

## Uranium Update

### *The World Still Needs Power, So It Still Needs Uranium*

## Thematic

March 26, 2020

**Uranium fundamentals are unchanged, as the broader market drags uranium equities down.** We continue to be bullish regarding our outlook for the uranium price over the medium to long-term. Following the UxC's Q1 2020 report and the Cigar Lake shutdown our updated supply-demand model shows a slight deficit for 2020 that is set to rapidly expand as several mines reach end of life starting in 2021. While uranium equities have been dragged down with the broader market (uranium equities off 25% in the last month), the unchanged underlying fundamentals suggest uranium equities are attractively valued. That being said, we are of the view that investors should wait for the liquidity driven selling in the broader market to abate before aggressively buying. Early signs suggest we may be through this period of concern.

**COVID-19 is not expected to impact longer-term supply-demand fundamentals but may create a black swan event.** We view COVID-19 as a transient event and we do not expect it to either 1) impact uranium consumption or 2) alter the long-term fundamentals. However, with the uranium market expected to be tight in 2020, and Cigar Lake (Cameco – ~10% of global supply) now shutdown for four weeks, the spot market is getting tighter. The loss of Cigar Lake (~1.5Mlbs of production) likely needs to be replaced from the spot market. The impact on the market will depend on the duration of the Cigar Lake shutdown and whether other globally significant producers like Olympic Dam (BHP – ~5% of global supply) and Kazatomprom (~31% of global supply) need to curtail operations.

**We remain bullish on the uranium market over the medium-term.** There remain a number of near-term catalysts that could help drive the expected price increase including:

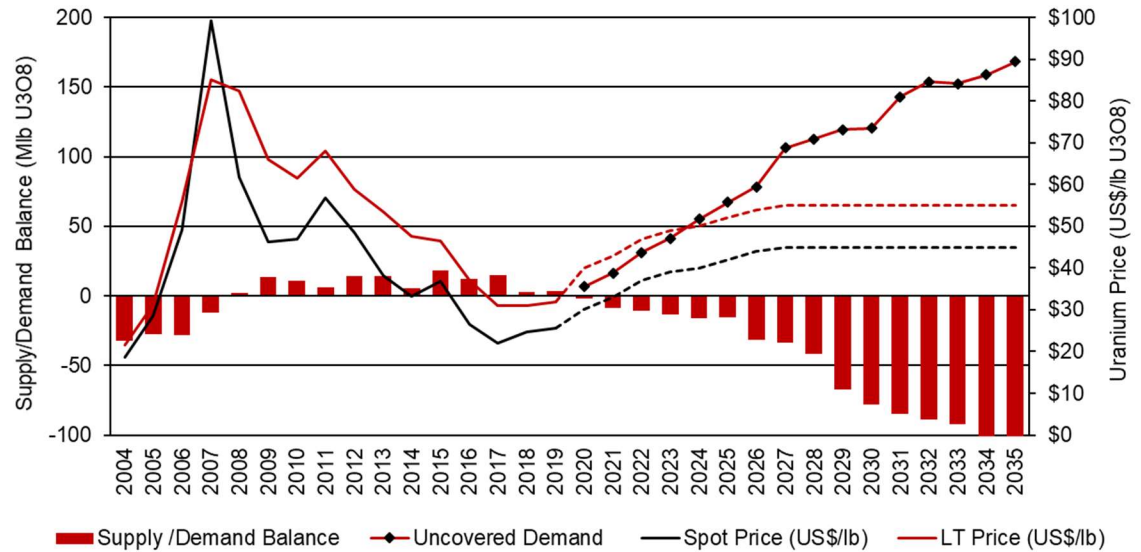
- **Tightening spot market should force utilities into long-term contracts.** With Cameco (TSX:CCO, Not Covered) indicating it plans to buy 20-22M lbs out of the spot market, and Kazatomprom (KAS:KZAP, Not Covered) suggesting they won't sell into it, the spot market is tightening as inventories decline.
- **Increase in SWU, UF6 and Conversion prices should be a leading indicator.** With SWU, UF6 and Conversion seeing material price increases last year, this suggests that the market is tightening and U3O8 should move higher. In particular, the increase in SWU prices should increase uranium demand, as more U3O8 is likely to be used to produce the same amount of fuel.
- **Section 232/NFWG saga ending plus the creation of U.S. strategic reserve.** We believe the proposal to create a U.S. strategic uranium reserve is part of the support expected for U.S. uranium miners from the NFWG. In our view, the end of this saga is key because it allows U.S. utilities to return to the long-term market.

**Valuations are in the tank but the uranium price remains steady.** Uranium equities have not been immune to liquidity driven selling (i.e. the race to cash); however, the uranium spot price has remained steady. Our view is that valuations for most companies are very attractive and present good entry points for long-term investors.

**Favour cheap high-quality assets, high-risk jurisdictions and companies with US projects.** Our top picks remain, Fission Uranium (TSX:FCU, BUY, C\$1.00 target, Derek Macpherson) and Gobiex (TSXV:GXU, BUY, C\$0.45 target, Derek Macpherson); however, we are warming up to US producers and developers as the proposed US strategic uranium reserve could be material benefit depending on structure.

## Updated Model, Same Conclusion – The Price Must Go Higher

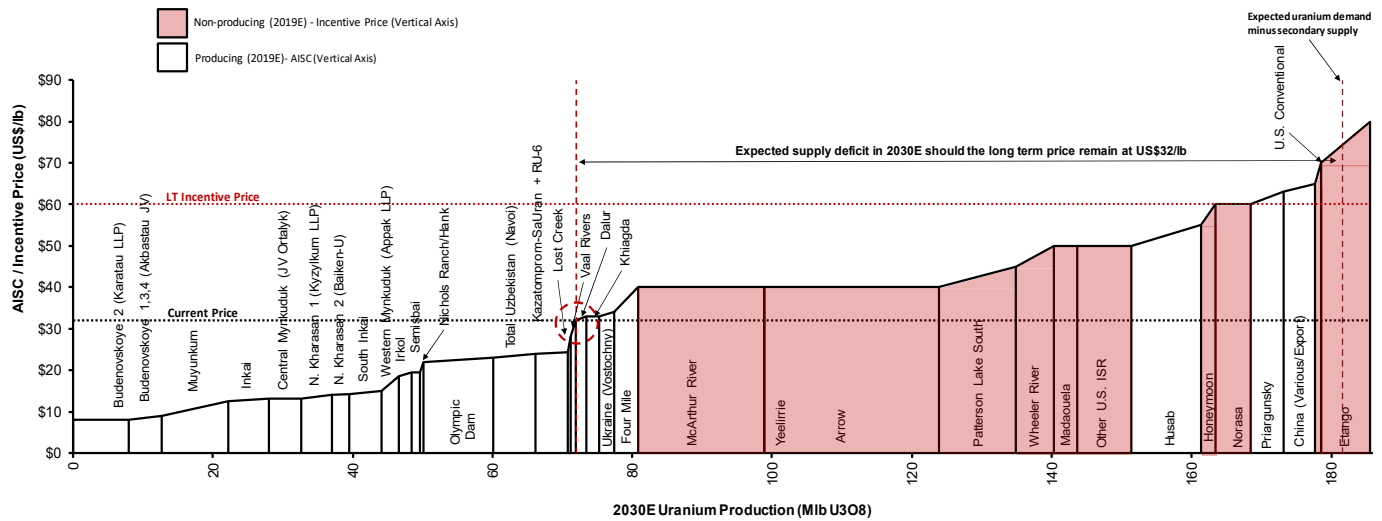
Figure 1: Red Cloud Updated Supply-Demand Model



Source: Company Reports, RCS Estimates, Capital IQ, UxC, WNA

### Market still in deficit and the stand-off between utilities and continues.

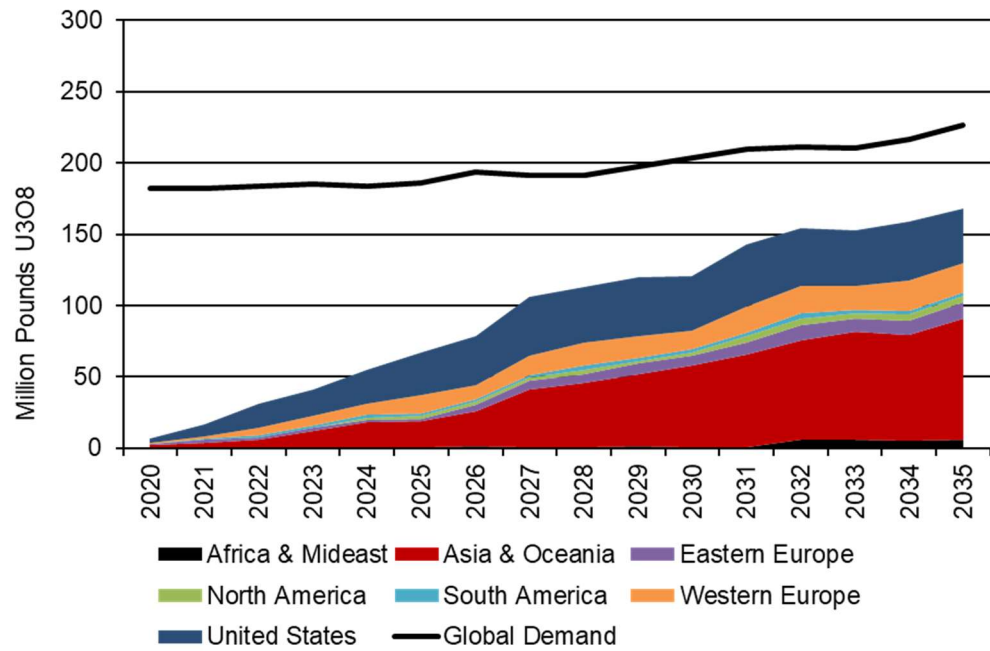
Taking into account recent developments in the uranium space and the UxC's quarterly updated, we have updated our supply-demand model (Figure 1), while there have been some small changes our conclusion remains unchanged – **for future uranium demand to be met the price must rise** (Figure 2). However, the stand-off between producers and utilities continues, with Cameco (TSX:CCO, Not Covered) and Kazatomprom (KAS:KZAP, Not Covered), refusing to contract at the current long-term price. Plus, Kazatomprom has committed to not selling into the spot market and Cameco has guided that it plans to purchase 20-22Mlbs out of the spot market (about ~31% of the 2019 spot market) in 2020.

**Figure 2: 2030E Forward Looking Uranium Cost Curve**


Source: RCS Estimates, UxC, WNA, S&P Global Market Intelligence

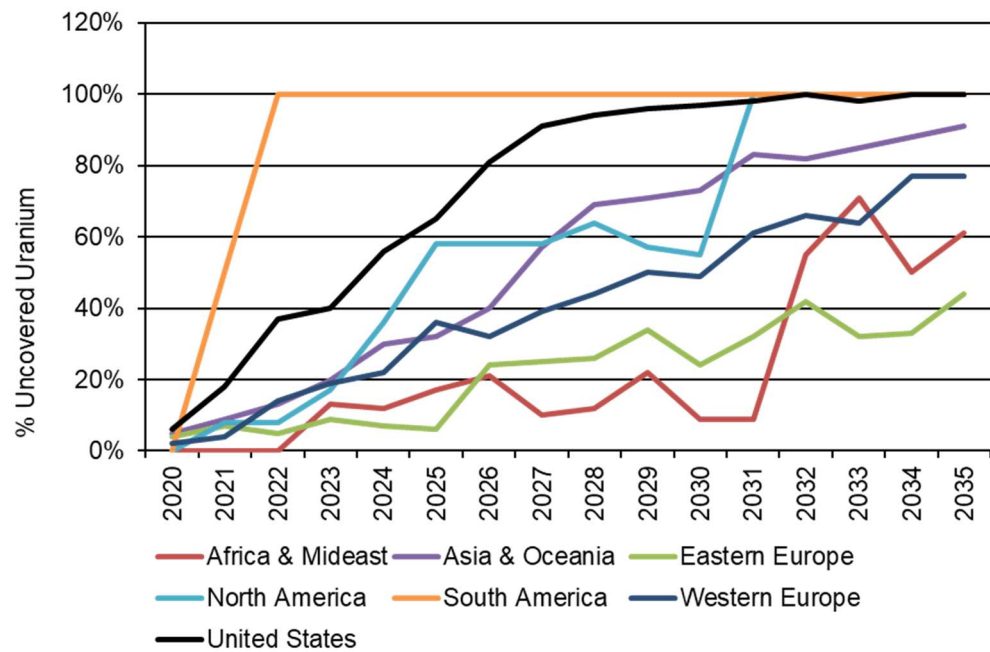
**Breakdown of uncovered demand suggests U.S. utilities (~26% of global demand) need to be executing new long-term contracts today.** For the first time the UxC has provided a breakdown of uncovered demand by region which is very telling (Figure 3). Most importantly, starting in 2022, 37% of U.S. requirements are uncovered (~17Mlbs or 9% of global demand - Figure 4), with typical delivery on long-term contracts being ~2 years, this suggests that utilities need to be aggressive with new long-term contracts, particularly since we expect a supply deficit of 31Mlbs in 2022. Additionally, the majority of uncovered demand comes from the Asia & Oceania region, which supports our view that projects in higher risk jurisdictions are likely to be coveted by reactor and uranium suppliers which dominate the builds in this region (China Nuclear International Uranium Corporation and the Rosatom State Nuclear Energy Corporation).

Figure 3: Uncovered Demand by Region (Q1 2020 UxC Report)



Source: UxC, RCS Estimates

Figure 4: Uncovered Uranium Requirements (Q1 2020 UxC Report)

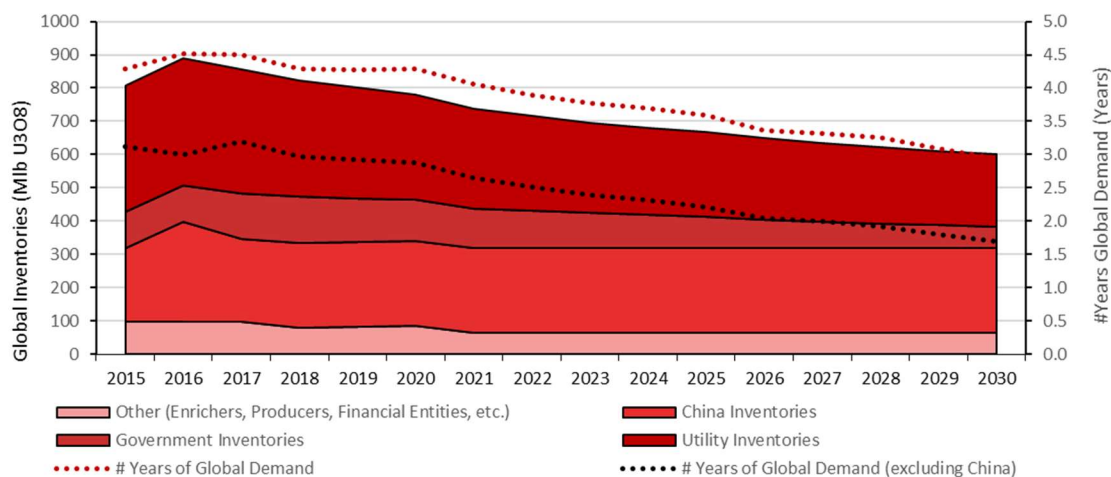


Source: UxC, RCS Estimates

## Market deficit and uncovered demand should accelerate inventory decline.

Global inventories are at ~780Mlbs U<sub>3</sub>O<sub>8</sub>e (Figure 5), which compares to 2020E demand of ~182Mlbs U<sub>3</sub>O<sub>8</sub>e. However, we believe ~33% is Chinese strategic supply for its aggressive reactor build plans both domestically and abroad. This suggests that inventory available for utilities, continues to be below three years. With utilities preferring to hold two to three years of inventory, and long-term contracts taking more than two years for first delivery, the time for new long-term contracts is now.

**Figure 5: Estimated Global Uranium Inventories**



Source: RCS Estimates, UxC, WN

## Why We Remain Bullish

While the supply-demand picture continues to be very bullish for uranium prices, there are several near-term catalysts that may accelerate price discovery. We note that while COVID-19 is unlikely to impact fundamentals, it could slow utility plans for long-term contracting.

**Could Cigar Lake kick-off the bull market again.** COVID-19 has resulted in unprecedented actions by global governments in an effort to abate its spread. On March 23, Cameco announced that it is shutting down Cigar Lake for four weeks because of the COVID-19 pandemic. For every four weeks the mine is shutdown, ~1.5Mlbs of production is removed from 2020, pushing the market further into deficit. For context, 1.5Mlbs represents ~1% of global supply. Additionally, we are paying close attention to other globally significant mines including Olympic Dam (BHP – ~5% of global supply) and Kazatomprom (~31% of global supply). We note that Kazakhstan has just implemented a lockdown on two of its major cities, which could eventually lead to reduced uranium production. While, we expect the spot price to rise materially, we expect a more muted reaction than 2005 when Cigar Lake flooded, as the mine supply is not permanently removed (supply is deferred); however, we expect it to expose just how tight the uranium market is.

**Increase in SWU, UF6 and Conversion prices should be a leading indicator.**

With SWU, UF6 and Conversion seeing material price increases last year, which suggests utilities are trying to acquire fuel that can be used in the near-term. In particular, the increase in SWU prices suggests that enrichers are at capacity. As SWU prices increase it is likely that enrichers will use more U308 to produce the same amount of enriched uranium, effectively increasing demand (reduced underfeeding results in higher tail grades). This has the effect of pushing demand for U308 higher. While not immediate, this cascade could push the market further into deficit.

**The saga continues but the strategic uranium reserve could be the light at the end of the tunnel.**

We continue to expect the findings of the Nuclear Fuel Working Group (NFWG) to be released eventually, putting an end to the Section 232 saga that started in 2018. Based on the budget proposed by the U.S. President, it wants to create a strategic uranium reserve, by buying US\$150M worth of uranium per year for 10 years. At current prices, this equates to +5M lbs U308 per year which is about 22 times current US primary mine production and 1.5 times total supply. It is important to note that this is yet to be approved by Congress and the details of the purchases (i.e. eligible sellers, form of purchase – long-term contract or spot, etc.). However, based on the [leaked findings](#) of NFWG, this is likely to be a positive for U.S. based producers and developers. U.S. developers under coverage include: Anfield Energy (TSXV:AEC, restricted) and Laramide Resources (TSX:LAM, BUY, C\$0.95 target – page 8)

**Spot market finishes 2019 strong, starts 2020 weak but we expect it to strengthen.**

As noted in our last update, the spot market finished 2019 strong with 64.3M lbs U308e of transactions being completed. We highlight that 2019 would have been one of the highest volume years on record, except that 2018 was a record year because of the creation of Yellowcake PLC (AIM:YCA, not covered). We note that there have been very few spot transactions in the first six weeks of 2020; however, we still expect Cameco to purchase 20-22M lbs out of the spot market along with the additional material needed to make-up for Cigar Lake shutting down. With depletion closing some of Orano's mines the potential exists for them to be in the market as well. Additionally, with Kazatomprom indicating that it is planning to not sell into the spot market we expect it to tighten and the spot price to move higher.

**Long-term contracting is coming, as largest producers constrain the spot market.**

In 2019, the amount of uranium contracted on a long-term basis was effectively flat YoY. For price to increase to where we think it belongs, long-term contracting needs to increase. Of note, according to the UxC, 60% of LT volume was contracted by non-U.S. utilities, which was expected given the overhang of Section 232/NFWG. In our view, the work by Kazatomprom and Cameco to reduce the amount of material available in the spot market, should force utilities into the long-term market. Which should ultimately result in the long-term price increasing to the +US\$40/lb U308e that producers expect, and developers need.

## Best Boats Getting Ready to Float: Updated Company Assessment

**Continues to be several compelling opportunities in uranium, augmented by liquidity driven selling.** Using the same criteria as our [original uranium report](#) (Appendix A), we have reassessed the sector, with changes indicated in Figure 6. In particular, where liquidity driven selling has impacted valuations companies, have moved up the ranking.

**Adjusting our view for U.S. producers and developers.** While we continue to prefer higher risk jurisdictions, as the builders of nuclear reactors and suppliers of fuel for the developing world are comfortable operating there, the U.S. is starting to interest us again. While the details are not finalized, the U.S. administration's intent to create a strategic reserve and support U.S. uranium mining should provide a tailwind for U.S. based projects. As a result, we have adjusted up our jurisdictional rating for companies with U.S. projects.

**Figure 6: Company Assessment with Ranking Changes**

| Uranium Producer              | Ticker   | MC (US\$M) | Country Name | Cost | Financeability | Exploration Upside | Country | Relative valuation | Time to Production | Total Score | Δ |
|-------------------------------|----------|------------|--------------|------|----------------|--------------------|---------|--------------------|--------------------|-------------|---|
| Kazatomprom                   | KAS:KZAP | \$ 3,043.5 | Kazakhstan   |      |                |                    |         |                    |                    |             |   |
| Cameco Corporation            | TSX:CCO  | \$ 2,650.6 | Canada       |      |                |                    |         |                    |                    |             |   |
| Peninsula Energy Limited      | ASX:PEN  | \$ 16.4    | USA          |      |                |                    |         |                    |                    |             |   |
| Energy Fuels Inc.             | TSX:EFR  | \$ 111.9   | USA          |      |                |                    |         |                    |                    |             |   |
| Ur-Energy Inc.                | TSX:URE  | \$ 52.1    | USA          |      |                |                    |         |                    |                    |             |   |
| Energy Resources of Australia | ASX:ERA  | \$ 308.0   | Australia    |      |                |                    |         |                    |                    |             |   |
| Uranium Explorer/Developer    | Ticker   | MC (US\$M) | Country Name | Cost | Financeability | Exploration Upside | Country | Relative valuation | Time to Production | Total Score | Δ |
| Global Atomic Corporation     | TSX:GLO  | \$ 34.1    | Niger        |      |                |                    |         |                    |                    |             |   |
| Paladin Energy Limited        | ASX:PDN  | \$ 54.4    | Namibia      |      |                |                    |         |                    |                    |             |   |
| GoviEx Uranium Inc.           | TSXV:GXU | \$ 30.3    | Niger        |      |                |                    |         |                    |                    |             |   |
| Deep Yellow Limited           | ASX:DYL  | \$ 21.9    | Namibia      |      |                |                    |         |                    |                    |             |   |
| Uranium Energy Corp.          | AMEX:UEC | \$ 104.8   | USA          |      |                |                    |         |                    |                    |             | Δ |
| Fission Uranium Corporation   | TSX:FCU  | \$ 47.0    | Canada       |      |                |                    |         |                    |                    |             |   |
| NexGen Energy Ltd.            | TSX:NXE  | \$ 233.8   | Canada       |      |                |                    |         |                    |                    |             |   |
| Denison Mines Corp.           | TSX:DML  | \$ 136.1   | Canada       |      |                |                    |         |                    |                    |             | Δ |
| Anfield Energy Inc.           | TSXV:AEC | \$ 3.4     | USA          |      |                |                    |         |                    |                    |             | Δ |
| Boss Resources Limited        | ASX:BOE  | \$ 32.2    | Australia    |      |                |                    |         |                    |                    |             |   |
| Laramide Resources Limited    | TSX:LAM  | \$ 14.8    | USA          |      |                |                    |         |                    |                    |             | Δ |
| UEX Corporation               | TSX:UEX  | \$ 20.4    | Canada       |      |                |                    |         |                    |                    |             | Δ |
| Aura Energy Limited           | ASX:AEI  | \$ 4.1     | Mauritania   |      |                |                    |         |                    |                    |             | ▽ |
| Azarga Uranium Corp.          | TSX:AZZ  | \$ 11.6    | USA          |      |                |                    |         |                    |                    |             |   |
| enCore Energy Corp.           | TSXV:EU  | \$ 10.4    | USA          |      |                |                    |         |                    |                    |             |   |
| Alligator Energy Limited      | ASX:AGE  | \$ 1.7     | Australia    |      |                |                    |         |                    |                    |             |   |
| Western Uranium & Vanadium    | CNSX:WUC | \$ 21.9    | USA          |      |                |                    |         |                    |                    |             | Δ |
| Appia Energy Corp.            | CNSX:API | \$ 7.4     | Canada       |      |                |                    |         |                    |                    |             | ▽ |
| Forum Energy Metals Corp.     | TSXV:FMC | \$ 4.9     | Canada       |      |                |                    |         |                    |                    |             | Δ |
| Berkeley Energia Limited      | ASX:BKY  | \$ 17.0    | Spain        |      |                |                    |         |                    |                    |             |   |
| Vimy Resources Limited        | ASX:VMY  | \$ 8.4     | Australia    |      |                |                    |         |                    |                    |             | Δ |
| Blue Sky Uranium Corp.        | TSXV:BSK | \$ 6.2     | Argentina    |      |                |                    |         |                    |                    |             | ▽ |
| Forsys Metals Corp.           | TSX:FSY  | \$ 11.5    | Namibia      |      |                |                    |         |                    |                    |             |   |
| Energy Metals Limited         | ASX:EME  | \$ 7.2     | Australia    |      |                |                    |         |                    |                    |             |   |
| Toro Energy Limited           | ASX:TOE  | \$ 7.8     | Australia    |      |                |                    |         |                    |                    |             |   |
| Lotus Resources               | ASX:LOT  | \$ 10.0    | Malawi       |      |                |                    |         |                    |                    |             |   |
| Bannerman Resources Limited   | ASX:BMN  | \$ 13.3    | Namibia      |      |                |                    |         |                    |                    |             |   |
| Plateau Energy Metals Inc.    | TSXV:PLU | \$ 10.9    | Peru         |      |                |                    |         |                    |                    |             |   |

Source: Company Reports, RCS Estimates, Capital IQ, UxC, WNA

**Figure 6 contd.: Company Assessment with Ranking Changes**

| Uranium Explorer                      | Ticker         | MC (US\$M) | Country Name | Cost | Financeability | Exploration<br>Upside | Country | Relative<br>valuation | Time to<br>Production  | Total Score | Δ |
|---------------------------------------|----------------|------------|--------------|------|----------------|-----------------------|---------|-----------------------|------------------------|-------------|---|
| IsoEnergy Limited                     | TSXV:ISO       | \$ 15.7    | Canada       |      |                |                       |         |                       |                        |             |   |
| Fission 3.0 Corp.                     | TSXV:FUU       | \$ 3.9     | Canada       |      |                |                       |         |                       |                        |             | ▽ |
| ALX Resources Corp.                   | TSXV:AL        | \$ 1.8     | Canada       |      |                |                       |         |                       |                        |             |   |
| CanAlaska Uranium Limited             | TSXV:CVV       | \$ 6.6     | Canada       |      |                |                       |         |                       |                        |             | ▽ |
| Skyharbour Resources Ltd.             | TSXV:SYH       | \$ 5.2     | Canada       |      |                |                       |         |                       |                        |             |   |
| Purepoint Uranium Group Inc.          | TSXV:PTU       | \$ 6.2     | Canada       |      |                |                       |         |                       |                        |             |   |
| Azincourt Energy                      | TSXV:AAZ       | \$ 2.1     | Canada       |      |                |                       |         |                       |                        |             |   |
| International Montoro Resources       | TSXV:IMT       | \$ 0.6     | Canada       |      |                |                       |         |                       |                        |             |   |
| Belmont Resources Inc.                | TSXV:BEA       | \$ 0.2     | Canada       |      |                |                       |         |                       |                        |             |   |
| Uranium Investment Vehicle            | Ticker         | MC (US\$M) | Country Name |      | Leverage       | Liquidity             | Fees    | Relative Cost         | Exposure to<br>Uranium | Total Score | Δ |
| Mega Uranium Ltd.                     | TSX:MGA        | \$ 13.5    | Australia    |      |                |                       |         |                       |                        |             |   |
| Uranium Participation Corp.           | TSX:U          | \$ 326.0   | Canada       |      |                |                       |         |                       |                        |             |   |
| Uranium Royalty Corp.                 | TSXV:URC       | \$ 43.1    | Canada       |      |                |                       |         |                       |                        |             |   |
| Yellow Cake plc                       | AIM:YCA        | \$ 187.3   | Kazakhstan   |      |                |                       |         |                       |                        |             |   |
| North Shore Global Uranium Mining ETF | NYSE ARCA:URNM | \$ 2.5     | USA          |      |                |                       |         |                       |                        |             |   |
| Horizons Global Uranium Index ETF     | TSX:HURA       | \$ 4.8     | Canada       |      |                |                       |         |                       |                        |             |   |
| Global X Uranium ETF                  | NYSE ARCA:URA  | \$ 181.9   | USA          |      |                |                       |         |                       |                        |             |   |

Source: Company Reports, RCS Estimates, Capital IQ, UxC, WNA

## Red Cloud Uranium Coverage Update

### **Anfield Energy Inc. (TSXV:AEC)**

Analyst: Derek Macpherson

Rating: Restricted

Target: Restricted

(Currency is CAD\$ unless noted otherwise)

|                                   |                 |
|-----------------------------------|-----------------|
| Closing Price                     | \$0.15          |
| Rating                            | BUY             |
| Target (C\$/sh)                   | \$0.80          |
| Return to Target                  | 433%            |
| 52 Week Low / High                | \$0.10 / \$0.39 |
| <b>CAPITALIZATION</b>             | Basic Diluted   |
| Shares Outstanding (M)            | 73.8 89.2       |
| Market Capitalization (\$MM)      | \$11.1          |
| Enterprise Value (\$MM)           | \$9.8           |
| Last Reported Quarter Cash (\$MM) | \$1.3           |
| Total Debt (\$MM)                 | \$0.0           |

## Appia Energy Inc. (CSE:API)

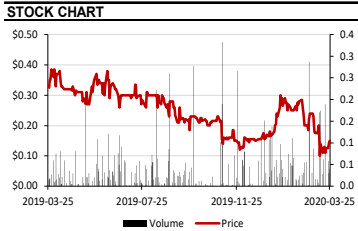
Analyst: Jacob Willoughby

Rating: BUY

Target: C\$0.80/share (unchanged)

Methodology: In-Situ Valuation

### Our View



Appia Energy is a uranium and REE exploration company focused on advancing its assets in Saskatchewan and Ontario. Appia released drill results from its 2019 Alces Lake property, which continue to showcase its high-grade potential. Additionally, retesting of 2017 drilling at Alces Lake has returned high gallium content, which the U.S. has deemed a critical element that has many technological and defense applications. We believe the market is not properly valuing the REE potential at Alces Lake.

### Highlights:

- Eight new zones discovered with characteristics of REE mineralization.** During its 2019 prospecting program on its Alces Lake property the company sampled three zones with grab and channel samples (Biotite Lake, Quartzite and Thomas), one zone was previously sampled in 2017 (Cone) and four showings remain unsampled. The Biotite Lake zone returned the most impactful results to-date, with an average of 2.09 wt% TREO, which extended the REE mineralization footprint to over 1.8km.
- Results from summer 2019 drill program at Alces Lake.** In total, 44 short diamond drill holes (~2,042m) were completed, with 40 returning intersections with the REE mineral system and 19 returning high-grade TREO intercepts. Highlight intersections at the Ivan zone included: 1) 16.1 wt% TREO over 11.65m (IV-19-012) and 2) 37.6 wt% TREO over 1.05m (IV-19-011). Additionally, a new high-grade zone, the Richard zone, was discovered which returned 7.8 wt% TREO over 8.9m (RI-19-001).
- Transitioning from technical success to discovery.** Appia is demonstrating that the combination of gravity surveying together with drilling has been an effective means for transitioning from technical success to discovery. With the depth potential of Alces Lake remaining largely untested, substantial upside potential exists from further exploration.

### Valuation:

**We reiterate our view that Appia provides exceptional exposure to rare earth price momentum as it closes in on a growing discovery at Alces Lake.** We are maintaining a BUY rating and our target of C\$0.80/sh based on an in-situ value for the company's uranium assets, and the exploration potential of Alces Lake. We continue to believe the company's unique combination of REE and uranium assets provide excellent exposure to improving market fundamentals in both markets. **Upcoming Catalysts include** 1) Follow-up studies defining xenotime hosted REE and 2) further drilling.

(Currency is CAD\$ unless noted otherwise)

|                                   |                 |
|-----------------------------------|-----------------|
| Closing Price                     | \$0.05          |
| Rating                            | NA              |
| Target (\$C/sh)                   | NA              |
| Return to Target                  | NA              |
| 52 Week Low / High                | \$0.03 / \$0.14 |
| <b>CAPITALIZATION</b>             | Basic Diluted   |
| Shares Outstanding (M)            | 142 225.0       |
| Market Capitalization (\$MM)      | \$6.4           |
| Enterprise Value (\$MM)           | \$5.7           |
| Last Reported Quarter Cash (\$MM) | \$0.7           |
| Total Debt (\$MM)                 | \$0.0           |

#### STOCK CHART



## Fission 3.0 Corp (TSXV:FUU)

Analyst: Derek Macpherson

### Our View

Fission 3.0 is a uranium focused exploration company that has a management team that has created value with the drill bit multiple times in the Athabasca Basin. As well, over the last eight years, management had the ability (both technical and financial) to build a portfolio of the highest quality uranium prospects in the basin.

### Highlights:

- **Lots of potential synergies and exploration upside.** Fission 3.0 has prospective ground in the backyard of Fission Uranium's PLS project, creating operating synergies for Fission 3.0 and FCU. In March, Fission consolidated 100% ownership of Patterson Lake North and plans to drill multiple EM conductors and faults in the same Clearwater Domain which saw the discovery of Triple R. Previous drilling has identified a large shallow 700m trend that is a focus to follow-up on.
- **Additional assets next door to high-grade mines.** Follow-up drill targets include: 1) The south-eastern part of the Basin (McArthur River, Cigar Lake and Wheeler River) which hosts one of the most important high-grade trends of uranium mines and projects in the world, 2) the North-East Basin (Cree Bay) which is located 5 km away from the past producing Nisto Uranium Deposit (500 tons at 1.6% U<sub>3</sub>O<sub>8</sub>), and 3) the North Basin (Beaverlodge Area) which was a major uranium producing district in the 1950s and 1960s. We believe these targets add tremendous exploration upside due to their proximity to previously producing assets.
- **Closing in on future targets.** Having intersected radioactivity and strong alteration in multiple holes, we believe future work will include following-up on promising geophysical signatures which outline structural deformation and mineralized areas within the basin, adding significant exploration potential. Additionally, the company added 4,858 ha of new claims to the north and east of the Beaver River property securing a prospective trend northeast of the Trigger zone. Additionally, boulder field sampling at the Hearty Bay project returned assays of up to 8.23% U<sub>3</sub>O<sub>8</sub> and Marine acoustic seismic survey identified the potential source location to the NE of the boulder fields. The area is a priority area for future drill testing.

### Valuation:

**Advancing towards a discovery, and 2020 could be the year.** We view Fission 3.0 as a cheap option on a potentially material uranium discovery in the Athabasca Basin. **Upcoming Catalysts include:** 1) exploration results from Hearty Bay, 2) interpretation of completed geophysics and 3) 2020 exploration plans.

(Currency is CAD\$ unless noted otherwise)

|                                   |                 |
|-----------------------------------|-----------------|
| Closing Price                     | \$0.16          |
| Rating                            | BUY             |
| Target (C\$/sh)                   | \$1.00          |
| Return to Target                  | 525%            |
| NAVPS                             | \$1.11          |
| P/NAV                             | 0.14x           |
| 52 Week Low / High                | \$0.10 / \$0.59 |
| <b>CAPITALIZATION</b>             |                 |
|                                   | Basic Diluted   |
| Shares Outstanding (M)            | 487 506         |
| Market Capitalization (\$MM)      | \$77.9          |
| Enterprise Value (\$MM)           | \$73.1          |
| Last Reported Quarter Cash (\$MM) | \$4.8           |
| Total Debt (\$MM)                 | \$0.0           |

## Fission Uranium Corp (TSX:FCU)

Analyst: Derek Macpherson

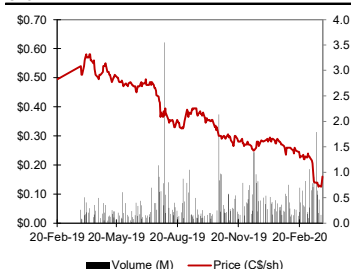
Rating: BUY

Target: C\$1.00/sh (was C\$1.05)

Methodology: NAVPS10% estimate

## Our View

### STOCK CHART



Fission Uranium Corp is a uranium developer focused on advancing its Patterson Lake South (PLS) project in Saskatchewan. We believe that as the company advances the underground-only project design from PEA to PFS, while at the same time demonstrating the project's exploration upside, it has the potential to re-rate higher.

## Highlights:

- **Updated environmental assessment timeline.** The timeline for the PLS project - Figure 1, kicks off once the company submits the project description to the government (Q1/20), which will initiate the environmental assessment (EA) process (2020-2022). Simultaneously, in 2020-2021, the company plans to complete a feasibility study for the underground only mine option at PLS. We model construction starting in 2024 with production starting in 2027.
- **High-grade resource growth potentially additive to mine plan.** Previous drilling at PLS intersected high grade uranium outside of the R780E zone where the company highlighted an exceptional intercept of 38m grading 3.52% U3O8 (PLS19-PW-09). This demonstrates the further growth of the high-grade zones and may be additive to the current resource as the grade for the underground-only mine plan currently stands at 1.64% U3O8.
- **Getting ready to catch the next cycle.** The start of the EA process is another de-risking step for PLS project. It has the dual effect of getting the project construction ready, so that it can be funded in the next uranium bull market. Additionally, it starts de-risking the project for potential acquirers. With production forecast to be 11Mlbs per year at cash costs of US\$10.80/lb U3O8, it is the type of asset that should attract "major" attention.

## Valuation:

**Stock poised to re-rate with the uranium price.** We are maintaining our BUY rating and have adjusted our target to C\$1.00/sh (was C\$1.05) to reflect an assumed lower price for the next financing. Our target is based on 0.90x our base case NAVPS10% of C\$1.11/sh (was C\$1.17/sh). Fission trades at 0.14x NAV versus peers at 0.24x; however, we believe Fission should trade at a meaningful premium based on its high-grades and favourable jurisdiction. **Upcoming Catalysts include:** 1) development updates.

(Currency is CAD\$ unless noted otherwise)

|                              |                             |
|------------------------------|-----------------------------|
| Closing Price                | \$0.11                      |
| Rating                       | BUY                         |
| Target (C\$/sh)              | \$0.45                      |
| Return to Target             | 309%                        |
| NAVPS                        | \$0.63                      |
| P/NAV                        | 0.17x                       |
| 52 Week Low / High           | \$0.08 / \$0.21             |
| <b>CAPITALIZATION</b>        | <b>Basic</b> <b>Diluted</b> |
| Shares Outstanding (M)       | 439 602                     |
| Market Capitalization (\$MM) | \$48.2                      |
| Enterprise Value (\$MM)      | \$44.7                      |
| Cash (\$MM)                  | \$3.5                       |
| Total Debt (\$MM)            | \$0.0                       |

## GoviEx Uranium Inc. (TSXV:GXU)

Analyst: Derek Macpherson

Target C\$0.45/share (unchanged)

Methodology: NAVPS12% estimate

### Our View

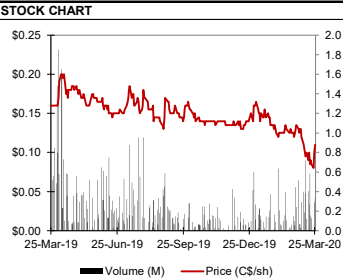
GoviEx is a uranium developer focused on its advanced assets in Africa - particularly its flagship Madaouela project in Niger, which is permitted with a relatively short path to production. Given its strategic location and high price sensitivity we believe GoviEx's advanced projects are well positioned to take advantage of a new uranium bull market as Chinese utilities and miners look for additional strategic supply.

### Highlights:

- **Strong local partnerships and financial position.** Following the finalization of the previous transaction between GoviEx and the Government of Niger, whereby the Government acquired a further 10% stake in Madaouela (to 20%), the Company will settle its C\$10.8M in debt and be effectively debt-free moving forward.
- **Many permitted high-quality assets with mine optimization work on the way.** The Madaouela project is located ~10km south of Orano's Cominak and Somair uranium mines in North-Central Niger. Niger supplied 6% of globally mined uranium in 2018 and has been producing uranium since the 1970s. After receiving its mining permit in 2016, Niger has formally approved the revision to the shape of the Madaouela I mining permit to include an additional 5.96 Mlbs U3O8 in the measured and indicated categories associated with the Miriam uranium deposit as well as 17.88 Mlbs U3O8 in the measured and indicated categories associated Madaouela South North East deposit.
- **Big plans ahead, updated PFS expected in 2020.** The company plans to complete an updated technical report, which we expect to be highlighted by an increased reserve life and lower operating costs, likely making the project very economic around US\$50/lb uranium. The completion of this PFS is expected to precede a full bankable feasibility study and should also allow potential acquirers to better understand the potential of this project.

### Valuation:

**GoviEx is a unique late-stage development company that is well positioned to start production during the next cycle.** We are maintaining our BUY rating and target of C\$0.45/sh, which is based on 0.75x our base case NAVPS estimate of C\$0.63/sh (was \$0.65). We have updated our model to account for the recent financing, though our target remains unchanged. **Upcoming catalysts include:** 1) project financing updates and 2) Updated PFS (H1/20).



(Currency is CAD\$ unless noted otherwise)

|                                   |                             |
|-----------------------------------|-----------------------------|
| Closing Price                     | \$0.15                      |
| Rating                            | BUY                         |
| Target (C\$/sh)                   | \$0.95                      |
| Return to Target                  | 533%                        |
| NAVPS                             | \$1.30                      |
| P/NAV                             | 0.12x                       |
| 52 Week Low / High                | \$0.10 / \$0.46             |
| <b>CAPITALIZATION</b>             | <b>Basic</b> <b>Diluted</b> |
| Shares Outstanding (M)            | 165 229                     |
| Market Capitalization (\$MM)      | \$24.8                      |
| Enterprise Value (\$MM)           | \$30.0                      |
| Last Reported Quarter Cash (\$MM) | \$4.9                       |
| Total Debt (\$MM)                 | \$10.0                      |

## Laramide Resources Ltd. (TSX:LAM)

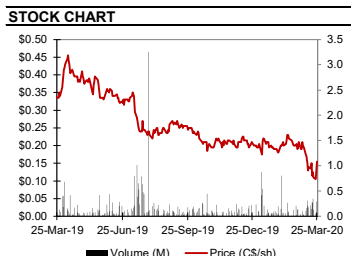
Analyst: Derek Macpherson

Rating: BUY

Target: C\$0.95/share (was C\$1.05)

Methodology: NAVPS10% estimate

## Our View



Laramide is a uranium development company with quick to production ISR assets in the US, along with conventional assets in the US and Australia. The company's current approach is to start small ~1 Mlbs/year with its low initial capex New Mexico ISR projects, and eventually expand production from generated cash flow and the advancement of its conventional US and Australian assets.

## Highlights:

- **Strong acquisitions pave Laramide's road to success.** Laramide's consolidation of Hydro Resources assets (Church Rock and Crownpoint) highlights an ISR amenable operation with a 6-year mine life for a total production of 4.4 Mlbs of Uranium. Laramide completed updated mineral resource estimates for both projects since their acquisition which host Inferred 51 Mlbs U3O8 and 5.1 Mlbs U3O8 at Church Rock (2017) and Crownpoint (2018) respectively.
- **All the necessary permitting underway.** On the permitting front, the company must obtain a New Mexico Environment Department Groundwater Discharge Plan permit and update its Nuclear Regulatory Commission (NRC) license for a 3Mlb U3O8/year Central Processing Plant for Crownpoint.
- **Low cost and quick to production assets.** To start mining at Church Rock and Crownpoint we anticipate the company will need US\$35M in pre-production capital for well field development and pipeline construction, with an additional US\$30M in year 5 for a lower-cost standalone 3Mlb/year processing plant.

## Valuation:

**Laramide is likely to benefit from the creation of a U.S. strategic reserve and other NFWG measures.** We are maintaining our BUY rating and have adjusted our target to C\$0.95/sh (was C\$1.05/sh) to reflect recent financings. Our target is based on 0.75x our base case NAVPS estimate of C\$1.30/sh (was C\$1.45/sh). We continue to believe this accurately reflects the low execution risk we see at Church Rock and Crownpoint. **Upcoming catalysts include** 1) Recommendations of working group and 2) the NRC Licence update for Church Rock.

## Appendix A: Criteria for Grading Uranium Companies

**Our assessment is based on six criteria, which we believe represent the key factors to consider when evaluating a uranium company and its project(s).**

These are cost profile, exploration upside, financeability, time to production, jurisdiction and relative valuation to similar stage peers. Each factor is rated from 1 to 5, where 5 refers to the most favourable rating (green – Figure 2) and 1 refers to the worst and least favourable rating (red – Figure 2). The six criteria include the following.

1. **Cost** – A uranium company's cost-profile or expected cost-profile is of significant importance for future economic viability for projects with such long development timelines. This rating also considers incentive price and pre-production capex for development projects.
2. **Exploration Upside** – Larger cap companies with resources believed to have already reached critical mass to enter mine development have been rated less favourably to reflect the limited near-term resource growth potential as a result of the shifted focus to permitting and mine development. We also believe exploration news from these larger cap producers/developers are less likely to move the stock.
3. **Financeability** – Depending on where the asset is in the project life cycle, we have given a less favourable rating to early-stage exploration assets and a more favourable rating to producers. We have rated uranium developers based on our expectation of the company's ability to finance the pre-production cost of the asset, which takes into account management team, joint venture partners and strategic and/or institutional ownership. Metrics including EV/Capex and LOM capital intensity were also computed and considered.
4. **Jurisdiction** – Our view has been based on the most recent Fraser Institute rankings with upward adjustments for countries with a rich uranium mining history.
5. **Time to production** – Given the extensive permitting timeline for uranium mines, we have estimated the time to production for each asset evaluated based on the stage of the project in the permitting process and our knowledge of the host country's permitting process.
6. **Relative Valuation** – Relative valuation is based on conventional comparable valuation metrics such as P/NAV, EV/EBITDA for producers and EV/lb for explorers/developers.

**Derek Macpherson | VP, Equity Research Analyst**  
**Taylor Combaluzier | Associate, Research**

**Red Cloud Securities Inc.**

105 King Street East, 2<sup>nd</sup> Floor

Toronto ON, M5C 1G6

[research@redcloudsecurities.com](mailto:research@redcloudsecurities.com)

[www.redcloudsecurities.com/research-home](http://www.redcloudsecurities.com/research-home)

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Company Specific Disclosure Details

| Company Name                                     | Ticker Symbol | Disclosures |
|--------------------------------------------------|---------------|-------------|
| Anfield Energy Inc.                              | TSXV:AEC      | 3,4         |
| Appia Energy Corp.                               | CNSX:API      | 3,4         |
| Fission 3.0 Corp.                                | TSXV:FUU      | 3,4         |
| Fission Uranium Corp.                            | TSX:FCU       | 3,4,5       |
| GoviEx Uranium Inc.                              | TSXV:GXU      | 3,4,5       |
| Laramide Resources Ltd.                          | TSX:LAM       | 3,4         |
| All other companies excluding those listed above |               | None        |

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