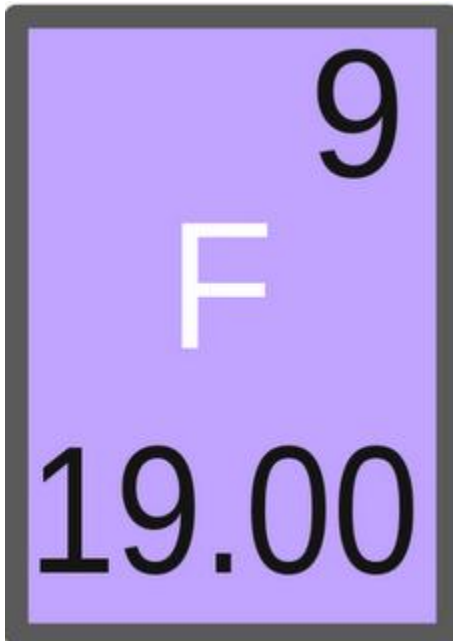


November 10, 2008

## International Isotopes raises \$2 million



International Isotopes updates expansion plans ~

### ***Target is a \$55M plant to process UF6 for fluorine products***

On Nov 10 International Isotopes Inc. [announced](#) the successful conclusion of a private placement completed among 11 directors, past investors, and major shareholders. It totals just over \$2 million.


The majority of net proceeds from the private placement will be used to support engineering design and licensing of the Company's planned uranium processing and fluorine extraction facility.

Steve T. Laflin, Chief Executive Officer stated, "We are very pleased with the level and amount of participation of our shareholders in the private placement, especially in light of today's current market conditions.

There is a fascinating story behind this investment announcement.

The following analysis is an edited version of an article published in [Fuel Cycle Week](#) V7N301 on 10/29/08 by International Nuclear Associates, Washington, DC.

### **55 million reasons to be tenacious**

Steve Laflin, CEO of International Isotopes ([OTC:INIS](#) ) is tenacious and he has to be looking for \$55 million to build a full-scale plant to extract fluorine from depleted uranium for use in high tech electronics, solar panels, and pharmaceutical manufacturing.

Laflin told the [Financial Times](#) of London on July 20 that the global market for these specialty gases is \$630 million. He told potential investors in Idaho Falls on Oct 7 that ultra-pure [silicon tetrafluoride](#) (SiF<sub>4</sub>) sells for a minimum of \$100 lb and up to three times that amount depending on purity.

His plans for a new, full-scale plant include a production target of processing 14 million pounds of depleted UF<sub>6</sub> per year resulting in the production of one million pounds of high purity fluoride gas and three-to-five million pounds of [hydrofluoric acid](#).

There are four possible future sources of UF<sub>6</sub> in the U.S. including the Louisiana Energy Services plant now under construction in New Mexico, Areva's planned "Eagle Rock" plant in Idaho, USEC's new enrichment plant in Ohio, also under construction, and a GE's planned laser enrichment plant in North Carolina. All four uranium enrichment plants are expected to be in full production by 2014.

### **Projected production numbers**

Assuming International Isotopes can produce and sell the high purity gas for \$200/lb, the mid-point of the cited price range, the projected production volume of one million pounds would be worth \$200 million in revenue before expenses, interest, and taxes.

Commercial quotations for bulk sales of industrial hydrofluoric acid currently are \$49/lb with up to a 20% discount for volume purchases. Four million pounds, the mid-point of Laflin's estimated annual production, would yield revenue with the 20% discount of (\$39.20/lb x 4,000,000) of approximately \$157 million.

Taken together the estimated gross revenue of the two product streams would be \$357 million/year or \$1.8 billion over five years of production at this level. Laflin's estimate revenue stream assumes he can capture at least one-third of the global market share for the high purity fluoride gas product. Whether anyone else would try to get into this business depends on whether they can independently replicate Laflin's new technology which is covered by five patents.

Additionally, Laflin says, his firm would also charge a fee for de-conversion services which presumably would also pay to ship the remaining low level waste to a licensed disposal facility such as the one being built in Andrews, TX. Other LLW waste facilities are located in Utah west of Salt Lake City, and near Mountain Home, ID.

### **The long and winding road**

Laflin has a long way to go to get to these production numbers. First he has to build a demonstration plant to prove he can produce 100,000 lbs/year of SiF<sub>4</sub>. Last June International Isotopes has announced plans for a 15,000 square foot demonstration facility estimated to cost between \$5-7 million.

Construction of the demonstration plant at the site of his existing operation in Idaho Falls will test the design of a full-scale operation, and, more importantly, be used to convince new investors to sign up to support the full scale facility. That could be a tough sell. However, the firm is making some headway.

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### **Financial snapshot mirrors a high technology startup**

Currently, the firm lost money the last four quarters according to its August 2008 filing with the SEC. Total losses on gross revenue of \$5.77 million were \$1.56 million. The company is still

developing its new product line with internal R&D and contracted engineering services. This is a profile similar to a high tech start-up in Silicon Valley.

### **Strategic alternatives to acquire new investors**

Raising new money for the demonstration plant in the current financial climate could come in one of two ways. First, private placements could support funding for the demonstration plant. That's what just happened this week.

In June the estimated cost of the new plant was between \$5.25-\$6.75 million. Assuming a private placement based on the potential future value of the business gains a premium price for the stock over current quotes, at say \$1.00 a share, Laflin would have to dilute current key shareholder positions by approximately five-to-seven million shares.

Of the total shares, about 280 million, 137 million shares, or 48% are owned by [five key investors](#), and another 23% of shares are also owned by insiders. On Nov 7 the stock closed at \$0.45/share against a 52-week range of \$0.43-\$1.17.

The other alternative is to sell the company to a much larger firm swapping the shares of International Isotopes for those of the firm making the acquisition. Given the large position of a few key investors, for a total of 71% of shares, they might favor this strategy over the challenges of a two-stage, multi-year development process which also requires at least two trips to the market for investors.

The current financial crisis has made an impact. Laflin is a realist and told the Idaho Falls Post Register Oct 7, "There can be no guarantee the capital will be available, or available under acceptable terms," he said.

The firm must also obtain an NRC license, a process which could take at least a year. Assuming it takes another year to build the demonstration plant, and a year to prove its capabilities to process 100,000 lbs of UF<sub>6</sub>, the earliest the firm would be making a decision for a site for a full-scale plant would be 2011. He'll also need contracts with one or more of the uranium enrichment plants to acquire the UF<sub>6</sub>.

### **Site selection process**

Laflin has narrowed the search for the full-scale plant to four sites. He said on Oct 7 at a reception for potential investors in Idaho Falls that two sites are in Idaho including the current plant near Idaho Falls, where France's Areva plans a \$2 billion uranium enrichment plant. The other Idaho site hasn't been disclosed.

The company also is considering sites in Lea County, NM, where Louisiana Energy Services / Urenco is building a separate uranium enrichment facility, and in nearby Andrews County, TX, which has a low-level waste dump.

Transportation distance is a key competitive issue. Laflin told potential investors his proposed facility could be anywhere on transportation routes between uranium enrichment plants that produce depleted uranium and the facilities where uranium waste is disposed.

As a practical matter, the closer the plant is to a LLW facility, the less Laflin will to charge customers for disposal of UF<sub>6</sub> after he's gotten the high value materials out of it.

"We're meeting with all the elected officials and all the economic development officials" in areas where the plant could be built, Laflin said.

The 13-year-old Idaho company has 35 employees and sales of \$4.5 million in 2007. It also produces isotopes such as cobalt-60 used in medical treatments.

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