URANIUM RESOURCES, INC.
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Operator: Greetings, ladies and gentlemen, and welcome to the Uranium Resources, Inc. Second Quarter 2008 Earnings Conference Call. It is my pleasure to introduce your host, Ms. Deborah Pawlowski, Investor Relations for Uranium Resources. Thank you. Ms. Pawlowski, you may begin.

Deborah K. Pawlowski: Thank you, Claudia , and good morning, everyone. We certainly appreciate your time today and your interest in Uranium Resources. On today's call, we have President and CEO, Dave Clark; Rick Van Horn, Executive Vice President and Chief Operating Officer; and Tom Ehrlich, Chief Financial Officer. Dave is going to cover some comments regarding the release, Tom will do a brief review of the financials, and then we will open it up for Q&A. If you don't have the release, it can be found at our website, www.uraniumresources.com.

As you are aware, we may make some forward-looking statements during the formal presentation and the Q&A portion of this teleconference. Those statements apply to future events which are subject to risks and uncertainties, as well as other factors that could cause the actual results to differ materially from where we are today. These factors are outlined in the release, as well as in documents filed by the company with the Securities and Exchange Commission. You can find those at our website where we regularly post information and at the SEC's website, sec.gov. So please review our forward-looking statements in conjunction with these precautionary factors. With that, let me turn it over to Dave to begin the discussion.

David N. Clark: Thanks, Debbie. Good morning, everyone. I hope everyone has had a chance to read the release. My intention here is to add color and give you put this all in perspective for you.

It has been a challenging three months, to say the least. The Dow started the quarter at 13 thousand, went down to 11 thousand. Uranium spot prices made a round trip, started at $65, went down to $57, and rebounded to $64.50. The long-term price has dropped from $90 to $80. So it has been a poor investing environment to begin with and not an easy time for URI either.

On May 14, we announced that we raised $14 million in a PIPE transaction. This was for Texas, to increase our exploration and reserve acquisition program there. I think it has put us in a solid position to rebuild our Texas operations; though it certainly was not a popular move at the time.

On June 9, we announced that Rosita was having startup problems. And then on June 26, we announced the termination of the agreement to acquire Rio Algom. These last two are not entirely unrelated. As the declining markets made the Rio Algom acquisition increasingly more difficult, it took a lot of time and energy to continue that effort, and that took away from our focus on Texas operations, including Rosita.

Certainly the equity markets remain volatile; investors are skittish. The uranium market, as far as I see it, has found a bottom for now. Despite its long-term fundamentals, we are still in a period of seasonal weakness. You can see additional weakness from a URI planning purpose, which is my only interest at this point.

We project forward that we (uranium) will remain at current prices, or possibly lower. We are not going to make a decision to move forward on a prayer that uranium prices are going to recover anytime soon. That is not our forecast; that is just saying that's what we are doing moving forward.

As far as URI's overall situations, it's this: We have 100 million pounds plus in New Mexico, with no legal authority to mine those pounds. We have fully licensed processing facilities in Texas, without the reserves to feed them on a long-term basis. The strategy is pretty simple moving forward from here, and it's basically threefold.

First, we need to advance New Mexico reserves toward production. Second, we need to acquire reserves in Texas so it gives the ability for the Company to generate cash moving forward. And third, to accomplish both these, we have to do this in a tough investment environment, which to me means we have to make the Company work with what we already have.

As far as New Mexico, we are continuing to pursue our public relations effort to overcome the political hurdles we face there. We are making solid progress, but it does take time. We are close to obtaining the permits to drill out a test program on the Ambrosia Lake ISR program. Once we get those permits, we will be quarrying in the fall, and then we will test the amenability of those reserves for ISR mining, although there is no guarantee that they are ISR-amenable. If they are, it would open the door for early production in New Mexico.

As far as the Tenth Circuit Court of Appeals decision, our best guess is that it would be two to six months; that would be the ideal window given past renderings from the court. Tomorrow will mark the third month, so we are into that period. They generally release their opinions on Mondays.

Now, if the court does reverse its prior position, we already have a state permit under timely renewal. It's the last permit we need to operate Church Rock. If we were to get that reversal, we could be mining a million pounds a year within 18 months. If not, and even if we did get it, we would expect this to go to the Supreme Court.

As far as rebuilding in Texas, it is important for the Company because it does give us the ability to generate cash, which gives us the ability to self-finance future developments. We are reserve-limited at this point in time, but we are also generating cash from operations.

Rosita has been a major problem. This wellfield is close to the surface, as was wellfield 7, which intermingles with it. That wellfield proved 77% recovered in the 1990s. The initial problem we encountered was poor well completions. We went back and worked a lot of those wells and have been able to maintain a consistent flow rate. So, the initial problem has been overcome.

The problem we have encountered since then has been the inability to dissolve and recover the uranium, principally using oxygen. We are testing several alternatives using different oxidants. It does take time to figure out what works. It can take three to four weeks for this to go through a cycle to see if you are getting results. So we are testing different portions of the wellfield with different methods.

We have been able to increase the uranium extraction and the uranium level in the extraction wells, but we still need to do much more. We think this testing will take another one to two months. It is important for you to know that the capital for this wellfield has already been expended; it's in the ground, and the current costs moving forward are, roughly, $100 thousand a month. So it is not cost prohibitive from doing this testing. We want to get it right. We're not in a hurry; we are just trying to get it right.

Beyond the wellfields we already have online, we will have new wellfields coming on at Rosita and Kingsville Dome. But beyond those wellfields, future production and increased production will be dependent on our ability to build our reserves. We did acquire two exploration properties last year: Marshall and Moser. We currently have three rigs operating on Marshall. We have had success; this does look promising. It'll take another several months to finish this program. We expect the drillout to be finished in the fall. At that point in time, we'll be able to determine whether we have a commercial ore body or not.

We are also aggressively working to acquire known reserves and large exploration targets. That was the purpose of the PIPE, along with drilling out remaining properties, including Marshall and Moser, which we have done. The PIPE has put us in a strong position to rebuild our reserves and to acquire these properties.

Finally, the third piece of our strategy, which is the need to build a strong financial position. Over the last couple years we built the Company. We increased exploration and development efforts in Texas. We had to build the Company in New Mexico in preparation for acquiring Rio Algom, and we also had data evaluation and increased work in New Mexico.

This was all done in a bull market, with rapidly increasing prices when we were facing strong competition for all kinds of resources. Of course, that world no longer exists. It's no longer the time to maximize expenditures and risks. It's a time to build strong financial footing, and that starts with a focus on cost cutting across the board, which we have been doing.

Prior to starting up Rosita Wellfield 8, we already made the decision to process resins from this wellfield, and Rosita, at Kingsville Dome. So we did not finish off the final pieces of the Rosita plant. Although that's certainly not a large capital expense at this point in time, it will save us capital and operating costs through the end of next year of $1.2 million.

We have also consolidated our operations at Kingsville Dome in South Texas, so we closed our Corpus Christi office. To date, we have eliminated 30 positions, salaried and hourly. We have cut significantly the use of outside consultants. The bottom line is that we are looking at every budget item and anything nonessential will be cut.

With regard to operations, our focus is to produce cash flow and not pounds. This is particularly important because when you do put out a forecast, you always try to meet it. The only way you meet a forecast is by increasing costs. At this point in time, the focus is on cash flow, not on cost. The objective moving forward will be to maximize cash flow from operations.

Any new wellfield investments are going to be made only if they give us a significant return. There is not only geological and technical risk, there is also market risk. It can take eight to 12 months to do the development drilling and bring on a wellfield, and then you have market risk. So, the wellfields we have been bringing on this year were made in the environment where the prices were $100 and above and moving higher. We don't have a rule of thumb for what we bring one on for, but it's got to be significant, a two-to-one or three-to-one return, not just a small return on cash. The objective is not to put the capital at risk with geologic and technical risks.

We need to be prudent moving forward. All our corporate spending must be done to advance strategy; all operations and decisions will be made on a cash forward basis, to generate positive cash flow. The actions we have taken and planned so far, we believe, will give us a comfortable cash position to get us beyond the end of next year. And, at the same time, will be advancing New Mexico and rebuilding Texas. We think we are rebuilding that strong financial position with the cost cutting; we are doing things smartly. That's where we stand, and I'll turn it over to Tom to review financials for the quarter.

Thomas H. Ehrlich: Thanks, Dave, for that. I am going to be highlighting our production revenue and cost information for the second quarter of 2008. Beginning with production, we produced just over 113,500 pounds in the second quarter. The majority of which, or 94 thousand pounds, were from our Kingsville Dome project, with the remaining production being sourced from Vasquez.

Our production costs for the quarter were around $40 a pound. Operating costs made up about $17 a pound of that cost, and our depreciation and depletion contributed just under $23 a pound. At the end of the quarter, we had 37,200 pounds of inventory at an average per pound cost of $33.81.

Now moving on to sales, our revenues for the second quarter were $6.6 million on 99,400 pounds being sold. We realized an average sales price of $66.41 a pound. So far this quarter, we have made one sale of just over 33,200 pounds, and the average price on that is just under $62.

Looking at the cost of uranium sales for the second quarter, our direct costs of uranium sold during Q2 2008, the costs were comprised of operating expenses, and depreciation and depletion, and totaled just under $42 a pound, $18.23 of which were operating and $23.29 a pound were depreciation and depletion.

Our royalties and commissions expense for the quarter were $576 thousand, or $5.80 a pound, comprising approximately 8.7% of sales.

Moving down to our corporate expenses, we had total corporate expenses including our general and administrative costs in the second quarter totaling almost $4.6 million. The major categories for these expenditures in the quarter were the write-off of costs associated with our proposed Rio Algom acquisition, which were $1.437 million. Our non-cash stock compensation expense for the quarter was $896 thousand. Other major categories were personnel of $821 thousand; consulting and professional services of $439 thousand; and legal, accounting, and other public company expenses of $484 thousand.

Moving on to the cash flow and our sources and uses of cash, our cash balance at the end of the quarter was about $16 million. Again as Dave said, a big piece of that was as a result of the PIPE we closed in May. Our second quarter capital expenditures on uranium property plant and equipment totaled about $3.7 million. The biggest portion of those were related to wellfield development evaluation at Kingsville of $1 million, and development costs at our Rosita properties of about $2 million during the quarter. Additionally, as part of our investing activities, we increased our restricted cash by about $100 thousand during the quarter to support our financial surety obligations for our Texas projects.

David N. Clark: Okay. We are ready for questions.

Operator: Thank you. Ladies and gentlemen, we will now be conducting a question-and-answer session. Our first question is coming from Peter Homans with Parkman.

Peter Homans: Hi. Good morning. I was sort of curious if you could handicap the probability of your success with your activities at Rosita. My understanding was that Rosita was, from a geological standpoint, thought to be able to produce wellfields with greater rates than Kingsville. Is that still a fact and are the efforts that you are making to extract the uranium from the material going through the normal procedures, or is it more vague and more ambivalent than that?

David Clark: I missed the comparison between Rosita and Kingsville, but with Kingsville you are talking about 800 foot depth. Rosita, Wellfield 8, you are talking less than 200. So, it's close to the surface. The deeper you go, the more oxygen you can get into the solution. The more oxygen you get in the solution, the easier it is to extract the uranium.

Peter Homans: So, deeper is better?

David Clark: Deeper is better. The problem we have is that we are close to the surface, so the water, when we inject it, will not hold as much oxygen.

We are not contacting the uranium with oxygen. So, we are going to use other oxidants besides oxygen, which will stay in the solution and contact. And that's what we are in the process of doing now. We have had some success with that. We are trying different oxidants on different parts of the wellfield, just to see which one works right. We are not having circulation problems at this point in time. So, it's just finding the right mix to get the job done.

Peter Homans: What I had asked about Rosita and Kingsville was that it was my understanding that Rosita, from a geologic standpoint, had the ability to produce more per wellfield than Kingsville. Did I misapprehend that or is that the case?

Richard Van Horn: Well, each wellfield is on its own. It depends on how many pounds are in there. The Wellfield 8 at Rosita is adjacent to previous wellfields that produced well. We expect it to produce well, as far as percent recovery on the wellfield. But there is no rule of thumb that says that the Rosita wellfields are any better or any worse than Kingsville wellfields.

Peter Homans: Then I misunderstood that. In what timeframe can you conservatively imagine being able to come upon the correct method for extraction?

Richard Van Horn: We normally use oxygen, as Dave pointed out, because of the low water-head over the ore at Rosita. We believe that we are not getting as much oxygen in. So we are looking at three other oxidants. First one is 50% hydrogen peroxide, the same stuff you buy in the grocery store only a lot stronger. Second one is sodium hypochloride, which is bleach. And the third oxidant is sodium chloride.

All of these are in are purchased in liquid form. And the advantage of the last two, bleach and sodium chloride, is that they don't release their oxygen as easily as, obviously, gaseous oxygen and hydrogen peroxide. They have more oxygen per mole, but it's not released as easily in a low-pressure environment.

We believe, as Dave said, it's going to take one to two months before we see any kind of breakthrough on any of these tests. These are being tested on individual laterals and then compared to the laterals that are still running on oxygen. So, we have four tests that we are running at the same time, the production test with oxygen and then the three oxidant tests. We are not going to see breakthrough on these until five or six weeks after we start the injection.

Peter Homans: I know, mining is not an exact science, but as geologists and producers, how would you handicap the probability of one of them bearing fruit and allowing you to begin reasonable production at Rosita?

Richard Van Horn: We are pretty confident that one of these is going to work. All of these have been used at one time or another in carbonate leaching in in-situ history. Obviously, oxygen is the cheapest, and as you go further up, it gets little more expensive. That is why we have always gone back to oxygen when we can. We are seeing breakthrough in some of the oxygen wells. It's just that it is not occurring as fast or as complete as we wanted to see it. So, that's why we are going with the alternative oxidants.

Peter Homans: Within the entirety of Rosita, are all the reserves 200 feet or less from the surface? Or do you have any reserves which are at the higher probability depth of 600 to 800 feet?

Richard Van Horn: No, most of the reserves at Rosita are 200 to 250 feet deep. The controlling factor is how much water, how much head, do you have over the ore zone?

Peter Homans: Okay. Thanks very much.

Operator: Our next question is coming from David Snow with Energy Equities.

David Snow: Yes. Hi. I am wondering how the progress is going in the acquisition of additional properties. In particular, there were some larger tracts held by oil companies, and I thought you were going to try to get in this weaker market?

David Clark: There are large tracts held by ranchers, some of those have leases on them from the oil companies. Yes, we are moving on all fronts there. There are several bidders that are in the process of evaluating, and that's all I can say. It is a competitive environment, but what we have targeted, we are confident we can get the land.

David Snow: Do you have any idea when you might land a fish?

David Clark: Whenever it's possible. We don't dictate the timeframe. All we can do is respond to the process.

David Snow: Was it my understanding that you are not going to do additional wellfields in Texas until you get results and cash flow from what you have going?

David Clark: No, we are bringing on two new wellfields at Kingsville Dome. There will be additional at Rosita. I am just laying out the parameters on how we are bringing on wellfields. Instead of trying to meet a production forecast, it's an investment decision on how much cash can we get out of a new investment.

David Snow: In terms of the where do we go from here in New Mexico, do you just wait for court and permit issues, or are there any other initiatives for a regional mill that could be considered?

David Clark: As I said at the time of the Rio Algom termination, I think that remains the best site. There are other efforts. Strathmore has their effort on their project; GA has a mill site. So there are other sites out there. I think given all the parameters we were interested in, Rio Algom is still the best site and it's still available. So, it's as much a matter of investment environment conditions as anything else.

David Snow: Okay. Thank you.

Operator: Our next question is coming from Jimmy Gibert with Rice Voelker.

Jimmy Gibert: Hi, Dave. How are you? It's certainly encouraging that the Company is cash flow positive. How do you see that playing out for the rest of the year? Do you anticipate being cash flow positive in the next two quarters?

David Clark: We are generating cash from operations. And our intent is to simply focus on making wise investment decisions, cutting costs as rapidly and as deeply as we can to toss all nonessential spending out the door. I think, given current plans, we expect to have a very comfortable cash position by the end of next year. So, I really can't say any more than that. As you bring on wellfields, you are making investments. As those wellfields come on, you get the cash back. That's just how the business operates.

Jimmy Gibert: On the extraction issues at Rosita, you've encountered these types of problems before. Is this a fairly common problem in in-situ uranium mines?

David Clark: Let me take a stab at it first, then I'm going to have Rick answer it. The wellfield we are working on now is wellfield 8. It is close to the outcrop. So it is a different part of the deposit versus other wellfields we've mined at Rosita. Because it is close to the outcrop, it is shallow and we have, as Rick said, the head conditions. Wellfield 7, which was mined I believe in the late 1990s, interweaves between wellfield 8 and wellfield 7. So it is also close to the outcrop. They had startup problems, which Rick can discuss. So these head conditions are unique to shallow deposits. If the company had shallow deposits, this is where they've used these oxidants in the past. Do you want to expand on that, Rick?

A Richard Van Horn

Well, Wellfield 8 at Rosita, as you said, is close to surface. The problem, again, is not necessarily the depth but the amount of water that you have over your ore zone, the head. And at wellfield 8, we have anywhere from 15 to 50 feet over it. The amount of oxygen you can get dissolved in the water is directly proportional to the head, and so the wells that have a 15 or 30-foot head over it, you can't get as much oxygen in it as you might at a well in Kingsville. Have we seen this kind of problems before? Yes. Are they exactly like this? No.

Again, all of these oxidants that we are testing have been used at one time or another in south Texas in the 30-year history of in-situ down here. And they all work. It's just a matter of cost; and in our case, a matter of how much oxygen you can get in there to contact the uranium. I don't know if that answered the question or not, Jimmy.

Jimmy Gibert: Thanks, Rick. And also, Rick or Dave, you're involved at Rosita. It's taken some of your attention away from other things, possibly. But has it slowed down the progress towards opening up the in-situ opportunities in New Mexico, maybe like at Ambrosia Lake? And could you talk a little bit about that timeline?

Richard Van Horn: I would say it has not slowed that up, but we are proceeding as fast as we can with the state and getting permits. And we're having good success in approaching this.

Jimmy Gibert: Okay, gents. Thank you very much.

Operator: Our next question is coming from Peter Homans with Parkman.

Peter Homans: Hi. Dave, I have a question on the market demand. I may have these numbers wrong, but I think that something like 250 million pounds was contracted in the U.S. last year. And usage was something on the order of 180 to 190 million pounds. And, if I understand it correctly, one of the reasons why spot and contract have been weak is because for the moment the utilities have sufficient inventory. But there will come a time, and say that there's a lead-time of around nine months, when they have to begin preparing for another ramp-up of supply. Can you talk about that cycle, and how that's likely to affect pricing over the next nine to 18 months?

David Clark: Given the price run up last year, what generally happens is utilities make up the majority of demand. They were fairly well covered for 2008 and 2009. Once you got to 2010, particularly in the U.S., the uncovered demand rose sharply. A couple of things are going to affect that. As prices came down, utilities waited. So that's why you had this uncovered demand. With the prices coming down and some production problems around the world or changes in production plans, some pounds that were thought to be covered may have to come back to the market either from the producer or the utility. So there that dynamic working as well.

But generally speaking, the demand that came and formed a bottom over the last couple of months was anticipation of prices going to the bottom at some point in time. They were waiting for that. When they saw a bottom, everybody stepped in at the same time. You have long periods of time in the market where nothing happens. We have not had that for a couple years. You might even have just a gestation period where not much happens, and that would be my guess at this point in time. You are just reloading the spring again for that uncovered demand to get closer. Generally, utilities will cover that ahead of time, but a lot of that is going to be dependent on what their future price expectations are. If you look forward, the long-term fundamentals of this market remain strong and are probably getting stronger. When you're dealing with contracting lead times, it's as much psychology as it is actual fundamentals.

Peter Homans: Do you have any sense from talking to your contacts at utilities as to how they're thinking? Do they feel complacent about the marketplace and, therefore, might let the lead times shorten? Or do they feel that, given the long-term fundamentals, they should be conservative and ensure that they make plans in time?

David Clark: From a utility standpoint, they get no reward for being late, and they get punishment for being wrong. So it shouldn't be that way, but unfortunately that's kind of the way it is. They want to make the best decisions they can; but if they lock in something low, then they don't really get rewarded for it. If they price something high then they get punished for it. That will affect how they go forward, whether it's going to be base escalated or market related. They have just got to make the best deal over the life of the contract for them.

Peter Homans: And has the recent increase in spot been accompanied by any increase in volumes?

David Clark: I think it did in the spot market, because you saw some people back off the spot markets. You had Nufcor come in and buy $75 million, something like 1.3 million pounds. My understanding was that basically swept the aggressive pounds off the market. So there were some people that needed to place pounds, and that's why you had increased demand. And, certainly, your follow-up question is probably going to be about the increase in spot, backing towards $65. I think it takes some of the pressure off the downward pressure on the long-term price.

Operator: Our next question is coming from David Snow with Energy Equities.

David Snow: You mentioned there was another wellfield adjacent to wellfield 8 that was producing in the 1990s. Did it use other oxidants, or did it have enough water head above it to just use oxygen?

Richard Van Horn: No, it was oxygen only.

David Snow: And I'm surprised you don't show that table that you did in the first quarter, because it would have shown a nice progression quarter-to-quarter in your production costs. You are being extremely modest in

the way you've presented it in the current quarter. You had a pretty significant increase in your results relative to the first quarter's margins. Is that right, in costs?

David Clark: Yes.

David Snow: You didn't want to show it because you don't think it will continue in the third quarter? Or what happened here that you got so modest?

David Clark: As we said in the first quarter, it is very volume sensitive. So if volume increases, the cost goes down. There is a fixed cost element, and we are not forecasting anything. If we missed something, I am not sure it was modesty as much as an oversight, and we will consult with you next time.

David Snow: Is it the expectation that you will be showing a lower volume in the third quarter in Texas?

David Clark: A lot of it is going to be dependent on what happens with Rosita.

David Snow: What is your fully diluted shares number at the June 30 quarter's end?

Thomas Ehrlich: It's the same as it was at year-end. It's about 55.6 million.

David Snow: You did a PIPE, I thought.

Thomas Ehrlich: Right, and that's included in the information that's there. Our outstanding shares are 55.6 million.

David Snow: Thank you.

Operator: There are no further questions at this time. I would like to turn the floor back over to management for any closing comments.

David N. Clark: Once again, thank you for your time and interest in the company, and we will talk to you again in three months. Thank you.