

Severstal Bids for Uranium Asset in Spain

By [The Moscow Times](#)

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LONDON and MOSCOW ✕ Severstal, the largest steelmaker in Russia, has made a bid for its first uranium asset in Spain, seeking to diversify its mining business and benefit from an expected rise in European demand for nuclear power.

Severstal has approached Berkeley Resources Ltd. about a possible takeover of the uranium exploration company, worth about 304 million Australian dollars (\$296 million), sending Berkeley shares sharply higher in London.

Severstal is considering a cash bid for Berkeley, also listed in Sydney, at 2 Australian dollars (roughly \$2) per share, Berkeley said in a statement Friday.

A Severstal spokesman said the company will decide whether to invest in Berkeley, whose main asset is the [Salamanca uranium project in Spain](#), only after due diligence.

The major due diligence question will concern the startup of a uranium concentrate line that is part of the Salamanca project, Renaissance Capital analyst Boris Krasnojenov said.

The line operated for 16 years before closing in 2000 because of low uranium prices.

"Some people believe that nuclear generation is the future for Europe because regulation measures linked to coal generation emissions will increase," Krasnojenov said.

"If this plant starts to work [again], the acquisition will look rather cheap at about 6-7 times EV/EBITDA, but the main question is how quickly the start-up can be done," he said.

Berkeley also has granted Severstal an option that expires on Dec. 10 to subscribe to 16.3 million new shares in Berkeley at 1.70 Australian dollars each, if it says it intends to bid for the whole company.

"We are confident that we can re-commence mining operations at one of the leading undeveloped uranium deposits in the world and plan to enter into production towards the end of 2012," Berkeley Managing Director Ian Stalker said.

Berkeley, which is being advised by BMO Capital Markets, added that if Severstal decides not to bid, it will continue discussions over financing alternatives with third parties, which may include Korean Electric Power Corporation.

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