

STATE OF COLORADO

DIVISION OF RECLAMATION, MINING AND SAFETY

Department of Natural Resources

1313 Sherman St., Room 215

Denver, Colorado 80203

Phone: (303) 866-3567

FAX: (303) 832-8106



John W. Hickenlooper
Governor

Mike King
Executive Director

Loretta E. Pineda
Director

May 23, 2012

Christy Woodward
Denison Mines (USA) Corp.
1050 17th Street, Suite 950
Denver, CO 80265

Re: Topaz Mine, Permit No. M-1980-055 HR, Amendment AM-1, Approval of
Environmental Protection Plan, and Notice of Financial Warranty Increase.

Dear Ms. Woodward,

On March 30, 2012 the Division of Reclamation, Mining and Safety approved Amendment AM-1 to the Topaz Mine 112d-3 permit, which incorporates the Environmental Protection Plan (EPP) into the permit, as required by Hard Rock/Metal Rule 6.4.21.

The EPP includes requirements for the installation of a series of wells from which groundwater will be sampled, and installation of a PVC ore pad liner. The groundwater well installations will commence during this 2012 construction season, and ore pad liner will be installed prior to commencement of mining. The Topaz Mine permit is currently in a status of Temporary Cessation, as approved under Revision TC-2, approved on March 10, 2010. Please be aware that prior to initiating the construction of the groundwater wells or the ore pad liner, you must inform the Division of the intent to place the permit into Active status, and the date of such change.

As part of the approval to incorporate these significant changes into this permit under Amendment AM-1, the amount of financial warranty (bond) was reviewed. The existing amount of financial warranty is \$81,522. The Division's review of the reclamation costs reveals that the current bond amount is insufficient. The updated reclamation costs were estimated to be \$94,791. This is a shortage of \$13,269. The updated reclamation costs were shown in the cost estimate packet that was sent to you previously.

Please consider this letter to be your Notice of Financial Warranty increase. The additional amount must be provided to the Division, in an approvable format, within 60 days from the date of this letter. The present bond is in the form of a corporate surety, whose amount may be modified by providing a rider to the surety. Please direct all questions or submittals pertaining to the bond to Ms. Barbara Coria in the Division's Denver Office (see address in letterhead, above). You may reach her by phone at 303-866-3567 ext 8148.

The Tres Rios Field Office of the Bureau of Land Management (BLM), in Dolores, is currently completing its process of updating the plan of operations to include the groundwater wells and

other aspects of the mining plan. In accordance with the MOU between the Division and the BLM, the two agencies have coordinated on the updated permit plans, and the BLM has had opportunity to review the Division's updated reclamation cost estimate. The BLM's response to this bond estimate is expected shortly. If any subsequent adjustment to the bond amount is indicated, a rider may be submitted.

Please note that there may be future changes to the details or scheduling of various aspects of the mining and/or reclamation plans, but they do not alter this estimate since it is generated as a result of the approval of the EPP. If Denison wishes to modify the required bond amount, a permit revision may be required. For example, a bond reduction request must be submitted if Denison wishes to receive a bond reduction for reclamation performed. Conversely, if Denison wishes to be incrementally bonded for structures that are currently approved but not to be installed soon, such as for a series of future vent holes, separate permit revisions may be submitted to adjust the bond for each structure. Please contact this office if there are questions.

The Division appreciates the diligence and cooperation shown by Denison throughout this EPP amendment process. If you have questions, please contact me at the Division's Durango Field Office: 691 CR 233, Room A-2, Durango, CO 81301; telephone 970-247-5193.

Sincerely,

A handwritten signature in black ink, appearing to read "Bob Oswald". The signature is fluid and cursive, with the first name "Bob" being more prominent than the last name "Oswald".

Bob Oswald
Environmental Protection Specialist

Ec: Steve Shuey, DRMS, Grand Junction
Barbara Coria, DRMS, Denver
James Blair, BLM, Tres Rios Field Office, Dolores