

Severstal Bids for Uranium Miner

By [The Moscow Times](#)

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LONDON — Severstal, the largest steelmaker in Russia, has made a bid approach 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, Berkeley Resources said Friday.

Severstal has approached Berkeley about a possible takeover of the uranium exploration company worth about 304 million Australian dollars (\$295 million), sending Berkeley shares sharply higher in London.

Severstal is considering a cash bid for Berkeley, also listed in Sydney, at 2 Australian dollars (122 pence) per share, Berkeley said in a statement.

Berkeley shares in London jumped as much as 15.2 percent to a record, and ended up 8.4 percent. Severstal was little changed at the close of Moscow trading.

“Severstal has significant experience in mining and can consider various projects in this field,” Sergei Loktionov, a spokesman for Severstal Resources, said by telephone. “We are

only looking at this asset. It's premature to say whether we'll buy it."

Severstal will decide whether to invest in Berkeley, whose main asset is the Salamanca uranium project in Spain, only after due diligence.

That offer price would represent a premium of about 40 percent to the volume-weighted average price of Berkeley shares in the three months to Oct. 28, the company said Friday in a statement. "Berkeley's directors would unanimously recommend that shareholders accept that offer, in the absence of a superior competing proposal," the company said.

The big due diligence question will concern the startup of a uranium concentrate line that is part of the Salamanca project, Renaissance Capital analyst Boris Krasnozhenov 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," Krasnozhenov said. "If this plant starts to work [again], the acquisition will look rather cheap at about six to seven times EV/EBITDA, but the main question is how quickly the startup can be done."

Berkeley has also granted Severstal an option that expires 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 recommence 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, 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.

(Reuters, Bloomberg)

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