Four aspirant uranium market members

Rhona O'Connell
'17-JAN-05 16:00'

LONDON (Mineweb.com) -- Apart from Aflease and International Uranium Corporation, which have uranium production on the horizon, four smaller hopefuls with varying exploration and development policies were presented at the Hargreave Hale / LM Associates uranium conference in early January. These companies are driven by entrepreneurs who saw opportunities for small organisations to pick up, as Dev Randhawa of Strathmore put it, “low fruit” at the bottom of the commodity cycle when the larger mining companies had to scale back in the face of low prices for their products. Seven years on, this formula is starting to bear its own fruit, low hanging or otherwise.

Three of them are North American: Strathmore Minerals Corp., Altius Minerals and Hornby Bay Exploration. The fourth is Australian, Alkane Exploration, although this latter is slightly different in that its uranium connection is the potential production of zirconium and rare earths, important in nuclear processing. New South Wales law still prevents the production of uranium, but there is no such restriction on the other metals mentioned here.

Altius Minerals has a market capitalisation of approximately C$100 million . The company was founded in 1997 with a view to picking up high-quality, low-cost commodity projects and now has a portfolio of projects focusing on nickel, copper and uranium in eastern Canada. Its emphasis is on finding projects with a view to joint venture funding agreements to create “direct mineral wealth” and financially-rewarding royalties. Its JV partners include BHP Billiton, Agnico-Eagle, Teck-Cominco and Noranda. The company already has a 10 percent interest in a Limited Partnership that holds a 3 percent Net Smelter Royalty on the Voisey’s Bay nickel project in Labrador and that should provide Altius with a steady cash-flow stream over 25 years and it expects to be self-funding as of next year as a consequence.

Following the assembly of a portfolio of properties in eastern Canada and the formation of a joint venture with Cameco, Altius now controls over 780km2 of the Central Mineral Belt in Labrador, within which the partnership has so far defined eight projects. The eastern part of the district hosts an iron-oxide-copper-gold structure, rich in uranium and similar to the Olympic Dam deposit in Australia and the partnership is looking initially to bring in a major to develop viable deposits.

“We do not want to run a mining company – we are explorers”. The company asserts that in the last uranium boom, the Central Mineral Belt would have been regarded as the second most important uranium region in Canada, behind the Athabasca Basin, and points to the fact that Consolidated Edison spent over C$20 million developing one deposit before the bottom fell out of the market.

Altius’s philosophy revolves around the fact that a number of majors are looking to enter the uranium market, but cannot find a foothold and this is what Altius is looking to exploit.

Strathmore Minerals’s market capitalisation is approximately C$70 million and the company is looking to go further downstream than Altius. The company, founded in 1996, now has total U3O8 resources of over 185 million pounds, although the company reports that these resources are historic and not yet compliant with contemporary reserve reporting requirements. Feasibility studies are underway to bring these resources into officially-accepted categories. The company’s mandate is the acquisition, exploration and development of its uranium assets. To this end the company’s strategy is to acquire 100 percent of uranium deposits that have historical drill data, thus generating a call option on the price of uranium and also eliminating drill risk.

Strathmore is also looking to become the largest land-owner in the Athabasca Basin, which, as is well documented, accounts for 30 percent of the world’s uranium production. The company forecasts that by the end of the decade Athabasca will account for 50 percent of world output.

As well as looking closely at the Athabasca Basin, Strathmore has two further properties in Canada, eight properties in the US (notably in Wyoming) and one in Peru. The US and the two Canadian properties have historical drill data, with resources grading on average between

0.02 to 0.31 percent U3O8, although some samples have thrown up results as high as 9.8 percent U3O8.

Athabasca and Peru, meanwhile, are blue sky. While the company has said that it is looking to develop its own projects, it has said that certainly with respect to Athabasca, it would look to bring in joint venture partners for development. Strathmore now has 1.2 million hectares under claim, permit or permit application in the Basin. Strathmore’s further goals are to pick up the “low fruit” uranium properties with historical drill data, to advance its grass-roots properties in Athabasca Basin using partners’ monies and to begin permitting on selected properties, e.g. its 6 million lb Church Rock property in New Mexico.

Hornby Bay Exploration has a market capitalisation of approximately C$32 million. The company was incorporated in 1996 with its primary focus on uranium exploration in the Hornby Bay Basin in the Nunavut Territory Canada. HBE owns and controls 100 percent of 210,600 hectares in the Basin, an area that was explored by BP Minerals and Uranerz between 1976 and 1983, but which was left largely dismissed thereafter. The land package was sold to HBE by ex-BP geologists and the claims contain all the geological characteristics found in the Athabasca Basin. The company also has gold and base-metal properties and a minority interest in an oil and gas property. Resources have not yet been drilled off, but very high U3O8 values have been thrown up on the Coppermine River project and the Asiak River area. Three areas of the Asiak River claim block are shown diamondiferous indications and the company is looking for a joint venture partner to investigate the diamond potential while HBE concentrates on the Coppermine Claims (on which, the company is at pains to point out, there is no copper, but uranium).

Alkane’s market capitalisation is approximately A$28 million, which would equate to roughly C$26 million. Alkane is a diverse exploration and mining company, focusing on the Central West Region of New South Wales. Cash flow from the company’s profitable Peak Hill gold mine is providing funding for other exploration and development initiatives. Alkane's interest in the nuclear industry stems from its development joint venture with the China-based zirconia producer Astron over the Dubbo zirconia project. This is described as a “unique world-class resource with potential for significant annual production of zirconium-hafnium, niobium-tantalum and yttrium rare earths” with a potential mine life in excess of 100 years, although the pit design is for a 20-year operation open pit covering 40 percent of the surface area of the major intrusive in the region.

Reserves and resources amount to 73.2 million tons, grading in the region of 2 percent ZrO2, along with rare-earth elements. Astron has agreed to provide the funding, technical input and markets for the products from the operation, which could be in operation during 2007. Astron currently has 25 percent of the world zirconia market and, to earn a 50 percent interest in the project, it will fund all expenditure, technical input and markets to pilot plant stage by the fourth quarter of 2006 for the project, which could thus be in operation in 2007. The relevance here is that the nuclear fuel industry currently takes more than 90 percent of zirconium metal production (for nuclear cladding), while pure hafnium is used as control rods.

These are relatively early stage projects. But with production and joint ventures on the horizon, can they be ignored by those looking at the uranium sector?