

**Ticker:** FCU CN  
**Market cap:** C\$406m  
**RECOMMEND.** (unc): BUY

**Net cash:** C\$49m  
**Price:** C\$0.63/sh  
**TARGET** (unc): C\$0.80/sh

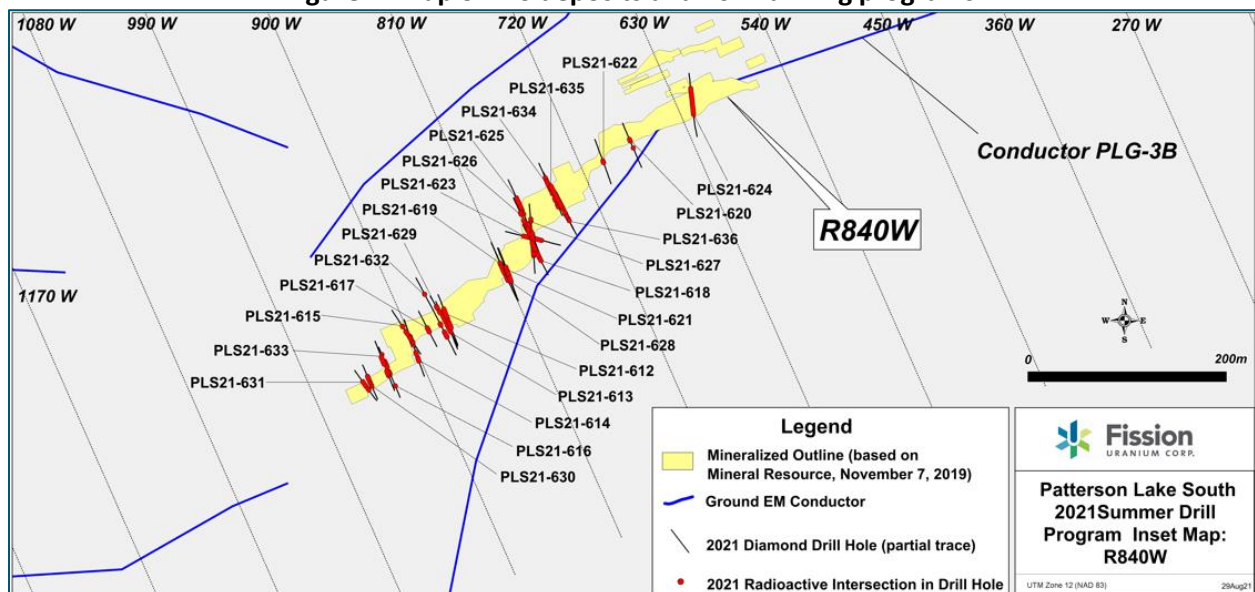
**Project:** Patterson Lake South (PLS)  
**Country:** Saskatchewan, Canada  
**RISK RATING:** HIGH

Fission continues to add value to PLS. Today's infill drilling results, with all 25 holes hitting mineralization and intersecting high grade (as interpreted as >10,000cps) mineralization along the entire strike length of R840's resource envelope, suggest that R840W's 14.8Mlbs will be upgraded and included in the DFS mine plan. This should add an additional 1.0-1.5 years of mine life. For sensitivity, one year at 1.5% U3O8 adds C\$250m of FCF, so upside is significant. While our modelled base case already includes this material, Fission is trading at a significant discount to peers and just 0.68x SCPE NAV-50/lb which suggests this upside is incremental to the market's expectations, even if not to ours. **We maintain our BUY rating and price target of C\$0.80/sh, based on 0.8x NAV8%-50/lb.** Stepping back, PLS is simply a world class project for a commodity that lacks the pipeline to supply current demand, with upside from increased electrification to develop high grade, large production, small footprint projects like PLS.

**Infill at R840W hits across entire strike length, likely to add 10-15Mlbs to mine plan**

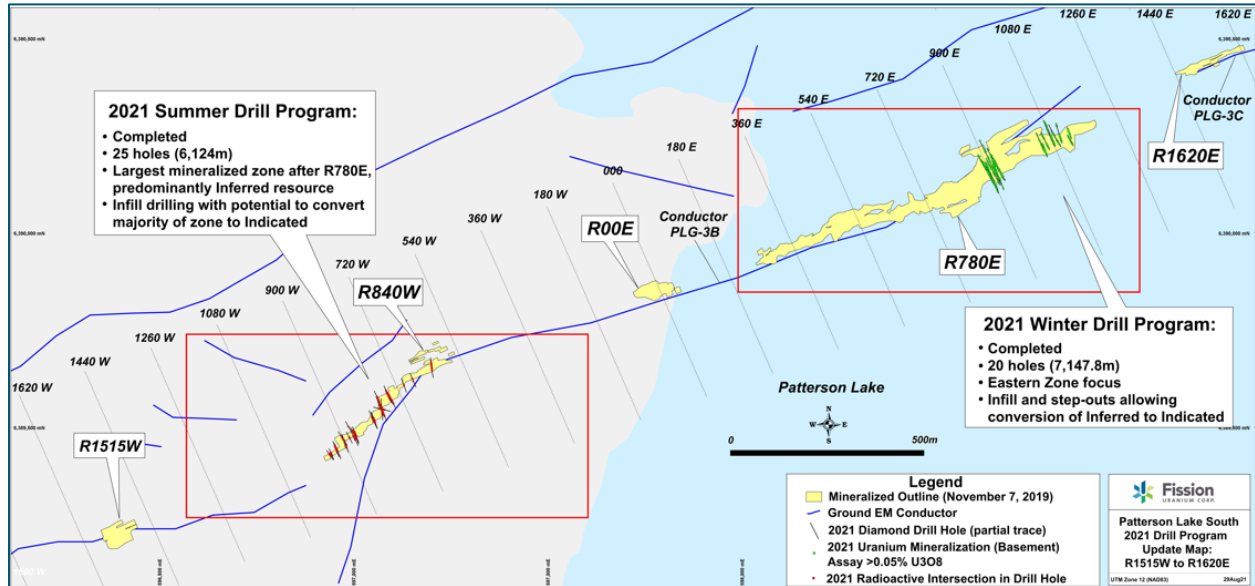
Fission released drill results including scintilometer readings, with assay results pending, on 25 holes at the R840W zone. The program focused on infill, targeting upgrade of inferred pounds to indicated for inclusion into the DFS mine plan. All 25 holes were mineralized and the majority hit high grade (as measured by >10,000cps) mineralization along the entire strike length of the resource envelope, including 19.15m at >10,000cps on line 630W, 7.8m at >10,000cps on line 750W and 6.75m at >10,000cps on line 930W. R840W has a total resource estimate of 14.7Mlbs at 1.8% U3O8 of total resources including 11.5Mlbs of inferred material. R840W was excluded from the PFS mine plan due to not enough indicated material to justify lateral development, but this is a function of drill density with the majority of resources being in the inferred category. R840W is located 450m along strike of planned development in the R00E zone.

**Figure 1: Map of PLS deposits and 2021 drilling programs**



Source: Fission Uranium

Figure 2: Overview of 2021 drilling programs at PLS



Source: Fission Uranium

### 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 two projects are less than 20km apart

### Catalysts

- 2021: Commence EA
- 2Q22: FS completion
- 2023 EIS
- 2025/2026 Construction start (SCPe 2H25)
- 2028/2029 First production (SCPe 2028)

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<b>Ticker:</b> FCU CN	<b>Price / mkt cap:</b> C\$0.63/sh, C\$407m	<b>Market P/NAV:</b> 0.66x	<b>Assets:</b> PLS
<b>Justin Chan / Brandon Gaspar</b>	<b>Rec / PT:</b> BUY / C\$0.80	<b>1xNAV<sub>2020</sub> FD:</b> C\$0.96/sh	<b>Country:</b> Canada (Sask)

Group-level SOTP valuation					Share data				
	4Q20	1Q21E			Basic shares (m): 646.3		FD + options (m): 702.1		FD + FF
	C\$m	O/ship	NAVx	C\$/sh					
PLS NPV 1Q21E	796.6	100%	1.0x	1.13					
Central SG&A & fin costs 1Q21E	(209.4)	--	1.0x	(0.30)					
Lbs outside mine plan (US\$/lb U3O8)	15.3	--	1.0x	0.02					
Other assets	1.3	--	1.0x	0.00					
Cash and restr. cash 4Q20	55.9	--	1.0x	0.08					
Debt 4Q20	(7.1)	--	1.0x	(0.01)					
ITM options	20.1	--	1.0x	0.03					
<b>1xNAV8% US\$50/lb</b>	<b>673</b>			<b>0.96</b>					
Assumed build equity issuance	300.0			0.32					
<b>1xNAV fully funded 8% US\$50/lb</b>	<b>973</b>			<b>1.05</b>					
P/NAV - fully diluted for build (x)				0.60x					

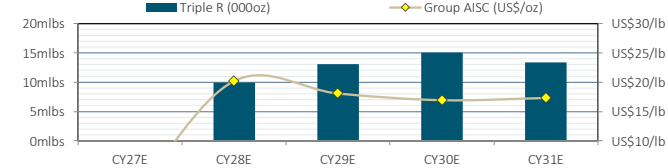
Target multiples	Multiple	C\$/sh	
<b>Target P/NAV Multiple</b>	<b>0.80x</b>	<b>0.80</b>	
<b>Target price</b>		<b>0.80</b>	
<b>Sources</b>			
PFS capex	C\$1177m	SCPe 3Q20 cash + ITM options	C\$18m
SCPe contingency	C\$281m	Mine debt @ 60% gearing	C\$900m
SCPe G&A + fin. cost to first Au	C\$61m	Build Equity	C\$300m
SCPe working capital	-C\$1m	Offtake	C\$300m
Total uses	C\$1518m	Total proceeds	C\$1518m

1xNAV sensitivity to gold price and discount / NAV multiple						
1xNAV PLS (C\$m)	\$30/lb	\$40/lb	\$50/lb	\$60/lb	\$70/lb	
10% discount	-6	285	576	867	1,158	
9% discount	30	354	679	1,003	1,327	
8% discount	73	435	<b>797</b>	1,158	1,520	
7% discount	124	528	933	1,337	1,742	
6% discount	184	637	1,090	1,543	1,996	
5% discount	256	764	1,272	1,781	2,289	
<b>Valuation (C\$/sh)</b>						
0.6xNAV	nmf	0.25	0.60	0.95	1.30	
0.7xNAV	nmf	0.30	0.70	1.15	1.55	
0.80xNAV	nmf	0.35	<b>0.80</b>	1.30	1.75	
0.9xNAV	nmf	0.40	0.90	1.45	2.00	
1.0xNAV	nmf	0.45	1.00	1.60	2.20	

Valuation over time	1Q20E	1Q21E	1Q22E	1Q23E	1Q24E
Mines NPV (US\$m)	797	863	943	1,030	1,128
Cntrl G&A & fin costs (US\$m)	-195	-203	-213	-224	-236
Net cash at 1Q (US\$m)	23	42	43	23	584
Other Assets + Options	21	21	21	21	21
1xNAV (US\$m)	646	724	795	850	1,498
P/NAV (x):	0.49	0.56	0.47	0.46	0.32
1xNAV share px FD (C\$/sh)	1.30	1.12	1.33	1.38	1.96
ROI to equity holder (% pa)	106%	78%	45%	30%	33%
1.2xNAV share px FD (C\$/sh)	1.56	1.35	1.60	1.65	2.35
ROI to equity holder (% pa)	147%	114%	59%	38%	39%

Resource / Reserve	Mt	Mlbs	EV/oz Ag	EV/lb	
Measured, ind. & inf. - Triple R	3,437	135.2	2.18	2.18	
SCPe Mine inventory - Triple R	3,918	127.5	2.31	2.31	
Production (100%)	CY27E	CY28E	CY29E	CY30E	CY31E
Triple R (000lb U3O8)	--	10.0	13.0	15.0	13.4
Triple R cash cost (US\$/lb)	--	\$17.56	\$16.07	\$15.19	\$15.36
Triple R AISC (US\$/lb)	--	\$20.18	\$18.07	\$16.93	\$17.31

C1 = opex (excl. G&A) + royalties; AISC = C1 + sust capex + capitalized stripping/development



	CY25E	CY26E	CY27E	CY28E	CY29E
<b>Income statement</b>					
Revenue (C\$m)	--	--	--	665	870
COGS (C\$m)	--	--	--	(233)	(280)
<b>Gross profit (C\$m)</b>	--	--	--	<b>431</b>	<b>590</b>
Expenses (C\$m)	(5)	(5)	(5)	(5)	(5)
Impairment & other (C\$m)	--	--	--	--	--
Net finance costs (C\$m)	6	(22)	(76)	(92)	(66)
Tax (C\$m)	--	--	--	(80)	(112)
Minority interest (C\$m)	--	--	--	--	--
<b>Net income attr. (C\$m)</b>	<b>1</b>	<b>(27)</b>	<b>(81)</b>	<b>254</b>	<b>407</b>
<b>EBITDA</b>	<b>1</b>	<b>(27)</b>	<b>(81)</b>	<b>121</b>	<b>233</b>
<b>Cash flow</b>					
Profit/(loss) after tax (C\$m)	1	(27)	(81)	121	233
Add non-cash items (C\$m)	0	26	80	227	241
Less wkg cap / other (C\$m)	--	--	--	(56)	(14)
<b>Cash flow ops (C\$m)</b>	<b>1</b>	<b>(0)</b>	<b>(1)</b>	<b>291</b>	<b>460</b>
PP&E (C\$m)	(120)	(509)	(548)	(30)	(30)
Other (C\$m)	--	--	--	--	--
<b>Cash flow inv. (C\$m)</b>	<b>(120)</b>	<b>(509)</b>	<b>(548)</b>	<b>(30)</b>	<b>(30)</b>
Debt draw (repayment) (C\$m)	(14)	450	450	(225)	(225)
Equity issuance (C\$m)	4	--	--	--	--
Other (C\$m)	(0)	(26)	(80)	(137)	(110)
<b>Cash flow fin. (C\$m)</b>	<b>(9)</b>	<b>424</b>	<b>370</b>	<b>(362)</b>	<b>(335)</b>
Net change post forex (C\$m)	(129)	(86)	(179)	(100)	96
<b>FCF (C\$m)</b>	<b>(119)</b>	<b>(536)</b>	<b>(629)</b>	<b>224</b>	<b>377</b>
<b>Balance sheet</b>					
Cash (C\$m)	464	378	199	99	195
Accounts receivable (C\$m)	0	0	0	25	33
Inventories (C\$m)	--	--	--	58	70
PPE & exploration (C\$m)	490	1,000	1,547	1,443	1,299
Other (C\$m)	0	0	0	0	0
<b>Total assets (C\$m)</b>	<b>955</b>	<b>1,378</b>	<b>1,747</b>	<b>1,627</b>	<b>1,597</b>
Debt (C\$m)	(6)	444	894	669	444
Other liabilities (C\$m)	304	304	304	288	251
Shareholders equity (C\$m)	806	806	806	806	806
Retained earnings (C\$m)	(148)	(175)	(256)	(136)	97
Minority int. & other (C\$m)	--	--	--	--	--
<b>Liabilities+equity (C\$m)</b>	<b>955</b>	<b>1,378</b>	<b>1,747</b>	<b>1,627</b>	<b>1,597</b>
Net cash (C\$m)	469	(67)	(696)	(571)	(250)
<b>Net Debt to NTM EBITDA (x)</b>	<b>nmf</b>	<b>nmf</b>	<b>1.6</b>	<b>1.0</b>	<b>0.4</b>

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SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	45

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