



Bitter winds but uranium set for change of direction

Paydirt's 2012 Uranium Conference is set to spark as much media interest as the 2011 forum

If the rest of the resources world was bemoaning the inconsistencies in global markets in 2011, the uranium sector was casting an envious glance at such volatility, after suffering its worst year in over a decade.

While other sectors were experiencing ups and downs in share price movements, uranium companies were on a consistent retreat following the Fukushima nuclear incident and its aftermath.

Nearly 12-months on from Fukushima, Paydirt's 2012 Uranium Conference – to be held at the Adelaide Hilton on February 28-29 – will pose the question of where to next for uranium mining and nuclear energy.

There is never a simple answer. For every seemingly positive move like Australia's decision to start exporting to India there is an issue that causes a reversal in public sentiment – the increasingly belligerent Iranian nuclear programme.

Among the speakers to debate all the issues at the conference will be State Government resources ministers; Tom Kounstantonis (South Australia) and Norman Moore (Western Australia), Greg Rudd, Australian Uranium Association chief executive Michael Angwin, chair of climate change at the Uni-

versity of Adelaide Sir Hubert Wilkins, Barry Brook, and Professor Doug Boreham of McMaster University. If last year is any indicator, the event is set to relaunch uranium into the forefront of public debate once again.

Even ignoring – if that were possible – the presence of Fukushima, 2011 was another compelling year for an industry that is never static.

On the domestic front the year saw vastly different positions on the topic of uranium, even within the same political party. In Canberra, Prime Minister Julia Gillard announced the Federal Government would begin selling uranium to India, even though the emerging Asian superpower had not signed up to the nuclear non-proliferation treaty.

While the national ALP could be considered progressive on the issue of uranium, at a state level, confusion still reigns. In Western Australia, after an exhaustive 18-month review by shadow mines minister Jon Ford, the WA ALP voted to uphold existing policy and

continue its opposition to any form of uranium mining in WA.

The decision surprised many in the industry who appeared convinced the long-held position would be dropped.

The move, or more accurately inertia, on the part of the WA ALP is causing consternation within the WA uranium sector as a new generation of mines move closer to production start-up. The likes of BHP Billiton Ltd, Mitsubishi Corp and even juniors such as Toro Energy Ltd, which is hoping to flick the switch on its Wiluna project in 2013, will be watching developments closely.

For the WA ALP, its obduracy could eventually back it into a corner. An unlikely victory at the State election in 2013 would see its uranium policy tested just at a time when projects are moving into the construction stage. With companies likely to have committed to hundreds of millions of dollars in capital expenditure, the WA ALP would face some ugly sovereign risk challenges if it was to enforce a

ban on uranium mining.

Attitudes in the ALP couldn't be more different in South Australia where new premier Jay Weatherill has carried on his predecessor Mike Rann's support for uranium mining.

Speaking to the media at the national ALP conference in December, Weatherill said he didn't expect South Australia to adopt nuclear power if it was to be a leader in a carbon-constrained world.

"There are many Australians, especially many young Australians, who see the spectre of global warming as being the most significant public policy issue that we face.

"What I stand for is standing up for South Australia's interests, that's why I supported the expansion of the programme to sell uranium to India and I've been guided of course by my federal colleagues about the international issues involved.

"Nations like India, who are seeking to expand rapidly if they don't have access to non-fossil fuel sources of energy, are going to make a dramatic contribution to climate change," he said.

As well as hoping Colin Barnett's Liberal-Nationals coalition stays in government long enough to make the WA ALP's stance immaterial, Toro will be hoping it enjoys more luck than Australia's existing producers did in 2011.

While Energy Resources Australia Ltd (ERA) toiled against operational problems in the fading light of mine life at its Ranger mine in the Northern Territory – as well as weather issues late in the year – African-focused producer Paladin Energy Ltd struggled with ramp-up issues at its Kayelekera mine in Malawi. Once the new Australian uranium gen-

eration's shining knight, Paladin has struggled to maintain the affections of investors in recent times, shedding some 66% of its share price during the year.

Elsewhere, Australia's biggest uranium deposit, the multi-commodity Olympic Dam mine in South Australia, received approval from governments both state and federal, for its expansion, which will see Australia's biggest mine increase yellow cake production to 45 mlbpa.

Operational problems were not confined to Australian companies. Canadian group Cameco Corp has struggled with the ramp-up of its Cigar Lake project and French nuclear giant Areva is still experiencing problems with its mining division, failing to consistently meet its production targets at the large, low-grade Trekkopje mine in Namibia.

The travails have played out on markets. The Merrill Lynch uranium equity index was down 54% for the 12 months to December. As well as Paladin losing two-thirds of its market cap, ERA lost 82% and the Canadians such as Cameco and Denison Mines Corp also took major hits during the year.

There are signs, however, that the worst may be over. The Merrill Lynch index was down just 1% for the month of November and research house RCR sees some light.

Most encouraging has been the corporate activity which has taken place. In the last six months Rio Tinto Ltd has sunk \$342 million into the ERA rights issue and in November bid \$C654 million for Canadian company Hathor Exploration Ltd following a bidding war with Cameco over the Athabasca Basin-focused explorer.

Elsewhere, the protracted battle over Ex-

tract Resources Ltd and its Husab project in Namibia seems to be finally coming to an end after more than three years. Chinese group China Guangdong Nuclear Power Corp (CGNPC) has already made a bid for Extract's largest shareholder, Kalahari Minerals plc, with a downstream offer worth \$2.2 billion set to follow.

At the junior end of the market, Toro is making good progress at Wiluna and expects to release a BFS into the project in the second quarter after boosting resources by 32% to 50.1 mlb.

The spot market is also giving off rays of hope for a better 2012. Post-Fukushima, the spot price has been trading in the range of \$US51-53/lb. Although traders remain cautious on the outlook for the first half of 2012, underlying fundamentals remain.

While Fukushima caused a lot of navel-gazing over European nuclear policy – Germany has moved to reduce its dependency, Switzerland and Italy are reviewing their targets and France has just completed a full-scale safety audit – others are taking a different tack as the United Kingdom and United States both appear ready for expansion.

However, it is in emerging markets where uranium demand shows most growth potential.

Over 84 new nuclear power reactors are expected to be commissioned globally by 2017, with 62 currently under construction. There are 499 new reactors planned or proposed, including 171 in China, 57 in India, 44 in Russia, 34 in the USA, and 13 in Ukraine.

– Dominic Piper



The Kayelekera mine in Malawi has been the cause of headaches for Paladin Energy over the past 12 months