

20 April 2017

The World's Next Billion-Dollar Uranium Company – GoviEx Uranium

Current Price: C\$0.205
 Shares Outstanding: 321.5 million
 Market Capitalization: C\$65.9 million
 52-Week Range: C\$0.085-C\$0.44
 Cash: ~C\$6.6 million
 Total Liabilities: ~C\$8.3 million

After France lost a series of wars to Great Britain and other European powers during the late 18th and early 19th century, the country began rebuilding its colonial empire, this time concentrating mainly on Africa. By the 20th century, France's rule extended to much of North, West, and Central Africa.

To this day, France maintains a very strong military presence across the Continent.



French Military Bases In Africa, Source: Business Insider

While its colonial saga in Africa may be a black mark in French history, France is now the pseudo-police to the continent, disrupting potential militant threats and combating jihadists. However, choosing which countries to provide aid and military resources to has often hinged on the valuable natural resources that lie below the surface.

On December 27, 2012, then-president of the Central African Republic, François Bozizé, beseeched the country's former colonial ruler, France, for help. An alliance of rebel militia factions, Séléka CPSK-CPJP-UFDK, had just captured three towns and was rapidly headed towards the capital city of Bangui.

French President François Hollande refused aid, despite having 250 troops stationed at nearby Bangui M'Poko International Airport. France's military was "in no way to intervene in internal affairs".

Two weeks later, on January 10, 2013, Mali asked France for military help. Islamic rebels had finally driven out the Malian army and were firmly entrenched in the country's north. In an about-face, François Hollande dispatched 3,600 ground troops in a counter-attack on rebel camps. The rebel advance was successfully stemmed.

The fact that François Hollande chose one country over another was a matter of national security. France derives over 75% of its electricity from nuclear energy, with much of its nuclear fuel imported from Africa.

But more importantly, neighbouring Mali is the country of Niger. Niger is home to Areva, a majority state-owned French company with two uranium mines in country, producing over ten million pounds per annum. By squashing the rebellion in Mali, France was able to ensure that activity did not creep close to its key energy source. Is it any wonder that French troops are stationed close to Areva's uranium mines?

Due to its strategic importance, uranium has a strong history of being controlled by governments. The United States did it during the Cold War and initiated one of the greatest bull runs in uranium history.

Russia and Rosatom, its regulatory body and state-owned integrated nuclear company, have been very active in establishing a global presence in nuclear power. With low oil prices squeezing much needed national revenue, Rosatom has ramped up activities, securing relations with existing partners while developing new ones with developing countries. The Russian consortium has signed agreements with the possible construction of 36 nuclear reactors, and is currently in negotiations with another 21.

In terms of production, there is no denying Russia controls the lion's share through its spheres of influence. Russia by itself produces only 5% of global production, however, when the CIS is added to the mix, this is increased to 50.3%! Russia has been very active in Africa, signing cooperative agreements; exploring for uranium with state entities; and joining energy programs to aid in the construction of power plants. To date, these countries include: Algeria, Egypt, Ethiopia, Libya, Namibia, Niger, Nigeria, Sierra Leone, Somalia, South Africa, Sudan, Tanzania, and Tunisia.

China is right on Russia's heels. The China National Nuclear Corp, China's largest nuclear reactor builder, signed an agreement with the China-Africa Development Fund to jointly develop uranium resources in Africa. China has been active in Malawi, Mauritania, Namibia, Niger and Zimbabwe.

China only accounts for an estimated 2.7% of the world's production, however, currently accounts for 8.5% of the world's uranium demand. This number is expected to increase significantly, with the country having 21 reactors under construction, and another 180 planned and proposed.

At the centre of this enormous fire-storm of activity is GoviEx Uranium, a company run by mining engineer Daniel Major and geological engineer Govind Friedland, son of Robert Friedland. The Friedland name is synonymous with mining in Africa and their ability to make BIG returns.

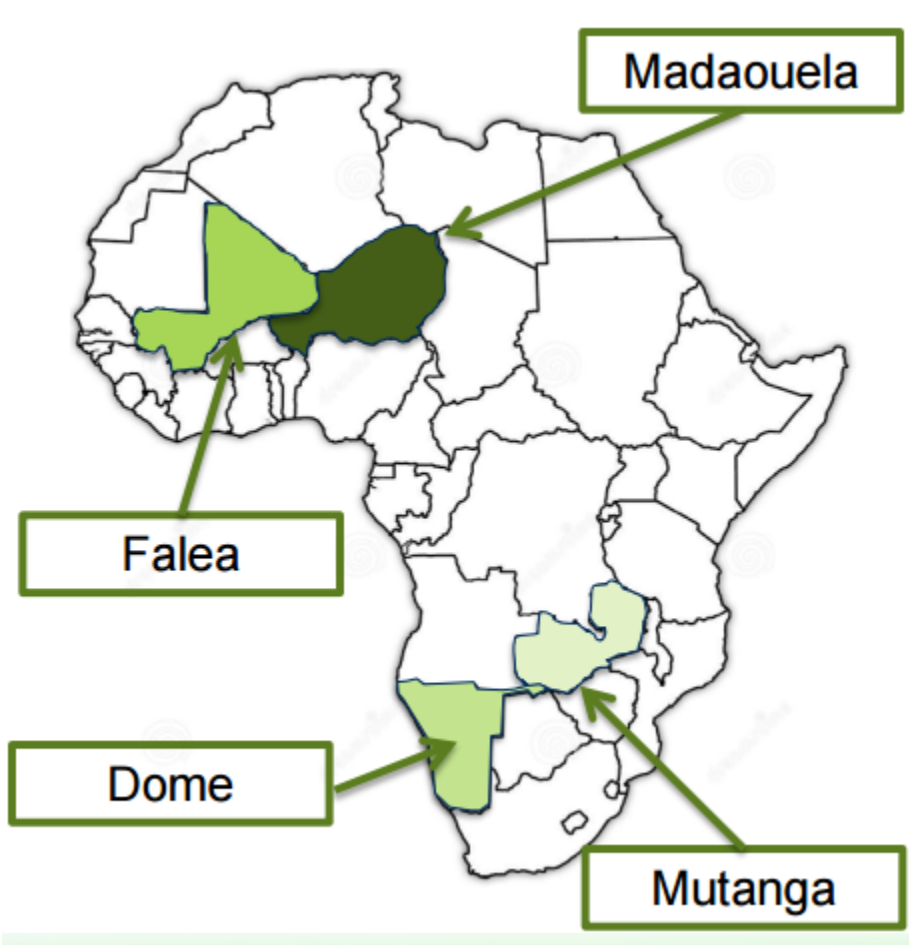
GoviEx Uranium's assets will be a sought-after resource. In fact, they already are. Its flagship projects host the largest resource amongst its peers, and are significantly undervalued. GoviEx has three first-class uranium assets in Madaouela in Niger, Mutanga in Zambia, and Falea in Mali. All three are in different stages of development, but each one offers significant upside for GoviEx.

A Closer Look

The company's flagship project is its 100%-owned Madaouela, located near Arlit, a Nigerian mining town, with a population of over 160,000 people. Townspeople are supportive of mining. Arlit is home to several drilling companies, a skilled mining labor force, an airport, medical facilities, and more.

Govind Friedland, the Executive Chairman of GoviEx, first came across Madaouela while working in business development for Ivanhoe Mines. At the time, he was based in Beijing, and was approached by a group of brokers helping the Government of Niger to sell the Madaouela licenses. While Ivanhoe passed on the project, Govind took a keen interest in uranium, which was exaggerated by the drastic smog problem in China.

As an avid marathon runner, Govind took notice of just how bad the smog was in Beijing. Most mornings, he could not see the street through the smog from his 40th floor apartment! This highlighted an obvious need for renewable and clean energy sources – uranium was the practical choice.



Madaouela, Niger

Madaouela's history goes back almost 50 years, with several operators exploring and conducting economic studies on the property's sandstone-hosted deposits. The brokers originally had a deal to have the Niger Government sell Madaouela to another exploration company; however, that company could not find any of the historical data on the asset and ended passing.

The brokers then went to Govind, who acquired the assets in his own private uranium vehicle, Govi High-Power Exploration Inc. Soon after, he was approached by SEMAFO, a Canadian-based mining company with gold production and exploration activities in West Africa. The conglomerate proposed to merge certain assets to create an Africa-focused uranium exploration, development and production company. The consolidation also bolstered GoviEx's team with veterans of AREVA, who also happened to have Madaouela's missing data.

Map of GoviEx's projects, Source: corporate presentation

Madaouela now holds more than half of GoviEx's uranium: a measured and indicated resource of 99.1 million pounds, and an inferred resource of 18.3 million pounds. Madaouela received its Environmental and Social Impact Assessment (ESIA) in July 2015, and its Mining Permit for the Madaouela I tenement in January 2016.

A PFS was updated in August 2015, and is headlined by an after-tax and royalty NPV8 US\$340 million. Cash operating costs is forecasted at \$24.49/lb U₃O₈ with probable mineral reserves of 60.54 million pounds. Madaouela is fast-tracked to production. GoviEx expects to complete the definitive feasibility study this year with production slated for 2020/21. This will be Africa's next uranium mine.

Mutanga, Zambia

Mutanga in Zambia is GoviEx's second major value proposition. The project was acquired from Denison Mines in June 2016 for 56.1 million shares and 22.4 million common share purchase warrants. The deal was highly accretive for GoviEx, and brings in a major partner in Denison, which now owns 21% of the company.

Mutanga is located 200 km south of Lusaka, the capital of Zambia. The project contains a measured and indicated resource of 7.8 million pounds in the measured and indicated categories, and 41.4 million pounds in the inferred category.

The project consists of six deposits, as well as potential mineral prospects. To date, the Mutanga, Dibwe and Dibwe East deposits have been defined; the extremities of the deposit have not been drilled yet. The mineralization begins just below surface and remains open along strike. Several other mineral prospects have been identified. The company plans on completing a definition feasibility by 2018/19.

In March this year, GoviEx announced it was expanding its landholding in Zambia, through the acquisition of Africa Energy Resources' Njame and Gwabe deposits, which hold approximately 11 Mlb uranium.

Falea, Mali

The last significant project within GoviEx's portfolio is Falea, located in Mali. The project is made up of three exploration licenses (Bala, Madini, and Falea) and was acquired through the acquisition of Rockgate Capital Corp.

Falea currently contains 22 million pounds of indicated resource, and another 16.1 million pounds of inferred. The project also contains 63 million pounds of copper and 21 million ounces of silver. Only 5% of the 225 square kilometre land package has been explored, and most of the known zones remain open.

Madaouela⁽¹⁾	Tonnes	Grade	U₃O₈ Contained	U₃O₈ Eq Contained
	<i>(Mt)</i>	<i>(% U₃O₈)</i>	<i>(Mlbs)</i>	<i>(Mlbs)</i>
<i>Measured</i>	9.4	0.129%	26.6	26.6
<i>Indicated</i>	23	0.144%	72.5	72.5
<i>Inferred</i>	6.5	0.128%	18.3	18.3

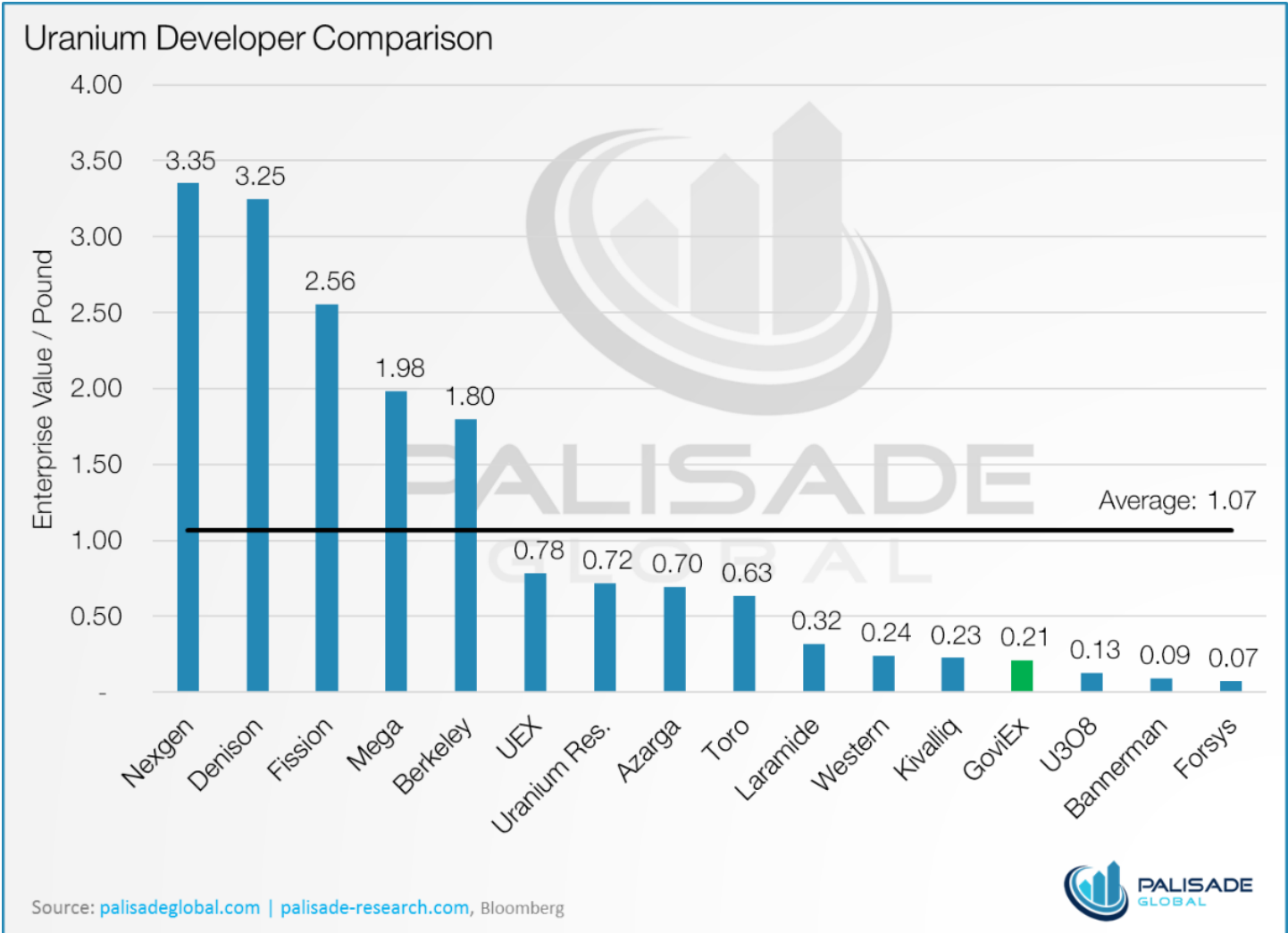
Mutanga⁽²⁾	Tonnes	Grade	U₃O₈ Contained	U₃O₈ Eq Contained
	<i>(Mt)</i>	<i>(% U₃O₈)</i>	<i>(Mlbs)</i>	<i>(Mlbs)</i>
<i>Measured</i>	1.9	0.048%	2.0	2.0
<i>Indicated</i>	8.4	0.031%	5.8	5.8
<i>Inferred</i>	65.2	0.029%	41.4	41.4

Falea⁽³⁾	Tonnes	Grade	U₃O₈ Contained	U₃O₈ Eq Contained⁽⁴⁾
	<i>(Mt)</i>	<i>(% U₃O₈)</i>	<i>(Mlbs)</i>	<i>(Mlbs)</i>
<i>Indicated</i>	6.9	0.115%	17.4	22
<i>Inferred</i>	8.8	0.069%	13.4	16.1

Total	Tonnes	Grade	U₃O₈ Contained	U₃O₈ Eq Contained⁽⁴⁾
<i>Measured</i>	11.3	0.115%	28.6	28.6
<i>Indicated</i>	38.3	0.114%	95.7	100.3
<i>Inferred</i>	80.5	0.041%	73.1	75.8

GoviEx's consolidated resources, Source: Corporate Presentation

Between the three projects, GoviEx finds itself in the top quartile of pounds in the ground among peers. And as mentioned earlier, the company is trading at a steep discount. In fact, it has the 13th lowest enterprise value per pound of uranium among 16 peers, despite having one of the largest mineral resources and two permitted projects.



While there is no denying GoviEx's pounds in the ground are undervalued, we are also betting heavily on the people behind the scenes. The Friedland's involvement means GoviEx has projects that will be of international significance.

Legendary Status Management

GoviEx has been working in Africa for over a decade. The company has deep connections with the local authorities and communities, and it is these relationships that make or break mining companies.

CEO, Daniel Major, brings over 25 years of executive mining and capital markets experience. He knows Africa and he knows yellowcake. Daniel has experience with Rio Tinto at the Rossing Uranium Mine in Namibia. Afterwards he transitioned to the big banks as a mining analyst at HSBC Plc and JP Morgan Chase in London.

Prior to GoviEx, he was the Chief Executive and later Non-Executive Chairman of Basic Element Mining and Resource Division in Russia. Further, he held leadership positions in several publicly listed mining companies with exploration and producing assets in Canada, Russia and South America.

Govind Friedland, the company's Executive Chairman, is one of the best-positioned people in the industry. He has a degree from the Colorado School of Mines and has raised hundreds of millions of dollars. His experience includes business development services to Ivanhoe Mines and Kiewit Pacific. Mr. Friedland is one of the youngest and most successful mining entrepreneurs.

In terms of shareholders, it's basically the who's who of the uranium industry.

Shareholders

Shareholder	Shares <i>(millions)</i>	% of Total Basic Shares <i>(%)</i>
Identified Insiders & Strategics		
Denison Mines	65	21%
Govind Friedland	32	10%
Toshiba Corporation	28	9%
Ivanhoe Industries	18	6%
Cameco Corporation	13	4%
Sub Total	156	49%
Other Shareholders	160	51%
Basic Shares Outstanding	316	100%

Source: GoviEx

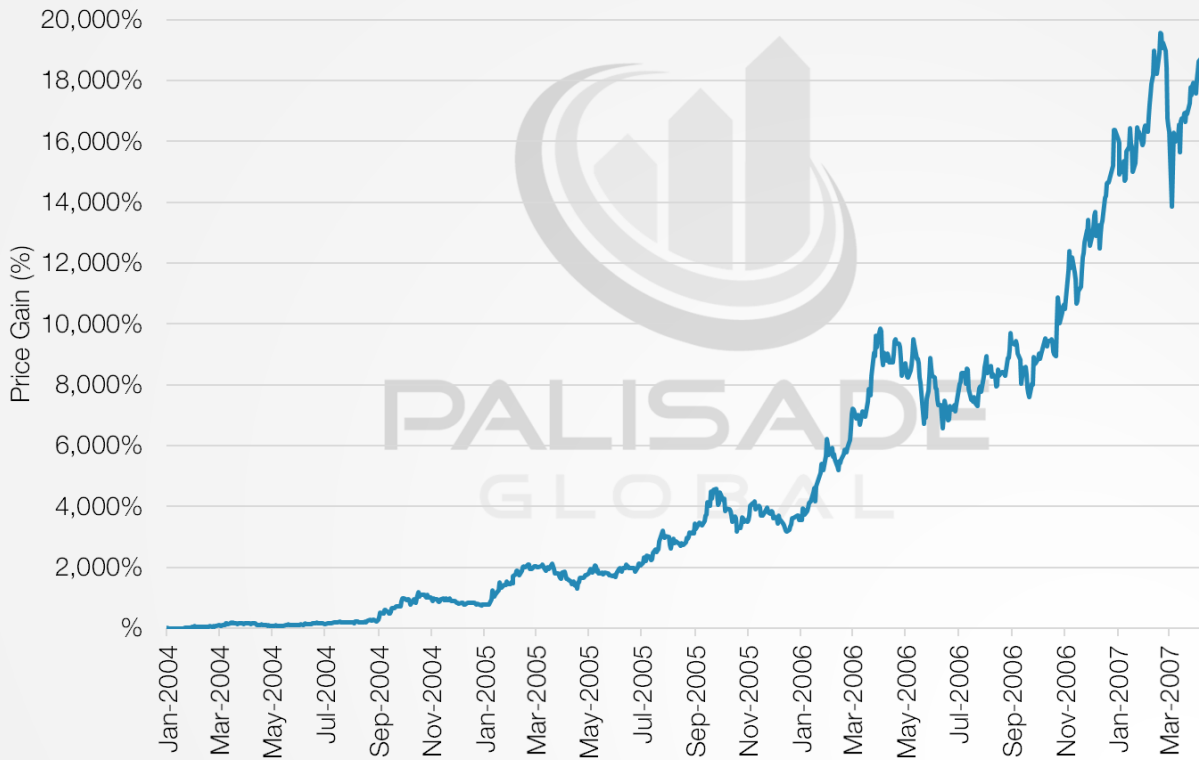
The presence of Denison, Toshiba, Ivanhoe, as well as Govind Friedland tells us that GoviEx has already forged relationships that will make it a prominent uranium producer – or an acquisition target. In either case, the shareholders will stand to profit.

The Ultimate Uranium Bet

GoviEx's success hinges on the appreciation of uranium prices. However, with uranium prices finally bottoming out, GoviEx has significant torque in the coming bull.

While there is no arguing that the Athabasca Basin has higher-grade uranium, operators there have a significant timeline to production. The actual mine builders will be able to fully leverage any appreciation in uranium price, and we highlight the performance of Paladin Energy and Energy Fuels during 2004-2007:

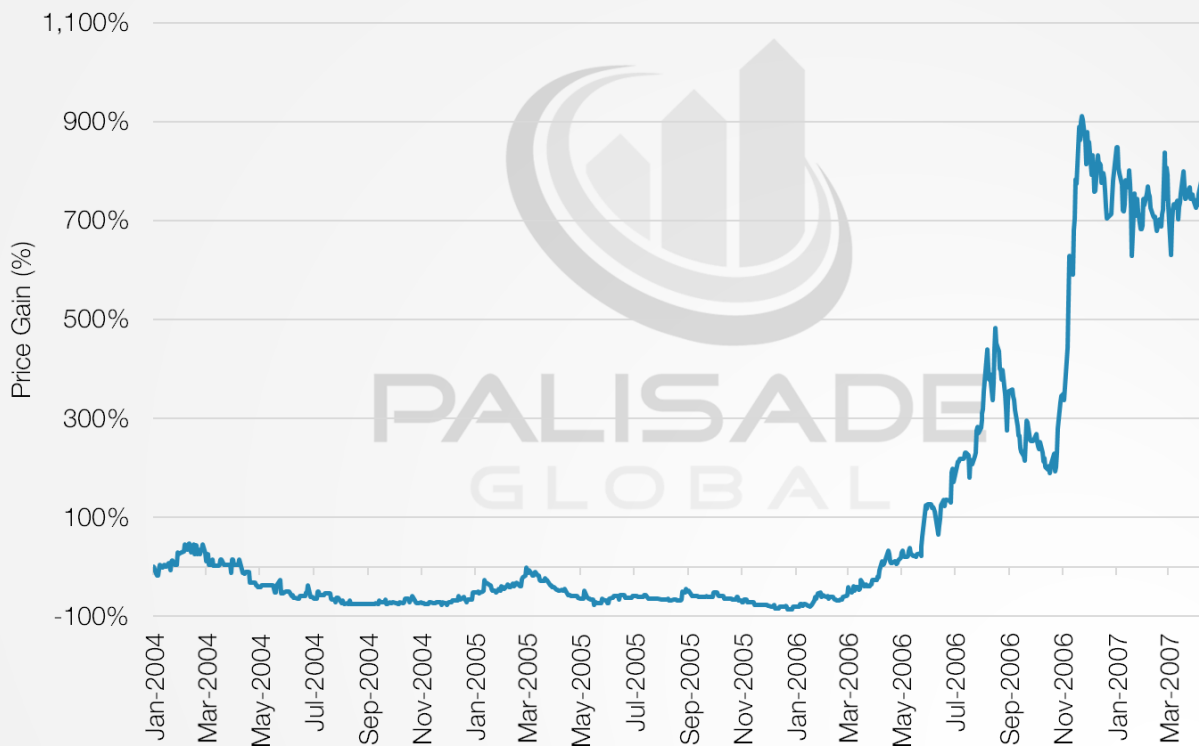
Paladin Energy (ASX:PDN) - Historical Price Chart



Source: palisadeglobal.com | palisade-research.com, Bloomberg



Energy Fuels (TSE:EFR) - Historical Price Chart



Source: palisadeglobal.com | palisade-research.com, Bloomberg



The best performing shares in 2007 were Paladin Energy and Energy Fuels, peaking at gains of 19,713% and 1,015%, respectively. Both were mine builders that significantly outperformed explorers and producers, and were in the development stage in which GoviEx currently finds itself.

GoviEx is also advancing itself to a position very attractive to larger players. ASX-listed, Mantra Resources, was acquired in late 2010 for US\$1.15 billion for its development stage Mkuju River Project, located in Tanzania. UraMin Inc. was acquired by AREVA in 2007 for US\$2.5 billion, for its exploration and development permits in Namibia, the Central African Republic and South Africa. And Extract Resources was acquired in 2012 by Taurus Mineral for US\$2.1 billion for its Husab uranium project in Namibia.

These are all billion dollar deals consummated in the last cycle... all in Africa.

We expect some selling towards the end of April as the private placement, which closed in December 2016 will become free-trading. Whenever there is a financing via private placement, the shares are normally locked up for four months after the raise is completed. A lot of investors sell when this restriction is lifted to monetize their gains. Warrants are then held for upside. If such a sell-off occurs, it will offer an attractive entry point for investors.

As mentioned before, GoviEx's resource will be of international significance, very much like the Friedland's past and current investments. We do not have to remind our readers of Robert Friedland's masterpiece in Voisey Bay, which he eventually sold to Inco for \$4.5 billion, or his recent mega copper deal, Ivanhoe Mines, which has seen a gain of 750% since 2016! Ivanhoe now commands a market cap of C\$4.4 billion.

Will GoviEx be a billion-dollar company when uranium prices rebound? Yes, it will be. However, it is up to the investor to have the discipline and patience to fully experience in the upside.

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