



November 11, 2020

NexGen Energy Ltd.

Undeveloped potential waiting to meet future uranium deficit

Our view: We continue to view NexGen's Arrow uranium project as one of the world's best undeveloped uranium projects and a likely candidate to be developed into a major uranium producing asset to meet an expected uranium market deficit post mid-2020. We see two potential upcoming milestones with completion of the feasibility study and submission of the environmental assessment within the next 6-9 months.

Key points:

Uranium market balanced through mid-2020s before entering significant deficit: We forecast a relatively balanced market through the mid-2020s as growing demand is met by increased supply. As we enter the late-2020s, we expect a growing deficit as supply decreases due to mine depletion and a reduction in secondary supply. We expect prices to increase gradually through mid-2020's into the \$35-40/lb range, from ~\$30/lb currently, supported by the uranium cost curve. As the market moves into deficit, we expect prices to increase more significantly and forecast a long-term uranium price at \$50/lb which we view as the necessary incentive price for new mine supply. Please see [RBCCM Uranium Outlook: Recovery in progress as balance set to turn into L-T deficit](#) for more details.

Arrow a top tier undeveloped uranium project: We consider NexGen's Arrow project as one of the world's best undeveloped uranium projects with a large high-grade resource hosted in favourable geology. We currently model Arrow with a 17-year mine line with 21Mlb annual production at all-in production costs of US\$16/lb, resulting in a NAV (8% discount) of \$3.2B - these figures may differ from the technical report as we assume a larger resource being mined at a slower rate (to mitigate impact on market) and included Saskatchewan profit royalty taxes.

Upcoming milestones - feasibility study and environmental assessment: We expect two major milestones within the next 6-9 months as the Arrow project moves forward - the company expect to have the Feasibility Study completed and announced by late-2020 or early-2021, which should provide greater confidence around the project's cost estimates and timeline; the Environmental Assessment is expected to be completed and submitted to the Canadian Nuclear Safety Commission by mid-2021.

Reiterate Outperform, Spec Risk rating and \$5 PT: Our NAV estimate has decreased to \$7.53/sh, from \$10.48/sh, due to a lower long-term uranium price. However, we have raised our P/NAV multiple to 0.7x, from 0.5x, as the project continues to progress and nears completion of the Feasibility Study and submission of the Environmental Assessment.

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Outperform

Speculative Risk

TSX: NXE; CAD 2.40

Price Target CAD 5.00

WHAT'S INSIDE	
<input type="checkbox"/> Rating/Risk Change	<input type="checkbox"/> Price Target Change
<input type="checkbox"/> In-Depth Report	<input checked="" type="checkbox"/> Est. Change
<input type="checkbox"/> Preview	<input type="checkbox"/> News Analysis

Scenario Analysis*



*Implied Total Returns

Key Statistics

Shares O/S (MM):	377.0	Market Cap (MM):	905
Dividend:	0.00	Yield:	0.0%
NAVPS:	7.53	P/NAVPS:	0.32x
		Enterprise Val. (MM):	821
		Avg. Daily Volume:	708,799

RBC Estimates

FY Dec	2018A	2019A	2020E	2021E
EPS, Adj Diluted	0.00	(0.04)	(0.13)	(0.10)
Prev.			(0.10)	(0.09)
P/AEPS	NM	NM	NM	NM
FCFPS	(0.13)	(0.20)	(0.09)	(0.14)
Prev.			(0.08)	(0.13)
P/FCF	nm	nm	nm	nm
EPS, Adj Diluted	Q1	Q2	Q3	Q4
2019	0.02A	(0.03)A	0.00A	(0.03)A
Prev.			(0.00)A	
2020	(0.03)A	(0.05)A	(0.03)E	(0.03)E
Prev.		(0.02)E	(0.02)E	(0.02)E
2021	(0.03)E	(0.03)E	(0.03)E	(0.02)E
Prev.	(0.02)E	(0.02)E	(0.02)E	
FCFPS				
2019	(0.06)A	(0.05)A	(0.03)A	(0.06)A
2020	(0.03)A	(0.02)A	(0.02)E	(0.02)E
2021	(0.03)E	(0.03)E	(0.03)E	(0.03)E

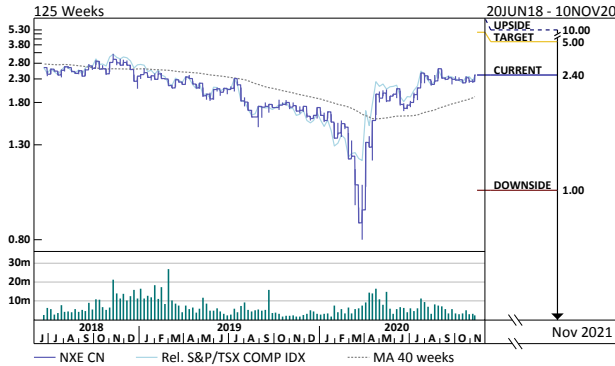
Major shareholders - CEF and Li Ka Shing (18% fully diluted); Mega Uranium (5% fully diluted)

All values in CAD unless otherwise noted.



Target/Upside/Downside Scenarios

Exhibit 1: NexGen Energy Ltd.



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Price target/base case

Our base case \$5 price target assumes – 1) full regulatory approvals are obtained by end-2022, a 3-year construction period begins in 2023, and first production starts in 2026; 2) capital and operating cost estimates that are in line with the PFS; 3) an increased mineral resource of 400Mlbs U₃O₈ supporting a 17-year mine life with total production of 360Mlbs U₃O₈; 4) long-term uranium realized price of US\$50/lb; and 5) a CAD/USD exchange rate of \$1.30.

Upside scenario

Our \$10 upside scenario assumes – 1) production starts in 2024 following relatively smooth approvals and construction; 2) capital and operating cost estimates that are 10% lower than in the PFS; 3) an increased mineral resource of 500Mlbs supporting a 19-year mine life with total production of 450Mlbs U₃O₈; 4) long-term uranium realized price of US\$60/lb; and 5) a CAD/USD exchange rate of \$1.30, in line with our base case.

Downside scenario

Our \$1 downside scenario assumes – 1) production starts in 2027 following relatively lengthy approvals and challenging construction; 2) capital and operating cost estimates that are 10% higher than in the PFS; 3) a mineral resource of 300Mlbs, representing downside to the current resource estimate, supporting a 15-year mine life with total production of 230Mlbs U₃O₈; 4) long-term uranium realized price of US \$40/lb; and 5) a CAD/USD exchange rate of \$1.30, in line with our base case.

Investment summary

NexGen Energy is a uranium development and exploration company, focused on the Athabasca Basin in Saskatchewan. The company’s flagship Rook I project contains the large, high-grade Arrow deposit, which we consider as one of the best undeveloped uranium assets globally.

Top tier uranium mine in development: We think the deposit has potential to be developed into a top-tier uranium mine with production comparable to or above today’s largest mines, while realizing operating costs at the lower end of the cost curve.

Favourable geology a unique benefit: Arrow benefits from favourable geology, which is a distinct advantage that separates the project from other undeveloped uranium assets, helping to reduce estimated capital costs, operating costs, and technical risks.

Large resource with potential upside: We see potential to support a project life and annual product beyond the parameters currently envisioned in the PEA, which adds to future long-term strategic value and optionality.

Strategic asset with takeover potential: We view the Arrow project as a potential long-term strategic asset in the uranium and nuclear industry, as the start-up should coincide with an increasing uranium supply deficit by the mid-2020s.

Potential risks

1) **Permitting delays**, especially with respect to uranium mine development due to heightened sensitivities and concerns regarding nuclear material and radiation. 2) **Technical challenges and construction delays**, given the limited uranium mine development in the Western Athabasca region and lack of infrastructure. 3) **Financing risk**, as a pre-production company with debt and developing a uranium mine while market conditions remain challenging. 4) **Uranium price**, which has a significant impact on future cash flows and profitability. 5) **CAD/USD exchange rate**, as the company's costs are primarily based on CAD while sales will primarily be in USD.



Exhibit 2: RBC Uranium Supply & Demand Forecast

S&D (Milbs U3O8)	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	CAGR 20-30E	CAGR 20-35E
Generating Capacity (GWe)	338	346	358	362	371	370	367	370	370	380	381	384	398	405	407	417	1%	1%
North America	52	53	54	55	54	52	52	50	50	49	49	48	48	48	48	48	-1%	0%
South America	1	1	1	1	1	1	1	1	1	1	1	1	1	3	2	3	7%	3%
West & Central Europe	52	50	50	47	48	50	48	45	43	45	44	43	43	42	40	41	-2%	-2%
East Europe	19	20	22	21	25	24	23	23	24	23	23	23	22	24	25	25	0%	0%
Africa	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2	9%	3%
Central Asia & Middle East	1	1	1	4	2	1	3	2	3	4	8	5	6	5	6	7	17%	10%
East Asia	41	37	49	53	49	39	40	41	43	50	52	53	52	54	54	57	4%	2%
Other Asia	4	4	3	3	4	4	6	8	8	10	10	8	9	9	11	9	8%	6%
Demand	171	167	181	186	183	172	175	173	173	183	188	181	182	185	187	191	1%	0%
Africa	20	19	20	23	23	21	20	19	19	19	18	18	18	18	18	18	-1%	-4%
Australia	15	16	14	17	16	16	12	12	12	12	12	13	14	15	16	16	0%	-2%
Canada	34	36	34	18	18	10	17	18	27	36	36	36	36	24	18	18	5%	4%
Kazakhstan	61	64	61	56	59	47	59	59	62	63	62	62	60	60	60	60	2%	1%
Russia	8	8	8	8	9	9	9	9	9	9	9	9	9	9	9	9	0%	0%
Ukraine	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	0%	0%
Uzbekistan	8	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	0%	0%
United States	3	3	3	1	0	0	0	0	0	0	0	0	0	0	0	0	NA	NA
Other	7	7	6	6	6	7	7	7	7	7	7	7	7	7	7	7	0%	0%
Mine Supply	159	164	157	141	143	122	137	137	149	158	156	157	156	145	140	140	1%	0%
Russia	14	16	18	16	16	15	15	15	15	15	14	13	11	11	11	9	-5%	-4%
United States	8	6	5	4	3	3	1	1	2	1	2	1	2	2	3	1	-11%	-8%
Other	18	17	17	19	18	15	14	12	11	10	9	9	8	9	8	8	-6%	-5%
Secondary Supply	40	39	39	38	36	33	29	29	28	26	25	23	21	21	22	17	-6%	-5%
Mine Supply	159	164	157	141	143	122	137	137	149	158	156	157	156	145	140	140	1%	0%
Secondary Supply	40	39	39	38	36	33	29	29	28	26	25	23	21	21	22	17	-6%	-5%
Total Supply	199	203	196	180	180	156	166	166	177	184	181	180	177	166	162	157	0%	-1%
Surplus/Deficit	29	36	16	-6	-3	-16	-9	-7	4	2	-6	-1	-5	-19	-25	-34		
Supply as % of demand	117%	121%	109%	97%	98%	90%	95%	96%	102%	101%	97%	99%	97%	90%	87%	82%		
Spot Price (US\$/lb)	\$37	\$26	\$22	\$25	\$26	\$29	\$30	\$33	\$33	\$35	\$35	\$35	\$40	\$40	\$40	\$50	5%	6%
Term Price (US\$/lb)	\$47	\$40	\$31	\$31	\$32	\$32	\$34	\$35	\$38	\$40	\$40	\$40	\$50	\$50	\$50	\$50	5%	4%

Source: Company reports, RBC Capital Markets estimates

Reiterate Outperform, Speculative Risk rating and \$5 Price Target

We rate NexGen shares **Outperform, Speculative Risk** with a **\$5 price target**. We value NexGen based on a NAV analysis using an 8% discount and 0.7x P/NAV multiple. The discount rate is in-line with the rate used to evaluate other mining projects. The P/NAV multiple reflects a typical multiple assigned to a development stage company that is not expected to start production until the mid-2020s while dealing with uncertainties in the interim related to regulatory approvals, construction delays, potential technical risks, and financing. Our price target supports an Outperform rating.

Our base case valuation assumes – 1) full regulatory approvals are obtained by end-2022, a 3-year construction period begins in 2023, and first production starts in 2026; 2) capital and operating cost estimates that are in line with the PFS; 3) an increased mineral resource of 400Mlbs U₃O₈ supporting a 17-year mine life with total production of 360Mlbs U₃O₈; 4) long-term uranium realized price of US\$50/lb; and 5) a CAD/USD exchange rate of \$1.30.

Exhibit 3: NexGen valuation

Net Asset Value	DR (%)	NAV (C\$M)	NAV/sh	% Total	P/NAV	Value/sh
Operating						
Arrow	8%	\$3,434	\$7.28	100%	0.7x	\$5.09
Corp G&A	8%	(\$215)	(\$0.46)	(6%)	1.0x	(\$0.46)
Balance Sheet (end-20E)						
Cash		\$60	\$0.13	2%	1.0x	\$0.13
IsoEnergy (52.5% owner)		\$64	\$0.14	2%	1.0x	\$0.14
Total		\$124	\$0.26	4%	1.0x	\$0.26
Cash from options		\$84	\$0.18	2%	1.0x	\$0.18
Total NAV		\$3,428	\$7.53	100%	0.7x	\$5.08

Source: Company reports, RBC Capital Markets estimates

Model

Exhibit 4: NXE Arrow Project

Arrow Deposit	2018A	2019A	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E	2037E	2038E	2039E	2040E	2041E	2042E	2043E	2044E	2045E
<i>CADS millions unless noted</i>																												
Production																												
Resource (Mlbs U3O8)																												
Extraction ratio (%)																												
Recovery (%)																												
Resource Extracted (Mlbs U3O8)	354	354	354	354	354	354	354	354	339	318	297	276	254	233	212	191	170	148	127	106	85	64	42	21	0	0	0	0
Processed Ore ('000 tonnes)	0	0	0	0	0	0	0	0	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	0	0	0
Grade (U ₃ O ₈)	-	-	-	-	-	-	-	-	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	-	-	-
Recovery (%)	-	-	-	-	-	-	-	-	91%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%
Production (Mlbs U3O8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.1	21.2	21.2	21.2	21.2	21.2	21.2	21.2	21.2	21.2	21.2	21.2	21.2	21.2	21.2	21.2	0.0	0.0	0.0	
Sales Volume (MM lbs)																												
Sales volume (MM lbs)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.1	21.2	21.2	21.2	21.2	21.2	21.2	21.2	21.2	21.2	21.2	21.2	21.2	21.2	21.2	21.2	0.0	0.0	0.0	
Realized Price																												
USD/CDN Exchange rate (US\$)	\$0.76	\$0.78	\$0.75	\$0.74	\$0.75	\$0.75	\$0.76	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77
CDN/USD Exchange rate (C\$)	\$1.32	\$1.28	\$1.33	\$1.35	\$1.34	\$1.33	\$1.31	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30
Uranium Spot Price (US\$/lb U3O8)	\$24.54	\$25.85	\$29.46	\$30.00	\$32.50	\$32.50	\$35.00	\$35.00	\$40.00	\$40.00	\$40.00	\$40.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
Uranium Term Price (US\$/lb U3O8)	\$30.77	\$31.88	\$32.46	\$34.00	\$35.00	\$37.50	\$40.00	\$40.00	\$40.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
Realized Price (US\$/lb)	\$27.65	\$28.86	\$30.96	\$32.00	\$33.75	\$35.00	\$37.50	\$37.50	\$45.00	\$45.00	\$45.00	\$45.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
Realized Price (C\$/lb)	\$36.53	\$37.03	\$41.10	\$43.20	\$45.14	\$46.67	\$49.06	\$48.75	\$58.50	\$58.50	\$58.50	\$58.50	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00
Revenue (\$MM)																												
Total Revenue (\$MM)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$982	\$1,240	\$1,240	\$1,240	\$1,378	\$1,378	\$1,378	\$1,378	\$1,378	\$1,378	\$1,378	\$1,378	\$1,378	\$1,378	\$1,378	\$1,378	\$0	\$0	\$0	\$0
Transportation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$7)	(\$7)	(\$7)	(\$7)	(\$7)	(\$7)	(\$7)	(\$7)	(\$7)	(\$7)	(\$7)	(\$7)	(\$7)	(\$7)	(\$7)	(\$7)	\$0	\$0	\$0	\$0
Net Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$975	\$1,233	\$1,233	\$1,233	\$1,371	\$1,371	\$1,371	\$1,371	\$1,371	\$1,371	\$1,371	\$1,371	\$1,371	\$1,371	\$1,371	\$1,371	\$0	\$0	\$0	\$0
Cost of Goods (\$MM)																												
Mining Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$79	\$79	\$79	\$79	\$79	\$79	\$79	\$79	\$79	\$79	\$79	\$79	\$79	\$79	\$79	\$79	\$0	\$0	\$0	\$0
Processing Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$82	\$82	\$82	\$82	\$82	\$82	\$82	\$82	\$82	\$82	\$82	\$82	\$82	\$82	\$82	\$82	\$0	\$0	\$0	\$0
D&A	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$135	\$124	\$113	\$104	\$95	\$87	\$80	\$74	\$68	\$63	\$59	\$54	\$51	\$47	\$44	\$41	\$39	\$0	\$0	\$0
Total COGS (\$MM)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$296	\$284	\$274	\$264	\$256	\$248	\$241	\$235	\$229	\$224	\$219	\$215	\$211	\$208	\$205	\$202	\$199	\$0	\$0	\$0
Cost per pound (\$/lb)	-	-	-	-	-	-	-	-	\$14.68	\$13.40	\$12.91	\$12.46	\$12.06	\$11.70	\$11.37	\$11.07	\$10.80	\$10.56	\$10.34	\$10.14	\$9.96	\$9.80	\$9.65	\$9.52	\$9.40	-	-	-
Cash cost per pound (\$/lb)	-	-	-	-	-	-	-	-	\$7.97	\$7.58	\$7.58	\$7.58	\$7.58	\$7.58	\$7.58	\$7.58	\$7.58	\$7.58	\$7.58	\$7.58	\$7.58	\$7.58	\$7.58	\$7.58	\$7.58	-	-	-
Earnings Summary (\$MM)																												
Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$982	\$1,240	\$1,240	\$1,240	\$1,378	\$1,378	\$1,378	\$1,378	\$1,378	\$1,378	\$1,378	\$1,378	\$1,378	\$1,378	\$1,378	\$1,378	\$0	\$0	\$0	\$0
Cost of Goods	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$296)	(\$284)	(\$274)	(\$264)	(\$256)	(\$248)	(\$241)	(\$235)	(\$229)	(\$224)	(\$219)	(\$215)	(\$211)	(\$208)	(\$205)	(\$202)	(\$199)	\$0	\$0	\$0
Gross Profit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$686	\$956	\$967	\$976	\$1,122	\$1,130	\$1,137	\$1,143	\$1,149	\$1,154	\$1,159	\$1,163	\$1,167	\$1,170	\$1,173	\$1,176	\$1,179	\$0	\$0	\$0
Gross Profit (%)	-	-	-	-	-	-	-	-	70%	77%	78%	79%	81%	82%	83%	83%	84%	84%	85%	85%	85%	85%	85%	86%	86%	-	-	-
Royalties	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$175)	(\$232)	(\$232)	(\$232)	(\$263)	(\$263)	(\$263)	(\$263)	(\$263)	(\$263)	(\$263)	(\$263)	(\$263)	(\$263)	(\$263)	(\$263)	\$0	\$0	\$0	\$0
SG&A	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$35)	(\$35)	(\$35)	(\$35)	(\$35)	(\$35)	(\$35)	(\$35)	(\$35)	(\$35)	(\$35)	(\$35)	(\$35)	(\$35)	(\$35)	(\$35)	\$0	\$0	\$0	\$0
EBIT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$476	\$689	\$700	\$709	\$825	\$833	\$840	\$846	\$852	\$857	\$861	\$866	\$869	\$873	\$876	\$879	\$881	\$0	\$0	\$0
DD&A	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$135	\$124	\$113	\$104	\$95	\$87	\$80	\$74	\$68	\$63	\$59	\$54	\$51	\$47	\$44	\$41	\$39	\$0	\$0	\$0
EBITDA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$612	\$813	\$813	\$813	\$920	\$920	\$920	\$920	\$920	\$920	\$920	\$920	\$920	\$920	\$920	\$920	\$920	\$0	\$0	\$0
Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$135)	(\$179)	(\$179)	(\$179)	(\$202)	(\$202)	(\$202)	(\$202)	(\$202)	(\$202)	(\$202)	(\$202)	(\$202)	(\$202)	(\$202)	(\$202)	\$0	\$0	\$0	\$0
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	28%	26%	26%	25%	25%	24%	24%	24%	24%	24%	24%	24%	23%	23%	23%	23%	0%	0%	0%	0%
Effective Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	65%	60%	59%	58%	56%	56%	55%	55%	55%	54%	54%	54%	54%	53%	53%	53%	53%	53%	53%	53%
Operating cash cost (\$/lb)	-	-	-	-	-	-	-	-	\$9.69	\$9.20	\$9.20	\$9.20	\$9.20	\$9.20	\$9.20	\$9.20	\$9.20	\$9.20	\$9.20	\$9.20	\$9.20	\$9.20	\$9.20	\$9.20	\$9.20	-	-	-
Operating cash w/ royalties (\$/lb)	-	-	-	-	-	-	-	-	\$18.39	\$20.16	\$20.16	\$20.16	\$21.60	\$21.60	\$21.60	\$21.60	\$21.60	\$21.60	\$21.60	\$21.60	\$21.60	\$21.60	\$21.60	\$21.60	-	-	-	-
Cash Flow (\$MM)																												
Initial Capital Cost																												
Underground Mining	\$0	\$0	\$0	\$0	\$0	\$33	\$216	\$166	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Processing	\$0	\$0	\$0	\$0	\$0	\$25	\$164	\$126	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Infrastructure	\$0	\$0	\$0	\$0	\$0	\$14	\$91	\$70	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$27	\$178	\$137	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sustaining	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$0	\$0	\$0
Total	\$0	\$0	\$0	\$0	\$0	\$100	\$648	\$499	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$0	\$0	\$0
Accumulated Capex	\$0	\$0	\$0	\$0	\$100	\$748	\$1,247	\$1,262	\$1,277	\$1,292	\$1,307	\$1,322	\$1,337	\$1,352	\$1,367	\$1,382	\$1,397	\$1,412	\$1,427	\$1,442	\$1,457	\$1,472	\$1,487	\$1,502	\$1,502	\$1,502	\$1,502	\$1,502
Operating Cash flow	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$477	\$634	\$634	\$634	\$718	\$718	\$718	\$718	\$718	\$718	\$718	\$718	\$718	\$718	\$718	\$718	\$0	\$0	\$0	\$0
Capex	\$0	\$0	\$0	\$0	\$0	(\$100)	(\$648)	(\$499)	(\$15)	(\$15)	(\$15)	(\$15)	(\$15)	(\$15)	(\$15)	(\$15)	(\$15)	(\$15)	(\$15)	(\$15)	(\$15)	(\$15)	(\$15)	(\$15)	\$0	\$0	\$0	\$0
Free Cash Flow	\$0	\$0	\$0	\$0	\$0	(\$100)	(\$648)	(\$499)	\$462	\$619	\$619	\$619	\$703	\$703	\$703	\$703	\$703	\$703	\$703	\$703	\$703	\$703	\$703	\$703	\$0	\$0	\$0	\$0
NPV (8%)	\$2,726	\$2,944	\$3,179	\$3,434	\$3,709	\$4,105	\$5,082	\$5,987	\$6,004	\$5,865	\$5,716	\$5,554	\$5,295	\$5,016	\$4,715	\$4,389	\$4,038	\$3,658	\$3,248	\$2,806	\$2,327	\$1,811	\$1,253	\$651	\$0	\$0	\$0	\$0
NPV (15%)	\$939	\$1,080	\$1,242	\$1,428	\$1,642	\$1,988	\$2,935	\$3,874	\$3,993	\$3,973	\$3,950	\$3,923	\$3,809	\$3,678	\$3,527	\$3,353	\$3,153	\$2,923	\$2,659	\$2,355	\$2,006	\$1,604	\$1,142	\$611	\$0	\$0	\$0	\$0

Source: Company reports, RBC Capital Markets estimates



Exhibit 5: NXE Earnings Model

Earnings Model													
<i>CAD\$ millions unless noted</i>	2018A	2019A	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$982	\$1,240	\$1,240	\$1,240	\$1,378
Finance income	\$2	\$2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Revenue	\$2	\$2	\$0	\$0	\$0	\$0	\$0	\$0	\$982	\$1,240	\$1,240	\$1,240	\$1,378
Cost of Goods	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$506)	(\$551)	(\$540)	(\$531)	(\$553)
G&A	\$7	(\$4)	(\$34)	(\$23)	(\$18)	(\$18)	(\$18)	(\$18)	(\$18)	(\$18)	(\$18)	(\$18)	(\$18)
Impairment	\$0	(\$0)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gain/loss on FX	\$4	(\$2)	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
EBITDA	\$15	(\$1)	(\$31)	(\$21)	(\$17)	(\$17)	(\$17)	(\$17)	\$594	\$796	\$796	\$796	\$903
DD&A	(\$2)	(\$2)	(\$2)	(\$2)	(\$1)	(\$1)	(\$1)	(\$1)	(\$136)	(\$124)	(\$114)	(\$104)	(\$96)
EBIT	\$13	(\$4)	(\$33)	(\$23)	(\$18)	(\$18)	(\$18)	(\$18)	\$458	\$671	\$682	\$691	\$807
Interest expense	(\$12)	(\$12)	(\$13)	(\$13)	(\$13)	(\$13)	(\$13)	(\$13)	(\$13)	(\$13)	(\$13)	(\$13)	(\$13)
EBT	\$1	(\$16)	(\$46)	(\$36)	(\$32)	(\$32)	(\$32)	(\$32)	\$445	\$658	\$668	\$678	\$793
Taxes	\$0	(\$1)	(\$1)	\$0	\$0	\$0	\$0	\$0	(\$98)	(\$145)	(\$147)	(\$149)	(\$175)
Tax rate	26%	6%	3%	0%	0%	0%	0%	0%	-22%	-22%	-22%	-22%	-22%
Net Income	\$1	(\$17)	(\$48)	(\$36)	(\$32)	(\$32)	(\$32)	(\$32)	\$347	\$513	\$521	\$529	\$619
Non-controlling interests	(\$1)	\$1	\$0	(\$1)	(\$1)	(\$1)	(\$1)	(\$1)	(\$1)	(\$1)	(\$1)	(\$1)	(\$1)
Net Income to Shareholders	\$1	(\$16)	(\$47)	(\$37)	(\$32)	(\$32)	(\$32)	(\$32)	\$346	\$512	\$521	\$528	\$618
Shares	346	355	365	366	366	366	366	366	366	366	366	366	366
EPS	\$0.00	(\$0.04)	(\$0.13)	(\$0.10)	(\$0.09)	(\$0.09)	(\$0.09)	(\$0.09)	\$0.95	\$1.40	\$1.42	\$1.44	\$1.69

Source: Company reports, RBC Capital Markets estimates

Exhibit 6: NXE Cash Flow Model

Cash Flow													
<i>CAD\$ millions unless noted</i>	2018A	2019A	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Earnings	\$1	(\$17)	(\$48)	(\$36)	(\$32)	(\$32)	(\$32)	(\$32)	\$347	\$513	\$521	\$529	\$619
D&A	\$2	\$2	\$2	\$2	\$1	\$1	\$1	\$1	\$136	\$124	\$114	\$104	\$96
Share-based payments	\$14	\$11	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9
Interest expense	\$12	\$12	\$10	\$7	\$7	\$7	\$7	\$7	\$7	\$7	\$7	\$7	\$7
Unrealized FX loss (gain)	(\$4)	\$1	(\$1)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	(\$33)	(\$21)	\$13	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Change in non-cash WC													
Cash from Operations	(\$8)	(\$13)	(\$14)	(\$18)	(\$15)	(\$15)	(\$15)	(\$15)	\$499	\$654	\$651	\$649	\$731
PP&E	(\$38)	(\$58)	(\$17)	(\$32)	(\$32)	(\$100)	(\$648)	(\$499)	(\$15)	(\$15)	(\$15)	(\$15)	(\$15)
Sale/Acquisition of S-T investments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash from Investing	(\$38)	(\$58)	(\$17)	(\$32)	(\$32)	(\$100)	(\$648)	(\$499)	(\$15)	(\$15)	(\$15)	(\$15)	(\$15)
Equity issued	\$10	\$7	\$23	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Issuance of convertible debentures	\$0	\$0	\$20	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	(\$8)	(\$9)	(\$4)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash from Financing	\$2	(\$1)	\$38	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Change in cash and equivalents	(\$44)	(\$72)	\$7	(\$50)	(\$47)	(\$114)	(\$663)	(\$513)	\$484	\$639	\$636	\$634	\$716
Cash & equiv., beginning of period	(\$17)	(\$57)	(\$130)	(\$122)	(\$172)	(\$218)	(\$333)	(\$996)	(\$1,509)	(\$1,025)	(\$387)	\$250	\$884
FX impact on cash held	\$4	(\$1)	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash & equiv., end of period	(\$57)	(\$130)	(\$122)	(\$172)	(\$218)	(\$333)	(\$996)	(\$1,509)	(\$1,025)	(\$387)	\$250	\$884	\$1,600

Source: Company reports, RBC Capital Markets estimates



Exhibit 7: NXE Balance Sheet Model

Balance Sheet													
<i>CAD\$ millions unless noted</i>	2018A	2019A	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Cash and cash equivalents	\$125	\$52	\$60	\$10	(\$36)	(\$151)	(\$814)	(\$1,327)	(\$843)	(\$205)	\$432	\$1,066	\$1,782
Short-term investments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Amounts receivable	\$0	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Prepaid expenses	\$0	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1
Current assets	\$126	\$53	\$61	\$11	(\$35)	(\$150)	(\$813)	(\$1,326)	(\$842)	(\$204)	\$433	\$1,067	\$1,783
Deposits	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Exploration and evaluation assets	\$194	\$252	\$268	\$300	\$332	\$332	\$332	\$332	\$332	\$332	\$332	\$332	\$332
Property & Equipment	\$7	\$8	\$8	\$6	\$5	\$104	\$752	\$1,250	\$1,129	\$1,019	\$920	\$831	\$750
Total Assets	\$327	\$314	\$337	\$318	\$302	\$287	\$271	\$256	\$619	\$1,148	\$1,686	\$2,230	\$2,866
Accounts payable	\$6	\$4	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3
Flow-through liability	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Short-term loan	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1
Current liabilities	\$7	\$5	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4
Deferred income tax liability	\$0	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1
Deferred lease inducement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Convertible debentures	\$138	\$120	\$155	\$155	\$155	\$155	\$155	\$155	\$155	\$155	\$155	\$155	\$155
Other	\$0	\$2	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4
Total liabilities	\$145	\$127	\$164	\$164	\$164	\$164	\$164	\$164	\$164	\$164	\$164	\$164	\$164
Share capital	\$209	\$219	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245	\$245
Reserves	\$42	\$52	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55
Accumulated deficit	(\$85)	(\$106)	(\$148)	(\$167)	(\$183)	(\$198)	(\$214)	(\$229)	\$134	\$663	\$1,201	\$1,746	\$2,381
Non-controlling interests	\$17	\$22	\$21	\$21	\$21	\$21	\$21	\$21	\$21	\$21	\$21	\$21	\$21
Shareholders Equity	\$182	\$186	\$174	\$154	\$138	\$123	\$108	\$92	\$455	\$985	\$1,522	\$2,067	\$2,702
Total liabilities & equity	\$327	\$314	\$337	\$318	\$302	\$287	\$271	\$256	\$619	\$1,148	\$1,686	\$2,230	\$2,866
Net Debt	(\$125)	(\$52)	(\$60)	(\$10)	\$36	\$151	\$814	\$1,327	\$843	\$205	(\$432)	(\$1,066)	(\$1,782)
Change	\$40	\$73	(\$8)	\$50	\$47	\$114	\$663	\$513	(\$484)	(\$639)	(\$636)	(\$634)	(\$716)

Source: Company reports, RBC Capital Markets estimates



Valuation

We rate NexGen shares Outperform, Speculative Risk with a \$5 price target. We value NexGen based on a NAV analysis using an 8% discount and 0.7x P/NAV multiple. The discount rate is in line with the rate used to evaluate other developing mine projects. The P/NAV multiple reflects a typical multiple assigned to a development stage company that is not expected to start production until the mid-2020s while dealing with uncertainties in the interim related to regulatory approvals, construction delays, potential technical risks, and financing. We assign a Speculative Risk qualifier for the same reasons that influence the P/NAV multiple we use in our valuation. Our price target supports an Outperform rating.

Risks to rating and price target

1) Permitting delays, especially with respect to uranium mine development due to heightened sensitivities and concerns regarding nuclear material and radiation. 2) Technical challenges and construction delays, given the limited uranium mine development in the Western Athabasca region and lack of infrastructure. 3) Financing risk, as a pre-production company with debt and developing a uranium mine while market conditions remain challenging. 4) Uranium price, which has a significant impact on valuation. 5) CAD/USD exchange rate, as operations are located in Canada while uranium sales are primarily in USD.

Company description

NexGen Energy is a uranium development and exploration company, focused on the Athabasca Basin in Saskatchewan. The company's flagship Rook I project contains the large, high-grade Arrow deposit, which we consider as one of the best undeveloped uranium assets globally. A pre-feasibility study has been completed for the Arrow project indicating robust economics, while the company is working to complete a definitive feasibility study and start environmental permitting through 2021. Additionally, NexGen has discovered several other areas of potentially significant uranium mineralization within the Rook I project area (South Arrow, Bow, Harpoon). The company also owns a majority interest in junior uranium exploration company IsoEnergy.



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RBC Capital Markets, LLC makes a market in the securities of NexGen Energy Ltd..

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Ratings

Outperform (O): Expected to materially outperform sector average over 12 months.

Sector Perform (SP): Returns expected to be in line with sector average over 12 months.

Underperform (U): Returns expected to be materially below sector average over 12 months.

Restricted (R): RBC policy precludes certain types of communications, including an investment recommendation, when RBC is acting as an advisor in certain merger or other strategic transactions and in certain other circumstances.

Not Rated (NR): The rating, price targets and estimates have been removed due to applicable legal, regulatory or policy constraints which may include when RBC Capital Markets is acting in an advisory capacity involving the company.

As of March 31, 2020, RBC Capital Markets discontinued its Top Pick rating. Top Pick rated securities represented an analysts best idea in the sector; expected to provide significant absolute returns over 12 months with a favorable risk-reward ratio. Top Pick rated securities have been reassigned to our Outperform rated securities category, which are securities expected to materially outperform sector average over 12 months.

Risk Rating

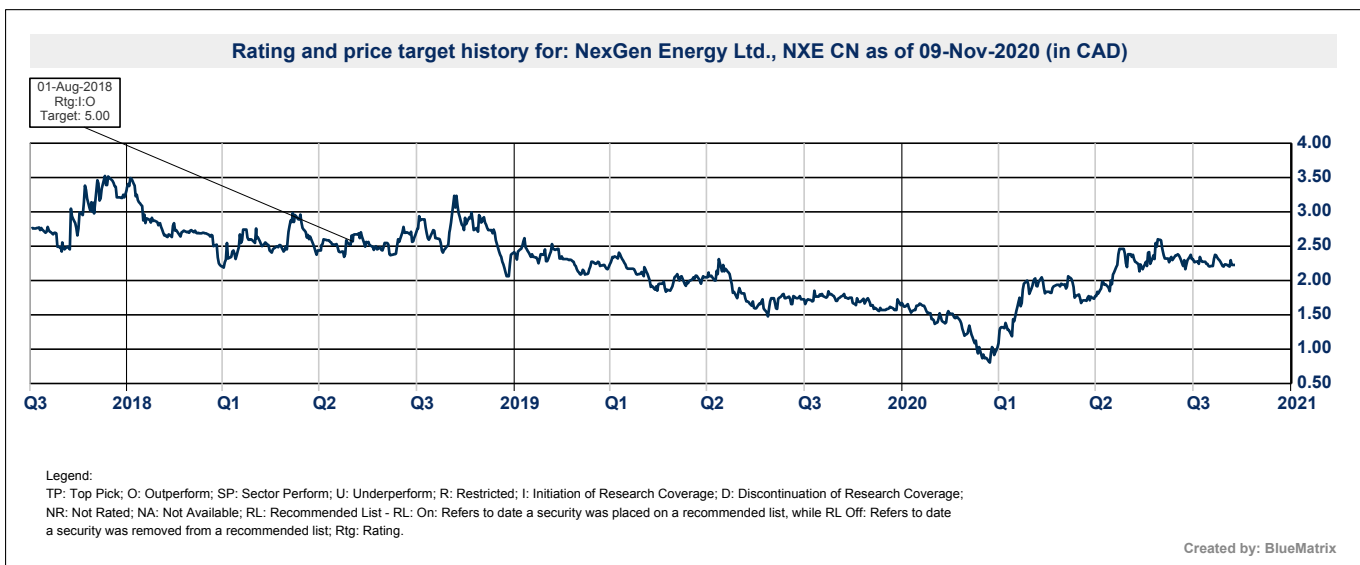
The **Speculative** risk rating reflects a security's lower level of financial or operating predictability, illiquid share trading volumes, high balance sheet leverage, or limited operating history that result in a higher expectation of financial and/or stock price volatility.



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Rating	Count	Percent	Investment Banking Serv./Past 12 Mos.	
			Count	Percent
BUY [Outperform]	788	52.96	248	31.47
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NexGen Energy Ltd.

Valuation

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The P/NAV multiple reflects a typical multiple assigned to a development stage company that is not expected to start production until the mid-2020s while dealing with uncertainties in the interim related to regulatory approvals, construction delays, potential technical risks, and financing. We assign a Speculative Risk qualifier for the same reasons that influence the P/NAV multiple we use in our valuation. Our price target supports an Outperform rating.

Risks to rating and price target

1) Permitting delays, especially with respect to uranium mine development due to heightened sensitivities and concerns regarding nuclear material and radiation. 2) Technical challenges and construction delays, given the limited uranium mine development in the Western Athabasca region and lack of infrastructure. 3) Financing risk, as a pre-production company with debt and developing a uranium mine while market conditions remain challenging. 4) Uranium price, which has a significant impact on valuation. 5) CAD/USD exchange rate, as operations are located in Canada while uranium sales are primarily in USD.

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