

**SAFETY EVALUATION REPORT
TRANSFER OF CONTROL FOR LICENSE SUA-1580**

DATE: March 11, 2016

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LICENSEE: Hydro Resources, Inc.

SITE: Crownpoint Uranium Project, New Mexico
NRC Materials License SUA-1580

PROJECT MANAGER: Ron C. Linton

TECHNICAL REVIEWERS: Reginald Augustus, Ron C. Linton

SUMMARY AND CONCLUSIONS

On January 5, 1998, the U.S. Nuclear Regulatory Commission (NRC) issued Source Materials License SUA-1580 to Hydro Resources, Inc., (HRI or licensee) for the Crownpoint Uranium Project (CUP) that allows for the *in situ* recovery¹ (ISR) of uranium in New Mexico. The CUP has never been constructed or operated and the license remains in timely renewal status.

By letter dated November 27, 2015, Uranium Resources, Inc., (URI) on behalf of its wholly-owned subsidiary HRI, and Laramide Resources Ltd. (Laramide), submitted to the NRC an application requesting approval for an indirect change of control of the CUP license SUA-1580 from URI to Laramide (Agencywide Documents and Access Management System (ADAMS) Accession No. ML15334A483). The NRC approval will allow for an indirect change of control of the license from HRI (a United States Corporation) to Laramide (a Canadian corporation). The November 27, 2015, submittal was reviewed by the NRC staff for an indirect transfer in control of a license issued under Title 10 of the *Code of Federal Regulations* (10 CFR) Part 40.

As required by 10 CFR 40.46, the NRC staff has reviewed the application and finds that the proposed change of control is in accordance with § 184 of the Atomic Energy Act of 1954, as amended (the Act). The staff finds that, after the change of control, HRI will remain the licensee, and will remain qualified to use radioactive material for the purpose requested to protect public health and safety and to minimize danger to life or property. The NRC staff finds that the information submitted by URI sufficiently describes and documents the transaction and Laramide's understanding of the commitments made in NRC License SUA-1580. Because HRI will remain the licensee, a license amendment is not required for approval of this action. However, HRI has requested an administrative license amendment to update the licensee's mailing address. The licensee's mailing address will be changed by amendment to license

¹ One of the two primary recovery methods that are currently used to extract uranium from ore bodies where they are normally found underground (in other words, *in situ*), without physical excavation. Also known as "solution mining" or *in situ* leaching.

SUA-1580. Additionally, NRC staff will administratively amend and update the NRC mailing address for licensee correspondence to the NRC. The NRC staff will amend and issue the license amendment upon completion of the transfer of control.

INTRODUCTION

URI and Laramide submitted a request to the NRC for consent to the indirect change of control of Source Materials License SUA-1580 in an application dated November 27, 2015. HRI possesses the CUP uranium ISR license SUA-1580 that authorizes uranium recovery, with conditions, at properties located in McKinley County, New Mexico. The CUP has not been constructed, is not operational, and is currently in timely license renewal status.

The proposed change of control is described by URI and Laramide in an application submitted to the NRC dated November 27, 2015 (ADAMS Accession No. ML15334A483). The application contains: (1) a cover letter; (2) an attachment containing the application for Approval of Indirect Transfer of Control; (3) an attachment containing "Known Entity" supporting documents including a "Plan of Operations Modifications Approved – Conditions of Approval Required" and a "Finding of No Significant Impact and Decision Record", for the La Sal No. 2 Uranium Sampling Project, San Juan County, Utah, from the Bureau of Land Management, Moab Field Office; and (4) an attachment containing a license amendment application. The amendment application includes: (1) a description of the transaction; (2) a discussion of changes in personnel; (3) a discussion of equipment and procedures; (4) a discussion of surveillance records; (5) a discussion of decommissioning records; and (6) a discussion of the transferee's commitment to abide by the transferor's commitments in the license.

LICENSE HISTORY

The NRC issued Source Material License SUA-1580 to HRI in January 1998 for uranium production at the CUP. The CUP is located in McKinley County, New Mexico. The CUP license authorizes uranium recovery activities in three different project areas: Crownpoint, Unit 1, and Churchrock. The CUP has a license, but no active operations. In August 2002, HRI requested renewal of license SUA-1580 (ADAMS Accession No. ML022460195). The license renewal application was deemed timely filed (ADAMS Accession No. ML023640494). After the license was issued in 1998, the NRC's licensing decision was subject to a lengthy NRC Atomic Safety and Licensing Board hearing, appealed to the Commission, and upheld by the United States Court of Appeals for the 10th Circuit. On March 21, 2013, HRI submitted an updated Environmental Report (ER) and Consolidated Operations Plan (COP), revision 3.0, to the NRC in support of a request for license renewal (ADAMS Accession No. ML13098A140). On February 5, 2014, HRI submitted a letter indicating that it was in negotiations with the Navajo Nation and would provide updates to the ER and COP by June 2014 (ADAMS Accession No. ML14056A228). On September 16, 2014, HRI requested additional time to work with the Navajo Nation before submitting updates to the ER and COP (ADAMS Accession No. ML14288A458). On November 13, 2014, the NRC put the license renewal application in abeyance until further notice (ADAMS Accession No. ML14296A690). On November 27, 2015, URI and Laramide filed an application for a transfer of control of license SUA-1580 (ADAMS Accession No. ML15334A483).

REGULATORY FRAMEWORK

License SUA-1580 was issued under 10 CFR Part 40, "Domestic Licensing of Source Material." The Commission is required by 10 CFR 40.46 to determine if the change of control is in accordance with the provisions of the act and give its consent in writing. 10 CFR 40.46 states:

No license issued or granted pursuant to the regulations of this part shall be transferred, assigned, or in any manner disposed of, either voluntarily or involuntarily, directly or indirectly, through transfer of control of any license to any person, unless the Commission shall after securing full information, find that the transfer is in accordance with the provisions of this act, and shall give its consent in writing.

The staff's review is guided by NUREG-1556, Volume 15, "Consolidated Guidance About Materials Licenses – Program-Specific Guidance About Changes of Control and About Bankruptcy Involving Byproduct, Source or Special Nuclear Material Licenses," dated November 2000, and regulations pertaining to specific licenses in 10 CFR Part 40. Public notice of the application followed the regulations pertaining to 10 CFR Part 40 licensees and as outlined in Regulatory Issues Summary (RIS) 2014-08, "Regulatory Requirements for Transfer of Control (Change of Ownership) of Specific Materials Licenses," dated May 27, 2014.

As discussed in NUREG-1556, Volume 15, the NRC may use the term "change of control" rather than the statutory term "transfer" to describe the variety of events that could require prior notification and written consent of the NRC.

The application was placed in ADAMS (ADAMS Accession No. ML15334A483) and publicly released on December 4, 2015. The application for change of control was placed on NRC's public Web site found at <http://www.nrc.gov/about-nrc/regulatory/adjudicatory/hearing-license-applications.html#change>, under "Notice of Ownership Change" and "Notice of Application for Transfer of Control for Material Licenses under 10 CFR Part 30 and/or Part 40" on December 10, 2015. The 30-day comment period specified in 10 CFR 2.1305 closed on January 9, 2016. The NRC has not received any comments regarding this change of control.

DEFINITION OF A CHANGE OF CONTROL

NUREG-1556, Volume 15, Appendix F, defines control as:

Control of a license is in the hands of the person or persons who are empowered to decide when and how that license will be used. That control is to be found in the person or persons who, because of ownership or authority explicitly delegated by the owners, possess the power to determine corporate policy and thus the direction of the activities under the license.

Upon consummation of the financial transaction, described below, Laramide will become the ultimate parent company of HRI providing Laramide with indirect control over NRC license

SUA-1580. Although an indirect change of control, the proposed transaction still requires NRC consent under § 184 of the Act and 10 CFR 40.46.

DESCRIPTION OF TRANSACTION

NUREG-1556, Volume 15, recommends that license transfer applications include:

- A clear description of the transaction to include, but not limited to, any transfer of stocks, assets, or mergers;
- New name of licensed organization or statement that no name change has occurred; and
- New licensee contact and telephone number (if applicable).

The submittal dated November 27, 2015, states that HRI is a wholly-owned subsidiary of URI and that “Laramide Resources Ltd. (Laramide) will acquire 100 percent of the common shares in the Licensee from URI.”

Based on URI’s submittals, the staff finds that after the transaction, HRI will remain the NRC licensee for Materials License SUA-1580 and that the transaction will result in a change of control of the parent company of the licensee from URI to Laramide. The submittal also included an updated licensee address which will be reflected in an administrative amendment to the license.

The NRC staff finds that URI adequately provided a complete and clear description of the transaction and stock acquisition. The information provided is consistent with the guidance in NUREG-1556.

CHANGES OF PERSONNEL

NUREG-1556, Volume 15, recommends that license transfer applications include documenting changes in personnel to include individuals having control over licensed activities.

The November 27, 2015, application states that “the proposed indirect transfer of control would not result in any changes to the licensee’s name, organization, or NRC-licensed activities. Furthermore, the application states that none of the facilities “licensed to the licensee, are currently in production, and the ... facilities have never been operational.”

As stated in its application, “Laramide is a Canadian company engaged in the exploration and development of uranium assets based in Australia and the United States.” Laramide has demonstrated in its application that it holds a number of licenses and permits in the United States, including permits with the Bureau of Land Management through its wholly owned subsidiary Laramide La Sal, Inc. Laramide has demonstrated it is a “known entity” engaged in exploration of uranium assets in the U.S.

The NRC staff finds that since there are no operations and the facility has not been constructed, there are no key personnel that have control over licensed material that will change as a result

of the proposed transaction. The NRC staff further finds that Laramide has experience in exploration and development of uranium assets similar to those of the CUP.

CHANGES OF LOCATION, EQUIPMENT AND PROCEDURES

NUREG-1556, Volume 15, recommends that license transfer applications include a detailed description of any changes in the licensees' location(s) of use, facility description, equipment or procedures (i.e., changes in operating or emergency procedures) that would normally require a license amendment.

The November 27, 2015, application states, "[t]here are no planned changes in the organization, location, facility, equipment, or procedures under the license in connection with the Proposed Transaction." The application also states, "Other than the address change for the Licensee, there are no planned changes in the organization, location, facilities, equipment, procedures, or personnel that would require a license amendment even without the change of ownership."

The NRC staff finds that there are no proposed changes in the location, equipment, and procedures for the site and the documentation submitted meets the requirements in 10 CFR Part 40 and is consistent with the guidance in NUREG-1556, Volume 15. As previously noted, there are no operations, construction, or operational procedures currently in place.

SURVEILLANCE RECORDS

NUREG-1556, Volume 15, recommends that, prior to the approval of a change of control, license transfer applications should include a review of the status of all applicable surveillance requirements and records. This should include an indication of whether the surveillance program is current and if it will be current at the time of transfer.

The November 27, 2015, application states, "The Licensee has never operated under its NRC License, and thus this section is not applicable. In any event, all items and records will remain with the Licensee."

The staff finds that the application submitted contains a statement that all required surveillance has been performed, documented, reviewed, and will remain with the licensee as required by 10 CFR Part 40 and recommended by NUREG-1556, Volume 15.

DECOMMISSIONING AND RELATED RECORDS TRANSFERS

NUREG-1556, Volume 15, recommends that license transfer applications include: (1) information that ensures the proper transfer and maintenance of records important to the safe and effective decommissioning of facilities involved in licensed activities, and (2) a description of the status of the licensed facility with regard to ambient radiation levels and fixed and/or removable contamination as a result of NRC licensed activities. The application should confirm that the transferee accepts full responsibility for the decommissioning of the site, including any contaminated facilities and equipment.

Record Transfer

The November 27, 2015, application states, "The Licensee has never operated under its NRC License. In any event, all such decommissioning and related records will remain with the Licensee.

The staff finds the commitment to retain all decommissioning and related records acceptable. The NRC staff finds that the application contains information on the maintenance of all records, consistent with the guidance in NUREG-1556, Volume 15.

Contamination Status

The November 27, 2015, application states, "Licensee has never operated under its NRC License, and so there has been no contamination as a result of its licensed activities at the CUP facilities. In any event, the Licensee will continue to have all liability for any decontamination and decommissioning requirements at the CUP facilities. As part of the Proposed Transaction, Licensee will retain all liabilities, including any pre-existing legacy or historical environmental liabilities, for the properties owned by Licensee."

The NRC staff finds that the submitted information sufficiently demonstrates that HRI and Laramide understand the current status of the contamination levels at the facilities, consistent with the guidance in NUREG-1556, Volume 15.

Decommissioning Commitment

The November 27, 2015, application states, "The Licensee has never operated under its NRC License, and thus there is not currently in place an NRC-approved surety arrangement to cover the estimated costs of decommissioning, reclamation, and groundwater restoration. See License Condition 9.5. In any event, the Licensee will continue to be bound by License Condition 9.5 and the NRC requirements pertaining to decontamination plans, including financial surety arrangements."

The NRC staff finds that the application sufficiently describes HRI and Laramide's commitment to decommissioning of the facilities, in accordance with NUREG-1556, Volume 15. Staff notes that because this facility has never been constructed, financial assurance is not required at this time.

TRANSFEREE'S COMMITMENT TO ABIDE BY THE TRANSFEROR'S COMMITMENTS

In the November 27, 2015, application, HRI's new parent company, Laramide, acknowledged its commitment to abide by all of the constraints, license conditions, requirements, representations and commitments of the HRI License SUA-1580 after the closing of the Transaction.

The November 27, 2015, application states, "The indirect change in control of the License resulting from the Proposed Transaction would not create a new licensee and would not change the Licensee's existing commitments under the License. Following the Proposed Transaction,

the Licensee agrees to continue to abide by all constraints, license conditions, requirements, representations and commitments identified in and attributed to the existing License, including any decommissioning and decontamination funding obligations. The Licensee has never operated under its NRC License, so there have been no decontamination or decommissioning activities. The Licensee agrees to continue to accept full responsibility for open inspection items and any resulting enforcement action. The proposed change in the Licensee's ultimate parent company will not affect these commitments and representations.”

The November 27, 2015, application further states, “The Proposed Transaction would not create a new licensee and would not change the Licensee's existing commitments under the License. The Licensee is aware of and will continue to be responsible for all open inspection items and the Licensee will remain responsible for any possible resulting enforcement actions.”

The November 27, 2015, cover letter to the application was signed by Christopher M. Jones, President and CEO, Uranium Resources, Inc. (current parent company to HRI) and Marc Henderson, President and CEO, Laramide Resources Ltd. Both CEO's stated, “I declare under penalty of perjury under the laws of the United States of America that the Hydro Resources, Inc.'s Crownpoint Uranium Project; Application for Approval of Indirect Transfer of Control of NRC Materials License No. SUA-1580 (Docket No. 040-08968) is true and correct.”

The NRC staff finds the commitments made by the new parent company, Laramide, signed by the CEO, provide certification from an authorized representative of the transferee to abide by commitments made by HRI in its NRC Materials License SUA-1580 and is consistent with the guidance in NUREG-1556, Volume 15.

INIMICALITY REVIEW

Neither the NRC's regulations nor the Act prohibit issuance of a materials license to a licensee that is wholly or majority owned by a foreign parent. Instead, under § 69 of the Act and 10 CFR 40.32(d) the NRC must find that issuance of the license, among other things, will not be inimical to the common defense and security or to the health and safety of the public. At the conclusion of the initial licensing proceedings for the CUP, the NRC determined that the issuance of a Part 40 license to the licensee, HRI, would not be inimical to the common defense and security or to the health and safety of the public. For the reasons indicated herein, the NRC staff has determined that approval of the indirect transfer of control of the NRC license SUA-1580 from URI to Laramide would similarly not be inimical to the common defense and security or to the health and safety of the public.

In conducting this inimicality review, the NRC staff considered whether a Canadian corporation's indirect control of a uranium recovery facility in the United States would be inimical (adverse or hostile) to the common defense and security or the public health and safety. As an initial matter, the uranium recovery facilities at issue are only licensed to possess source material and byproduct material, specifically uranium and 11.e(2) byproduct material, at the licensed sites and may not receive, possess, or use special nuclear material without first obtaining a specific license for such purposes from the NRC. Simply stated, the uranium recovery and milling process utilized at the facilities result in a uranium concentrate powder commonly called yellowcake, which does not pose a high security risk, is of low strategic significance, and does

not impact the availability of special nuclear material for military needs. The parties to the proposed transaction have committed to abide by the NRC's regulations (including all security requirements applicable to ISR facilities), license and previous commitments made by the licensee.

With respect to ensuring the public health and safety, as documented within this Safety Evaluation Report, the parties to the proposed transactions have committed to abide by all applicable laws and NRC regulations with respect to the construction and operation of the licensed facilities. Upon conclusion of this transaction, the direct licensee will remain unchanged, as will the location of the proposed ISR facilities. The NRC staff has verified that the parties to the transaction have accepted full responsibility for decommissioning the licensed sites upon conclusion of licensed activities and have satisfied the NRC's financial assurance requirements.

For the reasons indicated herein, the NRC staff has determined that consent to the indirect transfer of the CUP license from URI to Laramide will not be inimical to the common defense and security or public health and safety.

LICENSE AMENDMENT #4

In the application, the applicants requested an administrative amendment to license SUA-1580 to change the licensee address. Upon completion of the transfer of control, the NRC staff will change Section 2 of SUA-1580 to update the licensee address to read:

62329 North Star Drive
Montrose, CO 81403

[Applicable Amendment: 2, 4]

Upon completion of the transfer of control, the NRC staff will also amend SUA-1580 to change and update the NRC mailing address in Section 9, license condition 9.2, to read:

All written notices and reports sent to the U.S. Nuclear Regulatory Commission (NRC) as required under this license and by regulation shall be addressed as follows: ATTN: Document Control Desk, Director, Office of Nuclear Material Safety and Safeguards, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001. An additional copy shall be submitted to: Deputy Director, Division of Decommissioning, Uranium Recovery, and Waste Programs, Office of Nuclear Material Safety and Safeguards, U.S. Nuclear Regulatory Commission, Mail Stop T-8F5, 11545 Rockville Pike, Rockville, MD 20852-2738.

Incidents and events that require telephone notification shall be made to the NRC Operations Center at (301) 816-5100 (collect calls accepted).

[Applicable Amendment: 2, 4]

ENVIRONMENTAL REVIEW

This NRC action is not subject to further environmental review. This action is categorically excluded from further environmental review pursuant to 10 CFR 51.22(c)(10)(iii) and 10 CFR 51.22(c)(21), having been determined by the NRC to be within a category of actions that does not individually or cumulatively have a significant effect on the human environment.

CONCLUSIONS

The staff has reviewed the application submitted by URI and Laramide with regard to an indirect change of control of Materials License SUA-1580. The submitted information sufficiently describes the transaction; documents Laramide's understanding of the license and commitments; and, demonstrates that Laramide and HRI will abide by all existing commitments to the license.

Therefore, the NRC staff concludes that the proposed indirect change of control would not alter the previous findings, made pursuant to 10 CFR 40.32. The staff has determined that licensed operations will not be inimical to the common defense and security, or to the health and safety of the public, as the licensed facilities and materials will continue to be used and operated in accordance with the NRC's regulations and in a manner that ensures the common defense and security and the public health and safety.

The NRC staff will amend NRC license SUA-1580, as noted above, upon notification that the transfer of control has been completed.

Enclosure 1
Safety Evaluation Report

Enclosure 2
NRC Materials Licensee SUA-1580
Amendment No. 4