ADDENDUM TO THE SPECIAL USE PERMIT APPLICATION

PINON RIDGE MILL FACILITY

MONTROSE COUNTY, COLORADO

Submitted By:

ENERGY FUELS RESOURCES CORPORATION

April 2009

ADDENDUM TO THE SPECIAL USE PERMIT APPLICATION
PIÑON RIDGE MILL FACILITY, MONTROSE COUNTY, COLORADO
APRIL 2009

1.0 INTRODUCTION

This addendum to Energy Fuels Resources Corporation's (Energy Fuels') Special Use Permit (SUP) Application that was submitted July 22, 2008 provides additional information regarding water supply and consumption at the mill. The estimated water consumption and water supply are summarized below and discussed in detail in Sections 2.0 and 3.0, respectively

The total water consumption calculated for the 500 tpd mill facility by the mill design team (CH2M Hill) is:

Mill Process Water	=	130 gpm (non-potable)
Dust Suppression/Truck Wash/Fire Suppression	=	11 gpm (non-potable)
Bathrooms/Showers/Drinking	=	3 gpm (potable)
Total	**=**	**144 gpm**

The primary water supply for the facility is a series of deep wells located on the site and adjacent lands. Aquifer and pump testing indicates that these wells can sustain a water supply of 100 to 175 gallons per minute (gpm) (Golder 2008a and 2008b). Energy Fuels has also secured a contingency water supply from the Town of Naturita in the event that the well field cannot sustain the entire 144 gpm required for full production. Assuming the more conservative low-end scenario of 100 gpm from the well field, the water supply would be provided as follows.

Well Field Supply	=	100 gpm (non-potable)
Naturita Untreated Water Supply	=	41 gpm (non-potable)
Naturita Treated Water Supply	=	3 gpm (potable)
Total	=	**144 gpm**

The well field will be connected to the mill via buried pipe. Untreated and treated water from Naturita will be delivered in water trucks with a nominal capacity of approximately 5,000 gallons. This is equivalent to approximately 12 trips per day of untreated and 1 trip per day of treated water. Energy Fuels is also evaluating the potential for neutralizing and reusing the raffinate waste water that is disposed of in the evaporation ponds. If this proves to be cost-effective, an additional 40 gpm of wastewater could be treated and reused on site.

2.0 WATER CONSUMPTION AND WATER QUALITY REQUIREMENTS

2.1 Non-Potable Water

The water to be used for processing, dust suppression, and other non-potable uses does not need to meet drinking water requirements. Any water source with a near neutral pH (6 to 9 standard units and a total dissolved solids (TDS) content of less than about 60,000 milligrams per liter or parts per million (ppm) will be adequate for these purposes. A near neutral pH is required so that the SAG Mill liners are not corroded by the water. Water high in dissolved solids is acceptable for most of the milling process since the water serves primarily as a wetting agent in the grinding circuit and as a carrier for the metals dissolved during the acid leaching process. Some minor applications, such as gland water for the centrifugal pumps, will require much cleaner water and water may need to be filtered for these uses.

The non-potable water will be stored in a “raw water” steel storage tank with a minimum capacity of at least 320,000 gallons. Of this total, 180,000 gallons will be held in reserve at all times as a dedicated fire water reserve. The 130 gpm required for processing the ore is substantially less than what was used historically by milling operations in the area. CH2M Hill incorporated many water-saving measures into the design of the facility including reuse of some of the wastewater (e.g., tailings and raffinate), utilization of equipment with minimal water requirements, and recycling of chemical reagents wherever practicable.

2.2 Potable Water

Potable water for the showers, bathrooms, and laboratory use will be imported to the site because the on-site groundwater exceeds primary drinking water standards for uranium and arsenic and

secondary standards for sulfate and dissolved solids. The water could be treated to remove these constituents, but the cost of building, operating, and monitoring a treatment plant will likely be more than the cost to import the water from the Town of Naturita's water treatment plant. Potable water tanks will be located at both the administration building and near the mill laboratory and change house.

Potable water consumption was estimated using two methods. CH2M Hill estimated potable water consumption based on the number of showers (4,000 gal/day), number of sinks (500 gal/day) and projected laboratory use (300 gpd) to calculate a potable water consumption of 33,600 gallons a week. Energy Fuels calculated consumption based on the number of on-site employees. The project will employ 25 people in the administration building on a straight day schedule, five days per week and 60 people in four 15-person crews at the mill. The average number of employees at the facility would include 125 employee shifts per week (25 employees per day x 5 days) in the administration building and 315 employee shifts per week (15 employees per shift x 3 shifts per day x 7 days) in the plant. According to the Colorado Department of Public Health and Environment (CDPHE), Guidelines on Individual Sewage Disposal Systems, an industrial facility uses an average of 15 gallons/per employee/per shift in the administration building (i.e. no showers) and 35 gallons/per employee/per shift for the plant (includes showers). Based on this information, the potable water demand is expected to be 1,875 gallons/week at the administration building and 11,025 gallons/per week at the plant. Including an additional 2,000 gallons/week for the lab brings the estimated total consumption to about 15,000 gallons a week. For planning purposes, potable consumption will be conservatively assumed to be 30,000 gallons a week, which is equivalent to approximately 3 gpm.

3.0 WATER SUPPLY AND QUALITY

The siting studies completed for the Piñon Ridge Mill were performed in accordance with state and federal regulations that require the site to be constructed in an area where surface and groundwater cannot be easily impacted. Historic tailings sites such as the Union Carbide Mill in Uravan and the Atlas Mill in Moab could not be permitted under present day regulations and technical guidelines. This reduces the risk of potential environmental contamination, but makes it

necessary to acquire water supplies from deep wells or from a more distant surface water source (through piping and/or trucking).

As discussed in the Special Use Permit application, the Piñon Ridge Mill will draw process water from several deep production wells located on and adjacent to the mill site. As a contingency measure, we have made arrangements to purchase untreated water from the Town of Naturita should the on-site source be inadequate to supply all of the water needed for the mill. We have also explored other water alternatives, including the use of mine water and recycling of raffinate solution, which are discussed below. These alternatives would not be implemented unless proven to be cost effective.

Potable water will initially be trucked to the site from the Town of Naturita. An on-site water treatment plant may be installed at a later date if it proves to be more cost effective over the long term.

3.1 On-Site Water Supply

Energy Fuels plans to pump water from five production wells located on the south end of the project site and on adjoining private property to the west. The sustainable pumping rate for these wells has been estimated to be between 100 to 175 gpm. Three of the five planned wells have been permitted and completed with a documented cumulative pumping rate of 134 gpm. Eastern Paradox Valley where the mill site is located is designated by the Colorado Division of Water Resources as a non-critical area; therefore, neither augmentation nor a water right is required to use the water. Energy Fuels plans, however, to file water rights in the future to secure a priority for these wells.

The groundwater in the production wells is suitable for most processing applications as it has a pH between 7 and 8 standard units and a total dissolved solids concentration between 800 and 1,000 ppm. As previously mentioned, the groundwater does not meet state and federal drinking water standards and would need to be treated before it could be used for potable purposes.

3.2 Naturita Non-Potable Contingency Water Supply

A contingency water supply has been identified in the event that the on-site water supply cannot sustain the required 141 gpm of non-potable water needed for mill operations. An agreement has been made with the Town of Naturita to purchase raw untreated water from the town. The Town of Naturita's water originates from the San Miguel River and is of relatively good quality (neutral pH and low TDS levels) and suitable for mill use.

The letter agreement from the Town of Naturita, dated February 10, 2009, and a copy of the Town of Naturita water rights for this water are provided in Attachment A. The agreement allows for the purchase of up to 150,000 gallons per 24-hour period (equivalent to 104 gpm) for a period of 15 years, commencing in 2011, the anticipated start-up date of the mill facility. Naturita's absolute water right is for 0.5692 cubic feet per second, which is equivalent to 255 gpm. The conservatively estimated 41 gpm needed for the contingency supply represents 16% of this water right. The maximum allowable purchase in a 24-hour period of 150,000 gallons represents 41% of this water right. The Town of Naturita also has additional water rights through the Mustang Water Authority that provide for the majority of the town's water supply.

The proposed haul route from Naturita to the mill site is 14 miles in length and is shown on Figure 1 (see Attachment B). The untreated water would be obtained from the Old Water Treatment Plant shown on Figure 2 (see Attachment B) and trucked to the mill in water trucks. State highways have a load limit of 95,000 pounds and, depending on the number of axles and the type of tank used, water trucks from 3,500 up to 5,500-gallons may be used. For estimating trips, a 5,000-gallon water truck is assumed. A total of 59,000 gallons of water would be needed daily to supply 41 gpm of water to the mill on a 24-hour/7-day per week basis. This would require 12 loads of water per day. Truck scheduling would be coordinated with the Town of Naturita to minimize impacts to residents.

3.3 Energy Queen Non-Potable Water Alternative

The Energy Queen Mine (formerly the Hecla Shaft) is located 39 miles west of the Piñon Ridge Mill site on Utah Highway 46. The mine is currently flooded and will need to be dewatered prior to the start of operations and then pumped daily during mining operations. Approximately 10

million gallons of water will be removed during initial dewatering and an average of 65 gpm will be removed during subsequent mining operations. The water has a pH of about 8 standard units and a TDS concentration of about 500 ppm and would be suitable for mill use. Energy Fuels has a permit for treating and discharging this water, which has radium levels above surface water discharge standards. Although the distance to the mill site appears to be prohibitive, this water would not have to be purchased and use of the water for milling would eliminate the need and cost for water treatment.

3.4 Neutralization and Reuse of Raffinate Wastewater

During the milling process, metals are leached from the ore using a strong acid solution. The wastewater produced from this process includes the water in the tailings slurry that is pumped to the tailings cell and the barren raffinate from the vanadium circuit that is pumped to the evaporation pond for disposal. The tailings water and raffinate water contain elevated levels of TDS (about 50,000 to 60,000 ppm) and have depressed pH levels of 3.4 and 4.4, respectively. These waste solutions, as described in Section 4.2 and Appendix E of the SUP Application, are contained within cells or ponds constructed of multiple synthetic liners and equipped with leak detection systems.

At the tailings cell, a portion of the tailings water is entrained within the fine-grained tailings solids or lost to evaporation; however, the majority of the low pH water is returned to the mill for use in the counter-current decantation (CCD) thickeners. A portion of the raffinate from the vanadium circuit is also utilized within the mill, but the majority of this waste stream is pumped to the evaporation ponds for disposal. The water evaporates from the ponds while the dissolved solids precipitate out of solution. This has been the standard disposal practice in the mining industry for raffinate solutions given their high concentrations of dissolved solids and low pH.

CH2M Hill has indicated that it is feasible to neutralize the raffinate by adding hydrated lime or another similar product to raise the pH from 4.4 to about 6.5. The neutralized water could then be used in the SAG Mill. At a processing rate of 500 tpd, a total of 53 gpm of raffinate is pumped to the evaporation ponds. If neutralization proves to be cost effective, an estimated 80 percent of this water could be recycled and the consumption for processing reduced from 130 gpm to

approximately 90 gpm. Energy Fuels is in the process of evaluating the capital and operating costs of a neutralization system to determine if it is a viable option.

3.5 Potable Water

Potable water will be stored in a tank at the administration building and at the mill. The tanks will be constructed of suitable material and will be appropriately sized for the expected usage. Treated potable water will be purchased and loaded out at the Naturita Town Hall, located on Highway 141, and trucked to the mill site (see Figure 2 in Attachment B). Assuming an average consumption of 30,000 gallons of potable water per week and a load limit of 5,000 gallons of water, an average of 6 truckloads of water would be required per week.

REFERENCES

Golder Associates Inc. 2008a. "Phase 3 Long-Term Pumping Test Data Report, Piñon Ridge Project, Montrose County, Colorado" Lakewood, CO, September 2008.

Golder Associates Inc. 2008b. "Water Supply Evaluation, Piñon Ridge Project, Montrose County, Colorado" Lakewood, CO, November 2008.

ATTACHMENT A

TOWN OF NATURITA AGREEMENT AND WATER RIGHTS

TOWN OF NATURITA

222 East Main Street
P.O. Box 505
Naturita, CO 81422

Phone: 970-865-2286
Fax: 970-865-2815
Email: twnclrknaturita@aol.com

February 10, 2009

Energy Fuels Resources Inc.
Post Office Box 888
Nucla, Colorado 81424

Gentlemen.

The Town of Naturita (the "Town") has agreed to furnish raw (untreated) water (the "Water) to the proposed Energy Fuels' Pinon Ridge Mill located West of Naturita, Colorado, (the "Mill") for use in the processing of uranium/vanadium ores from area mines. The Water will be supplied from the existing raw water rights held by the Town. The quantity of the Water supplied will be up to one hundred fifty thousand (150,000) gallons per twenty-four (24) hour period. The Water can be supplied for a period up to fifteen (15) years, with delivery starting when the Mill is anticipated to commence ore processing in 2011.

Energy Fuels will pay the Town a fee for the use of the Water determined by the fair rate for such Water and escalated from time-to-time to reflect the fair rate at the time of delivery. Energy Fuels will pay all costs of trucking and/or transporting the Water from the collection point to the Mill. In addition, Energy Fuels will pay for the installation and maintenance of all piping, pumping, metering devices, truck turn-out and other improvements required to deliver theWater to the Mill. Energy Fuels will also be responsible for increased maintenance of any of the Town's streets used to deliver the Water to the Mill.

Very truly yours,

Cameron Riley, Mayor
The Town of Naturita

IN THE DISTRICT COURT IN AND FOR

WATER DIVISION NO. 4

STATE OF COLORADO

CASE NO. W-3151

FILED
IN THE DISTRICT COURT
WATER DISTRICT #4
JUN 1 1978
Kay Phillips
WATER CLERK
By _____ DEPUTY

IN THE MATTER OF THE APPLICATION FOR WATER RIGHTS OF	)	
THE TOWN OF NATURITA	)	FINDING OF FACT, RULING AND DECREE
IN THE SAN MIGUEL RIVER	)	
IN MONTROSE COUNTY, COLORADO	)	

The Applicant, Town of Naturita, % Dan Crane, P. O. Drawer 11, Naturita, Colorado, 81422, requests an alternate change of point of diversion to a proposed well-head, and it is applicant's further intent to obtain a change of use from irrigation to domestic and municipal purposes heretofore undecreed, of water rights owned by applicant in the Reed and Chatfield ditch, and Enlargement thereof.

Date of filing: June 30, 1977.

No Statement of Opposition has been filed in this matter.

FINDING OF FACT

The Reed and Chatfield Ditch, and Enlargement, whose source of supply is the San Miguel River, have been granted the following water rights, all being decreed for irrigation purposes:

Priority No.	Amount, cfs	Date of Appropriation	Date of Decree	Civil Action No.
76 (25)	4.00	7-1-1896	6-3-1911	1627
329	2.00	4-1-1934	11-1-1939	4641
329C	4.00	4-1-1939	11-1-1939	4641

with the latter Conditional decree having been made Absolute on March 22, 1971, in Case No. W-129. This action, however, addresses the first two above listed priorities only.

Applicant claims and owns beneficially 1.59 cubic feet per second of time of Priority No. 76 (25) renumbered, and 0.80 cubic feet per second of time of Priority No. 329 (decreed Absolute on November 11, 1939) in said Reed and Chatfield Ditch, and Enlargement.

Applicant's purpose in this matter is to obtain a decreed change of use and an alternate point of diversion and source of water supply for the Town of and its inhabitants from a well-head in the event drought or other natural conditions should occur which would damage or otherwise deplete the historic water supply. The Reed and Chatfield Ditch is about 4.5 miles long, and it has historically enjoyed transportation losses through seepage and evaporation of about 50%, in addition to occasional ditch damage by floodwaters.

The alternate point of diversion, a well-head, is proposed to be located in the NW¼ of the NW¼ of Section 29, T 46 N, R 15 W, NMPM, which is 600 feet from the north line and 600 feet from the west line of said Section 29, more or less. A test hole has been commenced which appears to indicate that a satisfactory ground water supply is available for appropriation.

The legal description of the original point of diversion of the Reed and Chatfield Ditch, and Enlargement, is erroneous, and this action is further intended to identify the above error and to describe correctly the original headgate location; the original location bearing was erroneously described as being south and east instead of north and west. This headgate location is a point of diversion located on the right bank of the San Miguel River at a point from whence the northeast corner of Section 20, T 46 N, R 15 W, N.M.P.M., bears N 34° W a distance of 4,185 feet. The distance between the original and proposed alternate points of diversion is about one and one-half (1½) miles, with one intervening water right, namely the B.C.D. ditch.

Based upon available information, the average consumptive use of irrigation water in this area appears to be 28% more or less, and therefore 0.4452 cfs of Priority No. 76 (25) renumbered, and 0.224 cfs of Priority No. 329, are subject to approval of an alternate change of point of diversion for domestic and municipal purposes; further, that an arbitrary 10% (0.159 cfs) of applicant's ownership interest in Priority No. 76 (25) renumbered, and 10% (0.08 cfs) of applicants ownership interest in Priority No. 329, shall be forfeited to said Reed and Chatfield ditch, and enlargement, and further that 62% (0.9858 cfs) of Priority No. 76 (25) renumbered, and 62% (0.496 cfs) of Priority No. 329, shall be forfeited to said San Miguel River, all from the above priorities respectively, at all times of diversion at said alternate well-head, in order to protect insofar as reasonable and practicable, vested water rights in said ditch and stream system.

Applicants right to divert the consumptive use portions of the above priorities shall further be recognized and honored, as their needs may require, alternately at the Reed and Chatfield ditch headgate, subject to approval of the water commissioner and division engineer, and the same shall be granted a change in use to domestic and municipal purposes.

Additionally, applicants right to submit engineering studies supporting an increased consumptive use figure to the Court for review, for potential revision of this decree, is recognized.

It is the Finding of the Court that the statements contained in the application are true, that a change of water right has been initiated, that no injury to vested water rights will occur as a result of approval of this change by the Court, and that subject application should therefore be approved; further, it is applicant's intent that the application in Case No. 3117 shall be withdrawn by applicant.

RULING

It is therefore Ordered, Adjudged, and Decreed, that subject to the foregoing Finding of Fact, applicant is granted a change of use as aforesaid, and an alternate change of point of diversion to a well-head, for the use and benefit of the Town of Naturita and its citizens, so much water as may be pumped therefrom, not to exceed 0.4452 cfs of Priority 76 (25) renumbered, and not to exceed 0.224 cfs of Priority No. 329, jointly, as of dates of appropriation of July 1, 1896, and April 1, 1934, respectively, CONDITIONED, however, upon proof of completion of subject well in the manner and time as provided by law, a well permit application duly approved by the State Engineer's Office, and proof of application to beneficial use within the time and in the manner provided by law.

During the month of June 1982 and every four years thereafter, until the right is decreed final, the owner or user thereof, if he desires to maintain the same, shall file an application for quadrennial finding of reasonable diligence with the Water Clerk of this Court.

DATED June 22, 1978

Water Judge
Division No. 4

Filed in the District Court
Water Division Four

SEP 17 1987

Kay Phillips, Clerk

DATE OF MAILING
9-17-87

DISTRICT COURT, WATER DIVISION NO. 4, COLORADO

CASE NO. 87CW39, (Ref. 82CW146 & W-3151)

FINDINGS AND RULING OF REFEREE AND DECREE

IN THE MATTER OF THE APPLICATION FOR WATER RIGHTS OF:

TOWN OF NATURITA

In the SAN MIGUEL River, MONTROSE County, Colorado.

Applicant, Town of Naturita, c/o Dan K. Crane, P.O. Box 514, Naturita, Colorado 81422, requests to Make Absolute a Conditional Water Right by Application filed February 19, 1987.

FINDINGS OF FACT

1. All notices required by law of the filing of this Application have been given. The Referee has jurisdiction of this case. The time for filing of statements of opposition has expired and no such statements have been filed.

2. Applicant requests to make absolute a conditional water right for the NATURITA TOWN WELL, which is located at a point in the NW1/4 NW1/4 Section 29, Township 46 North, Range 15 West, N.M.P.M., 600 feet from the North line and 600 feet from the West line, and is tributary to the San Miguel River. The decree for this right was entered in case W-3151 on June 22, 1978. The Court finds that Applicant has completed the appropriation as required in the conditional decree, and has placed .5692 c.f.s. of water to the beneficial use of municipal purposes. This diversion is protected from call by the augmentation plan established in W-3151.

RULING

Applicant is hereby GRANTED an ABSOLUTE water right for .5692 c.f.s. of water for municipal purposes from the NATURITA TOWN WELL, located as above-described.

DONE THIS 17th DAY OF September, 1987.

Aaron R Clay
Aaron R. Clay
Water Referee
Division 4

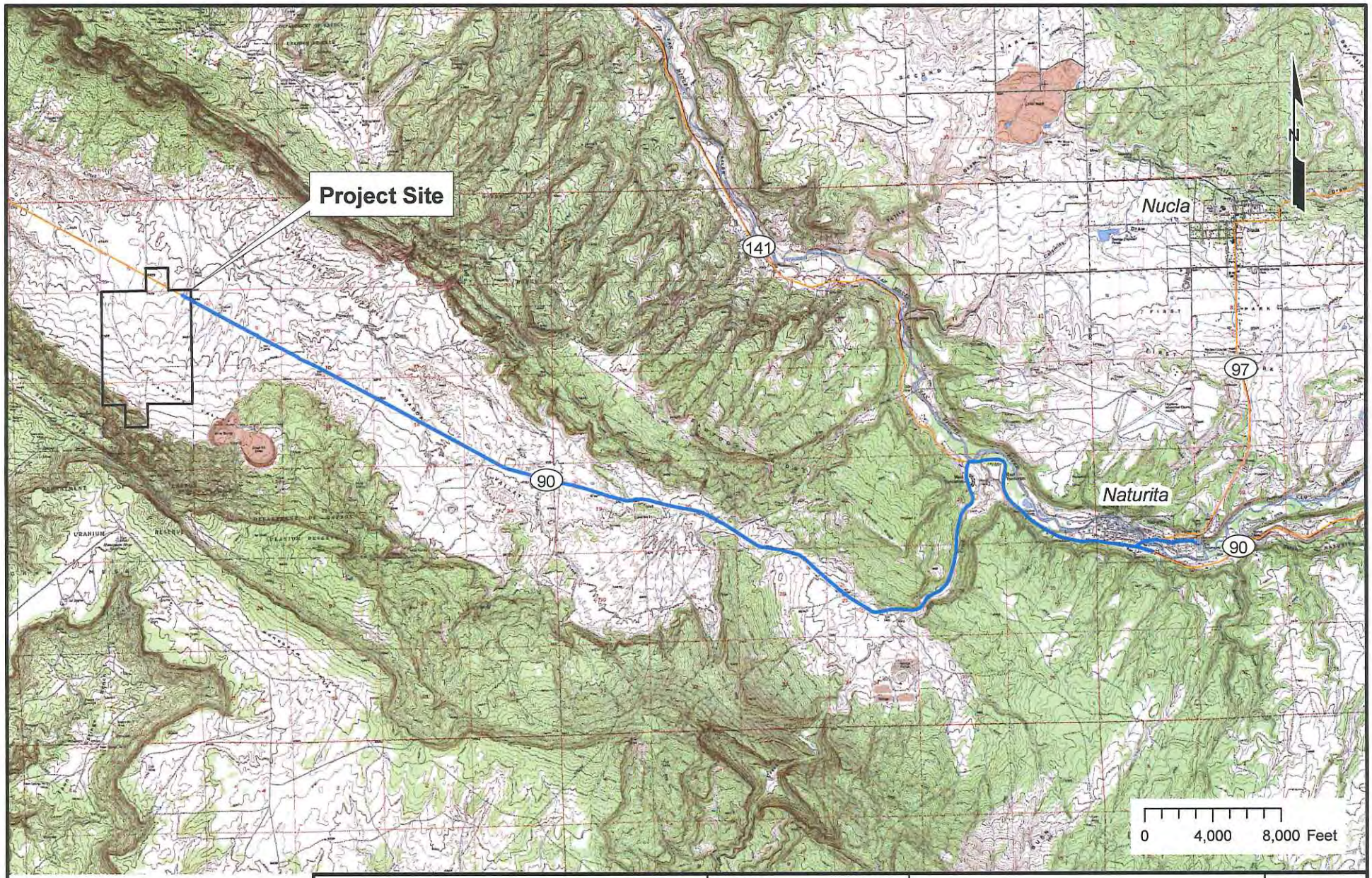
No protest was filed in this matter. The foregoing ruling is confirmed and approved, and is made the judgment and Decree of this court.

Dated: 10-8-87
Robert A Brown
Water Judge

Mailed-A Copy of this Document to all parties in this case.

Dated 10-8-87
Kay Phillips, Water Clerk

ATTACHMENT B
FIGURES



Legend

- Water Haul Route
- Project Boundary

Energy Fuels Resources Corporation

PROJECT	Pinon Ridge
DRAWN:	3/13/09
DRAWN BY:	Z Rogers
CHECKED BY:	
FILE NAME:	WaterRoute_031309.mxd

Water Haul Route

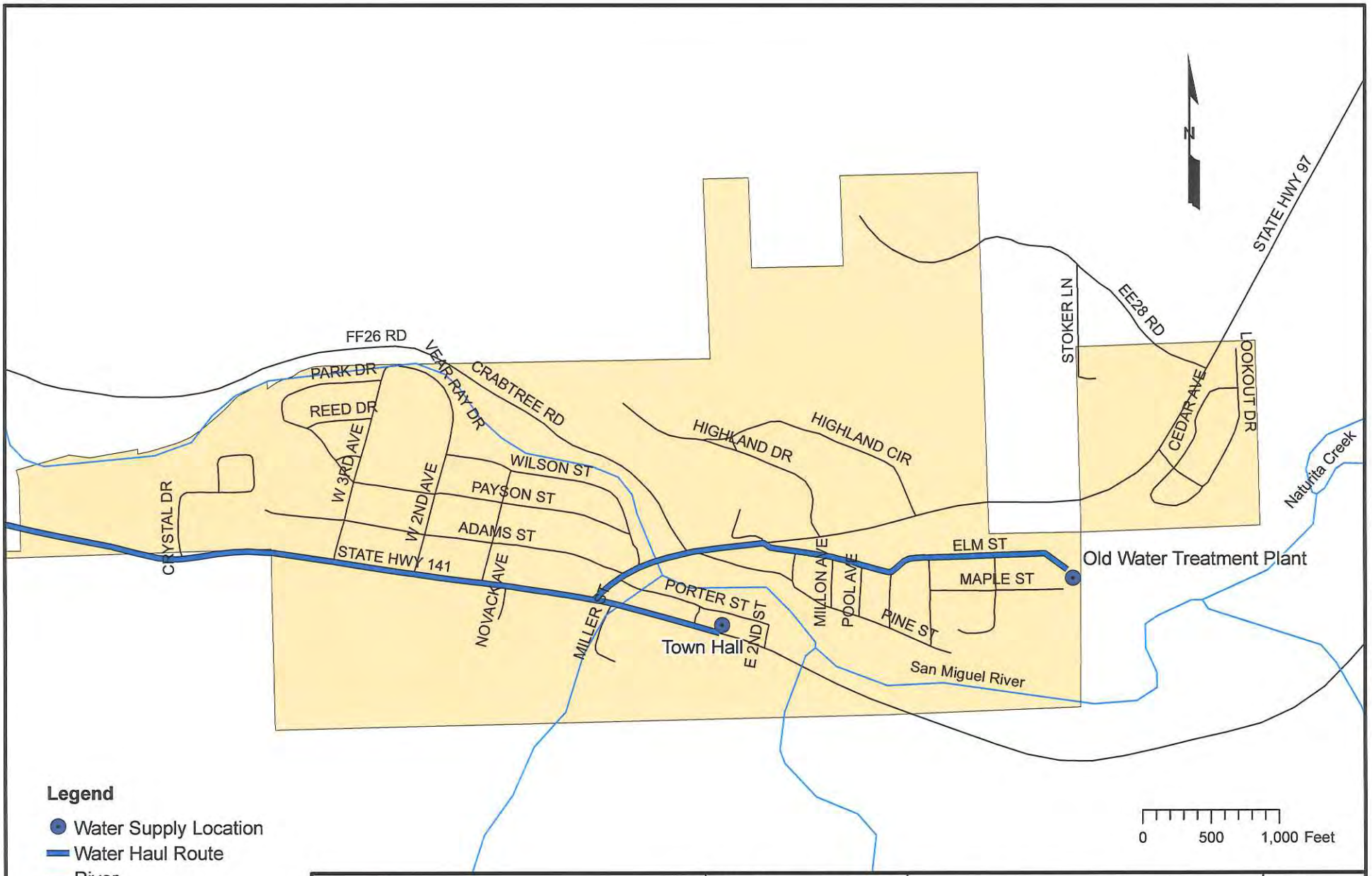
ENERGY FUELS RESOURCES
PIÑON RIDGE MILL SITE
MONTROSE COUNTY, COLORADO

ORIGINATOR: Z Rogers

APPROVED BY:

FIGURE

1



Energy Fuels Resources Corporation

PROJECT	Pinon Ridge
DRAWN:	3/18/09
DRAWN BY:	Z Rogers
CHECKED BY:	
FILE NAME:	Fig2_WaterSupplyPts_031709.mxd

Water Supply Locations

ENERGY FUELS RESOURCES
PIÑON RIDGE MILL SITE
MONTROSE COUNTY, COLORADO

ORIGINATOR: Z Rogers
APPROVED BY:

FIGURE

2