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Surface Water Quality Bureau

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RYAN FLYNN
Cabinet Secretary-Designate

BUTCH TONGATE
Deputy Secretary

ERIKA SCHWENDER
Director
Resource Protection Division

July 29, 2013

John DeJoia, Senior Vice President
New Mexico Operations
Strathmore Resources U.S. Ltd.
4001 Office Court, Suite 102
Santa Fe, New Mexico 87507

RE: Minor Non-Municipal, SIC 1094, NPDES Compliance Evaluation Inspection, Strathmore Resources U.S. Ltd. /
Roca Honda Monitoring Wells, NM0031020, July 25, 2013

Dear Mr. DeJoia:

Enclosed please find a copy of the report for the referenced inspection that the New Mexico Environment Department (NMED) Surface Water Quality Bureau (SWQB) conducted at your facility on behalf of the U.S. Environmental Protection Agency (USEPA). This inspection report will be sent to the USEPA in Dallas for their review. These inspections are used by USEPA to determine compliance with the National Pollutant Discharge Elimination System (NPDES) permitting program in accordance with requirements of the federal Clean Water Act.

Problems noted during this inspection are discussed in the Further Explanations section of the inspection report. You are encouraged to review the inspection report, required to correct any problems noted during the inspection, and to modify your operational and/or administrative procedures, as appropriate. Further, you are encouraged to notify in writing both the USEPA and NMED regarding modifications and compliance schedules at the addresses below:

Diana McDonald
US Environmental Protection Agency Region VI
Water Enforcement Branch (6EN-WM)
1445 Ross Avenue
Dallas, Texas 75202-2733

Bruce Yurdin, Program Manager
New Mexico Environment Department
Surface Water Quality Bureau
Point Source Regulation Section, Rm 2050
P.O. Box 5469
Santa Fe, New Mexico 87502

I appreciate the cooperation of Daniel D. Kapostacy and Brad Hill, both of Strathmore Minerals Corporation, during the inspection. If you have any questions about this inspection report, please contact me at 505-827-0418.

Sincerely,

/s/ Erin S. Trujillo
Erin S. Trujillo
Surface Water Quality Bureau

cc: Rashida Bowlin, USEPA (6EN) by e-mail
Hannah Branning, USEPA (6EN-WC) by e-mail
Jan Walker, USEPA (6EN-WC) by e-mail
Darlene Whitten-Hill, USEPA (6EN-WC) by e-mail
Carol Peters-Wagon, USEPA (6EN-WM) by e-mail
Diana McDonald, USEPA (6EN-WM) by e-mail
Brent Larsen/Larry Giglio, USEPA (6WQ-PP) by e-mail
Bill Chavez, NMED District I Albuquerque by e-mail



Form Approved
OMB No. 2040-0003
Approval Expires 7-31-85

NPDES Compliance Inspection Report

Section A: National Data System Coding

Transaction Code	NPDES	yr/mo/day	Inspec. Type	Inspector	Fac Type
1 N 2 5 3 N M 0 0 3 1 0 2 0 11 12 1 3 0 7 2 5 17 18 C 19 S 20 2					
Remarks					
U R A N I U M M I N E / M O N I T O R I N G W E L L S					
Inspection Work Days	Facility Evaluation Rating	BI	QA	Reserved	
67 69	70 4	71 N	72 N	73	74 75 80

Section B: Facility Data

Name and Location of Facility Inspected (<i>For industrial users discharging to POTW, also include POTW name and NPDES permit number</i>) Strathmore Resources U.S. Ltd., Roca Honda Monitoring Wells, north of San Mateo, NM. From I-40, take Exit 79 in Milan, travel north, stop sign turn left onto Old Hwy 66, turn right onto NM 605, cross railroad tracks, travel 18 miles, entrance is on left at gate. McKinley County	Entry Time /Date ~0945 hours / 07/25/2013	Permit Effective Date December 1, 2008
	Exit Time/Date ~1200 hours / 07/25/2013	Permit Expiration Date November 30, 2013
Name(s) of On-Site Representative(s)/Title(s)/Phone and Fax Number(s) -Brad Hill, Geologist/Field Coordinator, Strathmore Minerals Corporation, 505-428-6373 -Daniel D. Kapostasy, P.G., Development Geologist, Strathmore Minerals Corporation, 505-428-6372, 505-412-2134	Other Facility Data SIC 1094 <u>Outfall 001 (S1B)</u> 35°21'38.5", -107°40'52.8" 35.360694°, -107.681333° <u>Outfall 002 (S3)</u> 35°21'17.5", -107°41'02.9" 35.354861°, -107.684139° <u>Outfall 003 (S4)</u> 35°21'31.6", -107°41'28.1" 35.358778°, -107.691139°	
Name, Address of Responsible Official/Title/Phone and Fax Number John DeJoia, Senior Vice President / Strathmore Resources U.S. Ltd., 4001 Office Court, Suite 102, Santa Fe, New Mexico 87507 / 505-428-6372	Contacted Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	

Section C: Areas Evaluated During Inspection (S = Satisfactory, M = Marginal, U = Unsatisfactory, N = Not Evaluated)

S	Permit	N	Flow Measurement	N	Operations & Maintenance	N	CSO/SSO
M	Records/Reports	N	Self-Monitoring Program	N	Sludge Handling/Disposal	N	Pollution Prevention
S	Facility Site Review	N	Compliance Schedules	N	Pretreatment	N	Multimedia
N	Effluent/Receiving Waters	N	Laboratory	N	Storm Water	N	Other:

Section D: Summary of Findings/Comments (Attach additional sheets if necessary)

- See attached checklist report with further explanations and photo log.
- This permit does not authorize discharges related to operational activities at the proposed uranium mine at this site. This report provides some details of the separate NPDES permit application (Tracking No. NM0031119) submitted to USEPA to discharge from proposed future underground mining operations.

Name(s) and Signature(s) of Inspector(s) Erin S. Trujillo /s/ Erin S. Trujillo	Agency/Office/Telephone/Fax NMED/SWQB/505-827-0418	Date 07/29/2013
Signature of Management QA Reviewer Bruce J. Yurdin /s/Bruce J. Yurdin	Agency/Office/Telephone/Fax NMED/SWQB/505-827-2795	Date 07/29/2013

Strathmore Resources U.S. Ltd. / Roca Honda Monitoring Wells
NPDES Permit #NM0031020
Compliance Evaluation Inspection
July 25, 2013

Further Explanations

Introduction

On July 25, 2013, Erin Trujillo accompanied by Daniel Valenta and Bruce Yurdin, all of the New Mexico Environment Department (NMED) Surface Water Quality Bureau (SWQB) conducted a Compliance Evaluation Inspection (CEI) at the Strathmore Resources U.S. Ltd., Roca Honda Monitoring Wells located north of San Mateo in McKinley County, New Mexico. Strathmore Resources U.S. Ltd., Roca Honda Monitoring Wells is classified as a minor discharger under the federal Clean Water Act, Section 402 National Pollutant Discharge Elimination System (NPDES) permit program and is assigned permit #NM0031020. The permit specifies that all discharges from any of the three outfalls at the monitoring wells be reported as Outfall 001.

The NMED performs a certain number of CEI's for the U.S. Environmental Protection Agency (USEPA) each year. The purpose of this inspection is to provide USEPA with information to evaluate the permittee's compliance with the NPDES permit. The enclosed report is based on review of files maintained by both the permittee and NMED, on-site observation by NMED personnel and verbal information provided by the permittee's representative.

Monitoring well water at the site is authorized to discharge to unnamed unclassified waters, thence to San Mateo Creek, thence to the Rio San Jose, thence the Rio Puerco, thence to the Rio Grande in Segment 20.6.4.105 *State of New Mexico Standards for Interstate and Intrastate Surface Waters, 20.6.4 New Mexico Administrative Code (NMAC)* of the Rio Grande Basin. Additional information on the Hydrology Protocol and Use Attainability Analyses conducted on unclassified waters at the site in 20.6.4.97 NMAC is available at:

<http://www.nmenv.state.nm.us/swqb/UAA/HP/index.html>.

Inspection

An entrance interview was conducted with Daniel D. Kapostasy, P.G., Development Geologist and Brad Hill, Geologist/Field Coordinator, Strathmore Minerals Corporation on site at approximately 0945 hours on the day of this inspection. The inspector made introductions, presented credentials, and discussed the purpose of the inspection. The inspectors, Mr. Kapostasy and Mr. Hill conducted a tour of the site. An exit interview to discuss the preliminary findings of this inspection was conducted at approximately 1110 hours on site. The permittee representatives and inspectors left the monitoring well site area at approximately 1130 hours.

Following this inspection, the inspectors, Mr. Kapostasy and Mr. Hill continued to the proposed mining operation outfall location in the Roca Honda Resources, LLC permit application. The inspectors left at approximately 1200 hours on the day of this inspection. The inspector, Erin Trujillo, contacted John DeJoia, Senior Vice President, Strathmore Resources U.S. Ltd. by telephone to discuss preliminary findings of this inspection on July 26, 2013.

Status of Outfalls

According to Mr. Kapostasy, the three groundwater wells corresponding to three authorized outfall locations (Well S1b is Outfall 001, S3 is Outfall 002, and S4 is Outfall 003) were installed in 2007. Quarterly, then semi-annual well testing started in 2008. At first water was contained in tanks, and used for irrigation. In April 2010, the permittee re-built and lined an onsite impoundment to hold purge waters. Flow from Well S4 was piped approximately 1 mile west to this pond, while purge waters from wells S1b and S3 were trucked to the pond. All three wells have been purged and sampled for the purpose of characterizing the ore body several times. The last sampling event occurred in October 2012. No further purging and/or sampling was scheduled. All Discharge Monitoring Reports (DMRs) submitted by the Permittee have indicated "No Discharge."

On the day of this inspection, the pond did not have a spill way and had substantial free-board. Water in the pond appeared to be from recent rains according to Mr. Kapostacy. The inlet of a pipe from the pond was covered with fill and the liner. As a consequence, there is little potential for discharges to surface waters.

Future/Proposed Mining Operations

As described in USEPA NPDES Permit No. NM0031020 Response to Comments prepared October 21, 2008, the permit "...does not authorize ongoing long-term activities related to operational activities at the mine." Roca Honda Resources, LLC, a joint venture with Strathmore and Sumitomo Corporation of Japan submitted an NPDES application signed April 12, 2012 to discharge from underground mining operations in Sections 9, 10 and 16, T13N, R8W (NPDES Permit Tracking No. NM0031119). USEPA has not published a public notice or draft permit for discharges from mining operations at this time.

Stormwater discharges from future proposed mining operations may be subject to effluent limitation guidelines under 40 CFR, Subchapter N and/or may be eligible to be covered under the USEPA Multi-Sector General Permit (MSGP). Information on USEPA's MSGP, including Sector G, Metal Mining and Dressing, Miscellaneous Metal Ores, that expires on September 29, 2013 was provided to Permittee on-site representatives.

Section A - Permit Verification – Overall Rating of "S = Satisfactory"

Permit Requirements and Comments for Permit Verification

Part III.D.3 (Reporting Requirements, Transfers) of the permit states:

This permit is not transferable to any person except after notice to the Director. The Director may require modification or revocation and reissuance of the permit to change the name of the permittee and incorporate such other requirements as may be necessary under the Act.

Part III.A.4 (Standard Conditions, Duty to Reapply) of the permit states:

If the permittee wishes to continue an activity regulated by this permit after the expiration date of this permit, the permittee must apply for and obtain a new permit. The application shall be submitted at least 180 days before the expiration date of this permit. The Director may grant permission to submit an application less than 180 days in advance but no later than the permit expiration date. Continuation of expiring permits shall be governed by regulations promulgated at 40 CFR Part 122.6 and any subsequent amendments.

The Permittee has not applied for a permit renewal to authorize future discharge from the wells. Permittee representatives indicate that an ownership change for the facility was in progress. According to Energy Fuel, Inc. online press release at http://www.energyfuels.com/investors/press_releases/index.php?&content_id=255, Energy Fuels and Strathmore have entered into agreement whereby Energy Fuels will acquire all of the issued and outstanding shares of Strathmore.

The Permittee and/or future owner may contact the USEPA NPDES Permit Writer to confirm any modification, revocation and reissuance requirements; as well as, reporting conditions until the permit expires and/or is terminated. As appropriate, the Permittee and/or future owner can write a letter to USEPA indicating the Permittee's intent to terminate and/or renew this permit at the following address:

Dorothy Brown
Permit Processing Team (6WQ-NP)
1445 Ross Ave., Suite 1200
Dallas, TX 75202
(214) 665-8141
brown.dorothy@epa.gov

Section B - Recordkeeping and Reporting Evaluation – Overall Rating of “M = Marginal”

Permit Requirements for Recordkeeping and Reporting

Part I.C (Monitoring and reporting) of the permit states:

Monitoring information shall be on Discharge Monitoring Report Form(s) EPA 3320-1 as specified in Part III.D.4 of this permit and shall be submitted quarterly. Each quarterly submittal shall include separate forms for each month of the reporting period. 1. Reporting periods shall end on the last day of the months March, June, September, and December. 2. The permittee is required to submit regular quarterly reports as described above postmarked no later than the 28th day of the month following each reporting period. 3. NO DISCHARGE REPORTING If there is no discharge from any outfall during the sampling month, place an "X" in the NO DISCHARGE box located in the upper right corner of the Discharge Monitoring Report.

USEPA approved the Permittee subscriber agreement to use NetDMR on January 20, 2011. USEPA's on-line NetDMR database shows DMRs submitted thru July 2012.

According to information in NetDMR, the following “No Discharge” DMRs were submitted after the 28th day of the month following the reporting period:

- 1st Quarter 2012 submitted on 06/26/2012
- 3rd Quarter 2012 submitted on 12/26/2012
- 1st Quarter 2013 submitted on 07/12/2013

It was also noted that the “No Discharge” DMR were submitted before the end of the months. For June 2012, the DMR was submitted on June 26, 2012 and for December 2012, the DMR was submitted on December 26, 2012, both before the end of the reporting periods of June 30th and December 31st, respectively. The July 2013 “No Discharge” DMR also was submitted on July 12, 2013 before the end of this month.