



Is Nexgen Energy Ltd. Poised for a Breakout?

Description

Nexgen Energy Ltd. ([TSX:NXE](#)) is an exploration and development company in the Canadian uranium mining space with a number of fantastic assets in the Athabasca region of the Canadian prairies.

While the company's stock price is down substantially from its peak in February, it appears to have hit a level of resistance just above the \$3 per share, prompting investors to consider if the stock is a buy at current levels.

Great asset base may continue to get better

One thing investors were hoping for in the most recent resource update by Nexgen was an indication that the uranium deposit was larger than expected. Initial findings indicated that the Rook I deposit and the corresponding findings at the Arrow Bow and Harpoon discoveries had very high grade deposits of uranium in the 300-million-pound range — a sizable amount, but perhaps less than investors expected, leading to the stock sell-off since mid-February, when the stock traded at the \$4.45 level.

To put Nexgen's deposit size into context, analysts have often made the comparison between this undeveloped asset and the total undeveloped asset base of **Cameo Corp.** ([TSX:CCO](#))([NYSE:CCJ](#)), which currently stands around one billion pounds; Cameo mines approximately 20 million pounds of uranium from its reserve base annually.

Great way to play uranium

The reason many investors like Nexgen as a uranium play is because of the nature of the assets underpinning its balance sheet. While this company is still in the exploration stage, and therefore is without revenues or earnings, the strong undeveloped asset base provides investors with exposure to a long-term rebound in the price of uranium as well as the possibility of additional findings in surrounding areas beyond the core discoveries, which have already been determined to have high-grade uranium.

Nexgen is continuing its preliminary economic assessment, and analysts anticipate the company will

be able to deliver this assessment in the third quarter of this year; a feasibility study should be completed by early 2018. As I have stated in a previous [article](#), the company has brought some great talent to its team to complete the feasibility study and will be in a better position to make some critical decisions early next year regarding how the company will proceed (as a royalties play or as an operator/mining concern).

Bottom line

The asset base of Nexgen continues to be better understood as new results flow in from the company's drilling activities. Analysts estimate that an additional 50-100 million pounds may be found to the southeast of its existing proved reserves, making the current valuation seem cheap at today's levels. With analyst estimates hovering around \$4.80 per share, and the vast majority of analysts and industry experts rating this company a buy, these levels make Nexgen appear very attractive today.

Only time will tell how the company's resource monetization process turns out; however, I remain very bullish on the long-term prospects of this company.

Stay Foolish, my friends.

CATEGORY

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2. Metals and Mining Stocks

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3. TSX:NXE (NexGen Energy Ltd.)

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