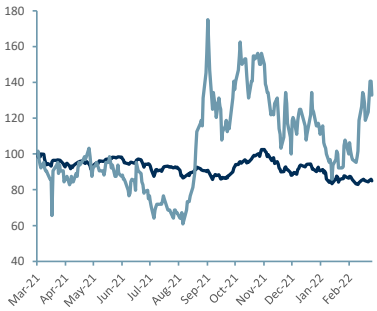
ACF EQUITY RESEARCH

BRIEFING NOTE

52 Wk. Lo/Hi

0.19 - 0.59



GXU (lighter line) TSXV market vs price relative

Monday, 14 March 2022

Close Price	0.43
52 wk Range Low	0.19
52 wk Range High	0.59
MCAP (m)	$207.16
EV (m)	$197.73
Index: Public	TSXV
Financial YE	31-Dec
Currency	CAD

Business Activity
Mining E&P

Key Metrics

Gross debt (m)	$0.00
Cash (m)	$9.40
Net Debt (Cash) (m)	-$9.40
Net Operating Cash (m)	-$9.87
Revenue (m)	N/A
Net Income (loss) (m)	-$11.85
Key Ratios	
(Net Cash) / Shareholder Equity %	-4.54%

Mining Sector Research
TSXV Market Index
Analyst Team
+44 20 7419 7928
mining@acfequityresearch.com

GoviEx Uranium Inc.

Core Investment Case

GoviEx Uranium Inc. (TSXV:GXU; OTCQX:GVXXF) is a Canadian uranium (U_3O_8) mining exploration and development company with assets in Africa. The company's portfolio is comprised of three projects: 1) Flagship fully mine-permitted Madaouela Project in Niger - production forecast 2025E, on track to take advantage of upcoming uranium supply shortage; 2) mine-permitted Mutanga Project in Zambia - production forecast 2027E; and 3) its multi-element (U, Cu, Ag & Au) Falea Project in Mali. GoviEx holds a large U_3O_8 resource with >60% Measured & Indicated (M&I) - M&I resource of 143.5 Mlb and Inferred resource of 86.9 Mlb.

- Uranium explorer with advanced stage Africa projects (>60% M+I);
- Flagship project in Niger;
- On track for 1st project production 2025E;
- Cash + CE at US$ 7.3m as of 30 Sep 2021A.

CAD (m)	MCAP	EV	RoA %	RoE %	NCO	Levered FCF
2022	207.16	197.73	-9.04%	-15.41%	-9.9	0.7

Multiples	EV/ Revs	P/ S	Trail PE	BV/ Share	P/ B	Current
2022	N/A	N/A	N/A	0.11	2.76x	1.04x

Investment Case

GoviEx Uranium – Exploration stage uranium mining company with portfolio in Africa targeting the market for uranium as a transition energy source in the march toward the global renewable/green energy transition.

Multi-asset African-focused uranium miner – GoviEx holds a portfolio of three uranium properties in Africa: 1) flagship mine-permitted **Madaouela** Project in **Niger**. accounts for 5% of global uranium production (World Nuclear Association); 2) mine-permitted **Mutanga** Project in **Zambia**, and 3) multi-element **Falea** Project in **Mali**. The company's resource inventory is 36.2 Mlb measured, 107.3 Mlb U_3O_8 indicated and 86.0 Mlb U_3O_8 inferred resource (M+I+I).

Robust project economics: The Preliminary Feasibility Study (PFS) at GXU's flagship Madaouela project in Niger presents an after-tax NPV of US$ 117m at 8% discount rate with an IRR of 13.7% at a price of US$ 55/lb uranium. (This price is based on consensus and industry estimates that $60-70/lb is needed to justify starting/restarting capacity to meet current demand as indicated by GXU). A Preliminary Economic Assessment (PEA) completed on the Mutanga project in Zambia produced an after-tax NPV of US$ 112m at 8% discount rate with an IRR of 25% at a price of US$ 58/lb uranium. Over the last ~35 yrs U_3O_8 has traded between $148 /lb and $7.10 /lb and currently trades around $50/lb.

Madaouela production on track for 2025E: GoviEx has doubled its exploration budget and initiated a bankable feasibility study (BFS) to be completed in 1H22E. Upon completion of the BFS, GXU expects to accelerate project financing and offtake contracts with a target to begin construction of Madaouela in 2023E and reach uranium commercial production by 2025E.

Uranium market in a deficit: The long run demand for uranium is strengthening as nuclear demand grows amid the global clean-energy transition. China has set targets for nuclear capacity to reach 120GW in 2030E, from 70GW in 2025E, up from 48GW in 2020A. Japan expects to generate 20% of its total energy supply from nuclear.

Catalysts

Completion of Madaouela BFS in 1H22E; further drilling at Mutanga and Falea projects; development of Falea project (Multi element); increased demand for nuclear energy; close funding requirements in 2022.

Operational Strategy

The increasing demand for uranium is likely to keep the market in a deficit over the long-term and should support prices. In addition, Cameco announced in Apr 2021 that it will restart production at Cigar Lake, following temporary suspensions due to Covid.

The PFS for Madaouela (Niger) and the PEA for Mutanga (Zambia) assume a uranium price of $55 /lb and a WACC of 8%. Current prices for uranium are around $45/lb. Mandaouela and Mutanga total life of mine costs (capex + opex) are estimated at $35.2/lb and $37.9/lb respectively.

GoviEx's strategy is to continue to advance its flagship project Madaouela to production by 2025E. Simultaneously GXU will progress its other mine-permitted project Mutanga in Zambia and exploration stage Falea project in Mali.

GXU has appointed Endeavour Financial, a global mining finance advisory team, in its efforts to pursue funding opportunities. Endeavor will provide support on debt financing, offtake financing and technical and environmental guidance.

Madaoulea project Niger: Mine-permitted and PEA completed. Targeted completion for the bankable feasibility study is 1H22E. The project forecast is to move into construction by 2023E and production by 2025E.

Mutanga project Zambia: Mine-permitted and PEA completed. Targeted completion of the feasibility study is 2024E and production by 2027E.

Falea project Mali: In the exploration stage and undergoing a strategy review with expansion into copper, and precious metals silver and gold. Indicated resource of 17.4 Mlb U_3O_8, 24.4 Mlb copper and 16.1 Moz silver and an inferred resource of 13.4 Mlb U_3O_8, as per GXU's mineral resource 26 October 2015 CIM Definition Standards for Mineral Resources and Mineral Reserves, which is part of the Canadian NI 43-101 standard. GXU is undertaking a 6,000m drilling program at Falea to confirm mineralization.

Management Team

- **CEO, Daniel Major.**

Daniel became CEO of GoviEx in 2012 and has 30+ years of experience in the mining industry. Prior to GXU, Daniel was the CEO of Basic Element Mining and Resource Division in Russia and has held other managerial positions at several Canadian listed mining companies – explorers and producers with assets in Canada, Russia and South America.

- **CFO, Lei Wang.**

Lei became CFO of GXU in Dec 2015 after joining as Corporate Controller in Aug 2014. Lei has extensive experience working with public companies in accounting, financial reporting, regulatory compliance, treasury, tax and corporate finance activities. Lei has a Bachelor of Science in Engineering from Qingdao University, China.

Risks

Project development risk – This includes failure to be granted a license or to discover or develop an economically recoverable ore reserve, to conclude a definitive feasibility study, and to obtain the necessary consents and approvals for the conduct of exploration and mining. Mineral reserves do not have to demonstrate economic viability. Mineral resources are subject to infill drilling, permitting, mine planning, mining dilution and recovery losses before conversion into mineral reserves.

Commodity price risk – GXU is highly exposed to commodity price volatility. A potential fall in commodity prices could lead to its projects being uneconomic. Risk mitigation steps can include risk hedging such as stockpiling when prices are low and price hedging when prices rise above expectations.

Funding availability risk – Mining is a capital-intensive business and requires a significant amount of investment as well as working capital. If the company is unable to raise capital for its exploration and development activities, it will adversely impact the timelines for its projects. Also, too much new equity (raising money via issuing equity) will lead to dilution while debt funding will increase interest cost thereby putting further pressures on cash flows. We estimate that in 2021 AUM $30trn were formerly inaccessible to companies without an ESG with metrics. We assess that informally ESG-filtered AUM at this time is far in excess of AUM $30trn. GXU is in the process of developing an ESG policy.

Regulatory risk – Mining projects tend to attract high regulatory interest given their impact on the environment as well as on the country's natural resources. GXU's assets are located in Africa, which has extensive country-specific laws and regulations. Failure to comply with them could lead to delays or complete shutdown of the development of the assets. GXU is in the process of developing an ESG policy but does not use big data collection and analysis at this time. Big data collection and analysis reduces environmental risk and wastage amongst other factors.

Personnel risk - Small and mid-sized companies are more dependent on their C-suite/executive management teams than large and mega-cap global companies. The loss of key personnel can have a disproportionate impact on valuation and investor perception compared to similar events at larger more mature (often ex-growth) companies.

Supply/Demand risk – Pandemic imposed lockdowns are ongoing creating disruptions to natural resource supply, demand reductions and reduced government revenues from declining exports could lead to tax and regulatory changes to stabilise prices.

Notes [Intentionally Blank]

INDEPENDENCE & DISTRIBUTION

ACF Equity Research Ltd is a provider of issuer-pays research with a clearly defined independent ethic. ACF produces accurate, clear, focused research aimed at a professional investment audience. ACF has excellent distribution capabilities and always aims to provide access without restriction to the widest professional audience. ACF offers a range of additional services to support its clients.

DISCLAIMER

This communication is for informational purposes only. It is not intended as an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. [The opinions expressed in this report herein do not take into account individual investor circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein.] ACF Equity Research Ltd has based this document on information obtained from sources it believes to be reliable, but which it has not independently verified. Neither ACF Equity Research Ltd. nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report. All market prices, data and other information are not warranted as to completeness or accuracy and are subject to change without notice. [Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by ACF Equity Research Ltd. with respect to future performance. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.]

IMPORTANT DISCLOSURES FOR U.S. INVESTORS

This research report was prepared by ACF Equity Research Ltd., a company authorized to engage in securities activities in the United Kingdom. ACF Equity Research Ltd. is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended. Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through, a registered broker-dealer in the United States. The analyst who prepared this research report is not registered or qualified with the Financial Industry Regulatory Authority ("FINRA") and may not be associated with a U.S. broker dealer and as such, would not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

[Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.]

LEGAL NOTICE

This report is for authorized use by the intended recipient(s) only. It may contain proprietary material, confidential information and/or be subject to legal privilege. No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior consent of ACF Equity Research Ltd. and ACF Equity Research Ltd. accepts no liability whatsoever for the actions of third parties in this respect.

IMPORTANT ADDITIONAL DISCLOSURES FOR U.K. INVESTORS

The information in this report has been prepared by ACF Equity Research Ltd (ACF). The research is published for information purposes only. It is not intended as an offer or solicitation for the purchase or sale of any securities or any financial instruments.

ACF has based this document on information obtained from sources it believes to be reliable but which it has not independently verified. All market prices, data and other information are not warranted as to completeness or accuracy and are subject to change without notice. Any comments or statements made herein do not necessarily reflect those of ACF Equity Research Limited. The material should not be regarded by recipients as a substitute for the exercise of their own judgment. Past performance does not guarantee future performance.

The analyst(s) responsible for covering the securities in this report receive compensation based upon, among other factors, the overall profitability of ACF which may, from time to time, solicit business from any of the companies referred to in this report. The analyst(s) responsible for covering securities in this report may not hold a position in any or related securities in this report in ACF's sector universe on in any other sector in which ACF carries out research. The company does not hold any position in the securities mentioned in this report.

This research report and its contents are intended for professional investors and not for retail investors. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of the investment research. ACF Equity Research Limited is authorised and regulated by the Financial Conduct Authority. However the contents of this research report are produced as if ACF Equity Research Limited is unregulated and consequently this report does not contain investment recommendations or ratings.

ACF, its directors, employees and agents accept no liability whatsoever for any loss or damage of any kind arising out of the use of all or part of these materials. The information in this report is provided with the understanding that ACF is not acting in a fiduciary capacity. Certain laws and regulations impose liabilities which cannot be disclaimed. This disclaimer shall in no way constitute a waiver or limitation of any rights a person may have under such laws and/or regulations. Copyright © 2018 ACF Equity Research all rights reserved. Additional information is available upon request.

ACF Equity Research Limited, 125 Old Broad Street, London, EC2N 1AR, U.K.
Tel: +44 (020) 7558 8974
Website: www.acfequityresearch.com