

Boss wedded to Honeymoon

Rather than chasing further resources at its Honeymoon uranium project, Boss Resources Ltd has drawn a line in the sand and produced a feasibility study on the back of a 36 mlb uranium resource.

There is a further 36 mlb uranium believed to exist outside the immediate restart area at Honeymoon where the broader exploration target is some 290 mlb.

For now, Boss has settled on a resource that sits on a granted mining licence accompanied by an export permit, making Honeymoon fit for a restart when uranium market dynamics demand it.

"We have historical drill results out there and geophysical work to prove up additional resources, but it just doesn't make sense to me in the current uranium market prices [\$US25/lb] to keep diluting shareholders and pursuing a bigger resource," Boss managing director Duncan Craib told **Paydirt**.

"The market is not supporting that and that is why we did what we did and hopefully prices will pick up and we can lock in an offtake agreement or term contract which would underpin the debt in the next 12 months. If it takes a bit longer than that, then so be it, but in the meantime we are getting ourselves prepared for a restart."

Fast tracking to production at Honeymoon can be done given there is \$170 million worth of infrastructure in place, including a plant.

Capital expenditure estimated to rejuvenate Honeymoon, which was placed on care-and-maintenance in 2013 without being fully commissioned, is \$US63.2 million for a two-staged run-up to an initial life-of-mine production of 12 years at 2 mlbpa.

Boss has Federal Government approval to export up to 3.3 mlbpa and has all permits in hand for production and export.

As has been the case for several years, a change in sentiment in the uranium sector is the trigger needed for the Honeymoon

dream to be realised.

Boss has a lead debt mandate with Tribeca Investment Partners (one of the company's largest shareholders) for the full capital amount estimated to restart the project.

"There must be 40% institutional holding in us, as well as a number of large retails. They have taken a longer-term view of the market and it is what I call patient capital; they know the project and a lot of them have been to site," Craib said.

"They are comfortable with management and know sentiment can swing pretty quickly. The uranium market can move pretty quickly and when it does, they will be able to enjoy a decent return on their investment."

Some pundits have predicted a bull market for uranium this year as primary producers pull back on output and oversupply is curtailed putting pressure on spot prices.

Spot prices for uranium showed promise in the first half of 2019 and were nearing the \$US30/lb mark, which is believed to be somewhat of a catalyst for renewed interest in the sector.

However, the strength in spot pricing tailed and is currently about \$US25/lb, with average all-in cost at Honeymoon over the life-of-mine estimated to be \$US32.30/lb.

Operating costs at Honeymoon are considered at the lowest end of any project worldwide.

There are few projects in the world ready to react to the need for uranium on demand like Honeymoon is.

It is expected that Honeymoon ISR project, 80km north-west of Broken Hill in South Australia, can be brought into operation within 12 months of a decision to proceed.

A conservative base case of \$US50/lb uranium price was used in the Honeymoon feasibility study, with pre-tax cash flow over project life of \$492 million guided.

According to some uranium analysts, a long-term (2023) uranium spot price in the mid-\$US40/lb will incentivise restarts, while new projects would need \$US60/lb to justify a build.

"When the market turns, restart projects are ahead of the curve and because of the low capital outlay at Honeymoon it is not insurmountable. There are other projects out there that need \$500 million-\$1 billion; where do you get that kind of money from?" Craib said.

"We have all the pieces of the jigsaw we are just waiting for the price to rise."

There appears to be better acceptance for the uranium industry, particularly in Australia, where the SA, Western Australia, Queensland and New South Wales governments are seemingly onboard with the sector.

There are almost 30 countries using nuclear power, which accounts for about 11% of the world's energy mix.

Craib said nuclear power needed to be considered as part of any country's energy make-up and encouraged greater consideration from Australia to adopt the option.

"If 28 countries around the world have got it wrong then we are right to do nothing, but we need to be pragmatic about it and it needs investigating," he said.

"I am not saying it is the be all and end all, but base load power and carbon-free wind, solar, hydro and nuclear have a role to play. In the US, nuclear accounts for 20% of their energy mix, 60-65% in France, its used in Sweden, Finland and the UK is building two big nuclear power plants. Furthermore, it is being driven in developing countries like India and China; why can't Australia at least engage and analyse it to see if it is a viable option, particularly as we have a significant amount of the world's [uranium] reserves."

— Mark Andrews

