

Bannerman Resources Ltd

01:40 30 Jan 2019

Bannerman Resources highlights positive uranium industry outlook as it updates DFS

Bannerman Resources Ltd (ASX:BMN) (OTCMKTS:BNNLF) expects RC drilling results back from a campaign near its proposed Etango uranium processing plant in Namibia this quarter as the company continues to progress an update to the definitive feasibility study for its flagship project.

The company that regularly has its share price track with the uranium price, posted its quarterly reports to market today, outlining a number of positive trends it expects will influence uranium prices this year.

BIG PICTURE: Bannerman Resources strengthens Etango development as uranium price set to recover

Bannerman managing director & CEO Brandon Munro highlighted key strengths in the company's quarterly activities report.

Among them was the company's strong cash position, with Bannerman holding \$7.4 million in cash at December 31.

During the fiscal quarter, the company raised funds from equity issues after its chairman exercised 3.9 million options in the period to contribute \$172,612 in funds to Bannerman's cash balance.

Net operating outflows in the quarter were \$511,000.

The company tipped expected cash outflows of \$690,000 in the March quarter as it continues to progress a definitive feasibility study for its 95%-owned Etango Uranium Project.

Munro reported: "We have maintained our fiscal discipline whilst undertaking high value-add activities at the Etango project, such as testing targets with the potential to be satellite deposits and the ongoing work associated with the DFS update.

"The uranium market has tightened sUBStantially and we are well positioned for further price improvement with an advanced asset and a healthy balance sheet."

DFS update program

The company's update to its DFS is an important work program being achieved in the context of tightening global supply for uranium and improved pricing.

Writing on behalf of the company, Munro said: "During the quarter, the company's ongoing DFS update work included mine and process schedule optimisation and further refinement of the cost input parameters.

Price: A\$0.047

Market Cap: A\$48.95M

1 Year Share Price Graph



Share Information

Code: BMN

Listing: ASX

52 week	High	Low
	A\$0.08	A\$0.03

Sector: Mining

Website www.bannermanresources.com

Company Synopsis:

Bannerman Resources Ltd's (ASX:BMN; NSX:BMN) flagship asset is the wholly-owned Etango Uranium Project in Namibia.

Author:

Proactive Investors Ltd

+44 (0)207 989 0813

action@proactiveinvestors.com

"Qubeka Mining Consultants, a specialist mining engineering firm with deep experience in deposits similar to Etango, was engaged during the quarter to provide specialist input."

Bannerman has prioritised several optimisation opportunities at Etango and is undertaking studies to assessing how optimisation can be value-accretive through reducing anticipated capital expenditure and operating costs.

Once the optimisation phase is complete, Bannerman has said it expects to finish its DFS update by conducting definitive-level engineering work to incorporate identified project enhancements and update the procurement process.

The company's original DFS for Etango has confirmed the viability of a large open pit and heap leach operation with expected annual production of 7-9 million pounds of yellowcake for the first five years and 6-8 million pounds per year thereafter.

Bannerman undertook a large-scale heap leach demonstration program between 2015 and 2017 to provide further assurance to financing parties, generate process information for the engineering design phase and enhance internal capability.

Bannerman non-executive chairman Ronnie Bevor told the company's annual general meeting in the December quarter the company had identified in its processing study an estimated capital cost saving of US\$72 million, along with substantial potential operating cost savings.

This would enable a DFS improvement target of plus-US\$3 per pound of U3O8, compared to the operating costs of its published 2015 optimisation study.

Bevor had noted Cameco's (TSE:CCO) MacArthur River and Paladin Energy Ltd's (ASX:PDN) Langer Heinrich Mine had been put on care and maintenance and Kazakhstan producer KazAtomProm's (KASE:KZAP) (LON:KAP) (FRA:OZQ) 20% reduction in forecasted annual production.

The chairman said in November: "The combined effect is forecast to put the uranium market into a deficit in 2019 and this is expected to have a significant impact on uranium prices in the next year as the reduction in supply starts to take effect."

Bannerman's RC drilling results from its eight-hole, 973-metre campaign at two areas 10 kilometres from the proposed Etango plant are expected this quarter.

Positive factors for the uranium industry in 2019

Bannerman's MD-CEO Munro is a lawyer and quantitative economist who is often called on to comment on the state of the uranium market.

He has outlined several expected uranium industry forces in several interviews with Proactive Investors.

Munro spoke to Proactive's Stocktube video channel in November, saying he saw the sector "behaving very optimistically" for the next six months.

Speaking in the quarterly, Munro highlighted the 25% improvement in the uranium price had achieved since the start of the 2018-19 financial year.

Munro wrote in the quarterly report:

"We anticipate continued improvement in the uranium sector during 2019, driven by several co-incident factors including:

- (a) Continued acquisition of uranium by financial investors, such as Yellow Cake PLC, Uranium Participation Corp and Uranium Trading Corp, and direct acquisition of uranium by other investors utilising trader accounts;
- (b) Producer purchases of uranium to meet delivery obligations, most notably Cameco Inc;
- (c) The resumption of procurement activities once the section 232 trade practices investigation is resolved;
- (d) Contraction of available/mobile uranium inventory, through the absorption of producer inventories, continued draw-down of commercial inventories by utilities, reduction in secondary supply sources and reassessment of risk-management policies (ie minimum inventory holdings) as the uranium price recovers;
- (e) Policy improvements for the nuclear industry as governments heighten their appreciation for the urgency of climate change action, leading to reactor life extensions in the short term and accelerated reactor build out in the medium term; and
- (f) Increasing demand growth, in particular from China, Russia, South Korea and the Middle East promoting further strategic inventory builds, across the nuclear fuel cycle and mine development pathway."

Bannerman flagged there was a strong outlook for uranium, driven by "supply reductions and secondary buying".

The U3O8 spot price closed the December quarter at US\$28.50 a pound, trading at similar levels this month.

READ: Bannerman Resources confident of 2019 uranium bull market amid spot price volatility

Munro highlighted a number of acquisitions and sell-offs in the uranium space in the December quarter.

Among these were China National Uranium Corporation's (CNUC) buy-up of a 69% stake in Rössing uranium mine from Rio Tinto.

CNUC is an affiliate of Chinese nuclear giant China National Nuclear Corporation (CNNC), which has the Husab mine 20 kilometres from Etango, where it is ramping up production.

Another expected but delayed trend was the listing of large Kazakhstan-based uranium producer KazAtomProm on the Astana stock exchange AIFC and the London Stock Exchange.

Republic of Kazakhstan sovereign-wealth fund Samruk-Kazyna finally sold down a 15% stake in what had been a wholly-owned vessel for US\$451million, valuing KazAtomProm at US\$3 billion.

Munro flagged the KazAtomProm initial public offering had "the effect of increasing the visibility of the uranium sector amongst the international financial community".

KazAtomProm had previously had a positive effect on pricing by announcing a 20% reduction in forecast production.

READ: Bannerman Resources has new sUBStantial shareholder in Tribeca Investment Partners

Another factor influencing the industry more generally is the section 232 trade practices investigation being conducted by the US Department of Commerce.

The department is determining the effects of uranium imports on the national security of the US, in an investigation tipped to influence the international reception to Western companies' uranium projects.

A public comment period on the matter closed in September 2018, with submissions being evaluated in the December quarter.

Top shareholders

Tightly held Bannerman's top 20 shareholders had 55.72% of the company on October 2.

The company's two significant shareholders are now its largest shareholder Tribeca Investment Partners Pty Ltd, with an 8.73 stake, and mining mainstay Clive Jones with 7.5%.

Jones is a non-executive director of Bannerman and who has served on many resource and exploration company boards.

He has stayed closely involved with the project since applying for the Etango prospecting licence in 2005.

Tribeca became a significant investor in Bannerman in September after Resource Capital Fund IV L.P. sold down and exited its significant holding in the September quarter.

In October Citicorp Nominees Pty Limited had 11.72% of Bannerman while JP Morgan Nominees Australia Limited had 7.47% and UBS Nominees Pty Ltd 6%.

Today Bannerman had 1,041,587,214 ordinary shares on issue, 40,154,033 performance and share rights and 68,626,800 unlisted share options.

— with Berkay Erkan, Danielle Doporto

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

No investment advice

Proactive Investors is a publisher and is not registered with or authorised by the Financial Conduct Authority (FCA). You understand and agree that no content published constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value or suitability of any particular security, portfolio of securities, transaction, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including company related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the

position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.