

DESK NOTE

06.01.2025

NexGen Energy (NXE US) – Low-Cost, High-

Impact: NexGen's Path to Uranium Leadership

Conclusive Summary: NexGen Energy is uniquely positioned to become a major player in the uranium sector with its flagship Rook I project, one of the most promising uranium developments globally. This perfectly complements our thesis on accelerating uranium prices, as outlined in today's uranium desk note. As detailed in recent updates, Rook I's robust project economics, including a low operating cost of US\$10.40/lb U₃O₈ and a 39.6% after-tax IRR at US\$80/lb uranium prices, highlight its potential to generate significant free cash flow. The company's recent offtake agreements with U.S. utilities, locking in supply of 1 Mlb/year from 2029 to 2033, underscore growing confidence in the project's viability and market demand. With a structural uranium supply deficit expected to persist, NexGen's strategic positioning in the Athabasca Basin provides a strong competitive edge. Despite risks inherent to permitting and construction, the project is well-de-risked following federal technical review completion, and further permitting milestones are anticipated in 2025. NexGen offers a compelling medium- to long-term investment opportunity with 12m upside of 43%.

Competitive Position: NexGen's Rook I project in the Athabasca Basin, Canada, is set to be one of the lowest-cost uranium mines globally, with an average annual output of 29.2 Mlbs during its first five years of production. The project's significant reserve base of 239.6 Mlbs at a high-grade 2.37% U₃O₈ positions NexGen as a critical supplier in a bifurcated uranium market, increasingly reliant on Western production. The company's ability to secure offtake agreements with U.S. utilities reflects the strategic importance of Rook I to secure long-term uranium supply outside of Russian and Kazakh sources. NexGen's low operating and development costs, combined with robust project economics, make it a standout among junior uranium developers. With further offtake agreements expected, NexGen is building a strong contract book that balances downside protection (US\$79/lbs floor) with upside potential (US\$150/lbs ceiling).

Valuation: Based on a DCF valuation and EBITDA multiple (2033), we set a 12-month blended target price of US\$13.20, representing a 45% upside from current levels. Further upside exists as uranium prices continue to strengthen and Rook I achieves additional milestones.

Ticker: NXE US

Previous day close price: \$10.75

Price range (52w.): \$7.04 - 12.14

Target price: \$13.2 (+43% upside)

Buy price: \$9.2 or lower

Reason for note: Regular review of strategic ideas

Recommendation: **Buy@ \$9.2**

Description: NexGen Energy Ltd. (NXE) is a Canadian uranium development company focused on its flagship Rook I project, located in the Athabasca Basin, one of the world's premier uranium districts. Rook I hosts the high-grade Arrow deposit, with proven and probable reserves of 239.6 million pounds of U₃O₈ at an average grade of 2.37%. NexGen is advancing the project through permitting and pre-construction phases, aiming to become one of the lowest-cost uranium producers globally. The company's strategic focus includes building a vertically integrated operation to support growing Western demand for uranium amid shifting geopolitical dynamics. First revenue is expected in 2028-2029.

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| Forward multiple | | Factor | Target EV | Net Debt | Target MCap PV | Shares | Target Price |
|---------------------------|---|---------|-----------|----------|----------------|--------|--------------|
| EV/EBITDA 2033 | 9 | 1,812.0 | 16,308.2 | 100.0 | 8,274.9 | 566.0 | \$14.62 |
| DCF Price | | | | | | | \$11.78 |
| Avg. Multiple & DCF Price | | | | | | | \$13.20 |

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