

multichannel



URANIUM TRANSCRIPT

Sky News Sunday Business
28 January 2007

DAVID SPEERS: The spot price for uranium has doubled over the past year, sending the share prices of the 50-plus Australian uranium explorers soaring along with it.

But for those of us that haven't bought into the sector, is there still value or have we missed the boat?

Richard Goncalves spoke with the experts, and discovered some prospective buys in this special Sky News Sunday Business report.

RICHARD GONCALVES, SKY REPORTER: It's a sector that may provide some exciting prospects - for investors - and the nation.

MICHAEL ANGWIN, AUSTRALIAN URANIUM ASSOCIATION EXECUTIVE DIRECTOR: "We're on the verge of a major economic opportunity."

GONCALVES: Already, 16 per cent of the world's electricity is generated from nuclear power and that's expected to grow dramatically.

ANGWIN: "In the next 25 years, demand for electricity consumption around the world, for power generally and for uranium will increase by 50 per cent."

GONCALVES: Australia is in prime position to take advantage of the world's insatiable appetite, with 85 known deposits and almost half of the world's known uranium reserves.

ANGWIN: "We currently export around 12 500 tonnes of uranium a year, and the prospect is of doubling that in the next 7 to 8 years."

GONCALVES: That's still below the 80 000 tonnes of uranium in demand per year globally and is expected to grow by 120 000 tonnes per year by 2020.

But despite the demand there are some stumbling blocks.

Government legislation restricts new mines from extracting uranium apart from the three existing players: BHP Billiton's Olympic Dam, potentially the largest uranium producer in the world; Rio Tinto's ERA Ranger Mine in the Northern Territory; and General Atomics' Beverly mine in South Australia. Uranium One's Honeymoon project is set to come on stream. It was awarded a license by the South Australian government's environmental agency to commercially mine the deposit.

Despite the ongoing debate on uranium enrichment, its cost effectiveness, cleanliness and waste storage, the federal government's Nuclear Taskforce Review found no sound reasons to prevent uranium mining in Australia.

In fact, Prime Minister John Howard has gone as far as to call the labor state governments, namely Queensland and Western Australia, to end bans on uranium mining as a result.

PETER RUDD, CARROLL PIKE PIERCY ANALYST: "And while that's in place, anybody that does find something won't be able to bring it into production and hence won't be able to make money from it."

GONCALVES: The ALP will review their policy - in a conference in April.

In the meantime, the uranium spot price continues to soar - doubling from \$US36 a year ago and is expected to stay on its upward trajectory.

HENRY EDGAR, WILSON HTM ANALYST: "We view this as a re-emerging industry, and not a bubble that's waiting to pop."

PETER ARDEN, INTERSUISSE ANALYST: "We had low interest rates worldwide, we had uranium spot price bottoming out and starting to rise for the first time in 7 years, so that was important, and then the realisation that uranium offered a solution for global warming, it's only really just started to lift."

GONCALVES: Analysts' estimates range from a 10 per cent, to 100 per cent lift in spot prices this year.

EDGAR: "We do not think the market will peak until 2010. At that point we would expect some of the production that we've seen talked about by the current day explorers to come online and start to satisfy. But that doesn't take into account some of the extra demand that will come into the market from the forecast amount of reactors that will pop up all around the world."

SKY NEWS BLOGS

David Speers
▶ [Read](#)



Kieran Gilbert
▶ [Read](#)



Craig Norenbergs
▶ [Read](#)



Ashleigh Gillon
▶ [Read](#)



Ahron Young
▶ [Read](#)



ON SKY NEWS



Michael Willesee and Susanne Latimore present the Sky Evening News between 6:30pm and 8:30pm on Sky News.



GONCALVES: Some explorers have already caught the uranium wave, with Paladin and Summit Resources two of the market winners last year.

Shares in Summit climbed 436 per cent, while Paladin catapulted by 351.

But analysts say, there's still some value out there.

RUDD: "A number of those have run, so we need to look at the ones that haven't, one of those is Peninsula Minerals. It has leases for uranium and molybdenum, in South Africa of all places, and I think that is closer to home here, is Compass Resources which has its Mount Fitch deposit in the northern part of the Northern Territory."

ARDEN: "Our three favorites are Arafura Resources in the Northern Territory, with its Nolans Bore project particularly and the spin out of new power. We like Alliance Resources, it's in the Arkaroola project in South Australia right next to Beverly, and we also like Compass Resources, they hold a substantial position in the Northern Territory. The Mount Fitch deposit is coming up very well and they've got the old Run Jungle Mine."

EDGAR: "So some of the companies we've been looking at is Glengarry Resources in Queensland. They obviously have to overcome a political hurdle, but they have the characteristics of open cut mining and easy extraction. Another player to look at would be Marathon Resources. They're in South Australia. They are of course used to having operating mines in that state, they have a resource that is very similar in nature to Olympic Dam, so easy bulk mining techniques and in a state that's acceptable of mining."

GONCALVES: And if none of those take your fancy, then what about one of 5 that are expected to list on the stock exchange sometime early this year: Bowen Energy; Empire Resources; NuPower Resources; Warwick Resources; and Yellow Rock Resources.

There's no stopping these explorers from extending their arm to the market, in search of funds for their projects.

But, as with any investment, there are risks.

ANGWIN: "Among the issues are skills shortages, transport issues, regulatory issues and access to shipping and that's certainly the kind of agenda that many industries have had to deal with to become efficient and profitable industries."

GONCALVES: The biggest issue is access to land, with restrictions placed because of native title and government policies.

ANGWIN: "I'm sure the government has this well in hand, but what we'd like to see is the consolidation of all the findings of all the reports before it into a single framework for the development of the uranium industry on a sustainable basis."

Richard Goncalves, Sky News Sunday Business, Melbourne

[▶ Back to Business](#)