

**Ticker:** GXU CN      **Cash:** C\$7m      **Project:** Madaouela  
**Market cap:** C\$225m      **Price:** C\$0.27/sh      **Country:** Niger  
**RECOMMEND.** (unc.): BUY      **TARGET** (unc): C\$0.70/sh      **RISK RATING:** HIGH

In our view, yesterday's Madaouela DFS accomplished its key tasks of i) providing a detailed 'deep dive' study to support debt finance, utility due diligence and potential M&A, maintaining a long life (19-years) and meaningful production profile (2.7Mlbs, 51Mlbs life of mine total) at fundable capex levels, and inflation to manageable levels. The overall mine plan is very similar with a 5% reduction in mine life, slight optimisation of OP/UG to reduce pre-strip, and managing capex, opex and power risk through the addition of 8MW of solar capacity, addition of two VeRo mills (reduced power draw vs SAG mill, doubled capacity to manage availability) to replace the SAG mill, and further detailed study of key areas including molybdenum resource modelling, quote driven cost estimates, and reagent optimisation. Ultimately, a 10% increase in cash costs was unavoidable, but also expected given higher reagent and fuel costs affecting the industry globally. Higher cash costs drove lower like for like NPV but we still view today as a win: Madaouela has never been presented as the lowest cost alternative, but instead provides diversification for western utilities, and security of supply for French or Chinese utilities which consider the downstream benefits of power generation in their criteria. **We maintain our BUY rating and lift our modelled uranium price to US\$70/lb, with a maintained C\$0.70/sh price target (prev C\$0.70/sh at 1.0x NAV<sub>8%-60/lb</sub>).** We think this better reflects Goviex's market position, with permitted Madaouela and simple heap leach offering a portfolio of actionable assets at the right time. Post-WNA, with the re-entry of Japan into the fuel market, extension of EU reactors, and expanded nuclear plans in China, we think DFS completed projects with lower technical barriers to entry (like Madaouela which is open pit in early years) are in high demand, and that prices/contracting will accommodate higher cash costs.

### DFS confirms scope, manageable capex, detailed engineering wins over modest capex

Goviex released outcomes of the Madaouela DFS (80% GXU, 20% Govt) located 9km SW of Arlit and within 10km of Orano's Somair and Cominak Mines in Niger. The overall production profile has very similar overall LOM production +2% at 51Mlbs over 19 years (prev. 50Mlbs over 20 years)

**Figure 1. New and prior DFS parameters**

|                                       | PFS      |         | New      |         |            | New   |            |         |      |
|---------------------------------------|----------|---------|----------|---------|------------|-------|------------|---------|------|
|                                       | Reserves | Incl Mo | Reserves | Incl Mo | LFL change | Prior | DFS mirror | DFS @60 | New  |
| Uranium price (US\$/lb U3O8)          | 55       | >>      | 65       | >>      |            | 60    | 65         | 60      | 70   |
| OP ore inventory (Mt)                 | 7.8      | >>      | 5.4      | >>      | -30.6%     | 7.8   | 5.4        | >>      | >>   |
| OP grade (ppm U3O8)                   | 1,000    | >>      | 1,031    | >>      | 3.0%       | 1,000 | 1,031      | >>      | >>   |
| OP contained (Mlbs U3O8)              | 17       | >>      | 12       | >>      | -28.5%     | 17    | 12         | >>      | >>   |
| Strip ratio (x)                       | 9.9      | >>      | 9.3      | >>      | -5.7%      | 9.9   | 9.3        | >>      | >>   |
| UG ore inventory (Mt)                 | 17.1     | >>      | 20.4     | >>      | 19.0%      | 17.1  | 20.4       | >>      | >>   |
| UG grade (ppm U3O8)                   | 995      | >>      | 997      | >>      | 0.2%       | 995   | 997        | >>      | >>   |
| UG contained (Mlbs U3O8)              | 37.6     | >>      | 44.9     | >>      | 19.3%      | 37.6  | 44.9       | >>      | >>   |
| LOM (years)                           | 20       | >>      | 19       | >>      | -5.0%      | 20    | 20         | >>      | >>   |
| Throughput (ktpa)                     | 1,000    | >>      | 1,000    | >>      | --         | 1,000 | 1,000      | >>      | >>   |
| Recovery (% U3O8)                     | 93.1%    | >>      | 92.2%    | >>      | -1.0%      | 93.1% | 92.2%      | >>      | >>   |
| LOM production (Mlbs U3O8)            | 50       | >>      | 51       | >>      | 1.6%       | 50    | 51         | >>      | >>   |
| Avg annual production (Mlbs U3O8)     | 2.5      | >>      | 2.7      | >>      | 8.0%       | 2.5   | 2.7        | >>      | >>   |
| LOM Mo production (kt)                | --       | 14      | 1.3      | 6.0     | na         | --    | 1.3        | >>      | >>   |
| Initial Capex (US\$m)                 | 330      | 347     | 343      | >>      | -1.2%      | 340   | 343        | >>      | >>   |
| Sustaining capex (US\$m)              | 301      | 301     | 277      | >>      | -8.1%      | 301   | 277        | >>      | >>   |
| OP mining cost (US\$/t)               | 2.7      | >>      | 2.1      | >>      | -23.8%     | 2.7   | 2.1        | >>      | >>   |
| UG mining cost (US\$/t)               | 31.7     | >>      | 31.4     | >>      | -0.9%      | 31.7  | 31.4       | >>      | >>   |
| Processing cost (US\$/t)              | 24.9     | >>      | 35.8     | >>      | 43.9%      | 24.9  | 35.8       | >>      | >>   |
| G&A (US\$/t)                          | 8.0      | >>      | 9.3      | >>      | 16.1%      | 8.0   | 9.3        | >>      | >>   |
| Cash cost - net of byproduct(US\$/lb) | 32.3     | 22.5    | 35.8     | 33.5    | 10.8%      | 32.4  | 35.6       | 35.4    | 35.9 |
| SCPe AISC (US\$/lb)                   | 38.9     | 29.1    | 41.2     | 39.0    | 6.0%       | 38.4  | 40.7       | 40.4    | 41.1 |
| NPV8% (US\$m)                         | 60       | 117     | 120      | 140     | na         | 125   | 139        | 74      | 204  |
| IRR (%)                               | 11%      | 14%     | 13%      | 13%     | na         | 15%   | 15%        | 12%     | 18%  |

Source: GoviEx, SCPe; LFL change shows DFS vs PFS reserve case % change except capex which is compared to Mo case as base case now includes Mo circuit; NPV calculated at build start

## Optimisations to mine plan and processing plant design but no major changes

The overall scope was maintained with a 1Mtpa mill and processing plant fed by open pit mining in early years with the Miriam and Maryvonne UG mines coming in the middle of the mine life. Mine: Optimisations to the mine plan including changes to the OP mine sequence to reduce pre-strip and detailed resource modelling of molybdenum in the open pit and areas of the UG with higher drill density. The UG mine plan is largely similar with longitudinal retreat room and pillar mining and XRF sorting before the plant. Plant optimisations including replacement of the SAG mill with two VeRo mills (more info [here](#), reduces power draw and mill foundation), and optimisation of the ion exchange circuits. While a relatively new technology we note each VeRo mill is rated at 100-130tph, which provides nearly double the required capacity; this is a healthy redundancy to allow for maintenance. The DFS included addition of an 8MW solar plant and 5MWh battery storage system for US\$14m initial capex to reduce dependence on grid power.

## Inflation modest with overall capex budget maintained, cash cost +11%, AISC +6%

The capex budget saw a 1% decrease to US\$343m with the increase associated with the solar plant offset by optimisations in detailed design, including savings on the SAG mill foundations with the inclusion of the VeRo mills. Opex saw lower mining quote driven unit costs for mining, but higher processing costs driven by reagent prices including significantly higher sulphur and sulphuric acid prices, driving an 11% increase in LOM cash costs and 6% increase in AISC.

## Our view: Accomplishes goals of managing inflation while delivering a buildable project

Recall our thesis for GoviEx which centres on the following premises: I) The key advantage to African projects is short lead time to production rather than cost positioning; II) GoviEx adds scale (key to utilities and potential M&A) with a permitted flagship project in Madaouela and attractive second project in Mutanga; and III) the unique factor here is the board and management which has the experience and gravitas needed to deal with the large stakeholders (utilities, African governments and international governments) needed to support and build uranium mines. In short, the uranium and nuclear energy business operate on the radar of major world powers, which requires miners to be able to deliver a technically well engineered project, and then manage government, utility and stakeholders needed to contract, finance, build and operate.

Today's DFS accomplished the key goals which was to delineate enough production over long enough time (19 years @ 2.7Mlbspa) to be attractive to utilities or integrated state players (Orano, CNNC, CGN, Japanese and Korean utility SPVs) and with enough engineering detail to support lending, utility and / or M&A due diligence. No, this is not the lowest cost asset globally, but with permits in hand, and low technical barriers to entry (early years open pit only, standard ion exchange processing), it is actionable and in a relatively geopolitically neutral country that can sell to US, European, Japanese, Korean, Chinese and Middle Eastern buyers (which most assets no longer can due to geopolitical polarisation).

## Model update: Match DFS outcomes, will refine mine plan with full technical report

We model the high level DFS outcomes, matching US\$343m initial capex, both the OP and UG reserve, LOM sustaining capex, unit costs (mining, processing and G&A), life of mine production, and throughput rate. We model flat 1031ppm OP head grade and 9.3x strip ratio and flat LOM grade for the UG, matching the DFS reserve outputs, for now as a more detailed mine schedule was not provided in the release. Matching the DFS pricing of US\$65/lb, we generate nearly identical outcomes but higher NPV8% at US\$139m vs DFS US\$120m at a like-for-like US\$65/lb uranium price, with the variance likely due to variance in mine scheduling; we will refine this once the full technical report is lodged. We lift our modelled price to US\$70lb which increases SCPE NPV by 47% to US\$204m, showing Madaouela's high torque to the uranium price, and we moderate our NAV multiple to 0.7x, to reflect DFS completion but pending full technical report review as well as mine finance completion.

Areas of interest for the full technical report review: Include the mine plan grade, tonnage and strip ratio profile, unit cost and sustaining capex split (relatively lean mining costs at US\$2.1/t OP and US\$31/t UG albeit assuming owner mining, but reasonably high SCPe US\$10/t UG sustaining capex), ore sorting mass pull / recovery (SCPe 74% mass pull and 96% recovery back calced from DFS outcomes), and molybdenum grade/distribution (we conservatively model the reserves case for now). We expect NPV to come down moderately as discussed with detailed mine plan, but have used a conservative 0.7x NAV multiple to account for this.

## Why we like Goviex

- Large, permitted, well drilled flagship with 19-year 2.7Mlb DFS at Madaouela
- Low strip, on infrastructure 2.6 Mlb pa heap leach second project at Mutanga (Zambia)
- Experienced and well connected management to advance portfolio

## Catalysts

- 2H22: Madaouela Offtake and finance
- 2023: SCPe Madaouela construction start (price dependent)
- 1H25: SCPe first production at Madaouela
- 1H27: SCPe first production at Mutanga

## Research

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|                                      |   |  |                         |
|--------------------------------------|---|--|-------------------------|
| <b>Ticker:</b> GXU CN                | <b>Price / mkt cap:</b> C\$0.27/sh, C\$147m | <b>Market P/NAV:</b> 0.23x                 | <b>Assets:</b> Madaoela |
| <b>Author:</b> J Chan / E Magdzinski | <b>Rec / PT:</b> BUY / C\$0.70              | <b>1xNAV<sub>2020</sub> FD:</b> C\$1.16/sh | <b>Country:</b> Niger   |

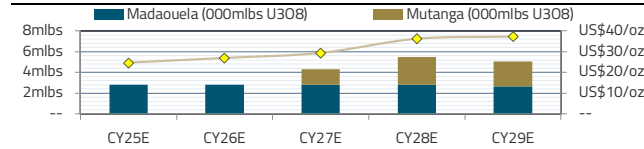
| Group-level SOTP valuation            | 2Q22       |                 | 3Q22 |               |
|---------------------------------------|------------|-----------------|------|---------------|
|                                       | US\$m      | O/ship          | NAVx | C\$/sh        |
| Madaoela NPV 3Q22                     | 173        | 80%             | 1.0x | 0.34          |
| Mutanga NPV 3Q22                      | 209        | 100%            | 1.0x | 0.41          |
| Falea (US\$1.5/lb)                    | 66         | 80%             | 1.0x | 0.13          |
| Central SG&A & fin costs 3Q22         | (70)       | --              | 1.0x | (0.14)        |
| Lbs outside mine plan (\$1.50/lb)     | 167        | 100%            | 1.0x | 0.33          |
| Exploration                           | 25         | 100%            | 1.0x | 0.05          |
| Cash and restr. cash 2Q22             | 7          | --              | 1.0x | 0.01          |
| Debt 2Q22                             | --         | --              | 1.0x | --            |
| ITM options                           | 16         | --              | 1.0x | 0.03          |
| <b>1xNAV8% US\$70/lb</b>              | <b>593</b> |                 |      | <b>1.16</b>   |
| Assumed build equity issuance         | 100        |                 |      | 0.12          |
| <b>1xNAV fully funded8% US\$70/lb</b> | <b>693</b> |                 |      | <b>1.03</b>   |
| P/NAV (x):                            |            |                 |      | <b>0.26x</b>  |
| <b>Target multiples</b>               |            | <b>Multiple</b> |      | <b>C\$/sh</b> |
| <b>Target P/NAV Multiple</b>          |            | <b>0.70x</b>    |      | <b>0.70</b>   |
| <b>Target price</b>                   |            |                 |      | <b>0.70</b>   |

| Sources                          | Uses     |                              |          |
|----------------------------------|----------|------------------------------|----------|
| Madaoela PFS capex               | US\$330m | SCPe 3Q20 cash + ITM options | US\$95m  |
| SCPe contingency                 | US\$90m  | Mine debt @ 60% gearing      | US\$200m |
| SCPe G&A + fin. cost to first Au | US\$56m  | Build Equity                 | US\$100m |
| SCPe working capital             | US\$19m  | Offtake                      | US\$100m |
| Total uses                       | US\$495m | Total proceeds               | US\$495m |

| 1xNAV sensitivity to gold price and discount / NAV multiple |         |         |             |         |         |
|---|---------|---------|-------------|---------|---------|
| 1xNAV Mines (C\$m)  | \$50/lb | \$60/lb | \$70/lb     | \$80/lb | \$90/lb |
| 10% discount  | -62     | 116     | 283         | 449     | 615     |
| 9% discount   | -47     | 147     | 329         | 510     | 691     |
| 8% discount   | -28     | 183     | <b>381</b>  | 580     | 778     |
| 7% discount   | -7      | 224     | 441         | 659     | 877     |
| 6% discount   | 19      | 272     | 510         | 749     | 989     |
| 5% discount   | 48      | 326     | 589         | 853     | 1,118   |
| <b>Valuation (C\$/sh)</b>                                   |         |         |             |         |         |
| 0.50xNAV  | neg     | 0.30    | 0.50        | 0.75    | 0.95    |
| 0.60xNAV  | neg     | 0.35    | 0.60        | 0.90    | 1.15    |
| 0.70xNAV  | neg     | 0.40    | <b>0.70</b> | 1.05    | 1.35    |
| 0.80xNAV  | neg     | 0.45    | 0.80        | 1.20    | 1.55    |
| 1.00xNAV  | neg     | 0.55    | 1.05        | 1.50    | 1.95    |

| Valuation over time           | Today | 1Q23E | 1Q24E | 1Q25E | 1Q26E |
|-------------------------------|-------|-------|-------|-------|-------|
| Mines NPV (US\$m)             | 423   | 433   | 727   | 896   | 898   |
| Cntrl G&A & fin costs (US\$m) | (70)  | (70)  | (64)  | (46)  | (3)   |
| Net cash at (US\$m)           | 7     | (46)  | (170) | (152) | (134) |
| Other Assets + Options        | 274   | 274   | 274   | 274   | 274   |
| 1xNAV (US\$m)                 | 635   | 592   | 767   | 973   | 1,036 |
| P/NAV (x):                    | 0.2x  | 0.3x  | 0.2x  | 0.2x  | 0.2x  |
| 1xNAV share px FD (C\$/sh)    | 1.21  | 0.97  | 1.25  | 1.52  | 1.55  |
| ROI to equity holder (% pa)   | 348%  | 90%   | 66%   | 54%   | 42%   |

| Resource / Reserve                 | Mt    | ppm U3O8 | Mlbs  | EV/lb |       |
|------------------------------------|-------|----------|-------|-------|-------|
| Measured, ind. & inf. - Madaoela   | 46    | 1,351    | 138.4 | 0.76  |       |
| Measured, ind. & inf. - Total Attr | 149   | 614      | 201.6 | 0.52  |       |
| Group 2P Reserves                  | 25    | 845      | 46.4  | 2.27  |       |
| Production (100%)                  | CY25E | CY26E    | CY27E | CY28E | CY29E |
| Madaoela (000mlbs U3O8)            | 2.8   | 2.8      | 2.8   | 2.8   | 2.6   |
| Mutanga (000mlbs U3O8)             | --    | --       | 1.5   | 2.6   | 2.4   |
| Group cash cost (US\$/lb)          | 24.70 | 26.96    | 29.41 | 36.28 | 37.35 |
| Group AISC (US\$/lb)               | 32.00 | 31.75    | 42.31 | 50.09 | 43.63 |



| Share data                 |         |                   |       |         |       |
|----------------------------|---------|-------------------|-------|---------|-------|
| Basic shares (m):          | 545.1   | FD + options (m): | 656.4 | FD + FF | 864.6 |
| Commodity price            | CY23E   | CY24E             | CY25E | CY26E   | CY27E |
| Uranium price (US\$/lb)    | 70.0    | 70.0              | 70.0  | 70.0    | 70.0  |
| Ratio analysis             | CY23E   | CY24E             | CY25E | CY26E   | CY27E |
| FD shares out (m)          | 784.4   | 792.5             | 826.0 | 860.2   | 864.6 |
| EPS (US\$/sh)              | (0.013) | (0.028)           | 0.069 | 0.066   | 0.110 |
| CFPS before w/c (US\$/sh)  | (0.01)  | (0.01)            | 0.13  | 0.13    | 0.18  |
| FCFPS pre growth (US\$/sh) | (0.01)  | (0.03)            | 0.03  | 0.02    | 0.15  |
| FCF/sh (US\$/sh)           | (0.32)  | (0.16)            | 0.03  | 0.02    | 0.15  |
| FCF yield - pre growth (%) | (5%)    | (10%)             | 10%   | 7%      | 55%   |
| FCF yield (%)              | (118%)  | (58%)             | 10%   | 7%      | 55%   |
| EBITDA margin (%)          | --      | --                | 55%   | 55%     | 55%   |
| FCF margin (%)             | --      | --                | 11%   | 8%      | 42%   |
| ROA (%)                    | (3%)    | (5%)              | 11%   | 10%     | 17%   |
| ROE (%)                    | (6%)    | (16%)             | 28%   | 22%     | 26%   |
| ROCE (%)                   | (1%)    | (2%)              | 15%   | 17%     | 27%   |
| EV (US\$m)                 | 204     | 330               | 319   | 308     | 180   |
| PER (x)                    | (21.3)  | (9.6)             | 3.9x  | 4.1x    | 2.5x  |
| P/CF (x)                   | nmf     | nmf               | 1.5x  | 1.6x    | 1.1x  |
| EV/EBITDA (x)              | nmf     | nmf               | 2.9x  | 2.8x    | 1.1x  |

| Income statement                |            |             |            |            |            |
|---------------------------------|------------|-------------|------------|------------|------------|
|                                 | CY23E      | CY24E       | CY25E      | CY26E      | CY27E      |
| Revenue (US\$m)                 | --         | --          | 200        | 200        | 303        |
| COGS (US\$m)                    | --         | --          | (84)       | (84)       | (130)      |
| <b>Gross profit (US\$m)</b>     | <b>--</b>  | <b>--</b>   | <b>116</b> | <b>116</b> | <b>173</b> |
| G&A & central                   | (2)        | (5)         | (5)        | (5)        | (5)        |
| Depreciation                    | --         | --          | (35)       | (35)       | (45)       |
| Impairment & other (US\$m)      | --         | --          | --         | --         | --         |
| Net finance costs (US\$m)       | (5)        | (14)        | (20)       | (19)       | (14)       |
| Tax (US\$m)                     | --         | --          | --         | --         | (14)       |
| Minority interest (US\$m)       | --         | --          | --         | --         | --         |
| <b>Net income attr. (US\$m)</b> | <b>(7)</b> | <b>(19)</b> | <b>57</b>  | <b>57</b>  | <b>95</b>  |

| Cash flow                       |              |              |             |             |              |
|---------------------------------|--------------|--------------|-------------|-------------|--------------|
|                                 | CY23E        | CY24E        | CY25E       | CY26E       | CY27E        |
| Profit/(loss) after tax (US\$m) | (10)         | (22)         | 57          | 57          | 95           |
| Add non-cash items (US\$m)      | 5            | 15           | 55          | 55          | 60           |
| Less wkg cap / other (US\$m)    | --           | --           | (19)        | 0           | (10)         |
| <b>Cash flow ops (US\$m)</b>    | <b>(5)</b>   | <b>(7)</b>   | <b>93</b>   | <b>111</b>  | <b>145</b>   |
| PP&E (US\$m)                    | (240)        | (103)        | (51)        | (76)        | (2)          |
| Other (US\$m)                   | --           | --           | --          | --          | --           |
| <b>Cash flow inv. (US\$m)</b>   | <b>(240)</b> | <b>(103)</b> | <b>(51)</b> | <b>(76)</b> | <b>(2)</b>   |
| Debt draw (repayment) (US\$m)   | 100          | 100          | --          | --          | (100)        |
| Equity issuance (US\$m)         | 102          | 1            | 11          | 2           | --           |
| Other (US\$m)                   | 95           | (15)         | (35)        | (20)        | (15)         |
| <b>Cash flow fin. (US\$m)</b>   | <b>297</b>   | <b>86</b>    | <b>(24)</b> | <b>(18)</b> | <b>(115)</b> |
| Net change post forex (US\$m)   | 52           | (24)         | 18          | 18          | 28           |
| FCF (US\$m)                     | (250)        | (125)        | 22          | 16          | 128          |

| Balance sheet                     |            |            |            |            |            |
|-----------------------------------|------------|------------|------------|------------|------------|
|                                   | CY23E      | CY24E      | CY25E      | CY26E      | CY27E      |
| Cash (US\$m)                      | 54         | 30         | 48         | 66         | 95         |
| Accounts receivable (US\$m)       | --         | --         | 8          | 8          | 12         |
| Inventories (US\$m)               | --         | --         | 21         | 21         | 33         |
| PPE & exploration (US\$m)         | 312        | 415        | 431        | 472        | 429        |
| Other (US\$m)                     | 0          | 0          | 0          | 0          | 0          |
| <b>Total assets (US\$m)</b>       | <b>367</b> | <b>445</b> | <b>508</b> | <b>567</b> | <b>568</b> |
| Debt (US\$m)                      | 100        | 200        | 200        | 200        | 100        |
| Other liabilities (US\$m)         | 108        | 141        | 136        | 121        | 112        |
| Shareholders equity (US\$m)       | 388        | 389        | 400        | 403        | 403        |
| Retained earnings (US\$m)         | (242)      | (264)      | (207)      | (150)      | (55)       |
| Minority int. & other (US\$m)     | 12         | 12         | 12         | 12         | 12         |
| <b>Liabilities+equity (US\$m)</b> | <b>367</b> | <b>479</b> | <b>542</b> | <b>586</b> | <b>572</b> |
| Net Cash                          | (46)       | (170)      | (152)      | (134)      | (5)        |
| Net Debt to NTM EBITDA (x)        | nmf        | 1.5x       | 1.4x       | 0.8x       | 0.0x       |

Source: SCP estimates

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|---------------------|--|----------|
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| Summary of Recommendations as of September 2022 |           |
|---|-----------|
| BUY:  | 50        |
| HOLD:   | 1         |
| SELL:   | 0         |
| UNDER REVIEW:                                   | 0         |
| TENDER:   | 0         |
| NOT RATED:                                      | 0         |
| <b>TOTAL</b>                                    | <b>51</b> |

<sup>1</sup> As at the end of the month immediately preceding the date of issuance of the research report or the end of the second most recent month if the issue date is less than 10 calendar days after the end of the most recent month