COMMODITY SPOTLIGHT

# URANIUM SECTOR WAITS FOR RECOVERY AS PROJECTS TAKE SHAPE

AFTER ALMOST A DECADE OF LOW PRICES, THE GLOBAL URANIUM INDUSTRY IS OPTIMISTIC THAT A RECOVERY WILL SOON EMERGE. **BEN CREAGH** WRITES.

Talk of a rebound in the global uranium market is becoming louder.

Boss Resources, which is vying to become Australia's next uranium producer, is backing the potential of a recovery as market fundamentals become more favourable.

The company's optimism has emerged alongside its plans to revive the South Australian-based Honeymoon project, which is in the definitive feasibility study stage of a restart program.

Boss chief executive officer Duncan Craib says the overall consensus appears to be that the uranium market is on its way to recovery.

"Demand is growing, inventory is falling and prices have to rise to incentivise supply," Craib tells *Australian Mining.* "Within the industry the main industry debate in the near term being a question of 'when' will prices rise not 'if.'"

It has, however, been a grind for uranium this year after a promising finish to 2018 – prices have dropped from a January 2019 average of $US28.90 ($42.60) a pound to $US25.30 a pound in mid October.

This year's resistance means uranium prices have spent the best part of a decade in the doldrums.

Since the 2011 Fukushima nuclear disaster in Japan, numerous reactors around the world have closed, limiting demand for nuclear fuel and forcing miners to shut mines as uranium prices plummeted.

After reaching $US136/pound in 2007, and sitting at a healthy $US70/pound prior to Fukushima, uranium dropped to $US18/pound in 2016 as miners slashed output.

Prices have gradually increased since, but remain below the levels needed to make many mines around the world economical.

A World Nuclear Association (WNA) report released at the World Nuclear Fuel Symposium this month shows that world uranium production dropped from 62,200 tonnes in 2016 to 53,500 tonnes in 2018.

Canada, the world's second-biggest producer, halved its output to 7000 tonnes over that time. Leading Canadian producer, Cameco, has been a factor in the decrease and indicated in September it may cut production further as it waits for a recovery.

Despite Cameco's cautious outlook, Tribeca Investment Partners commodities analyst Guy Keller joins Craib with a more optimistic view. Kellar believes the 'when' Craib refers to in terms of uranium's price revival could even emerge this year.

He says the uranium price and therefore the broader market will be higher into the end of the year as a number of rivers converge.

"We expect to see electrical utilities return to contracting, Canadian producer Cameco will move into the spot market to fulfil the balance of their 2019 purchase commitments and financial buy-to-hold strategies will increase their holdings as momentum improves," Keller tells *Australian Mining.*

"The fundamentals are screaming at us that the uranium price simply must move higher from current levels in order to incentivise not only current production, but the future production required to fuel the large number of reactors currently under construction."

A subsequent WNA report encouragingly revised projections for nuclear generating capacity growth upwards following the introduction of more favourable policies in several countries.

There has also been a positive development for the Australian uranium sector in 2019, with Donald Trump deciding against issuing a quota on uranium imports into the United States.

A petition by local producers of Section 232 of the US Trade Expansion Act had requested that the US Government set a quota to reserve 25 per cent of the country's nuclear market for domestic uranium companies.

The move would have significantly cut imports into the country from overseas producers, including leading exporters Kazakhstan and Australia.

As an aspiring producer, Boss praised the decision, with Craib saying the declined restrictions may have created long-term distortions in the market, which could have further impacted a recovery.

"As a result, we are beginning to see the unlocking of buying activity from US utilities, and from a global

URANIUM PRICES HAVE BEEN PREDICTED TO RISE BY THE END OF 2019.

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THE HONEYMOON SITE IS SET FOR A REVIVAL UNDER BOSS RESOURCES' WATCH.

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perspective long-term and spot demand is emerging from utilities around the world," Craib says.

For Boss, the prospect of an improved uranium market may prove timely as it progresses a restart of Honeymoon, a site previously operated by Uranium One between 2011-2013.

Boss acquired Honeymoon in December 2015 with it on care and maintenance, before launching the restart strategy in July last year.

The company has focussed on progressively de-risking the project, both technically and commercially, to the point where it will be ready to execute the programs of work required for production to restart.

Boss has broken the restart into three phases to ready the company for mining, assuming a specified global uranium price has been achieved to satisfy shareholder requirements.

"From a price incentivisation perspective, when we see the spot prices of around $US30/pound, which would imply contract prices above $US40/pound, I'll start getting excited," Craib says.

"The market is not there, but we are not far off, and in the meantime we are doing everything we can to best prepare Honeymoon for producing and exporting again."

Boss proposes to mine Honeymoon by combining in-situ recovery with Ion Exchange production as it targets an operation in the lowest quartile of worldwide producers.

The company secured a new mineral export permit from the Australian Government in April, allowing it to export natural uranium produced at Honeymoon.

Boss can export uranium to countries meeting Australia's uranium policy, namely those observing the Treaty on the Non-Proliferation of Nuclear Weapons and other safeguards requirements.

Honeymoon joins three other Australian uranium mines with the permit, including two in South Australia.

"This is a rare advantage for a producer as in many instances production may start several years after the decision to mine and only having obtained necessary permitting in supportive market conditions," Craib says.

With Boss approved as an exporter, the company is also hopeful that uranium from Honeymoon can one day be considered for domestic use.

The Minerals Council of Australia (MCA) reignited debate for a change of attitude towards nuclear power this year, stating it is time to end the "discriminatory treatment" of it by repealing the country's ban.

MCA chief executive officer Tania Constable stresses that nuclear power, which provides 11 per cent of the world's electricity, is low cost, zero emission and available 24/7.

"Latest generation nuclear technologies such as small modular reactors offer the potential to fully back up renewable energy sources," Constable says.

"Removing the ban would allow for Australians to have a serious conversation about a genuinely technology neutral approach towards the nation's energy mix – delivering affordable, reliable and clean energy sources."

Keller says there is "absolutely" no doubt that nuclear electricity is the lowest source of low carbon base load electricity available to the modern grid.

If Australia is serious about reducing carbon, he thinks it is essential that nuclear power at least be considered and assessed as a serious option when planning for the future grid.

"There are some fantastic examples in both California and Germany where their renewables reach a point of saturation that renewables lose their effectiveness in the grid," Keller says.

"It is worth noting here that nuclear power is not meant to compete with renewables, but in fact should complement renewables."

Craib's stance is that is that it is incumbent upon Australia to pursue a mix of low carbon generating technologies, harmonised regulatory processes, and an effective safety paradigm.

"Nuclear power can form part of that desired energy mix," Craib concludes.