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E.O. 11652: GDS
TAGS: EMIN, MNUC, ENRG, TECK, KS
SUBJECT: ROK URANIUM RESOURCES AND DEVELOPMENT PLANS

REF: (A) STATE 30129, (B) 75 SEOUL 1139

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1 SUMMARY: ROK NEWSPAPER ACCOUNTS OF LATE JANUARY, 1976
DETAILING DISCOVERIES OF SIGNIFICANT URANIUM ORE DEPOSITS APPEAR,
FROM INFORMATION CURRENTLY AVAILABLE TO EMBASSY, TO BE
OVERSTATED BOTH WITH REGARD TO QUALITY AND RECOVERABLE QUANTITY
OF ORE. ORE DEPOSITS DESCRIBED ARE FORMATIONS ORIGINALLY LOCATED
SEVERAL YEARS AGO BUT NOT SURVEYED UNTIL RECENTLY. RECENT SPATE
OF PUBLICITY CAN PROBABLY BE ATTRIBUTED TO COMBINATION OF
REVIVED ROK GOVERNMENT INTEREST IN DEVELOPING DOMESTIC ORE,
RELATED PUSH GIVEN TO ALL NATURAL RESOURCE DEVELOPMENT BY REPORTS
OF ROK OIL DISCOVERY, AND REAL POSSIBILITY THAT WITH ESCALATING
INTERNATIONAL URANIUM PRICES DEVELOPMENT OF ROK DEPOSITS, WHICH
PREVIOUSLY JUDGED UNECONOMICAL, MAY NOW BE CLOSER TO COMMERCIAL
PRACTICALITY. ROKG DESIRE TO PARTICIPATE IN NUCLEAR FUEL CYCLE
HAS PROVIDED IMPETUS TO GOVERNMENT AND PRIVATE EFFORTS TO PROVE
ORE CAN BE EXTRACTED AND APPLIED TO ROK NUCLEAR POWER PROGRAM.
END SUMMARY.

2. URANIUM ORE DEPOSITS: THE ONLY SIGNIFICANT ORE DEPOSITS
IDENTIFIED THUS FAR ARE IN THREE ADJOINING AREAS (KOASAN AND

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MIWON-YONGYURI AREAS OF NORTH CHUNG-CHONG PROVINCE AND
TAECHON-KONGJU-KUNSAN AREA OF SOUTH CHUNGCHONG PROVINCE)
WHICH TOGETHER COMPRISE THE "OKCHUN FORMATION." ROK PRIVATE
INDUSTRY SOURCES REPORT, CLAIMING TO DRAW ON ROK GEOLOGICAL AND
MINERAL INSTITUTE (GMI) STUDIES, THAT "PROVEN" ORE RESERVES NOW
TOTAL 7.2 MILLION TONS WITH CONTAINED U308 ESTIMATED AT ABOUT
3,300 TONS. BASED ON RESULTS OF RECENTLY COMPLETED SURVEY GMI
&"CONSERVATIVE" ESTIMATE FOR ENTIRE OKCHUN FORMATION IS 150
MILLION TONS OF ORE, BUT EMBASSY BELIEVES THAT THIS IS BALL PARK
ESTIMATE WITH LITTLE REGARD TO PRACTICALITY OF FULL DEVELOPMENT.
GMI IS LESS CONSISTENT IN REPORTING ORE QUALITY OF SURVEYED AREA
WITH CLAIMS THAT VARIOUS AREAS PRODUCE ORES OF 0.02, 0.03,
0.1 PERCENT U308 FOR AVERAGE SURVEYED CONTENT OF 0.045 PERCENT.
THESE SAME LOW QUALITY FORMATIONS ALSO CONTAIN QUANTITIES OF
VANADIUM BUT, AS HAS PREVIOUSLY BEEN THE CASE WITH URANIUM, THE
QUALITY OF THE ORE HAS NOT RECOMMENDED COMMERCIAL DEVELOPMENT.
FOUR SMALL SCALE MINES ARE NOW BELIEVED OPERATING. ROKG LEVEL OF
ANNUAL FUNDING TO GMI IN 1972-75 PERIOD AT LEVEL OF \$100,000 IS
FAIR REFLECTION OF LOW PRIORITY URANIUM EXPLORATION PREVIOUSLY
RECEIVED. THE NEW PRIORITY ACCORDED URANIUM DEVELOPMENT ALLOWS
THIS ANNUAL BUDGET TO DOUBLE IN 1976 AND AGAIN IN 1977.
ACCORDING TO PRIVATE SOURCES, ROKG ALSO WILL FUND, BEGINNING IN
MARCH, 1976, MINING OPERATIONS AT SEVERAL LOCATIONS WITH PRODUCT
ORE BEING STORED OR USED AS FEED STOCK FOR NEW GMI PILOT MILL
NOTED BELOW.

3. EXTRACTION EXPERIMENTS: IN THE PERIOD SEPTEMBER-NOVEMBER,
1974, GMI CONDUCTED A PILOT PLANT EXTRACTION OF URANIUM FROM
GRAPHITE SLATE MINED FROM THE OKCHUN FORMATION. ACCORDING TO AN
OFFICIAL GMI REPORT PROVIDED TO EMBASSY, A TOTAL OF 30 RUNS
INVOLVING ABOUT 29,000 KG. OF ORE YIELDED 901 MG/L CONTENT OF

U308 IN SOLUTION. THE GMI TECHNICAL REPORT ON THIS PILOT RUN WAS PICKED UP BY ROK NEWS MEDIA WHICH REPORTED, IN LATE FEBRUARY, 1975, THAT GMI WAS CAPABLE OF PROCESSING ONE TON OF URANIUM ORE DAILY WITH A YIELD OF "SIX KILOGRAMS OF URANIUM PER TON (OF ORE)". THE ARTICLES ALSO ESTIMATED THE ROK'S U308 PRODUCTION COST OF \$26 A POUND WHEN PLANT CAPACITY REACHED 100 TONS OF ORE DAILY. THESE CLAIMS WERE NOTED IN SEOUL 1139. THE RECENT SPATE OF ARTICLES HAS EMPHASIZED THAT RAPID INCREASE IN INTERNATIONAL URANIUM PRICES HAS MADE ROK DEVELOPMENT OF ITS URANIUM RESERVES COMMERCIALY ACCEPTABLE, AS WELL AS NECESSARY TO INSURE SUFFICIENT

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URANIUM TO FUEL ROK NUCLEAR POWER PROGRAM. MOST RECENT GMI UNOFFICIAL UNPUBLISHED ESTIMATE ON PRODUCTION COSTS OF U208 IS \$33/LB. FROM OKCHUN FORMATION. IN ADDITION TO ITS EXISTING ONE TON/DAY FACILITY, GMI WILL CONSTRUCT AND BEGIN OPERATION IN 1976 OF 100 TON/DAY (ORE INPUT) PILOT PLANT.

4. COMMERCIAL DEVELOPMENT AND GOVERNMENT SUPPORT: ROKG SUPPORT OF DEVELOPMENT OF URANIUM RESOURCES HAS RECENTLY PICKED UP SPEED WITH MINISTRY OF SCIENCE AND TECHNOLOGY, AMONG OTHERS, TYING URANIUM DEVELOPMENT REQUIREMENT TO THAT OF OTHER ORES. ON FEBRUARY 5, 1976, THE ROK FINANCE MINISTRY ANNOUNCED THAT IT WOULD SUPPORT THE COMMERCIAL DEVELOPMENT OF "SUCH STRATEGIC INDUSTRIES AS OIL AND URANIUM" WITH TAX ALLOWANCES AND A \$6 MILLION LOW INTEREST LOAN FUND TO BE MANAGED BY THE KOREA DEVELOPMENT BANK IN SUPPORT OF EXPLORATION, MINING, AND PRODUCT REFINING. ALSO, AS OF EARLY FEBRUARY, 1976 THE KOREA URANIUM DEVELOPMENT COMPANY IS PREPARING TO REGISTER AS A LEGAL ENTITY. FYI: THIS FIRM HAS APPROACHED EMBASSY COMMERCIAL SECTION, CLAIMING TO HOLD SUBSTANTIAL MINERAL RIGHTS TO OKCHUN FORMATION, AND SEEKING ADVICE AS TO BEST APPROACH FOR INDUCEMENT OF U.S. TECHNOLOGY AND EQUITY FOR URANIUM EXTRACTION AND MILLING. AN INVESTMENT OPPORTUNITY REPORT WILL BE SUBMITTED TO DOC IN RESPONSE TO THIS REQUEST, PROBABLY IN LATE FEBRUARY.

5. COMMENT: IN SEVERAL NEWSPAPER ARTICLES, PRIVATE CONVERSATIONS, AND IN DEALINGS WITH KOREAN FIRMS MENTIONED ABOVE, EMBASSY RECEIVES STRONG IMPRESSIONS THAT ROKG, SPECIFICALLY MINISTRY OF SCIENCE AND TECHNOLOGY, IS PUSHING DEVELOPMENT OF URANIUM REGARDLESS OF NEAR TERM COMMERCIAL PROFITABILITY IN ORDER TO GAIN GREATER MEASURE OF CONTROL OVER FUEL CYCLE. KOREAN FIRM, FOR EXAMPLE, DEMONSTRATED WHAT IT CLAIMED WERE ROKG DOCUMENTS CALLING FOR DEVELOPMENT OF URANIUM PRODUCTION CAPACITY BY 1980 FOR USE OF URANIUM AS FUEL IN ROK THIRD NUCLEAR POWER PLANT (CANDU HEAVY WATER UNIT) DUE FOR CRITICALITY CIRCA 1981 AS WELL AS FOR FUEL, AFTER U.S. ENRICHMENT, FOR LIGHT WATER POWER REACTORS. WE WILL CONTINUE TO MONITOR ROKG AND COMMERCIAL ACTIVITIES RELATED TO THE DEVELOPMENT OF AN INDIGENOUS EXTRACTION AND MILLING CAPABILITY.
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