

# Globe Uranium

## 56 million tonnes of inferred resource at Kanyika, Malawi

### Event

GBE announced 56 million tonnes of inferred mineral resource at its Kanyika Nb-U-Ta-Zr project in Malawi, which is 100% owned. The resource was double the company's initial exploration target. The Kanyika resource was discovered at a cost of A\$3m over two years. Approximately 14Mt or 25% of the 56Mt of resource is near the surface. A scoping study by Coffey Mining is due for completion in 2Q08. It will include mining, metallurgy, marketing, costs, transport, logistics and NPV calculations. Elsewhere, the Livingstonia Uranium project expects to have 6,000m drilling program to commence in April 2008.

### Implications

The 56 million tonnes of resource was above expectations and has potential to improve the financial viability of the project. The original resource model had an average ore body depth of 120m and a strike length of 2.1km. High-grade material (greater than 3,000ppm Nb2O5) has been found near the surface. This is good news, as it would increase the NPV of the project by lowering unit costs in the early phase of production. It would be an open-pit mine with low stripping ratio, which would lower the capital payback period and help the project to secure debt funding. The Kanyika project could have a 20-year-plus mine life with a throughput of 1.5Mt/year and open-pit high-grade material for the first 10 years. The primary resource of the mine is Nb2O5. Around 85% of all niobium is used in the steel industry and there has been 20% growth per annum in the last five years in world consumption of niobium.

### Investment Opinion

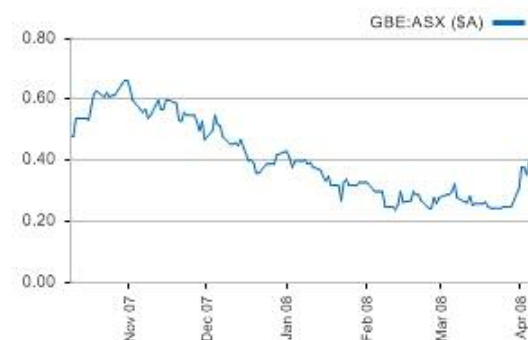
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### Key Information

Share Price **\$0.38**  
Valuation **n/a**

### Price Performance



### Market Statistics

Market Cap (M) \$27  
Shares (M) 67.3  
% of Market 0.00  
% of Sector 0.00  
12 Month Range \$0.22 - \$1.21  
Company Risk ★★☆☆☆  
Share Price Risk ★★☆☆☆  
Ethical rating ★☆☆☆☆

	Performance against indices (%)		
	3 Months	6 Months	12 Months
GBE	(5.0)	(20.8)	(51.3)
Sector	3.4	(2.4)	28.2
Market	(9.2)	(15.5)	(7.1)

### Key Assumptions

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Nominal terminal growth rate (%): 3.0

### Earnings Summary

Yr to Jun	NPAT Rep \$M	NPAT <sup>1</sup> Adj \$M	EPS <sup>1</sup> c	EPS chg %	PER x	PER rel All Ords x	PER rel Sector x	DPS c	Yield %	Franking %	ROE %
2006A	(0.4)	(0.4)	(1.2)	n/a	(31.7)	(1.7)	(1.8)	0.0	0.0	0	(34.7)
2007A	(1.7)	(1.7)	(4.2)	n/a	(9.1)	(0.5)	(0.5)	0.0	0.0	0	(42.9)

<sup>1</sup> NPAT and EPS are adjusted by removing non-recurring items. All the above statistics are derived from normalised earnings.

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Valuation: n/a

Company risk <sup>1</sup>: ★★☆☆☆

Share Price risk <sup>1</sup>: ★★☆☆☆

Ethical rating <sup>2</sup>: ★☆☆☆☆

Year end Jun. All figures in A\$M

	2006A	2007A		2006A	2007A
<b>Profit &amp; loss summary</b>					
<b>Operating revenue</b>	<b>0.0</b>	<b>0.0</b>	<b>Ratio analysis</b>		
Invest & other income	(0.1)	(0.2)	Revenue growth (%)	0.0	0.0
<b>EBITDA</b>	<b>(0.5)</b>	<b>(1.9)</b>	EBITDA growth (%)	n/a	n/a
Depreciation/Amort	(0.0)	(0.0)	EPS growth (%)	n/a	n/a
<b>EBIT</b>	<b>(0.5)</b>	<b>(1.9)</b>	EBITDA/Sales margin (%)	0.0	0.0
Net Interest	0.1	0.2	EBIT/Sales margin (%)	0.0	0.0
<b>Pre-tax profit</b>	<b>(0.4)</b>	<b>(1.7)</b>	Tax rate (%)	0.0	0.0
Tax expense	0.0	0.0	Net debt/equity (%)	(96.6)	(87.7)
Minorities/Assoc./Prefs	0.0	0.0	Net debt/net debt + equity (%)	(<1000)	(713.3)
<b>NPAT</b>	<b>(0.4)</b>	<b>(1.7)</b>	Net interest cover (x)	n/a	n/a
Non recurring items	0.0	0.0	Payout ratio (%)	0.0	0.0
<b>Reported profit</b>	<b>(0.4)</b>	<b>(1.7)</b>	Capex to deprec'n (%)	0.0	0.0
NPAT add Goodwill & Pref	0.0	0.0	NTA per share (\$)	0.10	0.19
<b>Adjusted profit</b>	<b>(0.4)</b>	<b>(1.7)</b>	ROA (%)	(42.8)	(46.3)
			ROE (%)	(34.7)	(42.9)
<b>Cashflow summary</b>					
<b>EBITDA</b>	<b>(0.5)</b>	<b>(1.9)</b>	<b>Multiple analysis</b>	<b>2006A</b>	<b>2007A</b>
Working capital changes	0.0	0.0	Market cap (M)		27
Interest and tax	0.0	0.0	Net debt (\$M)		(10.0)
Other operating items	(0.0)	(0.1)	Peripheral assets (\$M)		n/a
<b>Operating cashflow</b>	<b>(0.5)</b>	<b>(2.0)</b>	<b>Enterprise value (\$M)</b>		<b>16.6</b>
Required capex	0.0	0.0	<b>EV/EBIT (x)</b>	<b>(35.9)</b>	<b>(8.6)</b>
<b>Maintainable cashflow</b>	<b>(0.5)</b>	<b>(2.0)</b>	<b>EV/EBITDA (x)</b>	<b>(35.9)</b>	<b>(8.6)</b>
Dividends	0.0	0.0	EV/EBITDA All Ind (x)	8.8	7.9
Acq/Disp	(0.0)	(0.1)	EV/EBITDA rel All Ind (x)	(4.1)	(1.1)
Other investing items	0.0	(0.0)	<b>P/E (x)</b>	<b>(31.7)</b>	<b>(9.1)</b>
<b>Free cashflow</b>	<b>(0.5)</b>	<b>(2.1)</b>	P/E rel All Ind (x)	(1.6)	(0.5)
Equity	4.6	8.2	P/E rel All Ind ex banks (x)	(1.5)	(0.5)
Debt inc/(red'n)	(0.0)	0.0	P/E sector (x)	17.9	16.7
			P/E rel sector (x)	(1.8)	(0.5)
<b>Balance sheet</b>					
	<b>2006A</b>	<b>2007A</b>	<b>Assumptions</b>	<b>2006A</b>	<b>2007A</b>
Cash & deposits	4.1	10.2	GDP growth (%)	2.92	2.50
Inventories	0.0	0.0	Interest Rates (%)	5.69	6.33
Trade debtors	0.1	0.1	Inflation (%)	3.20	3.09
Other curr assets	0.0	0.1			
<b>Total current assets</b>	<b>4.1</b>	<b>10.4</b>			
Prop., plant & equip.	0.0	0.1			
Non-curr intangibles	0.2	1.8			
Non-curr investments	0.0	0.0			
Other non-curr assets	0.0	0.0			
<b>Total assets</b>	<b>4.3</b>	<b>12.3</b>			
Trade creditors	0.1	0.7			
Curr borrowings	0.0	0.0			
Other curr liabilities	0.0	0.0			
<b>Total current liab.</b>	<b>0.1</b>	<b>0.7</b>			
Borrowings	0.0	0.0			
Other non-curr liabilities	0.0	0.0			
<b>Total liabilities</b>	<b>0.1</b>	<b>0.7</b>			
Minorities/Convertibles	0.0	0.0			
<b>Shareholders equity</b>	<b>4.2</b>	<b>11.7</b>			

**Notes:**1. The risk ratings are on a 12 month perspective, where five stars denotes low risk and one star denotes high risk. Company risk takes into account expected financial, strategic and execution risks associated with the company. Share price risk is a measure of the expected volatility of the price and other trading factors.

2. The Ethical rating rates a company on an ethical investment basis where five stars denote very good and one star a poor rating. The score is based on four key factors: areas of operating, environmental, corporate governance and social factors. For more information see [www.aegis.com.au](http://www.aegis.com.au).

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Table 1 shows a comparison of GBE's Kanyika project with other niobium, tantalum and uranium miners around the world. The average metal content value of the Kanyika project is relatively low compared to others but it should also have a lower cost due to the fact its high-grade resource is near the surface.

**TABLE 1: URANIUM, NIOBIUM, TANTALUM, ZIRCON GRADE COMPARISON**

	Uranium Grade ppm (U3O8)	Niobium Grade ppm (Nb2O5)	Tantalum Grade ppm (Ta2O5)	Zircon Grade ppm (ZrSiO4)	Average Metal Content (US\$/t)*
<b>Niobium Resource</b>					
CBMM		25,000			US\$1200/t
Anglo American Brasil Mineracao		13,400			US\$650/t
Niobec		6,700			US\$325/t
Alkane	140	4,600	300		US\$246/t
Ghurayyah		2,840	245		US\$163/t
<b>Tantalum Resources</b>					
Abu Dabbab		116	252		US\$31/t
Noventa			296		US\$30/t
<b>Uranium Resources</b>					
Jabiluka	5,000				US\$827/t
Kintrye	2,750				US\$455/t
Valhalla	800				US\$132/t
Prominent Hill	120				US\$20/t
<b>Kanyika 14.1 Mt High Grade</b>	100	3,700	160	5,700	US\$241/t
<b>Kanyika 56 Mt Inferred Resource</b>	70	2,600	120	4,800	US\$171/t

Source: Company/Aegis Equities Research \*Assumption used [U3O8 - US\$75/lb; Nb2O5 - US\$25/lb; Ta2O5 - US\$46/lb; ZrSiO4 - US\$0.34/lb]



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