Canaccord Genuity
Capital Markets

Rating and Target Price Changes

Specialty Minerals and Metals

Canaccord Genuity Equity Research
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Company	Rating	Price	Target
Specialty Minerals and Metals			
BOE-ASX	Spec Buy	A$0.17	A$0.21↑
previous			*A$0.18*
DML-TSX	Spec Buy	C$1.40	C$2.25↑
previous			*C$2.00*
FCU-TSX	Spec Buy	C$0.61	C$0.80↑
previous			*C$0.70*
NXE-TSX	Spec Buy	C$5.12	C$7.00↑
previous			*C$6.50*
PDN-ASX	Hold↓	A$0.47	A$0.49↑
previous	*Speculative Buy*		*A$0.31*
PEN-ASX	Spec Buy	A$0.17	A$0.21↑
previous			*A$0.15*
UEC-NYSE	Spec Buy	US$2.94	US$4.25↑
previous			*US$3.75*
YCA-AIM	Buy	265p	295p ↑
previous			*290p*

Priced as of close of business 18 May 2021

'U' got the love - upgrading our uranium price deck

We believe Uranium is a hugely strategic metal whose value in a carbon-constrained world will only increase. With 2020 highlighting supply chain fragility and macro policies providing demand tailwinds, mine restarts and investments in new supply will be required, in our view. **We are upgrading our long-term uranium price to US$60/lb, which is in line with our updated marginal cost of supply forecast**.

Government policy support has improved dramatically... Growth from non-OECD nations has always been the bedrock of our positive demand outlook, and this view has only strengthened following the release of China's 14th Five-Year Plan, which called for an ~40% expansion in its nuclear fleet to 70GWe by 2025, with an additional 50GWe under construction. Adding to this is a more constructive view around North American and European demand in the wake of (1) bipartisan support for nuclear energy in the US for the first time in 48 years, the US rejoining the Paris Agreement, and clear support for nuclear energy in the "American Jobs Plan" and (2) the European Commission announcing that it will potentially include nuclear energy in the European Union's sustainable financing taxonomy.

...and we have upgraded our demand forecasts accordingly. The acknowledgement of nuclear's critical role in providing cost-effective emissions-free baseload power has been slow in coming, but has now gained momentum. This has reduced the risk of accelerated plant closures in OECD nations and continues to drive growth in developing nations. Accordingly, we increase our demand growth to 2.6%pa to 2035 (2.3% prior), a forecast which excludes any potential positive impact from small modular reactors (>300MW), which are garnering increased attention globally.

Mine closures and unscheduled curtailments. Primary supply remains under significant pressure, a situation which has only been compounded by the shutdown of Ranger in January (produced 3.5Mlb in 2020) and Cominak in April (approximate capacity 3.9Mlb). While the re-start of Cigar Lake (18Mlb) should provide some welcome near-term relief, we continue to expect a supply deficit of ~25Mlb in the 2021 uranium market, which follows on from a 25Mlb deficit in 2020 (CGe). We estimate that over the last five years mine capacity has been reduced by ~45Mlb/year, and this is before any consideration of COVID-19 related disruptions.

Separative Working Units on the rise...secondary supply forecast to shrink. Conversion prices are now >US$20/kgU (up from US$8 in May-20) and SWU is US$53 (up from US$36 in May-20). These higher prices reduce the drivers for secondary supply and support our view that secondary supply will ultimately shrink towards 22Mlb per annum in the long term, down from our current estimate of 31Mlb.

Spot prices are rising (modestly). The spot market experienced a strong start to May with prices up ~5% to US$30.40/lb and the first week's activity surpassing the total volume booked for all of April. While pricing is nowhere near sufficient to facilitate restarts, let alone greenfield developments, it highlights that the wave of announced physical purchases from uranium developers and holding companies (12.5Mlb, or ~8% of global supply) is driving further tightness in an already tight market. With uncovered utility demand in the US estimated to rise to 50% in the next three years, we believe this increasing spot market activity will not go unnoticed and could result in earlier market entry than previously planned by utilities.

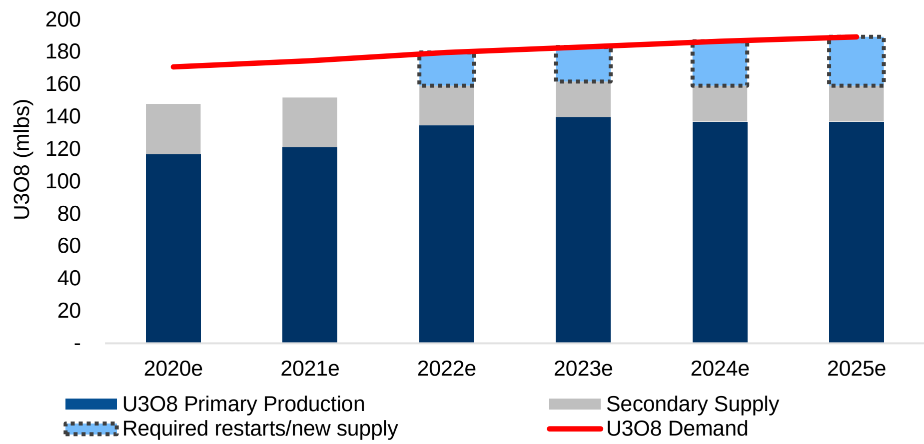
Equity implications and top picks. We have updated our estimates to reflect our revised uranium price deck. While we remain bullish on uranium, we recognize the opaque nature of the market and inherent risks in uranium mining and development. Accordingly, we prefer companies with a sound balance sheet and positive company-specific catalysts. Our preferred exposures are NXE-TSX, BOE-ASX and YCA-LON.

For important information, please see the Important Disclosures beginning on page 16 of this document.

Upgrading to US$60/lb

Primary supply remains under significant pressure, a situation which has only been compounded by the shutdown of Ranger in January (produced 3.5Mlb in 2020) and Cominak in April (approx. capacity 3.9Mlb). While the re-start of Cigar Lake (18Mlb) will provide some welcome near-term relief, we continue to expect a supply deficit of ~25Mlb in the 2021 market, which follows on from a 25Mlb deficit in 2020.

Figure 1: Supply and demand forecast



Source: Company Reports, Canaccord Genuity estimates

We note that 70% of primary mine supply is now concentrated in the hands of the five top producers, 80% of which is controlled by state-owned enterprises. In our view, there is a clear imperative for diversification to increase security of supply, and higher pricing signals will be required to achieve this. Consequently, we have increased our price deck as detailed in Figure 2.

Figure 2: Uranium price deck

		2020a	2021e	2022e	2023e	2024e	2025e	LT
	New	$29.5	$33.2	$40.0	$45.0	$50.0	$60.0	$60.0
Uranium Price (U_3O_8) US$/lb	Old	$29.5	$33.5	$38.5	$40.0	$45.0	$50.0	$50.0
	% Change	*0%*	*0%*	*4%*	*13%*	*11%*	*20%*	*20%*

Source: UxC LLC, Canaccord Genuity estimates

Demand is growing and there is upside potential

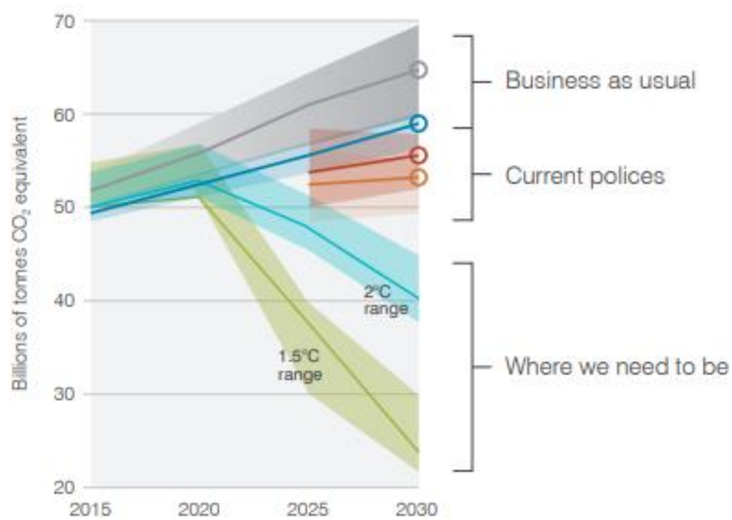
We have increased our demand growth forecast to 2.6%pa to 2035 (2.3% prior) on the back of improved policy sentiment driven by the decarbonisation imperative and electrification megatrend.

Key 2021 developments:

- The US's decision to officially re-join the Paris Agreement on January 20 (President Biden's first day in office) set a particularly bullish tone for 2021. This was closely followed by an announcement that the "American Jobs Plan" would increase incentives for the generation of clean electricity, including funding for the development of advanced nuclear reactors, and support for the existing US commercial nuclear power fleet.

This support was reinforced by U.S. Secretary of Energy Jennifer Granholm who said that she is open to promoting subsidies for nuclear power plants: “We’re not going to be able to achieve our climate goals if our nuclear power plants shut down. We have to find ways to keep them operating”.

Figure 3: Business as usual versus the Paris Agreement



Source: WNA

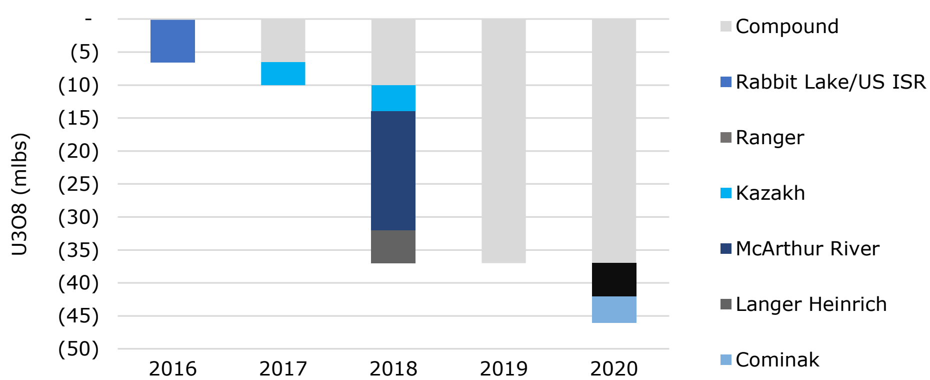
- In China the government ratified its 14th Five Year Plan, covering a wide range of economic objectives and giving a broad view of how the country expects to build out its energy infrastructure. The Plan provided strong support for nuclear energy, calling for a near 40% expansion compared to 2020, with 70GWe of gross nuclear power capacity in place by the end of 2025. In April, China’s Nuclear Energy Association indicated that an additional 50GWe of nuclear capacity is expected to be under construction, thereby pushing capacity to about 120GWe by 2030 (>2x current capacity).
- Not to be left out, in its April 2021 communications, the European Commission announced that it will potentially include nuclear energy in the European Union's sustainable taxonomy, under a complementary delegated act consistent with the results of the independent and scientific technical report published in March by the Joint Research Centre. This could provide a basis for the likes of Germany and France to step back from their aggressive nuclear retirement schedules.

Supply discipline continues and enrichment costs rising

Despite the sustained supply deficit, the spot price has stayed stubbornly low and the contract market is still <US$40 according to UxC data. We have consequently seen Cameco remain short production (>13Mlb of spot purchases likely in CY21), and Kazatomprom (KAP-LON | Not covered) has continued to cut its production by 20% through 2022. We estimate that over the last five years mine capacity has been reduced by ~45Mlb, and this is before any consideration of COVID-19-related disruptions (Figure 4).

Furthermore, with regard to secondary supply and underfeeding, it is notable that conversion prices are now >US$20/kgU (up from US$8 in May-20), and SWU is currently at US$53 (up from US$36 in May-20). In our view, these higher prices reduce the drivers for secondary supply and support our view that it will ultimately shrink towards 22Mlb per annum in the long term, a decline from our current estimate of 31Mlb.

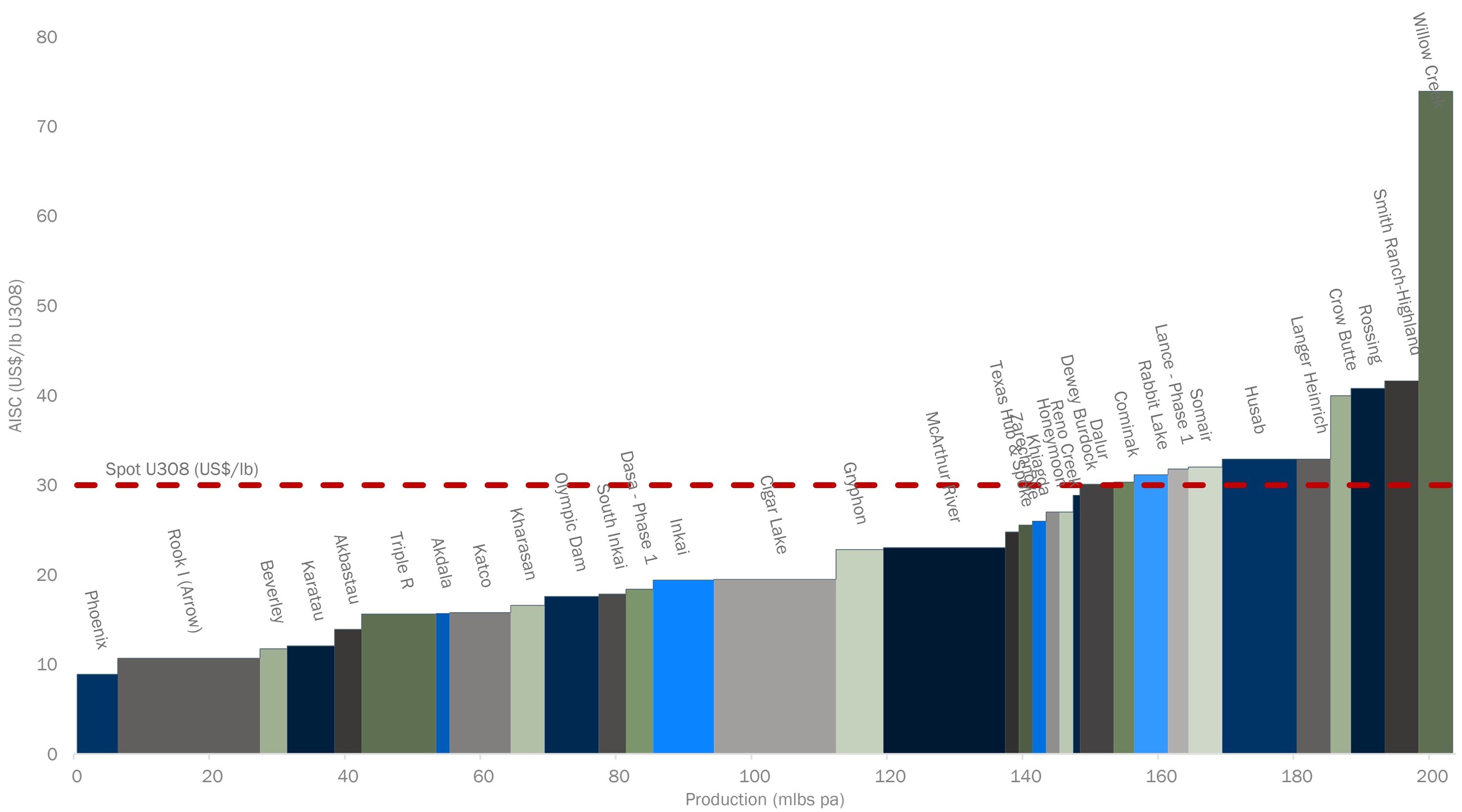
Figure 4: Cumulative production curtailments (excluding COVID-19 disruptions)



Source: Company Reports, Canaccord Genuity estimates

> *"Uranium prices and long-term contracting activity, while higher than in 2019, remain unsustainably low. Consequently, in line with our market-centric strategy, we intend to continue with the level of spending and operational activity commensurate with a 20% reduction to Subsoil Use Contract levels"* - Kazatomprom

Figure 5: AISC cost curve for producers and select advanced developers (US$/lb)



Source: Company Reports, Canaccord Genuity estimates

As contracts expire, utilities must re-enter the market at acceptable terms

Legacy contracts have kept higher cost uranium mines afloat; however, these contracts are starting to roll off and significant uncovered utility requirements are emerging; UxC estimates 1.4 billion pounds through 2035. We estimate 60% of current long-term contracts will need to be renegotiated by 2023 in order to meet long-term rising demand. In our view, long-term contracts are likely to be struck at a significant premium to the current base indicator (~US$37/lb) to (1) stimulate mine restarts and greenfield developments and (2) improve supply certainty to utilities given the negligible effect that U_3O_8 price has on operating cost bases.

Upgrading long-term uranium price to US$60/lb

Based on our cost curve work (Figure 5) and modelling of individual projects, we believe that a long-term incentive price in the US$60/lb range will be required to stimulate supply to meet long-term demand (2.6% pa). As seen in Figures 6 and 7:

- We expect the market to be in a meaningful deficit over the next few years.
- With a medium-term improvement in prices, we forecast a restart of current curtailments (i.e., KAP, McArthur River, Langer Heinrich) and increased investment in advanced stage development projects (i.e., Arrow, Wheeler River). Once these curtailments reverse (2024-2025), we forecast a slightly more balanced market, albeit, still a market deficit.
- Furthermore, given a near decade of weak market conditions, we continue to see the potential for significant sustainable market deficits from 2028 onward. In our view, this supports higher long-term prices that will stimulate investment in new supply.
- The need for new supply will be further emphasized as some of the world's largest mines are forecast to come offline in the next decade (i.e., Cigar Lake 2029; 18Mlb pa).
- In addition, while we acknowledge the fact that the incentive price for our Tier 1 development projects (i.e., Arrow, Wheeler River) is below our long-term uranium price, we note that these projects have significant upfront capital costs (in addition to outstanding permits). Based on our discussions with management, we do not expect these projects to be sanctioned at a price below US$50/lb. Our supply demand forecasts also indicate that these projects alone will not be sufficient to meet growing long-term demand.
- In our view, Tier 2 and Tier 3 projects will be required to meet growing demand, and these projects have notably higher incentive prices.

Figure 6: Canaccord Genuity supply demand model

(in million lbs)	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Forecast U308 Demand	181	180	188	192	197	200	208	213	221	227	233
Forecast U308 Mine Production	125	125	141	153	169	170	163	189	191	188	173
Net Mine Production Surplus/(Deficit)	**(56)**	**(55)**	**(47)**	**(39)**	**(28)**	**(30)**	**(45)**	**(24)**	**(30)**	**(39)**	**(59)**
Forecast Secondary Supply	31	31	24	22	22	22	20	20	19	19	19
Net Forecast U308 Supply	**156**	**156**	**165**	**175**	**191**	**192**	**183**	**210**	**210**	**206**	**192**
Market Surplus/(Deficit) - restarts/new supply	(25)	(25)	(23)	(17)	(6)	(8)	(25)	(4)	(11)	(20)	(41)
Market Surplus/(Deficit) - no restarts	(25)	(25)	(24)	(29)	(36)	(39)	(54)	(63)	(75)	(85)	(106)
Demand growth %	5%	0%	4%	3%	2%	1%	4%	3%	4%	2%	3%
Primary mine production growth %	-12%	0%	12%	9%	10%	0%	-4%	17%	1%	-2%	-8%
Total Chinese demand Gwe	45	47	50	52	56	59	68	76	86	93	106
Spot U3O8 US$/lb	$29.53	$32.24	$40.00	$45.00	$50.00	$60.00	$60.00	$60.00	$60.00	$60.00	$60.00

Source: WNA, UxC LLC, Canaccord Genuity estimates

Figure 7: Incentive price of select development projects

Project	Location	Project Stage	Production (mlbs pa)	AISC (US$/lb)	Project Capex (US$MMs)	Incentive Price (15% IRR)
Honeymoon	Australia	Production Idled	2	$27.00	$93	$38.50
Lance	Wyoming, USA	Production Idled	3	$31.80	$119	$42.50
Langer Heinrich	Namibia	Production Idled	5	$32.92	$81	$36.00
Michelin	Labrador, Canada	Development	6.5	$29.45	$902	$63.96
Reno Creek	Wyoming, USA	Development	2	$27.00	$60	$44.50
Roca Honda	New Mexico, USA	Development	1.5	$36.33	$254	$65.40
Rook I - Arrow	Saskatchewan, Canada	Development	21.7	$10.69	$1,039	$23.72
Smith Ranch-Highland	Wyoming, USA	Production Idled	1.5	$41.64	$50	$55.55
Texas Hub & Spoke	Texas, USA	Production Idled	2	$24.78	$45	$37.00
Triple R	Saskatchewan, Canada	Development	11	$15.63	$942	$43.65
Wheeler River	Saskatchewan, Canada	Development	7.7	$13.19	$757	$27.78

*assumes CAD:USD fx rate 0.80

Source: Company Reports, Canaccord Genuity estimates

Uranium equities

We have updated our estimates for each of the companies we cover to reflect our revised uranium price deck. Our revised target prices and ratings are presented in Figure 8 below.

While we remain bullish on uranium, we recognize the opaque nature of the market and inherent risks in uranium mining and project development. Accordingly, we prefer companies with a sound balance sheet and positive company-specific catalysts. Our preferred equity exposures are NexGen Energy (**NXE**-TSX), and Boss Resources (**BOE**-ASX), among the developers. For pure-play commodity exposure we continue to like physical fund Yellow Cake (**YCA**-AIM).

Figure 8: Revisions to target prices and ratings

		Target Price		Rating		Share Price	% Return
		New	Previous	New	Previous	5/14/2021	
Boss Energy Ltd.	BOE-ASX	A$0.21	A$0.18	SPEC BUY	SPEC BUY	A$0.18	20%
Denison Mines Corp.	DML-TSX	C$2.25	C$2.00	SPEC BUY	SPEC BUY	C$1.40	61%
Fission Uranium Corp.	FCU-TSX	C$0.80	C$0.70	SPEC BUY	SPEC BUY	C$0.61	31%
NexGen Energy Ltd.	NXE-TSX	C$7.00	C$6.50	SPEC BUY	SPEC BUY	C$5.12	37%
Paladin Energy Ltd.	PDN-ASX	A$0.49	A$0.31	HOLD	SPEC BUY	A$0.48	3%
Peninsula Energy Ltd.	PEN-ASX	A$0.21	A$0.15	SPEC BUY	SPEC BUY	A$0.17	24%
Uranium Energy Corp.	UEC-US	US$4.25	US$3.75	SPEC BUY	SPEC BUY	US$2.94	45%
Uranium Participation Corp.	U-TSX	R	R	R	R	C$5.77	na
Uranium Royalty Corp.	URC-TSX	R	R	R	R	C$4.03	na
Yellow Cake Plc	YCA-LON	£2.95	£2.90	BUY	BUY	£2.69	10%

Source: Factset, Canaccord Genuity estimates

Figure 9: Global uranium comps

Uranium Coverage Universe	Ticker	Price 5/14/2021	Market Capitalization	Enterprise Value	Rating	Target Price	Return to Target	P/NAV	Primary Project(s)	Metal(s)	Location(s)	Analyst
Boss Resources Ltd.	BOE-ASX	A$0.18	A$399	US$217	Spec. Buy	A$0.21	20%	0.83	Honeymoon	U_3O_8	South Australia	JB
Denison Mines Corp.	DML-TSX	C$1.40	C$1,135	US$677	Spec. Buy	C$2.25	61%	0.95	Wheeler River	U_3O_8	Saskatchewan, Canada	KL
Fission Uranium Corp.	FCU-TSX	C$0.61	C$358	US$278	Spec. Buy	C$0.80	31%	0.78	Triple R	U_3O_8	Saskatchewan, Canada	KL
NexGen Energy Ltd.	NXE-TSX	C$5.12	C$2,622	US$1,610	Spec. Buy	C$7.00	37%	0.77	Rook I - Arrow	U_3O_8	Saskatchewan, Canada	KL
Paladin Energy Ltd.	PDN-ASX	A$0.48	A$1,325	US$919	Hold	A$0.49	3%	0.97	Langer Heinrich	U_3O_8	Namibia	JB
Peninsula Energy Ltd.	PEN-ASX	A$0.17	A$156	US$104	Spec. Buy	A$0.21	24%	0.81	Lance Uranium Projects	U_3O_8	Wyoming, USA	JB
Uranium Energy Corp.	UEC-US	US$2.94	US$747	US$589	Spec. Buy	US$4.25	45%	0.98	Texas Portfolio, Reno Creek	U_3O_8	Texas & Wyoming, USA	KL
Uranium Participation Corp.	U-TSX	C$5.77	C$772	US$648	R	R	na	na	Holding Company	U_3O_8, UF_6	Various	KL
Uranium Royalty Corp.	URC-TSX	C$4.03	C$233	US$207	R	R	na	na	Royalty Company	U_3O_8	Various	KL
Yellow Cake Plc	YCA-LON	£2.69	£345	US$317	Buy	£2.95	10%	1.14	Holding Company	U_3O_8	Various	SC
Uranium Average								**0.90**				

*KL = Katie Lachapelle, Canaccord Genuity Corp (Canada), JB = James Bullen, Canaccord Genuity (Australia) Ltd, SC = Sam Catalano, Canaccord Genuity Ltd (UK)

Source: Factset, Canaccord Genuity estimates

Boss Energy – bulked up

BOE-ASX: A$0.175 | SPEC BUY | A$0.21 TP (from A$0.18 TP)

BOE shares are up 75% year to date as the company has continued to progress its flagship Honeymoon development, raised capital to purchase physical uranium and benefited from improved uranium sentiment.

BOE's recent decision to acquire 1.25Mlb of physical uranium at ~US$30.5/lb, a price which is below the current estimated AISC cost at Honeymoon, makes sense on a number of fronts, in our view. It (1) improves security/certainty of supply for potential offtakers; (2) provides contracting optionality; (3) provides funding optionality; (4) enhances market connectivity; and (5) provides physical exposure at what we view as an opportune time.

Fully permitted, low capital intensity and fast restart potential

As a brownfield restart development, Honeymoon has a number of competitive advantages versus its greenfield peers, and we believe the Enhanced Feasibility Study (EFS), which is due in the JunQ'21, will provide further evidence of this. While we believe that there is potential upside risk to the current US$63mn capex estimate, we believe this will be more than offset by higher output (CGe 2.2Mlb vs 2.0Mlb in DFS) and lower C1 costs (CGe US$27.5/lb vs US$32/lb in DFS).

With a modelled breakeven of US$35/lb, OECD location and a short <12-month development lead time, we believe Honeymoon will be in the first wave of project restarts.

Potential catalysts

- **BOE expects its enhanced feasibility study** (EFS) for Honeymoon to be completed in the JunQ'21. Given the encouraging nature of the preliminary results released to date, we believe it is reasonable to assume that the outcomes (assuming similar uranium price forecasts) will be superior to the January 2020 DFS.
- **Term market activity** in the medium term is likely to increase, in our view, on the back of improving market sentiment and increasing uncovered demand.
- **Exploration update –** passive seismic to recommence in the near term.

Increasing target price to A$0.21/sh; maintain SPEC BUY rating: Our revised target price, which is primarily NPV8% based, increases 17% due to our higher long-term price deck. The company remains catalyst-rich in our view, and subsequently we retain our SPEC BUY rating.

Denison Mines – is JCU for you?

DML-TSX: C$1.40 | SPEC BUY | C$2.25 TP (from C$2.00 TP)

Denison shares have performed well year to date (+52%), on the back of multiple company-specific catalysts and improved market sentiment for nuclear energy. We note that Denison was the first of many junior uranium companies to announce a strategic purchase of uranium, having acquired 2.5mlbs U_3O_8 with the intention of holding uranium as a long-term capital asset. In our view, these holdings could play a significant role in the funding of DML's flagship Wheeler River project, acting as collateral for debt financing at more favourable terms; we assume up to 65% of the project's C$323m capex could be funded via debt.

Is JCU for you? On May 4, Denison delivered a competing bid (C$40.5m) to OURD to acquire 100% ownership in JCU Exploration, a private company with multiple uranium joint venture interests in Canada, including a 10% interest in DML's Wheeler River project. While we await a response from OURD, we believe this transaction could be a positive catalyst for Denison's shares. If accepted, Denison will have consolidated 100% of Wheeler River, in addition to adding 97mlbs U_3O_8 to its portfolio at a mere US$0.33/lb. For full details, refer to our note here.

Balance sheet rejuvenated by recent financings: In our view, Denison is well funded to advance ongoing Feasibility and Environment Assessment (EA) activities with ~$96 million in available cash and short-term investments and zero debt on its balance sheet. During the first quarter, the company completed equity financings for gross proceeds of $40.2 million (including $3.9m from an ATM offering), in addition to the $108 million raised for its strategic uranium purchase.

De-risking is critical: We expect Denison to continue to make strides towards de-risking the application of in-situ recovery mining at the high-grade Phoenix deposit. The company has installed a five-spot Test Pattern consisting of commercial scale wells. The results of this test should provide all the data necessary to permit and plan for an in-ground lixiviant test in 2022 – a major de-risking milestone for the project, in our view. We would view a positive in-ground lixiviant test as full proof of concept for ISR mining in the Athabasca Basin, a potential game changer for the region. Additional field test work in 2021 is to be incorporated into a final Feasibility Study (CGe 2022).

Potential catalysts:

- Results of in-situ recovery test work (ongoing)
- Advancement of EA level work/EIS submission (2021/early 2022)
- Potential acceptance of offer to acquire JCU Exploration
- Details on implications of freeze wall design

Increasing target price to C$2.25/sh; maintain SPEC BUY rating: We are increasing our target price on DML to C$2.25/sh, from C$2.00/sh previously. Our target price remains based on 1.4x NAV, measured as at April 1, 2022. Our revised target price reflects an ~18% increase in our NAVPS due to our higher long-term price deck. We have also updated our model to include the C$5.3 million DML is expected to receive for termination of the UPC Management Services Agreement, the company's latest financial results, and its recent equity financings.

Given the 61% implied return to our target, we reiterate our SPEC BUY rating.

Fission Uranium – balance sheet bolstered

FCU-TSX: C$0.61 | SPEC BUY | C$0.80 TP (from C$0.70 TP)

Fission continues to accelerate development work on Triple R, its high-grade flagship asset located in the southwest Athabasca Basin. At the end of Q1, the company announced that it had entered into an Engagement and Capacity Agreement with the Clearwater River Dene Nation, a positive step for project permitting as it promotes increased information sharing between the two parties.

In early 2021, the company also completed its drill program targeting the R780E zone. All 20 holes were successful, having hit mineralization, with 13 holes intersecting significant high-grade mineralization (note here). We look forward to further drill results from the summer 2021 program, which will commence in Q3 2021. This program will focus on the R840W zone, ~500m west of Patterson Lake. This zone is of significant interest to us as it is currently not included in the Pre-Feasibility Resource. Therefore, an upgrading of resources to the indicated category (from inferred) could have positive implications for the planned Feasibility Study resource and mine plan.

Bolstered balance sheet: Fission recently completed a C$34.5 million bought deal financing priced at C$0.60 per unit. Each unit consisted of one common share of the company and one-half of one common share purchase warrant (at an exercise price of $0.85). With net cash of ~C$50 million, we believe the company is well funded to advance Feasibility level work over the course of 2021 and 2022. We do not forecast a need to raise additional equity until late 2023.

Share performance likely to be predicated on market sentiment: Although still far from production (CGe 2030), we remind investors that Triple R is one of the best undeveloped uranium assets globally (high-grade, low-cost, safe jurisdiction). Accordingly, Fission's pounds provide strong leverage to rising uranium prices. We expect increased interest in the project as the market strengthens; however, in the near term, share price performance is likely to be predicated on uranium price movements and market sentiment, given a lack of significant company-specific catalysts. We note that FCU's shares are up ~51% year to date.

Potential catalysts:

- Project Description submission and acceptance (mid-2021)
- Assay results from Winter 2021 drill program
- Summer 2021 drill program results

Increasing target price to C$0.80/sh; maintain SPEC BUY rating: We are increasing our target price on FCU to C$0.80/sh, from C$0.70/sh previously. Our target price remains based on 1.0x NAV, measured as at April 1, 2022. Our revised target price reflects an increase in our NAVPS to C$0.79/sh, from $0.70/sh previously, primarily related to our higher long-term price deck. We have also updated our estimates to account for the closing of the recent bought deal financing.

Given the 31% implied return to our target, we reiterate our SPEC BUY rating.

NexGen Energy – a prime acquisition target

NXE-TSX: C$5.12 | SPEC BUY | C$7.00 TP (from C$6.50 TP)

NexGen started the year off strong with the release of a maiden Feasibility Study on its Rook I Project, host to the high-grade Arrow deposit. With a base case after-tax NPV8% of C$3.5 billion, an IRR of 52.4%, and a payback period of only 0.9 years, the Feasibility Study reinforced our view that NexGen is advancing the world's best undeveloped uranium project. As market fundamentals improve and the project advances closer to production, we believe NXE is a prime acquisition target for existing major uranium producers and large diversified mining companies looking to improve their ESG profile.

C$173 million bought deal supports project early works: On the back of its Feasibility Study, NexGen completed a bought deal financing at C$4.50/sh for total gross proceeds of ~C$173 million (over-allotment option exercised). With ~$227 million in cash and $56 million in debt, the company's balance sheet is well positioned to support project early works (C$158 million). In our view, pre-commitment early works have the potential to both accelerate and de-risk construction of the full-scale project.

NexGen continues to advance debt financing discussions with respect to the remaining C$1.14 billion in project capex. As a reminder, we believe a significant portion of the project can be funded via debt (CGe 65%), given forecast free cash flow of >$1 billion per year during the first five years of production. Discussions are expected to ramp up following submission of the EIS; news of debt financing would be a significant catalyst of NXE's shares.

Positive milestones for permitting on deck: We expect NexGen to execute on two milestones related to project permitting by year-end 2021. The first of these milestones would be the signing of Impact Benefit Agreements (IBAs) with First Nations in proximity to the project site. Once the IBAs are in hand, we expect NexGen to complete and submit its draft Environmental Impact Statement (EIS) to regulators – another significant milestone.

Potential catalysts:

- Signing of Impact Benefit Agreements (H2 2021)
- Submission of draft EIS (Q4 2021)
- Initiation of detailed engineering and early works (H2 2021)
- Potential project financing announcement (2022 onward)
- Potential acquisition (ongoing)

Increasing target price to C$7.00/sh; maintain SPEC BUY rating: We have updated our model for the company's latest financials and our higher long-term uranium price deck. As a result, our 12-month NAV has increased to C$7.10/sh (up from C$5.85/sh), and we are increasing our target price on NXE to C$7.00/sh, from C$6.50 previously. Our target price is now based on 1.0x NAV, measured as at April 1, 2022. Our previous target price was based on 1.1x NAV; our revised multiple reflects average trading multiples over the last month.

Given the 37% implied return to our target, we reiterate our SPEC BUY rating.

Paladin Energy – reset and ready

PDN-ASX: A$0.48 | HOLD (from Spec Buy) | A$0.49 TP (from A$0.31 TP)

PDN has been a standout performer in 2021 with its shares up 100% YTD. The company conducted a transformational $219mn raising in March to remove its high-cost debt and position itself for a fast re-start at Langer-Heinrich when the market opportunity arises.

Proven product, low capital intensity and fast restart potential

Langer Heinrich (75% PDN) is a proven and well-known asset in the tight-knit uranium community. With 11 years and 43Mlb of production history, the confidence in this asset is likely a lot higher than its green and in some cases brownfield peers.

Over US$400mn has been sunk at Langer Heinrich, and based on the detailed re-start study completed in 2020, it will only require US$81mn to re-start, of which US$47mn is allocated to process optimisation work. With an ~9-month lead time to first production, sector-leading capital intensity and reasonable AISC of US$32/lb, we remain confident that LH will be one of the first projects to restart as the market tightens.

Potential catalysts

- **Continued progression of critical-path restart plan elements:** (1) ongoing optimisation of tailings management, stockpile and Run Of Mine blending strategies; (2) Completion of the Grade Control dilution study, validating assumptions in the Mineral Resource model; (3) updates of critical engineering documents and dynamic modelling scenario analysis.
- **Term market activity** in the medium term is likely to increase, in our view, on the back of improving market sentiment and increasing uncovered demand.
- **Exploration update:** PDN has significant exploration assets in Canada and Australia, which have a collective net resource of 265.6Mlb U3O8 and have seen >US$100mn spent on them. We believe these assets are under-appreciated by the market and look forward to PDN, providing more details on their potential.

Increasing target price to A$0.49/sh; lower rating to HOLD: Our revised target price, which is primarily NPV8% based, increases 58% due to our higher long-term price deck, lowering the WACC to 8% and higher exploration valuation. With the share price approaching our valuation we have decided to downgrade to HOLD from Spec Buy despite clear macro tailwinds.

Peninsula Energy – on the improve

PEN-ASX: A$0.17 | SPEC BUY | A$0.21 TP (from A$0.15 TP)

PEN shares are up 42% year to date with its most recent update on progress at its low pH demonstration at the Lance Uranium Project making for much improved reading versus the February update, particularly with regard to pH levels.

Tighter well spacing better outcomes

- A key decision post the February update, which highlighted that two of the three demonstration patterns were taking longer than forecast to achieve the required pH, was to install two additional injection wells into each of the patterns. This tighter spacing has led to a rapid fall in pH, with the two lagging patterns now at 2.3 SU, down from 4.0 SU prior and well on their way to the 2.0 SU target.
- The company also elected to change the oxidant from gaseous oxygen to hydrogen peroxide, with positive results. The recovery stream ORP is now ~400mv, up from 200mv. The company has indicated that it is confident that the ORP will continue to increase to the target range of 450 to 600mv.
- The demonstration continues to consume more acid than originally forecast, but based on work to date it appears that this increased consumption is being driven by pattern dimensions and screening design rather than mineralogy.
- Since late February, the recovery stream uranium grade has doubled and is now in the 20-25 mg/L range, which is in line with PEN's forecast relative to the dimensions of the patterns and the number of pore volumes processed since commencing acidification. With increasing uranium grades, PEN has activated the pilot ion exchange uranium recovery circuit. The ion exchange circuit has not operated long enough to obtain meaningful performance data, but we expect updates in the medium term.
- Field demonstration expected completion unchanged (1H-2022).

Potential catalysts

- **Continued progression of field demonstration**
- **Term market activity** in the medium term is likely to increase, in our view, on the back of improving market sentiment and increasing uncovered demand.
- **US Strategic Reserve –** PEN, with its mine in Wyoming, is the only ASX stock which can directly benefit from the proposed US strategic reserve.

Increasing target price to A$0.21/sh; maintain SPEC BUY: Our revised target price, SOTP based, increases 40% primarily due to our higher long-term price deck. We maintain our SPEC BUY rating.

Uranium Energy Corp – US uranium leverage

UEC-NYSE: US$2.94 | SPEC BUY | US$4.25 TP (from US$3.75 TP)

Uranium Energy Corp's (UEC) shares have returned 53% year to date. The company remains focused on advancing its portfolio of fully permitted projects in the United States towards a production decision. Its production-ready assets include its Hub & Spoke in-situ recovery portfolio in South Texas and the Reno Creek project in Wyoming. When we compare UEC to other US developers, its projects rank as relatively low cost and have short timelines to production. Accordingly, we expect UEC's projects to be some of the first to advance with either a medium-term recovery in uranium prices (>US$40/lb) or support from the US government (i.e., the uranium reserve).

Increasing support from the US government: UEC's shares have risen on the back of newsflow that has highlighted increasing support for nuclear energy from the US government. President Biden re-joined the Paris Agreement on January 20, and the US Secretary of Energy Jennifer Granholm recently announced that she is open to promoting subsidies for US nuclear power plants to remain open.

This is in addition to the US Senate passing a bill last year which approved the establishment of a national uranium reserve for the purchase of domestic uranium ($1.5 billion over 10 years). As a proven producer with projects with near-term projects, we believe UEC is well positioned as a potential beneficiary of the reserve. We expect a competitive procurement process to be established in early 2022.

Uranium purchases could help support future marketing efforts: UEC recently purchased ~2.1mlbs of physical uranium. While we are unsure as to the origin of the physical pounds purchased, we expect these pounds to help with future marketing efforts with utilities.

Reno Creek Pre-Feasibility Study on deck: In 2021, we expect UEC to release the results of a Pre-Feasibility Study on the Reno Creek project in Wyoming. Reno Creek is the largest permitted, pre-construction ISR project in the United States. Management is currently assessing the economics of constructing a central processing plant vs. toll milling at a nearby facility; one option is likely to be presented in the Pre-Feasibility Study.

Potential catalysts:

- Further news with respect to US government support for nuclear
- A potential allocation of the US uranium reserve
- A construction decision for the Texas Hub & Spoke operations
- Reno Creek Pre-Feasibility Study
- Updates on potential toll processing at Reno Creek and implications for project timeline, budget, and cost structure

Increasing target price to US$4.25/sh; maintain SPEC BUY rating: We are increasing our target price on UEC to US$4.25/sh, from US$3.75/sh previously. Our revised target price reflects an increase in our 12-month NAVPS to US$3.27/sh (from US$2.64 previously) as a result of our updated uranium price deck. We have almost modestly reduced our target price multiple to 1.3x NAV (previously 1.4x NAV) to better reflect average trading multiples over the last month.

Given the 45% implied return to our target, we reiterate our SPEC BUY rating.

Yellow Cake – direct and simple exposure

YCA-AIM £2.69 | BUY | £2.95 TP (previously £2.90)

2021 YTD: YCA's shares have returned ~6% YTD in 2021, running well ahead of spot uranium, which has posted an ~1% gain as of May. As a result, Yellow Cake has traded above spot NAV for much of 2021, beginning the year with an ~2% premium, rising to ~14% at present on a spot price of US$30.75/lb.

There have been several factors outside of the uranium spot price that have driven this movement, including growing consensus among investors of a tightening in spot volumes amid expectation that utilities will soon re-enter the market, and physical uranium trading by the company. In February, the company announced a US$140m capital raising to take advantage of the premium to NAV at the time, with the intention of deploying the cash into uranium purchases via the Kazatomprom contract and further spot market purchases. US$100m in purchases were subsequently finalised via Kazatomprom at US$28.95/lb, with a further 540 klb purchased via the spot market at an average of US$27.82/lb, comparing favourably to the prevailing UxC spot price of ~US$29.63/lb at that time.

Subsequently, Uranium Royalty Corp exercised an option with YCA to purchase ~350 klb in April; however, this has been replenished with ~450 klb of spot purchases in April and May. The company's current physical inventory sits at ~13.3 mlb, purchased for an average cost of US$23.90/lb.

2021 Outlook: Unlike other uranium stocks under coverage, the outlook for YCA is solely related to the performance of the uranium spot market, and we note that news flow is increasingly positive. The US Energy Secretary stated in May that "we're not going to be able to achieve our climate goals if our nuclear power plants shut down. We have to find ways to keep them operating", while there have been capital raises completed by other parties with the intention of making major purchases of physical material. We note that YCA has the capacity to make further purchases in the spot market, with an estimated ~US$26m in cash still on the balance sheet.

UPC/Sprott transaction implications for YCA: We have received a number of questions from investors on the potential impact of the UPC/Sprott investment trust transaction for Yellow Cake – given that UPC and YCA were the only two major uranium holding companies listed on equity markets, and were clear peers within the investment universe (in our view). There are two dominant themes in the market (related to the impact of the UPC/Sprott transaction) which we have gleaned from discussions with investors, these being (1) Potential strength in the uranium price – with the opportunity for significant new investment into the US-listed Sprott trust, this may have the effect of driving up the uranium price as the trust is established; (2) With a competitor being able to issue ATM equity on a constant basis, there is a view that this may lead to a contraction in any premium to NAV which YCA might trade at (as ATM issues trusts tend to trade closer to spot NAV levels given the ability to dynamically buy and sell physical product, as inflows/outflows are realised).

We think potentially what has not been appreciated by the market is that, unlike other commodities which have ETF/Physical trusts, the uranium market is relatively thinly traded. Accordingly, the ability to 'pick and choose' the moments (and prices) to buy and sell may create an advantage for YCA, particularly when considering the Kazatomprom option which YCA holds, which allows the company to purchase up to US$100mpa of U_3O_8, at a price agreed before being communicated to the market for equity funding. Furthermore, we would argue that in order to maximise the value-creation associated with the buying and selling of physical uranium, the volume of investment typically made by institutional investors may necessitate this more selective approach to physical purchases than an ATM model can provide (given the thin nature of the U_3O_8 market already mentioned). Accordingly, while the outcomes remain highly uncertain, we believe there is potential for YCA to become the institutional investor vehicle of choice for physical uranium investment.

Increasing target price to £2.95; reiterate BUY rating: As a result of our higher price deck, we are modestly increasing our target price to £2.95 per share. YCA offers, in our view, simple and direct exposure to an increasing uranium price. As a holding company, YCA provides investors with an indirect way to invest in physical uranium, without being exposed to the operational risks associated with companies that engage in the development, mining and processing of uranium.

Furthermore, in our view, YCA holds a number of key advantages over its closest peer (UPC), namely through the Kazatomprom Framework Agreement, which provides YCA the right to purchase up to US$100m of U_3O_8 each year, at prices agreed prior to announcing the transaction to the market. For further detail on Yellow Cake, please see our initiation report from November 2020.

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