

## Making money with uranium

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AUSTRALIA possesses about 30 per cent of the world's known recoverable reserves of uranium, but only mines a fraction of it.

Recent government moves, such as opening up the Northern Territory to uranium mining, will change that, making this part of the mining sector more attractive to investors.

Of the nation's estimated recoverable reserves of about 890,000 tonnes of uranium oxide (U3O8), Australia exported 7765 tonnes of uranium in 2004, worth more than \$410 million.

Despite having twice the known uranium reserves of Canada, Australia produces about 30 per cent less uranium oxide than it.

The best-performing stock in the S&P/ASX 200 over that financial year was uranium explorer Paladin Resources (pdn.ASX:[Quote, News](#)), which surged almost eight-fold in the period (13.5c to \$1.175).

Now, uranium is the hottest commodity on the Australian share market, following the Federal Government's move this month to take control of the Northern Territory's uranium assets, and declare them open for business.

For nearly 30 years, uranium mining in Australia was restricted under a "three mines" policy, which allowed mining only at the Ranger mine in the Northern Territory (owned by Energy Resources of Australia), the Olympic Dam mine in South Australia (formerly owned by WMC Resources, now by BHP Billiton) and the Beverley mine in South Australia (owned by Heathgate Resources, a subsidiary of General Atomic of the US).

The Coalition Government ditched the policy after taking office in 1996, but it has been maintained by Labor-controlled state governments.

Australia's known uranium resources have barely increased since 1982, except Olympic Dam, where reserves were upgraded in 1992.

But interest in uranium has sparked again, on the back of a reappraisal of nuclear energy's possible future role. The spot uranium price rose 64 per cent in 2004-05, and the share market noticed.

Then there was the Government's statement that Australia wants to double uranium exports if it can reach a safety agreement with China, which is increasingly turning to nuclear power generation.

Earlier this month, Compass Resources (cmr.ASX:[Quote, News](#)), which owns the Batchelor tenements in the Northern Territory, jumped 55 per cent in a week.

Jindalee Resources, which holds through soon-to-be-floated subsidiary Energy Metals Limited, holds a portfolio of Territory uranium assets, including a 53 per cent stake in the high-grade Bigryli deposits and surged 62 per cent in one three-day stint.

Marathon Resources, which reported a "world-class" uranium-rare earths system at Paralana in South Australia, more than doubled in a day.

"It's the dot.coms all over again," says Gavin Wendt, mining analyst at Intersuisse.

"The day traders are crawling over the uranium stocks. It's announcement-driven momentum trading. 18 months ago it was nickel explorers running when the nickel price went to \$17,000 a tonne, then it was copper, then coal, then iron ore. Now it's uranium's turn."

Adam Conigliaro, energy analyst at Perth broking firm DJ Carmichael, says at last count, there were 36 listed companies claiming to offer exposure to uranium.

"At the top we've got ERA, which is our only producer, and then Paladin is really our only developer. At the bottom end, announcements look to be pretty opportunistic, whether it's to get a higher share price or to raise capital."

Conigliaro says investors should note with uranium, there is not only the exploration risk of defining a resource and taking the project through to mining – you must also be allowed by a government to do it.

"Politically, in Australia, it's best to be in South Australia or the Northern Territory, as they are the places where there are existing mines. Queensland has not allowed mines and the West Australian Government actively opposes uranium mining."

Secondly, you have to be able to export it, he says. "Australia is not going to use uranium domestically for the foreseeable future, with our abundance of coal and natural gas, so even if you're able to mine you'd have to be able to export it. As well as three mines, there are only three export licences."

For "investment-grade exposure", ERA and Paladin are the only stocks with genuine fundamentals rather than speculative potential, Conigliaro says.

"If, on the other hand, you are looking for speculative potential, I prefer Giralia Resources, Energy Metals (when it lists), Goldstream Mining and Compass Resources, based on where the resources are located and whether the stock has had a run."

Giralia has attraction because it has a joint venture partner in Heathgate Resources, which holds one of three export licences.

Intersuisse's Wendt nominates two speculative hopefuls that are "ahead of the pack" as far as their resources status is concerned: Redport and Marathon Resources.

Both have JORC (Joint Ore Reserve Committee)-compliant resources. "Redport has a resource in Western Australia and Marathon has a resource in South Australia."

Wendt also identifies two stocks he calls up-and-comers, Pepinnini and Glengarry. "Pepinnini is a South Australian company that floated a few months ago. It has a large uranium component to it and has just kicked off their first drilling program.

"The other is Glengarry, which has been a copper-gold explorer for several years, but has picked up a uranium project in northern Queensland, called Greenvale."

He notes that indications show uranium exists, though there are no uranium mines operating in Queensland.