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Surge in uranium prices triggers interest in Elliot Lake mine and plant

By Dan Bellerose

A recent sharp surge in the spot price of uranium oxide, along with ever-increasing demand, has triggered interest in developing a new mine and processing facility in Elliot Lake, formerly recognized as the 'uranium capital of the world.'

The last of a dozen mines that took 270 million pounds of uranium oxide out of vast deposits around Elliot Lake over a span of four decades, beginning in 1955, was shuttered in 1996, but a new generation of mining explorers are reworking the fields.

"With market forces back in Elliot Lake's favour there has been renewed interest in revisiting one of the most explored uranium deposits in the world," said Al Shefsky, president and CEO of Pele Mountain Resources Inc., the most advanced of four firms exploring the area.

"The mines may have closed for some time now but it was not because they ran out of uranium, significant mineral deposits remained, it was no longer economical to mine."

Pele Mountain, a Toronto-based mineral exploration and development company that began staking claims and acquiring property in 2005, has received a favorable preliminary evaluation, and is now entering the crucial feasibility and permit portion of the process.

"Should we advance the project we're still several years and significant dollars away from actual construction, but it looks promising, our preliminary reviews indicate a mine is economically viable," said Shefsky.

The most recent study, released last month, was a comprehensive 300-page preliminary economic evaluation and technical review assessing potential mining, processing and waste management methods as well as confirming results from historic drill holes.

The timeline includes at least three years to secure regulatory approvals, including the all-important environmental assessment go-ahead from the Canadian Nuclear Safety Commission, the regulatory body which issues mine-building permits, and two years for construction.

Pele Mountain has staked out nearly 7,600 hectares of property over five townships about 10 kilometres east of the Elliot Lake, on land adjacent to three former operational Rio Algom Mines Ltd. properties. An initial study, based on historical data, indicated 33 million pounds of uranium oxide on the property, the more recent technical review bumps the resource estimate to 42.5 million pounds with the potential for significant unconfirmed tonnage.

The spot market price of uranium oxide was \$20 US a pound when Pele Mountain began staking in Elliot Lake nearly three years ago, he said, and it's currently \$93, up nearly \$20 from the summer, but down \$45 from its \$138-a-pound peak earlier this year.

Pele Mountain, which has spent more than \$1 million exploring the site, is setting aside more than \$3 million for additional drilling, surveys and studies to get it through the licensing and permit process.

Its preliminary business case is budgeting \$55.51 in operational costs for every pound of uranium oxide produced and is assuming long-term pricing of \$95 a pound.

Producers get about a pound of uranium oxide from every tonne of ore processed.

The main deposit, described as "world-class in size, with room for significant expansion," is a six-kilometre east-west outcropping that intersects with another significant property deposit to the north.

"The main deposit is consistent in thickness and grade across the entire property," said Shefsky.

The grade of uranium Pele Mountain is pursuing is considered low in some circles, especially if compared to the grades mined in Saskatchewan, but "there are mines out there right now making good money on a grade of uranium lower than what we are going after," he countered.

The search is on for potentially higher grades, "there are indications of deposits at least 10 times higher than the current property average (0.03 per cent) that we're checking out."

"The world is hungry for new sources of uranium to power the more than 400 existing nuclear power plants and the more than 200 under construction or on the drawing board," said Shefsky.

Ontario plans to expand its own nuclear capacity and a mine in Elliot Lake would provide the province with a secure 'homegrown' supply.

The mine and processing facility envisioned, at a projected cost of \$195 million, would incorporate the latest techniques in development, extraction and processing.

About 60 per cent of the ore will be processed underground through bioleaching, a process developed by Denison Mines in the 1980s, and remain underground, meaning a much smaller mine footprint with less environmental disturbance at the surface.

The remaining 40 per cent will be broken then transferred by truck to the surface and processed in a conventional acid-leach plant.

The mine, with a conservative life expectancy of 18 years, while producing 826,000 pounds of uranium oxide annually, could offer as many as 200 employment opportunities.

The vision does not include the sinking of a traditional mine shaft, instead, it will be worked through a series of "declining ramps" with offshoot tunnels into the deposit.

"Rio Algom's donation of its extensive drilling maps and historical data to the local Ministry of Northern Development and Mines office saved us time and cost," said the CEO, whose group essentially only needed to confirm old resources.

Rio Algom Mines Ltd. owned nine of the dozen uranium mines that worked the Elliot Lake area through the years, its final operational site being Stanleigh Mine, which closed in June, 1996, at a cost of 600 jobs.

Denison Mines Ltd. operated the remaining three uranium mines.

Elliot Lake, with a current population of 11,500, has undergone a couple boom and bust cycles since uranium was first discovered in the region in 1949, with as many as 25,000 people moving into the region to work the mines.

The knockout blow came with the closure of two of Rio Algom's last three mines in 1990, followed two years later by the shutdown of Denison's last possession, Denison Mine itself, which employed more than 1,000 miners.

The closures came around as a result of extended pricing at under \$10 a pound which led to then Ontario Hydro terminating a 35-year contract with 20 years remain to access higher grade, lower cost, uranium out of Saskatchewan.