

6 February 2017

## Despite subdued uranium prices, GoviEx Uranium remains upbeat about industry's prospects

Although uranium prices remain weak, Canadian mineral resources company GoviEx Uranium CEO Daniel Major believes they are turning the corner.

By Ilan Solomons

Speaking to *Mining Weekly Online* on the sidelines of the Investing in African Mining Indaba, on Monday, Major acknowledged that the past few years had been "extraordinarily difficult" for the uranium industry and that 2016 was no exception.

He recounted that the uranium spot price had fallen by nearly 50% from \$34.70/lb of triuranium octoxide ( $U_3O_8$ ) in January to \$18/lb in November last year.

Major pointed out that the price decline was against a background of sizeable inventories, covered contracts and excess enrichment capacity. "In December, however, we started to see the first signs of the long-expected uranium price recovery."

He highlighted that the spot price closed the year at \$20.44/lb of  $U_3O_8$  and although it was an improvement, Major said producers could still not make a profit at that price.

Uranium demand, however, is expected to increase from about 180 million pounds of  $U_3O_8$  in 2016 to between 220 million and 260 million pounds by 2025.

Major commented that demand growth and supply shortages would soon result in a gradual uptick in uranium prices, particularly as many of the world's older uranium mines will soon reach the end of their operating lives.

He also remarked that enrichment overcapacity was bringing in underfeeding; however, since the start of the year, enrichers have reduced their capacities. Further, many long-term uranium supply contracts are coming to an end providing new opportunities for emerging uranium miners in the signing of new supply contracts.

### Growing Nuclear Power Interest

Meanwhile, Major said the US and a number of European countries have indicated their intention to introduce new nuclear power plants or increase their existing nuclear power station fleets.

Japan, meanwhile, was moving ahead with bringing its nuclear reactors back on line, while China and India are forecast to increase their nuclear capacity from 35 GW of electric capacity (GWe) to 190 GWe by 2020.

### Projects Update

GoviEx continues to focus on initiatives to reduce the incentive price required for the development of its flagship Madaouela Uranium Project, in Niger.

The company attained a major milestone last year with the issuance of a mining permit for its Madaouela tenement. The project is essentially development ready; however, GoviEx is working continuously to improve the cost structure for the asset.

“We have placed a priority on keeping costs low in 2017, while increasing the value or benefiting our portfolio of uranium assets and positioning them for development,” said Major.

He noted that drilling at the Miriam deposit at the Madaouela Project will focus on increasing the resources amenable to openpit mining. If successful, this is forecast to reduce capital costs in the first five years, decrease mining costs and considerably simplify the project to a Phase 1 openpit, further reducing risk for debt providers and potential offtake and equity partners.

Major told *Mining Weekly Online* that the company had already been engaging potential project financiers. “We felt the best option to raise the required capital was to approach export credit banks. There is no real mining project finance market available to companies seeking investment currently, as most commercial banks will look at Niger as a risky investment jurisdiction and will likely reject investing finances in a project based in that country.”

He said the export credit institutions that the company had engaged with to date had been supportive of the project.

The company is seeking to raise the required \$360 million in project finance over the course of the next 18 months, with two-thirds to comprise debt financing and the balance equity.

Meanwhile, in Zambia, the company is re-examining project economics to better understand the commercial requirements to incentivize the future development of its Mutanga Project.

“We are confident that with ever-improving uranium prices and growing interest in nuclear power generation, particularly with its ability to offset carbon emissions, that our projects will be well placed to meet the demand of the global industry in the not too distant future,” Major concluded.