

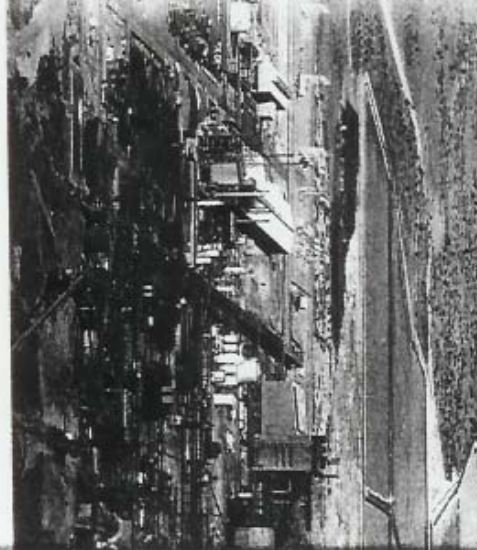
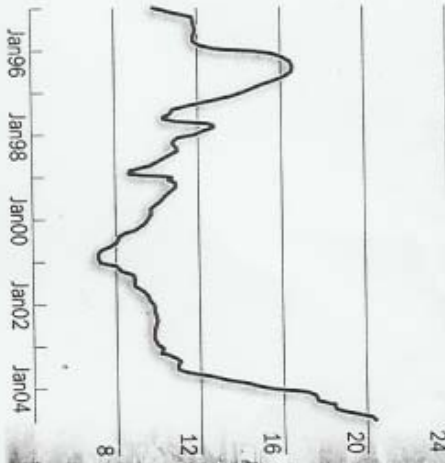
# Junior miners get the

## PIECE OF CAKE

Known recoverable resources of uranium

|              | TONNES    | PERCENTAGE OF WORLD |
|--------------|-----------|---------------------|
| Australia    | 989,000   | 28%                 |
| Kazakhstan   | 622,000   | 18%                 |
| Canada       | 439,000   | 12%                 |
| South Africa | 298,000   | 8%                  |
| Namibia      | 213,000   | 6%                  |
| Russia       | 158,000   | 4%                  |
| Brazil       | 143,000   | 4%                  |
| US           | 102,000   | 3%                  |
| Uzbekistan   | 93,000    | 3%                  |
| World total  | 3,537,000 |                     |

Uranium spot price U<sub>308</sub> \$US/lb



Australia has a wealth of uranium deposits, and its miners are lining up to take advantage of a recovery in the price, writes **Stephen Wyatt**.

**A**ustralia's uranium industry is coming to life after spending the past 25 years in the darkness. The uranium price tripled in the past four years and just this past year it increased by more than 50 per cent. It now stands at its highest level in 20 years.

Little wonder there was so much discussion this week about the value of the Olympic Dam copper, gold and uranium mine in the context of Xstrata's aggressive takeover bid for diversified miner and uranium producer WMC Resources. The jump in prices was a major factor that allowed WMC Resources to recently increase its uranium reserves by 20 per cent to 1.4 million tonnes, although Xstrata chief executive Mick Davis said this week the idea that "suddenly there is an indefinite shortage of uranium is just complete nonsense".

The issue today is whether uranium has been reborn as a commodity with a long-term future or whether this is just another price pop in uranium's so far difficult life.

Talk about the rosy future of the industry has prompted many junior miners to look for a piece of the action. Groups such as Paladin Resources, with uranium acreage at Manyingee and Oobagooma, Wiluna Resources with its

Lakeway deposit, Havilah Resources at Curramona; Summit Resources at Valhalla and Minotaur Resources at Prominent Hill have, at long last, got a uranium story they can talk up. Havilah Resources expects to spin off and float its uranium interests in the first quarter next year via Curramona Energy Pty Ltd.

Havilah chairman and director Bob Johnson says the uranium market has turned up dramatically. "The projections are all up. Stockpiles have been depleted so there is a looming shortage that has to be met by mine production."

He says there is an expansion program under way in the world nuclear power industry, citing China as a leading proponent of nuclear energy. Once the plants are built, demand for uranium will be locked in. As well, he says, once a plant is built, the price of uranium becomes relatively unimportant as it is a small part of the cost of generating electricity from a nuclear power plant. The biggest expense is the initial capital cost.

With some longevity in the latest uranium price rise, these budding uranium producers just might be able to join the resources boom club, where the cigar-smoking exporters of copper, coal, iron ore, alumina, nickel, gold and oil and gas are sitting.

Australia will be one of the countries to get significant benefits from a strong, long-term rise in the world uranium market, if that does take place.

Australia has almost 30 per cent of the world's low-cost uranium. It is followed by Kazakhstan with 18 per cent and Canada 12 per cent. But importantly, Australia has 38 per cent of the world's lowest-cost resources (under \$US40 a kilogram). And it is the second-largest uranium producer after Canada.

"The fundamentals for uranium have not been this bright in years," Michael Jalonen of Merrill Lynch in Toronto says in a recent report on the world's largest uranium producer, Canada's Cameco Corp. "The gap between primary uranium production and global uranium demand continues to widen. Above-ground supply sources are not expected to grow in the foreseeable future."

He says the average gap between supply and demand is about 10 million pounds a year, a gap that is expected to grow to about 30 million pounds by 2015.

Cameco president Jerry Grandey said this week the group expected "upward pressure" on the price.

The evolution of the Australian uranium industry goes back to the Cold War and the

nuclear arms race. The names of uranium mines back then, such as Radium Hill, Mary Kathleen and Rum Jungle, have been etched into the minds of a whole generation.

They trigger mixed emotions — memories of excitement about a new technology, but fears of world destruction. These mines primarily supplied material to the US and UK's nuclear weapons programs.

In the early 1970s, a second phase of development began. This was based on nuclear energy used to generate electricity.

Uranium was seen as the energy source of the future. A new generation of mines were developed — Nabarlek in 1979, Ranger (ERA/Rio Tinto) in 1981 and Olympic Dam in 1988.

Uranium in the late 1970s was trading above \$US43 a pound and the companies that mined it were booming. But the price has not revisited those levels; in fact, it hasn't even been close.

Uranium fell to just \$US7.10 a pound in late 2000, and despite the recent recovery in prices it is still at half its 1970s level.

The Three Mile Island nuclear power plant disaster in 1979 in Pennsylvania, which scuttled plans to build hundreds of nuclear plants across the US, was the catalyst for the fall that was fed

