

Fission Uranium: A financing, and possibly a family reunion

Twenty per cent of the world's uranium comes from the Athabasca Basin in north Saskatchewan. In 2014, and again last week, we said that the Basin is in play. Quoting from last week's article:

Watch for bloodshed as corporate and personal scores get settled in north Saskatchewan. Some of the juniors up that way, with weak assets and poor corporate governance and no ability to raise capital, don't deserve to survive. There will be a consolidation play in the area, with one or two of the resulting players then being perfectly set up for takeout at a premium, so make sure your helmet is buckled and your mouthguard is in. Lawyers, proxy advisory firms and investment bankers could make their year-end bonus off the expected activity in the Basin. Points North Landing could become the next Fort McMurray.

Today we received more evidence. Fission Uranium Corp. announced a \$15M flowthrough financing, and later this morning increased that to over \$17M on strong demand. The financing will be cleared through a prospectus resulting in roughly 12 million free trading shares.

This is a bought deal, subject to regulatory approval, at a price per share of \$1.50. Today's market is in the \$1.30 range, so the financing is at a premium of roughly 13%, not uncommon for flowthrough in a normal market, but in today's punishing mining environment should be seen as a coup for the leadership team.

The underwriting group is broad, including BMO Capital Markets, Macquarie Capital Markets Canada Ltd., Raymond James Ltd. and TD Securities Inc. As a bought deal, the houses are

showing extremely strong confidence in being able to sell the deal, and are risking their own house capital in doing so.

Clearly, Fission is getting VIP treatment, and looks like it is being targeted by the investment bankers as a consolidator of the weak sisters in the Basin. The investment bankers are showing much faith in the ability of Fission's Chair, Dev Randhawa, to find, negotiate and close deals on other assets in the Basin. Don't bet against him: Northern Miner Magazine named him 'Mining Person of the Year 2013' and Finance Monthly awarded him with their 'Deal Maker of the Year 2013' award.

And the company is strong in the field as well. Fission's President, Ross McElroy, was the recipient of the Prospector and Developer's Association's prestigious Bill Dennis Award in 2013, recognizing Patterson Lake South as a significant mineral discovery in Canada.

A bit of history makes Fission's press release more interesting: Denison Mines Corp. (TSX: DML, trading today around \$1.00) has a long corporate story, making strong contributions historically to Canada's economy with its uranium mine near Elliot Lake, Ontario. It was in production from 1957 to 1992. Currently it has interests in uranium properties in Mongolia, Zambia, Namibia, and of course in Canada in the Athabasca Basin.

As for its assets in the Basin, and quoting from Denison's press release: *Including the 60% owned Wheeler project, which hosts the high grade Phoenix uranium deposit, Denison's exploration project portfolio consists of numerous projects covering over 467,000 hectares in the eastern Athabasca Basin region of Saskatchewan. Denison's interests in Saskatchewan also include a 22.5% ownership interest in the McClean Lake joint venture, which includes several uranium deposits and the McClean Lake uranium mill, which is currently processing ore from the Cigar Lake mine under a toll milling agreement, plus a 25.17% interest in the Midwest deposit and a 60% interest in*

the J Zone deposit on the Waterbury Lake property.

Fission was birthed in early 2013 through a series of transactions, with Denison as one of its grandparents. With Fission being so prominently backed by the investment bankers, could a family reunion be in the works with Fission planning to make a play for Denison?

We've been saying this for months and will keep saying it. The Basin is in play. There will be a consolidator, leaving the door open for sovereign wealth from other nations or a much larger miner to buy the consolidator at a premium. Right now, Fission looks to be that winner.

NexGen Energy proving to be an appetizing investment target

☒ NexGen Energy Ltd. ('NexGen', TSXV: NXE) is a British Columbia based company involved in exploring and acquiring uranium projects in Canada and especially in Saskatchewan's Athabasca Basin, where it has 100% holdings and controlling interests in promising projects, one of which, the Radio Project, is immediately adjacent to Rio Tinto's Roughrider Deposit. Today, NexGen announced that it has signed an agreement with Cormark Securities Inc. (on behalf of a syndicate of underwriters) to purchase 21,750,000 flow through NexGen shares on a bought deal private placement basis at a price of \$0.46 per share and a total of approximately CAD\$ 10 million. The underwriters have an option to increase the Offering by an additional 3,250,000 Flow-Through Shares, raising the gross proceeds of the Offering to approximately

\$11.5 million. The Offering is expected to close on November 11, 2014 and NexGen will use the proceeds to address exploration costs. The timing of the Offering is ideal because a number of factors are coming together suggesting that better times for the uranium market.

Canada is perhaps the world's leading producer of uranium because it has the largest known recoverable resources (over 450,000 tons) and, most importantly, because some 85% of these resources are exploitable low cost. Demand for uranium is expected to increase significantly in the next few years because of improving and new nuclear reactors being planned in Asia. Canada produces 30% of the world's uranium and exports 80% of its production, which means that there is always the prospect of new deposits being exploited even as production at existing mines can be accelerated to keep up with the pace of demand. In October 2013, Canada, with the unanimous support of its provinces and territories, reached a historic agreement in principle on a free trade agreement (Comprehensive Economic and Trade Agreement – CETA) with the European Union (EU). This agreement received the full support of Canadian and EU officials last August and the final draft of the document is underway.

Prime Minister Harper led a related trade mission to the UK in early September to ensure Canadian companies take full advantage of the historic trade agreement between Canada and the EU. The uranium sector in Saskatchewan will be one of the main beneficiaries of the Agreement and Rio Tinto is especially pleased with CETA because it lifts restrictions on EU investment in the Canadian uranium mining, which can only benefit the sector as a whole. Moreover, while global uranium consumption is 67,000 tons per year, production is 42,000 tons and the difference has come from civilian and military stockpiles, which will be exhausted in 2015. Since 1989, consumption has been higher than production, but even though it started to increase around 2000, it has not been enough to

reach the level of consumption, not to mention the fact that significant known deposits have faced delays such as at Cigar Lake, which could not launch production in 2007 because of flooding. Other producing mines have closed. Athabasca produces grades that are better than the average by a factor of 100 or above. In addition, many uranium plays are in less politically or regulatory stable jurisdictions, while Athabasca uranium is in Saskatchewan one of the most mining friendly provinces of one of the most mining friendly countries in the world and one with ready and efficient infrastructure. Finally there is a purely geological reason.

Uranium has been mined in the Athabasca Basin for more than 60 years, which has allowed geologists and engineers to gather plenty of data about the geological formation of uranium enrichment and the area's unique formations, allowing for the use of much more sophisticated exploration methods than in lesser known areas. The Athabasca Basin in Saskatchewan, where NexGen's interests are concentrated, is the key to Canada's uranium market dominance. All uranium mines operating in Canada are located in Saskatchewan, which can be said to have the highest purity uranium available – 21% uranium, or 100 times the content of the global average and some samples have exceeded 60% purity. Last August, NexGen described very interesting results from two drill holes, rendering it into an appetizing acquisition prospect for any number of candidates from Fission Uranium, Denison, KEPCO and Cameco to Rio Tinto and Areva (the latter taking advantage of the new EU-Canada trade deal). NexGen's proximity to Rio Tinto's Roughrider mine is just one of its advantages; indeed, before settling on the Athabasca basin, NexGen's management spent a great deal of time investigating uranium assets around the world and they settled in Saskatchewan simply because it offered the best resource and infrastructure. NexGen has also focused on the least explored region of the Athabasca, which can only increase the majors' acquisition appetite, diversifying their existing assets. No doubt Cormark Securities has taken all

this into consideration before signing the Offering.