

## TRADE ASSOCIATION FORECASTS U.S. URANIUM INDUSTRY TO PRODUCE 20 MILLION POUNDS BY 2012

### U.S. Group Says Domestic Uranium Market Critical to Nuclear Renaissance



URANIUM PRODUCERS OF AMERICA

By James Finch

The Uranium Producers of America (UPA) was formed more than twenty years ago. Over the years, this trade association has worked with Congress and state legislators to help improve the front end of the nuclear fuel cycle: uranium mining. Today, it has been re-energized with new members and the task of helping to rebuild the U.S. uranium mining sector. We talked with Jon Indall, an attorney based in Santa Fe, New Mexico, who serves as the Executive Director of the UPA.

Uranium Producers of America members include International Uranium Corporation, Power Resources, Uranium Resources, Cotter Corporation, Energy Metals Corporation, Mestena Uranium, U.S. Energy, Laramide Resources, Strathmore Minerals, Uranium Energy and Neutron Energy.

**StockInterview:**

What is the function of the Uranium Producers of America (UPA)?

**Jon Indall:**

The Uranium Producers of America is a trade association, originally founded in 1985 to promote the viability of the domestic uranium industry.

**StockInterview:**

How did the UPA trade association come into existence?

**Jon Indall:**

The UPA was founded initially by the major U.S. producers, such as Kerr McGee, Homestake, United Nuclear, Rocky Mountain Energy, Union Carbide, Atlas, and Pathfinder. The major operating companies decided to form their own group to focus on specific uranium viability issues.

**StockInterview:**

In what way does the UPA differ from the National Mining Association with regards to the uranium industry?

**Jon Indall:**

Over the years the UPA was sort of a lobbying institution for the domestic industry and handled viability type issues. The National Mining Association has a uranium environmental subcommittee. The NMA has been more involved with the regulatory aspect, but we work together and have a good relationship. There's definitely an overlap between the members of each group, but our charge has been more on the viability aspect.

**StockInterview:**

How do you promote the viability of the domestic uranium industry?

**Jon Indall:**

Our agenda is twofold. We want to continue to promote the viability of uranium production in the United States. In that vein we have been meeting with the Department of Energy (DOE) to explain what's going on out in the field. We let them know there are active companies pursuing mining operations, acquiring properties, doing the exploration and development work, and so forth. We are also urging DOE not to do anything that impacts the market.

**StockInterview:**

How could the Department of Energy affect the uranium market?

**Jon Indall:**

The Department of Energy is sitting on a lot of inventory. We want DOE to be judicious in how they use that material. There's a very solid chance, in our view, going out a few years, there's going to be a gap between available supply and demand. The secondary market is diminishing. We want DOE to hold back their material. If there is a shortage, they can ride to the rescue, and the reactors won't go cold.

**StockInterview:**

Are the utilities going to get back into the domestic uranium sector to ensure their nuclear reactors have sufficient uranium available?

**Jon Indall:**

In the 1970s, when we had the initial boom, the domestic utilities were out making deals with producers. They were actively investing in projects and things of that nature. I don't think that's going to happen this year or next year. But a few years down the line, if things really tighten up, you might see that.

**StockInterview:**

Where do the U.S. utilities stand with regards to a domestic uranium industry?

**Jon Indall:**

In the late 1980s and early 1990s, I think the utilities saw Canada as such a big production center, they lost interest in the domestic producers. They were not too worried about having enough fuel coming in.

**StockInterview:**

But, hasn't the industry changed over the past few years, as the spot uranium price has soared?

**Jon Indall:**

If you read the trade press and everything else, you can see, with the impetus that's going on in Asia and all the reactors that are under construction or planned, I think the utilities have to understand that security of supply is something they need to pay attention to. It's on our agenda to start talking to the utilities a little bit more seriously. Even though you can get this material from other places, it's nice to have a local producer. It's fairly apparent this industry, in the next four to five years, could be producing in the range of 20 million pounds.

**StockInterview:**

Do you believe the domestic uranium industry can produce twenty million pounds over the next four to five years?

**Jon Indall:**

Conservatively, five to six years, but maybe even sooner. Well, let me put it this way: We're producing roughly 3 million pounds now. That's up from two. I could be off by a factor of a few hundred thousand. Power Resources is producing roughly 2 million pounds. With the Uranium Resources production that's come on in Texas, and with Mestena, you've got about another million pounds or so. IUC has just announced that they're going to produce 3.5 million pounds, I think, over the next two years. Some of that is material they're cleaning up for DOE, but it is still production. All the UPA members have plans to be in production at some point.

**StockInterview:**

Yes, but doesn't it take five to eleven years to get the production underway?

**Jon Indall:**

I think eleven years is too far out. I think, if the companies can get with it, you can see four or five In Situ Recovery (ISR) operations producing one to two million pounds apiece. And then maybe somebody gets a conventional mine going here again, like IUC is doing. I can't tell you the exact number, but I think you'll see increased production, assuming that the price continues to rise or stabilize.

**StockInterview:**

How are the uranium companies going to move that fast?

**Jon Indall:**

I think a lot of it, in my mind, is how well the regulatory community accepts what these guys are trying to do. My impression is - and this is just me talking - that a lot of the communities, where this activity has been undertaken before, are not averse to seeing it again. It means good jobs and that type of thing. A lot of these communities are sort of depressed communities. For example in New Mexico, McKinley County is one of the lowest counties in the state economically. I think the average guy out there would welcome the opportunity to see some high paying jobs.

**StockInterview:**

How well would the regulatory community in New Mexico react?

**Jon Indall:**

I recently met with the New Mexico Mining Minerals Division. Since we passed the New Mexico Mining Act in 1993, no one has permitted a mine in New Mexico. We were talking about how we were going to do this. Obviously it's not going to happen tomorrow.

**StockInterview:**

What about senior state officials, such as the Governor of New Mexico?

**Jon Indall:**

I can tell you the New Mexico governor was extremely supportive of the uranium miners when he was in Congress. He introduced legislation supporting our efforts in those days, and some of it he did on his own. He's got a big state to govern, and I think he's looking for jobs. I think if we can show him that we can do this better than we did in the past, then he'll be supportive. That's my hope.

**StockInterview:**

Will the major oil or mining companies return to the uranium industry?

**Jon Indall:**

I don't anticipate the big oil companies coming in again for some time. BHP Billiton initially said, 'We have no interest in uranium mining in New Mexico.' Then they turned around and bought the biggest property in Australia. Now I understand BHP is looking hard at their New Mexico operations. So you might see some of the big mining companies involved.

**StockInterview:**

Who, then, will build up the domestic uranium industry?

**Jon Indall:**

I think it may be more entrepreneurial, which was the way it started back in the 1950s. The early producers, with the exception of Kerr McGee, were individuals - Charlie Steen, Dick Bokum, and Cotter Ferguson in Wyoming. They were the people who really got this industry up and going, with AEC assistance. I am not sure the oil companies are that critical, but I would like to see utilities get into the mix. I think it all depends on how supply and demand is perceived.

**StockInterview:**

How should the major uranium producers, such as Cameco or BHP, deal with the impact of a potential supply shortage for U.S. utilities?

**Jon Indall:**

BHP and Cameco are aggressively trying to increase their production. They wouldn't be doing that if they didn't think there was a market for it. The U.S. market and the U.S. government are so critical to the health of all suppliers, in my opinion, because our government has done more to help and harm domestic and worldwide production than any other entity. I think foreign producers would be wise to recognize that having a viable U.S. industry, which senators and the congressmen care about, because they're creating jobs and income in their states, is not a bad thing. I think it keeps DOE honest. To me, if I were sitting up in Canada, this would be something I might be looking at.

**StockInterview:**

What should U.S. utilities be looking at, with regards to the supply picture?

**Jon Indall:**

You've got the Russians announcing they're not going to proceed with the HEU agreement after 2013. It is my understanding they're looking to beef up supply for themselves. With the utilities, I think it's kind of 'wait and see' right now. I think that they're looking at this from the big picture. I think it's becoming more evident to them nuclear has got to play an ever increasing role. Global warming is really driving a lot of boats here, and I think they're realizing there has to be a real active nuclear power plant production increase.



**StockInterview:**

How are things differently now for the Uranium Producers of America compared to the early days in the 1980s?

**Jon Indall:**

Right now, it's a much different atmosphere than it was in 1985. The market was going down rapidly in 1985. Everybody was kind of fighting for their existence. We were pleading our case that this industry was created by the government - the government did things that really screwed it up. I think, now, we're not asking for so much. We're basically asking for the status quo. We don't want the government to do anything that adversely impacts the price. Let the price work itself out. Let's start producing uranium where cost has some impact. The price and the cost of have a relationship. From about 1985 on, they did not.

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