

NEXGEN ENERGY LTD.

Maiden PEA shows excellent economics at very low operating cost; Target Increased

EVENT

NexGen Energy released its maiden Preliminary Economic Assessment (“PEA”) for its 100%-owned Arrow deposit located in the Southwest corner of the Athabasca Basin.

BOTTOM LINE

Positive – As expected, this is the best uranium PEA we have ever seen. Moreover, the forecast annual production rate of 27.6M lbs U₃O₈ over the first five years would place Arrow as the largest uranium mine by production in the world and make NexGen the second largest producer behind only Kazatomprom. We are reiterating our Buy recommendation and increasing our target price to \$5.65/share, or by 9%.

FOCUS POINTS

- **Strong economics** – The PEA estimates an NPV_{8%} of \$3.49B, an IRR of 56.7%, and an after-tax cash payback of 1.1 years. Using a uranium price of US\$50/lb. this is well above our initial forecast: NPV_{10%} of \$1.9B, IRR of 43%, and payback of 2.0 years. Using a uranium price of US\$80/lb.
- **Large scale and low cost** – The PEA sees average annual production of over the first five years of 27.6M lbs, or 18.5M lbs over the 14.4 year Life of Mine (“LOM”). Average unit operating costs of \$5.53/lb (US\$4.42/lb) is first five years, increasing to \$8.37/lb (US\$6.70/lb) over the LOM
- **2017 drilling not included** – Note that thus far in 2017, approximately 66,000m of drilling (producing numerous high grade assay results) has been conducted at Arrow and a new discovery (South Arrow) has been recently detected. None of this data has been included in the PEA.

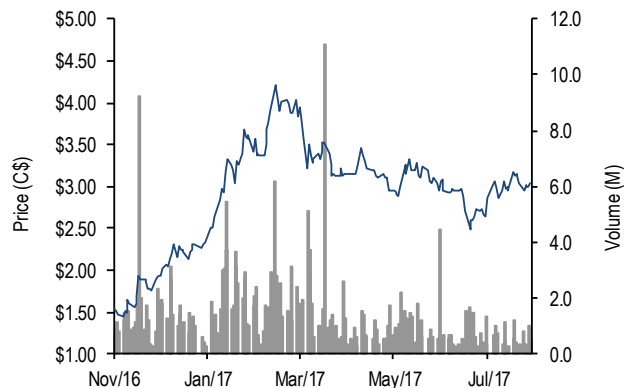
Recommendation:

BUY

Symbol/Exchange:	NXE/TSX; NXE/NYSEMKT
Sector:	Metals & Mining
<i>All dollar values in C\$ unless otherwise noted.</i>	
Last close price:	\$3.15
One-year target:	\$5.65↑
Return Target:	79%
Cash on hand	\$197M

Financial summary

Shares O/S (M)	330.6	52-week range	\$1.44 - \$4.21
Market cap (\$M)	\$1,038.2	Avg. weekly vol. (M)	5.93
Market float (\$M)	\$896.9	Fiscal year-end	31-Dec
Arrow	U3O8 Grade	Attrib. Resource	Tonnage
Indicated Resource	6.88%	179M lbs	1.18Mt
Inferred Resource	1.30%	122M lbs	4.25Mt
Global Resource	2.51%	301M lbs	5.43Mt



Company profile: NexGen Energy Ltd. is an Athabasca Basin focused uranium exploration company drilling to advance the Rook I Project.

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See disclosure and a description of our recommendation structure at the end of this report.

MAIDEN PEA HIGHLIGHTS ATTRACTIVE ECONOMICS AND LARGE SCALE PRODUCTION

The announced PEA estimates an NPV_{8%} of \$3.49B, an IRR of 56.7%, and an after-tax cash payback of 1.1 years. Using a uranium price of US\$50/lb. this is well above our initial forecast¹. As expected, this is the best uranium PEA we have ever seen.

Moreover, the PEA’s forecast annual production rate of 27.6M lbs U₃O₈ over the first five years would place Arrow as the largest uranium mine by production in the world and make NexGen the second largest producer behind Kazatomprom.

Exhibit 1. PEA Production Estimates



Global Uranium Producers		
Company	Annual Production (Mlbs U3O8)	% of Global Supply
KAZATOMPROM	28.6	21%
NexGen	27.6	20%
Cameco	23.0	17%
AREVA	19.8	14%
uraniumone	17.4	13%
hibpilitors	7.1	5%
CGN ZENNEC	5.9	4%
RioTinto	5.4	4%

Source: NexGen Energy PEA

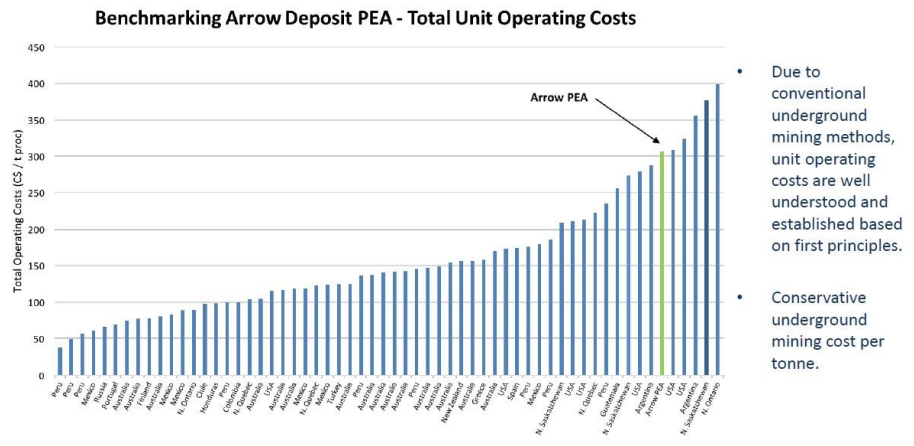
AMONG LOWEST COST DESPITE BEING AMONG HIGHEST

The PEA sees average annual production of over the first five years of 27.6M lbs, or 18.5M lbs over the 14.4 year Life of Mine (“LOM”). The production decline is due to processed grades declining from above 2.00% U₃O₈ for the first five years, to roughly 1.00% and below by year nine. Average unit operating costs of C\$5.53/lb (US\$4.42/lb) is over the first five years, increasing to C\$8.37/lb (US\$6.70/lb) over the LOM. The average annual AISC is projected to be C\$14.72 (US\$11.78/lb) over LOM.

Management noted that costs were derived using first principles by looking at other remote mining operations around the world. As can be seen in exhibit 2, the conservative approach taken in the PEA has Arrow sitting as the sixth most expensive operation on a per tonne basis.

¹ It should be noted that the PEA discounts to three years prior to production whereas our forecast discounts to 2018, which is eight years prior to our estimate of first production in 2026. As such the NPV calculation is significantly more punitive in our analysis.

Exhibit 2. Among the highest operating costs for an underground mine



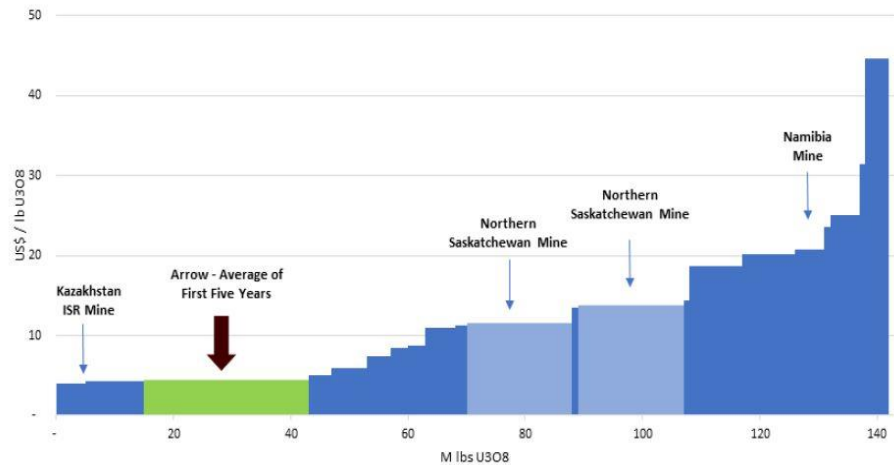
Notes:
 Unit operating costs are the sum of site-based mining, processing, and general and administration.
 All of the comparable projects are underground mines with production rates ranging from nominally 1,000 tpd to 6,000 tpd.
 The majority of data points are mines that are considered to be in remote areas.
 Data is based on a variety of sources, including SNL Metals and Mining, and publicly available information. NexGen makes no representations as to the reliability of this information.



Source: NexGen Energy PEA

Despite the high per tonne cost of Arrow, the deposit characteristics (high grade, vertical orientation, and competent bedrock) have led to industry-leading costs. As can be seen in Exhibit 3, for the first five years of production, only ISR production from Kazakhstan is expected to have a lower cost profile than that of Arrow. The per pound cost is seen as the lowest of any conventional mine globally.

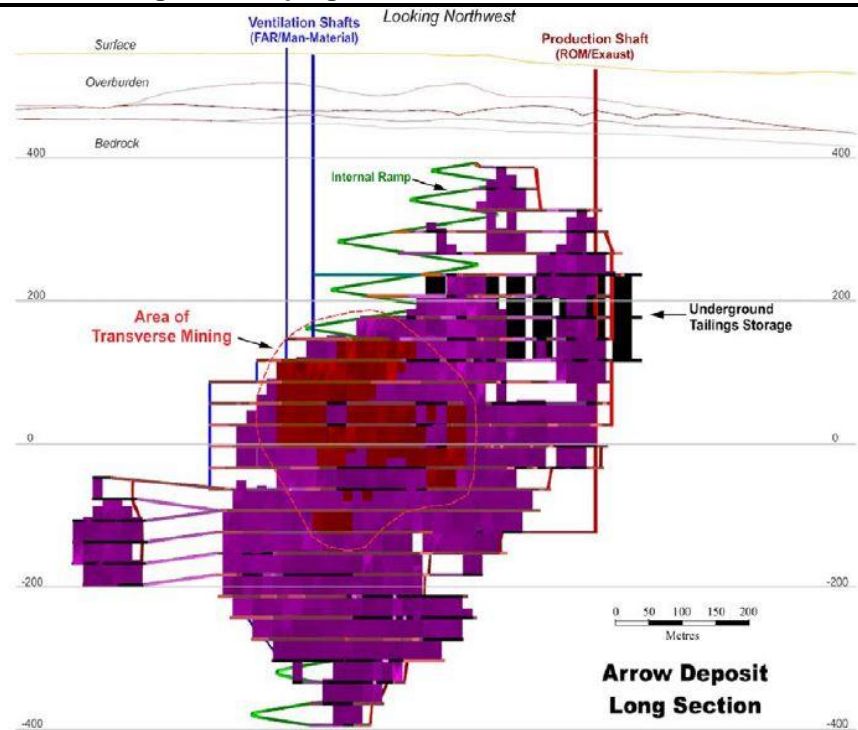
Exhibit 3. Lowest Cost conventional Mine – 1st 5 years, Operating Costs



Source: NexGen Energy PEA

Production would come via a conventional processing facility: Crushing and grinding, acid leaching (eight-hour leach cycle) followed by liquid-solid separation (Counter Current decantation), and solvent extraction. The mining method itself will consist of both transverse and longitudinal long hole mining. Cemented paste fill tailings using underground tailings will be used to reduce the surface footprint.

Exhibit 4. Long Hole Stopping



Source: NexGen Energy PEA

Also of note is that the PEA was reviewed for radiological safety. The mine plan uses transverse longhole stoping so that development drifts are cut perpendicular to strike, which decreases exposure. Management estimates that only 1% of development material will have a grade above 4% U_3O_8 , which is the threshold that would require additional safety precautions. It was noted that remote mucking and extra ventilation will be used in areas that require it.

PEA VERSUS CANTOR ESTIMATES

As can be seen in exhibit 5, notable variances to our estimates include:

- Uranium price of US\$50/lb versus our long term uranium price forecast of US\$80/lb. (For a detailed analysis on why we believe uranium prices require that level to reach equilibrium please refer to [Our latest gold, silver, uranium, and copper price forecasts; Target price updates](#))
- Our mineable resource of 4.58M (276M lbs U_3O_8 contained) tonnes is an increase from our prior estimate of 3.48M tonnes (202M lbs contained) as we estimated 100% and 80% resource conversion from Measured & Indicated and Inferred resources (was 90% and 50% previously). The PEA assumes conversion of 93% of the 1.18M tonnes of M&I and 4.25M tonnes (global total of Inferred resource 301 M lbs U_3O_8 on a 100% basis)
- Our smaller mineable resource is expected to be produce 23.6M lbs. U_3O_8 over the first five years and 21.5M lbs annually over a ten year life of mine. The annual estimate is higher than our prior forecast of 14.5M lbs, and higher than the PEA's LOM estimate of 18.6M lbs as our

smaller resource will have a higher average head grade of 2.2% (versus 1.7% in PEA).

- Initial CapEx from the PEA of \$1.19B was 8% higher than our original forecast of \$1.1B. We have adjusted this figure to our \$1.38B for conservatism.
- Cash costs of US\$6.70/lb was higher than our initial forecast of US\$5.93/lb. We have adjusted our cost estimate higher to US\$7.31/lb.²
- The PEA's All-In Sustaining Costs estimate of US\$11.78/lb is notably lower than our previous forecast of US\$23.83/lb and our revised forecast of US\$23.60/lb. The variance is mostly due to the calculation of profit-based royalties, which are significantly higher in our model due to our US\$80/lb uranium price forecast vs the PEA's US\$50/lb. At the US\$50/lb level, our AISC estimate would be in the US\$17/lb range.
- Discount rate differential of 8% for the PEA versus 10% in our models. Note that we uniformly apply a 10% discount rate for all uranium projects prior to production.
- USD/CAD exchange rate of US\$0.80/CAD for the PEA versus US\$0.90/CAD in our models. The stronger US dollar in the PEA lends to more favourable revenues relative to the C\$ costs.

Exhibit 5. PEA Highlights and Sensitivities vs. Initial CF Estimates

Item	PEA	CFCC Estimate - New	CFCC Estimate - Old
Uranium Price	US\$50/lb	US\$80/lb	US\$80/lb
Resource Size	93% of Resource converted	4.58 M tonnes containing 276M lbs U3O8 at 2.74%	3.48 M tonnes containing 202M lbs U3O8 at 2.63%
Annual Production of U3O8	27.6M lbs for first 5 years, 18.6M lbs LOM	23.6M lbs first 5 years; 21.5M LOM	14.5M lbs
Total Produced U3O8	267.2M lbs	214.9M lbs	176M lbs
Production Start	N/A	2026	2026
Initial Capital Expenditures	C\$1.19B	C\$1.38B	C\$1.10B
<i>Mine Capex</i>	C\$324M	C\$375M	C\$300M
<i>Surface Infrastructure</i>		C\$300M	C\$200M
<i>Mill Capex</i>	C\$627M	C\$600M	C\$500M
<i>Indirects</i>	C\$237M	C\$100M	C\$100M
Sustaining Capital (annual)	C\$33M	C\$40M	C\$20M
Mill Specifications	2,500 tpd with a ~27M lbs U3O8 annual production capacity	2,500 tpd with a ~27M lbs U3O8 annual production capacity	750 tpd with a 16M lbs U3O8 annual production capacity
Closure Costs	C\$64M	C\$70M	C\$40M
Operating Expenditures	C\$306/tonne milled	C\$345/tonne milled	C\$445/tonne milled
<i>Mining Opex</i>	C\$132/tonne milled	C\$140/tonne milled	C\$250/tonne milled
<i>Processing Opex</i>	C\$111/tonne milled	C\$130/tonne milled	C\$125/tonne milled
<i>G&A</i>	C\$63/tonne milled	C\$75/tonne milled	C\$70/tonne milled
Cash Cost Ex-Royalties	US\$6.70/lb (C\$8.37/lb)	US\$7.31/lb (C\$8.13/lb)	US\$5.93/lb (C\$6.59/lb)
All-In Sustaining Cost	US\$11.78/lb (C\$14.72/lb)	US\$23.60/lb (C\$26.22/lb)	US\$23.83/lb (C\$26.48/lb)
Uranium Head Grade	1.7%	2.2%	3.2%
Uranium Recovery	96%	95%	97%
Tax Rate	27%	27%	27%
Discount Rate	8%	10%	10%
USD/CAD Exchange Rate	US\$0.80/CAD	US\$0.90/CAD	US\$0.90/CAD

Source: NexGen Energy PEA, Cantor Fitzgerald Canada Research

THE NEXT 18 MONTHS

Over the near term, the plan is to complete summer drilling and then follow up with advanced site characterization, baseline monitoring, geotechnical, hydrogeological, and metallurgical studies. Note that thus far in 2017, approximately 66,000m of drilling (producing numerous high grade assay results) has been conducted at Arrow and a new discovery (South Arrow) has been recently detected. None of this data has been included in the PEA.

² Our originally reported cash cost estimate of US\$11.73/lb U₃O₈ included profit-based royalties. The US\$5.93/lb is a more appropriate apples-to-apples comparison to the figure presented in the PEA.

By 2018, NexGen expects to update the resource model and continue with the engineering and environmental baseline studies. A maiden pre-feasibility study is expected to be completed, followed by a project proposal submitted to the EIA Board. Following the recent financing with CEF Holdings, the company has nearly \$200M in cash on the Balance Sheet.

RECOMMENDATION AND TARGET PRICE

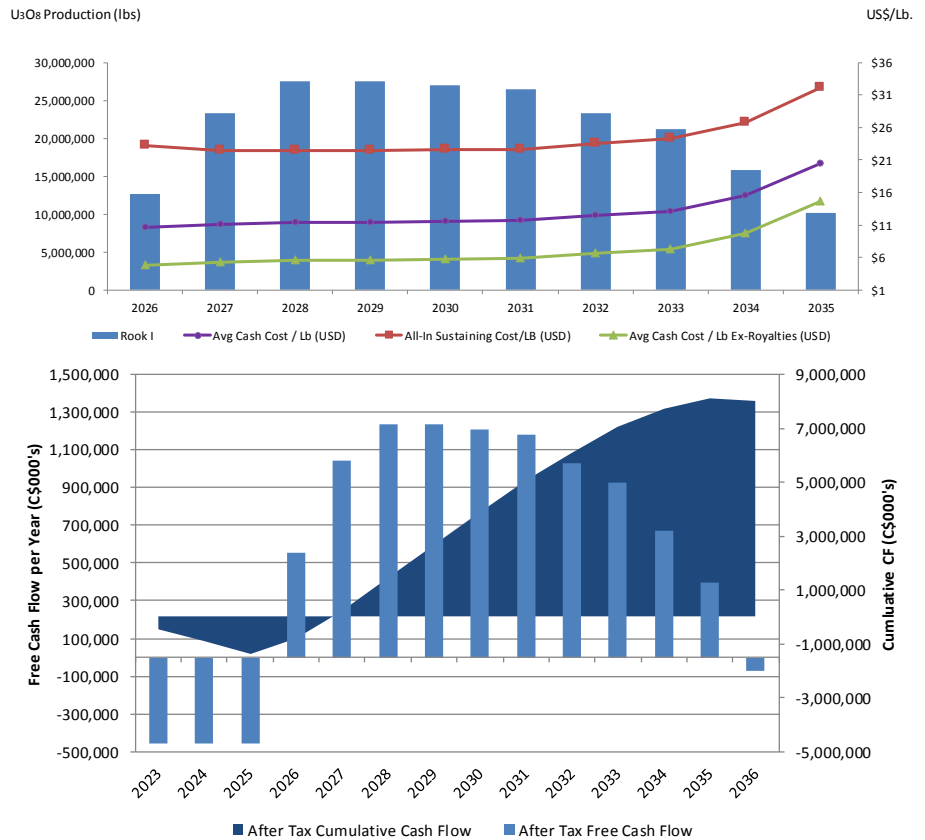
The maiden PEA confirms our view that Arrow is a once-in-a-generation type of deposit. We are maintaining our BUY recommendation and are increasing our target price to \$5.65/share from \$5.20, or by 9% to reflect the previously listed updates to our model. Our target price is derived from a 1.0x multiple to our net asset valuation of \$5.66/share using a 10% discount rate.

Exhibit 6. Net Asset Value

Asset	Value (\$M)	Per share	Ownership	Notes
Development Projects				
Rook I	\$2,057.5	\$5.57	100%	NPV @ 10%, US\$80/lb, US\$0.90/CAD
Other				
Present Value of Debenture	(\$122.7)	(\$0.33)		10% discount rate at current exchange rate
Working Capital Net of Cash	\$9.4	\$0.03		As of Q1/17 Financials
Cash + Proceeds from In-the-Money	\$235.2	\$0.64		As of Q1/17 Financials + US\$110M at 0.766 USD/CAD
Options and Warrants				NPV of corporate costs at 10%
NPV of Corporate G&A	(\$85.4)	(\$0.23)		
Valuation in CAD	\$2,094.0	\$5.66		in CAD

Source: Cantor Fitzgerald Canada Research

Exhibit 7. Production, Costs and Cash Flow Projections



Source: Cantor Fitzgerald Canada Research

Exhibit 8. Sensitivity Analysis

Cantor LT Uranium Price (US\$80/Lb)	Discount Rate (Cantor 10%)			
	12%	10%	8%	5%
\$44	\$1.37	\$1.92	\$2.65	\$4.25
\$50	\$1.85	\$2.52	\$3.42	\$5.36
\$60	\$2.66	\$3.54	\$4.70	\$7.19
\$70	\$3.47	\$4.55	\$5.98	\$9.03
\$80	\$4.28	\$5.57	\$7.26	\$10.87
\$90	\$5.09	\$6.58	\$8.54	\$12.70
\$100	\$5.90	\$7.59	\$9.82	\$14.54
\$110	\$6.70	\$8.61	\$11.10	\$16.38
\$120	\$7.51	\$9.62	\$12.37	\$18.21

Cantor LT Uranium Price (US\$80/Lb)	Exchange Rate (Cantor US0.90/C\$)								Current
	1.00	0.95	0.90	0.85	0.80	0.75	0.70	0.65	0.80271
\$44	\$1.47	\$1.68	\$1.92	\$2.18	\$2.47	\$2.81	\$3.19	\$3.63	\$2.46
\$50	\$2.02	\$2.26	\$2.52	\$2.82	\$3.16	\$3.54	\$3.97	\$4.47	\$3.14
\$60	\$2.93	\$3.22	\$3.54	\$3.90	\$4.30	\$4.75	\$5.28	\$5.88	\$4.28
\$70	\$3.84	\$4.18	\$4.55	\$4.97	\$5.44	\$5.97	\$6.58	\$7.28	\$5.41
\$80	\$4.75	\$5.14	\$5.57	\$6.04	\$6.58	\$7.19	\$7.88	\$8.69	\$6.55
\$90	\$5.67	\$6.10	\$6.58	\$7.12	\$7.72	\$8.40	\$9.19	\$10.09	\$7.69
\$100	\$6.58	\$7.06	\$7.59	\$8.19	\$8.86	\$9.62	\$10.49	\$11.49	\$8.82
\$110	\$7.49	\$8.02	\$8.61	\$9.26	\$10.00	\$10.84	\$11.79	\$12.90	\$9.96
\$120	\$8.40	\$8.98	\$9.62	\$10.34	\$11.14	\$12.05	\$13.10	\$14.30	\$11.10

OpEx (C\$345/t milled)	Initial CapEx (Cantor C\$1.38 billion shown in 000's)								
	\$1,775,000	\$1,675,000	\$1,575,000	\$1,475,000	\$1,375,000	\$1,275,000	\$1,175,000	\$1,075,000	\$975,000
\$525	\$4.65	\$4.79	\$4.93	\$5.07	\$5.21	\$5.35	\$5.49	\$5.63	\$5.77
\$480	\$4.74	\$4.88	\$5.02	\$5.16	\$5.30	\$5.44	\$5.58	\$5.72	\$5.86
\$435	\$4.83	\$4.97	\$5.11	\$5.25	\$5.39	\$5.53	\$5.67	\$5.81	\$5.94
\$390	\$4.92	\$5.06	\$5.20	\$5.34	\$5.48	\$5.62	\$5.76	\$5.89	\$6.03
\$345	\$5.01	\$5.15	\$5.29	\$5.43	\$5.57	\$5.71	\$5.84	\$5.98	\$6.12
\$300	\$5.10	\$5.24	\$5.38	\$5.52	\$5.66	\$5.79	\$5.93	\$6.07	\$6.21
\$255	\$5.19	\$5.33	\$5.47	\$5.61	\$5.74	\$5.88	\$6.02	\$6.16	\$6.30
\$210	\$5.28	\$5.42	\$5.56	\$5.69	\$5.83	\$5.97	\$6.11	\$6.25	\$6.39
\$165	\$5.37	\$5.51	\$5.64	\$5.78	\$5.92	\$6.06	\$6.20	\$6.34	\$6.48

Uranium Recovery (Cantor 97%)	Contained U ₃ O ₈ and Resource Tonnage								
	225 M lbs.	276 M lbs.	328 M lbs.	379 M lbs.	430 M lbs.	482 M lbs.	533 M lbs.	584 M lbs.	636 M lbs.
	3,730,000	4,580,000	5,430,000	6,280,000	7,130,000	7,980,000	8,830,000	9,680,000	10,530,000
86%	\$4.35	\$4.71	\$4.93	\$5.11	\$5.27	\$5.41	\$5.54	\$5.65	\$5.75
88%	\$4.51	\$4.88	\$5.11	\$5.30	\$5.46	\$5.61	\$5.74	\$5.86	\$5.96
90%	\$4.67	\$5.05	\$5.29	\$5.48	\$5.65	\$5.80	\$5.94	\$6.06	\$6.16
92%	\$4.83	\$5.22	\$5.46	\$5.67	\$5.85	\$6.00	\$6.14	\$6.26	\$6.37
94%	\$4.98	\$5.40	\$5.64	\$5.86	\$6.04	\$6.19	\$6.34	\$6.47	\$6.58
96%	\$5.14	\$5.57	\$5.82	\$6.04	\$6.23	\$6.39	\$6.54	\$6.67	\$6.78
98%	\$5.30	\$5.74	\$6.00	\$6.23	\$6.42	\$6.59	\$6.74	\$6.87	\$6.99

Source: Cantor Fitzgerald Canada Research

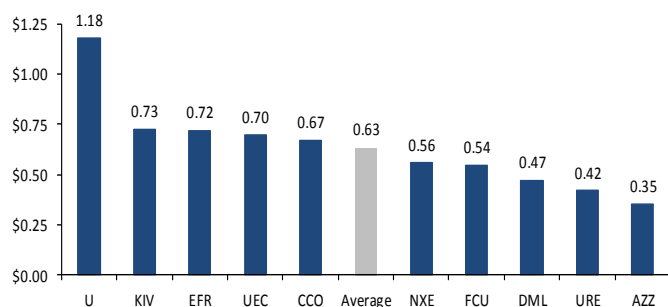
Exhibit 9. Uranium Comps

Uranium Producer	Stock Price	Market	Enterprise	NI43-101 Resources/JORC (M lbs)				MKT / LB	EV / LB		
Company Name	Stage	(Local \$)	Cap (\$'000)	Value (\$'000)	Avg Grade	P&P	M&I	Inferred	Total		
Cameco Corporation (TSX:CCO)	Production	12.77	5,054,273.2	6,265,493.2	6.089%	416.7	471.2	243.4	1,131.3	\$4.47	\$5.54
Energy Fuels Inc. (TSX:EFR)	Production	2.22	156,393.2	146,693.5	0.076%	0.0	110.3	61.9	172.2	\$0.91	\$0.85
Paladin Energy Ltd (ASX:PDN)*	Production	0.05	79,696.5	413,600.4	0.080%	130.0	226.3	150.4	506.6	\$0.16	\$0.82
Peninsula Energy Ltd. (ASX:PEN)*	Production	0.35	79,345.7	86,533.0	0.050%	0.0	17.2	30.2	47.4	\$1.67	\$1.83
Uranium Energy Corp. (NYSE:UEC)*	Production	1.60	278,002.4	270,065.8	0.062%	0.0	32.4	36.3	68.7	\$4.04	\$3.93
UR-Energy Inc. (TSX:URE)	Production	0.79	115,240.4	106,802.0	0.080%	0.0	34.5	10.3	44.9	\$2.57	\$2.38
Producer Average			\$960,491.9	\$1,214,864.6		91.1	148.6	88.8	328.5	\$2.30	\$2.56

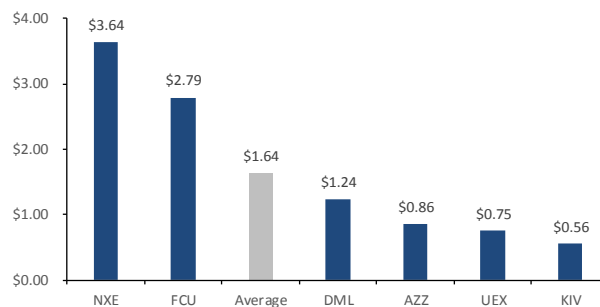
*Market Cap and Enterprise value for PDN, PEN and UEC. has been converted to \$CAD at the prevailing \$AUD/\$CAD or \$USD/\$CAD market exchange rates, P/NAV for PDN & PEN is from Bloomberg

Uranium Explorer/Developer	Stock Price	Market	Enterprise	NI43-101/JORC Resources (M lbs)				MKT / LB	EV / LB	
Company Name	Stage	(\$Local)	Cap (C\$'000)	Value (C\$'000)	Avg Grade	M&I	Inferred	Total		
Hathor Exploration (Acquired)	Exploration	4.70	654,240.0	581,240.0	8.63%	17.2	40.7	57.9	\$11.29	\$10.03
Denison Mines (TSX:DML)	Exploration	0.65	363,404.9	248,015.3	2.29%	102.0	97.6	199.7	\$1.82	\$1.24
Fission Uranium Corp. (TSX:FCU)	Exploration	0.70	339,232.6	294,640.6	1.51%	79.6	25.9	105.5	\$3.22	\$2.79
NexGen Energy (TSX:NXE)	Exploration	3.15	1,065,507.9	1,098,401.9	2.54%	179.5	122.1	301.6	\$3.53	\$3.64
Kivalliq Energy Corp. (TSXV:KIV)	Exploration	0.11	27,169.6	24,255.7	0.69%	0.0	43.3	43.3	\$0.63	\$0.56
UEX Corp. (TSX:UEX)	Exploration	0.23	71,828.7	63,618.3	0.84%	68.2	16.5	84.7	\$0.85	\$0.75
Azarga Uranium (TSX:AZZ)	Development	0.28	21,933.7	20,414.4	0.17%	18.1	5.7	23.8	\$0.92	\$0.86
Average			\$363,331.1	\$332,940.9		66.4	50.3	116.7	\$3.18	\$2.84

Uranium Coverage P/NAV



Uranium Explorer EV/Resource



Source: Cantor Fitzgerald Canada

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