



# CXU: Why cant we mine uranium in WA? 🧐

**CXU.ASX | CAULDRON ENERGY LTD | ENERGY | URANIUM**

PRICE  
**0.03/sh**

TARGET PRICE  
**0.08/sh**

RECOMMENDATION  
**SPECULATIVE BUY**

ANALYST  
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Cauldron Energy (CXU) is a uranium developer in Western Australia. The main focus is on the Yanrey Asset which hosts the Bennet Well ISR uranium deposit (containing 38.9Mt at 360ppm for 30.9Mlb of U3O8).

The current WA Govt will not allow uranium mining for new mining leases. However, we believe political momentum is increasing for a change. The previous WA Govt allowed uranium mining, and hence its likely, in our view, that the ban is eventually overturned, either by a Labor Party policy change, or an electoral change to a Liberal State Government. A change in policy would be a big re-rating in CXU. We initiate coverage with a Speculative Buy recommendation.

## Why we like it

- Advanced project:** Scoping study completed in late 2023.
- Decent scale:** The scoping study assumed an inventory ~27Mt @ 373ppm for LOM 1.5Mlb pa. Based on the exploration target, perhaps an expansion is possible. On our estimates, EBITDA is ~A\$60m pa (@US\$80/lb).
- Significantly undervalued:** Market cap ~\$40m, versus our estimated pre-tax NPV12 of A\$60m @ US\$80/lb - just on Bennet Well. Note that we estimate listed near producers peers are factoring in around ~US\$130/lb - and using this in our CXU valuation arrives at NPV12 ~\$340/sh, suggesting an un-risked potential target in several years if sentiment to equities that are close to production remains the same.
- Large re-rating possible depends on changed policy:** Sentiment to uranium mining in WA is improving. Government policy change seems possible (or a Govt change), albeit, far from imminent.
- ISR:** Bennet Well is an ISR project, which, superficially, has a lower environmental impact that open pit mining and lower upfront capex.
- Exploration:** Company has exploration target of 20-66Mt at 326-464ppm U3O8. Company is currently drilling. Project is next to PDN's Manyingee project.

## Valuation

Our valuation is very speculative, and assumes CXU is sole funded. It is sensitive to assigned probability of CXU obtaining WA Govt approvals for uranium mining and uranium prices. If there is no approval, the uranium deposits are of minimal value. If there is approval, then the valuation depends on assumed uranium prices, and the ultimate potential for expansions to production beyond the scoping study.

## Initiate with Speculative Buy Recommendation

We initiate coverage on CXU with a Speculative Buy recommendation. The major risk is assuming Government policy to grant approval for uranium mining in WA. Subsequent risks would be financing, other mining approvals, commissioning, uranium pricing and offtakes. Low cash balance but unpaid capital (itm options) of ~A\$3-4m.

## Key Catalysts

WA State Govt Election - 8 March 2025

Qld State Election - 26 October 2024

Australian Federal Election - no later than May 2025

Share Price	0.032	A\$/sh
Price Target	0.08	A\$/sh
NPV12, US\$80/lb	0.04	A\$/sh

Shares on issue	1227	m,Ord
Shares on issue	1484	m,Dil
Market Cap Ord	39	A\$m
Market Cap Dil.	47	A\$m
Enterprise Value	45	A\$m
Cash (Ehe)	3	A\$m
Debt	0	A\$m

Production F'cast	FY24	FY25	FY26
Mlb	nm	nm	nm
Cash Cost (US\$/lb)	nm	nm	nm

Bennet Well Only	
Current Shares (Dil)	1484
Assumed New Shares	3250
Assumed New Debt	\$80m
Assumed EV first pr...	\$231m

	NPV12	Multi*
Base = US\$80/lb	\$0.04	3.7x
US\$50	\$0.01	50.0x
US\$75	\$0.03	4.4x
US\$100	\$0.06	2.3x
US\$140	\$0.09	1.3x
US\$175	\$0.12	0.9x

## Performance



Source: IRESS \* EV/EBITDA

## WA Uranium Policy

The previous WA Liberal Government changed its position on uranium mining in 2008 and subsequently approved four uranium mines. The projects the Liberal Govt approved in 2017 were:

**TOE Wiluna:** The WA Minister for Environment provided environmental approval for the expanded Wiluna Uranium Project on 9 January 2017.

**Cameco Kintryre:** The WA Minister for Environment provided environmental approval in March 2015.

**DYL Mulga Rock:** The WA Minister for the Environment provided environment approval on 19 December 2016.

**Cameco Yeelirrie:** The WA Minister for Environment decided to grant environmental approval on 16 January 2017

The current WA Labor party was elected into Government in 2018. Its position is to allow the approved projects to progress, but otherwise implemented a 'no uranium' condition on future mining leases. This means that TOE & Cameco, whose approvals have a "substantial commencement" condition by January 2022, cannot develop their mines without retrospectively amending this condition.

The WA Labor party is still clear favourite (albeit some support is waning) to win the next election (March 2025), and hence the best near term chance for improved WA uranium mining sentiment is a change in Labor policy. Whilst there are no direct signals this will occur (and that is reflected in the current CXU & TOE market cap), we believe there is improving possibility. Incremental news suggests that the probability of a change is increasing. In particular, we note recent announcements that the WA Govt will allow nuclear waste to be stored at Garden Island, WA. More broadly, the global economy is encouraging nuclear power as a pathway to decarbonisation (eg the 20 countries at COP28 and their declaration in December 2023 to triple nuclear energy capacity by 2050). There is a federal policy argument about nuclear power stations in Australia. Whilst the Govt/Opposition argument is about whether nuclear power is suitable for Australia, it appears to be bipartisan agreement that nuclear power in other countries (ie demand for uranium) is sensible.

Figure 1: WA Labor favourite to win next election in 2025 (odds as of 10 June 2024)



Source: Sportsbet

## Bennet Well (100%)

The Yanrey Project is located approximately 70 km to the south of Onslow and 100 km to the east of Exmouth in northern Western Australia.

The company released a scoping study in late 2023. Our model is based around the scoping study, but we assume a longer mine life based on assumption the exploration target is achieved. Its probably that the size of the plant is instead increased though. Our capex and opex is higher than the study.

Our model is substantially more conservative on capex and opex than the scoping study, allowing for potential upgrades to our estimates upon refinery in the study estimates and then ultimate delivery.

Our selling price assumption is higher than the scoping study estimate.

**Figure 2: Euroz Hartleys assumptions versus 2023 Scoping**

LOM	EHe	Scoping
Inventory	51Mt	28Mt
Grade	350ppm	373ppm
Recovery	65%	67.0%
Avg Prod	1.5Mlb pa	1.50Mlb pa
Mine Life	17yrs	11yrs
Capex (US\$m)	US\$120m	US\$82m
U3O8 Price	US\$80/lb	US\$75/lb
FX	0.74	0.70
AISC	US\$49/lb	US\$36/lb
Disc Rate	12%	10%
NPV pre tax	\$162m	\$314m
Production	30-Jun-31	

EH Estimate	NPV12	NPV8
US\$50	0.01	0.01
US\$75	0.03	0.05
US\$100	0.06	0.09
US\$140	0.09	0.15
US\$175	0.12	0.20

Source: Euroz Hartleys, CXU

Figure 3: Bennet Well Scoping Study (13 December 2023)

Parameter	Unit	Value or US\$M	Value or A\$M
Production Rate	Mlb/year	1.50	
Mining Cut-Off Grade	ppm U <sub>3</sub> O <sub>8</sub>	175	
Mineable Resource	Mt	27.7	
Mineable Grade	ppm U <sub>3</sub> O <sub>8</sub>	373	
Leach Recovery	%	67	
U <sub>3</sub> O <sub>8</sub> Produced (LOM)	Mlb	16.5	
Upfront Capex	\$M	82.4	117.7
On-going Capex (un-escalated)	\$M	125.3	179.0
Total Capex (un-escalated)	\$M	207.7	296.7
Opex	\$/lb	23.23	33.19
Capex	\$/lb	12.56	17.94
All in Cost	\$/lb	35.79	51.13
Mine Life	years	11.0	
Uranium (U <sub>3</sub> O <sub>8</sub> ) Price	\$/lb	75.0	107.1
Exchange Rate (A\$:US\$)		0.70	
Undiscounted Cash Flow pre-tax	\$M/year	65.3	93.3
Government Royalties (5%)	\$M/year	5.6	8.0
Discount Rate	%	10	
NPV pre-tax	\$M	314	449
IRR	%	79	
Payback	years	1.5	

Source: CXU

Figure 4: Yanrey Resource Statement

The Mineral Resource (JORC 2012) estimate is:

**Inferred Resource:** 16.9 Mt at 335 ppm eU<sub>3</sub>O<sub>8</sub> for total contained uranium-oxide of 12.5 Mlb (5,670 t) at 150 ppm cut-off.**Indicated Resource:** 21.9 Mt at 375 ppm eU<sub>3</sub>O<sub>8</sub> for total contained uranium-oxide of 18.1 Mlb (8,230 t) at 150 ppm cut-off.**Total Combined Mineral Resource:** 38.9 Mt at 360 ppm eU<sub>3</sub>O<sub>8</sub>, for total contained uranium-oxide of 30.9 Mlb (13,990 t) at 150 ppm cut-off.

Deposit	Cut-off (ppm U <sub>3</sub> O <sub>8</sub> )	Deposit Mass (t)	Deposit Grade (ppm U <sub>3</sub> O <sub>8</sub> )	Mass U <sub>3</sub> O <sub>8</sub> (kg)	Mass U <sub>3</sub> O <sub>8</sub> (lbs)
Bennet Well Total	125	39,207,000	355	13,920,000	30,700,000
Bennet Well Total	150	38,871,000	360	13,990,000	30,900,000
Bennet Well Total	175	36,205,000	375	13,580,000	29,900,000
Bennet Well Total	200	34,205,000	385	13,170,000	29,000,000
Bennet Well Total	250	26,484,000	430	11,390,000	25,100,000
Bennet Well Total	300	19,310,000	490	9,460,000	20,900,000
Bennet Well Total	400	10,157,000	620	6,300,000	13,900,000
Bennet Well Total	500	6,494,000	715	4,640,000	10,200,000
Bennet Well Total	800	1,206,000	1175	1,420,000	3,100,000

Note: table shows rounded numbers therefore units may not convert nor sum exactly

Source: CXU

Figure 5: Bennet Well cross section

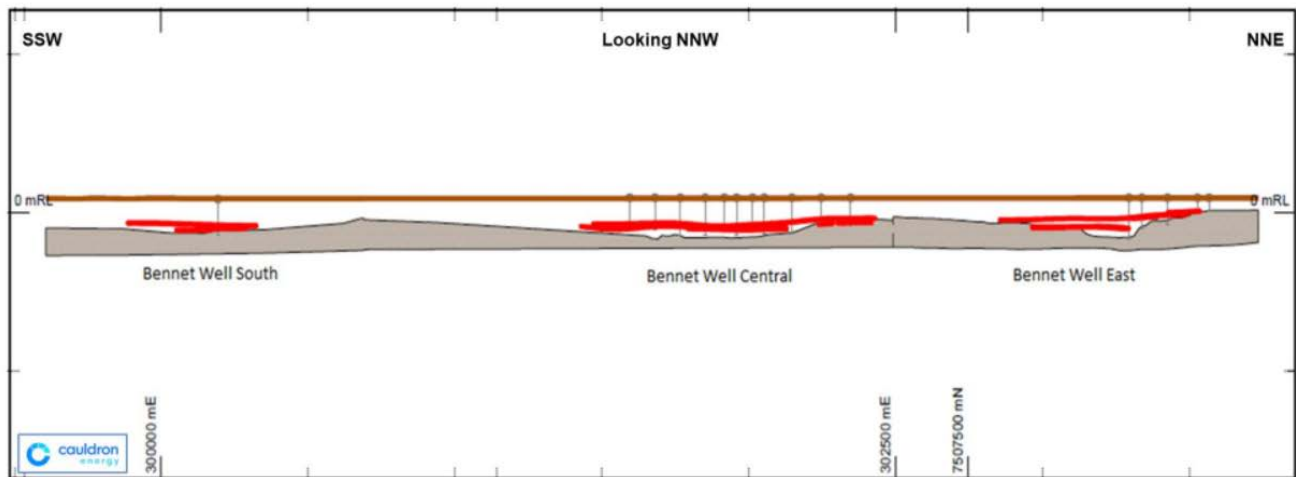


Figure 6: Cross-section of Bennet Well Deposit at about 7,507,500 mN, looking north-northwest; showing relationship between channel morphology and mineralisation; no vertical exaggeration

Source: CXU

Figure 6: Exploration Target

Table 1: Exploration Target

Exploration Target	Tonnage and Grade Range	
	Tonnes (Mt)	Grade (ppm eU <sub>3</sub> O <sub>8</sub> )
Lower	20.4	326
Upper	66.2	464

Source: CXU

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**Figure 7: Near term exploration program**

ASX ANNOUNCEMENT  
23 May 2024



**YANREY URANIUM PROJECT UPDATE**  
***Site preparation works nearing completion ahead of  
drilling commencing***

**Key Points**

- Preparation of drill pads nearing completion;
- Camp upgrade complete and facility operational with first occupants on site;
- Drilling contractor, wireline geophysical contractors and field team fully prepared and ready to mobilise to site;
- Drilling expected to commence in early June;
- CXU's CY2024 Drilling Programme of circa 25,000 metres is designed to:
  - expand and further upgrade the resource confidence of the existing JORC (2012) Mineral Resource Estimate (MRE) of 38.8Mt @ 360 ppm eU<sub>3</sub>O<sub>8</sub> for 30.9 Mlbs of contained uranium oxide (U<sub>3</sub>O<sub>8</sub>) - refer Appendix A for MRE Statement;
  - test the potential to substantially increase uranium mineral resources at new targets as identified in the Exploration Target for Yanrey Uranium Project (released to ASX on 24 January 2024) – refer Appendix B; and
  - enhance project economics already defined in Scoping Study (released to ASX on 13 December 2023).

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Source: CXU

## Industry exposure

CXU is exposed to the global nuclear power industry. More broadly, that means its exposed to the decarbonisation thematic and the bifurcation of the global economy and supply chains. More directly, it is exposed to the WA uranium mining moratorium. Its exposure to the Australian nuclear power industry dynamic is only cursory.

## Peers and Competitors

This is a list of uranium peers on the ASX. TOE, DYL and Cameco have advanced WA projects.



Figure 8: Sample of Uranium ASX Stocks

Company	Ticker	Last	Quot. Mkt Cap	Status
<b>ASX Listed</b>				
1. BHP Group Limited	BHP	44.53	225,835	Producer
2. Paladin Energy Ltd	PDN	15.33	4,576	Imminent producer
3. Boss Energy Ltd	BOE	4.50	1,840	Imminent producer
4. Deep Yellow Limited	DYL	1.565	1,517	Developer
5. Silex Systems Limited	SLX	5.74	1,360	Enrichment
6. Energy Resources of Australia Limited	ERA	0.042	930	care and maintenance
7. Nexgen Energy (Canada) Ltd	NXG	10.91	834	Developer
8. Lotus Resources Limited	LOT	0.405	742	care and maintenance
9. Bannerman Energy Ltd	BMN	4.15	634	Developer
10. Peninsula Energy Limited	PEN	0.11	306	Developer
11. Alligator Energy Limited	AGE	0.057	221	Developer
12. Berkeley Energia Limited	BKY	0.40	178	Developer
13. Devex Resources Limited	DEV	0.375	165	Explorer
14. Anson Resources Limited	ASN	0.115	148	Explorer
15. Elevate Uranium Ltd	EL8	0.48	148	Explorer
16. Aura Energy Limited	AEE	0.145	104	Developer
17. 92 Energy Limited	92E	0.00	55	Explorer
18. Marmota Limited	MEU	0.044	47	Explorer
19. Energy Transition Minerals Ltd	GGG	0.03	42	Developer
20. Cauldron Energy Limited	CXU	0.032	39	Explorer
21. Toro Energy Limited	TOE	0.305	37	Developer
22. White Cliff Minerals Limited	WCN	0.019	31	Developer
23. Global Uranium and Enrichment Ltd	GUE	0.092	24	Developer
24. Koba Resources Limited	KOB	0.15	24	Explorer
25. Laramide Resources Ltd	LAM	0.90	18	Explorer
26. Energy Metals Ltd	EME	0.085	18	Developer
27. Aurora Energy Metals Limited	1AE	0.077	14	Developer
28. Gti Energy Ltd	GTR	0.0055	10	Explorer
29. Haranga Resources Limited	HAR	0.092	8	Developer
30. Infini Resources Limited	I88	0.18	7	Explorer
31. Thunderbird Resources Limited	VAL	0.036	7	Explorer
32. Basin Energy Limited	BSN	0.077	6	Explorer
33. Auking Mining Limited	AKN	0.021	6	Explorer
34. Uvre Limited	UVA	0.105	4	Explorer
35. Manhattan Corporation Limited	MHC	0.0015	4	Explorer
36. Adavale Resources Limited	ADD	0.005	4	Explorer
37. Enrg Elements Ltd	EEL	0.0025	3	Explorer

\*Market cap is quoted ordinary shares from IRESS. It does not dilute for options, escrow shares, performance shares, convertible notes, recent placements etc. These can be meaningful adjustments that should be taken into account.

Source: IRESS, \*Market cap is quoted ordinary shares from IRESS. It does not dilute for options, escrow shares, performance shares, convertible notes, recent placements etc. These can be meaningful adjustments that should be taken into account.

Figure 9: Selected Peers

Table 14: Benchmarking of Capital &amp; Operating Costs and Production Parameters

Parameter	Unit	CXU	BOE	TOE
Production Rate	Mib/year	1.50	2.45	1.30
Mining Cut-Off Grade	ppm U <sub>3</sub> O <sub>8</sub>	175	250	200
Mineable Resource	Mt	27.7	24.1	34.1
Mineable Grade	ppm U <sub>3</sub> O <sub>8</sub>	373	667	371
Leach Recovery	%	67	70	79.5
U <sub>3</sub> O <sub>8</sub> Produced	Mlbs	16.5	21.8	22.8
Upfront Capex	US\$	82.4	80.0	189.0
	A\$	117.7	106.7	270.0
On-going Capex (unescalated)	US\$	125.3	97.4	N/A
	A\$	179.0	129.9	N/A
Total Capex (unescalated)	US\$	207.7	347.4	189.0
	A\$	296.7	463.2	270.0
Opex	US\$/lb	23.23	22.21	23.10
Capex	US\$/lb	12.56	9.65	4.92
All in Cost	US\$/lb	35.79	31.86	28.02
Mine Life	years	11.0	11.0	17.5
Payback Period	years	1.5	3.5	2.5

Source: CXU

Figure 10: Old list of WA uranium projects

### Uranium resources in Western Australia

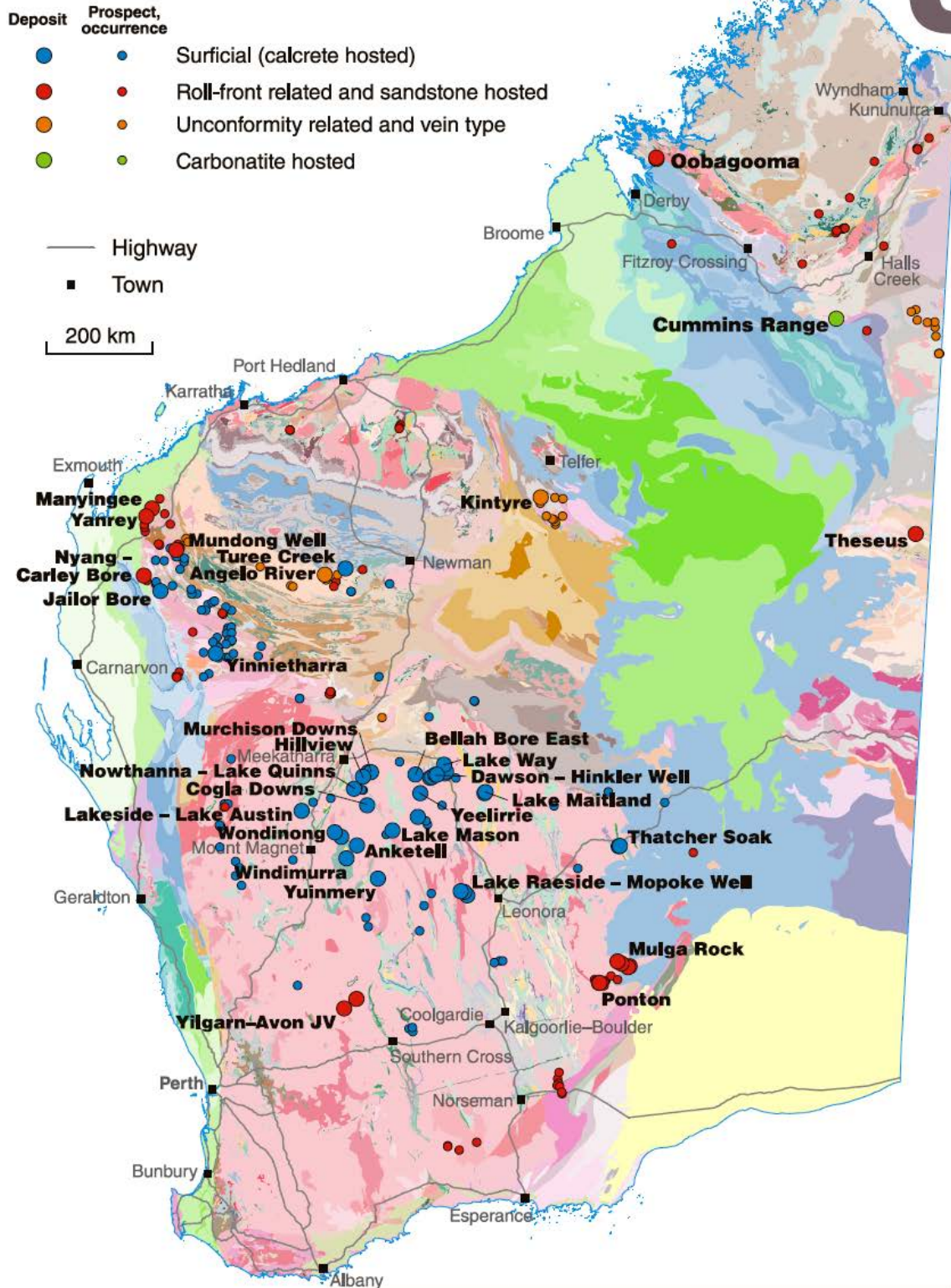
Project name	Project owner	Resources		Contained U <sub>3</sub> O <sub>8</sub>	
		(Mt)	(ppm)	(Kt)	(Mlbs)
Yeelirrie	Cameco	36.6	1562	57.24	127.1
Mulga Rock	Vimy Resources	65.6	521	34.19	75.9
Kintyre	Cameco, Mitsubishi	5.3	5583	29.40	65.3
Lake Maitland	Toro Energy	27.4	665	18.22	40.4
Lake Way – Centipede	Toro Energy	30.0	551	16.52	36.7
Yanrey	Cauldron Energy	39.9	357	14.23	31.6
Manyingee	Paladin Energy	13.8	850	11.71	26.0
Oobagooma	Paladin Energy	8.3	1200	9.96	22.1
Ponton	Manhattan Corp.	26.0	300	7.80	17.3
Thatcher Soak	Magnis Res., Gold Road Res.	27.7	279	7.73	17.2
Nyang – Carley Bore	Paladin Energy	22.8	313	7.14	15.9
Nowthanna – Lake Quinns	Toro Energy, Padbury Mining, Australian Vanadium	15.0	405	6.02	13.4
Hillview	P R Gianni	27.6	174	4.80	10.7
Dawson – Hinkler Well	Toro Energy	13.6	315	4.29	9.5
Windimurra	Am-Australian Minerals Expl.	19.0	180	3.42	7.6
Theseus	Toro Energy	6.3	493	3.11	6.9
Anketell	Energy Metals	16.3	167	2.72	6.0
Lake Raeside – Mopoke Well	Energy Metals	10.1	175	1.77	3.9
Lake Mason	Energy Metals	9.1	185	1.68	3.7
Yilgarn – Avon JV	Crucible Resources	6.2	237	1.47	3.3
Wondinong	Zeedam Enterprises, Rio Tinto	6.6	190	1.25	2.8
Lakeside – Lake Austin	Energy Metals	2.7	350	0.96	2.1
Angelo River	S A Macdonald	0.6	1240	0.80	1.8
Jailor Bore	R C Cooper	1.4	500	0.72	1.6
Yuinmery	B R Legendre	1.6	370	0.59	1.3
Yinnietharra – Minindi Creek	South Coast Minerals	3.5	123	0.43	1.0
Turee Creek	Fortescue Metals Group	1.1	350	0.37	0.8
Murchison Downs	No current owner	0.3	633	0.19	0.4
Cummins Range	Navigator Resources	0.7	273	0.19	0.4
Yarrabubba – Cogla Downs	Minex (West)	0.2	630	0.10	0.2
Bellah Bore East	No current owner	0.4	210	0.07	0.2
Lake Way South	Australia Salt Lake Potash	0.2	244	0.05	0.1
Note: Some resource estimates are historic and predate JORC		445.9		249.14	553.2

Source: Guide to Uranium in Western Australia (dmp.wa.gov.au), 2016



Figure 11: Uranium deposits in WA in 2016

## Uranium sites by mineralization style



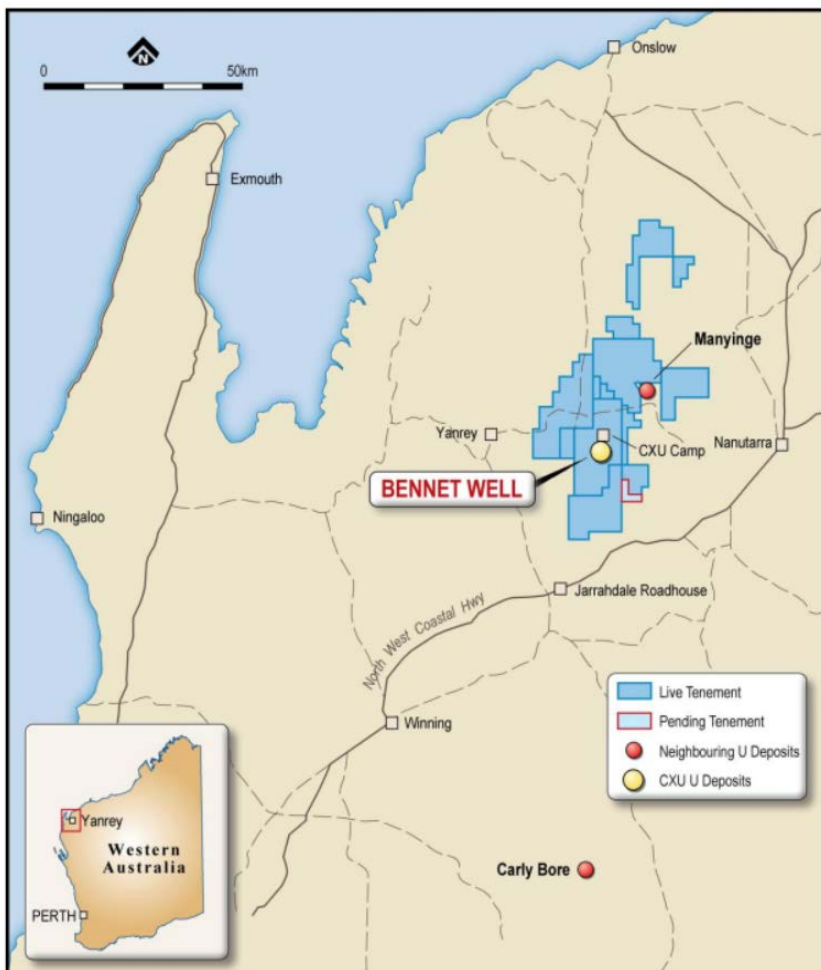
JUNE 2016

Source: Guide to Uranium in Western Australia (dmp.wa.gov.au)

## Geographic Location

The proposed mine is in Western Australia.

**Figure 12: Located in WA**



**Figure 1: Location of Yanrey Uranium Project**

Source: CXU

## Key Suppliers & Customers

The main risks for CXU are securing WA Govt approvals (without a change in policy, this is impossible) and logistics approvals.

## Management, Directors and Major Shareholders

### Ian Mulholland, Chairman

Mr Mulholland has had a long and distinguished career holding senior technical and executive roles for over 30 years.

Most notably, Mr Mulholland was Chief Geologist of Summit Resources during which time Summit completed a resource upgrade on the Valhalla uranium deposit and acquired a portfolio of uranium projects; ultimately being taken over by ASX-listed Paladin Resources for ~\$44 million.

Subsequently, Mr Mulholland was Exploration Manager at Anaconda Nickel during the period that Anaconda grew its lateritic nickel ore resource from 300 million tonnes to over 1.3 billion tonnes; and Technical Director of Conquest Mining during the period in which Conquest acquired the Carlton silver-gold project with Conquest subsequently merging with Evolution Mining for a ~\$320 million valuation.

Most recently, Mr Mulholland was founding Managing Director of ASX-listed Rox Resources for 15 years. Since retiring from Rox Resources in April 2019, Mr Mulholland has operated a highly successful geological and mining personal consultancy.

Rox Resources was awarded Australian Mining Prospect Awards Explorer of the Year in 2015 for its Fisher East Nickel Sulphide Project discovery and Ian was joint winner of AMEC's 2016 Prospector Award for the Teena Zn-Pb discovery.

Mr Mulholland holds a Bachelor of Science with Honours from the University of Sydney, a Master of Science from James Cook University, a Diploma of Science Education with Honours from Edith Cowan University and has completed numerous professional development courses. He also holds or has held numerous professional memberships including being a Fellow of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists, and Society of Economic Geologists and a Member of the Australian Institute of Company Directors.

### Jonathan Fisher, CEO

Mr Fisher holds degrees in Law, Finance and Commerce (University of Western Australia and Macquarie University), and has 20 years' experience in the resources and corporate industries.

Most recently, Mr Fisher was Chief Financial Officer at TNG Ltd and led their project financing and government liaison teams. He was responsible for delivery of \$800M in conditional financing support for TNG's Mt Peake project in the NT.

Prior to that Jonathan was Chief Financial Officer for five years for Tellus Holdings Ltd, a hazardous and radioactive waste management company with customers ranging from mining, oil & gas, utility and heavy industry sectors. This included securing \$160M pre-development and then development financing for the Sandy Ridge facility in Western Australia, and liaison with a number of different West Australian state and Federal government departments to deliver the holistic financial assurance and insurance framework for the project.

In the iron ore sector, Mr Fisher was General Manager Corporate Finance for Atlas Iron for circa 4 years during the period 2012 to 2015 where he was responsible for all corporate treasury operations, debt capital for project development, and various other commercial responsibilities.

Other roles have included corporate advisory at Price Waterhouse Coopers, Rothschild (London based), and Poynton and Partners. Of particular relevance, Jonathan was a member of the Natural Resources, Utilities and Infrastructure team at Rothschild where he was involved in corporate advisory roles in the nuclear energy sector across Europe.

Mr Fisher is a Graduate of the Australian Institute of Company Directors (GAICD) and a fellow of Finsia.

**Michael Fry, Executive Director, CFO and Company Secretary**

Mr Michael Fry is a highly experienced finance executive who has acted in the capacities of director, chief financial officer and company secretary of ASX listed companies for over twenty years. Michael joined Cauldron on 15 April 2019.

Fry spent the first ten years working in chartered accounting with KPMG (Perth) and Deloitte (Melbourne). After leaving chartered accounting, Michael worked in corporate advisory with Troika Securities Ltd (Perth) prior to moving to Swick Mining Services Limited, an ASX listed drilling services provider contracting to the mining industry in Australia and North America. Michael also holds positions with Lindian Resources Limited (ASX: LIN) and VDM Group Limited (ASX: VMG).

**Qiu Derong, Non-Exec Director**

Mr Qiu is a highly experienced industrialist with more than 26 years' experience in the architecture, construction and real estate industries in China as well as over 18 years of experience in the management of enterprises and projects throughout the country. Mr Qiu has a MBA obtained from the Oxford Commercial College, a joint program operated by Oxford University in China.

**Judy Li, Non-Exec Director**

Ms Li has over 9 years of extensive international trading experience in hazardous chemical products. She has also been involved in international design works for global corporates and government clients while working for Surbana that has been jointly held by two giant Singapore companies—CapitaLand and Temasek Holdings. Throughout her career, Judy has contributed to building tighter relationship between corporates and governments. Judy earned her masters degree in art with Honors Architecture from University of Edinburgh in the United Kingdom.

**Chenchong Zhou, Non-Executive Director**

Mr Zhou is an experienced financial analyst in the materials and energy sector. In his career, Mr Zhou covers an extensive list of junior to mature mining companies and has developed a good understanding of industry financing. Mr Zhou received his Bachelor of Science in Economics degree from Wharton Business School in 2013.

**Figure 13: Board & Management Shareholding**

Economic Exposure of Board and key management		Total Options & Performance Shares	Shares #	Total Economic Exposure millions	rank
Position					
<b>Directors</b>					
Ian Mulholland	Exec Chairman	8,654,761	8,476,191	17,130,952	3
Michael Fry	Exec Director, CFO	1,094,446	0	1,094,446	4
Qiu Derong	Non-Exec Director	10,973,149	159,570,377	170,543,526	1
Judy Li	Non-Exec Director	1,000,000	0	1,000,000	5
Chengchong Zhou	Non-Exec Director	1,000,000	0	1,000,000	5
<b>Key Management Personnel</b>					
Jonathan Fisher	CEO	45,000,000	0	45,000,000	2

Source: CXU

Source: CXU

## Major Shareholders

The substantial shareholders are Parle Investments (19.99%) and Derong Qui (13.1%).

## Financials

### Production and Profit and Loss

We do not assume is profitable for the foreseeable future (pending mine approval).

### Balance Sheet

We assume the project can be partly funded with debt.

### Hedging

We assume there is no hedging or fixed prices.

### Cash flow

On our estimates CXU will generate ~US\$45m pa of operating cash flow from the mine at US\$80/lb.

### Capex requirements

The 2023 scoping capex estimate is US\$82m. We assume the mine capex is ~US\$120m, well above the scoping estimate.

### Free cash flow

We don't assume free cash flow for the foreseeable future.

### Dividends

We don't assume any dividends for the foreseeable future.

### Equity issuance

We assume ~A\$100m of new equity.

### FX exposure

CXU revenue will be in USD. We model costs in AUD.

### Interest rate exposure

We assume that CXU will be able to obtain low cost debt.

### Commodity price exposure

CXU is exposed to uranium prices, which are indirectly related to global power and carbon costs.



## Valuation

Our CXU valuation is sensitive to assumed dilution and whether the project ever gets approval on a reasonable timetable. Our unrisks, undiluted, NPV8 valuation at decision to mine at US\$125/lb (ASX listed near producer implied prices) is ~A\$758m.

The ratio of the CXU share price to this valuation is a measure of implied probability of a the company receiving approvals - which is currently about 10%. The betting odds of a change in Govt at the next election is 17% (there are no betting odds on a change in WA Labor policy on uranium mining). Small changes in implied chance of WA uranium mining policy could result in stock to re-rate.

**Figure 14: NPV12 Valuation Scenario**

	NPV12	EBITDA FY31	EV/EBITDA
Base = US\$80/lb	\$0.04	\$62m pa	3.7x
US\$50	\$0.01	\$5m pa	50.0x
US\$75	\$0.03	\$53m pa	4.4x
US\$100	\$0.06	\$101m pa	2.3x
US\$140	\$0.09	\$178m pa	1.3x
US\$175	\$0.12	\$245m pa	0.9x

Source: Euroz Hartleys

**Figure 15: NPV8 Valuation Scenario**

	NPV8	EBITDA FY31	EV/EBITDA
Base = US\$80/lb	\$0.06	\$62m pa	3.7x
US\$50	\$0.01	\$5m pa	50.0x
US\$75	\$0.05	\$53m pa	4.4x
US\$100	\$0.09	\$101m pa	2.3x
US\$140	\$0.15	\$178m pa	1.3x
US\$175	\$0.20	\$245m pa	0.9x

Source: Euroz Hartleys

## Risks

The key risks for CXU is obtaining the approvals (this is impossible at the moment without a change in govt policy). Subsequently, the largest risks are the necessary funding to complete the project. Other risks are earnings disappointments given the industry is volatile and earnings can disappoint due to cost overruns, project delays, cost inflation, environmental regulations, plant and mine design mistakes or lower production. Although some earnings disappointments can be short term and are only a timing issue, other disappointments can be materially value destructive and can sometimes overhang stocks for a long period of time (for example metallurgy problems). Such disappointments can be very difficult to predict and share price reactions can be severe and immediate upon disclosure by the company. High financial leverage (if it exists at that time) would add to the problem.

## Price Target

Our price target is a weighted average of various scenarios.

**Figure 16: Price Target**

Price Target Methodology	Weighting	Spot	12 mth out
Net Cash	23%	\$0.00	\$0.00
U3O8 US\$80/lb - Bennet Well Only, no dilution	15%	\$0.06	\$0.06
U3O8 US\$80/lb - Bennet Well Only, diluted to construct	15%	\$0.04	\$0.04
U3O8 US\$50/lb - Bennet Well Only, diluted to construct	5%	\$0.01	\$0.01
U3O8 US\$140/lb - Bennet Well Only, diluted to construct	15%	\$0.09	\$0.10
U3O8 US\$140/lb - Bennet Well Only, no dilution	5%	\$0.28	\$0.31
U3O8 US\$80/lb - Bennet Well + expansion, diluted to construct	7%	\$0.08	\$0.09
U3O8 US\$140/lb - Bennet Well + expansion, diluted to construct	15%	\$0.18	\$0.20
<b>Risk weighted composite</b>		<b>\$0.08</b>	
<b>12 Months Price Target</b>		<b>\$0.08</b>	
Shareprice - Last		\$0.032	
<b>12 mth total return (% to 12mth target + dividend)</b>		<b>163.1%</b>	

Source: Euroz Hartleys



## Company disclosures

The companies and securities mentioned in this report, include:

Deep Yellow Limited (DYL-ASX) | Price A\$1.62 | Target price A\$1.50 | Recommendation Speculative Buy;

Cauldron Energy Ltd (CXU.ASX) | Price 0.03 | Target price 0.08 | Recommendation Speculative Buy;

Toro Energy Limited (TOE.ASX) | Price - | Target price 1.00 | Recommendation Speculative Buy;

The analyst declares that they have a beneficial interest in: Toro Energy Ltd (TOE.ASX)

*Price, target price and rating as at 10 June 2024 (\* not covered)*

## Other disclosures, disclaimers and certificates

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