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Global Atomic Corp. (TSX:GLO)

It's a Go as Feasibility Study Confirms Low Capex and Opex

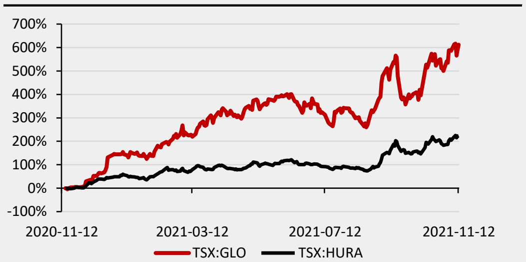
Development Update
November 15, 2021

(Currency is CAD$ unless noted otherwise)

Closing Price ($/sh)		$4.63
Rating		BUY
Target ($/sh)		$7.30
Return to Target		58%
52 Week Low / High	$0.62 /	$4.84
CAPITALIZATION	**Basic**	**Diluted**
Shares Outstanding (M)	163.6	180.3
Market Capitalization ($MM)		$757.6
Enterprise Value ($MM)		$750.0
Cash and Cash Equivalents ($MM)		$7.6
Total Debt ($MM)		$0.0

STOCK CHART

RELATIVE PERFORMANCE



FYE DEC 31	2024E	2025E	2026E
Total production (M lb)	0.44	3.83	3.83
Total cash costs (US$/lb)	4.31	17.24	17.24
EPS ($/sh)	(0.04)	0.09	0.09
CFPS ($/sh)	(0.71)	0.37	0.37

RELATIVE VALUATION	EV/lb U3O8 (US$)	P/NAV
Global Atomic Corp.	3.80	0.63x
Peers *	4.62	0.90x

*Capital IQ and Company Reports

MAJOR SHAREHOLDERS

Management (16.99%), Mirae Asset Global Investments Co., (4.4%), Exchange Traded Concepts, LLC (3.89%)

Source: RCS, Company Information, S&P Capital IQ

DISCLOSURE CODE: 1,2,3,4

(Please refer to the disclosures listed on the back page)

Source: RCS, Company Information, Capital IQ

Global Atomic Corporation engages in the acquisition, exploration, and development of uranium properties in Niger. It owns 100% interest in the Dasa deposit located in the Republic of Niger. The company also processes electric arc furnace dust into zinc concentrates, which is sold to zinc smelters. Global Atomic Corporation is headquartered in Toronto, Canada.

Impact: Very Positive

Global Atomic reported the Feasibility Study (FS) for its 90%-owned Dasa uranium project in Niger. The FS is a de-risking event that demonstrates a strong, conservative project. Reserves were provided for what is one of the world's highest-grade projects, recoveries have improved, and prices remain low. While there was some cost creep, Dasa remains in the lowest cost quartile. Management is using conventional processing techniques, and ultra-conservative $35/lb. **We anticipate this project to be a go.** With FS announced, Mining Permit and Environmental Compliance Certificate in hand, construction is set to begin. Box-cut excavation and mine portal collaring are scheduled for January and April 2022. We now expect management to move towards project financing, off-take discussions with utilities, finalize detailed engineering, and select an EPCM contractor for the $90M processing plant. With an agreement to sell 500,000t of Direct Ship Ore (DSO) to Orano's Somair plant, plans are to generate revenue during mine development and plant construction.

Strong economics at low uranium prices. An 8% NPV is $157M with a 22.7% IRR after-tax, at US$35/lb, is down 26% versus the previous PEA at $211M and 26.6% (Figure 1 & 2). However, the plant is larger, longer LOM, with additional production and the uranium price has risen to $46/lb. Lower Phase 1 NPV is not a concern as we remind investors that it doesn't cover the entire deposit, just ~20% of resources (257.5M lb at 100 ppm cut-off; 113M lb at 1,200 ppm). The FS is conservative having been completed well below spot and sensitive to uranium prices. NPV rises to $259M with a 30.6% IRR after-tax at $40/lb; and to $468M with a 44.6% IRR at $50/lb.

LOM and recoveries increased. Throughput remains 1,000 tpd; LOM rose from 11 to 12 years; pounds recovered is up 3% to 45.4M lb; recoveries increased 2% to 94.15% following a six-month pilot plant and extensive met work. Head grades fell 4% to 5,184 ppm U3O8 but remain high.

Production trimmed by 3% to 3.8M lb pa. However, 1) peak production is up 15% to 6M lb pa, and 2) we believe production will be front ended with 16% higher grades and 18% more production than average. Increased capacity suggests optionality to raise production.

Low costs confirmed. Ave cash costs rose 13% to $18.91/lb; AISC up 19% to $21.93/lb. Costs are in the lowest quartile globally and may come down. Initial Capex near flat at $208M, but sustaining Capex rose 88% to $137M. This allowed for longer LOM, room to grow the Flake Zone without impacting future development costs and may mitigate Phase 2 Capex.

We maintain our BUY rating and increase our target to C$7.30 from C$7.00/sh, after incorporating the FS into our 8% DCF model, increasing our NAV multiple from 0.7x to 0.85x to account for existing permits, FS results and decision to break ground (Figure 4). **Upcoming Catalysts**: 1) 15,000m drill program (Q4/21), 2) Project financing (2022), 3) Underground development, plant construction (2022/23), 4) Initial production (2024).

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Average annual production down 3% to 3.8M lb based on a longer LOM. However, 1) peak production is up 15% to 6M lb pa, and 2) we anticipate production will be front ended. Years 1-7 may produce upwards of 4.5M lb on average head grades of >6,000 ppm. Increased plant capacity suggests optionality to increase production rates. Phase 2 development will likely be fast-tracked to before Phase 1 is complete, helping to fill the plant, reducing costs, moving revenue forward.

Synergies with neighbours may help lower Opex. Average cash costs rose 13% but still low at $18.91/lb; AISC up 19% to $21.93/lb. Sulphur and other reagent prices drove these gains, and shipping costs are higher. However, management believes it can negotiate costs downwards, perhaps by dealing with suppliers in conjunction with nearby Orano Mines.

Initial Capex up 2% to $208M, sustaining Capex up 88% from $75M to $137M. Sustaining costs are the only major change in the FS, up 88% and largely due to mining costs, however: 1) these plans allow for longer LOM, additional production from extremities of Flank zone (~2km of development, plus ventilation, ramps, etc), and may reduce Phase 2 Capex; 2) We note that this spending is entirely dependant on accessing high grade ore; and 3) With further infill drilling, we expect Phase 1 reserves to rise considerably without much impact to sustaining capex because the development would be in place.

Reserves declared at 4.25Mt grading 5,184 ppm U3O8 for 48.6M lb. This is based on 2,074 ppm cut-off and $35/lb. Reserves are based on indicated resources of the Flake Zone.

Unlocking the entire deposit. Now that Phase 1 is determined and moving forward, we anticipate potential to improve economics through the addition of Flank Zone mineralization along strike. A 15,000m program underway. Plus, we also anticipate development of the remaining 80% of Dasa mineralization to be considered, including further Phase 2 underground mining; and eventually Phase 3's low grade open pit mining potential (several decades from now).

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Figure 1: 2020 PEA vs 2021 FS assumptions

Key Inputs/Outputs	Units	2020 PEA	2021 FS	Delta
Concentrate Price and FX				
FX Rate	USD:CAD	0.75	0.75	-
Uranium Price	US$/lb	35	35	-
Production Profile				
Mine Life (excludes pre-production)	years	11	12	9%
Total tonnes processed	M tonnes	4	4.3	8%
Throughout rate	tpd	1,000	1,000	-
Mill head grade	ppm/T	5,396	5,184	(4%)
Average Recovery	%	92.00%	94.15%	2%
Total pounds U3O8 processed	Mlbs	47.9	48.6	1%
Total pounds U3O8 recovered	Mlbs	44.1	45.4	3%
Average annual pounds U3O8 production	Mlbs	3.9	3.8	(3%)
Peak annual pounds U3O8 production	Mlbs	5.2	6	15%
Operating Costs				
Average cash cost	US$/lb U3O8	16.72	18.91	13%
AISC	US$/lb U3O8	18.39	21.93	19%
Capital Costs				
Initial (includes royalty buybacks)	US$M	203	208	2%
Sustaining	US$M	73	137	88%
Economics				
Mining royalty	%	9.1%	9.3%	2%
After-tax NPV (8%)	US$M	211	157	(25%)
After-tax IRR	%	26.6%	22.7%	(15%)
Undiscounted after-tax cash flow	US$M	437	332	(24%)
After-tax Payback (from project start)	years	4	5	25%

Source: Company Reports

Figure 2: New RCS estimates

Key Inputs/Outputs	Units	*New RCS Estimates	2021 FS	*Old RCS Estimates	2020 PEA
Concentrate Price and FX					
FX Rate	CAD:USD	0.75	0.75	0.75	0.75
Uranium Price	US$/lb	60	35	60	35
Mining and Processing					
Mine Life (excludes pre-production)	years	21	12	21	11
Mineable Resource	Mt	9.5	4.25	9.5	4.13
Head Grade	%	0.5184	0.5184	0.5396	0.5273
Milling Rate	tpd	1,000 - 1,400	1,000	1,000 - 1,400	1,000
Recovery	%	94.15%	94.15%	94%	92%
Total Uranium Produced	M lb	102	45.4	105	44.1
Operating Costs					
Mining Costs	US$/t milled	66	66	45.1	45.1
Process Costs	US$/t milled	64	64	54.4	54.4
G&A	US$/t milled	37	37	48.5	48.5
Capital Costs					
Initial	US$M	208	208	203	203
Sustaining	US$M	308	137	177	73
Economics					
*After-tax NPV (8%)	US$M	1,038	157	1,190	211

**RCS mine model was competed on a post-financing basis*

Note: Our model accounts for the Phase 1 and 2 development plan

Source: Company Reports

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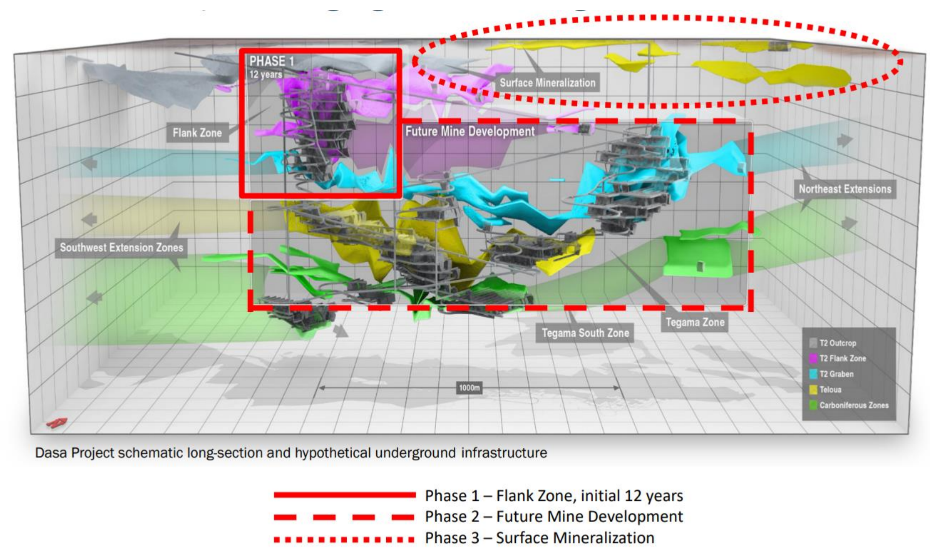
Figure 3: Updated valuation breakdown

		New Valuation (C$M)		Old Valuation (C$M)	
Net Asset Value		**C$M**	**C$/sh FD**	**C$M**	**C$/sh FD**
Projects & Interests					
Dasa (90%)	8%	$1,383.6	$7.68	$1,586.7	$8.80
Befesa (49%)		$134.2	$0.74	$134.2	$0.74
Asset NAV		$1,517.8	$8.42	$1,720.9	$9.55
Cash & Cash Equivalents		$7.6	$0.04	$7.6	$0.04
Debt		-	$0.00	-	$0.00
Additional Resource Value		$48.9	$0.27	$43.5	$0.24
Corporate G&A		($23.0)	-$0.13	($21.3)	-$0.12
Corporate NAV		$1,551.3	$8.61	$1,750.6	$9.71
Multiple			0.85x		0.70x
Target			**$7.31**		**$6.80**

Source: Company Reports

Figure 4: Hypothetical mine plan for Dasa based on phased expansion



Source: Company Reports

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Disclosure Statement
Updated November 15, 2021

Recommendation / Target Change			Red Cloud Securities has this percentage of its universe assigned as the following:	
Date	**Rating**	**Target C$/sh**	**Status**	**%**
2021-08-16	NA	NA	BUY	71%
2021-10-13	NA	NA	BUY (S)	25%
2021-10-27	BUY	7.00	HOLD	0%
2021-11-12	BUY	7.00	SELL / Tender	0%
			NA	3%
			Under Review	1%

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Company Name	Ticker Symbol	Disclosures
Global Atomic Corp.	TSX:GLO	1,2,3,4

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- HOLD – expected to perform with its peer group
- SELL – expected to underperform its peer group
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