Uranium Round-Up – Like Herding Sheep

I almost regret the idea of doing a round-up of the uranium names out there. It is a sure sign that a mining sub-space has been through the wringer when the online “lists” of uranium companies include companies that have long since either gone bust, been taken over or gone into the recycling hopper and emerged reborn as Rare Earth or some other specialty metal seeker. One very slick interactive site (updated prices/moves and hi-los) with a listing of the “space” did not have Fission Uranium (TSX: FCU) amongst its players in the space despite its near $400mn market cap. It would seem that the online sources make the sector look more moribund than it really is. They also had Ucore listed in their seventeen “surviving” uranium stocks.

Therefore it does the space no good that the “shop-windows” for the Uranium department store look like the space has closed down (and not just for refurbishment).

Gathering information on which companies are still in the land of the living and which are actually focused on uranium is somewhat like herding sheep.

The space, of course, burgeoned at least twice in the last ten years and both of these blooms were followed by mass die-back. The Uranium sub-space became in many ways the densest populated sub-space, after gold/silver, in the Canadian exchanges in particular, with Australia a substantial distance behind (but with companies that were larger on average and more mid-tier) while the London market fielded a mere handful of juniors. The crash of 2008 proved to be severely weakening for most and then the Fukushima debacle was another deadly blow. The REE (rare earth elements) and Graphite booms provided an escape hatch that proved there was life after death for a uranium junior, though some might have wished they had never made the change to Rare Earths, in particular.

Those that have tended to survive have done so because they were more advanced when the hammer-blows fell. Those with moose (literally) pasture have not survived at all. Considering how stubbornly the uranium price has stayed at or near its lows there has been a flow of notable deals. Notable amongst these were the Dennison move on Fission Energy (from which the aforementioned Fission Uranium was the newco spin-out) and then just last week there was further consolidation with Energy Fuels move on Uranerz.

The uranium space has quite a few feisty players that show up the rather static non-movers and non-shakers in the rest of the mining space. The year 2013 was particularly lively with sharp elbows flailing away at each other. In the case of Fission Uranium it went on, rather smartly after its spinout, to absorb Alpha Minerals in a bulking up exercise that cost around $180mn.

Energy Fuels is also a serial deal doer having previously acquired Strathmore Minerals, one of our favoured stocks in the third quarter of 2013. The company also showed it was not afraid of market conditions when it had taken over Titan Uranium in a $25mn deal in late 2011, just a few months after the Fukushima event.

Dennison, around the same time as Fission moved on Alpha, had thwarted Mega Uranium’s move on Rockgate Capital, by over-bidding Mega’s offer.

The latest deal

The uranium year got off to an auspicious start with the aforementioned acquisition by Energy Fuels of Uranerz Energy Corp. in an all-stock deal valued at more than $150 million.

Under the proposal, each Uranerz share will be exchanged for 0.255 common share of Energy Fuels. Let’s hope this is a trend that will continue to bubble along.

The combined company will be the largest uranium miner in the U.S. and has long-term sales contracts with U.S. nuclear reactors.

Clearly the deal size is creeping up for Energy Fuels.

Off on a Tangent

Then there is the situation at Anfield Resources (TSXV: ARY) where the very interesting purchase of the Shootaring mill in Utah had the potential to lift them to another league but has been bogged down in prolonged and torturous financing issues. With the company having to agree a financing with a “debt” group we have never heard of, we suspect that either the mill deal will revert back to original owner Uranium One (something that happened before when ASX-listed Black Range Minerals could not close their acquisition of it) or Anfield ends up in a “pound of flesh” deal (hopefully not like that which was the downfall of Maudore Minerals).

Shootaring is an interesting chess piece in the uranium vertical integration game in the US, so watch for it becoming available again.

Conclusion

Consolidation is the name of the game. In other mining sub-spaces it is given lip-service… while in the uranium space actions speak louder than words. The fog of post-Fukushima confusion and despair is lifting and now targets are becoming clearer for majors and mid-tiers who view the surviving juniors as a wolf-pack views a sheep herd. We could conjure with a few names and definitely NexGen Energy (TSXV: NXE), that we wrote of a while back, with its proximity to some of Fission’s assets looks a tasty leg of lamb. Ucore is not a uranium target per se but has embedded within it some very sexy uranium assets that the market has long overlooked due to the company’s focus being different for so long now. These could yet be a money-spinner through disposal or demerger.

With the energy space coming under the microscope in the wake of the oil price collapse, uranium is starting to look like the better end of the space after years in the doghouse. With any luck it too can be a double beneficiary of rotation into mining AND rotation into alternative energy sources. On top of this we have the slow return to normality in Japan and the ever-present threat that Russia’s sales of its remaining ex-warhead material might be disrupted in some tit-for-tat action against the US.

All in all, these are the bluest skies uranium has seen for years now and consolidation looks set to continue while there are so many bargain companies lying around, with reported resources which could only be replaced with exploration work at a cost that is multiples of the levels the current juniors are valued at by the markets.