



State of Utah

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DRC - 2010 - 006021



November 15, 2010

Certified Mail  
(Return Receipt Requested)

Mr. Harold R. Roberts  
Vice President, US Operations  
Denison Mines (USA) Corp (DUSA)  
1050 17<sup>th</sup> Street, Suite 950  
Denver, CO 80265

Dear Mr. Roberts:

SUBJECT: Denison Mines (USA) Corporation (DUSA) White Mesa Mill Facility  
DRC Cell 4B Construction Inspection November 3, 2010  
Observations Regarding Sandbags and other Items

On November 3, 2010 I visited the subject construction site and had several observations, noted below:

1. Sandbags in Cell 4B. I discussed the placement of the sandbags covering the slimes drains concurrently with Messrs. Dave Turk and Steve Snyder of DUSA, as well as Michael Beaman of AEGL, the lining contractor. It appeared that all placed bags had been reoriented now, piggy-backed onto each other, like fallen dominoes. I pointed out that this placement method creates numerous voids, opening to the slimes drains.

The approved plans and specifications show the bags to be butted on long edge, and to have a 3-inch depth. Your earlier letter of October 8, 2010 mentions that, "Denison Mines (USA) Corp...instructed the contractor responsible for the sand bag installation to bring the currently installed sandbags, and all subsequent installed sandbags, into full compliance with the approved plans and specifications." Apparently, that effort had not yet been started.

We reoriented a pair of sandbags in the manner of the specifications. It seemed such reorientation of existing sandbags could be accomplished fairly rapidly. AEGL plans to begin reorienting the bags after completion of the liner placement. In later discussion that day on this topic with Mr. Bartlett of DUSA, he expressed concern that if there is delay, frozen sandbags may be nearly impossible to reorient correctly.

2. Cell 4A Freeboard. The current freeboard for Cell 4B is approved as 5593.74 famsl. This is 4.76 feet below the FML. A spillway was being constructed between Cells 4A and 4B. The upper elevation of the spillway is designed to be at the elevation of 5596.3 famsl or 2.46 feet above of the current freeboard limit. However, the water level in Cell 4A appeared to be about 10 vertical feet below the spillway. According to the proposed DMT Plan version 10.1, which is near approval, once Cell 4B is approved to receive mill discharge, the freeboard limit for Cell 4A becomes zero.

However, Cell 4B is not yet completed, and approved for use. If Cell 4B will not be completed this calendar year, a new freeboard limit for Cell 4A will need to be established.

3. Completion of Cell 4B. Completion of the cell this calendar year, as discussed above, depends on the weather. There was some weather related damage to the liner leak detection system (LDS) sumps from bulging was created by water entering the system. Apparently, infiltration into the LDS was not being prevented, and there was not an adequate pump installed to remove the water from the sump area.

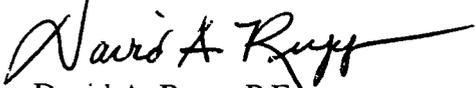
We discussed that winter shutdown provisions may be needed. DUSA and AEGL are determined to finish the work this autumn. However, if such is not possible winter shutdown provisions would need to be implemented rapidly. An important part of a winter shut-down would be provisions for preventing and handling of leakage into the LDS.

The lining contractor stated he expected to be done with all lining work in ten days, and completely done with the project by Thanksgiving Day. I plan to return to the site to check progress.

4. Placement of Cell 4B Excavated Soils on Cell 3. Dave Turk of DUSA and I discussed that the original drawings called for 4 feet of excavated soils from Cell 4B to be placed on the east side of tailings Cell 3. Mr. Turk noted that this was not done. However, some excavated soils were placed on the west side of Cell 3. This change from the original plans will need to be included on the as-built drawings.

If you have any questions on the above, please contact me.

Sincerely,



David A. Rupp, P.E.  
Geotechnical Services Section

DR:dr