

Australia and nuclear energy by Greg Barns

Australia is set to rival Canada in uranium mining and nuclear power, if Prime Minister John Howard has his way. On December 29 last year, Howard released the final report of a task force he appointed last year to examine the options for establishing a nuclear power industry in Australia and extending uranium mining.

As Howard's task force observes in its report, "Australia has the world's largest low-cost uranium reserves. Geoscience Australia estimates that Australia's total identified low-cost resources (less than US \$40/kg, or approximately US \$15/lb) are 1.2 million tonnes U_3O_8 , which is approximately 38% of the global resources in this category. At recent spot prices, Australia's recoverable reserves increase to 1.3 million tonnes U_3O_8 , about 24% of the world's resources (at less than US \$130/kg)."

The major uranium miners in Australia are BHP Billiton which produces 4,600 tonnes from Olympic Dam, Rio Tinto's Ranger mine in the Northern Territory producing 5,500

tonnes/year, and Heathgate Resources's Beverley mine in South Australia which is producing 1,180 tonnes/year.

Under current regulations, nuclear power is banned in Australia. The mining of uranium is a state government responsibility and only three uranium mines have been approved in the past 40 years. But with climate change now at the centre of political debate in the country, there has been a shift in opinion within Australia to further developing its vast uranium reserves and embracing nuclear power.

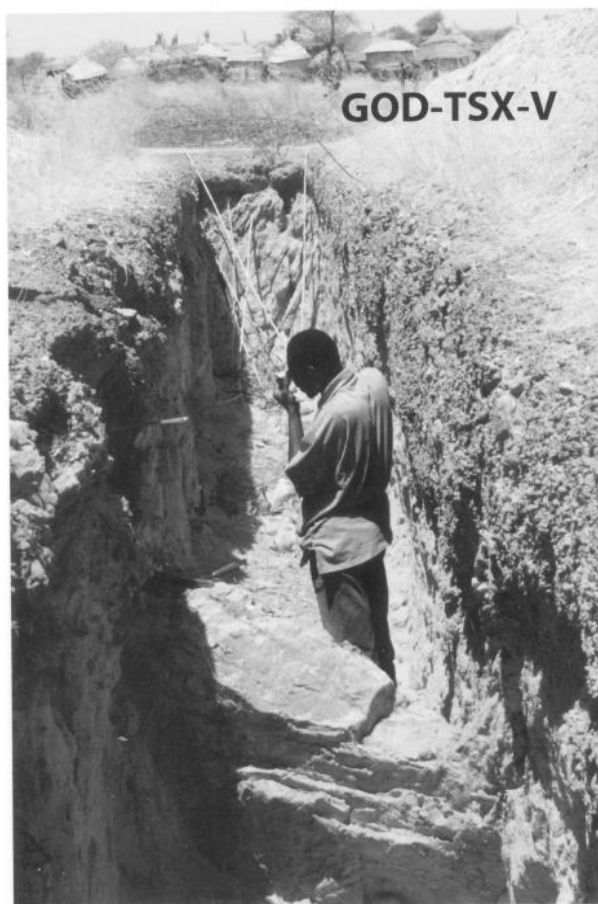
Howard said on December 29 that the final report of the Uranium Mining, Processing and Nuclear Energy Taskforce "demonstrates clearly that there are no sound reasons to prevent uranium mining in Australia and that the global growth in uranium demand provides a timely opportunity for Australia. I call upon state governments to end their bans on uranium mining and exploration, which stand in the way of investment, jobs and exports."

In the past three years, a number of Canadian and Australian companies have been busy pegging leases and forming joint ventures to explore for uranium in South Australia, Western Australia and Queensland, where the majority of the known deposits occur. But unless Mr. Howard wins his political battle against state governments, there will be no development of any discoveries.

This is because all six state governments are run by the centrist Australian Labor Party (ALP) which has a long history of opposition to uranium mining and nuclear power. At the federal level, the ALP, hoping to end Howard's 11-year prime ministership in the general election due in the second half of this year, is split on the issue.

Its high-profile environmental spokesman, former rock singer Peter Garrett, is passionately opposed to uranium mining, but other leading ALP spokespeople such as Martin Ferguson argue that the party must change

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Virgin Metals Inc. advances historic moly-copper deposit

by Mike Kachanovsky

MINING

Virgin Metals Inc. [VGM-TSXV] is a junior focused on the development of an advanced stage molybdenum-copper project in Sonora State, Mexico. Virgin acquired the Los Verdes project on the expectation that a large historic deposit remaining from a past-producing mine could be expanded with additional exploration and rapidly returned to production. Exploration focused on an area of heavy alteration near the summit of a small hill, which is believed to be a porphyry-style deposit. Circulating fluids resulted in the emplacement of disseminated copper and molybdenum mineralization into the country rock, concentrated through the process of supergene enrichment. But what is most attractive is a defined zone within the deposit where extremely high grades of molybdenum have been encountered across a width of several metres. This area was opened via a shallow adit allowing access for selective mining, but the company plans to mine the zone as part of the overall strategy for the bulk tonnage deposit.

After completing the drill program to confirm the historical resources of the property throughout 2006, the company issued a resource estimate in December, documenting a deposit of more than 11 million tonnes in the Measured, Indicated and Inferred categories. That amounts to a much larger resource than had been originally expected from the historical estimates, in part due to the success they achieved in exploration drilling beyond the limits of the known deposit to uncover new zones of potentially economic mineralization. Virgin also opted to include zones of the deposit where molybdenum values were enriched but where lower copper grades were present. The additional resource value for this approach contributed to defining a larger total deposit with slightly lower average grades. Nonetheless, the economic parameters appear favorable for a large, near-surface deposit, with molybdenum averaging more than 0.12% and copper grades averaging more than 0.45%, plus tungsten credits.

The success in defining the deposit has taken much of the risk out of the equation, and with the resource estimate in hand, the company can now move forward to develop the mining plan and the construction of a processing plant. An open pit mine appears to be the optimum production method and metallurgical work is currently underway to determine the parameters for a floatation recovery process. A market for molybdenum concentrates is readily available locally. The plan would allow for low operating costs, and combined with strong molybdenum and copper prices, generate attractive financial performance for a small-scale operation running somewhere in the range of 300 tonnes per day at start-up. Internally generated cash flow could then be channeled towards expansion of the operations, increasing the capacity to 2,500 tonnes per day and the current deposit would still support a mine life of more than 12 years.

Virgin controls a 100% interest in the Los Verdes property, and only the area immediately surrounding the known deposit has been subjected to any modern exploration. However, it is quite common for porphyry-style deposits to be found in clusters, and the large property could in fact host several other deposits that await discovery. ■

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its stance. The party's newly elected federal leader Kevin Rudd is committed to ending the ALP's ban on uranium mining, but is opposed to the establishment of a nuclear energy industry in Australia.

So what does all this mean for investors and companies with an interest in uranium? Keeping a close eye on Australian politics over the next few months is probably the best answer. If public opinion swings Howard's way on the issue, you can expect that the ALP might soften its stance, and even reverse its opposition. ■

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