

## Beware uranium fever

*Heed the words*

Herald Sun  
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THE uranium boom that is sending the price of related stocks through the roof should be viewed with utmost caution, analysts warn. Keen investors in the boom should be prepared to lose money on what are clearly speculative stocks, they say.

Nevertheless, fortunes have and are being made in a relatively short-time trading uranium stocks. But how long can soaring share prices be sustained given the political hurdles surrounding the nuclear resource also known as yellowcake?

Uranium stocks are soaring on the back of a uranium price that has risen from about \$US22 a kilogram three years ago to almost \$US45 today. Demand for the mineral has exceeded mine supply, there have been barriers to production and uranium is a growing alternative source of power -- not to mention the price keeping pace with hype surrounding the material.

The stand-out uranium investment on the Australian Stock Exchange has been Paladin Resources, which has mines in Namibia, Africa, and prospective projects in SA and WA.

Paladin has 44,000 tonnes of uranium oxide at its Langer Heinrich project in Namibia and it is expected to start producing within a year, according to State One Stockbroking's mining analyst, Brendan Fogarty.

Mr Fogarty seriously questions whether Paladin's commercial resource can justify its share price rising from 5c on January 1, 2004, to \$1.15 on March 10 last year and \$3.66 on Friday. Simply, he says, a \$2000 investment in Paladin when the stock was worth 5c is now worth \$146,400 -- a return of 7220 per cent.

But what favours Paladin over Australian-based explorers is having a mine approved for commercial development in Africa, Mr Fogarty says.

Australian explorers are subjected to state governments dictating uranium mining policy, with the exception of the NT, which falls under Federal Government control.

The Labor Party's "no new mines policy" restricts mining to the Olympic Dam in SA, now owned by BHP Billiton, the Ranger mine in NT, owned by Energy Resources of Australia, in which Rio Tinto has a majority shareholding, and the Beverley mine in SA, owned by US-based company Heathgate Resources. Rio Tinto also owns the Rossing uranium project in Namibia.

Mr Fogarty says BHP Billiton is planning a major expansion at Olympic Dam, and upgraded reserves at ERA's Ranger mine should extend uranium production to 2014. Mr Fogarty says a host of listed uranium explorers and potential producers are benefiting from a high uranium price and from speculation that political barriers will be less intrusive to increased exports. Australia has 30 per cent of the world's known uranium reserves and 16 per cent of the world's electricity supply is now nuclear powered.

Ian Hore-Lacy, of the Uranium Information Centre, says that last year Australia exported 12,360 tonnes of uranium oxide, earning \$573 million. The US and Europe were our biggest customers, followed by Japan.

Mr Fogarty says Alliance Resources, Summit Resources and Deep Yellow are riding the uranium wave and, in the process, rewarding investors. Alliance's share price has risen from 3.6c a year ago to be 41.5c on Friday. Summit has gone from 46c to 79c and Deep Yellow has jumped from 5.2c to 9.8c at Friday's close.

Mr Fogarty points out there are long lead times between finding and producing uranium -- even before political considerations are taken into account. "Just because you find it, doesn't mean you can mine it," he says. "Even if governments were inclined to approve additional uranium mining, they might favour the experienced major producers rather than putting it in the hands of junior explorers".

M R FOGARTY says those willing to take the high risk can make big profits investing in uranium companies. Uranium's price is forecast to stay high, given that demand exceeds supply.

Investors made big money during the tech boom -- if they sold in time. The uranium and tech booms share many similarities, he warns.

Mike Kendall, of Goldman Sachs JBWere, says inexperienced investors lose money when emotion and hopes of a fast buck cloud their judgment. Mr Kendall says investors should stick to the fundamentals before buying any stock. "In the case of uranium, how quickly can a discovery be brought to production, in light of mining limitations? That's a big consideration," he says. "Like any investment, uranium stocks should be treated on their merit."