

Boss Resources Limited

(BOE \$0.052) Spec Buy

EUROZ

Analyst	Date	Price Target
Greg Chessell	28 th September 2016	\$0.175/sh

Company update

Investment case

Boss Resources' Honeymoon Uranium Project offers unique low cost and low risk optionality over an inevitable future uranium price rise. Honeymoon can be brought back into production at short notice on low start-up cost in the event of a sudden spike in U price. However the strategy is to develop a larger and lower cost project sustainable over the long run which is now supported by the Expansion Study. Meanwhile holding and study costs are relatively low. Mark Hohnen has a track record for delivering shareholder value in uranium. Boss is inexpensive compared to peers, and should appreciate as exploration and PFS study progresses. We value Boss Resources at \$0.175/sh.

Key points

- Boss Resources' Expansion Study on the Honeymoon Uranium Project has concluded a 2.0mlbpa U3O8 production scenario can be achieved for capex US\$64m and opex US\$16.50/lb (C1) and US\$24.10/lb all-in.
- Included in this scenario is an initial start-up using existing plant producing 0.5mlb U3O8 for capex US\$7m and at an opex of US\$40.55/lb (C1) and US\$50.00/lb all-in. This stage is already fully permitted. It will operate during the construction phase of the 2.0mlbpa scenario.
- A larger production scenario of 3.6mlbpa can be achieved for incremental capex of US\$85m and will shave US\$1.10/lb off operating costs. This phase is envisaged in year 5 through development of a satellite operation at the Gould's Dam resource, which lies in the western tenement block (75km).
- Our valuation has increased to \$0.175/sh (previously \$0.15/sh). The Expansion Study results are largely as expected for the 2.0mlbpa scenario, and consequently has not materially altered our valuation. However we now place some value on the longer term 3.6mlbpa scenario.
- Boss will now proceed to a Pre-Feasibility Study which will take 6 months to complete. FID is expected by end 2017.

Analysis

The study, by GR Engineering, and testwork by ANSTO, is at an accuracy of -30% to +50%.

Native title agreements, mining and export permits remain in place for the existing operation. However the expansion to 2.0mlbpa scenario requires further baseline studies, management plans and an impact assessment.

The study is based on Boss' existing resource inventory of 57.8mlb U3O8 at a grade of 654ppm U3O8. Production for the first 5 years will be sourced largely (~85%) from JORC Measured and Indicated resource.

Boss Resources Limited Year End 30th June

	0.052	\$/sh
Share Price		
Issued Capital		
Fully Paid Ord	903	m
Options (m)	\$0.02	10 m
Perf Rights	\$0.075	10 m
Perf Rights	\$0.085	3 m
Perf Rights**	milestone	27 m
Perf Rights	milestone	17 m
Total Diluted	969	m
** - perf rights vesting on Ni discovery. Not expected to be exercised.		
Mkt Capital'n (dil)	50	\$m
Enterprise Value	47	\$m
Debt	0	\$m
Cash	3	\$m

Turnover	1.37 m sh/day
12 mth Hi-Lo	6.8-1.3 cps
Balance Date	June 30th

Directors

M Hohnen	Chairman
E Cranston	Corp Dir
M Abzalov	Exec Dir
G Davey	Mng Dir
P Williams	NE Dir

Shareholders

Directors	14%
A Smit	7.4%
Kingslane	7.2%

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Share Price Chart



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This analyst declares that he has a beneficial interest in Boss Resources Ltd.

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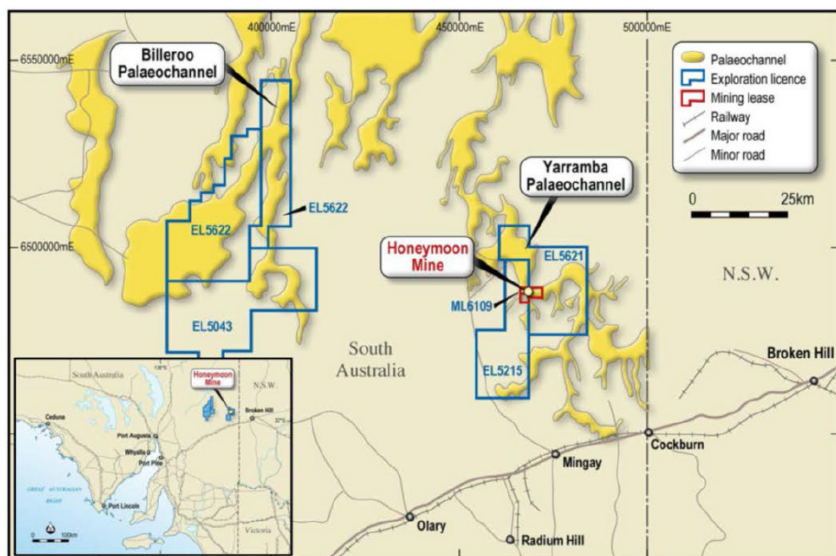


Honeymoon Mineral Resources				
	tonnes	grade	cont	cutoff
		U ₃ O ₈	U ₃ O ₈	U ₃ O ₈
	mt	ppm	mlb	ppm
Category				
Measured	1.7	1720	6.5	250
Indicated	5.9	810	10.6	250
Inferred	32.5	569	40.7	250
Total	40.1	654	57.8	
Deposit				
Jasons	2.8	840	5.2	250
Gould's Dam	22.1	510	25.0	250
Honeymoon	15.2	820	27.6	250
Total	40.1	654	57.8	

Source: Euroz

All production will be sourced from in-situ leaching of the resource. This is both low cost and environmentally advantageous. The resources lie at 100m - 130m below surface, below the water table, within permeable sands intercalated with clay horizons.

Boss will soon commence exploration drilling on the Jason's deposit (eastern tenement block). This has an Exploration Target of 5-10mlb at a higher grade range of 700-800ppm U3O8.



Source: Boss Resources Limited

Successful exploration at Jason's would defer the development of Gould's Dam.

Our uranium price assumptions are outlined in the below table:

Commodity		Forecast	Spot	1H'16	2H'16	1H'17	2H'17	2016	2017	2018	2019	2020	LT
Uranium U3O8 Spot	US\$/lb	Euroz	26	30	26	30	40	28	35	50	60	60	60
		BB*		30	32	37	40	31	39	45	59	-	
Uranium U3O8 Contract	US\$/lb	Euroz			40	50	55	40	53	60	60	60	60
		Differential			14	20	15	12	18	10	0	0	

*BB: Bloomberg Consensus

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The Expansion Study considered:

4 process route options that would complement existing plant; Technical issues identified in prior operation of the plant; Studies completed previously to remedy those technical issues.

The existing process at Honeymoon is described as:

In situ leach of uranium using acid solution injected into ore zone.

Dissolved uranium (pregnant leach solution) is drawn through extraction wells, via permeable sand host horizon; PLS is pumped from well field to process plant; Target PLS grade of 75mg/l U₃O₈ for the 0.88mlbpa production capacity, although historical achieved was only 50-55mg/l; Solvent Extraction (SX) used to selectively recover and concentrate uranium; The specific solvent designed to recover uranium in high chloride and ferric iron; Removal of contaminant from solvent in strip mixer-settlers; Uranium is transferred to an aqueous phase, with further scrubbing; Precipitation using hydrogen peroxide.

Yellowcake slurry is then thickened, dried and packaged in drums.

Key modifications to the existing process are summarised:

Injection and extraction wells screened at the ore zone; Groundwater to be conditioned with sodium carbonate prior to leaching to remove calcium; Greater injection well pump pressure; A new Ion Exchange and elution circuit using resin (capacity for 76% of PLS volume) to supplement the SX circuit (24% of PLS); Plant designed for PLS grade of 45mg/l U₃O₈, below actual historical level; Replacement of the precipitation circuit with fluidized bed process;

Boss will benefit from existing plant and infrastructure with historical sunk cost of A\$146m, which includes:

- SX plant;
- 4 well fields on c&m;
- 200 person camp and admin buildings;
- 75km high voltage transmission line;
- Airstrip and mine access roads;
- Vehicles and maintenance spares;



Source: Boss Resources Limited

Also a geological database of 5,000 drill holes is inherited by Boss.

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Valuation

We value Boss Resources Limited at \$0.175/sh.

Our valuation is based on a risk adjusted after tax DCF (10%) of a restart of Honeymoon.

Euroz Valuation - Boss Resources (BOE)		
	A\$m	A\$/sh
Honeymoon - DCF (80%)	121	0.12
Honeymoon - Expl'n	10	0.01
Honeymoon - C&M	-2	0.00
Honeymoon - Tax Losses	24	0.02
Honeymoon - Def'd Paym't	-12	-0.01
Honeymoon-Expansion	25	0.03
Other Expl'n	1	0.00
Working Capital	0	0.00
Unpaid Capital	0	0.00
Cash	3	0.00
Debt	0	0.00
Total	170	0.175

Source: Euroz

Euroz cashflow estimates - Honeymoon (100% basis)								
		FY19	FY20	FY21	FY22	FY23	FY24	FY25
U3O8	US/lb	55	55	55	55	55	55	55
AUD/USD		0.78	0.78	0.78	0.78	0.78	0.78	0.78
Production	mlb	0.5	1.0	1.5	2.0	2.0	2.0	2.0
C1 Cash Costs	US/lb	43	31	23	17	17	17	17
Total cash Costs	US/lb	48	37	29	23	23	23	23
All-In-Costs	US/lb	48	44	34	26	26	26	26
C1 Cash Costs	A\$/lb	55	40	30	22	22	22	22
Total cash Costs	A\$/lb	62	47	37	29	29	29	29
All-In-Costs	A\$/lb	62	56	43	34	34	34	34
Revenue	A\$m	35	71	106	141	141	141	141
Cash Costs	A\$m	28	40	45	44	44	44	44
Other Costs	A\$m	4	7	11	14	14	14	14
EBITDA	A\$m	0	24	50	83	83	83	83
D&A	A\$m	0	17	17	17	17	17	17
EBIT	A\$m	0	7	33	66	66	66	66
Sust Capex	A\$m	0	9	9	9	9	9	9
Total Capex	A\$m	85	9	9	9	9	9	15
Net CF (pretax)	A\$m	-85	4	25	50	50	50	44
NPV (10% posttax)	A\$m	232						
IRR (pt, ungeared)	%	37%						

Source: Euroz

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