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Uranium mines show new promise as minerals commodities sag

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Virtually the entire suite of minerals commodities is under the cosh.No surprise in that, as the trashed values of BHP Billiton at one end of town and the horde of now less-than-a-penny penny dreadfuls at the other amply demonstrate. There are a couple of exceptions, though, with uranium the standout in terms of price performance. Uranium has not exactly shot the lights out since Japan's 2011 Fukushima disaster, after which the energy-starved nation's fleet of nuclear power stations was shut down. However, last week saw a tentative restart to the Japanese fleet, with Kyushu Electric flicking the switch at its Sendai plant, notwithstanding concerns for some about a potential stirring of a nearby volcano. It was enough to see prices for the nuclear fuel edge a little higher, to $US36.25 a pound. It's a long way from a good price, but at least it hasn't tanked like every other commodity. The resources desk at Morgans reckons Japan's reliance on fossil fuels is financially crippling. "So you can see why they're so keen to restart the nuclear program. Could this be the start of the uranium renaissance?" Morgans asks. "It won't happen overnight … but it will happen. It's not just about Japan with nuclear fuel demand, it's global reactors under construction that we should be taking note of." In Japan, a total of 32 restarts are expected by 2020, and there could be others from the 53-strong fleet, assuming they meet toughened safety standards. And, globally, another 60 reactors are under construction, roughly half of them in China. Morgans estimates that, on the supply side, the market is in balance in 2015 at about 190 million pounds of uranium, but beyond that the gap starts to widen to a 30 million to 40 million-pound deficit by 2020 as existing mines mature and the lack of new projects creates a shortfall. "It's a simple supply-demand dynamic that's hard to ignore," Morgans says, before going on to suggest it might well be time to dust off the bashed-up uranium explorers out there. It suggests keeping an eye on Berkeley Resources (BKY) and Vimy Resources (VMY). Berkeley is working towards a $US95 million development of its Salamanca project in Spain with a forecast operating cost of $US24.60 a pound. The now well-funded Vimy operates the Mulga Rock project in Western Australian and has set a 2018 production start target, with $US25-a-pound cash costs, in a state that has mines of all types, but no uranium just yet. Reviving Cleveland For a stock trading yesterday at all of 0.7c a share for a market capitalisation of $5.4m, Elementos (ELT) has a lot on the go with its low-capital- expenditure plan to become a Tasmanian tin producer in quick fashion. Despite flying under the radar as its market cap suggests, Elementos has worked up its redevelopment plans for the old Cleveland tin-copper mine near Luina in northwest Tassie to a point where it can get serious with potential offtake customers on helping out with financing. Operated by the long-gone Aberfoyle between 1968 and 1986, Cleveland has a production history of treating 5.7 million tonnes of ore from underground operations, which yielded 24,000 tonnes of tin and 10,000 tonnes of copper. There is also a tungsten resource sitting off to the side that is part of Elementos' plans. The plans involve a staged development. The idea is that cash flow from the $21m first stage, in which high-grade tailings are to be recovered and processed, will fund the stage- two development of an open cut, which in turn funds the stage- three redevelopment of the underground. Across the three, the resource base is good for 12 years, with plenty of good reasons to think exploration in the underground mine will yield more over time. There is more work to do (apart from arranging the $21m start-up cost), but the plan is to get in to production from tailings retreatment in 2017. The tailings retreatment project is said to be good for $55m in pre-tax cashflow, and the open-cut another $21m, with the estimates for the underground to be released soon. The figures are based on tin prices higher than now ($US15,145 a tonne). But there is plenty of independent analysis pointing to tin getting back to more than $US20,000 a tonne before too long, as China's main producing province is running low on reserves, and the reality that the recent upstart in the production stakes, Myanmar, has mined the easy stuff and it gets harder from here hits home. Cheering on Elementos is 21 per cent shareholder Andrew Greig, recently retired former managing director of Bechtel, the US engineering group building the three Queensland LNG projects at an all-up cost of $60 billion. Is there any need to say his expertise in building things could provide helpful to Elementos with its $21m project? Funding Mount Peake Back in mid July, it was mentioned here that TNG (TNG) was about to release its definitive feasibility study in to the development of the Mount Peake vanadium-titanium-pig iron project in the Northern Territory. It was a 20c stock at the time. It is now a 23c stock, which is not a bad gain given the state of mining market, but not really in keeping with the key DFS findings that Mount Peake could throw off net annual operating cashflow of $780m and that, on a net present value basis, it was worth $4.9bn. That's just the sort of nation building stuff that Tony Abbott wants to see happen in the Top End. But there is the issue of the pre-production capital estimate of $970m, notwithstanding a suggested four-year payback. It is an issue that TNG managing director Paul Burton is out to fix. He heads off next week to visit the Korean Inc companies that have previously indicated their support in the form of development and off-take memorandum of understandings. The hope is that the process of converting them in to binding arrangements will begin to roll with Burton's visit. Success along those lines would in turn create momentum for a funding package to be secured, with equity/debt discussions with major funds in New York and elsewhere part of the plan. Burton recently made clear he does not expect to have to tap shareholders to get

Mount Peake rolling. Rather, the funding will be put together on a consortium basis and is likely to involve the sale of a stake in the project itself.