EQUITY RESEARCH

Capital Markets

RBC Dominion Securities Inc.
Andrew D. Wong (Analyst)
(416) 842-7830, andrew.d.wong@rbccm.com
Stephen Morton (Associate)
(416) 842-8520, stephen.morton@rbccm.com

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NexGen Energy Ltd.

Still one of the best uranium projects, but close to fully valued; Sector Perform

Sector Perform (prev: Outperform)
Speculative Risk
TSX: NXE; CAD 5.24
Price Target CAD 6.00

WHAT'S INSIDE	
☑ Rating/Risk Change	☐ Price Target Change
☐ In-Depth Report	☑ Est. Change
☐ Preview	☐ News Analysis

Scenario Analysis*

Downside Scenario	Current Price	Price Target	Upside Scenario
2.00	5.24	6.00	10.00
↓ 62%		↑ 15%	↑ 91%

*Implied Total Returns

Key Statistics

Shares O/S (MM):	469.3	Market Cap (MM):	2,459
Dividend:	0.00	Yield:	0.0%
NAVPS:	7.75	P/NAVPS:	0.68x
		Enterprise Val. (MM):	2,109
		Avg. Daily Volume:	3,475,610

RBC Estimates

FY Dec	2019A	2020A	2021E	2022E
EPS, Adj Diluted	(0.04)	(0.29)	(0.22)	(0.08)
Prev.		(0.16)	(0.07)	(0.07)
P/AEPS	NM	NM	NM	NM
FCFPS	(0.20)	(0.08)	(0.11)	(0.11)
Prev.			(0.10)	(0.44)
P/FCF	nm	nm	nm	nm

EPS, Adj Diluted	Q1	Q2	Q3	Q4
2020	(0.03)A	(0.05)A	(0.06)A	(0.16)A
Prev.				(0.02)E
2021	(0.16)A	(0.02)E	(0.02)E	(0.02)E
Prev.	(0.02)E			
2022	(0.02)E	(0.02)E	(0.02)E	(0.02)E
FCFPS				
2020	(0.03)A	(0.02)A	(0.02)A	(0.02)A
2021	(0.03)A	(0.03)E	(0.03)E	(0.03)E
2022	(0.03)E	(0.03)E	(0.03)E	(0.03)E
Prev.	(0.11)E	(0.11)E	(0.11)E	(0.11)E

Major shareholders - CEF and Li Ka Shing (18% fully diluted); Mega Uranium (5% fully diluted)
All values in CAD unless otherwise noted.
Priced as of prior trading day's market close, EST (unless otherwise noted).

Our view: We continue to view NexGen's Rook I project as one of the best development-stage uranium projects globally. However, we view shares as fully valued given the recent run-up. We have also pushed back the Rook I start date to 2027 and lowered initial production rates to mitigate potential market risk from the project starting up before the uranium market enters a significant deficit in the late-2020s.

Key points:

Improving uranium market trends amplified by social media: We believe uranium market fundamentals have improved with increased support for nuclear as a clean energy and renewed financial interest to invest in physical uranium, which should help absorb uncommitted material and support a gradual recovery in prices to levels that better reflect production economics. We view the uranium market as balanced through the mid-2020s before entering a more significant deficit in the late-2020s, with prices rising gradually to first incentivize re-starts and then new builds later in the decade. However, we think the improving uranium market trends have been amplified by social media excitement, driving uranium equities ahead of actual fundamentals.

We have raised our uranium price forecast to account for increased financial interest to invest in physical uranium – our price forecasts for the 2021-2025 period are ~10% higher. We see the potential for market backwardation in 2022, with spot prices reaching $40/lb while term prices only rise to $35/lb, and then settling at $40-45/lb through the mid-2020s to incentivize idled production re-starts. Longer-term we see prices rising to $50/lb to reflect incentive prices required for new mine production. Please see our updated uranium market outlook "**RBC Elements™: Uranium Outlook - Improving trends, but equity values amplified by social media**" published on June 22, 2021.

Pushing out Rook I start date and considering the market impact: We have pushed back the start date of the Rook I project to 2027, from 2026, to better reflect the likely timing for permitting and construction. We expect the EIS to be submitted in H2/21, with potential approval 1-3 years afterwards and construction requiring another 3-4 years.

Adding significant production presents some market risk: The Rook I project could add up to 30Mlbs annually, or ~15% of average global annual demand in 2025-2030. NexGen has designed the project for production flexibility, which should help the company manage any market disruption if the mine is ready for start-up before a significant deficit is formed. However, we also note some market risk from adding Rook I's significant production to the market before entering into a more significant deficit, which we expect in the late-2020s. We have lowered forecasted production in 2027 and 2028 to 13Mlbs, from 22-23Mlbs.

Lower rating to Sector Perform (prev. Outperform), maintain Speculative Risk rating and $6 PT: Our estimated NAV per share has decreased to $7.75, from $8.25, as the later start date offsets higher realized prices.

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For Required Non-U.S. Analyst and Conflicts Disclosures, see page 9

Exhibit 1 - RBC Uranium S&D Outlook

S&D (Mlbs U3O8)	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	CAGR 20-30E	CAGR 20-35E
United States	100	100	100	100	99	97	95	94	95	96	95	94	94	94	94	94	0%	0%
West & Central Europe	120	120	120	118	118	115	113	110	102	104	101	97	100	101	103	103	-1%	-1%
Russia	25	26	27	29	29	29	30	29	30	31	30	29	28	28	27	29	0%	0%
Other East Europe	16	16	16	16	16	16	17	19	19	19	19	19	19	19	19	20	2%	2%
China	23	28	33	34	43	48	49	53	55	55	59	67	79	87	94	101	7%	7%
Japan	1	3	7	9	9	6	8	11	12	14	14	16	18	18	19	20	12%	8%
India	5	5	6	6	6	6	7	7	7	9	9	10	11	11	12	12	6%	5%
Other Asia	26	28	28	28	29	28	29	33	36	34	35	35	35	35	35	36	2%	1%
Other	22	21	21	21	21	22	21	21	20	22	23	23	28	28	29	31	3%	3%
Generating Capacity (GWe)	**338**	**346**	**358**	**362**	**371**	**367**	**370**	**376**	**376**	**384**	**386**	**390**	**410**	**421**	**431**	**445**	**2%**	**2%**
Demand (Mlbs U3O8)	**168**	**164**	**177**	**181**	**180**	**171**	**176**	**173**	**175**	**185**	**197**	**190**	**195**	**198**	**203**	**208**	**2%**	**1%**
Africa	20	19	20	23	22	22	20	21	22	22	23	26	26	26	26	21	0%	-2%
Australia	15	16	14	17	16	16	13	13	13	13	13	14	15	16	16	17	0%	-2%
Canada	34	36	34	18	18	10	7	18	27	36	36	36	36	36	36	18	5%	4%
Kazakhstan	61	64	61	56	59	51	59	59	62	64	64	62	62	62	62	62	2%	1%
Russia	8	8	8	8	8	7	7	7	8	9	9	9	9	9	9	9	2%	1%
Ukraine	3	3	3	2	2	2	2	3	3	3	3	3	3	3	3	3	2%	2%
Uzbekistan	8	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	0%	0%
United States	3	3	3	2	0	0	0	0	0	0	0	0	0	0	0	0	NA	NA
Other	7	7	6	6	6	6	7	7	7	7	8	8	8	8	8	8	2%	1%
Mine Supply (Mlbs U3O8)	**159**	**164**	**157**	**139**	**140**	**123**	**124**	**137**	**150**	**162**	**164**	**167**	**167**	**168**	**169**	**146**	**2%**	**1%**
Russia	14	16	18	16	16	15	15	15	15	15	14	13	12	11	11	8	-6%	-5%
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	17	16	16	15	12	11	9	9	9	9	8	8	-6%	-5%
Secondary Supply (Mlbs U3O8)	**40**	**39**	**39**	**38**	**36**	**34**	**32**	**31**	**29**	**27**	**25**	**23**	**23**	**21**	**21**	**17**	**-6%**	**-5%**
Mine Supply	159	164	157	139	140	123	124	137	150	162	164	167	167	168	169	146	2%	1%
Secondary Supply	40	39	39	38	36	34	32	31	29	27	25	23	23	21	21	17	-6%	-5%
Total Supply (Mlbs U3O8)	**199**	**203**	**196**	**178**	**177**	**158**	**156**	**168**	**179**	**189**	**190**	**190**	**190**	**189**	**190**	**164**	**0%**	**0%**
Surplus/Deficit	**32**	**39**	**19**	**-3**	**-3**	**-14**	**-20**	**-5**	**5**	**3**	**-7**	**0**	**-5**	**-10**	**-13**	**-44**		
Supply as % of demand	119%	124%	111%	98%	98%	92%	89%	97%	103%	102%	96%	100%	97%	95%	93%	79%		
Spot Price (US$/lb)	**$37**	**$26**	**$22**	**$25**	**$26**	**$29**	**$33**	**$40**	**$40**	**$40**	**$40**	**$40**	**$40**	**$40**	**$40**	**$50**	**5%**	**6%**
Term Price (US$/lb)	**$47**	**$40**	**$31**	**$31**	**$32**	**$32**	**$34**	**$35**	**$40**	**$40**	**$40**	**$40**	**$50**	**$50**	**$50**	**$50**	**5%**	**4%**

Source: UxC, Company reports, RBC Capital Markets estimates

Lower rating to Sector Perform (prev. Outperform), maintain Speculative Risk rating and $6 price target:

We rate NexGen shares Sector Perform, Speculative Risk with a $6 price target. We value NexGen based on a NAV analysis using an 8% discount and 0.8x 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-to-late 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 a Sector Perform rating.

Our base case valuation assumes – 1) full regulatory approvals are obtained by end-2023, a 3-year construction period begins in 2024, and first production starts in 2027; 2) capital and operating cost estimates that are in line with the FS; 3) an increased mineral resource of 400Mlbs U_3O_8 supporting a 17-year mine life with total production of 369Mlbs U_3O_8; 4) long-term uranium realized price of US$50/lb; and 5) a CAD/USD exchange rate of $1.30.

Exhibit 2 - NexGen valuation

Net Asset Value	DR (%)	NAV (C$M)	NAV/sh	% Total	P/NAV	Value/sh
Operating						
Arrow	8%	$3,457	$6.74	95%	0.8x	$5.39
Corp G&A	8%	($242)	($0.47)	(7%)	1.0x	($0.47)
Balance Sheet (end-21E)						
Cash		$188	$0.37	5%	1.0x	$0.37
IsoEnergy (52.5% owner)		$147	$0.29	4%	1.0x	$0.29
Total		**$335**	**$0.65**	**9%**	1.0x	**$0.65**
Cash from options		$88	$0.17	2%	1.0x	$0.17
Total NAV		**$3,639**	**$7.75**	**100%**	**0.7x**	**$5.75**

Source: Company reports, RBC Capital Markets estimates

Andrew D. Wong (416) 842-7830; andrew.d.wong@rbccm.com

Model

Exhibit 3 - NXE Arrow Project

Arrow Deposit *CAD$ millions unless noted*	2018A	2019A	2020A	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
Production																												
Resource Extracted (Mlbs U3O8)	362	362	362	362	362	362	362	362	362	352	339	317	292	266	241	215	190	165	139	114	88	63	37	12	0	0	0	0
Processed Ore ('000 tonnes)	0	0	0	0	0	0	0	0	0	250	250	500	500	500	500	500	500	500	500	500	500	500	500	500	250	0	0	0
Grade (U_3O_8)	-	-	-	-	-	-	-	-	-	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	-	-	-
Recovery (%)	-	-	-	-	-	-	-	-	-	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**	**0.0**	**12.7**	**12.7**	**25.4**	**25.4**	**25.4**	**25.4**	**25.4**	**25.4**	**25.4**	**25.4**	**25.4**	**25.4**	**25.4**	**25.4**	**25.4**	**12.7**	**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	0.0	12.7	12.7	25.4	25.4	25.4	25.4	25.4	25.4	25.4	25.4	25.4	25.4	25.4	25.4	25.4	12.7	0.0	0.0	0.0
Realized Price																												
USD/CDN Exchange rate (US$)	$0.77	$0.75	$0.75	$0.80	$0.80	$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	$0.77	$0.77
CDN/USD Exchange rate (C$)	$1.30	$1.33	$1.34	$1.25	$1.25	$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	$1.30	$1.30
Uranium Spot Price (US$/lb U3O8)	$24.54	$25.85	$29.49	$33.41	$40.00	$40.00	$40.00	$40.00	$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	$33.92	$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	$50.00	$50.00	$50.00
Realized Price (US$/lb)	$27.65	$28.86	$30.98	$33.66	$37.50	$40.00	$40.00	$40.00	$40.00	$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)	$35.87	$38.29	$41.55	$42.08	$46.88	$52.00	$52.00	$52.00	$52.00	$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	$0	$744	$744	$1,488	$1,654	$1,654	$1,654	$1,654	$1,654	$1,654	$1,654	$1,654	$1,654	$1,654	$1,654	$1,654	$827	$0	$0	$0
Transportation	$0	$0	$0	$0	$0	$0	$0	$0	$0	($4)	($4)	($9)	($9)	($9)	($9)	($9)	($9)	($9)	($9)	($9)	($9)	($9)	($9)	($9)	($4)	$0	$0	$0
Net Revenue	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$740**	**$740**	**$1,480**	**$1,645**	**$1,645**	**$1,645**	**$1,645**	**$1,645**	**$1,645**	**$1,645**	**$1,645**	**$1,645**	**$1,645**	**$1,645**	**$1,645**	**$823**	**$0**	**$0**	**$0**
Cost of Goods ($MM)																												
Mining Costs	$0	$0	$0	$0	$0	$0	$0	$0	$0	$47	$47	$76	$76	$76	$76	$76	$76	$76	$76	$76	$76	$76	$76	$76	$38	$0	$0	$0
Processing Costs	$0	$0	$0	$0	$0	$0	$0	$0	$0	$44	$44	$71	$71	$71	$71	$71	$71	$71	$71	$71	$71	$71	$71	$71	$35	$0	$0	$0
Tailings Costs	$0	$0	$0	$0	$0	$0	$0	$0	$0	$10	$10	$16	$16	$16	$16	$16	$16	$16	$16	$16	$16	$16	$16	$16	$8	$0	$0	$0
D&A	$0	$0	$0	$0	$0	$0	$0	$0	$0	$107	$98	$111	$104	$98	$92	$87	$83	$79	$75	$71	$68	$66	$63	$61	$30	$0	$0	$0
Total COGS ($MM)	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$208**	**$200**	**$273**	**$266**	**$260**	**$254**	**$249**	**$245**	**$241**	**$237**	**$233**	**$230**	**$228**	**$225**	**$223**	**$111**	**$0**	**$0**	**$0**
Cost per pound ($/lb)	-	-	-	-	-	-	-	-	-	$16.35	$15.69	$10.72	$10.45	$10.21	$9.99	$9.79	$9.62	$9.45	$9.31	$9.18	$9.06	$8.95	$8.85	$8.76	$8.70	-	-	-
Cash cost per pound ($/lb)	-	-	-	-	-	-	-	-	-	$7.96	$7.96	$6.37	$6.37	$6.37	$6.37	$6.37	$6.37	$6.37	$6.37	$6.37	$6.37	$6.37	$6.37	$6.37	$6.37	-	-	-
Earnings Summary ($MM)																												
Revenue	$0	$0	$0	$0	$0	$0	$0	$0	$0	$744	$744	$1,488	$1,654	$1,654	$1,654	$1,654	$1,654	$1,654	$1,654	$1,654	$1,654	$1,654	$1,654	$1,654	$827	$0	$0	$0
Cost of Goods	$0	$0	$0	$0	$0	$0	$0	$0	$0	($208)	($200)	($273)	($266)	($260)	($254)	($249)	($245)	($241)	($237)	($233)	($230)	($228)	($225)	($223)	($111)	$0	$0	$0
Gross Profit	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$536**	**$545**	**$1,216**	**$1,388**	**$1,394**	**$1,400**	**$1,405**	**$1,409**	**$1,413**	**$1,417**	**$1,420**	**$1,423**	**$1,426**	**$1,429**	**$1,431**	**$716**	**$0**	**$0**	**$0**
Gross Profit (%)	-	-	-	-	-	-	-	-	-	72%	73%	82%	84%	84%	85%	85%	85%	85%	86%	86%	86%	86%	86%	87%	87%	-	-	-
Royalties	$0	$0	$0	$0	$0	$0	$0	$0	$0	($124)	($125)	($271)	($309)	($310)	($311)	($311)	($312)	($313)	($313)	($314)	($314)	($315)	($315)	($315)	($158)	$0	$0	$0
SG&A	$0	$0	$0	$0	$0	$0	$0	$0	$0	($20)	($20)	($31)	($31)	($31)	($31)	($31)	($31)	($31)	($31)	($31)	($31)	($31)	($31)	($31)	($16)	$0	$0	$0
EBIT	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$392**	**$400**	**$913**	**$1,048**	**$1,053**	**$1,058**	**$1,062**	**$1,066**	**$1,069**	**$1,072**	**$1,075**	**$1,078**	**$1,080**	**$1,082**	**$1,084**	**$543**	**$0**	**$0**	**$0**
DD&A	$0	$0	$0	$0	$0	$0	$0	$0	$0	$107	$98	$111	$104	$98	$92	$87	$83	$79	$75	$71	$68	$66	$63	$61	$30	$0	$0	$0
EBITDA	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$499**	**$498**	**$1,024**	**$1,152**	**$1,151**	**$1,150**	**$1,149**	**$1,148**	**$1,148**	**$1,147**	**$1,147**	**$1,146**	**$1,146**	**$1,146**	**$1,145**	**$572**	**$0**	**$0**	**$0**
Tax	$0	$0	$0	$0	$0	$0	$0	$0	$0	($110)	($110)	($225)	($253)	($253)	($253)	($253)	($253)	($253)	($252)	($252)	($252)	($252)	($252)	($252)	($126)	$0	$0	$0
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	28%	27%	25%	24%	24%	24%	24%	24%	24%	24%	23%	23%	23%	23%	23%	23%	0%	0%	0%
Effective Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	60%	59%	54%	54%	53%	53%	53%	53%	53%	53%	53%	53%	52%	52%	52%	52%	52%	52%	52%
Operating cash cost ($/lb)	-	-	-	-	-	-	-	-	-	$8.73	$8.73	$6.98	$6.98	$6.98	$6.98	$6.98	$6.98	$6.98	$6.98	$6.98	$6.98	$6.98	$6.98	$6.98	$6.98	-	-	-
Operating cash w/ royalties ($/lb)	-	-	-	-	-	-	-	-	-	$18.49	$18.59	$17.63	$19.12	$19.15	$19.19	$19.22	$19.24	$19.27	$19.29	$19.31	$19.33	$19.34	$19.36	$19.37	$19.38	-	-	-
Cash Flow ($MM)																												
Initial Capital Cost																												
Underground Mining	$0	$0	$0	$0	$0	$0	$67	$107	$94	$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	$0	$60	$96	$84	$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	$0	$33	$53	$46	$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	$0	$125	$201	$176	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Pre-commitment early works	$0	$0	$0	$0	$0	$158	$0	$0	$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	$0	$20	$20	$40	$40	$40	$40	$40	$40	$40	$40	$40	$40	$40	$40	$40	$20	$0	$0	$0
Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$158**	**$286**	**$457**	**$400**	**$20**	**$20**	**$40**	**$40**	**$40**	**$40**	**$40**	**$40**	**$40**	**$40**	**$40**	**$40**	**$40**	**$40**	**$40**	**$20**	**$0**	**$0**	**$0**
Accumulated Capex	$0	$0	$0	$0	$0	$158	$443	$900	$1,300	$1,320	$1,340	$1,380	$1,420	$1,460	$1,500	$1,540	$1,580	$1,620	$1,660	$1,700	$1,740	$1,780	$1,820	$1,860	$1,880	$1,880	$1,880	$1,880
Operating Cash flow	$0	$0	$0	$0	$0	$0	$0	$0	$0	$389	$388	$799	$898	$898	$897	$896	$896	$895	$895	$894	$894	$894	$894	$893	$447	$0	$0	$0
Capex	$0	$0	$0	$0	$0	($158)	($286)	($457)	($400)	($20)	($20)	($40)	($40)	($40)	($40)	($40)	($40)	($40)	($40)	($40)	($40)	($40)	($40)	($40)	($20)	$0	$0	$0
Free Cash Flow	**$0**	**$0**	**$0**	**$0**	**$0**	**($158)**	**($286)**	**($457)**	**($400)**	**$369**	**$368**	**$759**	**$858**	**$858**	**$857**	**$856**	**$856**	**$855**	**$855**	**$854**	**$854**	**$854**	**$854**	**$853**	**$427**	**$0**	**$0**	**$0**
NPV (8%)	**$2,744**	**$2,964**	**$3,201**	**$3,457**	**$3,733**	**$4,190**	**$4,811**	**$5,652**	**$6,504**	**$6,655**	**$6,819**	**$6,606**	**$6,276**	**$5,921**	**$5,537**	**$5,124**	**$4,678**	**$4,197**	**$3,678**	**$3,118**	**$2,513**	**$1,860**	**$1,156**	**$395**	**$0**	**$0**	**$0**	**$0**
NPV (15%)	**$867**	**$997**	**$1,147**	**$1,319**	**$1,517**	**$1,902**	**$2,473**	**$3,301**	**$4,195**	**$4,455**	**$4,755**	**$4,710**	**$4,558**	**$4,384**	**$4,185**	**$3,956**	**$3,694**	**$3,393**	**$3,047**	**$2,649**	**$2,193**	**$1,668**	**$1,064**	**$371**	**$0**	**$0**	**$0**	**$0**

Source: Company reports, RBC Capital Markets estimates

Andrew D. Wong (416) 842-7830; andrew.d.wong@rbccm.com

Exhibit 4 - NXE Earnings Model

Earnings Model *CAD$ millions unless noted*	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue	$0	$0	$0	$0	$0	$0	$0	$0	$744	$744	$1,488	$1,654
Finance income	$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
Total Net Revenue	**$2**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$744**	**$744**	**$1,488**	**$1,654**
Cost of Goods	$0	$0	$0	$0	$0	$0	$0	$0	($352)	($345)	($575)	($606)
G&A	**($4)**	**($100)**	**($87)**	**($28)**	**($28)**	**($28)**	**($28)**	**($28)**	**($28)**	**($28)**	**($28)**	**($28)**
Impairment	($0)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Gain/loss on FX	($2)	($0)	($0)	$0	$0	$0	$0	$0	$0	$0	$0	$0
EBITDA	**($1)**	**($98)**	**($85)**	**($26)**	**($26)**	**($26)**	**($26)**	**($26)**	**$474**	**$472**	**$998**	**$1,126**
DD&A	($2)	($2)	($2)	($2)	($2)	($2)	($2)	($2)	($109)	($101)	($113)	($106)
EBIT	($4)	($100)	($87)	($28)	($28)	($28)	($28)	($28)	$365	$372	$885	$1,020
Interest expense	($12)	($13)	($9)	($9)	($9)	($9)	($9)	($9)	($9)	($9)	($9)	($9)
EBT	($16)	($114)	($96)	($37)	($37)	($37)	($37)	($37)	$356	$363	$876	$1,011
Taxes	($1)	($1)	$0	$0	$0	$0	$0	$0	($78)	($80)	($193)	($222)
Tax rate	6%	1%	0%	0%	0%	0%	0%	0%	-22%	-22%	-22%	-22%
Net Income	**($17)**	**($114)**	**($96)**	**($37)**	**($37)**	**($37)**	**($37)**	**($37)**	**$277**	**$283**	**$684**	**$788**
Non-controlling interests	$1	$5	$1	($1)	($1)	($1)	($1)	($1)	($1)	($1)	($1)	($1)
Net Income to Shareholders	**($16)**	**($110)**	**($94)**	**($38)**	**($38)**	**($38)**	**($38)**	**($38)**	**$277**	**$282**	**$683**	**$788**
Shares	355	371	454	469	469	469	469	469	469	469	469	469
EPS	**($0.04)**	**($0.29)**	**($0.22)**	**($0.08)**	**($0.08)**	**($0.08)**	**($0.08)**	**($0.08)**	**$0.59**	**$0.60**	**$1.45**	**$1.68**

Source: Company reports, RBC Capital Markets estimates

Exhibit 5 - NXE Cash Flow Model

Cash Flow *CAD$ millions unless noted*	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Earnings	($17)	($114)	($95)	($37)	($37)	($37)	($37)	($37)	$277	$283	$684	$788
D&A	$2	$2	$2	$2	$2	$2	$2	$2	$109	$101	$113	$106
Share-based payments	$11	$10	$10	$10	$10	$10	$10	$10	$10	$10	$10	$10
Interest expense	$12	$13	$6	$4	$4	$4	$4	$4	$4	$4	$4	$4
Unrealized FX loss (gain)	$1	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other	($21)	$78	$59	$0	$0	$0	$0	$0	$0	$0	$0	$0
Change in non-cash WC												
Cash from Operations	**($13)**	**($11)**	**($18)**	**($20)**	**($20)**	**($20)**	**($20)**	**($20)**	**$401**	**$398**	**$812**	**$910**
PP&E	($58)	($18)	($32)	($32)	($158)	($286)	($457)	($400)	($20)	($20)	($40)	($40)
Sale/Acquisition of S-T investments	$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
Cash from Investing	**($58)**	**($18)**	**($32)**	**($32)**	**($158)**	**($286)**	**($457)**	**($400)**	**($20)**	**($20)**	**($40)**	**($40)**
Equity issued	$7	$32	$166	$0	$0	$0	$0	$0	$0	$0	$0	$0
Issuance of convertible debentures	$0	$29	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other	($9)	($10)	($2)	$0	$0	$0	$0	$0	$0	$0	$0	$0
Cash from Financing	**($1)**	**$51**	**$164**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Change in cash and equivalents	($72)	$22	$115	($52)	($178)	($305)	($477)	($419)	$381	$378	$772	$870
Cash & equiv., beginning of period	($57)	($130)	($108)	$6	($45)	($223)	($528)	($1,005)	($1,424)	($1,043)	($664)	$107
FX impact on cash held	($1)	($0)	($0)	$0	$0	$0	$0	$0	$0	$0	$0	$0
Cash & equiv., end of period	($130)	($108)	$6	($45)	($223)	($528)	($1,005)	($1,424)	($1,043)	($664)	$107	$977

Source: Company reports, RBC Capital Markets estimates

Exhibit 6 - NXE Balance Sheet Model

Balance Sheet *CAD$ millions unless noted*	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Cash and cash equivalents	$52	$74	$188	$137	($41)	($346)	($823)	($1,242)	($861)	($482)	$289	$1,159
Short-term investments	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Amounts receivable	$1	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Prepaid expenses	$1	$1	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Current assets	**$53**	**$75**	**$189**	**$137**	**($40)**	**($345)**	**($822)**	**($1,241)**	**($860)**	**($482)**	**$290**	**$1,160**
Deposits	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Exploration and evaluation assets	$252	$275	$305	$337	$337	$337	$337	$337	$337	$337	$337	$337
Property & Equipment	$8	$8	$6	$3	$159	$442	$897	$1,294	$1,205	$1,125	$1,051	$985
Total Assets	**$314**	**$357**	**$499**	**$477**	**$455**	**$433**	**$411**	**$389**	**$682**	**$980**	**$1,678**	**$2,481**
Accounts payable	$4	$7	$5	$5	$5	$5	$5	$5	$5	$5	$5	$5
Flow-through liability	$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
Other	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1
Current liabilities	**$5**	**$7**	**$6**	**$6**	**$6**	**$6**	**$6**	**$6**	**$6**	**$6**	**$6**	**$6**
Deferred income tax liability	$1	$1	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Deferred lease inducement	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Convertible debentures	$120	$227	$56	$56	$56	$56	$56	$56	$56	$56	$56	$56
Other	$2	$3	$3	$3	$3	$3	$3	$3	$3	$3	$3	$3
Total liabilities	**$127**	**$238**	**$65**	**$65**	**$65**	**$65**	**$65**	**$65**	**$65**	**$65**	**$65**	**$65**
Share capital	$219	$256	$654	$654	$654	$654	$654	$654	$654	$654	$654	$654
Reserves	$52	$55	$56	$56	$56	$56	$56	$56	$56	$56	$56	$56
Accumulated deficit	($106)	($217)	($299)	($321)	($343)	($365)	($387)	($409)	($116)	$182	$880	$1,683
Non-controlling interests	$22	$25	$24	$24	$24	$24	$24	$24	$24	$24	$24	$24
Shareholders Equity	**$186**	**$119**	**$434**	**$412**	**$390**	**$369**	**$347**	**$325**	**$617**	**$915**	**$1,613**	**$2,417**
Total liabilities & equity	**$314**	**$357**	**$499**	**$477**	**$455**	**$433**	**$411**	**$389**	**$682**	**$980**	**$1,678**	**$2,481**
Net Debt	**($52)**	**($74)**	**($188)**	**($137)**	**$41**	**$346**	**$823**	**$1,242**	**$861**	**$482**	**($289)**	**($1,159)**
Change	$73	($22)	($114)	$52	$178	$305	$477	$419	($381)	($378)	($772)	($870)

Source: Company reports, RBC Capital Markets estimates

Andrew D. Wong (416) 842-7830; andrew.d.wong@rbccm.com

Key ESG questions

This section is intended to highlight key ESG discussion points relevant to this company, as well as our views on the outlook. Both the questions we highlight and our responses will evolve over time as the dialogue between management, analysts and investors continues to advance. We welcome any feedback on the topics.

Our view

What are the most material ESG issues facing this company?

NexGen is a development-stage uranium mining company with planned operations in Northern Saskatchewan. Given this, the most material ESG issues facing NexGen are the company's relations with local and Indigenous communities, the perception and view of nuclear energy, and the impact of a potential mine on the local environment. NexGen has several programs that aim at building relationships with local communities, utilizes local businesses whenever possible, and is currently working through the environmental assessment for the Arrow project.

Does the company integrate ESG considerations into its strategy?

NexGen has yet to publish an ESG report, although the company plans to release one in 2021. However, we note that NexGen has several programs aimed at helping local communities and won the 2019 PDAC Environmental and Social Responsibility Award. Additionally, short-term incentive for management was partially tied to ESG performance in 2020 through community initiative and COVID-19 response objectives, which were aimed at providing aid for the local communities.

What is diversity like at board / management level?

As NexGen has yet to publish a sustainability report, diversity statistics for the company are not disclosed. However, based on the company's most recent management information circular, we estimate 22% (2 of 9) of NexGen's Board of Directors are female, while 33% (2 of 6) of the NexGen's named executive officers are female. 78% (7 of 9) of the Board is independent.

Is nuclear, and by extension uranium, considered a clean energy source?

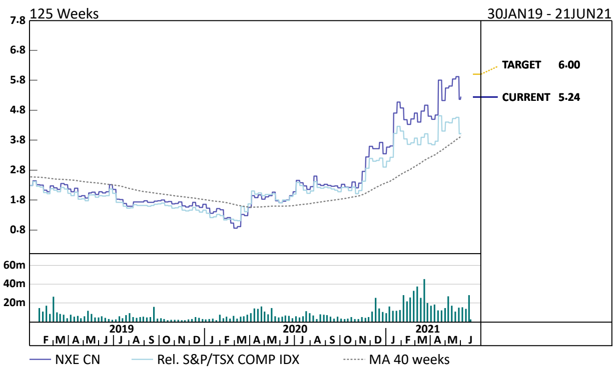
ESG considerations with regards to nuclear energy are, by extension, also relevant to uranium as it is the primary fuel source for nuclear energy generation. Nuclear reactors produce no greenhouse gas emissions, although there are slight emissions from other parts of the nuclear fuel cycle including construction, mining, conversion, and enrichment. Many countries have incorporated nuclear as a critical part of their overall energy mix and consider nuclear as a clean and sustainable energy source that is key to meeting climate goals. However, opponents to nuclear as a clean and sustainable energy source cite the potential risk from nuclear accidents, challenges with nuclear waste disposal, and proliferation concerns.

How does Nexgen engage the local community?

NexGen's flagship Rook I project is based in Northern Saskatchewan, which has a large Indigenous population. The company has made significant efforts to engage the local community and received the PDAC (Prospectors & Developers Association of Canada) 2019 Environmental & Social Responsibility Award in recognition of the company's efforts in protecting the environment and establishing positive community relations. In late-2019, NexGen entered into Study Agreements with four local communities to identify potential impacts to Aboriginal and treaty rights and socio-economic interests, and to identify potential avoidance and accommodation measures. NexGen has implemented several community programs including breakfast clubs, sponsorship of sports teams, and financial support for recreational activities.

Target/Upside/Downside Scenarios

NexGen Energy Ltd.



Source: Bloomberg and RBC Capital Markets estimates for Target

Valuation

We rate NexGen shares Sector Perform, Speculative Risk with a $6 price target. We value NexGen based on a NAV analysis using an 8% discount and 0.8x 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-to-late 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 a Sector Perform rating.

Upside scenario

Our $10 upside scenario assumes – 1) production starts in 2026 following relatively quick approvals and construction; 2) capital and operating cost estimates that are 10% lower than in the FS; 3) an increased mineral resource of 500Mlbs supporting an 18-year mine life with total production of 460Mlbs U_3O_8; 4) long-term uranium realized price of US $60/lb and no market impact from start-up; 5) a CAD/USD exchange rate of $1.30, in line with our base case; and 6) raising our P/NAV multiple to 0.9x.

Downside scenario

Our $2 downside scenario assumes – 1) production starts in 2029 following relatively lengthy approvals and challenging construction; 2) capital and operating cost estimates that are 10% higher than in the FS; 3) a mineral resource of 300Mlbs, representing downside to the current resource estimate, supporting an 11-year mine life with total production of 230Mlbs U_3O_8; 4) long-term uranium realized price of US$45/lb; 5) a CAD/USD exchange rate of $1.30, in line with our base case; and 6) lowering our P/NAV multiple to 0.5x.

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 beyond the mid-2020s.

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.

Andrew D. Wong (416) 842-7830; andrew.d.wong@rbccm.com

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 feasibility study has been completed for the Arrow project confirming robust economics, while the company is working to complete environmental permitting that started in early-2019. 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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An analyst's 'sector' is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector average.

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.

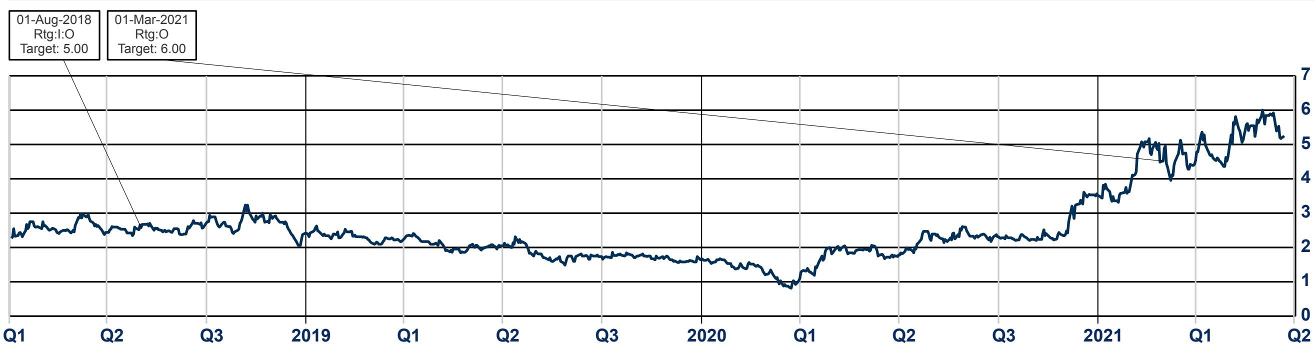
Distribution of ratings

For the purpose of ratings distributions, regulatory rules require member firms to assign ratings to one of three rating categories - Buy, Hold/Neutral, or Sell - regardless of a firm's own rating categories. Although RBC Capital Markets' ratings of Outperform (O), Sector Perform (SP), and Underperform (U) most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis.

Distribution of ratings
RBC Capital Markets, Equity Research
As of 31-Mar-2021

			Investment Banking Serv./Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
BUY [Outperform]	**762**	**55.46**	**299**	**39.24**
HOLD [Sector Perform]	**559**	**40.68**	**179**	**32.02**
SELL [Underperform]	**53**	**3.86**	**4**	**7.55**

Rating and price target history for: NexGen Energy Ltd., NXE CN as of 21-Jun-2021 (in CAD)



Legend:
TP: Top Pick; O: Outperform; SP: Sector Perform; U: Underperform; R: Restricted; I: Initiation of Research Coverage; D: Discontinuation of Research Coverage; NR: Not Rated; NA: Not Available; RL: Recommended List - RL: On: Refers to date a security was placed on a recommended list, while RL Off: Refers to date a security was removed from a recommended list; Rtg: Rating.

Created by: BlueMatrix

References to a Recommended List in the recommendation history chart may include one or more recommended lists or model portfolios maintained by RBC Wealth Management or one of its affiliates. RBC Wealth Management recommended lists include the Guided Portfolio: Prime Income (RL 6), the Guided Portfolio: Dividend Growth (RL 8), the Guided Portfolio: ADR (RL 10), and the Guided Portfolio: All Cap Growth (RL 12). RBC Capital Markets recommended lists include the Strategy Focus List and the Fundamental Equity Weightings (FEW) portfolios. The abbreviation 'RL On' means the date a security was placed on a Recommended List. The abbreviation 'RL Off' means the date a security was removed from a Recommended List.

Equity valuation and risks

For valuation methods used to determine, and risks that may impede achievement of, price targets for covered companies, please see the most recent company-specific research report at www.rbcinsight.com or send a request to RBC Capital Markets Research Publishing, P.O. Box 50, 200 Bay Street, Royal Bank Plaza, 29th Floor, South Tower, Toronto, Ontario M5J 2W7.

NexGen Energy Ltd.

Valuation

We rate NexGen shares Sector Perform, Speculative Risk with a $6 price target. We value NexGen based on a NAV analysis using an 8% discount and 0.8x 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-to-late 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 a Sector Perform 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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