

UW School of Energy Resources

In-Situ Recovery:

Potential Production and Long Term Impacts on Wyoming

Presenter: Glenn Catchpole

(10:40 a.m. Session)

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Presentation Outline

- **Wyoming Uranium Reserves**
- **History of Uranium Mining in Wyoming**
- **Current Status of Industry in Wyoming**
- **Projections of Future Uranium Production in Wyoming**
- **Benefits of Uranium Mining to Wyoming**
- **Summary**

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US Forward-Cost Reserves by State

Source: U.S. Energy Information Administration

STATE	\$50	\$100
	U3O8 (lbs)	U3O8 (lbs)
Wyoming	220,000,000	446,000,000
New Mexico	179,000,000	390,000,000
Arizona, CO, Utah	63,000,000	198,000,000
Texas	27,000,000	40,000,000
Other	50,000,000	154,000,000
Total	539,000,000	1,227,000,000

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- Wyoming Uranium Reserves
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Wyoming Uranium History

- First major discovery in state made in 1951 by Dr. John Love Near Pumpkin Buttes (central PRB).
- First commercial production began around 1953.
- Continuous U Production in Wyo Since 1957
- First commercial ISR production started 1968
- Wyoming has been leading uranium producer in U.S. since 1995 (all by ISR extraction method)
- Historically Produced About 221 Million Pounds (2nd only to New Mexico)

Wyo Historic Uranium Production

- From 1968 to 1980 Annual Production Ramped Up from about 4 million pounds per year to a **maximum of 12 million pounds per year (in 1980)**
- In 1979 Spot Price Peaked at \$43.80 a Pound
- From 1980 to 1986 Annual Production Fell From the 12 million pounds a Year to less than 1 million pounds a year
- After 1986 Annual Production has been Bouncing Around at 1.5 to 2 million Pounds Per Year (1 to 2 ISR Mines)
- In 2009 Wyoming Uranium Production was 1.8 Million Pounds (1 mine); All by ISR Mining Method
- **Total Wyoming Production ~ 221 million pounds**

History of ISR Uranium Extraction

- Late 1960's – Birth of ISR (in Wyoming – Shirley Basin)
 - Good grade, good permeability, relatively shallow
- 1970's – Decade of ISR development (Texas & Wyoming)
- ISR Today
 - 36% of world uranium comes from ISR
 - 83% of US production from ISR; 100% of Wyo Production
 - Commercial 2009 ISR production from US (approximate)
 - Nebraska 600,000 lbs
 - Texas 1,000,000 lbs
 - **Wyoming** 1,800,000 lbs
 - Total 3,400,000 lbs

Why Only ISR Production Since 1986

So current spot price, \$46.00/lb., not too bad compared to 1979 price of ~\$44/lb., right?

wrong!!!

Real Uranium Spot Price (inflation adjusted)

- Peak Uranium Price in 1979 - \$43.80/lb.
- In Equivalent Dollars Today (CPI) - \$131.63/lb.
- **Current Spot Price - \$46.00/lb.**
- **In Equivalent 1979 Dollars (CPI) - \$15.33/lb.**

Consumer Price Index Inflation Factor – 3.005; Is it Relevant,
Yes

Real Uranium Spot Price (inflation adjusted)

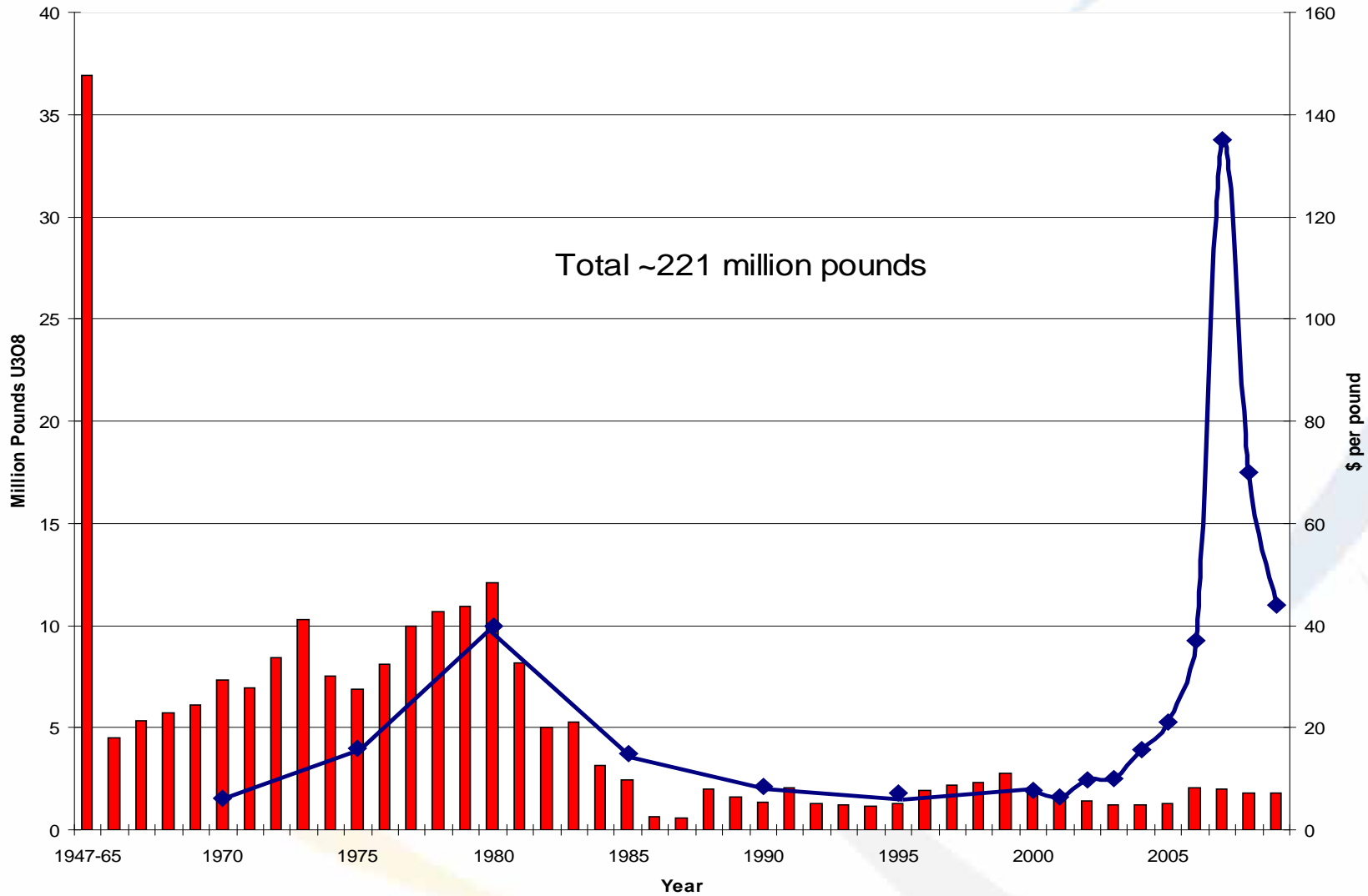
- In Equivalent 1979 Dollars (CPI) - Today's Spot Price is **\$15.33/lb.** [However not all U sold in the spot market]
- By the early 1990s the Spot Price had gone below \$15.33/lb. and All Open Pit & Underground Uranium Mines/Mills in Wyoming Had Shut Down and All But One Had Gone Into Decommissioning (Sweetwater Mill Placed on Standby)
- Four or Five ISR Uranium Mines in USA Remained in Operation; Two of them in Wyoming (lower Capex & Opex)

Historic Uranium Spot Price

(all values approximate)

- 1970 – \$8/lb.
- 1980 - \$43/lb. (local high)
- 1985 - \$15/lb.
- 1990 to 2001 - \$7/lb. to \$8/lb.
- 2002 to 2003 - \$10/lb.
- 2004 - \$15/lb.
- 2005 - \$21/lb.
- 2006 - \$38/lb.
- 2007 - \$138/lb. (all time high)
- 2008 - \$70/lb. 2009 - \$46/lb (current)

Wyoming Uranium Production & Spot Price



Spot U Price vs. Wyo U Production

Historic Wyoming Uranium Production Correlates Closely
with Selling Price of Uranium

Peak Annual Production in 1980 - 12 million Pounds

Peak Spot Price of Uranium 1979 (last boom) - \$43.78/lb.

Today's Dollars (2010) - \$14.56/lb.

Future Spot Price ??? (RBC projects \$80/lb.)

BMO – current world average production cost \$31/lb.

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Indicator of Interest in Wyoming Uranium Deposits

Active Federal Mining Claims (Wyoming)*

2001 – ~ 5,425

Today - ~ 39,518 ~790,000 Acres

* As of July 2010

Status of ISR Operations in Wyo

- Two Existing ISR Mines (Powder River Basin)
 - One in Production – Cameco’s Smith Ranch – Highland Facility
 - One on Standby – Uranium One’s Christensen Ranch Facility
(planned restart in 2011)
- Two/Three ISR Mines ~ Licensed but Not Yet Built
(two located in the Powder River Basin and the other in the Gas Hills)
- Five Planned ISR Mines in Permitting Stage (3 advanced)
- Three ISR Mines in Pre-Permitting Stage
- Two Conventional Mines in Pre-Permitting Stage

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Primary Factors that Determine Production Levels

1. Quality of Deposits
 - For In-Situ Recovery Method to be economic need.....
 - Adequate Ore Grade & Thickness
 - Ore in Aquifer and with Good Permeability
 - Not too Deep
2. Regulatory Setting (N.M. Example)
3. Selling Price of Yellowcake

Projections of Future Uranium Production in Wyoming

- **Therefore, to predict future uranium production in Wyoming and the number of mines that will be in operation, one must predict the future selling price yellowcake.**
- **As those individuals in this room who work for uranium companies know, there are many institutions who project future uranium prices but we also know that they are consistently wrong.**
- **The following is one such projection**

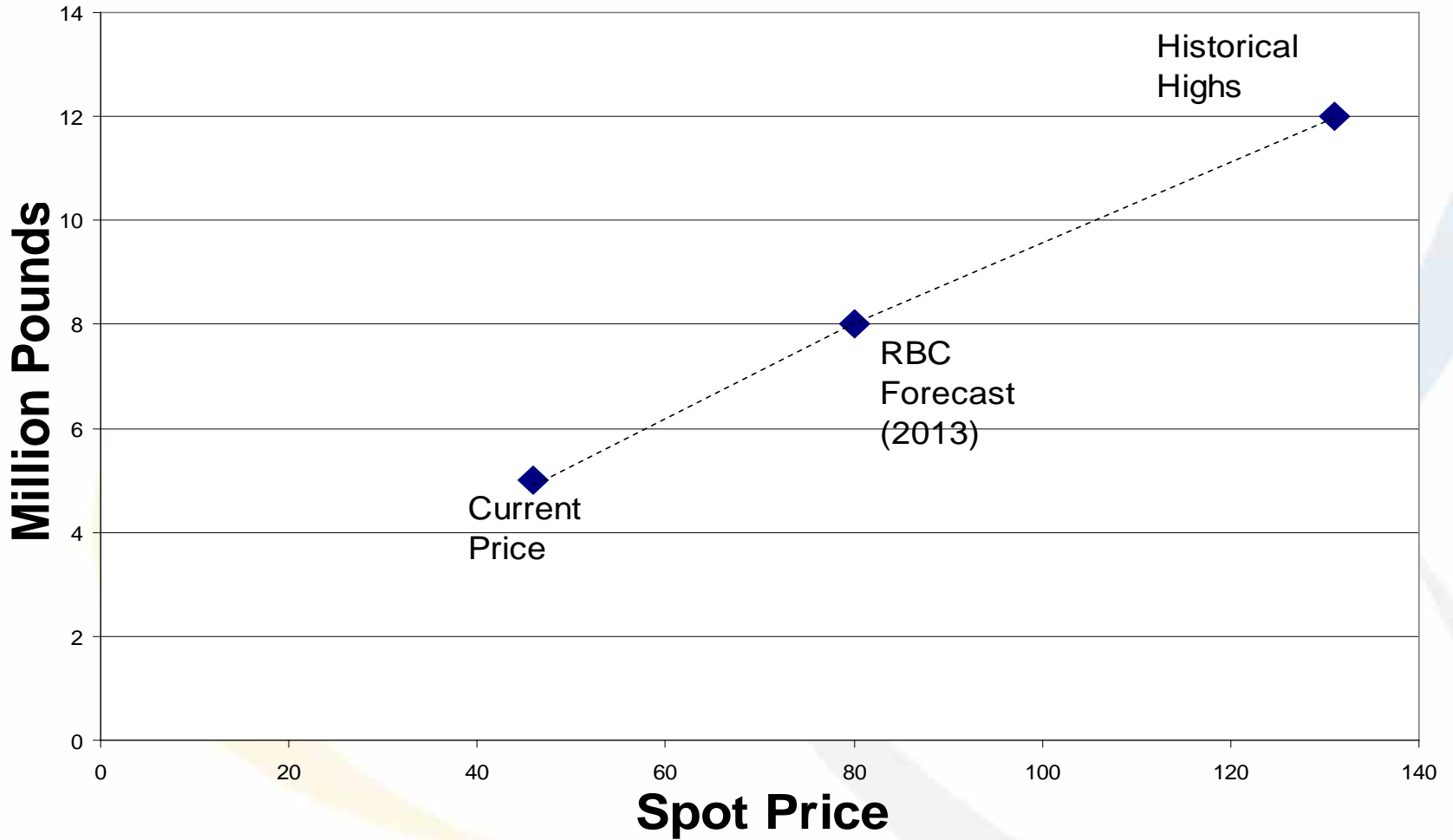
Projections of Future Uranium Spot Prices

	<u>RBC</u>
2010	\$44.50/lb.
2011	\$55/lb.
2012	\$75/lb.
<u>2013</u>	<u>\$80/lb.</u>
2014	\$80/lb.
2015	\$80/lb.

(as of 2n Qtr. 2010)

Not All Uranium Sold on the Spot Market

Wyo Future Estimated Annual Uranium Production



Graph Summary

- **Low Case – 5 million lbs./yr. (~5 mines)**
- **Mid Case - 8 million lbs./yr. (~8 mines)**
- **High Case – 12 million lbs./yr. (~12 mines)**

[some future mines could be conventional if they have competitive cost structure]

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Benefits of ISR Mining to Wyoming

1. Significant Tax Revenue
2. Quality, Good Paying, Safe Jobs
3. Other Economic Benefits... Prof. Taylor

Benefits of ISR Mining to Wyoming

1. Significant Tax Revenue

2. Quality, Good Paying, Safe Jobs

Tax Revenue

- Uranium Mines Pay the following Taxes:
 - Property Taxes
 - Ad Valorem Taxes
 - Severance Taxes
 - Employee Payroll Taxes
 - Federal Corporate Income Tax
 - State Mineral Leases Royalties (to the State)
 - Sales Tax
 - Federal Land Fees (BLM)

Potential Tax Revenue

- For a typical ISR Uranium mine in Wyoming, producing one million pounds per year of yellowcake, the total of all taxes paid is approximately \$4 to \$5 million per year.
- If we reach a point where there are twelve (12) ISR Uranium mines in production the annual tax revenue to the State could amount to roughly \$48 to \$60 million per year.

Benefits of ISR Mining to Wyoming

1. Significant Tax Revenue
- 2. Quality, Good Paying, Safe Jobs**

Careers and Opportunities

- Geologists
- Hydrologists
- Engineers / Environmental Specialists
- Health Physics
- Chemists
- Accountants / Human Resources
- Public and Government Relations
- GIS & Instrumentation Technicians
- Skilled Craftsmen

Potential Employment

(typical number of employees)

- Employees per Mine (ISR) 80 - 120
- Contractors per Mine (ISR) 30 - 50
- Wyoming Office 15 - 30
- TOTAL (per ISR Mine) 125 - 200
- **If 12 ISR Mines in Operation; 1,500 – 2,400**
Quality Jobs for Wyoming Citizens

(does not include vendor & service company jobs)

Summary

- **Wyoming – Largest Reserves in US**
- **Historically – #2 Producing State**
- **Currently – 1 Mine Producing (#1 State) more in restart and licensing**
- **Projections – 5 to 12 m lbs./yr. (price?) for 20+ years, 220 million + Pounds?**
- **Benefits – jobs, taxes, economy**