



URANIUM PRODUCERS OF AMERICA

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ANNUAL REPORT – 2016

State of the Industry

The Uranium Producers of America (UPA) is the industry trade association committed to the maintenance of a viable domestic uranium mining and conversion industry to support clean-air nuclear energy. Currently, the United States has a fleet of 99 nuclear reactors supplying approximately 20 percent of the electricity generated in our country, accounting for more than 60 percent of the nation's clean-air energy. Alarming, 95 percent of the uranium that fuels U.S. reactors is imported from foreign sources. In essence, the U.S. is almost entirely dependent on foreign uranium for 20 percent of our electricity, putting our economy at risk to foreign supply disruptions. Although the U.S. contains vast uranium deposits and the industry is cost-competitive with global producers, the viability of the domestic uranium industry is now in peril as a result of depressed uranium prices, government overregulation and government dumping of its excess uranium inventory into the market.

The U.S. was once the world's largest uranium producer, but domestic production peaked in the late 1970s near 44 million pounds of annual production (equivalent to over 80% of current US utility requirements). By 2016 production dropped to less than 2.7 million pounds and further decreases are expected in 2017. The Energy Information Administration recently reported that U.S. production is now at the lowest annual level since 2005. Various factors have contributed to the decline, including strong competition from developing countries with less regulatory requirements and the megatons to megawatts programs that transformed Russian warheads into U.S. reactor fuel. Other circumstances include a strong dollar relative to other foreign currencies, and protracted regulatory and redundant permitting processes in the U.S.- in many cases, it can take longer to permit a uranium In-Situ Recovery (ISR) operation than a nuclear power reactor.

UPA Remains Active in Washington, D.C.

UPA remains the industry's voice in Washington D.C., addressing key policies that impact the viability of the uranium mining and conversion industries.

UPA continues to call on the Department of Energy to stop dumping their excess uranium inventory into the market. The liquidation of DOE stockpiles through a barter arrangement with one of its contractors has imparted great harm to the industry. These forced sales into the spot and term markets have contributed greatly to the downward spiral in prices for

uranium worldwide over the past several years. In addition to raising questions about whether the DOE barter transactions are legal, UPA has challenged whether DOE is meeting its statutory obligation to ensure any transfers do not have an adverse material impact on the domestic industry.

DOE is now the largest player in the domestic industry, with annual transfers that are nearly two times what the entire domestic industry produces. In the last several years, as uranium prices dropped and the U.S. industry lost half its workforce, DOE has accelerated its transfers. UPA is urging DOE to temporarily halt transfers until the uranium market recovers. In the meantime, the cleanup work that the transfers are helping fund, should be sustained through the regular appropriations process.

As a result of UPA's efforts, DOE slightly reduced the amount of its material entering the market in 2016, but additional action is required. UPA members should not be in competition with their own government, particularly in a challenging market with prices below production costs and minimal uncommitted utility demand. UPA looks forward to working with the Trump Administration and incoming DOE Secretary Rick Perry to address this issue. UPA is hopeful the new Administration will see the industry as a strategic asset and take steps to reduce our dependence on foreign uranium.

In addition to working to stop DOE from dumping material into the market, UPA has fought unprecedented regulations proposed by the Environmental Protection Agency that would end In Situ Recovery (ISR) uranium mining in the U.S. Despite admitting that the industry has never contaminated an adjacent, non-exempt aquifer, the EPA proposed a rule in January 2015 to require, among other things, 30 years of stability monitoring after a project is completed. The EPA provided no evidence to support its rulemaking and ignored a recommendation from its own Science Advisory Board to gather more information before proceeding. The industry offered to work with the EPA to review existing groundwater data and conduct additional sampling if warranted, but that offer was rejected.

UPA led an aggressive campaign to raise concern about the EPA's proposal, leveraging support from policymakers and the Small Business Administration. The Nuclear Regulatory Commission, which is the primary regulator of ISR projects, also raised concerns about EPA's proposal. As a result of these efforts, at the end of 2016, the EPA withdrew its rule. That's the good news. The bad news is EPA reissued a substantially similar proposed rule, making mostly cosmetic changes, on the very last day of the Obama Administration. We are hopeful the Trump Administration will review this proposed rule and find, as we do, that it is unjustified based on the facts.

As we move into 2017, these issues and others will require UPA members to continue to work with various Members of Congress to halt governmental actions that have proven detrimental to the domestic uranium production and conversion industry. Other areas UPA will be working on in 2017 include clarifying the regulatory responsibilities of the EPA and NRC and looking for opportunities to promote the use of domestic uranium tax credits for U.S. utilities as Congress tackles tax reform. UPA will also promote reforms to bring

greater accountability and transparency to the NRC, including seeking to end the practice of NRC issuing bills with no statement of work or assessment of progress.

Communication and messaging of industry related events, reports, news releases, and articles has now become easier with the revamping of UPA's website (<http://theUPA.org>). UPA can also now be followed on Facebook (Uranium Producers of America) and Twitter (@UraniumProdAm). Please take a moment and check us out. As always, we welcome your suggestions, ideas, and input. Please send those to info@theUPA.org and we will respond.

Thank you.

Harry L Anthony, IV PE
UPA President