

Ticker: FCU CN
Market cap: C\$473m

Net cash: C\$42m
Price: C\$0.72/sh

Project: Patterson Lake South (PLS)
Country: Saskatchewan, Canada

RECOMMEND. (unc): BUY

TARGET (unc): C\$1.45/sh

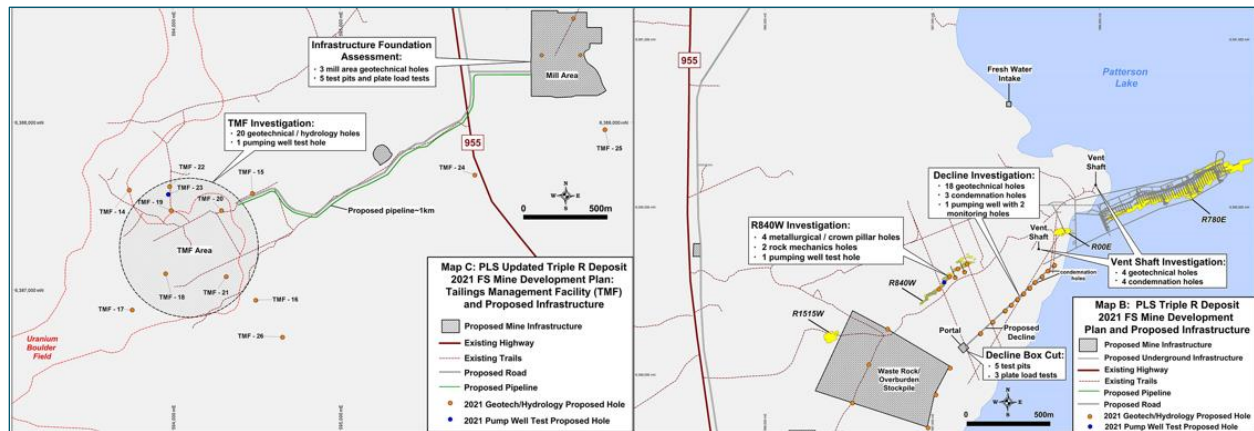
RISK RATING: HIGH

Today's update highlights three things for us. The quantity of geotechnical drilling, with three large diameter holes into the R780E deposit (the largest contributor to the mine plan), and one hole each in the R0E, R840W and R1515W, combined with resource drilling, and the 72-hole geotechnical program completed in 2021, should provide understanding of fault structures, rock competency and fracture characteristics necessary for realistic mine planning. Second, the inclusion of R840W (15Mlbs at 1.8% U₃O₈) and R1515W (6Mlbs at 1.0% U₃O₈) in the geotechnical drilling program highlights the potential to incorporate these zones into the mine plan, especially after 25-holes were drilled at R840W. One year of mining (350kt at 1.5% diluted grade) from R780W adds C\$420m of FCF at US\$60/lb so additions to mine life are highly accretive. Third, Fission continues to prioritize quality technical work that de-risks the mine build and we think this bodes well for M&A or a standalone development; in both cases this adds value for shareholders. **We maintain our BUY rating and price target of C\$1.45/sh based on 1.0x NAV8%-60/lb.** Stepping back, we think Fission has a world class uranium asset, with equally good exploration potential in a strategic location in the Patterson Lake trend. At 0.5x NAV and just US\$3/lb we think the value and quality on offer here are outstanding.

Fission continues to de-risk PLS with focus on geotechnical drilling for winter 2022

Fission announced plans for the winter 2022 field season. The focus will be on geotechnical drilling with six HQ large diameter geotechnical holes planned. Three are planned for R780E, and one each are planned for R0E, R840W and a first pass geotechnical hole at the R1515W zone. Data from the 2021 drill program on the R840W zone (25 holes) is expected in the next few weeks.

Figure 1: Proposed FS development plan showing completed 2021 geotechnical drilling



Source: Fission Uranium, SCP

Why we like Fission Uranium

- World class size, grade, jurisdiction and setting make this a globally significant asset.
- Trading at less than half of the peer EV/insitu average
- Has significant exploration holding in the highly prolific Patterson trend to add to 135Mlb resource base
- Significant potential synergies with neighbour NexGen as the two projects are <1km apart

Catalysts

- 2Q22: DFS completion
- 2023: EIS
- 2025/2026: Construction start (SCPe 2H25)
- 2028/2029: First production (SCPe 2028)

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Ticker: FCU CN	Price / mkt cap: C\$0.72/sh, C\$473m	Market P/NAV: 0.49x	Assets: PLS
Chan / B Gaspar / E Magdzinski	Rec / PT: BUY / C\$ 1.45	1xNAV ₂₀₂₂ FD: C\$1.46/sh	Country: Canada (Sask)

Group-level SOTP valuation						Share data					
	3Q21	4Q21				Basic shares (m): 657.5		FD + options (m): 750.1		FD + FF	
		C\$m	O/ship	NAVx	C\$/sh						
PLS NPV 4Q21		1,145.8	100%	1.0x	1.53					976.3	
Central SG&A & fin costs 4Q21		(166.6)	--	1.0x	(0.22)						
Lbs outside mine plan (US\$/lb U308)		19.4	--	1.0x	0.03						
Other assets		1.8	--	1.0x	0.00						
Cash and restr. cash 3Q21		49.6	--	1.0x	0.07						
Debt 3Q21		(7.6)	--	1.0x	(0.01)						
ITM options		54.1	--	1.0x	0.07						
1xNAV8% US\$60/lb		1,096			1.46						
Assumed build equity issuance		325.0			0.33						
1xNAV fully funded8% US\$60/lb		1,421			1.46						
P/NAV - fully diluted for build (x)					0.49x						
Target multiples		Multiple			C\$/sh						
Target P/NAV Multiple		1.00x			1.45						
Target price						1.45					
Sources						Uses					
PFS capex		C\$1177m	SCPe 3Q20 cash + ITM options		C\$61m						
SCPe contingency		C\$238m	Mine debt @ 60% gearing		C\$800m						
SCPe G&A + fin. cost to first Au		C\$59m	Build Equity		C\$325m						
SCPe working capital		C\$62m	Offtake		C\$350m						
Total uses		C\$1536m	Total proceeds		C\$1536m						
1xNAV sensitivity to gold price and discount / NAV multiple											
1xNAV PLS (C\$m)	\$40/lb	\$50/lb	\$60/lb	\$70/lb	\$80/lb						
10% discount	198	534	871	1,207	1,543						
9% discount	265	633	1,000	1,367	1,735						
8% discount	341	744	1,146	1,548	1,950						
7% discount	429	869	1,310	1,751	2,192						
6% discount	528	1,012	1,497	1,981	2,465						
5% discount	641	1,174	1,707	2,240	2,773						
Valuation (C\$/sh)	\$40/lb	\$50/lb	\$60/lb	\$70/lb	\$80/lb						
0.8xNAV	0.25	0.70	1.15	1.60	2.05						
0.9xNAV	0.25	0.80	1.30	1.80	2.30						
1.00xNAV	0.30	0.90	1.45	2.00	2.60						
1.10xNAV	0.35	1.00	1.60	2.20	2.85						
1.0xNAV	0.30	0.90	1.45	2.00	2.60						
Valuation over time						1Q20E	1Q21E	1Q22E	1Q23E	1Q24E	
Mines NPV (US\$m)	964	1,044	1,139	1,241	1,356						
Cntrl G&A & fin costs (US\$m)	-155	-159	-166	-174	-182						
Net cash at 1Q (US\$m)	23	42	31	11	620						
Other Assets + Options	56	56	56	56	56						
1xNAV (US\$m)	888	983	1,060	1,134	1,851						
P/NAV (x):	0.40	0.48	0.45	0.42	0.30						
1xNAV share px FD (C\$/sh)	1.79	1.50	1.61	1.71	2.38						
ROI to equity holder (% pa)	148%	108%	49%	33%	35%						
1.2xNAV share px FD (C\$/sh)	2.14	1.79	1.93	2.05	2.86						
ROI to equity holder (% pa)	198%	149%	64%	42%	41%						
Resource / Reserve	Mt	Mlbs	EV/oz U308	EV/lb							
Measured, ind. & inf. - Triple R	3,437	135.2	2.92	2.92							
SCPe Mine inventory - Triple R	3,918	127.5	3.09	3.09							
Production (100%)						CY27E	CY28E	CY29E	CY30E	CY31E	
Triple R (000lb U308)	--	10.0	13.0	15.0	13.4						
Triple R cash cost (US\$/lb)	--	\$19.98	\$18.40	\$17.48	\$17.65						
Triple R AISC (US\$/lb)	--	\$22.74	\$20.51	\$19.31	\$19.70						
C1 = opex (excl. G&A) + royalties; AISC = C1 + sust capex + capitalized stripping/development											
						Balance sheet	CY25E	CY26E	CY27E	CY28E	CY29E
						Cash (C\$m)	526	326	24	3	218
						Accounts receivable (C\$m)	0	0	0	29	38
						Inventories (C\$m)	--	--	--	63	76
						PPE & exploration (C\$m)	508	1,092	1,720	1,603	1,439
						Other (C\$m)	0	0	0	0	0
						Total assets (C\$m)	1,034	1,418	1,744	1,698	1,772
						Debt (C\$m)	--	400	800	600	400
						Other liabilities (C\$m)	354	354	354	336	294
						Shareholders equity (C\$m)	829	837	837	837	837
						Retained earnings (C\$m)	(149)	(172)	(246)	(74)	240
						Minority int. & other (C\$m)	--	--	--	--	--
						Liabilities+equity (C\$m)	1,034	1,418	1,744	1,698	1,772
						Net cash (C\$m)	525	(75)	(777)	(598)	(183)
						Net Debt to NTM EBITDA (x)	n/mf	n/mf	1.6	0.9	0.2

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SELL:	0
UNDER REVIEW:	0
TENDER:	1
NOT RATED:	0
TOTAL	51

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