

# Boss Resources Ltd

## (BOE \$0.049) Speculative Buy - Initiation of Coverage

EUROZ

Analyst	Date	Price Target
Greg Chessell	1 <sup>st</sup> August 2016	\$0.15/sh

Boss Resources owns 80% of the Honeymoon uranium mine in South Australia, currently on care and maintenance.

We value Boss at \$0.15/sh, based on a risk adjusted DCF of a probable future restart.

Boss is a unique investment opportunity. Its Honeymoon project offers:

- Fully permitted for a restart at 0.88mlb pa rate;
- \$170m of infrastructure spent by previous owners;
- Suited to low cost ISL mining;
- Globally significant mineral resource of 58mlb;
- Mineral resource potential is greater than 100mlb;
- Mineral resource is higher grade and shallower than its peers;

Boss is cheap relative to its peers when respective projects considered in context of:

- Probable capital cost;
- Probable operating cost;
- Market capitalisation;
- Operating risk;
- Permitting risk;
- Geopolitical risk;
- Low holding costs;
- Optionality for short term or medium term restart;

Boss has small and effective management team capable of bringing Honeymoon to a timely development.

Chairman Mark Hohnen is well respected and has a track record of delivering results for shareholders.

The uranium price will inevitably recover from the cycle low. Boss is positioned better than any other uranium stock to whatever timeframe for price recovery that eventuates.

Our long run uranium price assumption is US\$55/lb, approx. US\$15/lb above the current term price.



Source: Boss Resources Ltd

Boss Resources Ltd	Year End 30 June	
Share Price	0.049	\$/sh
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
<b>Total Diluted</b>	<b>969</b>	
* - includes 16.7m subject to shareholder approval		
**- perf rights vesting on Ni discovery. Not expected to be exercised.		
Mkt Capital'n (dil)	47	\$m
Enterprise Value	44	\$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%

### Company Details

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ph: +61 8 6143 6730  
www.bossresources.com.au

### Share Price Chart



### Disclosure

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

Euroz declares that it has acted as underwriter to, and/or arranged an equity issue in, and/or provided corporate advice to Boss Resources Ltd during the last year. Euroz Securities has received a fee for these services.

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## Boss Resources Ltd

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#### Euroz View

Boss Resources is an advanced uranium development company presenting a unique and exciting investment opportunity.

Boss' Honeymoon project is a former mine with \$170m of historical investment by the previous owners, now on care and maintenance. Consequently Boss' restart plans have a low capex hurdle, \$75m our estimate.

Honeymoon is located in South Australia, a jurisdiction with low political risk, where 3 of Australia's 4 permitted uranium mines are located.

Honeymoon is 1 of the 3 fully permitted mines in South Australia. It can enter production at 0.88mlbpa within a short period of time (say 6 months) and at low capital cost (say \$20m) should the uranium price rise significantly in the short term.

Meanwhile during the downturn, Boss has low mandatory capital commitments, limited to care & maintenance and corporate overhead (say \$2m pa). The next deferred acquisition payment is not until December 2017 (\$3m).

No other ASX listed uranium stock offers such optionality:

- High leverage to an upswing in uranium price;
- Relatively low financing risk during the downturn.

We believe the uranium spot price will recover from its current low of US\$25/lb to circa US\$35/lb over the coming year driven by supply curtailment. Thereafter demand growth, and depleted inventories will drive the uranium contract price to a sustained US\$50-60/lb. Uranium spot has traded mid US\$30's per lb for most of the last 3 years, a reasonable bottom of cycle demand-supply balance.

Boss is advancing Honeymoon through an expansion study with the aim of eventually producing 2.0mlbpa, and possibly up to 3.5mlbpa. The BFS, and revised permitting is expected to be ready for FID by early 2018, producing by mid 2019.

Mineral resource inventory has grown 350% in contained uranium under Boss' ownership since December 2015. The global JORC mineral resource now comprises:

- 40mt at 654ppm  $U_3O_8$ , containing 57.8mlb  $U_3O_8$ , mostly JORC Inferred.

We believe the mineral inventory will approach 70mlb by end 2016. This is a globally significant resource. A drilling program commencing in September aims to grow resources further, especially at Jason's prospect. Jason's was recently added to the inventory with 5.2mlb, and offers significant prospectivity above this.

Honeymoon has an above average uranium grade compared with other ASX listed uranium peers.

Honeymoon is an ISL mine. ISL is a common, low cost and low disturbance method of uranium recovery, used extensively in Kazakhstan and USA. ISL is also used at Beverley in Sth Aust. The Honeymoon mineralization is considerably shallower than at other ISL operations (100m-150m depth v's 250m-500m).

Resin ion exchange technology has recently been demonstrated to work on Honeymoon, enabling development of cost efficient satellite ISL production, and potential expansion of production.

The high ore grades, mining by ISL method from shallow levels, and a larger production volume should deliver very competitive operating cost outcomes at Honeymoon.

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An expansion/scoping study is due for completion during August 2016. We believe Honeymoon has the potential for development on the following parameters:

- Production 2.0mlb pa, potentially 3.5mlb pa;
- 20 year life;
- Capex \$75m for startup;
- Sustaining capex of \$10m pa;
- Cash Cost (C1) <US\$20/lb;
- Cash Cost (Total) US\$25/lb - US\$30/lb (2.0mlb pa scenario);

Euroz cashflow estimates - Honeymoon (100% basis)								
		FY19	FY20	FY21	FY22	FY23	FY24	FY25
U <sub>3</sub> O <sub>8</sub>	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	0.0	0.9	1.5	2.0	2.0	2.0	2.0
C1 Cash Costs	US/lb	18	18	18	18	18	18	18
Total cash Costs	US/lb	23	23	23	23	23	23	23
All-In-Costs	US/lb	23	32	29	27	27	27	27
C1 Cash Costs	A\$/lb	23	23	23	23	23	23	23
Total cash Costs	A\$/lb	30	30	30	30	30	30	30
All-In-Costs	A\$/lb	30	41	37	35	35	35	35
Revenue	A\$m	0	63	106	141	141	141	141
Cash Costs	A\$m	0	21	35	46	46	46	46
Other Costs	A\$m	0	6	11	14	14	14	14
EBITDA	A\$m	0	36	61	81	81	81	81
D&A	A\$m	0	17	17	17	17	17	17
EBIT	A\$m	0	19	44	64	64	64	64
Sust Capex	A\$m	0	10	10	10	10	10	10
<b>Total Capex</b>	<b>A\$m</b>	<b>75</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>16</b>
<b>Net CF (pretax)</b>	<b>A\$m</b>	<b>-75</b>	<b>10</b>	<b>31</b>	<b>47</b>	<b>47</b>	<b>47</b>	<b>41</b>
NPV (10% posttax)	A\$m	233						
IRR (pt, ungeared)	%	42%						

Source: Euroz

Boss is chaired by respected uranium executive Mark Hohnen. The success of Kalahari Minerals is attributed in part to Mr Hohnen. Kalahari, then owner of the undeveloped Husab project in Namibia, was taken over by CGNPC (China) for A\$1.3b in 2011.

Grant Davey is an experienced mining engineer and corporate executive. He is the principal driver of Boss, and Honeymoon, and is incentivized through his 20% direct stake in Honeymoon, over which Boss has a call.

Boss holds \$158m in carried forward tax losses from the earlier incarnation of Honeymoon. We expect Boss is unlikely to pay tax for at least 4-5 years of operation.

We are confident the uranium price will recover from its current cyclical lows. We assume a long run price of US\$55/lb is achievable by Boss, some 30% or US\$15/lb above the current term price of US\$40/lb - \$42/lb.

Growth in demand from new reactor build, especially China, is a perennial backdrop for uranium. Moreover we expect supply curtailment during the downturn will gather momentum, to balance the market in the short-med term. This will be driven by maturing term contracts held by producers, which will be under increasing pressure to close high cost loss making production as their price received diminishes.

The very low spot price currently only serves to speed up the process of cutting supply. We believe cyclical nature of all mineral commodity pricing, and uranium is no different. Intuitively uranium has significant upside risk.

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#### Valuation

We value Boss Resources at \$0.15/sh.

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

Our assumed parameters are shown in the table on the prior page. We expect these will broadly reflect the scoping study currently underway.

Based on our assumed future long run price of US\$55/lb we estimate Honeymoon has an NPV(10) of \$233m and generates an IRR of 42% ungeared on an investment of \$75m. These are outstanding returns for an entity owning 80%, currently valued by the market at only \$45m.

We have risk adjusted the NPV on an arbitrary basis to reflect the uncertainty over uranium price and certainty on development plans

<b>Euroz Valuation - Boss Resources (BOE)</b>	<b>A\$m</b>	<b>A\$/sh</b>
Honeymoon - DCF (80%)	112	0.12
Honeymoon - Expl'n	20	0.02
Honeymoon - C&M	-2	0.00
Honeymoon - Tax Losses	28	0.03
Honeymoon - Def'd Paym't	-12	-0.01
Other Expl'n	1	0.00
Working Capital	0	0.00
Unpaid Capital	0	0.00
Cash	3	0.00
Debt	0	0.00
<b>Total</b>	<b>150</b>	<b>0.15</b>

Source: Euroz

Ultimately we believe the scenario described above will play out and the project will be naturally derisked. We envisage a valuation approaching \$500m for Honeymoon upon FID, assuming higher uranium price and expected growth in resource inventory.

Boss is peerless on a comparison with other ASX companies (refer to CompCo table). Boss enjoys:

- Permitting;
- \$170m infrastructure already built;
- Large resource inventory;
- High grade;
- Amenability to ISL mining;
- Location within low political risk jurisdiction;
- Low cost optionality short term;
- Short lead time to production.

Boss' key ASX peers are:

- Toro Energy: mkt cap \$96m;
- Vimy Resources: mkt cap \$74m;
- Berkeley Resources: mkt cap \$184m.

Each of these peers have a comparable scale of resource inventory but at a lower grade, they are faced with greater capex hurdles, lack permitting certainty, and have a higher operating cost outlook (except Berkeley).

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Uranium Company Comparisons (ASX)												
		BOE	TOE	VMY	PEN	BKY	PDN	ERA	DYL	LAM	AGS	EMX
Share Price	\$/sh	0.05	0.05	0.32	0.70	0.82	0.19	0.35	0.01	0.26	transaction	transaction
Shares	m	896	2005	230	176	216	1713	518	2144	93.7	value	value
Mkt Cap	\$m	44	98	74	123	176	317	180	11	24	74	16
Cash	\$m	3.7	12	2	4	8	29	365	2	0		
Debt	\$m	7	6	0	5	0	439	0	0	4		
Asset Ownership		80%	100%	100%	100%	80%	75%	100%	100%	100%	25%	100%
EV 100% basis	\$m	59	92	72	124	210	970	-185	8	28	296	16
Mineral Resource												
contained U <sub>3</sub> O <sub>8</sub>	mlb	58	84	76	54	91	127	300	45	52	120	16
grade U <sub>3</sub> O <sub>8</sub>	ppm	654	482	520	476	495	510	5500	420	850	3200	310
EV per lb Min Rsc	A\$/lb	1.0	1.1	0.9	2.3	2.3	7.6	na	0.2	0.5	2.5	1.0
Mine Life	years	20	16	17	20	18	25	na	12	13		
Location	SA	WA	WA	Wyoming	Spain	Namibia	NT	Namibia	Qld/NT			
Project Name	Honeym'n	Wiluna	Mulga	Lance	Salam'	Langer Heinrich	Ranger	Omahola	Westm'd			
Status	Scoping	DFS	PFS	Prod'n	DFS	Prod'n	Prod'n	Prod'n	PFS	PEA/Dev		
Permitted	Y	N	N	Y	Y	Y	Y	Y	N	N		
Mining Method	ISL	OC	OC	ISL	UG	OC	UG	ISL	OC			
Prod'n - Target	mlbpa	2-4	3.0	3.0	2.3	3.5	5.2	na	2.2	4.0		
Yrs to Prod'n - Target	3	4	3	now	2	now	na	na	na			
Capex	A\$m	80	267	288	195	365	na	na	na	423		
Cash Cost C1 - Target	US\$/lb	<20	31	31	29	15	24	na	na	21		
Met Recovery		90%	86%	85%	na	85%	88%	85%	82%	95%		

Source: Euroz, Company Website, IRESS

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#### Risks

We believe Boss offers exceptional value upside relative to its risk profile.

In the short to medium term investment risk lies with cost of equity funding being linked to uranium price. Boss will need to fund the deferred payment of \$3m by Dec 2017 as well as ongoing study activities.

We believe the uranium price is unsustainable at current levels and a bounce is inevitable. We note that nickel displayed a similar profile wrt price and the marginal cost of supply. An inevitable price bounce came unexpectedly delivering 25% price relief within 2 months. The same is possible in uranium.

In our view all other risks are low in context of Boss' current market capitalisation and undeveloped status. Process risk, geological risk and environmental risks are unlikely to crystallise prior to commencement of production (say mid 2019). Geological risk with resource growth is low in our considered opinion, based on momentum thus far, and guidance from the Exploration Target. Process risk is considered low given that challenges identified previously are being rectified in the feasibility study, as suggested in recent ASX releases.



Political and approval risk is as low as can be achieved in Australia. Honeymoon is fully permitted and located in the most uranium friendly jurisdiction in Australia.

In our view risk is greater in the long term, once production commences. This is the case for all mining development scenarios, as risk is commensurate with the level of invested capital, and prior to establishing a track record of positive cashflow.

Boss is ahead of its peer group because of the experience gained from the 1st incarnation of Honeymoon and the inherited infrastructure. Coupled with probability of a significantly higher uranium price in the future and the positive technical attributes discussed in this report we believe Boss Resources is a low risk investment relative to its peers. Nevertheless the project has some way to go to achieve FID. We recommend Boss Resources as a Speculative Buy.

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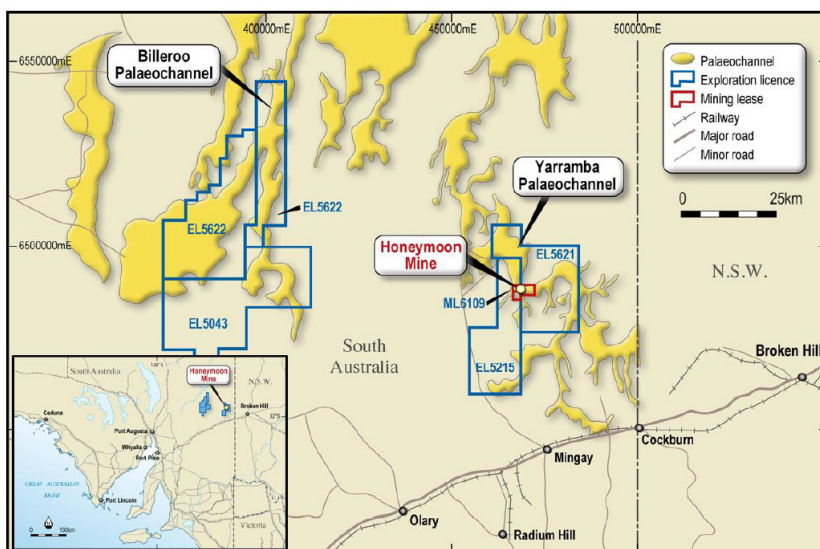
### Honeymoon Uranium Project

#### Location

The Honeymoon uranium project is located in eastern South Australia, 75Km NW of Broken Hill, NSW, 35km from the SA-NSW border, and 400km north-east of Adelaide. It is situated in the Lake Frome region within the Curnamona province, a renowned uranium province in Australia.

The Honeymoon project contains the Honeymoon Resource, a series of med-high grade paleochannel sandstone hosted Uranium deposits amenable to insitu leach mining techniques. The Honeymoon tenements cover 2,600km<sup>2</sup> in 2 blocks (eastern and western). The bulk of the mineral resources and infrastructure is located on the eastern block at Honeymoon.

The nearby Beverley uranium mine, owned and operated by Heathgate Resources Pty Ltd, is also located within the same province, 200km to the north-west. Beverley produces some -1.5mlbpa from insitu leach mining and has been operating since 2001.



Source: Boss Resources Ltd

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#### Acquisition

Boss Resources completed acquisition of 80% of the Honeymoon Project on 30th November 2015.

Boss Resources Ltd and Wattle Mining Pty Ltd (a company associated with Grant Davey) own Boss Energy Pty Ltd as to 80% and 20% respectively, acquired 100% of Uranium One Australia Pty Ltd from Uranium One Inc. Uranium One Inc is a 100% owned subsidiary of Russian uranium producer Rosatom (aka ARMZ).

Consideration payable to Uranium One Inc. for the acquisition was:

- \$200,000 site access fee. This gave Boss exclusive rights to access the Honeymoon Uranium Project to conduct all necessary due diligence;
- Initial cash payment of \$2.44m (including \$0.33m for contribution towards care and maintenance costs);
- \$3m under a promissory note repayable within 24 months from acquisition date;
- \$4m under a promissory note repayable within 48 months from acquisition date;

Contingent payments to Uranium One Inc. upon successful recommissioning of the Honeymoon Uranium Project:

- \$2m payable in cash and/or shares upon the later of restart of production or 5 years following completion of acquisition;
- 10% of the net operating cashflow from the Honeymoon Project, payable annually up to a maximum of \$3m.

Boss holds a call option to acquire Wattle's 20% stake in Honeymoon, subject to completion of a positive Bankable Feasibility Study to restart operations. The terms will be mutually agreed or determined by an independent valuation, and may be payable in either cash or shares in Boss Resources.

The Honeymoon Uranium Project as acquired from Uranium One Inc broadly comprised:

- Mineral Resources totalling 5.3mt grading 1,400ppm  $U_3O_8$  containing 16.5mlb (Indicated & Inferred);
- Tenements covering 2,600km<sup>2</sup> in 5 EL's, 1 ML, 8 RL's and 1 Misc Licence;
- Mine and process infrastructure (on care & maintenance);

Boss Resources also acquired from Uranium One Inc. the debt of \$158m owed by Uranium One Aust. to it for \$1 upon settlement.

Specific infrastructure assets acquired from Uranium One Australia:

- Solvent extraction processing plant with a capacity to produce 0.88klblbs pa of  $U_3O_8$ ;
- Well fields fully equipped;
- 200 person operating mining camp;
- Administration buildings;
- 75km high voltage power line connecting to grid power;
- A fleet of vehicles, spares and other equipment associated;
- Runway suitable to light aircraft;
- Extensive geological database of 2,800 drill holes and logging data

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#### Honeymoon Today

We visited Honeymoon in April 2016, and were impressed by the extent and quality of infrastructure installed. Some \$170m has been invested at Honeymoon by Mitsui and Rosatom.

The project is currently on care and maintenance, held at a cost of less than \$1.0mpa.

All process plant, well field and associated infrastructure appears to be maintained in excellent condition and reflects its short operating life to date (~2.5yrs). Despite the relatively small scale of the original project design, the infrastructure quality appears consistent with the ownership at the time of construction, being Rosatom & Mitsui. Large enterprises like these are renowned for at least adequately capitalising their assets (if not over-capitalising).

Honeymoon is fully permitted to recommence production of uranium based on ISL extraction within ML6109, with a production capacity of 0.88mlbpa, and exported via Adelaide (Flinders Terminal).

Honeymoon is one of only four fully permitted uranium production sources in Australia. The others being Olympic Dam (BHPB), Ranger (ERA/RIO) and Beverley (Heathgate Resources / Quasar / General Atomic).

*Production Bore*



*Processing Facility*



*Water treatment plant*



*Control Room*



*Settling Ponds*



*Camp*



Source: Boss Resources Ltd

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#### Resource Inventory Growth

At the time of acquisition the Honeymoon JORC inventory comprised mineral resources of 5.3mt grading 1,400ppm  $U_3O_8$  containing 16.5mlb (Indicated & Inferred).

A review of historic data led to an estimate of Exploration Target within all tenements of 42mlb to 100mlb, in addition to existing resources, which was announced shortly after acquisition in Dec'15.

The Honeymoon Project global mineral resource now comprises:

40.1mt grading 654ppm  $U_3O_8$ , containing 57.8mlb  $U_3O_8$ ; predominantly in JORC Inferred category. This inventory has grown 350% since acquisition.

This has been achieved through remodelling of pre-existing exploration data and using a lower cut-off grade of 250ppm (v's 500ppm used previously).

We believe Boss will probably have a mineral resource inventory of approximately 70mlb by end 2016, and achieve the upper end of the Exploration Target range (100mlb) once all target areas have been assessed.

A drilling program is expected to commence in September with the aim of adding to the Inferred Resource inventory on the eastern tenement block (Honeymoon area).

Honeymoon Mineral Resources				
	tonnes	grade	cont	cutoff
		$U_3O_8$	$U_3O_8$	$U_3O_8$
	mt	ppm	mlb	ppm
<b>Category</b>				
Measured	1.7	1720	6.5	250
Indicated	5.9	810	10.6	250
Inferred	32.5	569	40.7	250
<b>Total</b>	<b>40.1</b>	<b>654</b>	<b>57.8</b>	
<b>Deposit</b>				
Jasons	2.8	840	5.2	250
Gould's Dam	22.1	510	25.0	250
Honeymoon	15.2	820	27.6	250
<b>Total</b>	<b>40.1</b>	<b>654</b>	<b>57.8</b>	

Source: Boss Resources Ltd

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#### Expansion Study - Process Route

Boss Resources, using GR Engineering, commenced a study into the optimal route to expand the processing capacity at Honeymoon with the objective of growing production capacity and reducing operating costs. We understand Honeymoon's original production suffered a high fixed cost burden, which will be remedied through greater production units.

A larger processing facility, adoption of resin ion exchange technology combined with the existing solvent extraction process has been identified as a probable route.

Alternatives are to expand the existing solvent extraction process route, or to abandon the existing process route entirely. These options are intuitively sub-optimal as they either do not make use of the benefits in resin technology or existing installed infrastructure.

Resin technology was originally considered in preliminary testwork by Uranium One Inc in 2013 however closure was imminent at the time and no further investment was pursued.

The use of resin ion exchange in uranium recovery worldwide has evolved in the last decade, and is now the most common method used in ISL recovery globally, especially in Kazakhstan and USA. Resins chemistry can be tailored to site specific conditions and are less hazardous than flammable and toxic solvents eg kerosene.

The resin ion exchange process should be particularly useful on satellite resources up to 60km from the hub at Honeymoon, where a satellite resin ion exchange plant creates loaded resin which is then readily transported to the central solvent extraction purification plant.

Boss' metallurgical testwork results so far indicate high recovery (95%) to a high resin loading in the presence of chloride levels and elevated iron concentration characteristic of Honeymoon.

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#### Development Scenario and Timeline

The expansion study aims to conclude in Sep Q'16, recommending a "go forward" case for adoption in a PreFeasibility Study to be completed by March Q'17.






Boss has flagged that a production rate of 2.0mlbpa, ramping up to 3.5mlbpa is being considered, but will ultimately be determined in the PFS.

We expect Boss will adopt a hybrid resin ion exchange and solvent extraction process, thereby maximising use of existing infrastructure. Production from satellite deposits will use resins.

A definitive feasibility study will run through the remainder of 2017 in parallel with an application for an amended production and export rate. We envisage permitting forthcoming based on the precedent of the existing approvals.

Boss will seek to make a final investment decision in early 2018 leading to 1st production possible by mid 2019.

In the event of a short term lift in uranium price a restart based on the current project scale can be contemplated. We estimate this might require \$20m of capex, and achieve all-in cash production costs in the range of US\$30/lb - US\$35/lb and take 6 - 12 months to reach initial production. Consequently uranium price received would need to be above US\$45/lb to contemplate this scenario.

Project Activities	Q <sub>2</sub> 2016	Q <sub>3</sub> 2016	Q <sub>4</sub> 2016	End 2017
Resin Testing				
Option Study				
Initial Exploration				
Resource Upgrade - Jasons				
Expansion Feasibility				

Source: Boss Resources Ltd

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#### Technical Issues

Boss has investigated the technical issues faced by Honeymoon during its production phase. Three issues have been isolated that will be addressed in the next production phase.

Elevated calcium levels leading to gypsum scale build will be addressed via the water treatment plant installed late in the production phase in 2013 but which was not fully optimised prior to closure.

A lack of pump pressure driving the leach solution can be remedied with booster pump capacity on the PLS lines.

Location of the well field (and individual injection and recovery wells) within the 3 dimensional position of the roll-front is important. It comes with detailed understanding of the roll front and experience in the particular environment.

The impact of the technical issues was magnified under the previous ownership due to:

- The rapidly declining uranium price following the Fukushima accident;
- High fixed costs due to small production scale, and exacerbated by failing to meet the production targets;
- Honeymoon's importance to Uranium One Inc was dwarfed by its other operations which collectively produced 13mlbpa, resulting in a sub-optimal corporate focus.

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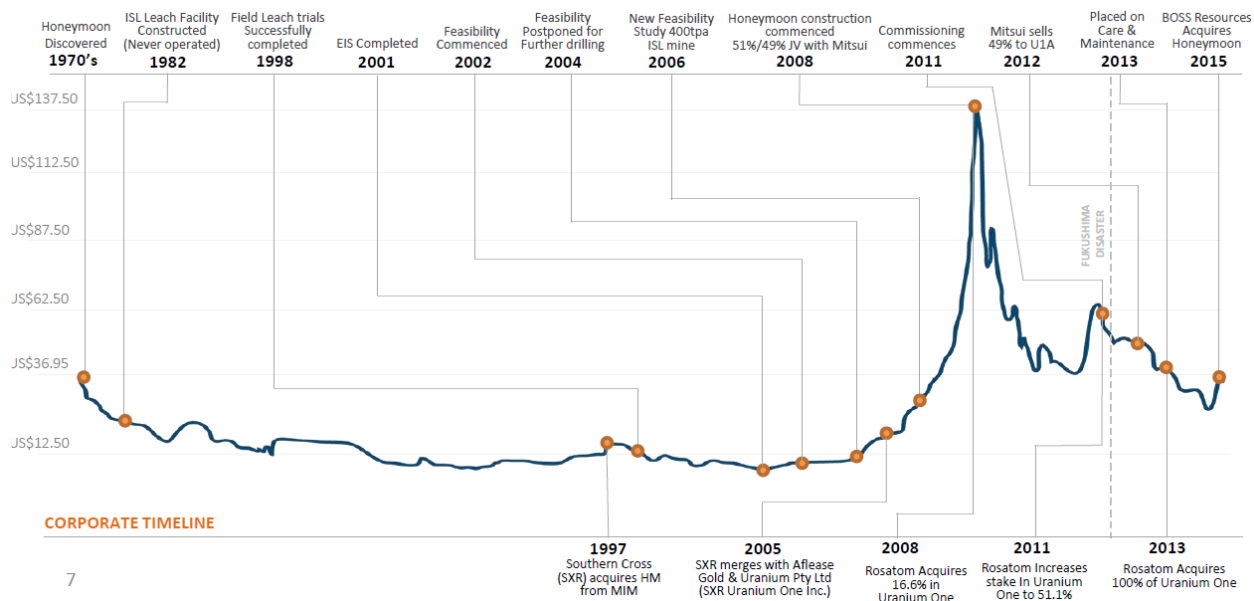
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### History



Source: Boss Resources Ltd

Honeymoon was discovered by MIM & CSR in JV in the 1970's. Permitting for a trial ISL development was granted in 1981. A pilot plant and ISL field leach tests were carried out.

The Hawke Labour Gov't elected in 1983 implemented a "three mines policy" on uranium production in Australia, preventing a production licence being granted for Honeymoon.

Southern Cross Resources acquired Honeymoon from MIM under the new Howard Liberal Gov't in 1997. Nearby tenements owned by Sedimentary Holdings were also acquired by Southern Cross.

Field leach trials were completed in 1998, and environmental and feasibility studies were advanced for a 0.88mlb pa ISL operation.

Sedimentary had disposed of its holding in Southern Cross by 2004.

Aflase Gold (Sth Africa) acquired Southern Cross in 2005 as the uranium boom began to take off, and it was subsequently renamed Uranium One Inc.

FID for Honeymoon occurred in 2006. Mitsui was invited to participate as 49% equity partner by contributing \$104m towards the total \$138m construction cost in 2007.

Rosatom (ARMZ) acquired a 16.6% stake in Uranium One Inc in 2008 near the peak of the uranium price spike. It later increased this stake to 51% in early 2011.

Honeymoon entered commissioning in early 2011, and the Fukushima accident occurred in March 2011. Mitsui eventually withdrew from Honeymoon in May 2012 following the backlash to uranium in Japan.

Honeymoon produced ~600klbs  $U_3O_8$  in FY'12 and FY'13 combined while still in "commissioning phase". Some \$170m had been invested in total by Uranium One Inc and Mitsui.

Declining uranium price, lack of scale, corporate focus on larger mines in Kazakhstan and technical challenges dogged the project. A water treatment plant to address some technical issue was installed not long prior to closure.

Rosatom, via its global uranium producing subsidiary ARMZ, acquired the minority interests of Uranium One Inc around the time of closure of Honeymoon in November 2013. At the time Uranium One Inc was a producer of approx 13mlbpa from its mines globally. Clearly Honeymoon lacked the scale and production and cost performance in the context of the group's portfolio.

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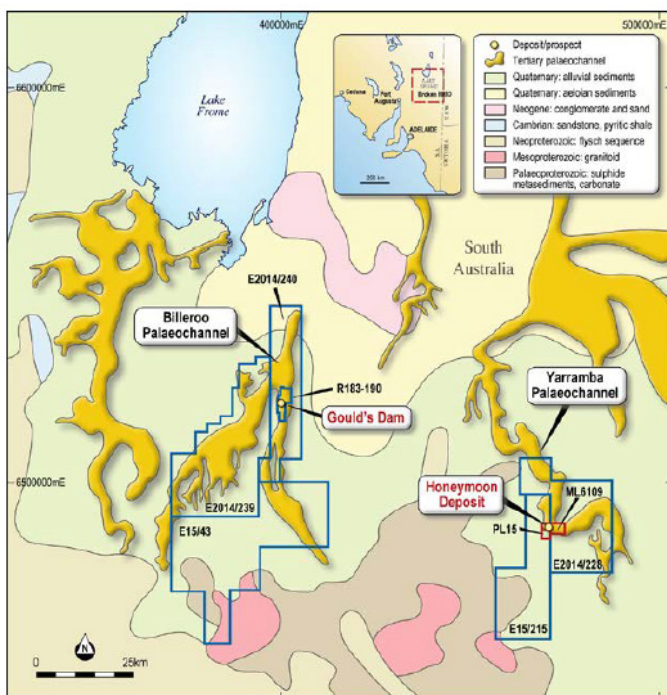
#### Mineral Resources

The Honeymoon Project consists of 1 granted Mining Lease, 5 granted Exploration Licenses, 8 Retention Leases and 2 Miscellaneous Purposes Licenses.

There are 2 main exploration regions: the Eastern Region (ELs 5215 and 5621) which hosts the Honeymoon, Brooks Dam, East Kalkaroo and Jason's Resources; and the Western Region (ELs 5043, 5623 and 5622) which hosts the Gould's Dam and Billeroo deposits.

Mineral resources have been updated by Boss on three areas:

1. Honeymoon - including Honeymoon, Brooks Dam & East Kalkaroo prospects;
2. Jasons;
3. Goulds Dam - including Gould's Dam, Gould's Dam Nth and Billeroo prospects.



Source: Boss Resources Ltd

**Table 1. Honeymoon Project Global Mineral Resource Update at June 2016**

Lower cut-off of 250 ppm U3O8

Classification	Million Tonnes	eU3O8 (ppm)	Contained U3O8 (Mkg)	Contained U3O8 (Mlb)
<b>Jason's Deposit (June 2016)</b>				
Inferred	2.8	840	2.4	5.2
<b>TOTAL</b>	<b>2.8</b>	<b>840</b>	<b>2.4</b>	<b>5.2</b>
<b>Gould's Dam (April 2016)</b>				
Indicated	4.4	650	2.9	6.3
Inferred	17.7	480	8.5	18.7
<b>TOTAL</b>	<b>22.1</b>	<b>510</b>	<b>11.3</b>	<b>25.0</b>
<b>Honeymoon (January 2016)*</b>				
Measured	1.7	1720	3.0	6.5
Indicated	1.5	1270	1.9	4.2
Inferred	12.0	640	7.6	16.8
<b>TOTAL</b>	<b>15.2</b>	<b>820</b>	<b>12.5</b>	<b>27.6</b>
<b>Global Honeymoon Uranium Project (Western and Eastern Tenement Region)</b>				
Measured	1.7	1720	2.95	6.5
Indicated	5.9	810	4.80	10.6
Inferred	32.5	569	18.5	40.7
<b>TOTAL</b>	<b>40.1</b>	<b>654</b>	<b>26.24</b>	<b>57.8</b>

\* Quoted resources have been adjusted to exclude previous production of approximately 335t of U3O8

Source: Boss Resources Ltd

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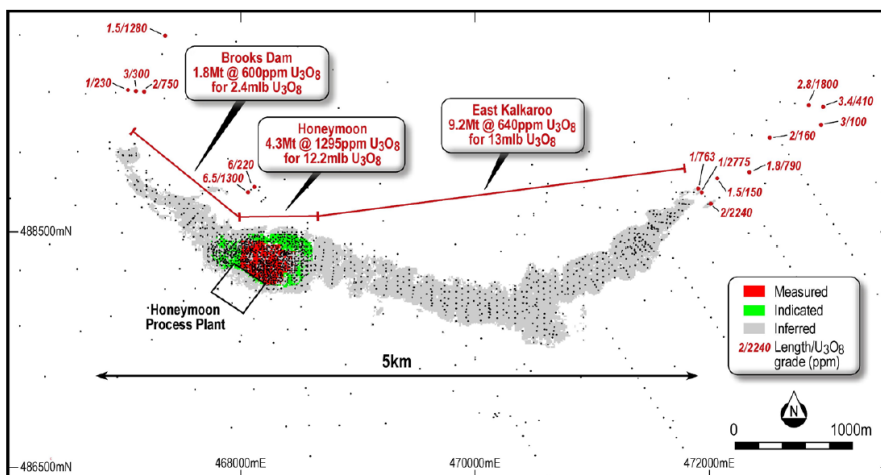
#### Honeymoon

The Honeymoon area mineral resource now totals 27.6mlb  $U_3O_8$  at a grade of 820ppm  $U_3O_8$  over a strike length of 5km and based on 1,689 holes.

The revised resource estimate employs a cut-off of 250ppm  $U_3O_8$ , down from 500ppm in earlier estimates. The result is a lower average grade with significantly more tonnes and contained  $U_3O_8$  in a more continuous orebody.

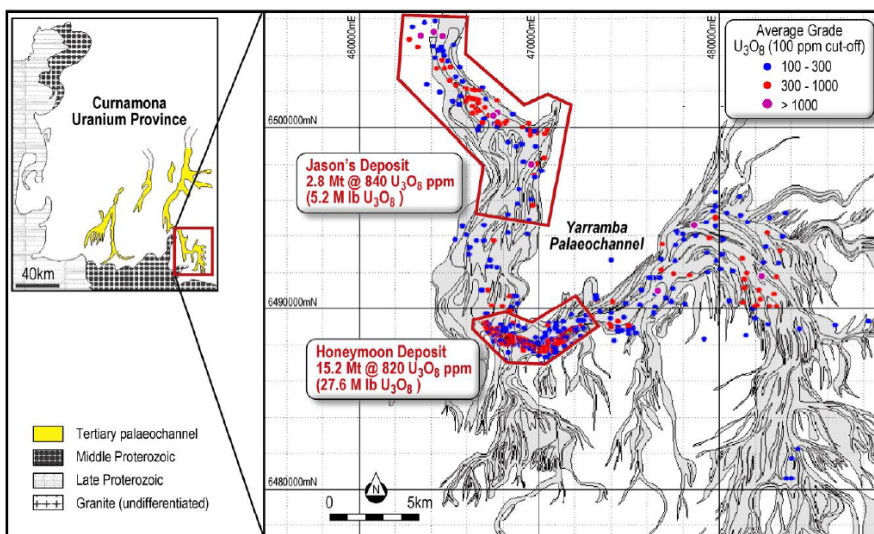
Although the resource inventory is predominantly Inferred category, it is noted that higher grades occur in the more densely drilled Measured & Indicated sections. A modest uplift in grade is possible as infill drilling occurs in future.

Uranium grade in exploration sampling is estimated, not through traditional chemical assay but most readily and commonly through gamma-log measurement. Twinning of holes enabling measurement of grade by the PFN (Prompt Fission Neutron) method is done to a limited extent. Some 42 holes were twinned with PFN measurement. The PFN tool is considered more accurate. As a general rule PFN results indicate that Gamma-log results under-call the grade slightly.



Source: Boss Resources Ltd

The location of the resources is shown in the plan above. It also highlights additional exploration potential within the Honeymoon area mostly along strike north and east.



Source: Boss Resources Ltd

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#### Gould's Dam

The maiden JORC resource estimate for Gould's Dam area was announced in April 2016. Gould's Dam is located in the western tenement block 70km from Honeymoon.

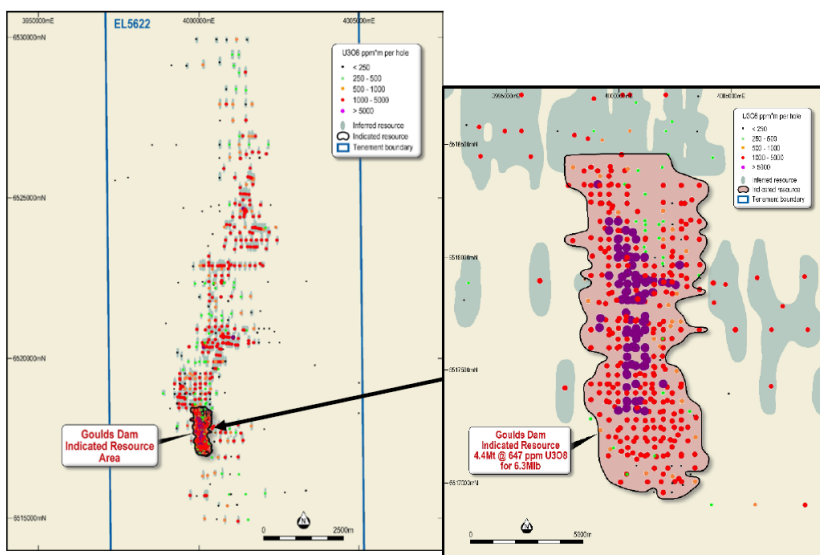
Gould's Dam mineral resources total 22.1mt grading 510ppm  $U_3O_8$  for 25.0mlb contained  $U_3O_8$ , mostly JORC Inferred.

The resource is based on 968 historic drill holes, 125 of which utilised the PFN tool and the balance using gamma-log. Global averages of the  $eU_3O_8$  (gamma-log) and  $pU_3O_8$  (PFN) compare as follows: 438ppm for  $eU_3O_8$  and 459ppm for  $pU_3O_8$  respectively.

Two sonic-core holes from 2011 designed to twin earlier holes gave chemical assay results, indicating potential for an upgrade (positive disequilibrium) of approximately 150%. Further testwork is required to formally quantify.

Interestingly the small Indicated component ~20% has a higher  $U_3O_8$  grade than the Inferred component (650ppm v's 480ppm respectively) as is noted at Honeymoon.

Gould's Dam resource area is 15km long by 1.5km wide with an average intersection thickness of 3.7m, lying 80m to 130m below surface.



Source: Boss Resources Ltd

#### Jason's

A maiden JORC Inferred mineral resource of 2.8Mt at 840ppm  $U_3O_8$  containing 5.2mlb  $U_3O_8$  (250ppm  $U_3O_8$  cut-off) for the Jason's Deposit was announced in June 2016.

The Jason's Deposit is located at the northern end of the Yarramba palaeochannel which also hosts the 27.6mlb Honeymoon Deposit. See map on previous page.

The resource is based on 165 drill holes with grade estimated by gamma-log. Jason's is 13km long by 1.5km wide with an average roll thickness of 1.4m, lying 70m to 110m below surface.

Boss aims to grow the Jason's resource, with this area being a key focus in the forthcoming drilling program.

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The Honeymoon Uranium Project is located in the southern part of the Callabonna sub-basin in South Australia. Uranium mineralisation within the project area is controlled by the Yarramba (east) and Billeroo (west) palaeochannels. These are infilled by the Eyre formation, the lower portion of which typically hosts the mineralization. These consist of Palaeogene age palaeovalleys filled by a sequence of inter-bedded sand, silt and clay. Thickness of the palaeochannels at Honeymoon deposit area reaches a maximum of 55m thick, and the base of the Yarramba channel is around a depth from surface of approximately 110 metres.

Distribution of the uranium accumulations within the palaeochannels is controlled by fluid pathways that have transported the dissolved uranium and the distribution of organic matter which served as reductants causing precipitation of uranium. Interplay of these two main factors has created a stacked geometry of the “uranium rolls” commonly distributed as elongate pods along the strike of the palaeovalley. This style of mineralisation is similar to that seen in the Shinarump, Monitor Butte and Moss Back members of the Upper Triassic Chinle formation in the White Canyon areas of the uranium mining districts of South Eastern Utah, USA.



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#### ISL Mining

ISL (in situ leaching or solution mining) involves pumping a leaching solution (acid or alkali) through the orebody while it is in the ground to recover the minerals into the leach solution. Consequently there is little surface disturbance and no tailings or waste rock is generated.

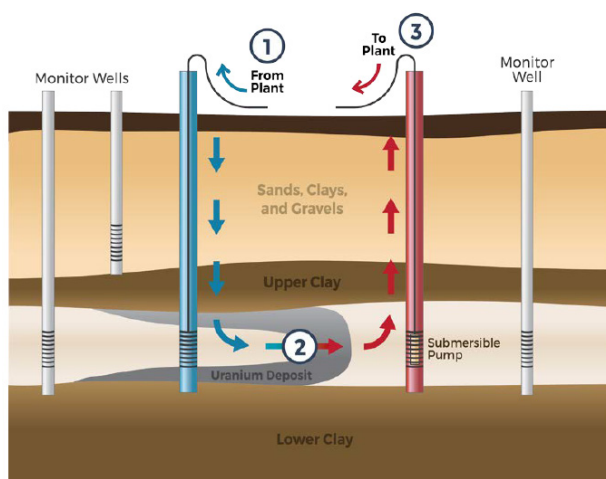
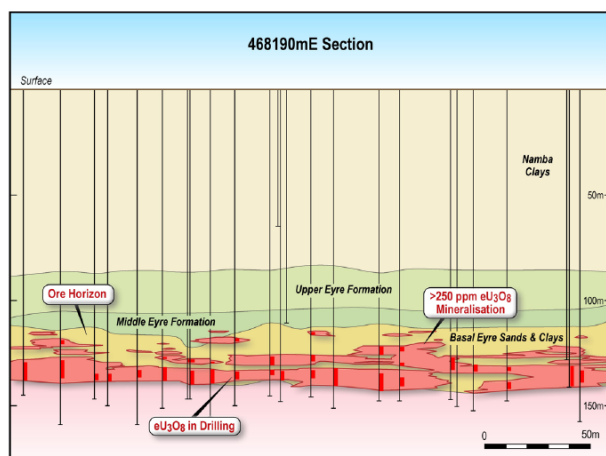
Only certain orebodies are suited to ISL mining. In uranium ISL the orebody must be hosted in a permeable sand or sandstone in a flat or "roll front" geometry. It also needs to be contained within an upper and lower impermeable horizon so that the leach solution is contained. The horizon needs to be below that water table so that contamination does not occur.

The process involves:

1. An acidic leach solution containing an oxidant is pumped through injection wells into uranium-bearing solution.
2. The solution migrates through the strata sands oxidising and mobilising uranium as a soluble complex.
3. The solution, now referred to as pregnant leach solution (PLS) is intercepted by production wells, located between the injection wells, and pumped to the surface.

ISL mining benefits from lower operating and capital costs than conventional mining. However it does recover a smaller proportion of the in-situ mineral, say approx. 70%.

Orebody grade, depth and thickness are important factors in effective ISL operations. Honeymoon deposits are relatively shallow and high grade.



Source: Boss Resources Ltd

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## Uranium Market Outlook



Short term dynamics in the uranium market are mainly driven by the fallout from the Fukushima accident in Japan in March 2011. The uranium price has been on a slide for the 5 years since.

Spot price is currently quoted US\$25.25/lb and the LT contract price at US\$40.00/lb.

In our view these prices are well below the incentive price for new supply outside of that already constructed. We believe a recovery to US\$55/lb in the contract market is probable.

Existing production has benefited from higher priced historical contracts that have an increasingly mature profile. In our view supply side curtailment is expected to ramp-up as high priced contracts end, forcing the market into balance. This will then force utilities into contracting new supply.

Supply cuts so far include: Cameco cut 5mlbpa in April 2016; Sibanye's Cooke mine closure will remove 0.6mlbpa; Shipments from Husab in Namibia appear delayed from 6mlb CY'16 estimate previously announced.

It has recently been reported by TradeTech that several utilities have indicated an intention by year end for spot, medium and long term delivery contracts.

The Japanese restart program has been much slower than anticipated and surplus inventory from the shutdown has kept the market oversupplied. Consequently utilities have delayed entering into new supply contracts to take advantage of the oversupply evident in the spot market.

Cameco estimates that only 35% of uranium consumed over the last 3 years has been replaced under long term contracts.

In Japan so far 4 of 50 reactors have been approved for restart, with 2 of those delayed by a district court injunction. However the pace of restart is expected to pick hereon. The IEEJ estimates that 7 reactors are likely to restart by March 2017 and a further 12 by March 2018.

The IEEJ also estimates the economic and environmental cost of having nuclear capacity offline. "If 1 nuclear plant of 1GWe capacity is closed for 1 year in an area of 1.0TWh pa demand, then fossil fuel costs increase by JPY60b; 4mt CO<sub>2</sub> are emitted; and electricity cost increases by JPY400/MWh."

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Demand growth for uranium in the medium to long run is excellent.

Demand growth is driven by the build out of new nuclear electricity generating capacity. Nuclear power is the 2nd largest source of low-carbon electricity worldwide, after hydropower.

There are currently 444 nuclear power reactors globally operating in 30 countries, with 388GWe generating capacity, equivalent to 11.5% of the world's electricity demand of 23TWh.

These reactors consume 65ktpa U (equivalent to 77ktpa or 170 mlbpa  $U_3O_8$ ).

There are currently 62 new reactors under construction globally with intended capacity of 66GWe. Of these new reactors 12 are expected in 2016 (5 have occurred already) and 18 in 2017.

China's new build comprises 39% of the global total, being 21 reactors for 24GWe.

A further 172 reactors for 181MWe are currently planned globally. This category comprises those projects with approvals, major commitment and generally expected to be in operation within 10 years.

Uranium demand for the new reactors under construction is estimated at 0.4mlbpa for each GWe, plus 1.0-1.5mlb for the 1st fuel load per GWe. In other words those reactors under construction require an ongoing 26mlbpa plus a once off 60-90mlb  $U_3O_8$ .

Primary supply of uranium, from mines, represents approx. 78% of total supply. The remaining 22% is sourced from commercial stockpiles, nuclear weapons stockpiles, recycled plutonium and uranium from reprocessing used fuel, and some from re-enrichment of depleted uranium tails (left over from original enrichment).

While the secondary supply of uranium is a relatively large share of total supply compared with other commodities, it is evident to us that substantial new mine supply is required in the medium to long run to satisfy the demand growth driven low carbon electricity generation.

New mine supply capacity coming on line over the next 3-5 years is estimated at approximately 40mlbpa. This includes the developments of Cigar Lake 18mlbpa, Husab 13mlbpa and incremental expansions from Kazakhstan.

Cigar Lake will be the largest producing mine globally at 18mlbpa. Cameco has stated that it believes several new Cigar Lake -like mines will be required to meet demand growth by 2025.

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### Other Assets

#### Lilltrask

The Lilltrask Project is located approximately 35 km from the nearby deep water port in Lulea, the administrative and industrial centre in the region. It is easily accessible year round by bitumen road running through the licenses. The Lilltrask area is highly prospective and it has been left almost completely unexplored. This is a rare situation and it represents an excellent window of exploration opportunity for Boss. A new occurrence of Ni-Cu sulphides has been identified by Boss and an application for three exploration licenses over the prospective area has been submitted. The three adjoining licenses cover an area of approximately 14.9 km<sup>2</sup> and are located in the Lilltrask area in northern Sweden approximately 35 km from Lulea, the regional administrative and industrial centre on the coast of the Gulf of Bothnia. Two other Boss projects, Nottrask and Skogtrask, are also located in the same province.

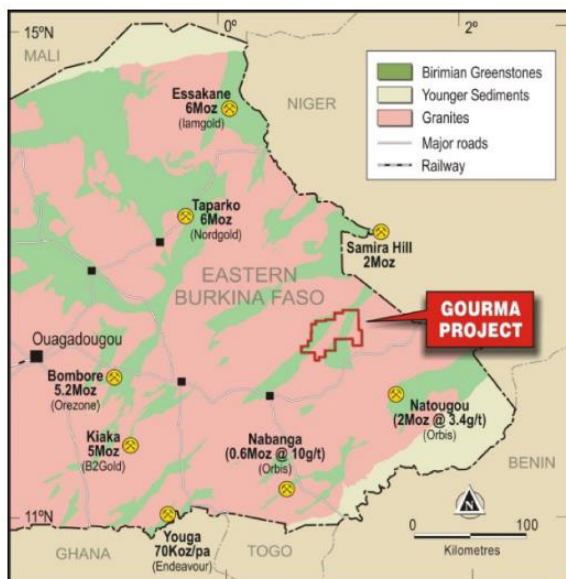
#### Nottrask

Boss Resources was granted its application for a new 37km<sup>2</sup> exploration license in 2015 known as Nottrask in northern Sweden in October 2014. Nottrask is a 10km long x 5km wide “eye” shaped intrusion that has outcropping of massive and breccia nickel (up to 1.25% Ni) and copper (up to 1.82% Cu) sulphides contained in an 80m long gossan exposed on the southern side of the license. Nottrask is well serviced for infrastructure with the deep water sea port of Lulea only 35km away and the license accessible by bitumen highway roads.

Future programs of work include review of existing geophysical data and development of a quantitative model, undertaking a high resolution airborne magnetic survey, and completing high powered modern TEM to search for conductors along the interpreted contact.

#### Burkina Faso

In 2014, Boss and Gryphon Minerals Ltd (“Gryphon”) executed definitive earn in agreements and an equipment sale agreement whereby Gryphon can earn up to 80% of the Company’s highly prospective gold projects in Burkina Faso. Some highly anomalous multi-point drainage anomalies have been identified on both projects and these are progressively being followed up by soil and first pass auger drilling seeking the mineralised bedrock source. This exploration strategy is designed to direct drilling to those areas most likely to deliver a significant discovery and enable Gryphon to confidently release ground where appropriate geochemical techniques have been applied and the results are negative.



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## Directors & Management

### Mark Hohnen, Chairman

Mr Hohnen has been involved in the minerals industry since the late 1970s and has extensive international business experience, including mining and exploration, property, investment, software and agriculture. He is an experienced director having held directorships in public and private companies. Currently Mr. Hohnen is a director of Swakop Uranium, the owner of the Husab uranium project. Husab is the world's second largest uranium operation in terms of production with construction of a 15 mlbs uranium per annum mine and treatment plant nearing completion. Mr. Hohnen was founding Executive Chairman of Kalahari Minerals Plc, a company founded in 2005 to explore for uranium and base metals in Namibia. Kalahari (KAH) was listed on AIM in March 2006 with a market capitalisation of £15 million. In 2011, Kalahari Minerals Plc was valued at £750 million and was ultimately acquired in a takeover in 2012, valued at \$US2.2 billion.

### Evan Cranston, Corporate Director

Mr Cranston is a corporate lawyer with experience in publicly listed entities including capital raisings, initial public offerings and investor relations. He has a detailed knowledge of corporate governance, ASX Listing Rules and the Corporations Act. Mr Cranston is currently also Executive Director of Attila Resources Ltd (ASX:AYA), Non-Executive Director of Cradle Resources Ltd (ASX:CXX) and Non-Executive Director of Carbine Resources Ltd (ASX: CRB).

### Marat Abzalov, Executive Director

Dr Abzalov is a geologist. He has managed and consulted on a wide range of mining projects including technical reviews and detailed studies from scoping to bankable feasibility. He has expertise in all aspects of orebody knowledge with an emphasis on geostatistical resource estimation, samples quality assurance / control and geological / mathematical 3D modelling. His exploration experience includes management and technical support to exploration activities in both brownfields and greenfields projects. Dr Abzalov built a predictive exploration model of the Olympic Dam deposit which led to the discovery of significant new resources in 2003.

### Grant Davey, Managing Director

Grant is a mining engineer with over 20 years of senior management and operational experience in the construction and operation of gold, platinum and coal mines in Africa, Australia, South America and Russia. More recently he has been involved in venture capital investments in several exploration and mining projects, including the Panda Hill Niobium Project owned by Cradle Resources. Grant's uranium experience is associated with mining uranium as a by-product from the deep level gold mines in South Africa. Grant was responsible for the Vaal Reefs South Uranium plant between 2005 and 2008 when it produced up to 6 million pounds of uranium per year and was one of the largest uranium producers in the southern hemisphere at the time.

### Peter Williams-Non Executive Director

Mr Williams was formerly Chief Geophysicist for WMC Resources. He was one of the founding members of Independence Group Ltd and developed high powered 3 component 3D TEM applications that lead to the discovery of over 75,000t of nickel at the Long-Victor Nickel Mine in Kambalda. Peter has extensive experience in West Africa where he was the vendor of Gryphon Minerals' Banfora Gold Project, was involved in the project generation of Papillion's Mali projects and was a founding director of Ampella Mining Ltd. Peter was a co-founder of the International resource sector intelligence company, Intierra, and was a co-founder of the first dedicated hard rock mineral seismic company in the world, HiSeis.

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## Top 20 Shareholders

As of 30 June 2016

Rank	Shareholders	Shares	Held (%)
1	Antonius Smit	66.48	7.50%
2	Kingslane Asset Mgt	65.21	7.36%
3	James Taylor	47.64	5.38%
4	Peter Williams	32.51	3.67%
5	Stephen Dobson	19.07	2.15%
6	Somas Super Pty Ltd	18.40	2.08%
7	Morou Ouedraogo	18.00	2.03%
8	Ablett Pty Ltd	16.00	1.81%
9	Paul Kitto	15.00	1.69%
10	Thomas Bahen	12.97	1.46%
11	Grant Davey	9.33	1.05%
12	Michael Grove	8.85	1.00%
13	Jane Grove	8.85	1.00%
14	Blu Bone Pty Ltd	8.22	0.93%
15	Ossart Holdings Pty Ltd	7.60	0.86%
16	Marcus Taylor	7.00	0.79%
17	Sophie Raven	6.67	0.75%
18	Evan Cranston	6.67	0.75%
19	Marion Taylor	6.11	0.69%
20	Thomas Gladwin-Grove	4.69	0.53%
<b>Total</b>		<b>385.27</b>	<b>43.48%</b>

Directors Interests	Shares	Perf Rts
M Hohnen **	16.7	18.0
E Cranston	6.7	0.0
M Abzalov	3.1	9.9
G Davey	9.3	0.0
P Williams	32.5	30.0
** - yet to be issued		

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