




COLORADO DIVISION OF RECLAMATION, MINING AND SAFETY
MINERALS PROGRAM INSPECTION REPORT
PHONE: (303) 866-3567

The Division of Reclamation, Mining and Safety has conducted an inspection of the mining operation noted below. This report documents observations concerning compliance with the terms of the permit and applicable rules and regulations of the Mined Land Reclamation Board.

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| MINE NAME: Sunday Mine | MINE/PROSPECTING ID#: M-1977-285 | MINERAL: Uranium and vanadium | COUNTY: San Miguel |
| INSPECTION TYPE: Surety-Related Inspection | INSPECTOR(S): Bob Oswald | INSP. DATE: May 15, 2012 | INSP. TIME: 11:30 |
| OPERATOR: Denison Mines (USA) Corp. | OPERATOR REPRESENTATIVE: Phillip Kibel, Andy Hill | TYPE OF OPERATION: 112d-2 - Designated Mining Operation | |

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| REASON FOR INSPECTION: Surety Related | BOND CALCULATION TYPE: Complete Bond | BOND AMOUNT: \$194,161.00 |
| DATE OF COMPLAINT: NA | POST INSP. CONTACTS: U.S.BLM | JOINT INSP. AGENCY: None |
| WEATHER: Clear | INSPECTOR'S SIGNATURE:  | SIGNATURE DATE: June 11, 2012 |

GENERAL INSPECTION TOPICS

This list identifies the environmental and permit parameters inspected and gives a categorical evaluation of each. No problems or possible violations were noted during the inspection. The mine operation was found to be in full compliance with Mineral Rules and Regulations of the Colorado Mined Land Reclamation Board for the Extraction of Construction Materials and/or for Hard Rock, Metal and Designated Mining Operations. Any person engaged in any mining operation shall notify the office of any failure or imminent failure, as soon as reasonably practicable after such person has knowledge of such condition or of any impoundment, embankment, or slope that poses a reasonable potential for danger to any persons or property or to the environment; or any environmental protection facility designed to contain or control chemicals or waste which are acid or toxic-forming, as identified in the permit.

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| (AR) RECORDS----- <u>Y</u> | (FN) FINANCIAL WARRANTY----- <u>Y</u> | (RD) ROADS----- <u>N</u> |
| (HB) HYDROLOGIC BALANCE----- <u>N</u> | (BG) BACKFILL & GRADING----- <u>Y</u> | (EX) EXPLOSIVES----- <u>N</u> |
| (PW) PROCESSING WASTE/TAILING----- <u>N</u> | (SF) PROCESSING FACILITIES----- <u>N</u> | (TS) TOPSOIL----- <u>N</u> |
| (MP) GENL MINE PLAN COMPLIANCE- <u>N</u> | (FW) FISH & WILDLIFE----- <u>N</u> | (RV) REVEGETATION----- <u>N</u> |
| (SM) SIGNS AND MARKERS----- <u>Y</u> | (SP) STORM WATER MGT PLAN----- <u>N</u> | (SB) COMPLETE INSP----- <u>N</u> |
| (ES) OVERBURDEN/DEV. WASTE----- <u>N</u> | (SC) EROSION/SEDIMENTATION----- <u>Y</u> | (RS) RECL PLAN/COMP-- <u>Y</u> |
| (AT) ACID OR TOXIC MATERIALS----- <u>N</u> | (OD) OFF-SITE DAMAGE----- <u>N</u> | (ST) STIPULATIONS----- <u>N</u> |

Y = Inspected and found in compliance / N = Not inspected / NA = Not applicable to this operation / PB = Problem cited / PV = Possible violation cited

OBSERVATIONS

This was a partial inspection by the Division for purposes of reviewing reclamation work that has been performed by the operator, so that a correct bond amount may be estimated. Several new reclamation items were added to the reclamation tasks under Amendment AM-3, but the operator wishes to have other reclamation items deleted from the reclamation tasks since they have been completed. These changes will be reflected in the Division's decision for the bond reduction request (SR-2).

Phillip Kibel and Andy Hill from Denison's Egnar office were present during the inspection.

The bond reduction request from Denison described several specific items that had been completed: east shop building and its two attachments (superstructures) removed; small compressor building (superstructure) removed; vent shafts closed and sites graded (S-5); certain metal "boneyard junk" items removed; low grade pile removed; compressor building and slab (near SJ-1) removed. The Division inspected each feature included in the request and found most of them were completed as reported. The few exceptions to the items listed are: there is about 30 cubic yards of material remaining in the low grade pile; one of the metal culverts described and photographed north of the waste rock dump still remains onsite; vent shaft S-3 still remains open.

These observations will be incorporated into the Division's bond adjustment and reduction request approval. These will be sent under separate cover.

There were no other items inspected at this time. The Division appreciates the reclamation work performed by the operator.

For questions regarding this report, please contact the inspector at the Division's Durango Field Office:
DRMS – Durango Field Office
691 CR 233, Room A-2
Durango, CO 81301
Telephone: 970-247-5193

Inspection Contact Address

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CC: James Blair, BLM, Dolores

PHOTOGRAPHS



