David A. Talbot | MD, Mining Analyst
research@redcloudsecurities.com

NexGen Energy Ltd. (TSX:NXE)

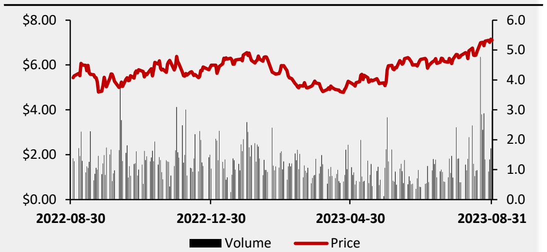
US$110M Convertible Debt Issued To Help Advance Rook I

Corporate Update
September 1, 2023

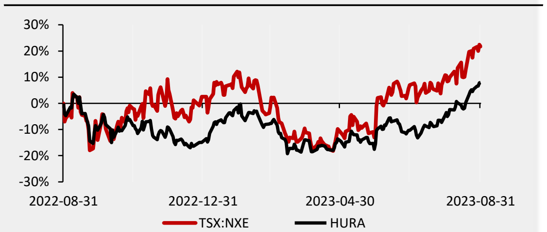
(Currency is CAD$ unless noted otherwise)

Closing Price			$7.11
Rating			BUY
Target ($/sh)			$10.00
Return to Target			41%
52 Week Low / High			$4.70 / $7.26
CAPITALIZATION		**Basic**	**Diluted**
Shares Outstanding (M)		490.9	537.1
Market Capitalization ($MM)			$3,490.7
Enterprise Value ($MM)			$3,326.8
Cash and Equivalents ($MM) (incl. Equities)			$242.9
Total Debt ($MM)			$79.0
FYE DEC 31	**2026E**	**2027E**	**2028E**
Uranium production (M lb)	-	14.2	22.1
Revenue ($M)	-	$1,138	$1,767
Net Earnings ($M)	($70)	$551	$889
EBITDA ($M)	($30)	$910	$1,429
Avg. cash cost (US$/lb)	-	$6.10	$6.10
EPS ($/sh)	($0.14)	$1.08	$1.73
CFPS ($/sh)	($0.02)	$1.30	$2.04

STOCK CHART



RELATIVE PERFORMANCE



NET ASSET VALUE	**$M**	**$/sh**
Arrow (100%-owned)	$5,691.6	$10.18
IsoEnergy (50.1%-owned)	$198.5	$0.35
Other corporate adj.	($11.8)	(0.02)
Corporate NAV	**$5,878.3**	**$10.51**
RELATIVE VALUATION	**US$ EV/lb U_3O_8**	**P/NAV**
NexGen Energy Ltd.	**$7.39**	**0.71x**
Peers *	$2.32	0.54x

*S&P Capital IQ & Company Reports

MAJOR SHAREHOLDERS

Management (0.85%), Li Ka Shing (Global) Foun. (6.04%), Mirae Asset Global Invest. (4.31%)

DISCLOSURE CODE: 1, 2

(Please refer to the disclosures listed on the back page)

Source: RCS, Company Information, Capital IQ

Company Description

NexGen Energy Ltd., an exploration and development stage company, engages in the acquisition, exploration, and evaluation and development of uranium properties in Canada. Its principal asset is the Rook I project that consists of 32 contiguous mineral claims totaling an area of 35,065 hectares located in the Athabasca Basin, Saskatchewan. The company is headquartered in Vancouver, Canada.

Impact: Slightly Positive

NexGen Energy (NXE) announced a private placement of US$110M of unsecured convertible debentures with existing key shareholder Queen's Road Capital Investment Ltd. (TSX:QRC, Not Rated) and Washington H Sole Pattinson Ltd. (ASX:SOL, Not Rated). Additionally, WHSP has agreed to purchase 8.7M NXE shares from QRC, to help fund the latter's purchase of the debentures. **We see this debt agreement as being all about continuing to move the Rook I uranium project forward while waiting for completion of the Provincial Environmental Assessment Technical Review and submission of its final EIS to the Gov't of SK. We suspect this will help fund ongoing permitted pre-construction site works such as road improvement, bridge installation, airstrip, permanent and construction camp expansion and associated infrastructure, and ground prep work around the future location of the two mine shafts. The goal is for construction to hit the ground running once final permits are obtained. A 30-day Provincial public review is anticipated to begin around 2-Sep-23 for the EA (read note). It is also completing Federal technical and public review comments now.**

- **Debentures convertible into ~21.97M NXE shares (at current FX),** at a conversion price of US$6.76/sh (C$9.15/sh at current FX). The conversion price represents a 30% premium to its 5-day VWAP and is in range of our current target for NXE. The debentures mature in 5 years and have a coupon of 9%, of which 2/3rds (6%) is payable in cash and 1/3rd in shares at the preceding 20-day VWAP.
- **Funding for pre-commitment early works,** for which the 2021 Feasibility Study estimated expenses of C$157.9M. This includes works such as clearing and levelling the site, constructing roads, a batch plant and an initial camp and preparing for shaft-sinking. The private placement and cash balance of C$89M (as at Q2/23 end) should fully fund these activities and partially cover the rest of the est. C$1.3B initial capex. Having raised only C$28M out of the C$250M maximum permitted by its ongoing at-the-money equity program, NXE retains further financing flexibility over the medium-term (**read notable**).
- **Adjusting our model.** We assume the deal will close in Q3/23 and that less debt will be drawn in the future. We also assume conversion only at maturity and model the entire 9% interest as if it were paid in cash, rather than making quarterly share price and dilution assumptions. This is like how we treat the May 2020 convertible debentures, which are currently deep in the money with an exercise price of C$2.34/sh.

We maintain our BUY rating and target price of C$10.00/sh. Our valuation for NexGen is primarily based on a DCF analysis for the Rook I project. To arrive at our target, we applied a target multiple of 0.95x to our NAVPS of C$10.51. **Upcoming catalysts**: 1) Completion of final licensing documents, 2) Completion of the Front-End Engineering Design (FEED) and site work (2023), 3) Regional exploration (2023), 4) Initiation of pre-construction works (2023), 5) Commencement of detailed engineering (2023), and 6) Financing discussions for Arrow's capex (2023-24).

David A. Talbot | MD, Mining Analyst
Daniel Kozielewicz | Research Associate
Shikhar Sarpal | Research Associate
Surya Sankarasubramanian | Research Associate

Red Cloud Securities Inc.
120 Adelaide Street West, Suite 1400
Toronto ON, M5H 1T1
research@redcloudsecurities.com
www.redcloudresearch.com

Disclosure Statement
Updated August 31, 2023

Recommendation / Target Change			**Red Cloud Securities has this percentage of its universe assigned as the following:**	
Date	**Rating**	**Target**	**Status**	**%**
2021-10-13	NA	NA	BUY	70%
2021-10-21	NA	NA	BUY (S)	26%
2021-11-23	NA	NA	HOLD	1%
2022-01-28	NA	NA	TENDER	0%
2022-03-10	NA	NA	NA	2%
2022-04-08	NA	NA	UNDER REVIEW	1%
2022-06-27	NA	NA		
2022-12-02	NA	NA		
2023-05-02	NA	NA		
2023-06-02	NA	NA		
2023-07-06	BUY	10.00		
2023-08-22	BUY	10.00		

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Company Specific Disclosure Details

Company Name	Ticker Symbol	Disclosures
NexGen Energy Ltd.	TSX:NXE	1, 2

1. The analyst has visited the head/principal office of the issuer or has viewed its material operations.

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- HOLD – expected to perform with its peer group
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- Tender – clients are advised to tender their shares to a takeover bid
- Not Rated or NA – currently restricted from publishing, or we do not yet have a rating
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