

**SAFETY EVALUATION REPORT
CHANGE OF CONTROL FOR LICENSE SUA-1602**

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DOCKET NUMBER: 040-09092

LICENSEE: AUC LLC

SITE: Reno Creek Project, Campbell Co.,
Wyoming NRC Materials License
SUA-1602

PROJECT MANAGER: Don Lowman

TECHNICAL REVIEWERS: Reginald Augustus, Don Lowman

SUMMARY AND CONCLUSIONS

On February 17, 2017, the U.S. Nuclear Regulatory Commission (NRC) issued Source Materials License SUA-1602 to AUC LLC (AUC or licensee) for the Reno Creek Project (RCP) that allows for the in situ recovery¹ (ISR) of uranium in Campbell County, Wyoming. The RCP has never been constructed or operated.

By letter dated May 8, 2017, AUC on behalf of itself and Uranium Energy Corp (UEC) submitted to the NRC an application requesting approval for an indirect change of control of the RCP license SUA-1602 from AUC to UEC (Agencywide Documents and Access Management System (ADAMS) Accession No. [ML17131A338](#)). The NRC approval will allow for an indirect change of control of the license from AUC (a United States corporation) to UEC (a United States corporation). The May 8, 2017 submittal was reviewed by the NRC staff for an indirect change of 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 NRC staff finds that, after the change of control, AUC 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 AUC sufficiently describes and documents the transaction and UEC's understanding of the commitments made in NRC License SUA-1602. Because AUC will remain the licensee, a license amendment is not required for approval of this action.

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.

INTRODUCTION

AUC submitted a request to the NRC for consent to the indirect change of control of Source Materials License SUA-1602 in an application dated May 8, 2017. AUC possesses the RCP uranium ISR license SUA-1602 that authorizes uranium recovery, with conditions, at properties located in Campbell County, Wyoming. The RCP has not been constructed and is not operational. AUC has not commenced licensed or other disturbances to the lands within the license area as of the date of their application.

The proposed change of control is described by AUC and UEC in an application submitted to the NRC dated May 8, 2017 (ADAMS Accession No. [ML17131A338](#)). The application contains: (1) a cover letter and; (2) an attachment containing the application for Approval of Indirect Change of Control that includes: (i) a description of the transaction; (ii) a discussion of changes in personnel; (iii) a discussion of equipment and procedures; (iv) a discussion of surveillance records; (v) a discussion of decommissioning records; (vi) a discussion of the transferee's commitment to abide by the transferor's commitments in the license; (vii) before and after charts of the corporate structure of the licensee; (viii) Source Materials License SUA-1602; (ix) UEC notice of change of control letter to NRC dated May 8, 2017; and (x) a copy of AUC's irrevocable letter of credit surety instrument.

LICENSE HISTORY

The NRC issued Source Material License SUA-1602 to AUC in February 2017 for uranium production at the RCP. The RCP is located in Campbell County, Wyoming. The RCP license authorizes uranium recovery activities at the RCP site. The RCP has a license but construction has not commenced and there are no active operations.

On May 17, 2017, AUC submitted its Initial Surety Estimate as required by Condition 9.5 of license SUA-1602. The NRC staff has not initiated review of the Surety Estimate as of the date of this Safety Evaluation Report (SER).

REGULATORY FRAMEWORK

License SUA-1602 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 Revision 1, "Regulatory

Requirements for Transfer of Control (Change of Ownership) of Specific Materials Licenses,” dated May 5, 2016.

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. [ML17131A338](#)) and publicly released on May 12, 2017. The application for change of control was placed on NRC’s public Web site found at <http://nrcweb.nrc.gov:400/about-nrc/regulatory/adjudicatory/hearing-license-applications.html#transfer>, under “Notice of Application for Transfer of Control for Material Licenses under 10 CFR Part 30 and/or Part 40” on May 24, 2017. The 30-day comment period specified in 10 CFR 2.1305 closed on June 23, 2017, and the NRC has not received any comments regarding this change of control. Per procedures set forth in 10 CFR 2.309 for requesting a hearing and petitions to intervene, the 60-day period for filing such requests ended on July 25, 2017, and NRC received no requests for hearings or petitions to intervene.

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, UEC will become the ultimate parent company of AUC providing UEC with indirect control over NRC license SUA-1602. 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 application dated May 8, 2017 states:

AUC LLC (AUC) is a United States domiciled uranium company incorporated in the state of Delaware and headquartered in Lakewood, CO. The membership of AUC is held solely by AUC Holdings, Inc. (AUCHI), a corporation organized under the laws of Nevada. AUCHI is wholly-owned by Reno Creek Resources, Inc.,

(RCR) a British Columbia, Canada, corporation, which is wholly-owned by Reno Creek Holdings, Inc., (RCHI) a British Columbia corporation. Reno Creek Holdings has two stockholders, Pacific Road Resources Fund (Mining Private Equity Investors) at 97.27% ownership and Bayswater Uranium Corporation, a British Columbia, Canada corporation holding 2.73% ownership.

Upon completion of this transaction, RCHI will become a wholly-owned subsidiary of UEC. RCHI will retain 100 percent ownership in RCR. RCR will retain 100 percent ownership of AUCHI. AUCHI will retain 100 percent ownership of the licensee AUC. This new structure is illustrated in Appendix B of the application.

Based on the application submittal, the staff finds that after the transaction, AUC will remain the NRC licensee for Source Materials License SUA-1602 and that the transaction will result in a change of control of the ultimate holding company of the licensee from RCHI to UEC.

The NRC staff finds that AUC and UEC 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 May 8, 2017 application states:

Upon Closing of the Transaction, there will be changes to the AUC LLC Board of Directors, but the officers of AUC and its personnel will remain the same. AUC's Radiation Safety Officer (RSO), Bob Meyer, will remain as RSO. UEC anticipates no changes to key personnel having operational responsibility for the Reno Creek project or identified in the License having responsibility for radiation safety or authorized to use licensed material.

As stated in its application, "UEC is a producer of uranium in the United States and is an existing uranium ISR Processing Plant licensee, with extensive experience in ensuring compliance with source material and byproduct material licenses and protection of public health, safety, and the environment." UEC has demonstrated in its application that it holds a number of licenses in the United States, through its subsidiaries. UEC 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, the facility has not been constructed, and 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 UEC has experience in exploration and development of uranium assets similar to those of the RCP.

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 May 8, 2017 application states, "Upon Closing, AUC will not have any changes in location or place of use, including potentially affected adjacent areas, facilities, equipment, or procedures used for the Reno Creek Project or the License."

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 May 8, 2017 application states that, "all required surveillance for the Reno Creek Project and License has been performed, documented, and reviewed and is current, and will continue to be current at the time of the change of control. All records associated with such required surveillance are maintained and kept at the headquarters of AUC in Lakewood, Colorado, as no construction, installation, or operation of any licensed activities has occurred."

The application further states that "[t]hese records will remain at the AUC headquarters until such time as the Reno Creek project facility receives NRC's authorization to commence operation. At that time, all records will be transferred to and be held at the project site." 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 May 8, 2017 application states, "[a]ll records associated with the decommissioning of the Reno Creek project, including the Central Processing Plant (CPP) and all Production Units, will remain with AUC as the holder of the license after Closing, and will be available to UES as the indirect owner of AUC."

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 May 8, 2017 application states, “the Reno Creek project is not yet constructed or in operation...” “As required by License Conditions ... routine surveys for alpha, gamma and other potential contaminants are to be conducted at the CPP and all Production Units to measure and characterize the current ambient radiation levels and fixed and removable contamination.” The application further states that, “AUC and UEC ... are knowledgeable of the extent and levels of contamination and applicable decommissioning requirements at the Reno Creek project as of the date of this Notice.”

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

Decommissioning Commitment

The May 8, 2017 application states, “[t]he financial surety for the Reno Creek project will be unaffected by the Transaction and continue to be provided by AUC as the holder of the license.” The licensee also states that “at least 90 days prior to any Licensed disturbance, construction or operation not included in the Initial or Annual Surety Estimate, AUC commits to obtain NRC approval for a proposed revised surety.”

The NRC staff finds that the application sufficiently describes AUC and UEC’s commitment to decommissioning of the facilities, in accordance with NUREG-1556, Volume 15.

TRANSFEEE’S COMMITMENT TO ABIDE BY THE TRANSFEROR’S COMMITMENTS

NUREG-1556, Volume 15, recommends that the transferee agree to abide by all constraints, conditions, requirements, representations, and commitments previously made to NRC by the transferor.

The May 8, 2017 application states, “As the Transaction will not involve a transfer of the License to any person from AUC, there is no need to consider whether or not a transferee will abide by all constraints, conditions, requirements, and commitments of AUC or whether or not a transferee will submit a complete description of the proposed license program.”

Furthermore, it is stated in the application:

AUC, as Licensee, will continue to abide by all of the constraints, commitments, requirements, representations, and conditions of the License after the Closing. AUC confirms it will continue to accept full responsibility, as Licensee, for the decommissioning of the Reno Creek project site, including any contaminated facilities

and equipment. AUC also confirms it is knowledgeable of and accepts full responsibility for future inspections and for any resultant open inspection items and/or resulting enforcement actions. There is no need to consider any issues associated with whether AUC will retain all necessary professional expertise in accordance with NRC requirements for technical qualifications.

In an attachment to the May 8, 2017 application, a letter was provided and signed by Amir Adnani, CEO, President and Director, Uranium Energy Corp. certifying the following:

- Upon acquisition of Reno Creek Holdings, Inc., UEC will ensure all Reno Creek Holdings, Inc., AUC or other associated employees will maintain compliance with all NRC regulations and license conditions;
- No member of UEC will cause or induce to be caused a violation of said regulations and license conditions; and
- UEC will ensure through Reno Creek Holdings, Inc. and AUC, all personnel will maintain such compliance and AUC will maintain appropriate financial and technical qualifications in accordance with NRC regulations and guidance.

The NRC staff finds the commitments made by the new parent company, UEC, signed by the CEO, provide certification from an authorized representative of the transferee to abide by commitments made by AUC in its NRC Materials License SUA-1602 and is consistent with the guidance in NUREG-1556, Volume 15.

INIMICALITY REVIEW

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 Reno Creek, the NRC determined that the issuance of a Part 40 license to the licensee, AUC, 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 change of control of the NRC license SUA-1602 from AUC to UEC would similarly not be inimical to the common defense and security or to the health and safety of the public.

The RCP is only licensed to possess source material and byproduct material, specifically uranium and 11.e(2) byproduct material, at the site 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 facility results 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 facility. Upon conclusion of this transaction, the direct licensee will remain unchanged, as will the location of the proposed ISR facility. 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 RCP license from AUC to UEC will not be inimical to the common defense and security or public health and safety.

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 AUC and UEC with regard to an indirect change of control of Source Materials License SUA-1602. The submitted information sufficiently describes the transaction; documents UEC's understanding of the license and commitments; and, demonstrates that AUC and UEC 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 consent to the indirect transfer of the RCP license from AUC to UEC will not be inimical to the common defense and security or public health and safety.

Enclosure 1
Safety Evaluation Report

Enclosure 2
NRC Materials Licensee SUA-1602