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From fishing to fission: A new hunt in Labrador

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WENDY STUECK

MINING REPORTER

VANCOUVER -- As a teenager, Mark O'Dea spent his summers on fishing boats, hauling cod from the waters off Newfoundland.

These days, he's angling for a different catch, drilling for uranium in the rocky ground of Labrador.

"I spent my first season as a geologist up in that same belt of rocks, so things have come full circle," says Mr. O'Dea, now 38 and chief executive officer of Vancouver-based **Aurora Energy Resources Inc.**, one of a clutch of junior companies hunting for uranium in Labrador.

"What drew us to the region was the uranium that was historically known to be there. And we thought it would be a proxy for maybe other metals, like copper and gold. And what we realized was that this was a bona fide uranium district."

That prospect is a tantalizing one for exploration companies such as Aurora and for utilities, commodity funds and others keen on uranium.

Currently, the world's leading uranium district is Saskatchewan's Athabasca Basin. Saskatoon-based **Cameco Corp.**, the world's biggest uranium producer, accounts for about 20 per cent of global production from its mines in that area. Australia is the world's second-biggest uranium exporter, behind Canada.

The uranium sector is dominated by a handful of big players, with eight companies -- led by Cameco -- accounting for about 80 per cent of world production.

Prospectors discovered uranium in Labrador in the 1950s and companies pursued projects until the 1970s, when interest tapered along with the price of uranium.

But since 2002, prices have soared as stockpiles have shrunk and China and India announced plans to build dozens of new reactors. In 2002, the average uranium price was under \$10 (U.S.) a pound; it's currently about \$45 a pound.

In a recent report, RBC Dominion Securities Inc. analysts issued forecasts of \$50 a pound through 2008, falling back to \$40 a pound after 2009, when new mines are expected to be in production.

"While we are predicting surpluses in 2009 to 2015, we believe that China and/or India will acquire the surpluses for strategic stockpiling given their long-term needs for uranium, thereby continuing to support the price," the report said.

Resurgent prices sent junior companies flocking to the Athabasca Basin to stake scores of claims. Aurora, active in Labrador since 2002 and spun out earlier this year from Vancouver-based exploration outfit **Fronteer Development Group Inc.**, went in a different direction.

Other companies are active in the Labrador region as well, including **Bayswater Uranium Corp.**, which trumpets land holdings in Labrador, the Athabasca Basin and Nunavut's Thelon Basin, also the scene of increased exploration activity.

None of the companies is in production and it's far from a foregone conclusion that any of their projects will ever become mines. Mines are taking longer and costing more to build than ever before, the result of higher costs for fuel and materials, and more demanding regulations. Prospective uranium mines also face objections to nuclear energy, which critics charge is risky, expensive and fraught with problems, including the question of what to do with radioactive waste.

Mr. O'Dea, however, is hopeful that his project will make it into production. Work to date has outlined a big, low-grade deposit that has some similarities to Australia's massive Olympic Dam project, he says, suggesting a less technically challenging prospect than Cameco's high-grade mines.

And prospective customers are taking note: Mr. O'Dea says he has already been host to visitors from Canadian and American utilities interested in securing future uranium supplies, although he declines to name the companies.

In investor presentations, Aurora splits the uranium world into three tiers: the big producers, such as Cameco and **BHP Billiton Ltd.**; near-term producers, such as **UrAsia Energy Ltd.**, which focuses on Kazakhstan; and "exploration companies with meaningful deposits," including Aurora.

Aurora has a stock market value of \$434-million (Canadian). The company maintains it is in a good position to compete for shareholder and customer interest against near-term producers in regions such as Namibia and Kazakhstan.

"This is a real deposit," Mr. O'Dea says. "It's got continuity, it's got size and it's a deposit the uranium market wants and needs."