

US\$30M FINANCING PACKAGE

NexGen adds Strategic Investor in QRC

OUR TAKE: NexGen announced a binding agreement for a US\$30M financing package to fund continuing development at its Rook 1 Project (shares + convertible debentures). In our model, we had NexGen raising C\$40 million at conservative pricing in 2020, so the proceeds from this package are not far off our expectation (at current FX, equivalent to ~C\$42M), before accounting for the interest component, which would equate to ~US\$11.25M (payable as 2/3rd cash, 1/3rd shares) over the 5 years to maturity of the debentures (assuming no conversion or redemption). The interest impact makes this deal slightly more dilutive overall than our prior assumptions.

KEY FINANCING HIGHLIGHTS

- ◆ **Equity Private Placement:** ~11.6 million shares for proceeds of US\$15M at C\$1.80 per share (5% premium to 20-day VWAP)
- ◆ **Debenture:** US\$15M unsecured convertible debenture maturing in 5-years
 - **Convertible at C\$2.34** (at holder's option; equivalent to 8.9 million shares at current FX; 34% premium to share issue price in PP and 19% premium to Friday's close)
 - **7.5% coupon:** 5% payable in cash, 2.5% in shares (US\$1.5M cash, US\$750k stock annually)
 - **Redeemable** after 3-years at any time where the 20-day VWAP on the TSX exceeds 130% of the Conversion Price of C\$2.34
 - **Investor Rights Agreement aligns QRC with Management:** NexGen and Queens Road Capital (investor/lender) will enter into an 'Investor Rights Agreement' that provides for voting alignment, standstill and transfer restriction covenants that would apply for such time as QRC holds at least 5% of the Common Shares (on a partially diluted basis) or until there is a change of control of the Company.
- ◆ **Investor/Lender:** Queens Road Capital is a global natural resources fund run by Warren Gilman (Chairman & CEO of QRC, and Director of NXE since 2017) and includes major resources investors Andrew Forrest (ex- Fortescue CEO) and Jack Cowin (Hungry Jack's/ Competitive Foods Australia).

OUTLOOK

- ◆ The deal appears to be strategic as financing was not a necessity for NXE at this time given the healthy cash position C\$40 M on May 1, 2020. NXE was/is fully financed to a construction decision based on our discussions. That said, the scale of financing fits generally in-line with our assumptions for future cash requirements, at a slightly higher cost, but does not change our bullish investment thesis. NXE controls one of the best undeveloped resource assets globally and is a 'top-pick'. NexGen will continue to work toward delivering a Feasibility Study for the Arrow deposit at its 100%-owned Rook 1 project, in mid-2020.

RECOMMENDED ACTION

We recommend accumulating shares at the current price

- ◆ **NXE remains our top pick in the uranium sector due to the disruptive potential of the Arrow deposit, with its massive scale and strong economics.** Our target price drops \$0.40 to \$5.60 with this report on slightly higher dilution than our prior model assumptions. We continue to be very bullish on NexGen and believe it controls one of best undeveloped resources globally, in any commodity. We have not seen better fundamental alignment in the space since 2010.

CATALYSTS

1. Feasibility Study expected in mid 2020
2. Environmental Assessment of Arrow in H2 2020

PROJECTED RETURN

175%

RISK FACTOR

Very High

SCENARIO ANALYSIS

Downside Scenario	Current Price	Price Target
\$0.75	\$2.04	\$5.60
↓ 63%		↑ 175%

KEY STATISTICS AND METRICS

52-Week High/Low	\$2.31/\$0.76
YTD Performance	22%
Dividend Yield	N/A
Shares O/S	361M
Market Capitalization	\$736M
Cash (May 1, 2020)	\$40M
Debt (excludes QRC deal)	\$122M
Enterprise Value	\$818M
Daily Volume (3 mos.)	866,822
Currency	CAD

HAYWOOD ESTIMATES (CAD)

	2019A	2020E	2021E
U ₃ O ₈ Production	0	0	0
Revenue (\$M)	0	0	0
EBITDA (\$M)	(29.2)	(23.2)	(23.3)
CFPS (\$)	(0.05)	(0.06)	(0.06)

VALUATION

Our \$5.60 target is based on a 1.0x multiple of our estimated corporate net asset value (NAV) per share of \$5.60, based on a discounted cash flow (DCF_{9%}) analysis of our conceptual uranium mining operation at Arrow.

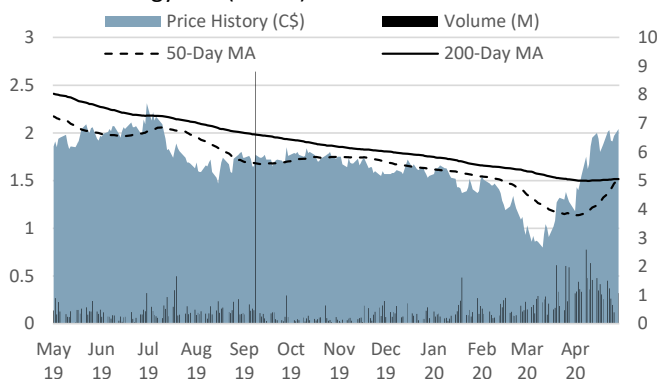
INVESTMENT THESIS

We believe NexGen is peerless in the Athabasca Basin and globally as an exploration / development play, as it controls a large, world-class, high-grade uranium deposit in a proven operating district, with the scale, grade and setting to be deliver top decile economics when developed.

- ◆ **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 and an all-in break-even price per pound including initial capital and reclamation costs of US\$12/lb, implying an industry leading margin for a tier 1 scale operation.
- ◆ **We estimate NexGen controls the largest and most strategically important undeveloped high-grade uranium deposit in a world class jurisdiction, with expansion potential, as the deposit remains open in all directions.** Growth potential exists within the Arrow Zone, as NXE is targeting some of the best areas of the deposit looking to upgrade ‘Indicated’ resources to ‘Measured’ in support of mine planning for the upcoming Feasibility Study.
- ◆ **Future exploration work at the Rook 1 property could lead to additional discovery.** NexGen also has the potential to discover new deposits on the Rook I project beyond the Arrow, with the Bow and Harpoon zones and from elsewhere within NexGen's expansive western Athabasca land package. Our valuation does not include any credit for this discovery potential.

SCENARIO ANALYSIS

NexGen Energy Ltd. (NXE-T)



Source: Capital IQ, and Haywood Securities

TARGET PRICE

Our \$5.60 target is based on a 1.0x multiple of our estimated corporate net asset value (NAV) per share of \$5.60, based on a discounted cash flow (DCF_{9%}) analysis of our conceptual uranium mining operation at Arrow.

DOWNSIDE CASE

Our downside case is based on / reflects the recent low established in the context of the worst market environment seen since the financial crisis. NexGen's 52-week low of \$0.76 is at/near the worst-case we can conceptualize given the asset quality and uranium commodity price and we do not expect to retest that level except in an equally volatile ‘event’.

Our downside scenario price is a theoretical case based on notional valuation metrics and market assumptions. The downside price is solely intended for demonstrative purposes and is not to be regarded as a reflection of all market possibilities. It is not a guarantee that this company's share price will not drop below this price level and hence should not be taken as such.

NexGen is a British Columbia corporation with a focus on the acquisition, exploration and development of Canadian uranium projects. Specifically, it's focused on advancing its portfolio of high-impact uranium projects across the Athabasca Basin.

Website

www.nexgenenergy.ca

Key Management

Leigh Curyer— CEO

KEY RISKS

- **Financial:** NexGen is a pre-revenue, development-stage company, and will almost certainly rely on external funding source in the form of future equity dilution or debt capital.
- **Commodity Price:** Our forecasts include a substantial increase in uranium price from current market prices. Failure for this to materialize would negatively impact our valuation.

NexGen Energy Ltd. TSX:NXE Price: \$2.04 Shares O/S (M) 360.6 Rating: Buy
 May 11, 2020 MCap (C\$ M) \$736 Target (C\$): \$5.60 Return: 175%

Alpha: NexGen Energy is the premier pre-resource uranium exploration play globally, with an expansive, highly prospective land package on the southwestern perimeter of a prolific uranium district. The Athabasca Basin (Sask.) is an excellent operating jurisdiction, and home to multiple world class, ultra high-grade uranium deposits with an extensive history of uranium mine permitting and production.

Investment Highlights

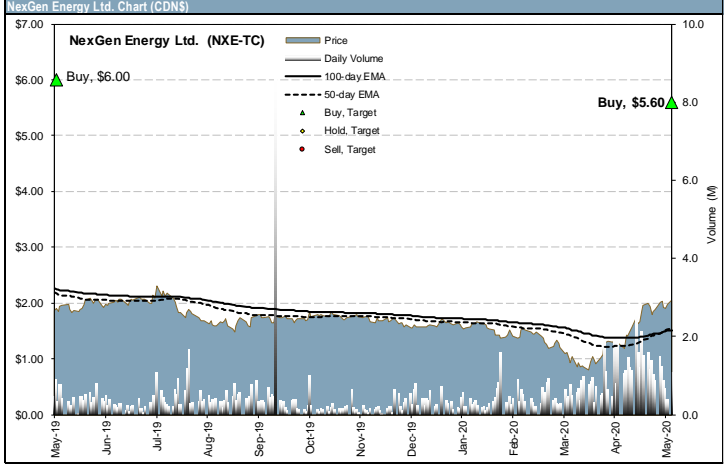
• **NexGen - the Premier Global Pure Uranium Exploration Play:** With regional concentration becoming a reality, we expect NexGen will land peerless in the Athabasca Basin and globally, as it has just delivered a world class high-grade uranium resource exceeding 300 Mlb U₃O₈, setting up well for expansion, where the Arrow deposit remains open in most directions with growth potential both within the Arrow Zone, and from elsewhere within NexGen's expansive western Athabasca assets.

• **Making the Grade:** Drilling to-date at Arrow zone has enjoyed a >90% hit rate for uranium mineralization, but perhaps more importantly, has intersected some of the most strongly mineralized (by Grade x Thickness, GT) intervals ever reported globally: **Hole AR-15-44b delivered a total composite GT of 853.55 metres, with highlight intervals of 20 metres grading 20.68% U₃O₈ within 56.5 metres grading 11.55% U₃O₈.** NexGen has put up the type of headlinesmashing grades we have come to expect from the Athabasca Basin. In February 2016, NexGen upped the stakes at Arrow when it pierced the A3 shear zone, which is evolving to be substantially larger than the A2 shear, albeit at lower apparent grade. Both have returned enviable high-grade intercepts over significant widths.

• **Expansive Land Package with Exploration Upside:** When looking for needles in a haystack, it helps to be the dominant owner of the haystack: NexGen's Rook 1 claims represent the largest aggregate land position of any claimholder in the southwestern region of the Athabasca Basin.

Catalysts

Mid 2020: Feasibility Study results
H2 2020: Environmental Assessment of Arrow
2020: NexGen is financed to a construction decision at Arrow. The Feasibility study is >70% complete and 2020 technical work will include detailed engineering and permitting advancement.



Financials & Assumptions	F'14A	F'15A	F'16A	F'17A	F'18A	F'19A	F'20E
(Year-End Dec-31)	31-Dec-14	31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20
Spot Uranium (US\$/lb)	\$33	\$37	\$26	\$22	\$25	\$26	\$39
Long-term Uranium (US\$/lb)	\$47	\$47	\$40	\$31	\$31	\$32	\$46
C\$/US\$ FX Rate	1.10	1.24	1.24	1.26	1.21	1.21	1.21

Trading Statistics (C\$): Capital Structure	52 Week High/Low		Average Daily Volume (90 day)
	\$2.31	/\$0.76	866,822
Ownership (M)	Management / Institutional	Major Shareholders	
Shares	3,936,250	102,394,491	Li Ka Shing (Global) Foundation, Endowment Ai
% O/S	1.1%	28.4%	Kopernik Global Investors, LLC

Revenue (C\$M)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cost of Goods Sold (C\$M)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Corporate G&A (C\$M)	\$3.4	\$4.9	\$13.8	\$17.0	\$24.4	\$23.2	\$19.1
EBITDA (C\$M)	(\$3.4)	(\$4.9)	(\$14.0)	(\$17.2)	(\$24.6)	(\$24.0)	(\$23.2)

Last Financing	May-20	Jul-17
US\$30M: Equity of US\$15M (11.6M shrs. @ C\$1.80) + Debt of US\$15M in convertible debentures (5y, 7.5%, convertible at C\$2.34)		
US\$110M: Equity of US\$50M (24.1M shrs. @ C\$2.70) + Debt of US\$60M in convertible debentures (5y, 7.5%, convertible at US\$2.69)		
Shares O/S (million)- Basic / FD	360,600,571	396,968,066

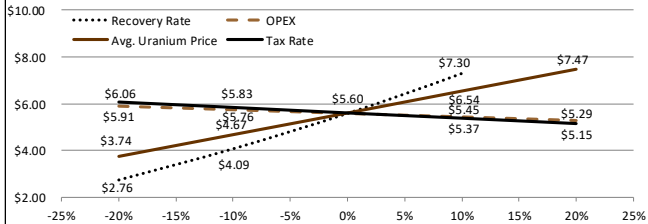
Earnings (C\$M)	(\$8.4)	(\$4.6)	(\$16.9)	(\$56.0)	\$2.3	(\$15.5)	(\$37.6)
Adjusted EPS (C\$)	(\$0.06)	(\$0.02)	(\$0.06)	(\$0.17)	\$0.01	(\$0.04)	(\$0.10)
Current Price / EPS	-	-	-	-	310.9x	-	-
Target Price / EPS	-	-	-	-	853.4x	-	-

NAV Summary, Target Generation and Sensitivity	Base	-20%	+10%	+20%
Average Realized Uranium Price (US\$/lb)	\$65	\$52	\$99	\$72
C\$ millions				
Rook 1 (Arrow) Mine DCF	(\$9.0%)	\$2,623		
NPV of Corporate CF	(\$9.0%)	-\$254		
Total NAV (C\$M)	\$2,369	\$1,647.6	\$2,050.1	\$2,857.4
Other Project Credits (C\$M)	\$0.0	\$0.0	\$0.0	\$0.0
Corporate NAV (unadjusted) (C\$M)	\$2,359.4	\$1,647.6	\$2,050.1	\$2,857.4

Cash Flow Before W/C Changes (C\$M)	(\$1.9)	(\$2.6)	(\$8.4)	(\$11.0)	(\$8.3)	(\$11.3)	(\$21.5)
Shares O/S, millions	195.9	287.2	307.6	328.1	347.5	369.6	389.0
CFPS, C\$	(\$0.01)	(\$0.01)	(\$0.03)	(\$0.03)	(\$0.02)	(\$0.03)	(\$0.06)
Current Price / CFPS	-	-	-	-	-	-	-
Target Price / CFPS	-	-	-	-	-	-	-
Operating Cash Flow (C\$M)	(\$2.0)	(\$2.7)	(\$8.0)	(\$11.1)	(\$8.5)	(\$12.8)	(\$21.5)
Financing Cash Flow (C\$M)	\$21.2	\$45.6	\$95.1	\$135.1	\$2.4	(\$1.4)	\$90.4
Investing Cash Flow (C\$M)	(\$12.9)	(\$22.4)	(\$91.3)	\$9.6	(\$37.8)	(\$57.7)	(\$54.6)
Change in Cash (C\$M)	\$6.3	\$20.5	(\$3.2)	\$133.9	(\$39.9)	(\$72.9)	\$14.3
Working Capital (C\$M)	\$12.4	\$33.8	\$77.0	\$162.6	\$119.2	\$48.7	\$73.4

Total Corporate NAV (C\$M)	\$2,450.9	\$1,739.1	\$2,141.6	\$2,948.9	\$3,353.1
Corporate NAVPS	\$5.60	\$3.74	\$4.67	\$6.54	\$7.47
Current P/NAV	0.4x	0.5x	0.4x	0.3x	0.3x
Target Price / NAV	1.0x	1.0x	1.0x	1.0x	1.0x
Target (C\$)	\$5.60	\$3.70	\$4.70	\$6.50	\$7.50

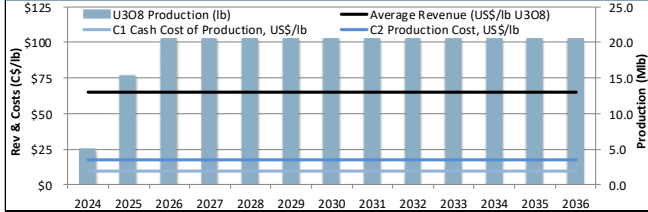
Select Project NAV Sensitivities



Rook 1 - Arrow Zone - Conceptual Resource & Mining Concept - Underlying Mining Inventory Assumption	Haywood Est. Mining Inventory	k Tonnes	Grade (% U ₃ O ₈)	In situ U ₃ O ₈ (M)lb
		2,280	5.21%	261.8

Rook 1 - Arrow Zone - Conceptual Resource & Mining Concept - Underlying Cost Assumptions	CAPEX	US\$ M	OPEX	US\$/t
Total Pre-Production CAPEX		1091.5		
Sustaining Capital, Closure & Reclamation		258.3		
LoMi Total CAPEX		1349.8	OPEX per t RoM ore: (incl. surface G&A)	955.5

Production (100%-basis) & Cash Cost Summary



Peer Group Comparables (Haywood Securities estimates & Bloomberg Consensus Data)	Company Name	Price (LoC)	MCAP C\$M	EV C\$M	2020 CFPS*	P/CFPS*	Cons. Target*	Implied Return
	NexGen Energy (NXE-T)	\$2.04	\$736	\$834	(\$0.04)		\$4.70	130%
	Denison Mines (DML-T)	\$0.61	\$382	\$369	(\$0.02)		\$0.88	43%
	Fission Uranium (FCU-T)	\$0.38	\$182	\$178	(\$0.01)		\$0.42	13%
	UEX Corporation (UEX-T)	\$0.17	\$65	\$63			\$0.45	173%
	Bloomberg Consensus Data					Average:	N/A	90%

Production Profile (attributable)	31-Dec-23	31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28	31-Dec-29
Total U3O8 Production (Mlb)	-	5.1	15.4	20.5	20.5	20.5	20.5
Uranium - Realized Price, US\$/lb	-	\$65	\$65	\$65	\$65	\$65	\$65
C1 Cash Cost of Production, US\$/lb	-	\$10	\$10	\$10	\$10	\$10	\$10
C2 Production Cost, US\$/lb	-	\$18	\$18	\$18	\$18	\$18	\$18
Production Cost, US\$/lb (incl. royalties, interest)	-	\$54	\$37	\$34	\$33	\$32	\$31
All-in-After Tax Prod. Cost, US\$/lb	-	\$57	\$44	\$42	\$41	\$41	\$40

* "Production Cost" and "All-in Production Cost" are calculated based on a selling price of US\$70/lb U₃O₈, and fall proportionately with reduction in uranium price assumption, as they include revenue and profit sensitive costs (e.g. taxes, royalties).

Source: Bloomberg, Capital IQ, Company Reports, and Haywood Securities



Recommended Action

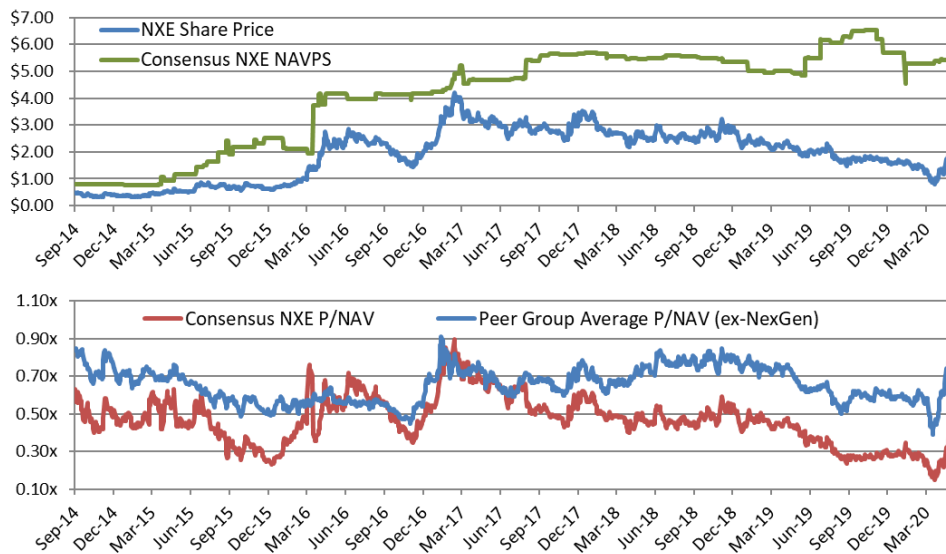
Maintaining ‘Top-Pick’ Status – Still Trading Below 52-Week High Despite Uranium Price Performance

NXE remains our top pick in the uranium sector due to the disruptive potential of the Arrow deposit, with its massive scale and strong economics. Our target price drops \$0.40 to \$5.60 with this report on slightly higher dilution than our prior estimate. We continue to be very bullish on NexGen and believe it controls one of the best undeveloped resources globally, in any commodity and recommend investors continue to add to NexGen positions as the fundamental landscape for uranium continues to improve toward its best situation in nearly a decade.

We see relative value in NXE shares at the moment, trading at 0.3x NAV vs peers approaching 0.6x, a decoupling we believe is completely unwarranted. While NXE’s EV/lb resource value is not far from the peer average, we believe it deserves a substantial premium for its size, grade and setting, leading to world-class economics.

The charts below show, **A)** the recent narrowing of a very wide gap between NXE share price and Consensus NAV; and, **B)** a wide gap between NexGen’s P/NAV multiple vs peers, which we feel is unwarranted for this premium asset. **This discount increases NXE’s ‘take-over’ attractiveness, especially given the rising uranium price environment and we recommend positioning now.**

NexGen Looks Attractive on Relative Valuation Metrics



Source: CapitalIQ, Haywood Securities Inc.

NexGen Looks Attractive on Relative Valuation Metrics

Company	Ticker	Price 11-May-20	NAVPS (Consensus)	Price / NAV	Enterprise Value (C\$M)	Resources & Reserves (Mlb U ₃ O ₈ e)	EV/lb (C\$)
NexGen Energy Ltd.	TSX:NXE	\$2.04	\$6.03	0.34x	\$834.0	348.8	\$2.39
Cameco Corporation	TSX:CCO	\$14.96	\$14.70	1.02x	\$5,694.4	1,051.0	\$5.42
Denison Mines Corp.	TSX:DML	\$0.61	\$0.85	0.72x	\$368.6	179.6	\$2.05
Fission Uranium Corp.	TSX:FCU	\$0.38	\$1.14	0.33x	\$177.9	135.2	\$1.32
UEX Corporation	TSX:UEX	\$0.17	-	-	\$63.3	99.5	\$0.64
Ur-Energy Inc.	TSX:URE	\$0.79	\$0.85	0.93x	\$136.3	41.6	\$3.28
Energy Fuels Inc.	US:UUUU	\$1.68	\$2.46	0.68x	\$268.3	129.0	\$2.08
Uranium Energy Corp.	US:UEC	\$1.20	\$2.67	0.45x	\$323.1	111.5	\$2.90
Plateau Energy Metals Inc.	TSXV:PLU	\$0.31	\$0.69	0.45x	\$30.5	123.4	\$0.25
Peninsula Energy Limited	ASX:PEN	\$0.14	\$0.40	0.34x	\$51.9	53.6	\$0.97
Average				0.58x			\$2.13

Source: CapitalIQ, Haywood Securities Inc.



Outlook

Highly Strategic Asset with Improving Macro Picture

With major sources of uranium production curtailed due to COVID-19, the outlook for NexGen continues to improve. While we await the full Feasibility Study on Arrow later this year, the fundamental picture for uranium supply/demand continues to improve. With major sources of production temporarily cut back, the market is soaking up inventory accumulated through years of oversupply and we expect to exit the pandemic with a more balanced "Production + Inventory" to "Demand" balance and a uranium price more reflective of the global production cost curve plus normal profit.

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 reaching end-of-life. We believe the project has very robust economic potential with the scale and quality necessary to withstand commodity price fluctuations and capital swell; two of the major risks facing mining companies.

Haywood Valuation Sensitivity Tables (upper: Uranium Price, lower: CAPEX)

Sensitivity to Uranium Price: 13-year Mine Life, 262 Milb U3O8 Resource, 5.2% U3O8 Avg. Grade, 188 ktpa Peak Mill Throughput							Average LoM Costs				Margin (%)
Uranium Price	Corporate NAV (C\$M)	Corporate NAVPS (C\$)	NAV (C\$M)	NAVPS (C\$)	NAV ₂₀₂₀ (C\$M)	NAVPS ₂₀₂₀ (C\$)	Costs (C1) (US\$/lb)	Costs (C2) (US\$/lb)	Costs (C3) (US\$/lb)	Cost of Production (US\$/lb)	
\$30	\$313	\$0.63	\$502	\$1.12	\$547	\$1.23	\$9.6	\$17.7	\$25.5	\$26.8	11%
\$35	\$607	\$1.28	\$795	\$1.78	\$867	\$1.94	\$9.6	\$17.6	\$26.1	\$28.6	18%
\$40	\$901	\$1.96	\$1,090	\$2.46	\$1,188	\$2.69	\$9.6	\$17.6	\$26.7	\$30.4	24%
\$45	\$1,198	\$2.67	\$1,387	\$3.18	\$1,511	\$3.47	\$9.6	\$17.6	\$27.5	\$32.2	28%
\$50	\$1,504	\$3.40	\$1,693	\$3.91	\$1,845	\$4.26	\$9.6	\$17.7	\$28.3	\$34.1	32%
\$55	\$1,814	\$4.12	\$2,003	\$4.63	\$2,183	\$5.04	\$9.6	\$17.7	\$29.2	\$36.1	34%
\$60	\$2,124	\$4.83	\$2,313	\$5.34	\$2,521	\$5.83	\$9.6	\$17.7	\$30.1	\$38.2	36%
\$65	\$2,434	\$5.55	\$2,623	\$6.06	\$2,859	\$6.61	\$9.6	\$17.7	\$31.1	\$40.2	38%
\$70	\$2,745	\$6.27	\$2,934	\$6.78	\$3,198	\$7.39	\$9.6	\$17.7	\$32.1	\$42.3	40%
\$75	\$3,056	\$6.99	\$3,245	\$7.50	\$3,537	\$8.18	\$9.6	\$17.8	\$33.1	\$44.4	41%
\$80	\$3,367	\$7.71	\$3,556	\$8.22	\$3,876	\$8.96	\$9.6	\$17.8	\$34.1	\$46.5	42%

- C1 cash Costs: mining, ore transport, milling & processing, ore purchase & freight, minesite G&A, concentrate transportation/shipping, smelting/refining, marketing Costs
- C2 cash Costs: C1 costs + depreciation, depletion & amortization (DD&A)
- C3 cash Costs: C2 costs + indirect costs, research & exploration, royalties and taxes (excluding income taxes), all project related interest expenses
- All-in After Tax Production Costs = C3 costs + all corporate taxes

Sensitivity to CAPEX: 13-year Mine Life, \$65 /lb, 262 Milb U3O8 Resource, 5.2% U3O8 Avg. Grade, 188 ktpa Peak Mill Capacity									
Pre-production CAPEX (C\$M)	Resource Assumption (Milb U ₃ O ₈)	Mill Throughput (ktpa)	Uranium Production (Milbpa U ₃ O ₈)	Pre-production CAPEX (C\$M)	Sustaining CAPEX (C\$M)	Corporate NAV (C\$M)	Corporate NAVPS (C\$)	Production Costs (C2) (US\$/lb)	
\$994	262	188	18.9	\$994	\$235	\$2,632	\$6.01	\$16.1	\$16.1
\$1,060	262	188	18.9	\$1,060	\$251	\$2,592	\$5.92	\$16.5	\$16.5
\$1,126	262	188	18.9	\$1,126	\$267	\$2,553	\$5.83	\$16.8	\$16.8
\$1,193	262	188	18.9	\$1,193	\$282	\$2,513	\$5.74	\$17.1	\$17.1
\$1,259	262	188	18.9	\$1,259	\$298	\$2,474	\$5.64	\$17.4	\$17.4
\$1,325	262	188	18.9	\$1,325	\$314	\$2,434	\$5.55	\$17.7	\$17.7
\$1,391	262	188	18.9	\$1,391	\$329	\$2,395	\$5.46	\$18.0	\$18.0
\$1,458	262	188	18.9	\$1,458	\$345	\$2,356	\$5.37	\$18.3	\$18.3
\$1,524	262	188	18.9	\$1,524	\$361	\$2,317	\$5.28	\$18.7	\$18.7
\$1,590	262	188	18.9	\$1,590	\$376	\$2,278	\$5.19	\$19.0	\$19.0
\$1,656	262	188	18.9	\$1,656	\$392	\$2,239	\$5.10	\$19.3	\$19.3

Source: Haywood Securities Inc.



Valuation

Reducing Target on Financing Dilution – Maintaining ‘Top-Pick’

With the binding agreement for the QRC financing package in place, we have fully integrated the impact of the underlying dilution which results in a higher share base for valuation purposes, along with debt costs not previously integrated in our model. The year-end working capital estimate improves slightly on the larger than anticipated financing, while the corporate NAV and NAVPS both decline slightly on the additional debt service requirement and dilution.

Our new target is based on 1.0x our corporate NAV, driven by our DCF_{9%} NAV of a conceptual uranium mining operation of Arrow. Our mining concept is more conservative than, and differs materially from, that of the existing PFS both in cost and production profile.

NAV Summary & Changes

NAV Summary, Target Generation and Sensitivity	NEW	OLD	Δ%
Average Realized Uranium Price (US\$/lb)	\$65	\$65	unch.
<i>C\$ millions</i>			
Rook 1 (Arrow) Mine DCF (@9.0%)	\$2,623	\$2,623	unch.
NPV of Corporate CF (@9.0%)	-\$264	-\$248	(5.8)%
Total NAV (C\$M)	\$2,359	\$2,375	(0.6)%
Other Project Credits (C\$M)	\$0.0	\$0.0	unch.
Corporate NAV (unadjusted) (C\$M)	\$2,359.4	\$2,374.8	(0.6)%
Working Capital (est. Dec 2020)	\$73.4	\$68.5	7.1%
Dilutive Capital	\$18.1	\$11.0	64.6%
Total Corporate NAV (C\$M)	\$2,450.9	\$2,469.2	(0.7)%
Corporate NAVPS	\$5.60	\$5.75	(2.7)%
Current P/NAV	0.36x	0.35x	2.8%
Target Price / NAV	1.0x	1.0x	unch.
Target (C\$)	\$5.60	\$6.00	(6.7)%

Source: Haywood Securities



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

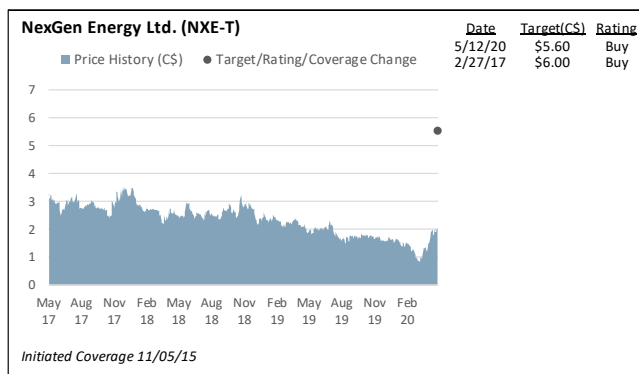
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Distribution of Ratings (as of May 12, 2020)

	%	#	IB Clients (TTM)
Buy	59.4%	60	88.0%
Hold	10.9%	11	4.0%
Sell	0.0%	0	0.0%
Tender	2.0%	2	0.0%
UR (Buy)	1.0%	1	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	26.7%	27	8.0%

Price Chart, Rating and Target Price History (as of May 12, 2020)



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

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