Interview with Daniel Major, CEO of GoviEx Uranium Inc.: One of the Largest Development-Ready Uranium Resources

By Dr. Allen Alper

GoviEx Uranium Inc. is a mineral resource company focused on the exploration and development of its African uranium properties. GoviEx’s principal objective is to become a significant uranium producer through the continued exploration and development of its mine permitted Madaouela Project in Niger, its mine-permitted Mutanga Project in Zambia, and its Falea Project in Mali. GoviEx controls one of the largest uranium resource bases among publicly-listed companies, with combined National Instrument 43-101 (“NI 43-101”) measured and indicated resources of 124.29 Mlbs U₃O₈, plus inferred resources of 73.11 Mlbs U₃O₈. According to Daniel Major, the CEO of GoviEx Uranium, GoviEx recently announced an acquisition of assets adjacent to their Mutanga Project, which will add another 11 million pounds of uranium, and provide them with an expanded, fully permitted project in Zambia, ready to go. According to Mr. Major, GoviEx is a company with over 200 million pounds of uranium in resource, with three projects (two of them fully permitted), and interesting shareholders including Cameco, Denison, Toshiba, and Ivanhoe.
Dr. Allen Alper: This is Dr. Allen Alper, Editor-in-Chief of Metals News, interviewing Daniel Major, CEO of GoviEx Uranium. Daniel, could you give our readers and investors an overview of your uranium company?

Mr. Daniel Major: Absolutely. GoviEx is a uranium development company focused on developing its three projects.

The most advanced is the Madaouela Project in Niger, which is a fully permitted project. Madaouela has almost a hundred million pounds of uranium in measured and indicated (M&I) resources, and 18 million pounds in inferred resources. Based on the 2015 Preliminary Feasibility Study, the project has a forecast cash cost of $25 a pound, and a total capital expenditure of $360 million.

Following Madaouela, in terms of development timeline, our next project is Mutanga, in Zambia, which currently has 8 million pounds of M&I resources and 41 million pounds of inferred resources. We have recently announced a transaction to acquire the properties adjacent to Mutanga from Africa Energy, which will add another 10 million pounds of uranium resource and expand our fully permitted project in Zambia. Our target, on completion of the Africa Energy transaction, is to provide a Preliminary Economic Assessment in order to set out the economic potential of the project.

Thirdly, we have the Falea Project in Mali, with 17 million pounds in indicated and 13 million pounds in inferred resources. Given the amount of technical work completed, Falea is an advanced exploration project.

All of our projects have considerable exploration upside, given that a lot of their surface area has yet to be reviewed.

Source: GoviEx Uranium Corporate Presentation – full presentation available at www.goviex.com
Dr. Allen Alper: That sounds great. Could you tell our readers/investors what the market for uranium is and the outlook for uranium supply and demand?

Mr. Daniel Major: The long-term impact is driven by two real factors.

On the demand side, most of the industry forecasts indicate an average 3% per annum growth on uranium demand long-term. This demand is driven by large scale reactor construction in China and in India. Both China and India are targeting 20% nuclear energy generation, starting from their current status of less than 2%. In addition, Japan is steadily restarting its reactors, with five reactors going and a target of roughly 30 reactors, or 20% nuclear generation, by 2030. Europe and the U.S. continue to be fairly stable on reactor generation, with the U.S. becoming increasingly supportive.

On the supply side, on an all-in cost basis, the industry is uneconomic – below $40 a pound; therefore, the current uranium producers cannot afford to replace their uranium pounds at the current spot or term prices. As we move forward, and if we do not an improvement in uranium price, the industry is expected to go into a supply deficit, on the basis that new production cannot be incentivized, and a number of large scale projects are coming to the end of their life. The industry needs a higher price to build new operations. On top of that, there is the issue of timelines for permitting projects. This issue is particularly significant in North America, where it can take five to ten years to permit a project, thereby delaying the start-up of the big projects.
So, we're expecting to see the supply-demand gap open up, and that's why GoviEx is preparing its projects – particularly Madaouela. We believe we have to be in a position to benefit from that supply gap.

**Dr. Allen Alper:** That sounds great. Could you tell me a little bit more about your proposed development strategy?

**Mr. Daniel Major:** Yes, certainly. In the case of Madaouela, we've taken a four-prong approach, breaking each of the component parts up, and undertaking them in tandem.

For Niger, we feel it is best to build a properly-structured model for financing the project, so we've already initiated the debt site. We're well advanced on our debt discussions with a number of banks.

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![GoviEx Proposed Development Strategy](image)

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Our focus is base debt financing around export credit-backed facilities. We appreciate our geography and we appreciate that the project finance market is extremely difficult at the moment. We have found that having sovereign insurance protection for the underlying lenders makes the lenders much more interested.

We have started conversations on the long-term project off-take, but obviously, as the uranium price continues to flounder at under $20, we're not pushing those very aggressively, because we're looking for uranium price contracts in the mid-50s. Certainly, there's a lot of interest in our project from the off-takers, and as we see the uranium price move, we expect to advance those discussions.
As we're going to produce more than two-and-a-half million pounds per annum, we are a large project. We're continuing to work at optimizing the project. There are a number of areas of the project where I believe we can reduce costs considerably, and improve the economics.

Further down the track, we will consider the equity side of the project capital as we advance further on the debt and off-take discussions; it will become a lot easier and more interesting for equity investors when those two key components are well advanced.

**Dr. Allen Alper:** That sounds very good. Could you tell me a bit about your resource in comparison with some of the other uranium companies?

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**RESOURCE COMPARISON AND ACCRETION**

- On a $U_3O_8$ and an $U_3O_8$ Eq basis, GXU has one of the largest Mineral Resources(1) amongst its uranium peers.

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**Mr. Daniel Major:** Yes – with a total resource of over 200 million pounds, that puts us in the top five public uranium companies.

The grades are running about 0.14%. They're lower than Canada grades. What you find in our industry is that the grade doesn't always directly relate to cost, and you have projects in Africa mining at 0.05% at $25 a pound, which is in line with the in situ leach (ISL) projects in North America. It's that ease of permitting to get into operation that is very key to projects like our own.
Dr. Allen Alper: That sounds good. Could you tell me a bit about your experience, board and management?

Mr. Daniel Major: I certainly can. On the board we have Govind Friedland, who founded the company back in 2007, and who advanced the project through one of the largest global exploration programs. We have Benoit La Salle, the Founder and former President and CEO of SEMAFO, an experienced west African gold operator; David Cates, who is the CEO of Denison Mines and UPC; and GoviEx’s chief geologist, Jerome Randabel, who has considerable experience in uranium across Australia and Africa. We have guys who have been there and done this before, and have a lot of industry experience.

Dr. Allen Alper: That sounds like a very strong board and management team. Could you tell readers/investors a little more about your strategic shareholders?

Mr. Daniel Major: Absolutely. We’ll start with the largest; Denison Mines. They are well-known to most North American investors. They own the Wheeler River project. We acquired three of our projects in Africa from them in 2016. They were looking to focus on their Canadian projects, but they wanted to maintain leverage on their African projects. As a result, we did a transaction with them where they became a 25% shareholder and we took on the projects. They’re very much focused on a desire to have all the projects developed. They’re in this for the long haul and are great partners to have.
We have Toshiba Corporation, who owns Westinghouse. While Westinghouse has been going through its problems, we certainly see that situation improving as things go along. They are major reactor vendors.

We have Cameco, one of the largest uranium producers in the world. They've been with the company since 2008.

In 2015, Ivanhoe Industries, part of the Ivanhoe Group, the Friedland Group, joined the company as well, as an investor.

**Dr. Allen Alper:** That sounds like excellent strategic shareholders, a very strong group for support. How do you feel you compare to your peer group?

**Mr. Daniel Major:** Our cash is $25 a pound. That puts us in the mid-tier. Our capital is $360 million, towards the lower end, resulting an all-in cost of $37 a pound.

In Mutanga, you're going to see higher operational expenditures (OPEX), but much lower capital expenditures (CAPEX), so our all-in costs are going to be around $40. That is comparable with an ISL project, and it is actually lower than some ISL projects if you look at an all-in cost, so we stack up very well in the industry.
One of the key factors is we are already permitted. As we see prices rise, we can actually develop our projects into rising prices. We don’t need to be spending our time continuing to develop or explore or permit a project. As mentioned earlier, permitting can take a considerably long time in some regions.

Dr. Allen Alper: Could you tell us how your share prices compare with your peer group?

Mr. Daniel Major: Relative to an average on an EV/lb – that’s the simplest one that most analysts use – on an EV/lb, we’re about a quarter of the peer group average. We’re sitting at about 35 cents a pound in the ground, compared to a peer group, which is averaging $1.24 per pound.

Dr. Allen Alper: That’s excellent. Could you tell me a bit about your capital structure?

Mr. Daniel Major: We have 321 million shares on issue. We have about three million dollars of cash in the account. We have 131 million in the money warrants, of which approximately 80 million can be accelerated. At the end of Q1, we had $3.9 million in cash, enough to keep us going well into next year.

Dr. Allen Alper: That sounds good. What are the primary reasons our high-net-worth readers/investors should consider investing in GoviEx?
Mr. Daniel Major: I think the first trigger you have to look at, of course, is the uranium market itself. If you believe that the uranium market is going to be very positive and constructive from a price point of view, then obviously you want to invest in the uranium sector. In the uranium sector itself, I think we are one of the few companies that is in a position to actually develop our projects and go into construction, and that's important, because if you looked at the last bull cycle from 2006 through to the end of 2007, the two outperforming companies in that cycle were Paladin Energy and Energy Fuels. Those companies outperformed the whole sector, and the difference between them and everybody else was that they actually built mines, and nobody else did.

Dr. Allen Alper: Well, that's very good. Is there anything else you'd like to add?

Mr. Daniel Major: Thank you, Dr. Alper, for the opportunity to share information about GoviEx Uranium’s prospects with you and your readers/investors. We feel we are well positioned for the future.

Dr. Allen Alper: Well, I thank you. You've given our readers/investors an excellent idea of what your company's all about, what the uranium market is doing, and good reasons why they should consider investing in your company.

All slides are excerpts from GoviEx Uranium’s corporate presentation. The full presentation, including all appendices and disclaimers, is available at www.goviex.com.