

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. Piñeda
Director

July 11, 2012

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

**Re: Sunday Mine, Permit No. M-1977-285, Financial Warranty Reduction Approval,
Revision No. SR-2**

Dear Ms. Woodward:

On July 10, 2012 the Division of Reclamation, Mining and Safety approved your request for a Financial Warranty Reduction to \$297,926.00. This is a reduction of \$6,258.00. This decision reduces the amount of the required financial warranty. The updated costs are shown on the enclosed cost summary sheets. (Note: Only the tasks that were changed from those under amendment AM-3 are enclosed herewith.)

Since the actual amount of the financial warranty that is presently posted is more than the required amount (as shown above), you may provide a rider to the current Financial Warranty, or submit a new Financial Warranty reflecting this reduction, at your convenience. If you wish to submit a different type of Financial Warranty, please contact our office for the applicable form, or you may find it at our website online: www.mining.state.co.us/.

If you have any questions, you may reach me at the Division's Durango Field Office: 691 CR 233, Room A-2, Durango, CO 81301; telephone 970-247-5193.

Sincerely,

Bob Oswald
Environmental Protection Specialist

Encl: Cost summary sheets, revised 7/10/12.

Cc(w/o encl): Russ Means, DRMS Grand Junction
Barbara Coria, DRMS Denver

(c:\12-07 docs\Sunday SR-2 appr\rcs)

COST SUMMARY WORK

Task description: Cost summary (revised 7/10/12 for SR-2)

Site: Sunday Mine

Permit Action: AM-3

Permit/Job#: M1977285

PROJECT IDENTIFICATION

Task #: 000

State: Colorado

Abbreviation: None

Date: 3/5/2012

County: San Miguel

Filename: M285-000

User: RCO

Agency or organization name: DRMS

TASK LIST (DIRECT COSTS)

Task	Description	Form Used	Fleet Size	Task Hours	Cost
001	Demolition of structures, underground or onsite disposal	DEMOLISH	1	0.00	\$34,749.47
002	Portal closure (backfilling)	MINESEAL	1	40.00	\$1,500.21
003	Downhill dozing of waste dump	DOZER	1	56.49	\$14,651.33
004	Rough grading on top of pad and against cut face	DOZER	1	140.12	\$36,340.70
005	Lateral dozing of dump face	DOZER	1	25.98	\$6,737.47
006	Vent shaft closure S-1	MINESEAL	1	20.00	\$6,635.94
007	Vent shaft closure S-2	MINESEAL	1	20.00	\$6,635.94
008	Vent shaft closure S-3	MINESEAL	1	20.00	\$6,635.94
009	Vent shaft closure S-4	MINESEAL	1	20.00	\$6,635.94
010	Vent shaft closure S-7	MINESEAL	1	20.00	\$6,635.94
011	Vent shaft closure S-8	MINESEAL	1	20.00	\$6,635.94
012	Vent shaft closure S-15	MINESEAL	1	20.00	\$6,635.94
013	Vent shaft closure (5 add'l shafts, per AM-2, 2007)	MINESEAL	1	100.00	\$33,179.70
014	Install atmospheric bulkheads underground	MINESEAL	1	48.00	\$4,500.00
015	Rip (older) vent shaft roads	RIPPER	1	1.59	\$425.00
016	Rip new vent shaft pads	RIPPER	1	1.69	\$451.00
017	Rip new vent shaft roads	RIPPER	1	3.58	\$956.00
018	Rip (older) vent shaft pads	RIPPER	1	1.69	\$451.00
019	Rip portal pad and dump areas	RIPPER	1	8.11	\$2,164.00
020	Grade new vent shaft roads	DOZER	1	2.23	\$578.83
021	Grade (older) vent shaft roads	DOZER	1	1.10	\$285.41
022	Grade (older) vent shaft pads	DOZER	1	1.40	\$362.76
023	Grade new vent shaft pads	DOZER	1	1.40	\$362.76
024	Carry topsoil up to pad for spreading	TRUCK1	1	4.28	\$1,174.54
025	Spread topsoil on pad	DOZER	1	1.37	\$354.53
026	Remove and backfill ore pad liner and gravel	LOADER	1	4.20	\$412.00
027	Remove and backfill very low grade ore	LOADER	1	0.23	\$23.00
028	Revegetate (older) vent shaft pads and vent roads	REVEGE	1	4.00	\$2,524.55
029	Revegetate new vent shaft pads and vent roads	REVEGE	1	6.00	\$4,102.39
030	Revegetate "affected area" at portal pad and dump	REVEGE	1	24.00	\$34,712.54
031	Haul reclamation equipment to and from site	MOBILIZE	1	8.00	\$5,456.98
<u>SUBTOTALS:</u>				625.46	\$ \$232,907.75

INDIRECT COSTS

OVERHEAD AND PROFIT:

Liability insurance:	2.02	Total =	\$4,704.74
Performance bond:	1.05	Total =	\$2,445.53
Job superintendent:	150.00	Total =	\$8,895.00
Profit:	10.00	Total =	\$23,290.78
		TOTAL O & P =	\$39,336.05
		CONTRACT AMOUNT (direct + O & P) =	\$272,243.80

LEGAL - ENGINEERING - PROJECT MANAGEMENT:

Financial warranty processing (legal/related costs):	500.00	Total =	500.00
Engineering work and/or contract/bid preparation:	4.25	Total =	\$11,570.36
Reclamation management and/or administration:	5.00		\$13,612.19

CONTINGENCY:	0.00	Total =	\$0.00
--------------	------	---------	--------

TOTAL INDIRECT COST =	\$65,018.60
-----------------------	-------------

TOTAL BOND AMOUNT (direct + indirect) =	\$297,926.35
--	---------------------

Notes regarding the vent shafts:

Vent shaft closure tasks number 006 through 012 remain in the estimate, since they are all still open and have not been reclaimed. These are for vents numbered S-1, S-2, S-3, S-4, S-7, S-8, and S-15.

Vent shafts that have been documented as being adequately closed are not included in the estimate. These are numbered S-5, S-6, and S-9. (The vent shaft identified in the operator's April 30, 2012 letter as "S-3" is actually vent shaft S-6.)

Under AM-2, a series of proposed vent shafts was approved and their reclamation costs are included in the bond estimate. These are shown in the estimate as task numbers 013, 016, 017, 020, 023, and 029. These vents have not been constructed yet. In order to remove these costs from the estimate, until such time that they will be constructed, will require approval of a technical revision to the permit.

DEMOLITION WORK

Task description: Demolition of structures, underground or onsite disposal (revised 7/10/12 for SR-2)

Site: Sunday Mine

Permit Action: AM-3

Permit/Job#: M1977285

PROJECT IDENTIFICATION

Task #: 001
Date: 3/1/2012
User: RCO

State: Colorado
County: San Miguel

Abbreviation: None
Filename: M285-001

Agency or organization name: DRMS

UNIT COSTS

Location adjustment: 96.90 %

Structure or Item Description	Dimensions	Demolition Menu Selection	Quantity	Unit	Unit Cost	Total Cost
Warehouse/wash bay	44x16x12	Bldg. (SN) demo./on-site disposal in existing pit or cut - Max. 200 ft. push	4,884.00	CF	\$0.16	\$761.90
Auxiliary bldg.	14x20x10	Bldg. (SN) demo./on-site disposal in existing pit or cut - Max. 200 ft. push	2,800.00	CF	\$0.16	\$436.80
West shop	40x40x15	Bldg. (SN) demo./on-site disposal in existing pit or cut - Max. 200 ft. push	24,000.00	CF	\$0.16	\$3,744.00
East shop (task deleted, bldg is removed)	41x35x15	Bldg. (SN) demo./on-site disposal in existing pit or cut - Max. 200 ft. push	0.00	CF	\$0.16	\$0.00
Attached storage (task deleted, structure is removed)	12x26x10	Bldg. (SN) demo./on-site disposal in existing pit or cut - Max. 200 ft. push	0.00	CF	\$0.16	\$0.00
Attached storage (task deleted, structure is removed)	12x12x10	Bldg. (SN) demo./on-site disposal in existing pit or cut - Max. 200 ft. push	0.00	CF	\$0.16	\$0.00
Office and dry	50x36x15	Bldg. (SN) demo./on-site disposal in existing pit or cut - Max. 50 ft. push	27,000.00	CF	\$0.15	\$4,104.00
Small items warehouse	28x12x10	Bldg. (SN) demo./on-site disposal in existing pit or cut - Max. 50 ft. push	3,360.00	CF	\$0.15	\$510.72
Compressor bldg. (task deleted, structure is removed)	20x16x12	Bldg. (SN) demo./on-site disposal in existing pit or cut - Max. 50 ft. push	0.00	CF	\$0.15	\$0.00
Compressor bldg.	20x40x15	Bldg. (SN) demo./on-site disposal in existing pit or cut - Max. 50 ft. push	12,000.00	CF	\$0.15	\$1,824.00
Warehouse/wash bay slab	44x16	Demo. and on-site disposal in existing pit, 4 in. thick - Max. 200 ft. push	704.00	SF	\$1.05	\$739.20

Warehouse/wash bay ext. slab	19x19	Demo. and on-site disposal in existing pit, 4 in. thick - Max. 200 ft. push	361.00	SF	\$1.05	\$379.05
Auxiliary bldg. slab	14x20	Demo. and on-site disposal in existing pit, 4 in. thick - Max. 200 ft. push	280.00	SF	\$1.05	\$294.00
West shop slab	40x40	Demo. and on-site disposal in existing pit, 4 in. thick - Max. 200 ft. push	1,600.00	SF	\$1.05	\$1,680.00
West shop ext. (W) slab	36x36	Demo. and on-site disposal in existing pit, 4 in. thick - Max. 200 ft. push	1,296.00	SF	\$1.05	\$1,360.80
West shop sidewalk	4x36	Demo. and on-site disposal in existing pit, 4 in. thick - Max. 200 ft. push	144.00	SF	\$1.05	\$151.20
West shop ext. (S) slab	12x40	Demo. and on-site disposal in existing pit, 4 in. thick - Max. 200 ft. push	480.00	SF	\$1.05	\$504.00
East shop slab	41x35	Demo. and on-site disposal in existing pit, 4 in. thick - Max. 200 ft. push	1,435.00	SF	\$1.05	\$1,506.75
Attached storage slab	12x26	Demo. and on-site disposal in existing pit, 4 in. thick - Max. 200 ft. push	312.00	SF	\$1.05	\$327.60
Attached storage slab	12x12	Demo. and on-site disposal in existing pit, 4 in. thick - Max. 200 ft. push	144.00	SF	\$1.05	\$151.20
East shop ext. (W) slab	35x13	Demo. and on-site disposal in existing pit, 4 in. thick - Max. 200 ft. push	455.00	SF	\$1.05	\$477.75
Office and dry slab	50x36	Demo. and on-site disposal in existing pit, 4 in. thick - Max. 200 ft. push	1,800.00	SF	\$1.05	\$1,890.00
Office and dry sidewalk	90x4	Demo. and on-site disposal in existing pit, 4 in. thick - Max. 50 ft. push	360.00	SF	\$1.04	\$374.40
Small items warehouse slab	28x12	Demo. and on-site disposal in existing pit, 4 in. thick - Max. 50 ft. push	336.00	SF	\$1.04	\$349.44
Compressor bldg. slab	20x16	Demo. and on-site disposal in existing pit, 4 in. thick - Max. 50 ft. push	320.00	SF	\$1.04	\$332.80
Compressor bldg. slab	20x40	Demo. and on-site disposal in existing pit, 4 in. thick - Max. 50 ft. push	800.00	SF	\$1.04	\$832.00

		push				
Denison-owned powerlines	3800 LF single poles	Powerline or telephone line, overhead, wood - Single pole	3,800.00	LF	\$2.60	\$9,872.40
Misc debris/materials	50x60x10 mass	Push demolished materials/rubble/debris into pit - Max. 200 ft. push	1,111.00	CY	\$0.69	\$763.26
Denison-owned non-PCB transformers	20x20x48 inch	Hazardous waste removal - Drum solids/liquids, per drum, (1-6 drum job)	6.00	DRUM	\$415.65	\$2,493.90

Job Hours: 0.00

Subtotal
(unadjusted): \$35,861.17

Total Cost
(adjusted for location): \$34,749.47

WHEEL LOADER – LOAD AND CARRY WORKTask description: Remove and backfill very low grade ore (revised 7/10/12 for SR-2)Site: Sunday MinePermit Action: AM-3Permit/Job#: M1977285PROJECT IDENTIFICATIONTask #: 027State: ColoradoAbbreviation: NoneDate: 3/5/2012County: San MiguelFilename: M285-027User: RCOAgency or organization name: DRMSHOURLY EQUIPMENT COSTBasic Machine: CAT 938HHorsepower: 172Attachment 1: ROPS CabShift Basis: 1 per dayData Source: (CRG)Cost Breakdown:

		Utilization %
Ownership Cost/Hour:	\$22.07	NA
Operating Cost/Hour:	\$37.34	100
Operator Cost/Hour:	\$38.49	NA
Total Unit Cost/Hour:	\$97.90	
Total Fleet Cost/Hour:	\$97.90	

MATERIAL QUANTITIESInitial volume: 30

CCY

Swell factor: 1.335Loose volume: 40

LCY

Source of estimated volume: Division of Reclamation, Mining & SafetySource of estimated swell factor: Cat HandbookHOURLY PRODUCTIONLoader Cycle Time: Unadjusted Basic Cycle Time (load, dump, maneuver): 0.483 minutes

Cycle Time Factors		Factor (min.)	Source
Material:	Bank or broken material 0.04	0.040	(Cat HB)
Stockpile:	No adjustment - factor not applicable 0.00	0.000	(Cat HB)
Truck Ownership:	No adjustment - factor not applicable 0.00	0.000	(Cat HB)
Operation:	Constant operation -0.04	-0.040	(Cat HB)
Dump Target:	No adjustment - factor not applicable 0.00	0.000	(Cat HB)
Net Cycle Time Adjustment:		0.000	minutes
Adjusted Basic Cycle Time:		0.483	minutes

Rolling Resistance – Road ConditionsHaul: Rutted dirt, little maintenance, no water, 1" tire penetration 4.0Return: Rutted dirt, little maintenance, no water, 1" tire penetration 4.0Haul and Return Time

	Length (feet)	Grade Res. (%)	Rolling Res. (%)	Total Res. (%)	Travel Time (minutes)	Source
Haul Route:	400	0.00	4.00	4.00	0.3302	(Cat HB)
Return Route:	400	0.00	4.00	4.00	0.3081	(Cat HB)

Total Travel Time: 0.6383 minutes
Total Cycle Time: 1.1208 minutes

Load Bucket Capacity

Rated Capacity: 3.90 LCY (heaped)
Bucket Fill Factor: 0.975 Sand and gravel (95% - 100%) 0.975
Adjusted Capacity: 3.80 LCY

Job Condition Correction Factors

Site Altitude: 5800 feet

Altitude Adj:	<u>1.00</u>	Source
Job Efficiency:	<u>0.83</u>	(CAT HB)
Net Correction:	<u>0.83</u>	(1 shift/day)
		multiplier

Unadjusted Hourly Unit Production: 203.56 LCY/Hour
Adjusted Hourly Unit Production: 168.96 LCY/Hour
Adjusted Hourly Fleet Production: 168.96 LCY/Hour

JOB TIME AND COST

Fleet size: 1 Loader(s) Total job time: 0.24 Hours
Unit cost: \$0.579 /LCY Total job cost: \$23.00

5/15/12 Inspection for bond reduction SR-2 reveals that about 30 cu yds of low-grade material has not been removed, but still exist at stockpile site.