miningmx higher grade South African industry web news

6 February 2017

GoviEx looks to uranium buyers to help fund $359 million Madaouela

By David McKay

Toronto-listed uranium development firm, GoviEx, would turn to buyers of the mineral first to fund the equity portion of Madaouela, a project in Niger which is expected to require $359 million to develop.

Speaking on the sidelines of the Mining Indaba conference, GoviEx CEO, Daniel Major, said he would also concentrate on lowering the capital cost of Madaouela by deferring its underground development.

“We want to increase the size of the open pit which will be lower cost and defer a lot of the capital during the first 10 years by not going underground,” said Major. “We also need to present a much simpler project.”

“We’re hoping to raise capital by the end of next year,” said Major. “We need debt as well as offtake agreements and then the equity portion of the funding.

In the meantime, Medea Capital Partners, retained by GoviEx to raise capital for the company, is seeking support from export credit agencies as a means of paving the way for bank debt that’s also required. The firm raised $5 million CAD in December in a share issue supported by Canadian investment fund, Sprott Global.

Earlier in the year, it parted with 25% in its equity in return for the African assets of Denison Mines, a Canadian uranium developer, and some $2.5 million CAD in finance. The company is also owned by Toshiba through its Westinghouse subsidiary and Cameco, Canada’s largest integrated uranium mining firm.

GoviEx was founded by Govind Friedland, the son of mining entrepreneur Robert, whose Ivanhoe Industries has a 6% stake in GoviEx. Including Govind Friedland’s own 10% stake, some 49% of the firm’s share capital is held in strong hands.

The company has been active in Africa’s uranium industry for about 10 years and has the benefit of fully permitted projects which also includes another prospect, Mutanga, in Zambia, as well as Madaouela. “Africa is more pragmatic because it realizes the benefits at stake. If you look at Canada, the process [of permitting] can take 10 years.

“There are some fantastic projects out there, but can they be ready at the beginning of the cycle?,” said Major, who believes the uranium market will be in balance around 2021 until a 50 million pound supply deficit develops by 2025. “The industry needs $40/lb to build a new mine,” he said.

This was the price of uranium in early 2015 before it halved over the next two years, a development that severely hurt pure-play uranium producers such as Paladin Mining. Other supply from BHP Billiton and Rio Tinto, survived owing to group strength to support production, whilst KazAtomProm or Areva are government-owned.

However, uranium has staged a heartening recovery to around $25/lb which Major said stemmed from constructive reductions in supply. “It was oversold anyway,” he said.