



# NexGen Energy Ltd.

{NXE-T}

SECTOR: Mining

|              |           |
|--------------|-----------|
| STOCK PRICE  | \$4.88    |
| RATING       | BUY       |
| TARGET PRICE | \$7.50    |
| RISK         | Very High |

## EXPLORATION DRILLING AND SITE GEOTECHNICAL RESULTS FROM ROOK 1

### 2021 Field Program Results to Inform EIS which is on Track for Q1 Delivery

**OUR TAKE:** This morning, NexGen reported exploration and geotechnical drilling results from its 2021 field programs which were launched back in mid 2021 (see flash dated July 26, 2021). The programs were focused on the flagship Arrow deposit and surrounding area. The Company did ~6,400 metres of exploration drilling on neighboring conductors to Arrow and >4,400 metres of drilling targeting mineralization below the Arrow deposit (see Figure 1). The drilling on neighboring conductors intersected some anomalous radioactivity that continues to demonstrate the prospectivity of this land package (see Table 1). We note, however, that it is unlikely for these results to be immediately followed up on as the focus on development plans for Arrow intensifies. The drilling that pushes below Arrow did intersect significant mineralization about 230 metres below the Arrow deposit cutting 8.5 metres of total composite radioactivity including 6.5 metres of continuous radioactivity registering up to 3,530 cps on the scintillometer from 1128.5m downhole depth (see Table 1 and Figure 2). The location of this mineralization means that there may be a significant ore zone for NexGen to chase below the defined deposit as it mines Arrow and could extend the mine-life. We would expect any follow up drilling on this area to be done from underground at some future time.

Overall, the geotechnical drilling that was done at Arrow was positive and demonstrated highly competent rock for development of the surface supporting infrastructure at the planned underground mine. NexGen also advanced its front-end engineering design (FEED) work at Arrow including 18 sonic drill holes and installation of piezometer sensors and the excavation of 93 test pits for plate load testing. 72 of the test pits and all 18 Sonic drill holes were used to confirm subsurface conditions beneath the proposed surface site infrastructure, including waste and or stockpiles, airstrip, access road and other structures. See Figure 3 for the seven HQ diamond drill holes (GAR-21-037 to GAR-21-043) that were completed as part of the program for a total of 5,076.45 metres. **These results will be integrated into the Environmental Impact Study on the Arrow deposit which is due to be completed in Q1 2022.**

#### KEY HIGHLIGHTS:

- 2021 Exploration Program Highlights:** The program comprised of 18 drill holes for a total of ~10,849m, of which ~6,400m targeted neighboring conductors to the one hosting Arrow and ~4,449m targeted mineralization well below the current Arrow Deposit (see Figure 1 and Table 1).
  - AR-21-268** (Below Arrow) intersected 8.5m of total composite mineralization, including 6.5m up to 3,530 cps from 1128.5m downhole depth. This intersection is located ~230m below and SE of the current defined mineralization at Arrow (see Figure 2).
  - RK-21-140** (Camp East Target on the Patterson Corridor) intersected anomalous radioactivity up to 1,380 cps from 166.0m downhole.
  - Drilling on the Derkson and Derkson West conductors intersected intervals of brittle structural disruption and hydrothermal alteration consistent with those recognized in uranium bearing systems. **Hole RK-21-136** (Derkson West target) intersected 0.5m of up to 3,100 cps from 166.5m downhole.
- 2021 Site Confirmation Program Highlights:** Field work was simultaneously completed in support of Front-End Engineering Design (FEED), which consisted of two components:
  - Surface studies to confirm near-surface geotechnical conditions in locations of surface infrastructure and assess potential borrow pit locations to support the completion of FEED, detailed engineering, and execution planning; and
  - Diamond drilling to confirm rock mass characteristics proximal to the planned underground Life-of-Mine infrastructure and Underground Tailings Management Facility (see Figure 3).

#### RECOMMENDED ACTION

*We recommend having exposure to NexGen given our thesis that a major miner must control Arrow due to its disruptive potential...*

- NXE remains a top pick in the uranium sector due to the disruptive potential of the Arrow deposit, with its massive scale and strong economics.** We continue to be very bullish on NexGen and believe it controls one of the best undeveloped resources globally, in any commodity. We see NexGen as perfectly positioned to fill the supply gap beyond 2025. We expect Arrow will be ramping up production just as major sources of production (Cigar Lake) are nearing end-of-life. We believe the project will realize very robust economics with the scale to be disruptive and the quality, grade and simplicity necessary to evolve into a Tier 1 producer able to withstand commodity price fluctuations and capital swell; two of the major risks facing mining companies. We believe that it is critical for existing major producers to control this deposit because of its disruptive potential and that this is key to preserving the value of their existing deposits and maintaining their ability to affect price with production curtailments. **NXE is a 'must-own' for those looking for exposure to the uranium sector.**

#### KEY STATISTICS AND METRICS

|                            |               |
|----------------------------|---------------|
| 52-Week High/Low           | \$8.09/\$3.49 |
| YTD Performance            | -12%          |
| Dividend Yield             | NA            |
| Shares O/S                 | 477M          |
| Market Capitalization      | \$2,328M      |
| Cash                       | \$200M        |
| Debt (as of Sept 30, 2021) | \$77M         |
| Enterprise Value           | \$2,205M      |
| Daily Volume (3 mos.)      | 2,115,680     |

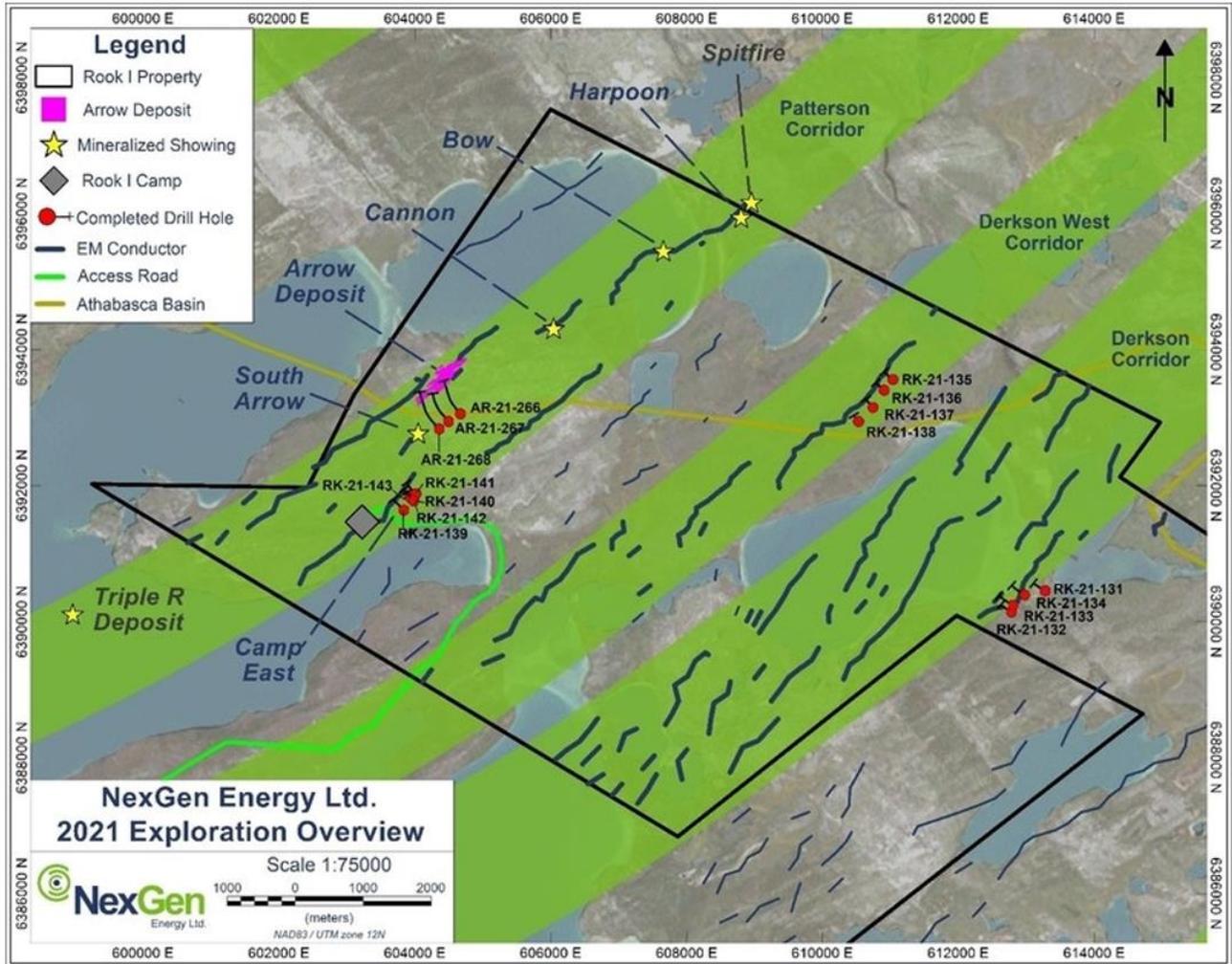
#### HAYWOOD ESTIMATES (CAD)

|  | 2019A  | 2020A  | 2021E  |
|--|--------|--------|--------|
| U <sub>3</sub> O <sub>8</sub> Production | 0.0    | 0.0    | 0.0    |
| Revenue (\$M)                            | 0.0    | 0.0    | 0.0    |
| EBITDA (\$M)                             | (24.0) | (22.3) | (18.1) |
| CFPS (\$)                                | (0.04) | (0.02) | (0.04) |

#### VALUATION

**Our \$7.50 target** is based on a 1.0x multiple of our estimated corporate net asset value (NAV) per share of \$7.50, based on a discounted cash flow (DCF<sub>8%</sub>) analysis of our conceptual uranium mining operation at Arrow.

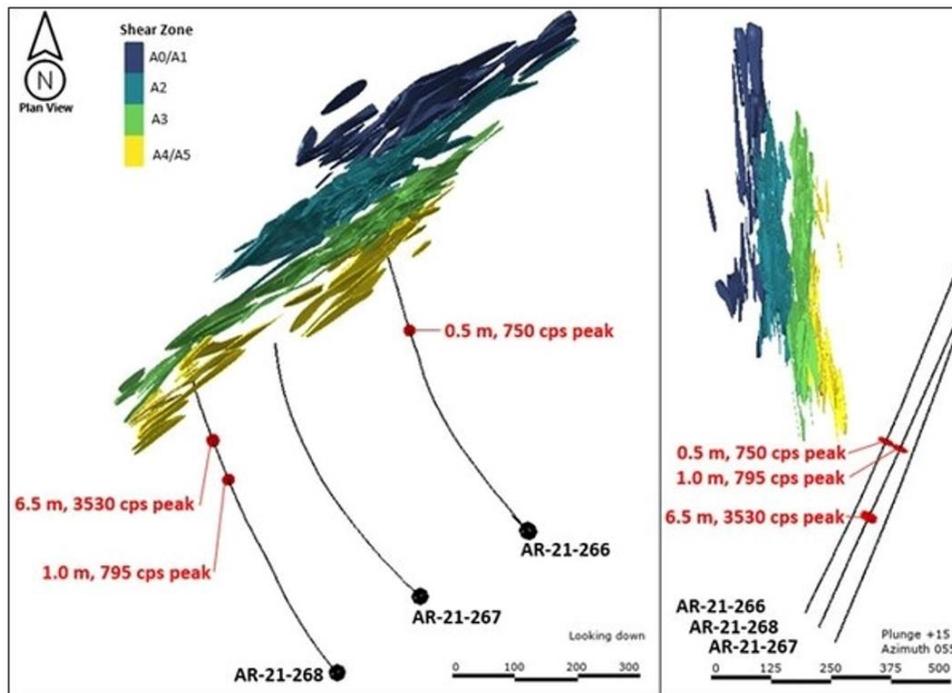
Figure 1: 2021 Exploration – Drill holes Completed



Source: NexGen Energy



Figure 2: 2021 Below Arrow Exploration – Drill holes Completed – Plan View (left) and Cross Section looking Northeast (right).



Source: NexGen Energy

Table 1: 2021 Exploration Drill Hole Data

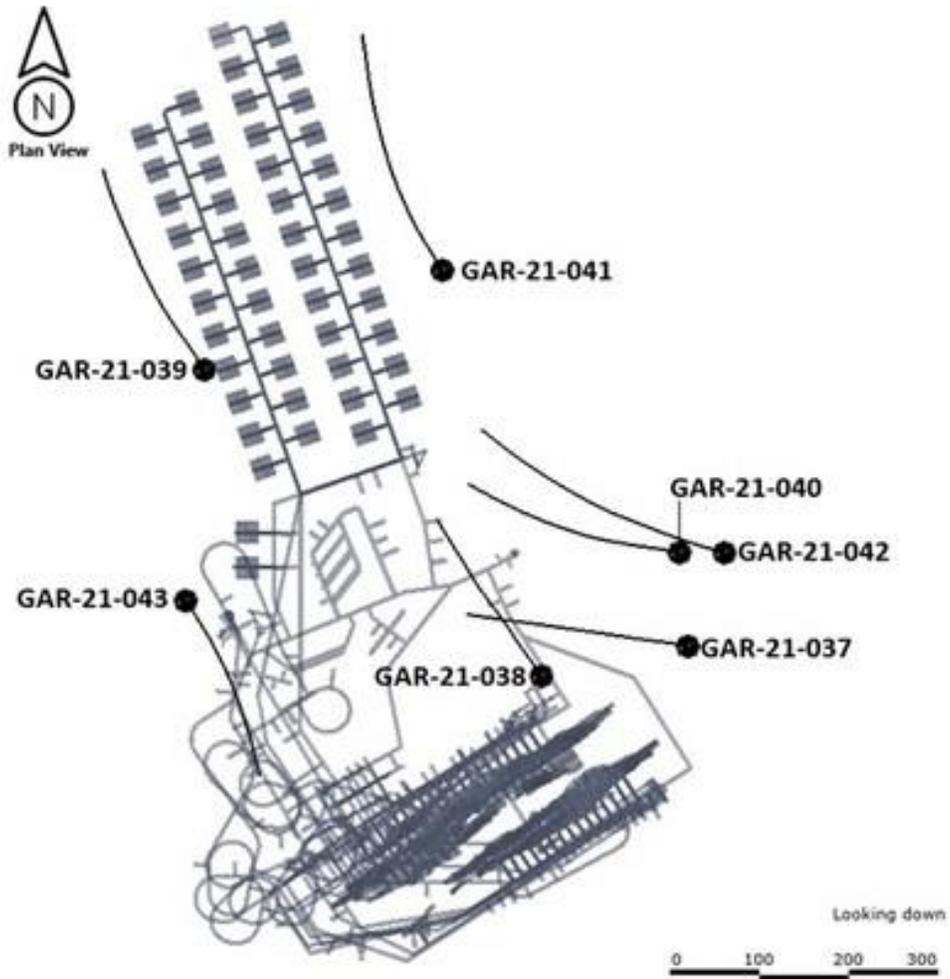
| Drill Hole |         |     |                 | Unconformity Depth - Basement De (m) | Handheld Scintillometer Results (RS-120/125) |         |           |             |
|------------|---------|-----|-----------------|--------------------------------------|--|---------|-----------|-------------|
| Hole ID    | Azimuth | Dip | Total Depth (m) |                                      | From (m)                                     | To (m)  | Width (m) | CPS Range   |
| AR-21-266  | 314     | -73 | 1482.73         | 129.50                               | 1058.50                                      | 1060.00 | 1.50      | <500 - 1475 |
| AR-21-266a | 314     | -73 | 120.00          | N/A                                  | No Anomalous Radioactivity                   |         |           |             |
| AR-21-267  | 314     | -73 | 1446.00         | 117.30                               | No Anomalous Radioactivity                   |         |           |             |
| AR-21-268  | 314     | -73 | 1400.00         | 113.75                               | 964.00                                       | 965.50  | 1.50      | <500 - 795  |
|            |         |     |                 |                                      | 1125.00                                      | 1125.50 | 0.50      | <500 - 550  |
|            |         |     |                 |                                      | 1128.50                                      | 1135.00 | 6.50      | <500 - 3530 |
| RK-21-131  | 300     | -65 | 501.00          | 51.00                                | No Anomalous Radioactivity                   |         |           |             |
| RK-21-132  | 300     | -65 | 468.00          | 34.00                                | No Anomalous Radioactivity                   |         |           |             |
| RK-21-133  | 300     | -65 | 555.00          | 49.00                                | No Anomalous Radioactivity                   |         |           |             |
| RK-21-134  | 300     | -65 | 516.63          | 57.70                                | No Anomalous Radioactivity                   |         |           |             |
| RK-21-135  | 310     | -70 | 534.00          | 81.00                                | 273.00                                       | 273.50  | 0.50      | <500 - 510  |
| RK-21-136  | 310     | -70 | 447.00          | 88.10                                | 166.50                                       | 167.00  | 0.50      | <500 - 3100 |
|            |         |     |                 |                                      | 319.50                                       | 320.50  | 1.00      | <500 - 500  |
| RK-21-137  | 310     | -70 | 534.00          | 90.70                                | No Anomalous Radioactivity                   |         |           |             |
| RK-21-138a | 310     | -70 | 96.88           | 90.00                                | No Anomalous Radioactivity                   |         |           |             |
| RK-21-138  | 310     | -70 | 486.00          | 82.30                                | No Anomalous Radioactivity                   |         |           |             |
| RK-21-139  | 315     | -65 | 495.00          | 84.00                                | No Anomalous Radioactivity                   |         |           |             |
| RK-21-140  | 315     | -70 | 479.40          | 80.95                                | 88.50  | 89.50   | 1.00      | <500 - 810  |
|            |         |     |                 |                                      | 166.00                                       | 167.00  | 1.00      | <500 - 1380 |
| RK-21-141  | 315     | -70 | 488.00          | 92.10                                | No Anomalous Radioactivity                   |         |           |             |
| RK-21-142  | 315     | -70 | 465.00          | 84.00                                | No Anomalous Radioactivity                   |         |           |             |
| RK-21-143  | 315     | -70 | 334.40          | 79.90                                | No Anomalous Radioactivity                   |         |           |             |

Note: Radioactivity is gamma radiation measured in counts per second (cps) from drill core using a handheld RS-125 scintillometer. Assay results are pending.

Source: NexGen Energy



Figure 3: Plan view of the geotechnical drill hole traces underlain with the Feasibility Study Mine Design.



Source: NexGen Energy



## Important Information and Legal Disclosures

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### Analyst Certification

I, Colin Healey, hereby certify that the views expressed in this report (which includes the rating assigned to the issuer’s shares as well as the analytical substance and tone of the report) accurately reflect my/our personal views about the subject securities and the issuer. No part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations.

### Important Disclosures

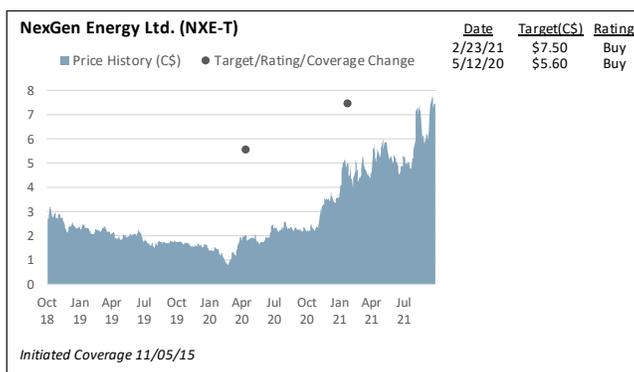
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- ◆ Haywood Securities Inc. or one of its subsidiaries has managed or co-managed or participated as selling group in a public offering of securities for NexGen Energy Ltd. (NXE-T) in the last 12 months.

### Distribution of Ratings (as of January 27, 2022)

|                      | %     | #  | IB Clients (TTM) |
|----------------------|-------|----|------------------|
| <b>Buy</b>           | 82.5% | 80 | 90.6%            |
| <b>Hold</b>          | 6.2%  | 6  | 6.3%             |
| <b>Sell</b>          | 0.0%  | 0  | 0.0%             |
| <b>Tender</b>        | 1.0%  | 1  | 0.0%             |
| <b>UR (Buy)</b>      | 0.0%  | 0  | 0.0%             |
| <b>UR (Hold)</b>     | 0.0%  | 0  | 0.0%             |
| <b>UR (Sell)</b>     | 0.0%  | 0  | 0.0%             |
| <b>Dropped (TTM)</b> | 10.3% | 10 | 3.1%             |

### Price Chart, Rating and Target Price History (as of January 27, 2022)



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

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