

Commodity Watch Radio – 20 February 2007

Laramide Resources

You're listening to Commodity Watch Radio with Dominic Frisby.

Dominic Laramide Resources is a Toronto based resource company specialising in the acquisition and development of mining projects globally. They've acquired an impressive list of known uranium assets with drilled out resources and currently Laramide has approximately 60 million pounds of U₃O₈ and some very exciting exploration projects, located both within the USA and Australia, with the potential to double these known resources. The company's current main focus is the advancement of its Westmoreland copper-gold-uranium project in Queensland, Australia, which is expected to become Laramide's flagship asset. And taking time off from his holiday in Utah is their president Marc Henderson.

Dominic Marc, thanks for coming on the show. You've a big fan in Jim Dines – what's all the fuss about? Tells us about Laramide.

Marc I'd be happy to do that Dominic, and thanks for having me on the show. Laramide was one of the fortunate early entrants into the uranium space back in early 2004. We'd known about the potential for uranium for some time, having been involved in a uranium start-up company in the '90s - that was obviously started a little too soon, but the supply/demand fundamentals which are now manifesting themselves in the price had been coming for quite some time in terms of the requirement to get new uranium deposits into production. So we were a fortunate beneficiary of the trend that you, you now see in spades. Our biggest project obviously is this very exciting, very large, Westmoreland property in Queensland, Australia. Now the Westmoreland project is an ex-Rio Tinto project, like many of these projects in the uranium space, it's had a multitude of owners; it's been worked on for, in some cases, decades. This project was, is covered originally by Mount Isa Mines, which is a, which is a very fine old legacy Australian mining company that was bought out by Xstrata a few years back. They founded the project in 1956 and then it went through a series of owners including Queensland Mines, which I believe was John Borshoff's company, before Paladin, and finally Rio Tinto had it in the early 90s, and was developing it towards production - was just about putting it into production in 95-96 time frame when we had a small blip up in the uranium price to about \$15-\$16 a pound. And then that didn't happen, the project went back toessentially and then they eventually dropped and we were fortunate to pick it up in early 2004, from another project, prospector type that we knew in Australia.

Dominic Now, if I'm right in saying, Australia isn't the easiest place in the world to actually produce uranium - while there's loads of it in the ground there, the government only allow three producers. Is that right?

Marc That's correct. There is, there is a policy in Australia called the Three Mines Policy, or as it's commonly known, the Three Mines Policy. Now the Three Mines Policy has gone through a number of shifts through the years. It was originally, most people don't know this, it was a policy developed by the Labour government, in the early

days of uranium, to sort of husband the national treasure, if you will, of uranium for future generations, so that all of the energy potential of that uranium wasn't squandered, in a short space of time. And what happened was, that that policy morphed into a sort of an anti, anti-uranium policy because the environmentalists got a hold of the Labour party in Australia, post the incidents at Three Mile Island and at Chernobyl, and obviously there was a huge shift in public perception against nuclear as a result of those two events, which are obviously well known events, but the other thing that happened in, in, the uranium world, was that the cost of building these power plants in the late '70s, early '80s just kind of spiralled out of control. So there were a whole, whole variety of factors that caused uranium and nuclear power generally to go out of favour, and it's obviously been out of favour for some 20 years, 25 years and it's now coming back into favour for all the reasons that it was, was highly prized the first time around - which is that it's a very efficient source of baseline, base load power for utilities.

Dominic But Laramide aren't one of those three mines, so what are you going to do?

Marc Well, what's, what's happened Dominic is, you've got these two major forces in the world and you know, uranium is a commodity like many other commodities, but particularly so in uranium it's really affected by what happens in the energy space globally. It's a very long life cycle industry, the utility industry and making power with utilities is something that, that, these utilities have plans that go out decades. And so you're influenced by those sorts of things globally. And what's happened is of course we've got a major energy crisis in the world, that's well known, and all forms of energy essentially are in short supply, oil, natural gas, uranium, the only one that's not of course is coal and that brings in the other major influencing factor that's happening now in the world, which is the whole concern over climate change and global warming and of course coal's, coal is quite reviled in that, in that debate. And so what happened is that these two forces have come together, people have sort had a, had another look at nuclear and said well it's sort of the devil we know and the problems with waste storage are well known but perhaps in the big scheme of things, in terms of the requirement to generate electricity for the world, which is only going to grow, we really need to have another good hard look at nuclear power and that's really what's happening, and that's what's shifted public opinion in Australia to the point where the politicians have decided that they really have to get on the bandwagon and take advantage of their national events because Australia...The great thing with Australia is that they have 35 to 40 percent of all the know reserves in the world, and they tend to be the reserves that are easiest, lowest costs reserves of uranium. So what you're really seeing is the movement of a government to take advantage of their natural position which is supported by public opinion.

Dominic So, I've heard it said that Australia is uranium's answer to Saudi Arabia.

Marc Yeah, we sort of dubbed it the Saudi Arabia of uranium and they really should be, they should be the price setter. And they should be, I mean, if there was an Opec of uranium you know, that Saudi Arabia wouldn't have ceded to that. I mean Australia would have, would have, the seat at the head of the table, no question. I mean everybody knows about Olympic Dam, but there's a number of other projects in Australia that were discovered in earlier cycles that are essentially ready to go and will go a long way to taking some of the steam out of the price. I mean the price has

run up an awfully long way, and part of the, part of the reason it's been able to do that is because Australia is kind of been out of the game. We think when Australia gets out of the game..You know we're going to see this price probably, at least consolidate for a while, around these levels as opposed to continuing to go up, because it's basically gone up vertically for a past 3 or 4 years. I mean, I know you spoke to Mr Dines the other day and I think he, he mentioned it's the only commodity he's ever seen that's gone up for 3 or 4 years running without a down turn tick. It's been quite extraordinary.

Dominic Having said that, a lot of the, the uranium stocks have, haven't, I mean they've gone up dramatically but they have had consolidations and pull backs on the way up. So they haven't been quite as ballistic as the underlying commodity.

Marc Well, yeah, there's, I think there's something like 450 companies that claim to be uranium companies at the moment and this is typical that you see in bull markets. I mean in the tech market nobody knew anything about the internet, and suddenly everybody had an internet business idea and before too long, Wall Street took a lot of them public. I mean you're seeing some elements of that now in the uranium space but there was a legacy of projects that were available and were known in the world from previous work that went on in the '70s. Because we had these booms in uranium in the, there was a huge boom in the '70s that died abruptly with the price collapse. And as a result of that there were projects that were ready to go and those projects have, by and large, all surfaced and are probably in the hands of no more than 20 or 25 companies, you know and, obviously, we think we are one of the, one of the companies that has one of those projects, we think probably one of the best ones. But the other ones, I mean a lot of, there's a lot of other companies in uranium exploration. And that's good. I mean the price is doing what it should do. It's begetting a lot of exploration in the world and that exploration will eventually be successful, you know and you will solve the, the shortfall. I mean, the, the cure for high prices is high prices and it will work in uranium. It's just taking a long time.

Dominic I mean, how much U_3O_8 is there in the earth's crust?

Marc Well it's a, it's a very common element. What you have with uranium is, there's probably uranium if you went in your backyard in London there and took a test and there's no doubt there's going to be some uranium in that, in that soil as part of what's in the, in the ground. It's more abundant I believe than silver. What happens with uranium though is that it doesn't aggregate into commercial deposits very well because it's very mobile in solution. And you need a particular set of conditions to create a uranium deposit and, in fact, some uranium deposits that are quite good uranium deposits, including Olympic Dam, the percentage of uranium is really quite small. I mean the percentage of uranium that's in Olympic Dam versus the percentage of uranium that's in say, Cigar Lake, which is a thing that's been in the headlines recently at the other end of the spectrum. We're talking orders of hundreds, I mean, I think the uranium percentage of Cigar Lake is in the order of 19, 20 percent uranium and that Olympic Dam, I think you're talking about .04% which is of the league less than a pound a ton. You just, you've got very favourable mining conditions and other things which make Olympic, and of course size, that make Olympic Dam the big daddy.

Dominic What about, what about Westmoreland? What's the resource there?

Marc The resource at Westmoreland is, is on the order of 50 million pounds, I believe. It's 48 and a half million pounds and that's 24 million tons, I believe at point, just under point 1% which is about 2 pounds a ton. What makes Westmoreland such a terrific deposit economically is that it's, it's all very close to the surface. You've got very wide, intervals in the deposit, very close to the surface that are very amenable to the low cost open pit mining at what we think is a strip ratio that will probably be less than 4:1. The entire deposit doesn't go any deeper, I believe than 60 metres. So you're looking at a very low cost operation with relatively good grades coz obviously 2 pounds a ton on a, on a revenue basis aggregates to a hundred an', at current prices if you could get contracts at current prices you're looking at you know close to \$150 a ton of revenue. So you obviously got very, very nice economics potentially there and we'll have a good sense of these economics when we get the scoping study numbers which are being done right now by Minproc. Those numbers, Dominic, are going to be available to the market place we believe by the end of the first quarter, and we've engaged this company, Minproc, who are a sort of 'go to' people, in the uranium world right now, they are the folks that just built Langer Heinrich for Paladin and they're doing, I believe, they're working on Paladin's other project that they have in Malawi and that, they've done other feasibility work for other companies in the uranium space right now. So they're, they're very highly regarded in terms of their engineering, abilities and their expertise in uranium, which is important because that expertise is in so much short supply. By way of example though, when Rio Tinto were going to build this (Westmoreland) project, they were going to scale it I believe it at 3000 tons a day which got you in terms of production levels, a deposit that produced on the order of 2 and half million pounds of uranium a year. And they were going to put that deposit in production when uranium was \$16 a pound. They were hopeful to get \$16 contracts and this is back a decade ago, so we've had a lot of cost inflation and what have you. But we think, you know, you're going to be looking at a project that's, that's very, very robust economically. In terms of a comparable, that scale of operation that 2 and half million pounds is exactly the same size as Langer Heinrich which Paladin just built and completed and is now up and running in Namibia. And that was done for, I believe, about 90 to 95 million dollars US, so that gives you kind of an order of magnitude what we're looking at.

Dominic Very briefly because this has been a fascinating interview but its, we're kind of going over a little bit. Just quickly tell us Marc about your track record, what you've done.

Marc Well, I've been involved in the resource business for over 25 years, my family was kind of involved in it, so that's how I tended to get involved in it. I went, got a business degree and I have a CFA but I've always aligned myself with very smart technical people, which has been a great way to go to build resource companies. I think you have to have a mix of business people and very good technical people to build a serious company. And I've been involved in a number of other things that have had some success. One that you might be familiar with is a company called Aquiline, which has got a very interesting very large scale silver deposit in Argentina.

Dominic I am familiar with it.

Marc That company's done quite well, and we think it will do quite well going forward. So we've got a reasonably successful record.

Dominic Who's your senior geologist?

Marc In Laramide our senior geologist is a fella called Peter Mullens, who's definitely one of the smarter evaluations guys I know of in the business. And that's important too; a lot of people, you know that when you meet them in the technical world, you have some very smart people academically, it's rare to get technical people that also have sort of the business sense to know what project's going to make it and what project's not going to make it. And certainly when we saw Westmoreland, I mean we, we had a deal done with the vendor on Westmoreland within 24 hours when we recognised the potential of that deposit. And certainly it's paid off for us.

Dominic And what about, apart from Westmoreland, do you have any other properties worldwide?

Marc We've got an interesting package of assets in the US, Dominic, that we bought from Birrack and Birrack had bought them, inherited them really when they bought Homestake Mining, which is of course a fabulous legacy American mining name. And Homestake was intimately involved in the uranium business for years and years and was a serious producer in the US. They had a few assets left at the tail end of the last boom that they held on to and we were able to buy those. The most prominent one is in Grants, New Mexico. And Grants is a district, which is the largest historical district in America with 300 million pounds of production, and we think Grants will come back in a big way because there's an awful lot of remnant reserve s in and around Grants, and what it needs is a big new plant to service all that, because unfortunately in master stoke of brilliant timing, the last of the 7 operating mills in Grants was torn down, I believe, about 18 months ago. So there's nowhere to process any of this stuff anymore but I do think, because the one thing is, I mean in terms of the nuclear power issue going forward, you're going to have demand growth in nuclear because you've got worldwide utilities building new plants. You've got 450 plants now, 100 of which are American. But the American production is only 4 million pounds a year, and they need on the order of, I believe 75 million pounds or something like that a year, to service their existing fleet. So in terms of domestic security supply concerns, you know we believe that the American administration, and they are, the current administration certainly is and I don't see why that would change, no matter who is in power in 2008, is going to definitely want to get security supply. I mean they have already got security supply concerns in oil, I don't think they want to repeat that experience in other areas of energy. And in the case of uranium, they certainly have enough domestic uranium that they could supply all of their current and perspective future needs from domestic sources. So we do think that it's useful to have a position in the US for that reason.

Dominic And, as we close Marc, oh, just briefly tell us about the copper and gold that you have at Westmoreland. Is that significant as well?

Marc Well, we don't know. We're going to, we're going to explore that as a secondary area of interest. There are, there's some very interesting gold assets that were, that were turned up by the previous operators Rio on the, on the Westmoreland. But they were obviously interested in the uranium and they were pushing it towards development, so they really didn't follow up on much of that. But we do have minerals as, high as couple of metres, at 85 grams of gold at Westmoreland, some of

the structures that also carry uranium. So those'll be, those will certainly be a target that will be getting some attention this year. We have a big, big program coming this year in Australia - 3500 metres of drilling starting probably in May.

Dominic Marc, why don't you give out your ticker symbol and your website address?

Marc I'll be happy to do that Dominic, and thanks for the interview. Again, it's Laramide Resources, we're traded on the Toronto stock exchange, the website is: www.laramide.com, and the ticker symbol is 'LAM on Toronto.'

Dominic Great. Marc, it's been a real pleasure talking to you, thanks for coming on the show.

Marc Yeah, thanks again Dominic.

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