

# Australian uranium – hype and politics

The second Australian Uranium Conference in the Western Australian port city of Fremantle showed the progress many explorers have made in converting estimates dating back to the 1970s into JORC-compliant resources. However, the meeting also reflected the challenges the industry faces, including the still-murky political waters

**I**N THE past year, at least 20 uranium companies have listed on the Australian Stock Exchange. Stockbroking firm Patersons said its share index of uranium explorers has risen by about 85% since the inaugural Australian Uranium conference a year ago.

Meanwhile, the research house Intierra used the event to launch its own Australian Uranium index, with 28 ASX-listed companies included. Based on share performance since last October, the index shows a rising trend, similar to the uranium price.

The chief architect of the dismantling of the Australian Labor Party's 'No new mines' policy for uranium, shadow resources minister Martin Ferguson, warmed the hearts of delegates by indicating there would be a change at next April's federal party convention. Mr Ferguson cited the conference-eve announcement by the federal opposition leader, Kim Beazley, seeking abandonment of the 'No new mines' policy – an issue he said "no federal leader has been prepared to lead on for more than 30 years".

However, media coverage during the conference showed there was still resolute opposition within Labor's left wing: Western Australia (WA)'s Labor Premier, Alan Carpenter, vowed there would be no change in his state. Mr Ferguson said he saw Mr Carpenter's stance as honouring the election promise of former WA premier Geoff Gallop.

Because the Northern Territory (NT) falls under federal control in regard to this issue, there will be a clear path under the coalition government

of the Liberal Prime Minister John Howard to allow development of new mines in the territory. The NT has Australia's current and the world's second-biggest uranium mine in Energy Resources of Australia Ltd's (ERA) Ranger operation.

South Australia (SA) has already broken ranks as a Labor-governed state by granting mining licences for SXR Uranium One Inc's Honeymoon-Goulds Dam project, which lies near the existing Beverley in-situ leaching operation of Heathgate Resources Pty Ltd (part of the General Atomics group of the US).

Projects showing progress at the conference included: Valhalla-Skal-Andersons, managed by Summit Resources Ltd, and its neighbouring projects in north-west Queensland (Paladin Resources Ltd is advancing a takeover of Summit's partner, Valhalla Uranium Ltd – *MJ*, July 14, p16 – but Summit announced last Friday it was taking legal advice on whether or not the structure of the takeover would trigger its pre-emptive rights); PepinNini Minerals Ltd's Crocker Well in SA; Nova Energy Ltd's Lake Way project in WA; and Arafura Resources NL's Lucy Creek project and the Energy Metals Ltd-managed Bigriyi project, both in the NT.

Summit's exploration manager, Peter Rolley, said exploration progress on the company's uranium leases near Mount Isa had now shown eight deposits and 15 mineralised prospects, and the total resource for Valhalla-Skal-Andersons was 36 Mt at grade of 0.86 kg/t U<sub>3</sub>O<sub>8</sub>. Arguably the best drill-hole at Valhalla was an old one, which returned 93.3 m at 1.95 kg/t U<sub>3</sub>O<sub>8</sub>, but holes drilled by Summit more recently have also returned impressive numbers, including 53 m at 1.14 kg/t. The other deposits have also returned positive results.

What was clear from the presentations, and admitted by several companies, was that in the space of three decades Australia has lost its depth of expertise in exploration, metallurgy, project planning, marketing and environmental planning for uranium. Such expertise is now essentially confined to ERA and BHP Billiton. The latter owns Olympic Dam, which dominates worldwide uranium reserves and, with its planned expansion, will become the world's biggest uranium producer along with its substantial production of copper.

Worse, the new wave of uranium explorers in Australia will face potential hurdles in dealing with government. John Borshoff, head of Paladin Resources – soon to commission its Langer Heinrich mine in Namibia – told *Mining Journal* that, with state and federal government bodies still on a procedural learning-



BY ROSS LOUTHEAN

curve, up to five years could elapse between a company deciding to go ahead with a mine development and official clearance being forthcoming.

This view ran counter to the aspirations of some explorers with advanced prospects in Australia, such as TSXV-listed Mega Uranium Ltd, which is exploring in

six countries. In Australia, Mega has taken over Adelaide-based Hindmarsh Resources and unlisted explorer Future Metals and Energy Ltd, and is advancing a friendly takeover of another listed company, Redport Ltd (*MJ*, July 14, p17).

Mega Uranium's president, Stewart Taylor, based in Queensland, said the company has been one of Canada's fastest-growing uranium juniors, with a market capitalisation of about C\$420 million and cash reserves of

C\$48 million.

Mr Taylor said he anticipated Mega's first uranium production would involve a ramp-up to 3 Mlb/y of U<sub>3</sub>O<sub>8</sub>, expected to come from the Ben Lomond deposit inland from Townsville in Queensland and from another Australian property (possibly Redport's Lake Maitland).

According to Intierra's Minmet database, Ben Lomond has an inferred resource of 1.93 Mt at 2.51 kg/t U<sub>3</sub>O<sub>8</sub> plus 2.96 Mt at 0.2% Mo. Like so many discoveries by big foreign utilities in the 1970-80s, the project was frozen by the political block on new uranium developments in Australia.

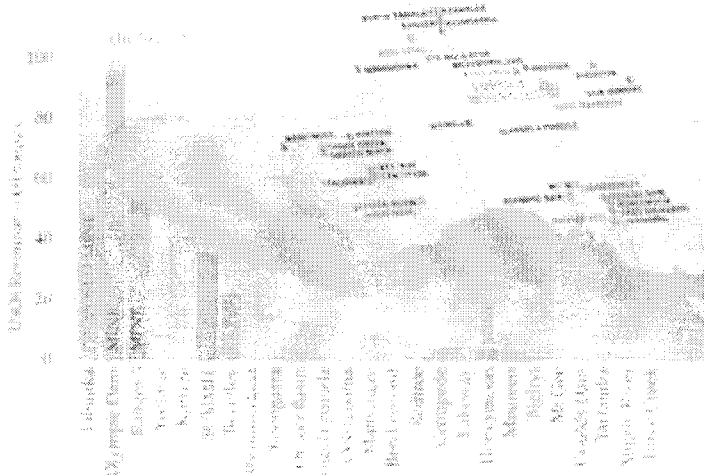
However, some observers told *Mining Journal* they doubted Ben Lomond could be fast-tracked even with the political restrictions removed. They suggested it



Mega Uranium's Stewart Taylor



Paladin's John Borshoff



Source: Mineral Resources Ltd

#### Australian uranium resources

would have to be an underground operation, which would be a first in Australia for a primary uranium mine.

A takeover or controlling position in Redport would give Mega access to a package of primarily WA properties, including Lake Maitland – with a resource of 23.7 Mlb, including a high-grade core at a grade of 0.86 kg/t – and a prospect near Rio Tinto's huge, but currently dormant, Kintyre property in the Great Sandy Desert.

There has been a strong trend in Australia for Australian junior explorers to welcome the involvement of Canadian companies such as Mega and Laramide Resources, and the indications are that this trend will continue.

Norman Kennedy, of Adelaide-based PepinNini Minerals, said that one option for his company to separate its uranium properties from its base-metals portfolio – the key properties in its prospectus – would be to create a spin-off company with a pure uranium focus.

However, Mr Kennedy said PepinNini might well consider a listing in Toronto or on London's AIM market, where he said significant capital raisings are easier to accomplish and market ratings are greater than those achievable on the ASX.

Ross Louthean is a freelance journalist based in Perth. A member of the writer's family holds shares in Energy Metals Ltd

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29th Annual Commodity Meeting

## Uranium

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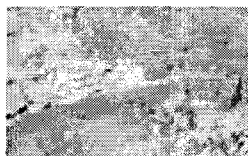
10:00 – 16:00, Thursday, 23 November 2006

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Organised by MINSOUTH (the home of mining and mineral professionals in the London and South East).

In association with IMMa – The International Mining and Mineral Association (the mining and mineral Divisions of the IOM3).



The format of the day will be an examination of the Uranium sector by industry experts following its whole life-cycle. Whilst the programme is currently at an early planning stage, it will examine the exploration, extraction, processing, use, recycling and finance of uranium.

The papers will have a particular emphasis on the end users of this increasingly important metal/energy source and the implications for today's mining explorers and developers.

Register now to take advantage of early bird 33% discounted rates. For further information (details of speakers will be released in due course) or if you might like to present at the meeting, please contact the MINSOUTH Secretary, Alan Baxter.

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