



Value Stock Alert: 1 Commodity Giant with Valuable Hidden Assets

Description

Global Atomic ([TSX:GLO](#)) is a Toronto-based company that provides a [unique combination](#) of cash-flowing zinc concentrate production and high-grade uranium development. The company operates two businesses, an electric arc furnace dust (EAFD) business and a uranium business.

Lucrative commodity businesses

Global Atomic's EAFD business acquires electric arc furnace dust from steel mills and recycles the dust through a kiln to produce a high-grade zinc oxide concentrate which is sold to zinc smelters throughout the world. The company is a market leader in EAFD recycling, capturing approximately 50% of the European EAFD market with facilities located throughout Europe and Asia.

The company's uranium business holds six mining agreements and [related exploration permits](#) in the Republic of Niger covering an area of approximately 730 square kilometres. Uranium mineralization has been identified on each of the permits, with the most significant discovery being the Dasa deposit, discovered in 2010 by Global Atomic geologists through grassroots field exploration.

Production of high-grade zinc

Under the terms of the company's shareholder agreement, management fees and sales commissions earned from exploration permits are distributed to Global Atomic. Net income earned from the sale of concentrates, less funds needed to fund operations, is distributed as dividends. The company's joint venture arrangements currently owns and operates one EAFD processing plant in Turkey, which processes EAFD obtained from electric arc steel producers.

The company's Turkey facility includes a Waelz kiln that is 55 metres in length and 3.6 metres in diameter. The zinc content of EAFD available in the region ranges from 25% to 30% and is processed through the kiln to produce a concentrate grading 68% to 70% zinc which is sold to zinc smelters. The production of such high grade zinc is valuable to Global Atomic.

Plant expansion and modernization

In the second quarter of 2018, the board of Global Atomic decided to proceed with an expansion and modernization project of a plant. Equipment purchases were initiated in 2018 and site construction took place during 2019, with the result that the old plant was shut down at the end of January 2019 and the new plant became operational in September 2019.

Overall cost of this expansion and modernization program was approximately \$26.6 million, consistent with the budget estimate of \$26 million. As a result of this project, plant throughput was increased from and unit operating costs declined. Through Global Atomic's wholly-owned subsidiary, the company conducts exploration activities for uranium.

Potentially valuable reserves

The Dasa Project is 100% owned by Global Atomic and forms part of a larger package of projects in Niger in which the company has an interest. The company has not yet determined whether the Dasa Project contains reserves that are economically recoverable. The economic recoverability of resource properties, including capitalized exploration and evaluation expenditures, is dependent upon the existence of economically recoverable mineral reserves, the ability of the company to obtain necessary financing to complete the exploration and development of the resource properties, and upon future profitable production or proceeds from the disposition thereof.

Despite these risks, Global Atomic appears to have several valuable assets that could be worth multiples of the current stock price.

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