

Ticker: BOE AU
Market cap: A\$672m

Net cash: A\$33m (+1.25Mlb U₃O₈)
Price: A\$2.40/sh

Project: Honeymoon
Country: South Australia

RECOMMENDATION (unc): BUY

TARGET: A\$3.20/sh (unc)

RISK RATING: HIGH

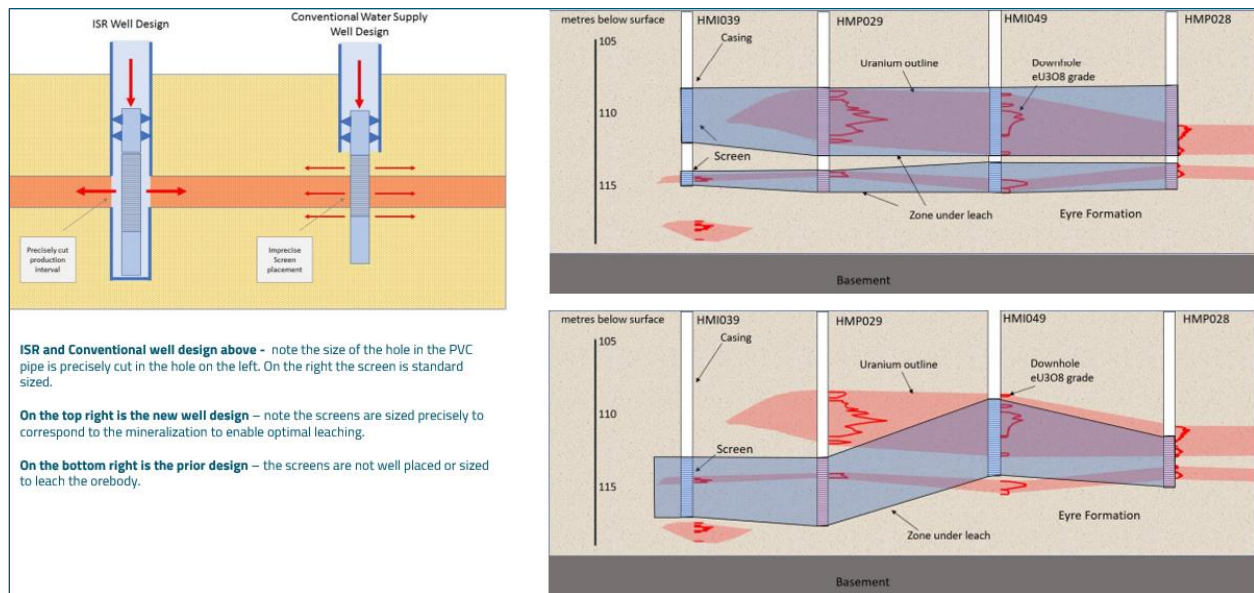
Today's FEED update, highlighting optimizations to the wellfield design, pipes and pumping, and the project execution plan, shows why Boss is our top pick of uranium developers. Where many peers (in our judgement) have tried to optimize market perception, Boss has consistently prioritized development readiness and project execution. While a desktop study may establish an investment thesis, the success or failure of a project comes down to execution and thorough understanding of project parameters, large and small. The value add of the FEED study and associated test work are to bring Boss from finance/M&A-ready to execution ready. We believe this makes Boss the most attractive and reliable developer for long-term stakeholders, from utilities to investors. **We maintain our BUY rating and A\$3.20/sh price (unchanged from A\$0.40/sh prior to Boss's 8-for-1 share consolidation) target based on 1.5x NAV_{8%-60/1b}.** Stepping back, we believe that the next phase of the uranium rally will come from utility contracting and Boss's unique focus on operations makes it stand out relative to peers in this stage of the market.

Project Update: Boss's attention to detail stands out ahead of 1Q22 FEED study on Honeymoon

Boss released a project update on optimization work at Honeymoon. The FEED study remains on track for 1Q22 completion, to enable detailed designed immediately following a financial investment decision (to be determined by market conditions). Boss also approved the Project Execution Plan (PEP) to govern project execution, expectations and KPIs.

Project design updates: Piping and instrumentation diagrams are 92% complete and completion. The connection service agreement has been executed with Essential Energy for high voltage power access via overhead transmission line. Wellfield design optimisation has alighted on a 5-spot pattern. Review of the historic wellfields identified that the well designs were suitable for agricultural water delivery but did not incorporate sufficiently precise screen placement. This is being resolved by modern well technology, which bores a precise cut opening in sealed PVC pipe to ensure precise screen placement.

Figure 1: Optimised wellfield design (note screen placement and design)



Source: Boss Resources, SCPe

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

- 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

Justin Chan (London) M: +44 7554 784 688 jchan@sprott.com

Brock Salier (London) M: +44 7400 666 913 bsalier@sprott.com

Brandon Gaspar (Toronto) M: +1 437 533 3142 bgaspar@sprott.com

Eleanor Magdzinski (Toronto) M: +1 705 669 7456 emagdzinski@sprott.com

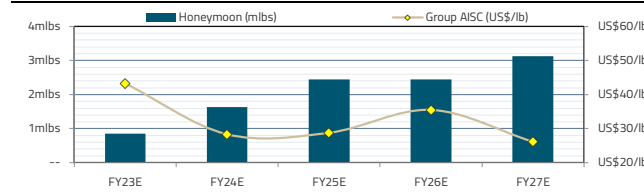
Ticker:BOE AU	Price / mkt cap:	A\$2.40/sh, A\$672m	Market P/NAV:	1.13x	Assets:	Honeymoon
Chan / B Gaspar / E Magdzinski	Rec / PT:	BUY / A\$3.20	1xNAV ₂₀₂₀ FD:	C\$2.12/sh	Location:	South Australia

Group-level SOTP valuation					Share data					
	2Q21	3Q21								
	A\$m	O/ship	NAVx	A\$/sh	Basic shares (m):	FD + options (m):	300.7	FD + FF	307.0	
Honeymoon NPV 3Q21	433	100%	1.0x	1.44	Commodity price	FY23E	FY24E	FY25E	FY26E	FY27E
Physical U3O8 -1.25Mlbs @ US\$60/lb	103	100%	1.0x	0.34	Uranium price (US\$/lb)	60.0	60.0	60.0	60.0	60.0
Central SG&A & fin costs 3Q21	(11)	--	1.0x	(0.04)	Ratio analysis	FY23E	FY24E	FY25E	FY26E	FY27E
Lbs outside mine plan (\$2.00/lb)	21	100%	1.0x	0.07	FD shares out (m)	307.0	307.0	307.0	307.0	307.0
Exploration	50	100%	1.0x	0.17	EPS (A\$/sh)	0.028	0.110	0.199	0.201	0.262
Cash and restr. cash 2Q21	32	--	1.0x	0.11	CFPS before w/c (A\$/sh)	0.06	0.18	0.30	0.30	0.39
Debt 2Q21	--	--	1.0x	--	FCFPS pre growth (A\$/sh)	0.02	0.15	0.22	0.16	0.31
ITM options	9	--	1.0x	0.03	FCF/sh (A\$/sh)	0.01	0.14	0.22	(0.00)	0.31
1xNAV8% US\$60/lb	637			2.12	FCF yield - pre growth (%)	1%	6%	9%	7%	13%
Assumed build equity issuance	30.0			0.10	FCF yield (%)	0%	6%	9%	(0%)	13%
1xNAV fully funded8% US\$60/lb	667			2.17	EBITDA margin (%)	36%	54%	61%	61%	62%
P/NAV (x):				1.10x	FCF margin (%)	4%	33%	34%	(0%)	37%
Target multiples		Multiple		A\$/sh	ROA (%)	4%	15%	22%	19%	21%
Target P/NAV Multiple		1.50x		3.20	ROE (%)	8%	24%	30%	23%	23%
Target price				3.20	ROCE (%)	7%	24%	34%	31%	32%
Sources			Uses		EV (A\$m)	579	538	474	478	387
DFS capex	A\$93m		SCPe 3Q20 cash + ITM options	A\$33m	PER (x)	86.7x	21.9x	12.0x	11.9x	9.1x
SCPe contingency	A\$52m		Mine debt @ 60% gearing	A\$60m	P/Cf (x)	28.3x	10.0x	5.9x	5.8x	4.5x
SCPe G&A + fin. cost to first Au	A\$1m		Build Equity	A\$30m	EV/EBITDA (x)	23.6x	7.7x	4.0x	4.0x	2.5x
SCPe working capital	A\$6m		Offtake	A\$30m	Income statement	FY23E	FY24E	FY25E	FY26E	FY27E
Total uses	A\$153m		Total proceeds	A\$153m	Revenue (A\$m)	68	130	196	196	250
					COGS (A\$m)	(38)	(55)	(72)	(72)	(90)
					Gross profit (A\$m)	30	75	124	124	160
					G&A & central	(5)	(5)	(5)	(5)	(5)
					Depreciation	(11)	(20)	(30)	(30)	(39)
					Impairment & other (A\$m)	--	--	--	--	--
					Net finance costs (A\$m)	0	0	0	1	1
					Tax (A\$m)	(6)	(17)	(28)	(28)	(36)
					Minority interest (A\$m)	(1)	(3)	(3)	(3)	(3)
					Net income attr. (A\$m)	7	31	58	59	78
					EBITDA	25	70	119	119	155
					Cash flow	FY23E	FY24E	FY25E	FY26E	FY27E
					Profit/(loss) after tax (A\$m)	8	34	61	62	81
					Add non-cash items (A\$m)	11	20	30	30	39
					Less wkg cap / other (A\$m)	(6)	(4)	(4)	--	(4)
					Cash flow ops (A\$m)	13	50	87	92	115
					PP&E (A\$m)	(7)	(3)	(20)	(93)	(22)
					Other (A\$m)	--	--	--	--	--
					Cash flow inv. (A\$m)	(10)	(6)	(20)	(93)	(22)
					Debt draw (repayment) (A\$m)	(8)	(8)	(8)	(8)	(30)
					Equity issuance (A\$m)	--	--	--	--	--
					Other (A\$m)	(3)	(3)	(3)	(3)	(3)
					Cash flow fin. (A\$m)	(11)	(11)	(11)	(11)	(33)
					Net change post forex (A\$m)	(8)	33	57	(11)	60
					FCF (A\$m)	3	44	68	(0)	94
					Balance sheet	FY23E	FY24E	FY25E	FY26E	FY27E
					Cash (A\$m)	21	54	110	99	159
					Accounts receivable (A\$m)	3	5	8	8	10
					Inventories (A\$m)	10	14	18	18	23
					PPE & exploration (A\$m)	168	154	143	205	188
					Other (A\$m)	0	0	0	0	0
					Total assets (A\$m)	201	226	279	330	380
					Debt (A\$m)	53	45	38	30	--
					Other liabilities (A\$m)	41	41	40	36	36
					Shareholders equity (A\$m)	189	189	189	189	189
					Retained earnings (A\$m)	(83)	(49)	12	74	155
					Minority int. & other (A\$m)	--	--	--	--	--
					Liabilities+equity (A\$m)	201	226	279	330	380
					Net Cash	(41)	(0)	64	60	151
					Net Debt to NTM EBITDA (x)	0.6x	0.0x	(0.5)	(0.4)	(1.0)

1xNAV sensitivity to uranium price and discount / NAV multiple					
1xNAV Honeymoon (A\$m)	\$40/lb	\$50/lb	\$60/lb	\$70/lb	\$80/lb
10% discount	73	211	351	491	631
9% discount	88	238	390	542	694
8% discount	104	268	433	599	765
7% discount	123	302	482	663	843
6% discount	144	340	537	734	932
5% discount	168	382	598	815	1,031
Valuation (A\$/sh)	\$40/lb	\$50/lb	\$60/lb	\$70/lb	\$80/lb
0.50xNAV	0.40	0.80	1.00	1.40	1.80
1.00xNAV	0.80	1.60	2.20	2.80	3.40
1.50xNAV	1.40	2.20	3.20	4.20	5.20
2.00xNAV	1.80	3.00	4.40	5.60	7.00
2.50xNAV	2.20	3.80	5.40	7.00	8.60

Valuation over time					
	1Q21E	1Q22E	1Q23E	1Q24E	1Q25E
Mines NPV (A\$m)	468	544	664	704	707
Cntrl G&A & fin costs (A\$m)	(13)	(9)	(5)	7	17
Net cash at 1Q (A\$m)	(1)	(40)	(41)	(0)	64
Other Assets + Options	59	59	59	59	59
1xNAV (A\$m)	514	554	678	769	847
P/NAV (x):	1.4x	1.3x	1.1x	1.0x	0.9x
1xNAV share px FD (A\$/sh)	1.74	1.85	2.21	2.51	2.76
ROI to equity holder (% pa)	-27%	-12%	-3%	1%	3%

Resource / Reserve					
	kt	ppm U3O8	Mlbs	EV/lb U3O8	
Measured, ind. & inf. - Honeymoon	52,400	619.8	71.6	6.66	
DFS mine inventory	22,792	676.6	34.0	14.03	
SCPe Mine inventory	46,459	624.9	64.0	7.45	
Production (100%)	FY23E	FY24E	FY25E	FY26E	FY27E
Honeymoon (000mlbs U3O8)	0.9	1.6	2.5	2.5	3.1
Honeymoon cash cost (US\$/lb)	33.03	24.67	21.34	21.34	21.10
Honeymoon AISC (US\$/lb)	43.31	28.32	28.75	35.50	26.13



FY: Financial year to 30 June

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BUY:	48
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	1
NOT RATED:	0
TOTAL	49

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