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HD **Kakadu's Ranger at crossroads as market weighs end of ERA**
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COVER STORY

The indigenous Mirarr people, whose traditional lands have hosted Ranger, face an important moment if the mine closes, writes Peter Ker.

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The skies above Jabiru are busy. Birds of prey circle endlessly.

Brown falcons or whistling kites are a constant presence above this part of Kakadu National Park.

It creates a fitting mood for a place facing an uncertain future. Jabiru is a town in limbo.

Four decades after arriving, **uranium** miner **Energy** Resources of Australia (ERA) will decide soon whether it will continue digging.

There is a chance it will choose not to, which will bring down the curtain on perhaps the nation's most controversial mine, Ranger.

Built on the faultlines of environmental and indigenous land rights policy, Ranger is at a defining moment. It has provided fuel to nuclear power stations of the world but the end of its working life is up for serious consideration.

Depressed commodity prices, revived environmental concerns and tightening purse strings have made the decision over a new **mining** development at Ranger a close call.

Having reluctantly accepted **mining** on their ancestral lands, the indigenous people who live beside the nation's biggest **uranium** mine could soon watch the interloper depart.

Whether life will be better when the mine goes is far from clear.

The end of **mining** at Ranger would be celebrated by some.

Environmentalists have long despaired at a mine so close to one of the nation's most famous national parks.

The fact Ranger produces **uranium** - the radioactive nature of which can be dangerous in certain circumstances - has only turbo-charged the opposition.

"Exploitation of **uranium** within the World Heritage property of Kakadu National Park, effectively against the current wishes of significant traditional owners and others, is a historical aberration and ought to finish as soon as possible," says Peter Garrett, who was minister when ERA was granted permission to conduct further exploration at Ranger. His decision was constrained to ruling on matters relevant to a certain environmental act.

The process for environmental approvals for the development of the mine is continuing under a new government but Garrett said Ranger had been a blot on the landscape since day one.

Most affected during the past 37 years have been the indigenous Mirarr people, whose traditional lands have hosted the mine.

As late as the 1970s, the Mirarr people lived in these monsoonal wetlands, with little intrusion from white Australian culture.

"There weren't many white people out here permanently before 1980, something like six or so across the whole region," said Justin O'Brien, the chief executive of the Mirarr's Gundjeihmi Aboriginal Corporation.

The town of Jabiru was built quickly to support the mine and within one year the Mirarr had become a racial minority.

A sealed road connection to Darwin came only in 1974, and the first stage of Kakadu National Park was not declared until 1979. Many viewed that as a political compromise to offset the nationwide controversy over **uranium mining** in the region.

With an ancient culture that places special importance on the land, the construction of several huge **mining** pits was distressing for the Mirarr people.

The fact that a 1977 act of Parliament allowed **mining** to go ahead on Mirarr lands without their express consent - despite the same act giving a right of veto to most of the nation's other indigenous groups - only entrenched feelings of dispossession and resistance to the mine.

But over time the Mirarr have scored some important wins, which have improved the relationship with **mining** to a degree.

ERA's desire to mine a sacred site close to Ranger called Jabiluka was largely put to bed in 2005, after a decade of campaigning that resulted in thousands travelling to Kakadu to create an anti-**mining** blockade, and say hundreds arrested. ERA has promised not to mine Jabiluka without Mirarr consent.

There was also the signing of a revised agreement for Ranger last year, ensuring greater royalty flows to the Mirarr and creating a system for back-payments. Royalties for Mirarr, calculated on revenue from annual production at Ranger, tally about \$49 **million** over the past four years.

ERA estimates it has paid \$62.7 **million** to indigenous groups over the same period, on top of the royalties paid to governments.

O'Brien says the relationship between the Mirarr and ERA, while always cautious, was better now than in the past. "Coming off a hell of a low base, the relationship with them is pretty good at the moment compared to other times," he says.

While acknowledging the pain of the early years, some of the **mining** industry's more considered minds privately ponder whether, now the egg is scrambled, the Mirarr will be better off if ERA decides to end **mining** in the next few months.

The mine dominates the local economy. ACIL Tasman judges ERA to be the source of 87 per cent of Jabiru's regional gross value added activity in 2012, as well as leasing 66 per cent of private dwellings in the town. More than a third of school students were children of mine workers.

Malcolm Fraser, the prime minister who controversially approved Ranger in 1977, has no regrets.

"I think there has been a benefit. It was always intended to be of benefit to the Aboriginal people," he says.

The traditional owners' representatives in 1977, the Northern Land Council, did eventually agree to **mining** going ahead, he added.

Mr Garrett was less convinced saying: "Whilst there has been income flowing through to certain parties, on balance it has not been a positive for the traditional communities."

The Mirarr might be asked soon to approve a mine extension at Ranger. ERA has spent the past three years evaluating a new underground mine that would operate until 2021, when the licence expires. If it wanted a new licence it would have to apply for one.

Mr O'Brien said it was too early to say if Mirarr elders would give their consent should ERA decided the underground project was viable.

ERA estimates the extension project, known as the Ranger 3 Deeps, would deliver \$10 million to \$30 million in annual royalty flows to the Mirarr if approved, but Mr O'Brien said the decision would not be based on money. "You don't see much naked self-interest here. When you ask some of the older women about the big financial implications of their decisions, particularly Jabiluka, which is ruled out by young and old, they say 'don't worry, none of that was here before'," he said.

"People might say 'how can a small clan of Aboriginal people who have benefited from mining even think twice about it?' Well, because they live downstream and below the bloody thing. You have hundreds of incidents, leaks and spills. It is with all that in mind that the Mirarr consider the current proposal at Ranger 3 Deeps."

A precedent for refusing the cash exists nearby. Traditional owner of Koongarra, Jeffery Lee, turned his back on millions of dollars of royalties from French uranium miner Areva. Instead he had his land absorbed into the national park.

Nor would the Mirarr be short of a dime if the royalty flows ceased.

During Mr O'Brien's tenure the Mirarr's money has been invested in stocks, bonds and financial instruments, with millions managed by firms like Morgan Stanley.

The portfolio includes a stake in the 15-storey Scarborough House building in Canberra that houses the Federal Health Department.

O'Brien acknowledges that some spending might need to be curtailed if the royalty flows from mining were to cease. But he said the Mirarr could still look after their families and fund the odd social program.

Some in the mining industry believe younger generations of Mirarr will prove more open to mining than the current elders.

Mr O'Brien insisted the Mirarr remained united.

"There will be one view," he said.

"Those elders rarely make a major call on anything without everyone being present."

About 12 per cent of ERA's workforce are indigenous, and while it would be happy to employ Mirarr people, no Mirarr people work for the company.

As fate would have it, ERA could barely have picked a worse time to evaluate a new development. Prices for uranium have dived since the 2011 earthquake and tsunami sparked a nuclear crisis in Japan.

Most Australian uranium miners haven't made a profit since. ERA has received just \$US46 (\$54) a pound for its product during most of this year. That is 12 per cent below the price it received in 2009.

Commodity prices are not the only threat to the project going ahead. A series of recent events also has shaken investors' confidence.

A tank failure in December last year spewed toxic substances around the Ranger site and prompted a six-month shutdown. Despite official surveys suggesting none of the substances escaped into Kakadu, a fierce debate ensued over the mine's social licence to operate in such a delicate and difficult location.

The exploration results for the project have also fuelled concerns, with some analysts expressing alarm at the quality of some sections of the underground geology and cases of unstable rock formations.

At the same time ERA's 68 per cent shareholder, Rio Tinto, is aggressively cutting back capital spending on new projects.

With Rio focused on boosting dividends rather than building large numbers of new mines, many doubt it will be willing to spend the hundreds of millions of dollars that would be required to go ahead with a new underground mine at Ranger.

When the geological concerns were reported to the market in July, Credit Suisse published the most pessimistic research note on the project to date.

"We believe the results of the Deeps resource drilling are poor," the note said. "Ranger Deeps either adds value or there is close to none, and risks are increasing towards the latter. If ERA announces at the end of this year that Ranger Deeps is not viable, then the share price should collapse to very low levels."

The geological results have been better since then, with the amount of **uranium** in the Deeps estimated now to be 6 per cent higher than thought previously.

Credit Suisse no longer covers the **company**. Among those that do, most analysts say the project's chances are finely balanced.

"If **uranium** prices can hold above \$US40 per pound, then the project potentially looks more viable than it has done for much of the past year. But the project may yet require higher prices still," Bank of Montreal analyst Edward Sterck said.

JP Morgan analysts said the weak **uranium** prices, combined with the 2021 expiry of the **mining** lease, put ERA in a difficult position.

"... the project likely needs prices of \$US50 ... to \$US60 per pound over the life of the project."

RBC Capital Markets noted recently the underground project comprised 99 per cent of ERA's share price value, meaning the ultimate decision would have a very "binary" impact on the stock price.

RBC analyst Chris Drew said he thought the project was probably viable but continued weakness in the **uranium** price could limit enthusiasm for it.

"It is going to depend a lot on the **uranium** market. The main thing is the resource looks consistent with what they were expecting. You've also got some good grades there as well, so it would support an economic operation based on our relatively conservative **uranium** price forecasts," he said.

ERA chief Andrea Sutton said the geological results had been consistent with expectations, and sufficiently good for the **company** to conduct less drilling than planned.

The spot **uranium** price enjoyed a small surge in early November, and while the longevity of that rise is unclear, Sutton said the **company** was confident the price would rebound in the medium term.

"You look at the challenges of climate change, Japan's power needs and the construction in **China**, and we do still see that medium term (**uranium** demand) strengthening," she says.

While some remote communities face poverty and unemployment when a local mine shuts, the Mirarr are confident they can thrive in the modern economy when **mining** eventually does leave town.

With Kakadu on their doorstep, tourism is already an established industry, and the Mirarr run a handful of small businesses in the region focused on the tourist dollar.

One Kakadu highlight tourists do spend money on are the hearty barramundi fillets Peter Wilson serves at Kakadu Lodge.

Cooked in the pan and served with a melting knob of herb **butter**, the barramundi is one of the reasons Mr Wilson's outdoor bar and bistro won a **Gold** Plate at this month's Territory dining awards. But despite his success, Wilson says tourism in Kakadu is getting harder.

Visitors to Kakadu have been sliding since 2000 and the demographics that do visit are often not the highest yielding.

"Last year was the worst year for tourism ever that I can remember. This year is marginally better, but it would need to be," he says.

He is convinced the Jabiru region cannot survive on tourism alone.

"In this region you have a 100-day season. You have 100 days of viable occupancy that is profitable, then you've got maybe 100 days of break-even occupancy and then you have got 160 days of pouring money down the toilet," he says.

"It needs diversification. For the town to thrive it needs commercial input into it, people who want to be service providers and have businesses not just based on tourism.

"The big challenge for Jabiru is what it wants as its focus after ERA, and that is very much my focus too."

Uncertainty over the longevity of ERA is not the only thing undermining investment in the town. Jabiru exists under a similar lease to the one the mine operates under, meaning no **business** has certainty of tenure beyond 2021.

"Why would any **business** person invest in infrastructure when they know there is uncertainty about what is going to happen," Wilson says.

Without fresh investment in facilities, the decline in tourist numbers could be hard to turn around, he says.

"At the moment we are just going through the motions."

Mr O'Brien stresses that tourism wasn't the Mirarr's only option beyond **mining**, with land management also a big opportunity.

Investigations into carbon farming in Kakadu suggest 35 to 50 jobs could be created in that industry, while the Mirarr are also optimistic about the trend for indigenous rangers to be spread through the national park in land-caring and maintenance roles.

"There are many social co-benefits that come with that sort of work in terms of working on country and they are long articulated," Mr O'Brien says.

Should the economic and regulatory hurdles be cleared there is one last uncertainty surrounding the Ranger Deeps project that could yet become an issue.

ERA and the Mirarr appear to disagree over whose will would prevail under a scenario where the **company** wanted to proceed but the Mirarr did not.

Sutton says ERA would work closely with the Mirarr to help them understand the full impact of the project, and the **company** hoped to win their support.

But when asked if ERA legally required permission from the Mirarr to conduct the extension, the **company** indicated it did not.

"ERA has an authority to mine and produce **uranium** oxide at the Ranger Project Area until January 2021," ERA says in a statement.

O'Brien has a different view.

"I would say that in this day and age, particularly given the ignominious history of conflict here, that is a requirement," he says.

When asked if that requirement was stated explicitly by law, O'Brien says: "You could argue that it is, and you could argue that it is not."

Perhaps there's one last battle to be fought over Australia's most contentious mine.

Yellow cake road

1969

- Ranger **ore** bodies discovered

1977

- Federal parliament grants right to mine at Ranger

1980

- **Mining** begins

1981

- First drum of **uranium** produced

1994

- Mining complete in Pit 1

1996

- Mining approved in Pit 3

1997

- Mining of Pit 3 begins

1998

- Large protest sees hundreds

arrested

2009

- Discovery of 3 Deeps

underground

resource

announced.

2011

- Fukushima disaster sends uranium

price diving

2012

- Mining complete in Pit 3

2013

- New agreement with local

indigenous groups

- Federal government declares

fresh environmental assessment

required

- Tank failure results in toxic leak

2014

- Draft environmental impact

statement submitted to

government.

2015

- Target for start of mining at 3

Deeps

2021

- Right to mine expires

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