

State pays high price under Labor's outdated

Mega deals go offshore as Premier still digs in



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Premier Alan Carpenter's dogged adherence to his predecessor's anti-uranium mining stance has seen a \$1 billion deposit near Wiluna fall into foreign hands for a pittance.

A small WA-based company developing the potentially lucrative Lake Maitland prospect is being taken over by Mega Uranium, a highly acquisitive, cashed-up Canadian outfit.

Mega can afford to play the waiting game until Labor rewrites its policy — or the State Government changes — because in this scenario the company with the deepest pockets wins.

It then stands to reap a bonanza as China's demand for energy — pressured because it can't access enough natural gas — pushes uranium prices ever skywards.

And the Canadian company will then be the biggest beneficiary of our uranium, able to export it, enrich it and sell it at a premium.

In the meantime, the aptly named Mega is on a buying spree for other deposits around the nation which have been frozen in time by Labor's "no new mines" ban.

Try making sense of this energy quation:

Alan Carpenter controversially wants to keep 20 per cent of our natural gas in WA for domestic use.

But the Premier seems unconcerned that locally-owned uranium

reserves fall to overseas ownership when global demand is escalating.

And that's emerging as the direct effect of continuing Labor's policy of banning uranium mining in WA.

Local junior explorer, Redport, has recommended its shareholders accept a takeover offer by Mega, which was attracted to it by the Lake Maitland project.

The price to be paid for \$1 billion worth of WA uranium by the Canadians? Somewhere around \$75 million of paper in a share swap deal. You'd have to say it's a steal.

A senior Redport executive confirmed at this week's uranium conference in Fremantle that the Carpenter Government's anti-uranium rhetoric was driving lucrative prospects like Lake Maitland offshore.

And that's even though Redport believes the policy will change eventually. In fact, the company's literature shows mining at Lake Maitland starting by 2008.

However, Redport clearly decided it was in its interests to take Mega's cash rather than gamble on the Labor Party's national conference next April. And Mega — with market capitalisation of \$500 million — appears to have plenty of cash.

This is one of the ridiculous consequences of Labor's approach to uranium: it advances Quarry Australia, nothing else.

Is it in Australia's strategic interests for international companies to snap up our available uranium reserves cheaply while Labor fiddles around with an outdated and ideologically blinkered approach?

The future will be all about energy and the winners will be those who control most of it.

The world is getting hungrier for uranium as it becomes evident that

d policy of banning uranium mining as foreigners snap up reserves



oil reserves have peaked and there might not be enough readily available fossil fuels to meet the demands of developing economies like China.

If you look at the backgrounds of the two players in Lake Maitland, you can see the real consequences of Labor's decision to allow uranium exploration to continue, while banning its mining.

Redport is a former gold explorer which moved into uranium only very recently. That was clearly an entrepreneurial switch. Toronto-based Mega is the fastest-growing of the world's 400 junior uranium companies, having got involved in the sector only in 2004 and arriving in Australia last year.

Redport will be Mega's fourth Australian uranium takeover since then, boosting its local reserves from 24 million pounds of uranium oxide to 47 million pounds and ranking it number two in the country. Uranium is quoted in pounds weight of U3O8.

Mega is driven by Sheldon Inwentash, a venture capitalist, who has pushed its share price up from \$C1 to \$C10 since the switch to uranium. It now has interests in six countries including Argentina and Mongolia. Canada, incidentally, is the world's biggest producer of uranium, just ahead of Australia.

The company's president, Stewart Taylor, told the Fremantle conference that Mega was confident Labor would change its Federal policy next April. He believed the policy in WA and Queensland — where it wants to start mining first — would change at the same time.

I asked Mr Taylor if Redport had been a vulnerable target because it didn't have deep enough pockets to punt on Labor's policy changing soon. "No, I don't think so," he said. "We've all been working on the basis that the policy would change next year."

However, Redport's directors recommended the Mega deal well before Opposition Leader Kim Beazley changed his mind on uranium mining.

And when Dr Gallop resigned in January, Redport executive chairman Richard Homsany publicly expressed optimism that a resources-friendly Alan Carpenter would open the way for uranium mining. That hope was dashed within months by Mr Carpenter's insistent backing of the existing policy.

However, there is still no guarantee that Mr Beazley will have his way at the party's national conference next year. In fact, this is the issue that could be used to end his leadership.

The Fremantle conference demonstrated clearly that Labor's policy has driven speculative forces in the local uranium market in the face of growing world demand.

That has the potential to transfer ownership of big quantities of one of the world's most strategically important energy sources out of Australian hands.

Whatever your views on Australian ownership, surely this is not the intended effect of Labor's long-standing policy?

Norman Kennedy, managing director of Pepinnini Minerals, said that every time he went overseas to try to raise funds he got the message that his stock was undervalued.

"Their comment is 'we should just take you over'," Mr Kennedy said. "Most of the Australian juniors are very attractive takeover targets and we look like a fantastic investment to them."

And what's causing all this? David Johnson, head of research for Paterson Securities, says it is emerging that China will not be able to move as strongly into natural gas as it wants to drive its economic development and lessen reliance on coal.

He suggested this would push China relatively quickly into a much heavier reliance on nuclear power.

The danger is that unless Labor's policy changes it will further consign us to a future as a foreign-owned Quarry Australia, supplying uranium ore to an energy-hungry world — but missing out on the full economic benefits of it.

However, the Beazley plan still cuts Australia out of lucrative parts of the cycle, like enrichment.

Labor talks the talk on value adding, but it fails to walk the walk when uranium is involved.

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