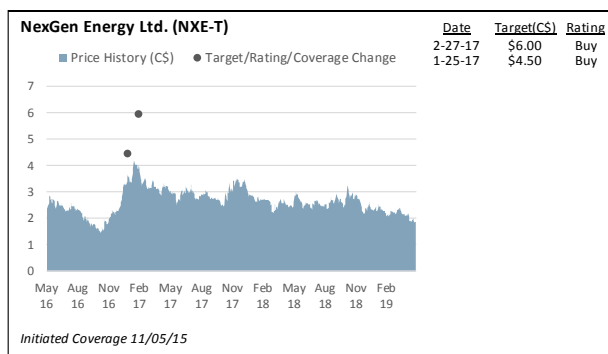
Other material conflict of interest of the research analyst of which the research analyst or Haywood Securities Inc. knows or has reason to know at the time of publication or at the time of public appearance:

- ◆ n/a

Distribution of Ratings (as of May 28, 2019)

	%	#	IB Clients (TTM)
Buy	79.2%	84	100.0%
Hold	5.7%	6	0.0%
Sell	0.9%	1	0.0%
Tender	0.9%	1	0.0%
UR (Buy)	0.0%	0	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	13.2%	14	0.0%

Price Chart, Rating and Target Price History (as of May 28, 2019)



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

Link to Research Policy: <http://haywood.com/what-we-offer/research/research-policy>

Member of the Canadian Investor Protection Fund

