

8 February 2017

GoviEx Uranium Africa's top dog uranium developer

By Laura Cornish

TSXV-listed uranium developer GoviEx has a 'sweet' portfolio of African assets – with one of the largest combined mineral resource bases amongst its peer group – and they are all located in investor-friendly countries. The company also has a solid strategy aimed at aligning its production start-up with market demand when it starts to exceed supply in 2020, which should see it begin its journey to becoming one of the great uranium mining companies in Africa, writes Laura Cornish.

With one of the largest uranium resources in Africa, GoviEx is looking to advance its position as a mid-tier producer over the next eight years.

While GoviEx has spent the last 10 years focusing on the advancement of its single flagship Madaouela Uranium Project in Niger, which hosts a significant mineral resource on its own, the company took the decision last year to diversify its risk and expand its asset base. In July 2016 the company acquired Denison Mines Corp.'s wholly owned subsidiary Rockgate Capital Corp., which held all of Denison's Africa-based uranium interests. "Because we are comfortable working in Africa and have faith in the midterm uranium market potential, Denison's lesser focus on its African assets opened the door for discussion. We knew we could deliver value from their portfolio," says GoviEx CEO Daniel Major. Major speaks from a point of experience; he has a long history in mining and a strong technical background having developed the Rossing uranium mine in Namibia for Rio Tinto.

Conclusion of the transaction saw the creation of a leading Africa-focused uranium development company, with GoviEx controlling one of the largest uranium resource bases among publicly listed development companies. It has a combined measured resource of 28.6 Mlb U_3O_8 , another 95.7 Mlb U_3O_8 in indicated resources with a further inferred resource of 73.1 Mlb U_3O_8 in accordance with NI-43 101. (The transaction also saw Denison acquire a 25% stake in GoviEx).

More specifically, the uranium junior now owns (in addition to the permitted Madaouela Project), the already permitted Mutanga Uranium Project in Zambia as well as the large-scale, advanced Falea Exploration Project in Mali. The acquisition also gave GoviEx access to the exploration-stage Dome Project in Namibia although this is not a primary focus for the company at this stage.

"Denison has invested approximately C\$100 million in developing its two African projects, which under our control delivers enormous value and will enable us to develop them relatively quickly," Major notes.

And now, with a solid portfolio in play, it is up to GoviEx to advance these projects up the value chain into development and ultimately production. "Madaouela in Niger remains our largest and most advanced project and our intention is to bring this mine on stream in 2020, which is also the year we believe will see a significant shift in uranium supply demand balance. It should thereafter take approximately two to three years to bring Mutanga to fruition and another three years for our Falea Project in Mali to come online – delivering a mid-tier mining company with about 7 Mlb annually of U_3O_8 production as a new uranium development cycle takes hold," Major outlines.

Uranium market fundamentals look strong

The past few years have been difficult for the uranium industry, and 2016 was no exception. The spot price fell from US\$34.70/lb U_3O_8 in January to \$18.00/lb in November, a drop of nearly 50%. This price decline was against a background of sizeable inventories, covered contracts and excess enrichment capacity.

In December, however, the industry saw the first signs of the long expected uranium price recovery. The spot price closed the year at \$20.44/lb U₃O₈, a 20% increase off the 2016 year's low. GoviEx sees long-term demand for uranium expected to grow, with annual demand forecast to rise from about 180 Mlb U₃O₈ in 2016 to between 220 Mlb and 260 Mlb in 2025 based on lower and upper case scenarios. In China and India, the forecast is for a planned increase in nuclear capacity from 35 GWe to 190 GWe in 2020.

The United States and Europe have also sent clear signals that nuclear energy will be part of their respective long-term clean energy strategies, and most importantly must be commercially recognized for this in a way that is similar to the heavily subsidized renewable energy sources. While Japan has been slow in its restarts, it is moving forward with some 20 reactors currently undergoing the approval process. Also, it is becoming more evident that while there are sizeable inventories, they are not liquid, with the utilities holding them for expected future demand. On the supply side, mined uranium is expected to decline from the current 160 Mlb to about 145 Mlb during the same period, unless new mines are developed. With the all-in breakeven cost for uranium mines estimated at between \$40 and \$50/lb in this period, it is clear the uranium price must be significantly higher to incentivize this new required production. These vectors point to a looming supply gap coming in the next three to five years, and as an industry the uranium miners and developers will be challenged to respond.

Madaouela magic

Situated just 10 km south of Arlit town and Areva's large-scale, 40-year-old mature mining subsidiaries Cominak and Somair in north central Niger, Madaouela has an expected lifespan of 21 years producing 2.7 Mlb of U₃O₈ per annum and will cost US\$359 million to develop. This is based on current resource figures which include a massive 99 Mlb of contained U₃O₈ in the measured and indicated category. "While this is enormous, there is still substantial exploration upside," Major highlights. For now, the project is planned as an open pit mine and after about five years will transform to shallow (100 m fl at laying) underground mine. A simple acid leach process is proposed that is estimated will recover 93.7% of the uranium.

In January 2016, the company attained a major milestone with the issuance of a mining permit for its Madaouela 1 tenement covering 243 km² – meaning the project is in essence development ready. The same month GoviEx was also issued with the exploration licence for the Eralrar tenement, and was granted renewal approval of the Madaouela II, III, IV and Anou Melle exploration tenements covering a combined 912 km². "Given the difficulty in permitting uranium assets worldwide, this was a significant achievement for the company." Madaouela already has a fully integrated development plan (PFS) which was updated in August 2015.

"This year we will focus on reducing our incentive uranium price for construction which will incorporate refining process designs and reducing our water consumption, something the mining code requires us to pay special attention to." Furthermore, the company has discovered a large Radon (the gas that uranium gives off as it decays) anomaly about 1 km wide by 5 km long which GoviEx intends to drill in 2017. "If this anomaly is what we expect we could extend the life of our open pit mine by another five years, enabling us to defer capital needed to establish an underground mine. This in turn will make it easier to finance. We are targeting to build this mine with a uranium price of \$50 to \$55/lb." GoviEx's existing PFS indicates operating costs of \$24.50/lb and all-in costs of \$40/lb, before implementing any of these intended improvements. Aside from great project dynamics, Major highlights the benefits of working in Niger, noting it is a peaceful country whose mining legislation has not changed since 2006. North west Africa has many countries whose poverty has led to some instability. Niger is also impoverished but has a democratically elected government that is keenly aware that uranium provides 72% of national export proceeds. The government is committed to protecting and fostering the growth of its export industries as a way of improving its financial situation. "There has been more negative activity in Paris than in Niger. The Nigerien government is committed to the mining industry and has a code geared around its reliance on the uranium sector. It has a state ownership free carry which is standard in many mining jurisdictions in Africa and tax is built into the mining code which is not risky but enables you to financially prepare during study phase." It is also easy to find qualified staff in country which means GoviEx can operate Madaouela with a full Nigerien personnel complement. All exploration drilling was handled using a Nigerien contractor and Nigerien labour and all the environmental study work was facilitated locally as well.

Mutanga second in line

Located about 200 km south of Lusaka in Zambia, the Mutanga ore body sits in a typical rift valley sandstone, similar in structure to Paladin Energy's Kayelekera operation in Malawi. It also has a significant resource of about 50 Mlb between the measured, indicated and inferred resource categories at an average grade of 0.03%. "We also know that mineralization begins just below surface and remains open along strike so further drilling is in the cards for this project."

"It is open pit-able and will be easy to process using the conventional heap leach method," Major continues, adding that the project has a 25 year mine licence and that considerable technical and environmental work has already been completed. This year GoviEx will revisit the unpublished pre-feasibility study – "considering its resource is much bigger now than when the study was completed. Like at Madaouela, we want to reduce costs and determine where the risks and opportunities lie so we can start moving it forward to meet our development and production time frames and ensure we elevate it to a bankable and finance able level." At this stage the plan is to conduct a new definitive feasibility study on the project between 2018 and 2019, move it into development between 2020 and 2021 and ultimately production in 2022+. Most importantly, the country has logistics certification from the International Atomic Energy Agency to transport uranium to Namibia for export.

Falea's mineralization abundance

Although still an exploration asset, the Mali-based Falea Project comprising three licences not only hosts about 30 Mlb of uranium (at 0.1% uranium) but also 63 Mlb of copper and 21 Moz of silver (at 70 g/t) – based on only 5% of the total 225 km² land package which to date has been explored.

Because it is situated on the side of a plateau, the mine will be an underground operation producing quantities of all three minerals. "At this stage however we need to expand the resource beyond a single area. We do already know that most zones remain open." "We will take a focused approach and slowly advance this project in terms of what affects its economics." For now, a prefeasibility study is scheduled for 2018. MRA