

Ticker: BOE AU **Net cash:** A\$34m (+1.25Mlb U₃O₈) **Project:** Honeymoon
Market cap: A\$330m **Price:** A\$0.15/sh **Country:** South Australia
RECOMMENDATION (unc): BUY **TARGET:** A\$0.18/sh (up) **RISK RATING:** HIGH

Boss's purchase of 1.25Mlbs of uranium covers ~63% of steady state production and de-risks deliveries in the crucial first year of ISR ramp up. This enables the operational team to focus on optimizing solute chemistry and uranium tenor for ideal long term performance with less pressure on the short term delivery schedule. This should give Boss additional strength in negotiations with utilities and has the secondary benefit of tightening the spot market further. We believe the recent physical purchases by uranium developers, leveraging increased investor interest to purchase on the spot market, is a uranium market catalyst in its own right that we expect to significantly bring forward contracting by the utilities. In this market we think Boss Energy has set itself up as the premier next-in-production uranium developer. We think Boss has done the most to ensure production readiness with a scoping study, field tests, PFS, met tests and feasibility study completed since 2015, and the enhanced feasibility study with detailed engineering and integration of NIMCIX expected imminently. We increase our target multiple to 1.0x NAV_{8%-50/lb} and our target price to A\$0.18/sh.

1.25Mlb U3O8 purchase, A\$60m capital raise de-risks development

Boss entered binding agreements to purchase 1.25Mlbs of U3O8 at US\$30.15/lb. The material is warehoused at ConverDyn in Illinois. 0.25Mlbs will be title transferred in April and 1.0Mlbs in June. Boss completed a 428.57 share placement at A\$0.14/sh for A\$60m to finance the purchase. The 1.25Mlb purchase represents 62.5% of steady state production at Honeymoon. The Enhanced Feasibility Study is expected later in Q2. Boss's purchase increases the total announced purchases by uranium developers to 4.95Mlbs of U₃O₆ after UEC's 1.2Mlb announced purchase and Denison's 2.5Mlb announced intention to purchase.

Figure 1. Uranium near term production comps – Boss significantly cheaper than US ISRs despite larger project and de-risked study work

	Boss	Paladin	Global Atomic	Peninsula	Ur Energy	Berkeley	Energy Fuels	UEC
Asset	Honeymoon	Langer Heinrich	Dasa	Lance	Lost Creek	Salamanca	Nichols Ranch	Texas Hub
Location	S Australia	Namibia	Niger	Wyoming	Wyoming	Spain	Wyoming	Texas
Status	Care & mnt	Care & mnt	PEA	Care & mnt	Care & mnt	DFS	Care & mnt	Care & mnt
Permits	Permitted	Permitted	Permitted	Permitted	Permitted	Limbo	Permitted	Various
Ownership (%)	100%	75%	90%	100%	100%	100%	100%	100%
Study	2020 FS	2020 PFS	2020 PEA	2018 DFS	2016 PEA	2016 DFS	2015 PEA	2017 Resource
Mining	ISR	Open Pit	Open Pit	ISR	ISR	Open Pit	ISR	ISR
Resource Grade (ppm U3O8)	620 ppm	445 ppm	1,765 ppm	480 ppm	477 ppm	343 ppm	1,130 ppm	858 ppm
Resources (Mlbs U3O8)	71.6	119.7	189.2	53.6	21.0	81.4	9.0	19.2
Other projects (Mlbs U3O8)	--	317.0	Zn recycl	--	8.8	--	101.8	74.1
Sales Royalty (%)	6.50%	3.50%	9.14%	6.30%	6.30%	2.44%	9.50%	various
Tax Rate (%)	30.0%	37.5%	30.0%	21.0%	21.0%	25.0%	21.0%	21.0%
Avg annual production (Mlbs)	2.0	4.5	3.2	2.0	0.8	3.5	0.6	--
LOM total production (Mlbs)	20.7	76.1	44.1	33.4	13.8	48.6	6.5	--
Initial Capex (US\$m)	72.2	81.0	203.0	118.7	15.9	232.7	53.5 - spent	--
Capital intensity (US\$/lb LOM)	3.49	1.06	4.60	3.55	1.15	4.79	8.18 spent	--
Operating cash cost (US\$/lb)	21.07	27.00	13.52	31.77	14.58	15.40	11.36	--
AISC (US\$/lb)	27.20	30.85	18.39	41.00	28.58	20.25	29.85	--
FD mkt cap (US\$m)	258.1	928.1	293.1	66.8	171.1	134.3	717.4	460.4
Compared to basic market cap	6%	11%	11%	0%	0%	3%	4%	13%
Net cash and investments (US\$m)	76.8	45.8	10.3	11.4	(4.3)	7.8	19.4	63.3
FD EV (US\$m)	153.8	882.3	282.8	55.4	175.4	126.5	698.0	397.1
EV/Reserve (\$/lb)	nmf	nmf	nmf	nmf	nmf	2.30	nmf	nmf
EV/Resource (US\$/lb)	2.15	2.17	1.66	1.03	5.87	1.55	6.30	4.26

Market data from Bloomberg, (1) includes physical uranium inventory for BOE, UEC

Our View:

The purchase further enhances Boss's case as the most advanced and de-risked project to utilities and lenders and defends its position relative to other developers. The 1.25Mlb U3O8 purchase covers 62.5% of annual steady state production which gives Boss greater flexibility during production ramp up and strengthens the company's position in negotiations with utilities. From a debt lender perspective, the 1.25Mlbs of inventory represents 50% of SCPe pre-production capital at spot uranium prices, rising to 80% at US\$50/lb. This allows Boss to present significant marketable collateral to lenders, or if there is a first lien prepaid offtake, reduces the total funding quantum.

What has not changed, is that we believe Boss's technical work at Honeymoon, combined with its competitive cost position makes Boss our top pick of potential near term producers. We expect the enhanced feasibility study, expected later in Q2, to confirm similar economics to the 2020 FS, with AISC ~US\$27/lb. The long term advantages of the project remain in place: permitted for up to 3.2Mlbs of production and a large resource base to expand production and lower costs. We update our model for the uranium purchase, which we value at our LT US\$50/lb uranium spot price estimate, and reduce our modelled build equity funding to A\$15m from A\$25m. The increased FD share count offsets with the larger asset base which leaves NAVPS unchanged at A\$0.18/sh. This matches our perception of the transaction: a significant qualitative de-risking that is financially neutral.

Why we like Boss

1. Cost advantages vs other ISR developers including scale, low-pH leach, temperate climate
2. Superior operational readiness with permits in place and a 2020 FS
3. 2,595km² land package with significant exploration upside

Catalysts

- 1H 2021 (fiscal 2H21): Enhanced FS
- 1H22 (fiscal 2H22): SCPe construction start (price dependent)
- 2H23 (fiscal 1H23): SCPe first production
- FY28 (year 5): SCPe expansion to 3.3Mlbs per year run rate

Research

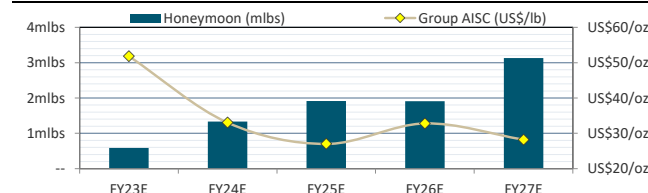
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Ticker:BOE AU J Chan / B Gaspar		Price / mkt cap: Rec / PT:		A\$0.15/sh, A\$330m BUY / A\$0.18		Market P/NAV: 1xNAV ₂₀₂₀ FD:		0.80x C\$0.18/sh		Assets: Honeymoon Location: South Australia												
Group-level SOTP valuation				4Q20	1Q21	Share data																
				A\$m	O/ship	NAVx	A\$/sh	Basic shares (m): 2278.3				FD + options (m): 2415.7	FD + FF	2538.6								
Honeymoon NPV 1Q21				246.6	100%	1.0x	0.10	Commodity price				FY23E	FY24E	FY25E	FY26E	FY27E						
Physical U3O8 -1.25Mlbs @ US\$50/lb				83.3	100%	1.0x	0.03	Uranium price (US\$/lb)				50.0	50.0	50.0	50.0	50.0						
Central SG&A & fin costs 1Q21				(7.9)	--	1.0x	(0.00)	Ratio analysis				FY23E	FY24E	FY25E	FY26E	FY27E						
Lbs outside mine plan (\$2.00/lb)				20.3	100%	1.0x	0.01	FD shares out (m)				2538.6	2538.6	2538.6	2538.6	2538.6						
Exploration				50.0	100%	1.0x	0.02	EPS (A\$/sh)				(0.002)	0.005	0.011	0.011	0.021						
Cash and restr. cash 4Q20				35.2	--	1.0x	0.01	CFPS before w/c (A\$/sh)				0.00	0.01	0.02	0.02	0.03						
Debt 4Q20				--	--	1.0x	--	FCFPS pre growth (A\$/sh)				(0.00)	0.01	0.02	0.01	0.02						
ITM options				10.2	--	1.0x	0.00	FCF/sh (A\$/sh)				(0.00)	0.01	0.02	(0.01)	0.02						
1xNAV8% US\$50/lb				438			0.18	FCF yield - pre growth (%)				(2%)	5%	11%	8%	14%						
Assumed build equity issuance				15.0			0.01	FCF yield (%)				(3%)	4%	11%	(6%)	14%						
1xNAV fully funded8% US\$50/lb				453			0.18	EBITDA margin (%)				4%	42%	50%	50%	55%						
P/NAV (x):							0.81x	FCF margin (%)				(27%)	16%	32%	(18%)	25%						
Target multiples				Multiple			A\$/sh	ROA (%)				(2%)	6%	11%	11%	19%						
Target P/NAV Multiple				1.00x			0.18	ROE (%)				(4%)	10%	16%	14%	21%						
Target price							0.18	ROCE (%)				(2%)	10%	18%	18%	28%						
Sources				Uses				EV (A\$m)								303	276	223	232	168		
DFS capex				A\$93m	SCPe 3Q20 cash + ITM options				A\$37m	PER (x)								(78.6)	26.6x	13.4x	13.2x	6.9x
SCPe contingency				A\$27m	Mine debt @ 60% gearing				A\$60m	P/CF (x)								nmf	9.5x	5.6x	5.6x	3.1x
SCPe G&A + fin. cost to first Au				A\$17m	Build Equity				A\$15m	EV/EBITDA (x)								nmf	7.7x	3.6x	3.8x	1.5x
SCPe working capital				A\$5m	Offtake				A\$30m	Income statement								FY23E	FY24E	FY25E	FY26E	FY27E
Total uses				A\$142m	Total proceeds				A\$142m	Revenue (A\$m)								38	86	123	123	202
1xNAV sensitivity to gold price and discount / NAV multiple												COGS (A\$m)					(33)	(47)	(59)	(59)	(87)	
1xNAV Honeymoon (A\$m)				\$30/lb	\$40/lb	\$50/lb	\$60/lb	\$70/lb	Gross profit (A\$m)					5	39	65	64	115				
10% discount				(73)	54	181	311	440	G&A & central					(3)	(3)	(3)	(3)	(3)				
9% discount				(70)	68	207	349	490	Depreciation					(7)	(15)	(22)	(22)	(36)				
8% discount				(67)	84	236	391	546	Impairment & other (A\$m)					--	--	--	--	--				
7% discount				(63)	102	269	439	609	Net finance costs (A\$m)					0	0	0	1	1				
6% discount				(58)	122	306	493	680	Tax (A\$m)					--	(7)	(13)	(13)	(24)				
5% discount				(53)	146	349	554	760	Minority interest (A\$m)					--	(2)	(3)	(3)	(3)				
Valuation (A\$/sh)				\$30/lb	\$40/lb	\$50/lb	\$60/lb	\$70/lb	Net income attr. (A\$m)					(5)	12	25	25	50				
0.50xNAV				0.02	0.05	0.09	0.13	0.16	EBITDA					2	36	62	61	112				
0.75xNAV				0.02	0.08	0.13	0.19	0.24	Cash flow					FY23E	FY24E	FY25E	FY26E	FY27E				
1.00xNAV				0.03	0.11	0.18	0.25	0.33	Profit/(loss) after tax (A\$m)					(5)	14	28	28	53				
1.25xNAV				0.04	0.13	0.22	0.32	0.41	Add non-cash items (A\$m)					7	15	22	22	36				
1.50xNAV				0.05	0.16	0.27	0.38	0.49	Less wkg cap / other (A\$m)					(5)	(3)	(3)	0	(6)				
Valuation over time				1Q21E	1Q22E	1Q23E	1Q24E	1Q25E	Cash flow ops (A\$m)					(3)	26	47	50	83				
Mines NPV (A\$m)				266	324	422	458	475	PP&E (A\$m)					(4)	(9)	(7)	(72)	(33)				
Cntrl G&A & fin costs (A\$m)				(7)	(3)	2	10	17	Other (A\$m)					17	17	17	17	17				
Net cash at 1Q (A\$m)				4	(30)	(27)	1	53	Cash flow inv. (A\$m)					9	5	9	(55)	(16)				
Other Assets + Options				60	60	60	60	60	Debt draw (repayment) (A\$m)					(8)	(8)	(8)	(8)	(30)				
1xNAV (A\$m)				324	351	457	529	606	Equity issuance (A\$m)					--	--	--	--	--				
P/NAV (x):				1.1x	1.0x	0.8x	0.7x	0.6x	Other (A\$m)					(3)	(3)	(3)	(3)	(3)				
1xNAV share px FD (A\$/sh)				0.14	0.14	0.18	0.21	0.24	Cash flow fin. (A\$m)					(11)	(11)	(11)	(11)	(33)				
ROI to equity holder (% pa)				-6%	-1%	7%	9%	10%	Net change post forex (A\$m)					(4)	20	45	(17)	33				
Resource / Reserve				kt	ppm U3O8	Mlbs	EV/lb U3O8		FCF (A\$m)					(10)	14	39	(22)	50				
Measured, ind. & inf. - Honeymoon				52,400	619.8	71.6	3.23		Balance sheet					FY23E	FY24E	FY25E	FY26E	FY27E				
DFS mine inventory				22,792	676.6	34.0	6.79		Cash (A\$m)					35	54	100	83	117				
SCPe Mine inventory				46,459	624.9	64.0	3.61		Accounts receivable (A\$m)					1	3	5	5	8				
Production (100%)				FY23E	FY24E	FY25E	FY26E	FY27E	Inventories (A\$m)					75	62	48	31	22				
Honeymoon (000mlbs U3O8)				0.6	1.3	1.9	1.9	3.1	PPE & exploration (A\$m)					110	106	92	142	139				
Honeymoon cash cost (US\$/lb)				42.34	26.48	22.96	23.00	20.88	Other (A\$m)					0	0	0	0	0				
Honeymoon AISC (US\$/lb)				51.85	33.04	27.00	32.82	28.22	Total assets (A\$m)					221	226	244	261	285				
									Debt (A\$m)					53	45	38	30	--				
									Other liabilities (A\$m)					41	39	38	34	35				
									Shareholders equity (A\$m)					190	190	190	190	190				
									Retained earnings (A\$m)					(63)	(49)	(21)	7	60				
									Minority int. & other (A\$m)					--	--	--	--	--				
									Liabilities+equity (A\$m)					221	226	244	261	285				
									Net Cash					(27)	1	53	44	108				
									Net Debt to NTM EBITDA (x)					0.7x	(0.0)	(0.9)	(0.4)	(1.0)				

FY: Financial year to 30 June



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TENDER:	0
NOT RATED:	0
TOTAL	33

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