



ENERGY FUELS RESOURCES CORPORATION

November 7, 2008

Mr. Steve White, Director
Montrose County Land Use Department
317 S. Second Street
Montrose, CO 81401

Re: Response to October 28, 2008 Comment Letter
Special Use Permit – Piñon Ridge Mill Facility

Dear Mr. White:

The questions that you raised regarding our proposed water supply are well placed and timely. The estimated sustainable water production from the on-site aquifer is less than what we had originally estimated. Aquifer tests conducted in August and recently completed modeling indicate that the aquifer at the base of the mesa is capable of providing only about half the water supply needed to operate a 1,000 ton per day (tpd) mill. We initially investigated the possibility of augmenting the water supply through other sources (e.g., pipeline, truck transport), but ultimately decided to initially operate the mill at 500 tpd using the available water on site. This decision was, in large part, based on the expected production from our own mines and other mines in the region. With the spot price of uranium currently at \$47/pound (down from a high of \$136/pound), there has been less mine development in the region than we originally projected. Fortunately, long-term prices for uranium have remained relatively stable and economically attractive at about \$75/pound.

Although, we expect that the production rate will be reduced for some period of time, we still expect that the overall facility footprint and surface disturbance will ultimately be the same as is presented in our July 2008 Special Use Application. Ore haulage and other truck traffic will be reduced by about 40 percent from the number of vehicles previously estimated for the state highway access permit. The number of mill employees will also be reduced by approximately 20 percent. It is worth noting that the mill design is relatively flexible and can be easily expanded from 500 tpd to in excess of 1,000 tpd. That is because the semiautogenous grinding (SAG) mill has a capacity of about 1,500 tpd (it is the smallest that they make). Other mill components such as reagent tanks and process tanks can be easily added or replaced with larger units if additional capacity is needed.

We have enclosed three copies of the "Water Supply Evaluation, Piñon Ridge Project" that was prepared by Roman Popielak, P.G. of Golder Associates. I believe that this report adequately addresses the following questions raised in your comment letter.

- *What is the amount of water available in the aquifers to be utilized?*
- *Is the aquifer being recharged? If so, how?*
- *Will all wells used for the facility continue to produce the amount necessary for continued operation? Provide data to support this claim.*

Responses to your other questions follow.

- *If the facility were being operated at full capacity, how many years of water would be available.*

The report sets a range of potential sustainable production rates for the aquifer at the base of Davis Mesa with the most conservative rate being 104 gallons per minute (gpm) and the highest rate being equal to 175 gpm. The basic engineering design for the 500 ton per day (tpd) mill, calls for a nominal water supply of 150 gpm. This number includes processing water, water for dust suppression, and potable water for the bathrooms. During the detailed design that will occur later in the project, we will look at methods for further reducing water consumption. This may include additional recycling of the raffinate solution that is discharged to the evaporation pond. Denison Mines currently recycles some of their raffinate solution at the White Mesa Mill, so we believe that recycling a portion of this water is very do-able and will allow us to reduce our water consumption to less than 150 gpm.

As a contingency measure, we have also contacted the town of Naturita regarding purchase of up to 100,000 gallons of untreated water per day (GWPD) from the town's allocated water supply to supplement the volume produced from the onsite well field. The town council has approved this purchase, and has even stated that more water is available if EFR should require additional process water. The 100,000 GWPD is roughly equivalent to 75 gpm and would require 18 to 20 trips per day for a 5,000 to 6,000-gallon tanker truck. This additional traffic would result in a cumulative daily traffic load similar to what was previously projected for the 1,000 tpd mill. The 18 to 20 water trucks per day are roughly equivalent to the 20 to 21 trucks of ore and additional reagent trucks that are eliminated when reducing the mill feed from 500 tpd to 1,000 tpd.

- *Baseline information regarding existing wells in the area.*

As shown in Figure 7 and Table 1 of our October 1, 2008 submittals, the only wells located in the immediate vicinity of the project are the monitoring and production wells that we installed during the past year. With the exception of one dry well to the northeast, neighboring wells are located 2.5 to 4.5 miles from the site. Kleinfelder Inc. will send you three copies each of the second and third quarter 2008 monitoring reports that provide information on the wells we have installed plus the exploration borings that were installed as part of the groundwater investigation. The monitoring data indicate that the

groundwater is useable for processing purposes with a total dissolved solid (TDS) concentration between 800 and 1,000 mg/L. However, the uranium and sulfate concentrations generally exceed drinking water standards. A cost-benefit analysis will be performed to determine whether we install a water treatment facility on site or purchase and truck in the potable water needed for the bathrooms and change facilities.

I hope that these reports adequately address your questions. Let me know if you should need anything else.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Frank Filas', written in a cursive style.

Frank Filas, P.E.
Environmental Manager

Attachments

Cc: K. Morrison, R. Popielak (Golder)
A. Kuhn (Kleinfelder)
M. Montoya (Visus)
B. Monok, S. Antony, G. Glasier (Energy Fuels)