

Keeping funding options open – South Australia uranium mines

Uranium mining will be profitable

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Uraniumone is to develop a new uranium mine in Australia and has also raised a R350m (about US\$50m) loan to help fund it from Nedbank, using its 75% stake in Afilease Gold as security.

This follows the announcements made in July that Uraniumone had bought two uranium mills (treatment plants) and associated minerals rights in the western US. These were the Shootaring Canyon Mill in Utah and the Sweetwater Mill in Wyoming. Uraniumone may eventually spend up to \$200m to bring them back into production.

The latest development concerns the [Honeymoon project](#) in South Australia, which Uraniumone intends bringing into production by 2008 at a cost of \$35,9m.

All that planned expansion seems to have taken a toll on the Uraniumone share price, which slipped back from a record high of R65 in May to around R52, before recovering to the current price of R55. That's despite the continued strength of the uranium price which, at current spot levels around \$48,5/lb of uranium oxide, is 28% up over the past six months.

Current uranium prices are nearly five times higher than the levels of around \$10/lb that ruled as recently as 2004.

Uraniumone chief financial officer Jean Nortier last week agreed that concerns about funding could be affecting the share price, but he felt these were unfounded and the company could easily raise the funds it needed as and when required.

Nortier said: "We have been underperforming against our peer group over the past three weeks. It seems some investors are questioning why they should buy in now, when they believe they can get in during the capital raising they are expecting. We think that may be an incorrect approach. We have received numerous approaches offering innovative ways to fund the projects."

According to CEO Neal Froneman, the Nedbank loan provides Uraniumone with additional financial resources to continue with the development of the Dominion mine near Klerksdorp and Honeymoon. "It also illustrates the financing flexibility available to us, given our balance sheet and asset base."

Nortier said the development of the Honeymoon mine could start immediately, because the project had received its mining licence in 2001 – though then-owner Southern Cross Resources never raised the capital to go ahead.

Development of new uranium mines is a particularly contentious political issue in Australia, where there are strong and widespread objections to the use of nuclear energy. That's why it has only three operating mines, as provided by government policy.

Development of new mines in the US is also contentious and can involve lengthy delays while the necessary regulatory permits are applied for.

Froneman stressed previously that Uraniumone's US acquisitions could proceed almost immediately to production once all the conditions precedent are met.

He pointed out Sweetwater holds an operating licence, while Shootaring Canyon holds a "reclamation licence" that can be converted into an operating licence within a year. Froneman said anyone wanting to build a new uranium mill in the US today faces a delay of between nine and 14 years to complete the permit process.

The three uranium mines currently operating in Australia are owned by BHP Billiton, Rio Tinto and Heathgate Resources. Nortier says the three-mine policy is actually a misnomer, because Honeymoon is the fourth mine, having been awarded its licence in 2001.

Australia hosts huge uranium deposits and the government has been under attack for years by the mining industry over its reluctance to allow more developments at a time when uranium demand is booming. In addition, the various state governments differ in their attitudes towards new uranium mines.

Nortier believes the restrictions on new developments will be removed at federal level early in 2007. He says Uraniumone intends taking advantage of this to look at other uranium projects it has in Australia.

Most of the company's other projects are also located in South Australia, which is arguably the state most favorably inclined towards the development of new uranium mines.

Uraniumone estimated the life-of-mine average cash operating cost for Honeymoon at \$14,13/lb of uranium oxide produced. The mine is forecast to have a life of between six and seven years, producing about 880 000 lbs (400 t) of uranium oxide annually.