

Ticker: FCU CN	Cash: ~C\$33m	Project: Patterson Lake South (PLS)
Market cap: C\$591m	Price: C\$0.86/sh	Country: Canada
<i>REC. (unc): BUY</i>	<i>TARGET (unc): C\$1.45/sh</i>	<i>RISK RATING (unc): HIGH</i>

Fission's PLS and NexGen's Rook I projects are undoubtedly world class, so accelerating permitting and development are the main value drivers. In this context, yesterday's capacity funding agreement between Fission and the Metis Nation of Saskatchewan (MNS) is another engagement milestone which again shows strong community and stakeholder relations and strong support for responsible development in Saskatchewan. Yesterday's agreement with MNS follows on engagement, impact benefits, and capacity agreements signed with the Birch Narrows Dene Nation, Clearwater River, and Buffalo River Dene Nations. The agreement with MNS is significant as engagement with the Metis has taken longer to formalize (perhaps due to a more diverse geographical distribution) and therefore is a very positive update for the permitting timeline process. **For now, we maintain our estimates and reiterate our BUY rating and C\$1.45/sh price target based on 1.0xNAV_{8%-60/lb}. Fission remains a high conviction top pick for us, even more so after the site visit.** Looking ahead, we see the completion of the Feasibility Study by 1H23 followed by EIS submission this year as catalysts providing more torque on FCU's stock price. Trading at a more attractive entry valuation than the other Athabasca developers, we think the market is underrating Fission's standalone value (C\$300-500m FCF pa at US\$60/lb), the value of being located in Saskatchewan (stable, Western operating jurisdiction), and the potential to reduce capital intensity by sharing or co-developing key infrastructure with neighbour NexGen.

FCU signed capacity funding agreement with MNS, FS in final stages

Fission announced that it has entered into a capacity funding agreement with the Metis Nation of Saskatchewan (MNS), one of the impacted nations as the MNS Northern Region II is host to Fission's PLS project. The signed agreement formalizes the process for FCU and MNS to engage effectively regarding the PLS project, identify potential impacts to MNS, and explore avenues to mitigate them. Fission will fund the work and processes involved under this agreement. The PLS feasibility study is in the final stages before completion.

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/in-situ 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

- 1H23: DFS, permitting and stakeholder relations baseline studies
- 2023: EIA submission
- 2025/2026: Construction start (SCPe 2H25)
- 2028/2029: First production (SCPe 2028)

Research

- **Justin Chan** (London) M: +44 7554 784 688 jchan@sprott.com
- **Eleanor Magdzinski** (Toronto) M: +1 705 669 7456 emagdzinski@sprott.com
- **Konstantinos Kormpis** (Toronto) M: +1 778-957-3623 kkormpis@sprott.com

Ticker: FCU CN	Price / mkt cap: C\$0.86/sh, C\$591m	Market P/NAV: 0.61x	Assets: PLS
Author: J Chan	Rec / PT: BUY / C\$1.45	1xNAV₂₀₂₀ FD: A\$1.42/sh	Country: Canada (Sask)

Group-level SOTP valuation					Share data				
	3Q22	4Q22							
	C\$m	O/ship	NAVx	C\$/sh					
PLS NPV 4Q22	1,160.4	100%	1.0x	1.51	Basic shares (m): 687.7	FD + options (m): 767.5	FD + FF	966.1	
Central SG&A & fin costs 4Q22	(166.4)	--	1.0x	(0.22)	Commodity price				
Lbs outside mine plan (US\$/lb U308)	10.8	--	1.0x	0.01	Uranium price (US\$/lb)	60.0	60.0	60.0	60.0
Other assets	0.8	--	1.0x	0.00	Ratio analysis				
Cash and restr. cash 3Q22	32.8	--	1.0x	0.04	FD shares out (m)	825.0	950.6	966.1	966.1
Debt 3Q22	--	--	1.0x	--	EPS (C\$/sh)	(0.006)	0.002	(0.024)	(0.076)
ITM options	52.1	--	1.0x	0.07	CFPS before w/c (C\$/sh)	(0.01)	0.00	0.00	(0.00)
1xNAV8% US\$60/lb	1,090			1.42	FCFPS pre growth (C\$/sh)	(0.01)	0.00	(0.02)	(0.08)
Assumed build equity issuance	325.0			0.34	FCF/sh (C\$/sh)	(0.01)	(0.14)	(0.63)	(0.73)
1xNAV fully funded8% US\$60/lb	1,415			1.47	FCF yield - pre growth (%)	neg	0.2%	neg	neg
P/NAV - fully diluted for build (x)				0.59x	FCF yield (%)	neg	neg	neg	neg
Target multiples	Multiple			C\$/sh	EBITDA margin (%)	--	--	--	--
Target P/NAV Multiple	1.00x			1.45	FCF margin (%)	--	--	--	43.7%
Target price				1.45	ROA (%)	(0.4%)	0.2%	(1.6%)	(4.2%)
Sources	Uses				ROE (%)	(0.7%)	0.2%	(3.5%)	(12.2%)
	PFS capex C\$1177m	3Q22 cash + ITM options		C\$78m	EV (C\$m)	(96)	105	724	1,432
	SCPe contingency C\$345m	Mine debt @ 60% gearing		C\$800m	PER (x)	(122.3x)	407.7x	(28.2x)	(9.0x)
	SCPe G&A + fin. cost to first Au C\$31m	Build Equity		C\$325m	P/CF (x)	(123.0x)	401.1x	1401.4x	(413.8x)
	SCPe working capital C\$0m	Offtake		C\$350m	P/Book value (x)	0.8x	0.9x	1.0x	1.1x
	Total uses C\$1553m	Total proceeds		C\$1553m	EV/EBITDA (x)	19.2x	(21.1x)	(144.7x)	(286.3x)

1xNAV sensitivity to gold price and discount / NAV multiple						Income statement									
1xNAV PLS (C\$m)	\$40/lb	\$50/lb	\$60/lb	\$70/lb	\$80/lb	CY25E	CY26E	CY27E	CY28E	CY29E					
10% discount	220	552	885	1,217	1,550	Revenue (C\$m)	--	--	--	--	750				
9% discount	287	651	1,014	1,378	1,741	COGS (C\$m)	--	--	--	--	(226)				
8% discount	364	762	1,160	1,558	1,956	Gross profit (C\$m)	--	--	--	--	523				
7% discount	452	889	1,326	1,762	2,199	Expenses (C\$m)	(6)	(9)	(5)	(5)	(5)				
6% discount	553	1,033	1,512	1,992	2,472	Impairment & other (C\$m)	--	--	--	--	--				
5% discount	668	1,196	1,724	2,252	2,780	Net finance costs (C\$m)	0	7	(19)	(69)	(56)				
Valuation (C\$/sh)	\$40/lb	\$50/lb	\$60/lb	\$70/lb	\$80/lb	Tax (C\$m)	--	--	--	--	(101)				
0.8xNAV	0.30	0.75	1.15	1.60	2.05	Minority interest (C\$m)	--	--	--	--	--				
0.9xNAV	0.35	0.85	1.30	1.80	2.30	Net income attr. (C\$m)	(6)	(3)	(24)	(74)	362				
1.00xNAV	0.35	0.90	1.45	2.00	2.55	EBITDA	(5)	2	(24)	(74)	211				
1.10xNAV	0.40	1.00	1.60	2.20	2.80	Cash flow	CY25E	CY26E	CY27E	CY28E	CY29E				
1.0xNAV	0.35	0.90	1.45	2.00	2.55	Profit/(loss) after tax (C\$m)	(5)	2	(24)	(74)	211				

Valuation over time						Cash flow ops (C\$m)									
	1Q20A	1Q21A	1Q22E	1Q23E	1Q24E	PP&E (C\$m)	Other (C\$m)								
Mines NPV (US\$m)	898	973	1,061	1,157	1,255	Cash flow inv. (C\$m)	(5)	(138)	(584)	(633)	(35)				
Cntrl G&A & fin costs (US\$m)	-147	-152	-159	-166	-174	Debt draw (repayment) (C\$m)	--	--	400	400	(200)				
Net cash at 1Q (US\$m)	23	46	37	27	39	Equity issuance (C\$m)	283	21	--	--	--				
Other Assets + Options	53	53	53	53	53	Other (C\$m)	350	(0)	(24)	(72)	(103)				
1xNAV (US\$m)	826	919	992	1,071	1,173	Cash flow fin. (C\$m)	633	21	376	328	(303)				
P/NAV (x):	0.52	0.59	0.60	0.55	0.51	Net change post forex (C\$m)	623	(115)	(208)	(308)	22				
1xNAV share px FD (C\$/sh)	1.66	1.46	1.44	1.55	1.67	FCF (C\$m)	(10)	(136)	(608)	(707)	327				
ROI to equity holder (% pa)	93%	70%	29%	22%	18%	Balance sheet	CY25E	CY26E	CY27E	CY28E	CY29E				
1.2xNAV share px FD (C\$/sh)	1.99	1.75	1.73	1.86	2.00	Cash (C\$m)	665	550	342	34	56				
ROI to equity holder (% pa)	132%	104%	42%	29%	24%	Accounts receivable (C\$m)	0	0	0	--	29				

Resource / Reserve		Mt	Mlbs	EV/oz U308	EV/lb	Balance sheet									
Measured, ind. & inf. - Triple R	3,437	130.3		3.84	3.84										
SCPe Mine inventory - Triple R	3,918	127.4		3.93	3.93										
Production (100%)	CY29E	CY30E	CY31E	CY32E	CY33E	Inventories (C\$m)	--	--	--	--	57				
Triple R (000lb U308)	10.0	13.0	15.0	13.4	14.3	PPE & exploration (C\$m)	367	505	1,089	1,722	1,606				
Triple R cash cost (US\$/lb)	\$18.11	\$18.41	\$17.47	\$17.64	\$17.28	Other (C\$m)	1	1	1	1	1				
Triple R AISC (US\$/lb)	\$20.89	\$20.54	\$19.32	\$21.51	\$20.89	Total assets (C\$m)	1,033	1,055	1,432	1,757	1,748				

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

	CY29E	CY30E	CY31E	CY32E	CY33E	Liabilities+equity (C\$m)				
Shareholders equity (C\$m)	837	858	858	858	858					
Retained earnings (C\$m)	(158)	(157)	(180)	(254)	(43)					
Minority int. & other (C\$m)	--	--	--	--	--					
Liabilities+equity (C\$m)	1,033	1,055	1,432	1,757	1,748					
Net cash (C\$m)	663	547	(60)	(768)	(546)					
Net Debt to NTM EBITDA (x)	nmf	nmf	nmf	1.5	0.8					

Source: SCP estimates

DISCLOSURES & DISCLAIMERS

This research report (as defined under IIROC Rule 3600, Part B) is issued and approved for distribution in Canada by Sprott Capital Partners LP (“SCP”), an investment dealer who is a member of the Investment Industry Regulatory Organization of Canada (“IIROC”) and the Canadian Investor Protection Fund (“CIPF”). The general partner of SCP is Sprott Capital Partners GP Inc. and SCP is a wholly-owned subsidiary of Sprott Inc., which is a publicly listed company on the Toronto Stock Exchange under the symbol “SII”. Sprott Asset Management LP (“SAM”), a registered investment manager to the Sprott Funds and is an affiliate of SCP. This research report is provided to retail clients and institutional investors for information purposes only. The opinions expressed in this report are the opinions of the author and readers should not assume they reflect the opinions or recommendations of SCP’s research department. The information in this report is drawn from sources believed to be reliable but the accuracy or completeness of the information is not guaranteed, nor in providing it does SCP and/or affiliated companies or persons assume any responsibility or liability whatsoever. This report is not to be construed as an offer to sell or a solicitation of an offer to buy any securities. SCP accepts no liability whatsoever for any loss arising from any use or reliance on this research report or the information contained herein. Past performance is not a guarantee of future results, and no representation or warranty, expressed or implied, is made regarding future performance of any security mentioned in this research report. The price of the securities mentioned in this research report and the income they generate may fluctuate and/or be adversely affected by market factors or exchange rates, and investors may realize losses on investments in such securities, including the loss of investment principal. Furthermore, the securities discussed in this research report may not be liquid investments, may have a high level of volatility or may be subject to additional and special risks associated with securities and investments in emerging markets and/or foreign countries that may give rise to substantial risk and are not suitable for all investors. SCP may participate in an underwriting of, have a position in, or make a market in, the securities mentioned herein, including options, futures or other derivatives instruments thereon, and may, as a principal or agent, buy or sell such products.

DISSEMINATION OF RESEARCH: SCP’s research is distributed electronically through email or available in hard copy upon request. Research is disseminated concurrently to a pre-determined list of clients provided by SCP’s Institutional Sales Representative and retail Investment Advisors. Should you wish to no longer receive electronic communications from us, please contact unsubscribe@sprot.com and indicate in the subject line your full name and/or corporate entity name and that you wish to unsubscribe from receiving research.

RESEARCH ANALYST CERTIFICATION: Each Research Analyst and/or Associate who is involved in the preparation of this research report hereby certifies that:

- The views and recommendations expressed herein accurately reflect his/her personal views about any and all of the securities or issuers that are the subject matter of this research report;
- His/her compensation is not and will not be directly related to the specific recommendations or view expressed by the Research analyst in this research report;
- They have not affected a trade in a security of any class of the issuer within the 30-day period prior to the publication of this research report;
- They have not distributed or discussed this Research Report to/with the issuer, investment banking group or any other third party except for the sole purpose of verifying factual information; and
- They are unaware of any other potential conflicts of interest.

UK RESIDENTS: Sprott Partners UK Limited (“Sprott”) is an appointed representative of PillarFour Securities LLP which is authorized and regulated by the Financial Conduct Authority. This document has been approved under section 21(1) of the FMSA 2000 by PillarFour Securities LLP (“PillarFour”) for communication only to eligible counterparties and professional clients as those terms are defined by the rules of the Financial Conduct Authority. Its contents are not directed at UK retail clients. PillarFour does not provide investment services to retail clients. PillarFour publishes this document as non-independent research which is a marketing communication under the Conduct of Business rules. It has not been prepared in accordance with the regulatory rules relating to independent research, nor is it subject to the prohibition on dealing ahead of the dissemination of investment research. It does not constitute a personal recommendation and does not constitute an offer or a solicitation to buy or sell any security. Sprott and PillarFour consider this note to be an acceptable minor non-monetary benefit as defined by the FCA which may be received without charge. This is because the content is either considered to be commissioned by Sprott’s clients as part of their advisory services to them or is short term market commentary. Neither Sprott nor PillarFour nor any of its directors, officers, employees or agents shall have any liability, howsoever arising, for any error or incompleteness of fact or opinion in it or lack of care in its preparation or publication; provided that this shall not exclude liability to the extent that this is impermissible under the law relating to financial services. All statements and opinions are made as of the date on the face of this document and are not held out as applicable thereafter. This document is intended for distribution only in those jurisdictions where PillarFour is permitted to distribute its research.

IMPORTANT DISCLOSURES FOR U.S. PERSONS: This research report was prepared by Sprott Capital Partners LP (“SCP”), a company authorized to engage in securities activities in Canada. SCP is not a registered broker/dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to “major U.S. institutional investors” in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”). Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Sprott Global Resource Investments Ltd. (“SGRIL”), a broker dealer in the United States registered with the Securities Exchange Commission (“SEC”), the Financial Industry Authority (“FINRA”), and a member of the Securities Investor Protection Corporation (“SIPC”). Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through SCP.

SGRIL accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor. The analyst whose name appears in this research report is not licensed, registered, or qualified as a research analyst with FINRA and may not be an associated person of SGRIL and, therefore, may not be subject to applicable restrictions under FINRA Rule 2241 regarding communications by a research analyst with a subject company, public appearances by the research analyst, and trading securities held by a research analyst account. To make further inquiries related to this report, United States residents should contact their SGRIL representative.

ANALYST CERTIFICATION / REGULATION AC: The analyst and associate certify that the views expressed in this research report accurately reflect their personal views about the subject securities or issuers. In addition, the analyst and associate certify that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

SPROTT CAPITAL PARTNERS EXPLANATION OF RECOMMENDATIONS: Should SCP issue research with recommendations, the research rating guidelines will be based on the following recommendations:

BUY: The stocks total returns are expected to be materially better than the overall market with higher return expectations needed for more risky securities markets

NEUTRAL: The stock's total returns are expected to be in line with the overall market

SELL: The stocks total returns are expected to be materially lower than the overall market

TENDER: The analyst recommends tendering shares to a formal tender offering

UNDER REVIEW: The stock will be placed under review when there is a significant material event with further information pending; and/or when the research analyst determines it is necessary to await adequate information that could potentially lead to a re-evaluation of the rating, target price or forecast; and/or when coverage of a particular security is transferred from one analyst to another to give the new analyst time to reconfirm the rating, target price or forecast.

NOT RATED ((N/R): The stock is not currently rated

Research Disclosure		Response
1	SCP and its affiliates collectively beneficially owns 1% or more of any class of the issuer's equity securities ¹	NO
2	The analyst or any associate of the analyst responsible for the report or recommendation or any individual directly involved in the preparation of the report holds or is short any of the issuer's securities directly or through derivatives	NO
3	An SCP partner, director, officer or analyst involved in the preparation of a report on the issuer, has during the preceding 12 months provided services to the issuer for remuneration other than normal course investment advisory or trading execution services	NO
4	SCP has provided investment banking services for the issuer during the 12 months preceding the date of issuance of the research report or recommendation	YES
5	Name of any director, officer, employee or agent of SCP who is an officer, director or employee of the issuer, or who serves in an advisory capacity to the issuer	NO
6	SCP is making a market in an equity or equity related security of the issuer	NO
7	The analyst preparing this report received compensation based upon SCP's investment banking revenue for the issuer	NO
8	The analyst has conducted a site visit and has viewed a major facility or operation of the issuer	YES
9	The analyst has been reimbursed for travel expenses for a site visit by the issuer	NO

Sprott Capital Partners Equity Research Ratings:

Summary of Recommendations as of January 2023	
BUY:	52
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	54

¹ As at the end of the month immediately preceding the date of issuance of the research report or the end of the second most recent month if the issue date is less than 10 calendar days after the end of the most recent month