M1037/0026
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DIV. OF OIL, GAS & MINING

May 22, 2014

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RE: Operational Status of Energy Fuels Uranium Mines: La Sal Mine, Beaver Shaft and Snowball Mine (M/037/0026, UTU-0689812)

In response to an e-mail from Mike Bradley to Frank Filas dated January 30, 2014, Energy Fuels Resources (USA) Inc. (Energy Fuels) prepared the following information. We communicated with Mike at length in recent months to better understand Utah Division of Oil, Gas & Mining (UDOGM)'s interpretation of R647-4-117, R647-3-113 and other rules pertaining to temporary suspension. The information provided here was prepared to summarize recent mining operations at each of our project sites and provide quick access to our contact information and the Interim Management Plans in place at each of our mines. Also, in response to a separate communication from Mike Bradley on March 14, 2014, we proposed to spread a temporary seed mix over portions of the sites that are not in immediate use.

1.0 Summary of Recent Mining Operations

The La Sal and Beaver Shaft mines were developed and first operated by Union Carbide in the 1970s. The La Sal and Snowball access the ore body via declines and were developed in the early 1970s. The Beaver Shaft was added in 1979 and operated until December 1990 when mining at all three portals stopped. The La Sal and Beaver Shaft mines were restarted in 2008 and ore was mined until October 2012.

2.0 Condition of Affected Land

During periods of temporary suspension of operations, the mines are regularly inspected and maintained in accordance with the La Sal Complex Interim Management Plan included as part of the most recently filed BLM Plan of Operations Amendment. In accordance with R647-4-113 and R647-4-117, UDOGM requested additional information on Energy Fuels' site management procedures. In response to that request the Interim Management Plan is attached to this letter.

3.0 Proposed Temporary Seeding

In response to a request from UDOGM on March 14, 2014, Energy Fuels will seed exposed areas of the mine during this period of temporary suspension. One attempt will be made to seed in disturbed areas focusing on the top, flat areas of the development rock areas and large, unused portions of the laydown yards. Areas around buildings will not be seeded so that the site does not appear abandoned thus making it more prone to vandalism. Seeding will be completed in the late fall or early winter and will not be preceded by topsoil spreading. Seeding methods, including seedbed preparation, will be determined by the terrain and available equipment. The purpose of this seeding effort is to encourage a temporary vegetative stand to help control weeds and reduce sediment production. This voluntary seeding effort is not expected to produce the 70% cover required for bond release due to the lack of topsoil spreading. The temporary seed mix to be used for this effort is a combination of Indian ricegrass, western wheatgrass and Needle and thread grass. These species are a subset of the seed mix that was approved for reclamation at many of Energy Fuels' Colorado Plateau mines.

4.0 Contact Information

If you need to reach Energy Fuels during this period of limited operations, the following contact information should be used:

Race Fisher
Mine Superintendent
Office phone: (970) 677-2702
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Unfortunately, it is not possible to predict precisely when the uranium commodity price will reach a level where it is profitable to reopen our mines. If a mine continues for 5 years without mining operations, Energy Fuels will notify the division pursuant to R647-4-117 and R647-3-113.

Please contact me at 303-389-4133 or areither@energyfuels.com if you have any questions or need additional information.

Sincerely,

Andrea Reither

Andrea Reither
Environmental Permitting Specialist

cc: Mike Bradley (UDOGM)
F. Filas, J. Massey, R. Fisher, D. Turk (Energy Fuels)

Attachment: La Sal Complex Interim Management Plan

Section 7
Interim Management Plan

This section conforms to the requirements of 43 CFR Part 3809.401, Section (b) (5) and 36 CFR 228A §228.10. Mineral commodity markets tend to be cyclical, that is, prices rise and fall substantially over periods of years. In the uranium market for example, high prices in the late 1970s gave way to very low prices in the early 1990s, with spot prices falling below the cost of production for most mines. In 1996 spot prices recovered to the point that many mines could produce profitably, though prices soon declined again and only started to recover strongly late in 2003.

Given current market conditions, Denison does not anticipate mine closure in the future; however, temporary mine cessation may occur, as it has in the past, due to the unpredictable market. In the past, these market fluctuations have led to temporary cessation and the re-opening of uranium mines in the U.S. In some instances uranium mines were reclaimed prior to the exhaustion of recoverable resources. Interim management of the mines protects BLM and USFS lands from undue degradation during periods of non-operation.

In the event that market conditions or other circumstances require a temporary cessation of mine operations, Denison will provide notice to the BLM in accordance with the requirements of 43 CFR Part 3802.4.7 and notice will be provided to the USFS in accordance with 36 CFR 228A §228.10(a), (b), and (c). During non-operating periods, Denison will maintain the buildings, drainage structures, roads, and other surface facilities in a safe and environmentally acceptable condition. Underground openings, gates, and buildings will be locked to discourage unauthorized access when mine personnel are not present.

In the event of temporary cessation of operations, in order to prevent unnecessary or undue degradation, the following Interim Management Plan will be followed by Denison.

7.1 Measures to Stabilize Excavations and Workings

The following measures will be used to stabilize excavations and workings.

7.1.1 Mine Portals and Vent Holes

Mine portals will be gated and locked during periods of non-operation.

Vent holes will have metal diffusers (if fans are on the surface) and metal grates (on all vents) to prevent access to them. These diffusers and grates will remain in place during periods of non-operation. The La Sal Mines Complex is a series of interconnected underground mines; therefore, no trenches or pits will be excavated during mining operations, and stabilization is not required.

7.1.2 Gates and Signage

The signage and gates will remain in place and will be monitoring by Denison on a bi-annual basis to ensure they are functioning properly.

7.1.3 Exploration Drill Holes

Exploration drill holes are typically closed following exploration drilling and it is unlikely that drill holes would remain open for longer than 30 days. In the event that exploration drilling holes are open during a period of non-operation, the holes will be reclaimed in accordance with UAC Rule R647-4-108 and the BLM and USFS best management practices.

7.2 Measures to Isolate or Control Toxic or Deleterious Materials

Appropriate measures will be taken to control toxic or deleterious materials in the event of short-term temporary cessation of mining operations. These measures are commensurate with potential environmental risks associated with these materials. No mineral processing is conducted at the La Sal mines complex. Therefore, neither potentially toxic mineral processing chemicals nor waste generated by mineral processing are present at the complex. In addition, the mine rock is not acid generating and it is unlikely that development rock piles would generate significant leachate. Additional details regarding geochemical characteristics of the mine rock are presented in *Evaluation of Development Rock Piles at the La Sal Mines Complex*. A copy of the report is provided as Attachment F.

The evaluation of development rock piles showed potential environmental concerns related to Direct Contact of arsenic during the post-reclamation period if appropriate mitigations were not completed during reclamation. The average arsenic concentration of development rock samples did not exceed risk screening criteria, but one of three samples did exceed the criteria. This suggests that local areas could be preset on La Sal Complex development rock piles that could present potential risks during the post-reclamation period. Denison has proposed appropriate mitigation to be conducted at the time of reclamation to address this concern.

In order to provide adequate control of potential development rock hazards during a period of temporary cessation of mining activities, Denison will take the following measures:

- Removal of all stockpiled ore from the mine facilities;
- Placement of barriers to restrict vehicular access to development rock piles; and
- Placement of signage in the development rock areas to restrict land uses such as ATV use that could lead to direct contact risks.

These mitigations would be maintained for the duration of temporary cessation.

7.3 Noxious Weeds

If spotted knapweed or any other noxious weed is found on public land, the BLM and USFS will be notified. Denison's Weed Management Plan is provided as Attachment I.

7.4 Provisions for the Storage or Removal of Equipment, Supplies, and Structures

Equipment and supplies at the mine will be placed into locked storage boxes and within the locked and gated mine workings. No equipment and supplies will remain outside of mine buildings or outside of the workings. The locks and buildings will be monitored on a bi-annual basis to ensure that vandalism has not occurred.

7.5 Measures to Maintain the Project Area in a Safe and Clean Condition

Signage for speed limits and access limitations will remain in place at the mine sites and will be monitored on a bi-annual basis to ensure that no vandalism has occurred. When temporary cessation occurs at the mine, all equipment and materials will either be removed from the site or placed and locked inside buildings and monitored on a bi-annual basis. Topsoil stockpiles will be temporarily seeded if not already stabilized and measures will be taken to ensure that the DRAs will be bermed and graded if necessary to ensure that they are stable. In addition, earthen berms will be repaired prior to cessation and maintained as needed during the cessation period. The fuel and oil storage areas will be locked and small amounts of oil and batteries in the maintenance shop will be removed. The mine offices and dry will also be locked and monitored and maintained on a bi-annual basis.

7.6 Plans for Monitoring Site Conditions during Periods of Non-Operation

This section meets the requirements of 43 CFR Part 3809.401(b) (4) and 36 CFR 228A §228.10 to establish a proposed plan for monitoring at the La Sal Mines Complex during periods of non-operation. The mine facilities and all surface structures such as buildings, portals, vent holes, roads, sediment controls structures, and all fencing will be monitored on a bi-annual basis during periods of temporary cessation. Maintenance of facilities and stabilization structures and controls will occur at the mine site following monitoring activities and will be reported to BLM in annual reports. In addition, all permits will be maintained during closure and permit conditions will be adhered to.

7.7 Schedule of Temporary Closure

At this time there is no schedule for anticipated periods of temporary closure; however, market conditions may dictate temporary cessation in the future. In the event of mine closure, the Interim Management Plan will be followed, the BLM will be notified in accordance with the requirements of 43 CFR Part 3802.4.7 and the USFS will be notified in accordance with 36 CFR 228A §228.10. During non-operating periods, Denison will maintain the buildings, drainage structures, roads, and other

surface facilities in a safe and environmentally acceptable condition. Underground openings, gates, and buildings will be locked to discourage unauthorized access when mine personnel are not present.