

Ecclestone on NexGen Energy – A Survivor of the Nuclear Winter

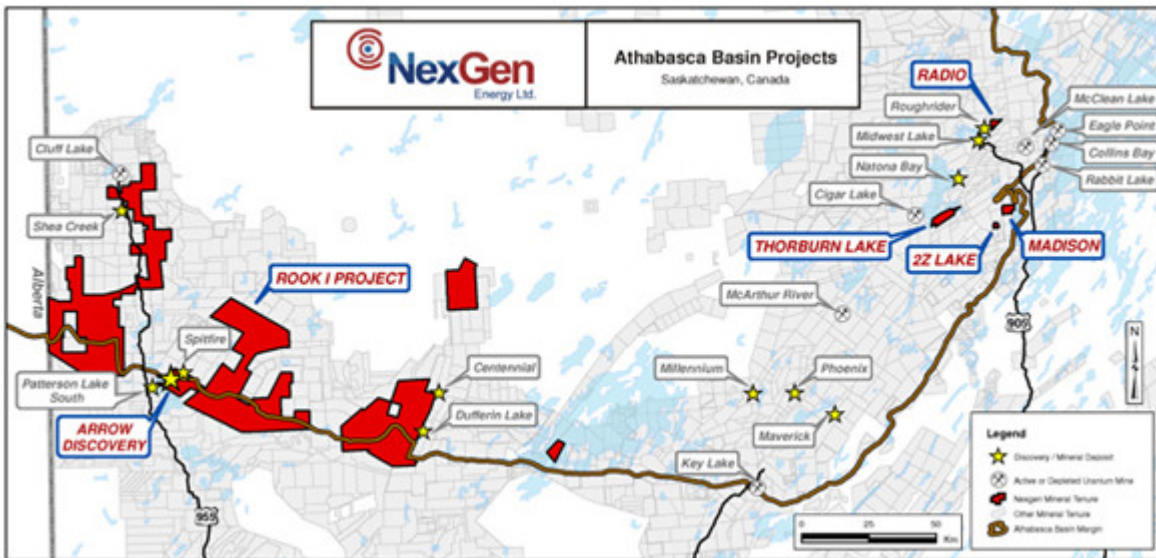
Like Ötzi, the Stone Age hunter found in the Austrian Alps when a glacier started to thaw, the global warming of the uranium space is revealing some perfectly preserved stories that, unlike Ötzi, stand a good chance of revival.

There has indeed been a nuclear winter verging on an Ice Age over the last few years with bad news heaped upon bad news within the context of a pretty dismal financing situation for mining all around.

Some Background

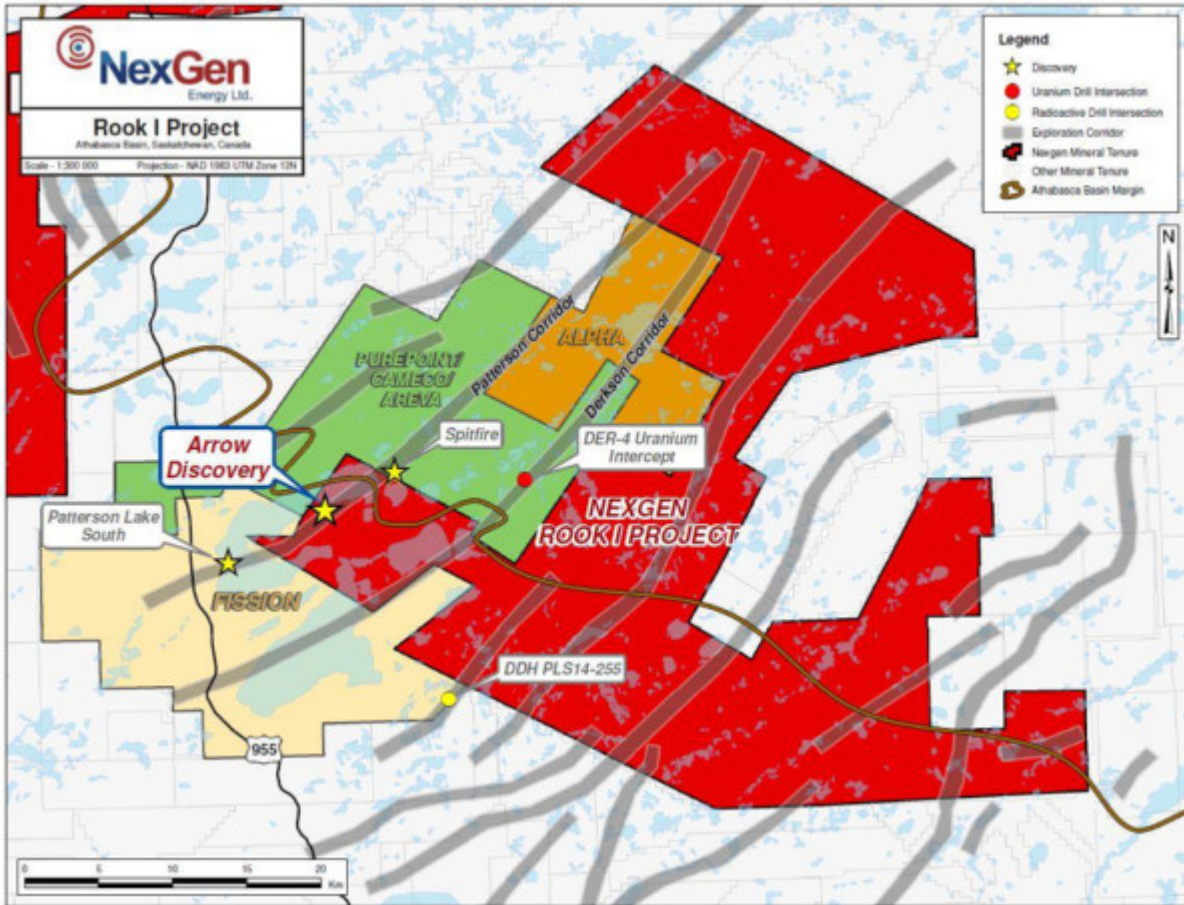
NexGen Energy is a TSXV-listed uranium exploration and development company with a portfolio of projects that span the Athabasca Basin in northern Saskatchewan. NexGen Energy (TSXV: NXE) is solely targeting large and high-grade uranium deposits.

It has a bunch of large scale properties in the south west corner of the basin, in an area where interest is intense and footholds hotly contested between a bunch of juniors and majors. In the core part of the basin it has smaller concessions, such as its Radio property which abuts an advanced territory held by the major, RTZ.



The Rook I claims comprise the largest single land position held by any company in the southwest part of the Athabasca Basin. The 100%-owned Rook I Project hosts the Arrow discovery. One hole at this deposit (AR-14-30) came in as one of the best holes in Athabasca Basin history with 46m @ 10.32% U_3O_8 . The company regards as the most significant recent high-grade uranium discovery made inside the Athabasca Basin. This was only discovered as recently as earlier this year.

It's worth mentioning that the Rook 1 discovery adjoins Fission Uranium (which has been throwing itself around in M&A), the majors Cameco/Areva and Alpha Exploration (which has been employing sharp elbows against NexGen in the courts). The interlocking nature of these concessions can be seen below.



NexGen also holds an option to earn an initial 70%-interest (with a first right of refusal on the remaining 30%) in the Radio project, which is located on trend with Rio Tinto's Roughrider uranium deposit. The company can earn the initial interest by spending \$10 million in exploration expenditures by May 31, 2017. The Roughrider deposit was originally the jewel in the crown of Hathor and the attraction for RTZ in taking over Hathor in 2011 for US\$550mn. RTZ claims that Roughrider has the potential to emerge as one of the top-three global undeveloped deposits and rival Cigar Lake. If a mine was built it would be in the lowest-cost quartile of global mines and warrant a new stand-alone mill. This would be a Tier-1 mine/mill complex with production and life rivalling Rio Tinto's existing mines, with significant expansion potential over 30 to 40 years. However it is felt that any decision to mine would not be likely before 2020.

Additionally, the company holds a 100%-interest in the Thorburn Lake project which is located southwest of the Radio

property and seven kilometres east of Cameco's Cigar Lake mine. The Thorburn property contains a major northeast-southwest lineament that intersects with the Midwest and Roughrider deposits to the northeast.

Athabasca – the Bunching Effect

The Athabasca Basin is the highest-grade uranium district in the world and also represents one of the best mining jurisdictions. As far as North America is concerned it is now the Mecca for uranium exploration. Sure there are other uranium zones in North America but the Athabasca has won for itself that coveted status of having critical mass. It has most of the majors and many juniors. It has numerous mills and processing facilities, which mean that the owners of said facilities have an innate advantage if they pick up other bolt-on assets that can use their existing facilities. This makes the majors into Alpha players in the Basin and juniors into bite-sized snacks. Whatever rhapsodies one might conjure about Texas or Ontario or Wyoming, the Athabasca has already got itself a pole position.

Vague Stirrings

The yellow mineral had made fools and liars of many in recent years, including ourselves. That said, every dog has its day and some of the things that weighed on the uranium price (most notably the Japanese plant shutdown) are retreating as issues. At the risk of being made to look foolish again, we think the tide has turned for Uranium and would not be surprised to see it close to \$40 per lb by year end and break through \$50 per lb by the end of next year. This is scarcely the stuff of which booms are made but players in the uranium space need the price going consistently in one direction to restore confidence. As we have seen before the WORST thing is a spike because it inevitably presages a plunge.



This is a mineral that needs a consolidation and a slow build NOT another pump and dump. We suspect the flow of news will be all good from here on out with the Japanese reopening combining with the massive surge of building in China and elsewhere and the tapering sales from stockpiles (weren't they supposed to be over by now?) leading to a Perfect Rain Shower, if not a Perfect Storm for the uranium price outlook.

Financing

In an age when rustling up any financing is a feat in itself, NexGen managed to pull off a major financing even by standards of the "good old days" in the last month. The company entered into an agreement with Cormark Securities, on behalf of a syndicate of underwriters to purchase 21,750,000 flow-through shares on a bought deal private placement basis. The flow-through shares are being offered at a price of \$0.46 per share for aggregate gross proceeds of approximately \$10 million. There is also an option to increase the size by an additional 3,250,000 flow-through shares. The closing of the Offering is

expected to occur on or about November 11. According to the company's presentation there was over \$4mn on hand in September so the additions of these new funds would put the company in a very strong position.



It also might be noted that the company's 9.6mn options outstanding are exercisable in the 30ct to 42.5ct range, which is where the stock is trading now. The far more substantial warrants outstanding (39.505mn) with their strike prices being in the relatively near range of 40cts to 65cts. Therefore the potential exists for the exercise of quite a large number of the these instruments in the relatively short term.

Conclusion

The Uranium space has seen some corporate actions in the last 12 months despite the dire conditions. The main assets that have been sought are those that are contiguous to already producing assets (i.e. in the Athabasca Basin). Why? Because existing processing facilities can be used. Other assets in more isolated locations signal a need to not only develop a mine but also all the processing and infrastructure. On top of

that there is dealing with the vagaries of administrations that they "love mining" and love uranium" until some luckless company actually tries to permit one.

With uranium starting to thaw the inevitable focus will turn to tried and true jurisdictions. Already some of the bigger names in the space have moved off their lows, as has the physical ETF. That is inevitable in an era where production is king. Next movers will be those stocks perceived to be takeover fodder amongst the juniors. The best takeover fodder are those that potentially boost the deposits of majors with which they are contiguous.

After the long exploration drought there are either companies with resources that are in places you wouldn't want to go to in boom years let alone dull ones or those companies, like NexGen, that have positioned themselves in the firing line for the next wave of consolidation as major make up for lost time by positioning their property holdings in the firing line of those larger players with the wherewithal to acquire juniors for cash or newly re-rated stock.