

## INFILL ASSAYS

# Arrow Assays Support Investment Thesis for NXE

**OUR TAKE:** Today's results from tight-spaced (9.0-17m) 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". Based on results of infill drilling in key areas of the Arrow deposit we expect a very high conversion rate from 'indicated' to 'measured' ahead of/in conjunction with the H1/2020 Feasibility Study.

## KEY HIGHLIGHTS

- ◆ **Assay results further increase confidence.** Assay results from the tightly-spaced (Figure 1) holes all intersected strongly-mineralized intercepts, adding confidence of a high conversion rate to 'Measured'. Results include some of the best mineralized intervals reported at Arrow to-date, 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 (due H1/2020). The Arrow deposit 'Indicated' resource includes an enviable very high-grade core of 181 Mlb U<sub>3</sub>O<sub>8</sub> (0.46Mt grading 17.85% U<sub>3</sub>O<sub>8</sub>) within total 'Indicated' resources of 256.6 Mlb U<sub>3</sub>O<sub>8</sub> (2.89Mt grading 4.0% U<sub>3</sub>O<sub>8</sub>) (plus 91.7 Mlb U<sub>3</sub>O<sub>8</sub> 'Inferred').
- ◆ **Highlight drill intercepts from A2 high-grade domain:**
  - Hole AR-19-225c1 intersected 36.0 m grading 11.36% U<sub>3</sub>O<sub>8</sub> (from 564.0 m downhole), including 12.0 m grading 33.78% U<sub>3</sub>O<sub>8</sub>
  - Hole AR-19-221c1 intersected 26.0 m grading 10.39% U<sub>3</sub>O<sub>8</sub> (from 523.5 m downhole), including 8.0 m grading 32.88% U<sub>3</sub>O<sub>8</sub>
  - Hole AR-19-224c1 intersected 21.0 m grading 15.36% U<sub>3</sub>O<sub>8</sub> (from 554.5 m downhole) including 14.0 m grading 22.69% U<sub>3</sub>O<sub>8</sub>
- ◆ **Development activities pushing Arrow forward:** 2019 drilling at Arrow included 131 holes for 57,282 metres, all focusing on feeding data into the upcoming Feasibility Study for resource confidence and mine optimization planning. NexGen's ongoing Environmental Assessment work is scheduled for completion in H2/2020 and NXE has filed an initial License Application with the Canadian Nuclear Safety Commission. With \$75M in cash, we expect NexGen to remain fully financed through to a construction decision, including all Feasibility Study/EA work.

## 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 near long-term support level.** NXE shares have been in a downtrend since early 2017 and has recently found support at the \$1.45 area, which also represented support in late 2016. On-balance volume is starting to stabilize as the selling pressure recedes. We believe this nearly three-year corrective phase has served to digest the massive rally from \$0.56 to \$4.45 over the late 2015 to early 2017 timeframe. A move through the \$2.00 resistance level would provide evidence that the downtrend is reversing and a breakout through long-term resistance around \$2.75 would confirm an uptrend (Figure 2).

## KEY STATISTICS AND METRICS

52-Week High/Low	\$3.31/\$1.46
YTD Performance	-29%
Dividend Yield	N/A
Shares O/S	354M
Market Capitalization	\$601M
Cash	\$103M
Debt	\$122M
Enterprise Value	\$661M
Daily Volume (3 mos.)	583,530
Currency	CAD

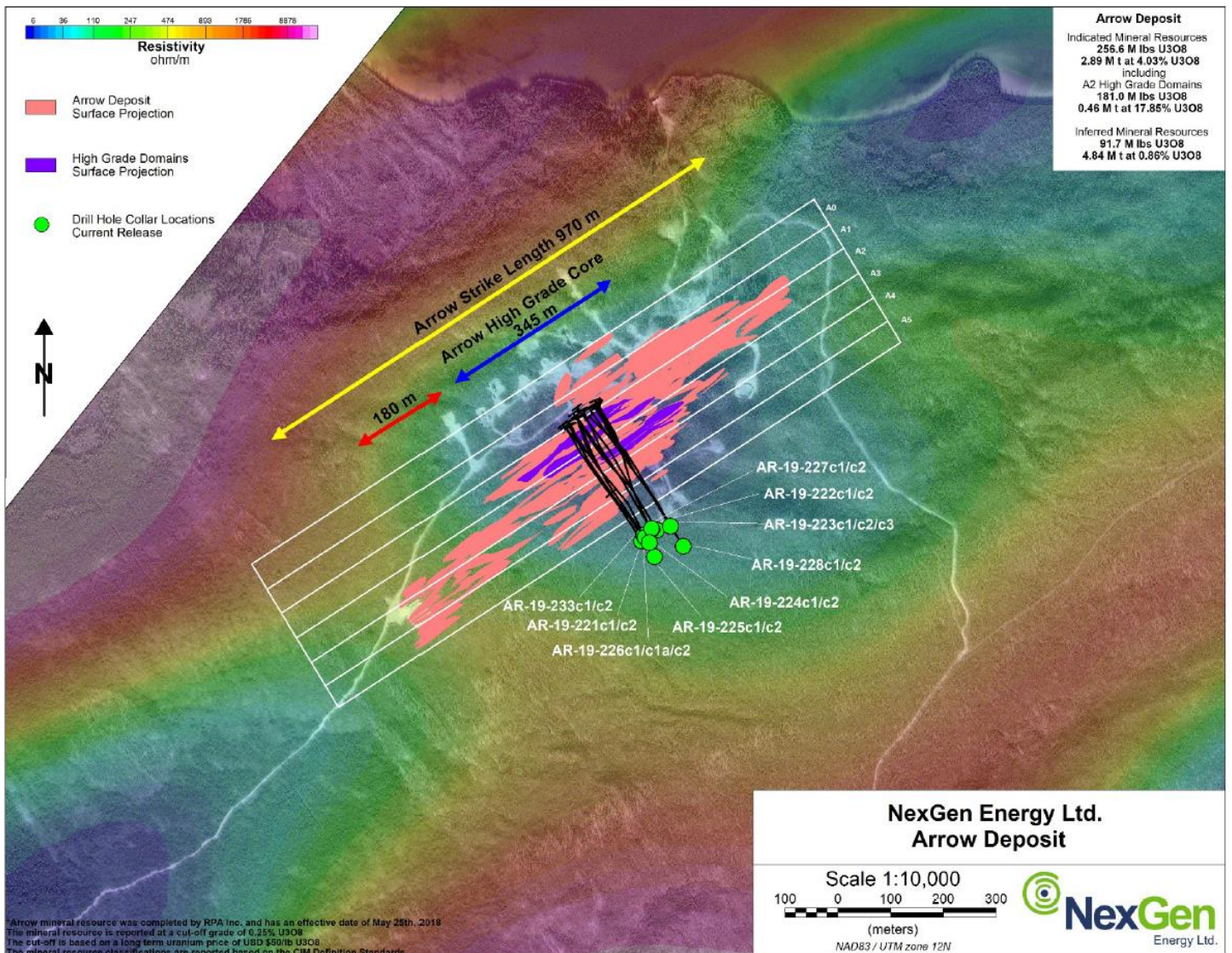
## HAYWOOD ESTIMATES (CAD)

	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<sub>10%</sub>) analysis of our conceptual uranium mining operation at Arrow.

Figure 1. Location of select drill holes from 2019 drilling



Source: NexGen Energy





Figure 2. Stock Chart (Weekly)



Source: Haywood Securities Inc., Stockcharts.com



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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

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- ◆ 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.

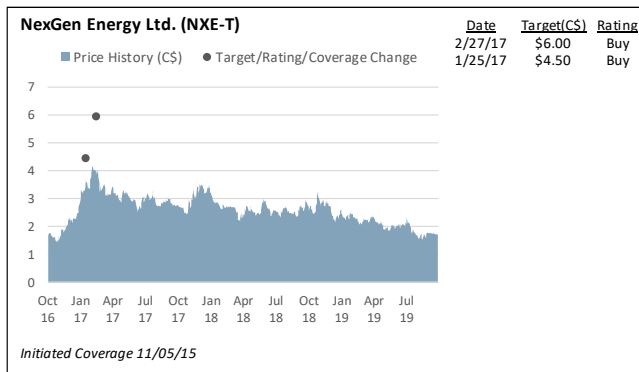
Other material conflict of interest of the research analyst of which the research analyst or Haywood Securities Inc. knows or has reason to know at the time of publication or at the time of public appearance:

- ◆ n/a

### Distribution of Ratings (as of October 9, 2019)

	%	#	IB Clients (TTM)
<b>Buy</b>	77.6%	83	96.6%
<b>Hold</b>	7.5%	8	0.0%
<b>Sell</b>	1.9%	2	0.0%
<b>Tender</b>	1.9%	2	3.4%
<b>UR (Buy)</b>	0.9%	1	0.0%
<b>UR (Hold)</b>	0.0%	0	0.0%
<b>UR (Sell)</b>	0.0%	0	0.0%
<b>Dropped (TTM)</b>	10.3%	11	0.0%

### Price Chart, Rating and Target Price History (as of October 9, 2019)



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

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