

**Uranium Resources, Inc.**  
**First Quarter 2009 Financial Results**  
**May 11, 2009**

**Operator:** Greetings, ladies and gentleman, and welcome to the first quarter 2009 financial results for Uranium Resources. It is my pleasure to introduce your host, Ms. Deborah Pawlowski, IR for Uranium Resources.

**Deborah Pawlowski:** Thanks Jen, and good afternoon everyone. We appreciate your time today and your interest in Uranium Resources. On the call today is President and CEO, David Clark; Executive Vice-President and Chief Operating Officer, Rick Van Horn; and Chief Financial Officer, Tom Ehrlich. Dave is going to provide some comments regarding the company and today's release as well as the outlook, and Tom will then do a brief review of the financials. After that, we will open it up for Q&A. If you don't have the news release, it can be found on our website, which is [www.uraniumresources.com](http://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 news release as well as in documents filed by the company with the Securities and Exchange Commissions. You can find those at our website where we regularly post information, as well as the SEC's website which is [www.SEC.gov](http://www.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 Clark:** Thanks, Debbie. Good afternoon, everyone. I hope you are enjoying a nice Spring day. It is definitely one here in the east. On the March call, which was only a couple months ago, I made the statement that I thought 2009 had a chance to be a very good year. Even though that was only a couple months ago, there have been a lot of positive developments which, at least for me, reinforces that confidence that this can be a very good year.

I view this as an extension of that conversation. I am not going to go back and re-visit anything, or very much of it. But what we discussed then was our overall strategic plan, which for the last couple of years has been to become a 10 million-pound producer. We talked about the need to focus on our Crownpoint uranium project, which is an NRC licensed project, to produce up to 3 million pounds per year. We want to build our reserve base to feed through the plant up to between 200 and 300 million pounds. It was also a time of stressed economy and the uranium market was under a lot of pressure. Over the next couple of minutes I want to add

clarity to that plan, talk about how we plan to increase our reserve base, and how we plan to resolve the issues that would bring New Mexico into production. I will talk about that in three areas: first, market observations; second, New Mexico developments; and third, Texas.

With regard to the market economy as whole, the rally over the last couple of months would suggest that the economy may be firming, if not heading for recovery. That's certainly a subject to beat, but it is far better than the free-fall which we were at the bottom of in March. I think the uranium market has also been forming a bottoming process here, and there are reasons for that. At \$40 a pound, which is where it has bottomed out, there are economic incentives for producers to go out and buy and support this market. This is not just because it supports the spot price, but now you are getting into cost of production issues. When the market was extremely low, like the \$40 over the last couple of years, it didn't make sense for a lot of producers to step in and buy to cover on the spot market, since they gained more economic benefit by selling their own production. There is also the added benefit that the long-term price came down \$5 in the last month, so it's a testament to that as well.

The other big development in the last couple of months is that there have been a number of Asian utilities investments in the mining industry, in both Uranium One and in Denison. I think this is confirmation that, at least from the demand side of the market, they are concerned about long-term supply. The Asians are locking up supplies more than US utilities are. I think it is confirmation that, overall, the long-term fundamentals in the uranium market are very strong, and at current prices, it is going to be re-loading the spring and will lead to the next price cycle.

We also talked last time about the effect of the economy on the nuclear renaissance and whether or not that would injure reactor growth. We have seen a little bit of that in the US, but certainly not as much as could have happened. We haven't seen a slow down in Asia at all. As far as coal is concerned, since that last call, the EPA has come out and suggested they are going to put carbon dioxide on as a pollutant, which will give them the ability to regulate that. There was the fly-ash bill in Tennessee which promises new regulation, higher cost of coal. There is the suggestion that cap and trade will come under reconciliation, which will make it easier to get through Congress, and there is still the Obama statement from the past to "go ahead and build coal, it will bankrupt you." So, everything seems to be moving still very much against coal. That's important for URI, not only because it is promising for nuclear over coal, but it also affects us in New Mexico because the Navajo's biggest economic project on the books is Desert Rock, and they're having issues as well with the anti-coal movement.

So, long term, the fundamentals are strong. Again, I think this is pushing down the spring for the next price cycle. We, as a company, are trying to use the current market conditions to implement our plan, which is to increase our reserve base and resolve the issues. It's strategically far better to acquire reserves when they're cheap vs. when they're dear.

In New Mexico, our long-term plan is to increase our reserves from the 101 million pounds we currently have to the 200 or 300 million pound level and become that 10 million pound-a-year producer. This would occur mainly through New Mexico production which suggests we need to resolve the issues that have blocked us so far. Next I'll look at the building of the reserve base and how we are doing that, and then look at how we plan to resolve the problems in the New Mexico.

As I stated previously, we have a 3 million pound-a-year license from the NRC to produce at Crownpoint. That gives us a great competitive advantage as far as acquiring reserves. We are years ahead of anybody else who if they plan to ISR mine in New Mexico, they will have to do it through their own NRC process. It took us seven years to get that license. We have spent the last couple of years investing a lot of time, effort and money evaluating our database at Crownpoint. Information has been acquired over the last 20 years by all the mining companies, and now is the time when we can get the value out of that database. We know where the reserves are, and we are evaluating the best prospects, ones that will build our reserve base with low-cost ISR reserve that could be fed through the Crownpoint project.

Currently we are engaged with a lot of companies in New Mexico, just looking at the varying options we will have to acquire reserves. At this point, the environment is very favorable to implement this part of our plan. In order to become a major New Mexico producer, we need to resolve the issues with the opposition, as well the Navajo. The primary one in the past has been the legacy problems from past mining. The Navajo have said in the past that they won't be for any new mining until we clean up the problems of the past mining. Those are two separate issues.

There is an old problem of legacy mining that was done before environmental laws were passed. Nobody denies these. It is simply a question of how much needs to be cleaned up and how do you clean it up. But, then there is the safety of future mining. You hear a lot of people talking about the fact that we certainly make the case that, with environmental laws and ISR mining, in particular, it can be done in a much more environmentally safe manner than it was in the past. The down-turn in the economy has helped make a distinction between these two and allowing us to complete those. There is recognition of legacy problems; and

if future mining could be done in an environmentally safe way, future mining can be also part of the resolution of the legacy problem.

What we are seeing in New Mexico is not just movement behind the scenes anymore. We are seeing a lot that's taking place publicly. Last week there was a task force in New Mexico. Everybody was at the table, the Native Americans, the industry, legislators, environmental groups that were in opposition, state and federal regulators, and local officials. You really can't resolve issues until you get everybody to sit down and talk about them. It was a very constructive meeting. It may have been suggested that the political sands are shifting. Further evidence of that is that Governor Richardson was in Grants for a public meeting a couple weeks ago. He made a public statement saying he is in favor of uranium mining, as long as it can be done in an environmentally safe manner. That is certainly something we agree with. Governor Richardson in the past has been a congressman in support of uranium mining. He has not been in the forefront lately. For him to come out and say that suggests that it is not just hearsay or us saying that the political sands are shifting. We are seeing evidence of that. Safety is the issue; it has to be done right. We believe that is the case. In the past, a statement like Governor Richardson's would be one that would block mining. I am for uranium mining as long as it can be done safely, but we don't agree that it could be done safely. With the current economy, I think that's back on the table, and there are serious discussions on all sides going forward on how this can be done safely because the economic benefits are important to us.

We are seeing a lot of interest by government agencies. I talked in March about what Sandia National Labs was doing. They are looking at using monitored natural attenuation to see if it could be applied to ISR mining. We are working with Los Alamos Labs to look at some of our own mine reserves to evaluate the effectiveness of the current baseline evaluation process. We are working with the United States Geological Survey on giving them data on cores from a mobile test pilot that was ISR in the early 1980s, so they can look and evaluate and see what the effectiveness is over a 30-year period after it has been cleaned up.

There is a lot of work and study being done on the federal level, and we are taking the lead as far as helping to make sure that that is pointed in a way that not only advances the science, but can also be done in a way that also helps us verify the science and communicate that to the public. Certainly the task force helps. Changing the political landscape also helps, as does the work we have been doing with the Navajo. We are doing a characterization of our Section 17 at Churchrock, a property that was extensively studied as part of our NRC licensing process. We think it will verify what we already know, that it will demonstrate to the Navajo that we are not trying to hide anything from them. That's the manner and the spirit we've engaged with them. It also gives us the chance to work with them.

The recent decision by the Tenth Circuit Court that affects our UIC underground injection permit process also gives us a chance to work with them. This decision means that the EPA and not the state has jurisdiction to issue this permit. It has been important to us because we already have the state permit, so the case can be made that if we won, we would get the permit sooner; if we recognize the EPA, we have to go through their process which could be later. Where this stands now is, we have until June 1<sup>st</sup> to file for an en banc review instead of just a three-judge panel. We throw it back to the full court. The opinion as it was written suggests to us that that is what the three-judge panel suggests we do. We have 90 days from that issuance date to take it directly to the Supreme Court as well, and that will be a mid-July date.

Our interest is to acquire that UIC permit from either the state or the EPA in a manner that is acceptable to the Navajo. And why is that important? This decision really affects only Section 8, which has 8 million pounds on it. A large percentage of our reserves are in Indian Country. The vast majority of reserves that we can acquire from low-cost ISR mining are also affected by any Indian Country issues. We want to resolve this issue in a way that benefits all of us, not just you or I, or our shareholders, but the Navajo as well. They have had their own problems with the EPA.

As I said earlier, the Navajos had the Desert Rock coal plant. The EPA had issued a permit for the Desert Rock Plant. The EPA filed with the court asking if they can rescind that permit to study it some more. That's certainly not a positive development for the Navajos. It is something they are relying on for jobs and revenue. It is an important consideration for them. They have been making the same arguments for Desert Rock that we have been making for uranium, which is that this is not the coal mining of the past. It can be done in an environmentally safe way, and the economic benefits from this outweigh the environmental issues. We have been making the same argument with uranium, and it resonates back to them and what they are trying to do with coal.

With the current economy, I would say that we are moving more toward having a common interest with the Navajo versus moving the other way. We want to mine uranium in an environmentally safe way, and they certainly want to get to the economic benefits from uranium mining in their own reserves, if it can be done in a safe way. As for the UIC permit, we will advance with the courts, or directly by filing for a permit, in a manner that can get us that permit. We also want to do that in a way that doesn't handicap the process in the future, not just for us but for the Navajo, if they change their minds and want to develop their own reserves. Since they do come under Indian Country, it will be part of the EPA's jurisdiction. We will work with them as far as it is something they can benefit from further.

As for Texas, on the March call, we thought we would have 25,000 – 30,000 pounds remaining production. At Kingsville Dome we produced over 31,000 pounds in the first quarter; through April-May, we have already produced about 5,000 pounds. We don't expect it to continue much longer, but as long as it is economically viable, which I think it's probably going to be, we will continue to do so. We have shifted our focus to restoration activity, which I talked about extensively on the March call. We can be far more efficient and cost effective when it is our full-time focus and our attention is not divided with producing pounds. We also mentioned briefly in the release that we have the ability to process the by-product material. There has been a sludge buildup in our evaporation pond over the last 20 years of production. We know that there is uranium in the pond. Whether it can be commercially profitable to produce is one consideration. We do know that there is probably enough value in it to at least cut the costs of reclamation on cleaning up those ponds, So, that will help us lower our reclamation obligation in bonds or, possibly, give us a profitable operation if we can do it in a commercially viable manner.

We have gotten close to the end of the injection phase of the hydrogen project, which is what we're doing with Texas A&M - Kingsville. Part of this process was to look at the technical considerations in injecting hydrogen into ground water. Apparently, we have been successful in that. We do have evidence of reduction around the injection well, but the main part of the experiment is to see if we can enhance natural bio-remediation by adding hydrogen into the aquifer, which allows bacteria in the aquifer to grow. They are the ones who do the reduction, so this is also a time experiment and not just a result of direct injection.

Over the next few months we will be doing water samples out on the Kenedy Ranch, which is a large ranch that has been an exploration target for URI for a long period of time. The industry released in the past month or so the results of the NURE, the National Uranium Resource Evaluation study in the early 1970s. That study showed there was a lot of uranium in well water before there was mining in South Texas. This survey was done when looking for uranium anywhere in the United States was a priority. Thousands of wells were analyzed. Kenedy Ranch was not one of them, but it is a good exploration tool, so we are replicating what NURE did in the 1970s on the Kenedy Ranch. I believe there are 155 wells, and if there is uranium on the property in any of those wells, we should get some indication. That is a very low-cost, efficient way to do exploration.

As far as Texas itself, I said on the March call that there are many valuable pieces that can be brought together to build a profitable production company in Texas. We have been engaged with all the parties in South Texas that have those pieces. We are currently evaluating all the information we have gained and what is the best

course of action for us. As I have said earlier, the questions are do we want to re-build our Texas assets? If that opportunity is there, do we want to monetize assets, or are we a buyer or a seller? The process itself is that there are a lot of interesting options for us, but I would say at this point it is too early as to which way we want to go.

In conclusion, there are a lot of promising developments in New Mexico. I think, again, this year could be a very, very good year for us, not only to build our reserve base, but to head toward a resolution of those problems. As far as Texas, we will be able to find out this year whether we want to re-build Texas or monetize some assets there. The focus of the company really is New Mexico. That is the opportunity, but there are also economic benefits to be gained from Texas. So with that, I will turn it over to Tom for the financial results review.

**Tom Ehrlich:** Thanks, Dave. Our production in the first quarter of 2009 totaled 31,600 pounds. Since October of last year, our sole production source has been from our Kingsville Dome project. As we had previously announced, we had shut down our Rosita and our Vasquez sites, so our production costs for the quarter came in at \$25.23 a pound. These were made up of operating costs of just over \$20 a pound, and our DD&A costs of just over \$5 a pound.

Our DD&A costs are down dramatically from prior production years as a result of the write-down of uranium properties we saw in the third and fourth quarters of last year. Taking those costs and running through the income statement last year eliminated the base we are choosing to use for a depletion base for our production.

At the end of the first quarter we had just over 40,000 pounds of uranium inventory which was produced at an average cost of \$22.64 a pound. We utilized inventory by making the uranium sale at the end of April of about 36,600 pounds. The average price of deliveries made at the end of April was \$48.85, resulting in revenue of approximately \$1.8 million, which will be recorded in the second quarter of this year.

Our sales revenue in the first quarter of 2009 was \$1.4 million. We sold 27,600 pounds with an average sales price of \$51.51 a pound.

Looking at our cost of produced uranium sales for the quarter, the direct cost of uranium sold for Q109 was \$1.1 million, or just under \$40.00 a pound. The direct operating cost-of-sales was \$31.50 a pound, and the depletion and depreciation cost of sales for the quarter came in at \$8.38 a pound. Our royalties and commissions expense for the quarter was about \$140,000, or \$5.03 a pound, representing about 9.75% of our

sales for the quarter. Our cost of sales also included \$182,000 in terms provision related to the write-down of the carrying values of the company's uranium properties during the first quarter.

Our corporate expenses, including general and administrative costs, were \$1.5 million for the first quarter, representing a \$1.3 million reduction from the same quarter last year. As we have announced, we have implemented significant cost cutting measures that began in the fourth quarter of 2008 which have been realized in reducing our G&A cost this year when compared to last year.

Moving on to our sources and uses of cash, our cash balance at the end of March was \$10.1 million. During the quarter we used \$1.6 million in cash in operations. Our uranium sale in January brought in operating cash at the beginning of the quarter, and for the balance of the quarter, our operating activities included the building of inventory and work toward restoration and reclamation activities in our South Texas project, which consumed about \$500,000 worth of cash.

Our first quarter of 2009 CAPEX for uranium property, plant and equipment was significantly reduced from last year. We spent about \$200,000, down from the \$4.8 million in the first quarter of 2008. The reduced level of capital cost for uranium projects corresponds with our decision in the fourth quarter of 2008 to defer future wellfield development at both the Kingsville and Rosita projects. During the quarter we also increased our restricted cash by \$43,000 to back the collateral for our South Texas financial surety obligation, and we also paid \$42,000 in financing and capital leases during the quarter.

Our operating cash at the end of the quarter was \$10.1 million. On April 30, our operating cash was about \$9.4 million. Since the end of the quarter we have continued with our production activities, and we expect to continue do so provided that our production rates remain at or above our break-even targets. As I noted earlier, our uranium sale at the end of April generated \$1.8 million in a receivable which will be converted to cash in the second quarter. Upon the cessation of our production activities, our monthly expenditures are currently projected in the \$500,000 range. We are continuing to review additional cost reductions as well as revenue-generating strategies, as David mentioned, in order to minimize our monthly net cash outflows. The only other thing is, during the month we mailed out to all of our shareholders the proxy statements for our annual general meeting to be held June 3. I would encourage everybody to get their votes in and to call if there are any questions.

**Operator:** Ladies and gentleman, our first question comes from the line of Charles Smith with SG Management.

**Charles Smith:** I have a few questions that are related to the 10<sup>th</sup> Circuit decision. Considering that the Supreme Court only takes about 1% of all cases that are applied for review from the lower court, is there a reason why you do not want to apply for the EPA permit right away?

**David Clark:** As I said, we are going to proceed in a manner that will get us that permit as quickly as we can, and that's certainly not out of the question. There is a consideration that if you apply for the permit, you may lose your standing in the court case, but we are evaluating the best manner to move forward. There are a lot of considerations involved.

**Charles Smith:** How expensive is it to apply for an EPA permit, and what is the duration of time that the EPA generally takes in order to resolve the issues?

**David Clark:** It's a 1-2 year process. We have filled out the application and have it on file (ready to submit) for Section 17, and we are in a position to do that for Section 8 as well at Churchrock before the court ruled last time in 2007. This part of the process is not time consuming, to file the permit application. The EPA will then go through, ask questions to verify everything in the application is correct, and then you enter a public process, which is where it gets more expensive.

**Charles Smith:** So, basically, you will wait till the judicial process is done, the application to the Supreme Court, and everything else, and then at that point apply to the EPA.

**David Clark:** No, I am not saying that at all. What I am saying is that we will proceed in a manner that we think will get us the UIC permit in the shortest period of time. I am not ruling out anything at this point in time. Part of what we are trying to do is build a relationship with the Navajo and communicate with them. We have until June 1<sup>st</sup> to make a decision on whether to apply for en banc or not. The initial comment was that the Supreme Court only takes 1%. That is correct, but they tend to take a higher percentage of Indian Country issues, and this is part of the reason for carrying it en banc. In the opinion itself, the other Circuit court disagreed with the 10<sup>th</sup> Circuit's ruling on this and in other cases. When you have a disagreement between certain courts, that is an area where the Supreme Court gets involved.

**Operator:** Our next question comes from the line of David Snow.

**David Snow:** Could you bring us up to date on what you are seeing for the outlook for the uranium price?

**David Clark:** I think we are in a bottoming process, David. There have been pronouncements lately by Cameco and Denison that they think the prices are moving higher, I think that is certainly a possibility. What we are facing in 2009, not just in liquidation and the fall of investor physical inventory, we've got the Lehman Brother pounds out there as well now. But you had a time period where US facilities and foreign utilities were pretty much covered for 2009 and 2010. We are moving through 2009, we see as I'd said at \$40 increased producer interest in buying pounds. .But I think you can certainly continue to move up from here. It is still a thin market. It wouldn't take a lot of demand to drive it higher.

**David Snow:** I guess you said that this decision affects only Section 8?

**David Clark:** It is. Again, Section 8 is land we privately own. It is a question of it being Indian country or not. If it is Indian country, then the US government EPA issues the permit. If it is not Indian country, then the State of New Mexico issues it. It is simply a jurisdictional dispute. Section 17 at Churchrock was one where the company had to give up the fight on whether that was Indian Country or not several years ago. That seemed to be Indian Country, so would come under the EPA, or Section 8. If we won the case in the end, it would come under the state.

**David Snow:** All right. And so you are really trying to fast track a lot of the in-situ development, I guess. In the two years that you have spent doing the study, what percentage of your potential pounds out there are amenable at this point, do you think, to ISR?

**David Clark:** Good question. When you get to the west side of the district, most of it is ISR, certainly Churchrock, Crownpoint, Unit One, where we had a license on, I think, 27 million pounds. We don't have a lease because the BIA recognizes the Navajo land. But everything to the western side tends to be ISR amenable, everything to the eastern side, when you get over to Roca Honda, tends to be conventional mining.

**David Snow:** And so the western is about half the total?

**David Clark:** I have to get a breakdown on that. West Largo, which is west of Roca Honda, appears to be ISR amenable. Certainly anything you can conventionally mine. So, half is probably a good number, or more.

**David Snow:** I guess is what I am hearing you say is that you think you can bring the Indians on board with this ISR technology and jointly pursue that as a way to move the log jam forward.

**David Clark:** We can conventionally mine as well, and there were no regulations when conventional mining was done, mostly in the 1950s, 1960s, and even in the early 1970's. The EPA wasn't formed until 1971. It is an education process. Uranium mining in the future will be a lot different than it was in the past. Certainly when you look at the environmental footprint of ISR mining, you don't end up with tailings piles, and part of that is a concern. Once you bring it to the surface, it is there, then you have to deal with it for a period of time. So there are issues with old conventional tailings as well. But, it is all about safety and demonstrating to the Navajos that future mining can be done safely, be it ISR or conventional mining. We have the NRC license for ISR, so that's what we are pursuing as our underlying project as well as Churchrock.

**Operator:** Our next question is from Paul Stouse from Rice Voelker.

**Paul Stouse:** I just have one quick question on the work that you are doing at the Kenedy Ranch. I think you said that you were testing some wells there to see if there is sufficient uranium there. I want to know how long that it would take to test those wells, and who is paying for that testing? Is that something you are doing for your own account, or is that contract work?

**David Clark:** If you had uranium in your ground water, you'd want to know it. They have never done that survey. Is it safe or is it not? If it has a lot of uranium in it, it is of economic value to us, and they need to know about it. What we proposed to the Kenedy Ranch was that we would go in and pay for the survey. When you're testing for uranium; the best indicator of uranium is radon. So, you test for the radon, which has a half-life of 20.5 days, and the results are pretty quickly known. It is a very inexpensive way to get a survey of that ranch to see if there is uranium close to their wells. This hasn't been done before. So, that is the first way we could do exploration, and it is very cost effective versus drilling.

**Operator:** The next question is from Lynn Hedegard, a private investor.

**Lynn Hedegard:** Yes, I would like to know if you have any idea how much inventory is left in the Lehman holding?

**David Clark:** I probably know as much as you do. The public statement was that there are 500,000 pounds on hold for market recovery. I have noticed in the past when things like that are out that if the target people

know about it, and if the market is weak, it can overhang the market, but it is certainly a size that can be swept off the market just like the Iraq material was swept off a year ago by Cameco. So it won't overhang.

**Lynn Hedegard:** How do we know when it is sold?

**David Clark:** I think that they are in bankruptcy. So it's a question of getting court permission to sell the assets.

**Operator:** There are no further questions at this time.

**David Clark:** Thank you, everybody, for taking the time out today. I hope that you have a greater understanding of what our strategic plan is, how we plan to increase our uranium base to 200 – 300 million pounds, and how we intend to resolve the problems. Hopefully this gives you a little bit better view of the big picture for development as we move through the year. Again, thank you very much, and I hope you have a good one. Thanks.