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India Offered Role in Uranium Mining

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Rosatom and state-owned Uranium Corporation of India Limited have been negotiating the joint development of a large uranium reserve in the republic of Sakha, Sergei Kiriyenko, the Russian state nuclear holding's head, said Friday.

A proposal has already been made and now "the ball is with the Indian side," Kiriyenko said, Interfax reported. The terms of the possible deal were not disclosed. A Rosatom spokesman said only that Russia must retain a controlling stake in the project.

The Elkon group of uranium deposits in Sakha is second in size only to Australia's Olympic Dam, which is being developed by BHP Billiton and contains 34 percent of the world's known reserves of uranium.

The total reserves of uranium in one of the parts of the Elkon group were evaluated this summer at 229,800 tons, according to Joint Ore Reserves Committee standards.

Development of the Elkon fields is being carried out by one of Rosatom’s units,

Atomredmetzoloto, or ARMZ, which has already established a subsidiary called Elkon Mining. The projected capacity of the future mine is 5,000 tons of uranium annually, which is 50 percent more than is now being produced in all of Russia.

In addition to uranium, Elkon Mining will also produce gold, silver and molybdenum. The total project cost is estimated at 91 billion rubles ($3 billion). Construction is scheduled for 2012-2019, with pilot production running from 2014-2016, and a ramp-up to full capacity from 2017-2031.

Rosatom has long been searching for co-investors because of the project's huge cost.

Four years ago, Polyus Gold, Basic Element and Renova Group all considered participation in the Elkon project, but ARMZ would not comment on whether negotiations with those companies were still taking place.

ARMZ has already signed memoranda of understanding on the project with Japan's Mitsui and a South Korean consortium of LG International, Cores and Kepco. The documents allow for the possibility of participation of foreigners in the development of Elkon, but so far there are no specific agreements. The plan was for Mitsui to receive 25 percent of the development of the South Elkon zone, a spokesman for Rosatom said.

A spokesman for ARMZ did not comment on the possible Mitsui arrangement, but said the company continues to seek investors and is considering several options. In any case, it will maintain a controlling stake, he said.

India and Rosatom have worked together for some time. TVEL, Rosatom's fuel company, supplies nuclear plants in India. Rosatom is building two nuclear power plants in the country, and hopes to build a third.

Uranium mining in Elkon is a risky project, said Troika Dialog analyst Mikhail Stiskin. It would only be profitable if the cost of uranium were more than $60 a pound, which happens to be the price currently, according to Bloomberg.

Rosatom's proposal may be interesting for India, anyway. The country only has a small supply of uranium, 73,000 tons, but it has big plans for developing its energy sector, including nuclear power.

India might participate in the development of Elkon just for the sake of securing a source of fuel for its nuclear power plants, Stiskin said.

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