Bannerman set for long innings

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I’m very much driven by challenging operations where you have to look outside the box,” Bannerman Resources Ltd managing director Len Jubber tells Paydirt. And, in 2015, there are few greater challenges than being the managing director of a junior uranium company.

Four years after the Fukushima incident left the industry in a state of turmoil, the uranium sector continues to wallow in a depressed price environment and an even more depressed equity environment.

Despite all the compelling talk of looming supply shortages and impending demand increases, the uranium spot price has remained dampened and uranium equities have refused to budge from their low bases.

Such a climate could leave a company like Bannerman – market cap around $30 million – in an unenviable position but speaking to Jubber and the rest of the management team, it is apparent the focus is not on raising the share price in the next few months. It is instead on turning the company’s flagship Etango project in Namibia into an operation that is a safe, sustainable and reliable source of clean energy for decades to come.

Jubber was born and grew up in Namibia and along with country manager Werner Ewald – who spent 30 years working at the...
country’s largest uranium mine, the Rio Tinto Ltd-owned Rossing mine – he admits there is plenty of personal pride associated with his vision for Bannerman.

“Certainly coming back to Namibia and building an operation from scratch were contributing factors in me accepting the challenge,” he says of a position he has occupied since early 2008. “It is a mix of personal and professional pride; of taking on something others deem too challenging, building a project that can make a difference to the host community and indeed to wider society.”

Despite such claims, there is little sentimentality attached to what Jubber and Bannerman are.
doing. Instead, there is clarity of purpose and steel-eyed determination to take advantage of a uranium market which is showing signs of imbalance.

The company is eschewing the usual junior mentality of constantly watching the share price. Instead, it is preparing itself for what it — and many others — sees as the inevitable upturn in the uranium sector’s fortunes.

Jubber is more aware than most just how far out of favour uranium companies have fallen with Australian investors — Bannerman’s share price was languishing at 5.2c at the time of print compared with its 2007 high of $3.65c/share — but that has not led him to put Etango on ice.

Instead, the company has continued to build its development case, refining mining and processing techniques first established in 2007.

“The project is live; it is not sat in a box under the bed,” Jubber says. “There may not have been a lot of marketing to do in recent times but we have used that opportunity to get closer to the project and see where we can drive further value through engineering.”

The company is providing physical proof of its long-term commitment to the project. When Paydirt visited Etango in February, the company was nearing completion of a $1.4 million heap leach demonstration plant.

The plant is designed to provide the company — and potential development partners — with more detailed metallurgical information on the low-grade project for which capital estimates are around $US870 million. It is a brave decision in a market which is barely listening, especially as its effectiveness will only be measured once the market does turn. However, it is in keeping with Bannerman’s strategy to ensure Etango is best placed to take advantage of that upturn.

First pegged by well-known Australian explorer Clive Jones during the Namibian uranium rush of the early 2000s, Etango — 38km from the coastal town of Swakopmund — has always been ranked among the better quality uranium projects in Namibia.

Although low-grade, its sheer size — the resource currently stands at 212 mlb — puts it among the top three undeveloped uranium projects in Namibia. The 205 ppm grade means it was never likely to be a quick, early cash-flow development and since the first project concepts were drawn up, Bannerman hasn’t deviated from its plans for a low-grade, bulk-tonnage operation.

There is recognition within the company that such a project will need a favourable price environment to justify the capital outlay but Bannerman’s strategy has been to ensure...
that, once such a market does materialise, everything is in place for Etango to be put into development before rival projects.

“When in production this will be a top 10 global producer,” Jubber says. “That is why it has been our sole focus; we knew the company could achieve critical mass through this one project.

“We know the nuclear renaissance is coming so the company believes it prudent to keep moving the project forward and that will allow us to retain our early-mover advantage.”

Such clarity has been evident throughout Bannerman’s involvement in Namibia. Since listing on the back of Etango in 2006, the company has worked through a series of resource upgrades and economic studies.

“The company started drilling in 2006 and we had year-on-year resource upgrades right through to 2010 when we reached 212 mlb uranium oxide,” Jubber says.

Those upgrades have coincided with a methodical approach to development. Etango was subject to a scoping study in 2007, a PFS in 2009 and, following several reviews of previous studies, a DFS in 2011/2012.

Throughout that time, Bannerman has stayed true to its original concepts of a low-grade, bulk-tonnage scenario at Etango. It has not tried to find ambitious new ways to make the project attractive in a subdued uranium market. Instead, it has concentrated on making the project as robust as possible when the winds do change.

“The intention has not changed from Day 1 and that is the strength of the project; it is large, has consistent geology and is low-grade.”

For Jubber, the challenge is not in finding a
way to avoid the low-grade nature of the deposit but finding a way to make it work. “I’m driven by challenging scenarios and I’ve been fortunate to spend much of my professional life working in such scenarios,” he says.

Having spent his formative years as a mining engineer at the world’s largest low-grade uranium mine, the nearby Rossing mine, Jubber is anything but intimidated by the challenge of grade. Indeed, he developed a specialised skill set in such projects having later managed the low-grade Macraes gold mine in New Zealand and been at the helm of Perilya Ltd as it tackled remnant mining at Broken Hill. “With projects like this you need to go to greater detail to manage risk and realise opportunity. You need to have a focus on operational excellence and making incremental improvements. It is about volume multiplied by efficiency and economies-of-scale and we have applied that thinking to Etango.”

The processing flow sheet in the 2012 DFS consisted of primary and secondary crushing followed by high-pressure grinding with material extracted from the uraninite ore through acid heap leaching methods.

Jubber said the approach had changed little from the original 2007 scoping study. "The met work has focused on heap leach from Day 1 and that has proven an advantage because it meant we haven’t had a divided focus. We have concentrated on the acid heap leaching and finding how best we can make that work.”

While Rossing has used sulphuric acid leaching for nearly four decades and Areva used an alkaline heap leach on its Trekkopje mine, acid heap leaching is uncommon in uranium processing. That led Bannerman to the world of copper mining for guidance. “Heap leach itself is not new but we are looking at big volumes so material handling is a big aspect of getting things right. We went to South America and looked at many copper operations where they use dynamic heap leach. They are very sophisticated operations – we visited some where they were moving 60 mtpa of material – and are very efficient in moving material and that is exactly what we need at Etango. “The entire challenge is about finding how we can move the material as efficiently as we can and extract as much uranium as we can. It is almost adopting a manufacturing approach; maximising the options you have.”

Having internal confidence in the processing flow sheet is one thing but Jubber recognised the need to convince the market of Bannerman’s ability to process the low-grade Etango ore efficiently and ultimately profitably.
“The first question we always get from investors is about the grade and often they mentally switch off when you tell them it is 200 ppm,” he says.

In an effort to dispel investor doubts and stick to the strategy of maintaining momentum in the project, Bannerman has taken the surprising step of building an entire demonstration plant on site to process bulk samples of Etango material.

“In lab test work we were getting very consistent and fast leaching so the company decided that a demonstration plant would prove the heap leach concept,” Jubber says. “We see it as the next step in the detailed engineering of the project.”

The plant not only satisfies Bannerman’s desire to keep Etango moving but will also provide concrete evidence to potential investors about the legitimacy of both project and company.

“It is in keeping with the overall strategy and continues the early-mover advantage we have established for ourselves. It will demonstrate the robustness of our design and performance to potential partners; it allows us to maintain and build project knowledge, and; it shows to stakeholders in Namibia that we are committed to the project by conducting meaningful in-country activity.”

Furthermore, establishment of the demonstration plant has allowed the company to test other aspects of its DFS.

Jubber expected construction to be completed before the end of March with processing to begin in the June quarter.

Although its primary function will be to provide Bannerman with more detailed metallurgical information, Jubber has already identified potential to recover some of the capital costs.

“There hasn’t been a demonstration plant of this scale available in Namibia before now. It is large-scale testing infrastructure and while it will initially be only available to Bannerman there will no doubt be interest from...
Before then, the company must continue to pay construction costs and in March launched a $2 million share purchase plan to fund remaining development.

“A capital raising was required to sustain the business, to complete the demonstration plant and for working capital. We restricted it to $2 million to minimise dilution with a view that, once we start receiving results from the demonstration plant, here will be an opportunity to update the market fully on our progress.

“We recognise that at a low share price it is very important to minimise dilution to respect shareholder value and hopefully the demonstration plant will allow us to go back to the market with a lot more confidence on the back of some good results.”

The share purchase plan will tide the company over but ultimately Etango’s development will depend on Bannerman securing a development partner.

With a market cap of around $30 million and an estimated capex of $875 million, a cornerstone investor, either at project or company level, is imperative.

“Our strategy all along has been to attract a development partner for Etango,” Jubber says.

Much will depend on the state of the uranium market. After a post-Fukushima downturn that has dragged on much longer than anticipated, there are signs of renewal.

In March, Japanese Prime Minister Shinzo Abe stepped up efforts to restart the country’s stalled nuclear power capacity. Meanwhile, China claims it remains on track to increase its nuclear capacity from 18GW to 58GW by 2020. India has also recently announced plans to increase nuclear capacity to 63GW over the next two decades while hydrocarbon-rich states such as Saudi Arabia and UAE are also building reactors.

These proposals have analysts predicting the market will fall into severe deficit by 2020. Convincing investors of an imminent price recovery may require a leap of faith but extolling the virtues of Namibia as a mining investment destination does not.

Since its re-emergence as a uranium jurisdiction in the early 2000s, the Southern Africa nations have become renowned for being one of the most politically stable and progressive countries on the continent.

In the Fraser Institute’s most recent Survey of Mining Companies report Namibia ranks 25th internationally and highest of all African countries for its investment attractiveness and 20th internationally and second in Africa in the Policy Perception Index.

The last decade has seen Paladin Energy Ltd open Langer Heinrich, Areva build Trekkopje and more recently CNNC construct the massive Husab mine. Rio Tinto has also extended and expanded Rossing’s mine life, reversing a decision which had it set to close in coming years.
As a Namibian, Jubber is keen to stress the geopolitical and economic stability within the country.

“This is essentially like a 10 moz gold equivalent orebody in a geopolitically benign jurisdiction,” he says. “And that has to be very attractive to groups which are looking for substantial amounts of low-risk uranium supply.”

The country ranks alongside Kazakhstan, Canada and Australia as a major uranium producer but while the geopolitical state of the Central Asian country is always opaque and Australia battles with state-level opposition to uranium mining, Namibia’s industry enjoys strong government support.

Such stability can be viewed as priceless in the volatile and highly regulated uranium space.

“I think the battle over Husab showed the strategic importance of stable uranium supply,” Jubber says.

The largest undeveloped uranium project in the world, Husab was discovered to the south of Rossing by another ASX-listed junior explorer, Extract Resources Ltd, in 2008.

The discovery attracted the attention of a host of uranium companies and shares shot from 35c in October 2007 to as high as $7.25 in 2009.

Chinese nuclear group CNNC eventually won control of Husab and is currently building the 15 mbpa project with first production expected in 2016.

Rather than being treated with suspicion as it is in Australia, the uranium sector is the leader of Namibia’s mining industry with a history dating back to Rossing’s development in the mid-1970s.

“The uranium industry in Namibia is an example of how an industry can work respectfully with stakeholders; operating within the legal framework of the country but with the ability to regulate itself,” he says.

Having grown up in the country and spending his early professional years at Rossing, Jubber is keen to see Bannerman take its place among the giants of an industry that is well respected both locally and at a national level.

“Even though we are a small company, we have set out to make a difference. We have been an active participant in the Uranium Institute and the Uranium Association and Werner has sat on the board of the Chamber of Mines Safety committee.

“This is not just about building a mine but building a company in Namibia which can make a difference, both nationally and globally.”

It is a noble pursuit but one that will also be fed by commercial reality if market trends blow in the company’s direction.

– Dominic Piper