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## CANADIAN MINING PERSPECTIVES: Elliot Lake ready for a renaissance

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A nuclear renaissance is underway, in response to surging global demand for electricity and a desire by governments to reduce greenhouse gas emissions. As the world embraces nuclear power, there is a growing need to find secure and reliable new sources of uranium not only to supply the world's 437 operating nuclear reactors, but also to power the more than 200 additional reactors either under construction or proposed. The strong market fundamentals of supply and demand have led to a tenfold increase in the spot price of uranium since 2002.

As Canadian uranium exploration and mining companies spread outward around the globe to find new sources of this "precious metal", the challenges to security of supply should be considered very carefully. There are many examples of developing countries with attractive geological potential, but less than certain or predictable systems of mineral rights tenure. As security of supply is of paramount importance to the end users of uranium, the political risks in these jurisdictions may ultimately outweigh their geological attraction.

Political risk from unstable or unpredictable governments and/or weaker rules of law and land tenure can also undermine and threaten security of supply. In fact, even though the geological prize can be quite tempting, it is very risky for companies to undertake development in such jurisdictions. Recent examples of companies having their rights challenged in Mongolia have made headlines and resulted in share prices of affected companies plummeting; the list of high political risk countries is long.

When security of mineral rights tenure is the yardstick by which a jurisdiction's desirability is measured, Canada is among the best locations in the world. This country has not one, but two, established uranium mining regions, Elliot Lake in Ontario and the Athabasca Basin in Saskatchewan.

In addition to being politically stable and mining-friendly, there are many other advantages to working in a developed mining camp like Elliot Lake or the Athabasca Basin. This includes existing infrastructure such as air transportation, roads, airport and power lines. There is a qualified workforce already in the area and all necessary support services are available nearby.

Over the past 20 years, demand for uranium oxide has consistently outstripped mine production by a wide margin. The shortfall has been covered by the sale of stockpiles, and augmented by supplies of uranium from the decommissioning of nuclear warheads. The sale of this stockpiled inventory into the market drove prices to very low levels and resulted in the closure of many mines, including those at Elliot Lake. It also caused the termination of exploration programs and set the stage for today's shortage in mine production and milling capacity.

With the overhang of world stockpiles coming to an end, the nuclear industry has become focused on re-establishing long-term, reliable supplies and initiating new sources of uranium production. While it is often said that there is no shortage of uranium in the ground, there is a very real shortage of uranium currently available for use in the fuel cycle, and there are political, environmental and sometimes technical challenges to ramping up the necessary new production.

The Cameco-Areva joint venture at the Cigar Lake mine in Saskatchewan was originally scheduled to begin commercial production in 2007. While the deposit is undeniably rich and contains a huge resource, the mine has met with numerous scheduling setbacks. The ground conditions require special mining techniques that have proven to be technically challenging. The mine suffered a major failure last fall when ground support collapsed leading to flooding and the evacuation of the mine. The complexities of the subsequent remediation efforts have pushed production schedules back to 2011.

## SAFE CHOICE

As new Canadian projects address technical and infrastructure challenges and many projects outside Canada are faced with daunting political risk, Elliot Lake by comparison offers an increasingly attractive option. Historically, uranium mining at Elliot Lake has provided the type of security and reliability of supply that is so desirable in today's uncertain world. Between 1955 and 1996, 12 mines successfully produced uranium in the Elliot Lake camp. That experience demonstrated that the ground conditions are stable, and the geological aspects of the deposits are straightforward and well understood.

In addition, Elliot Lake already has outstanding infrastructure in place. The city itself was designed and built in the 1950s from the ground up specifically to support multiple uranium mines, and today its road, power, airport and residential infrastructure are in excellent shape. With only a 20-minute drive north of the Trans-Canada Highway and a two-hour drive from either Sudbury or Sault St. Marie, Elliot Lake is easily accessible and supplied. Over the years, the city's infrastructure expanded to meet a growing population that peaked at around 25,000 residents. There is considerable excess capacity currently available, with the population now standing at about 11,500.

As competition for uranium resources grows, Elliot Lake offers compelling strategic advantages. This is especially true for Ontario, as the province derives close to 50% of its electricity from nuclear power and plans to increase its nuclear generation capacity. Elliot Lake represents a well-established, secure and reliable long-term source of uranium supply. Best of all, there is a huge resource of uranium remaining and available to help fuel the nuclear renaissance.

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