

Statement of Basis

RADIOACTIVE MATERIALS LICENSE (RML) NO. UT1900481

AMENDMENT 4

Rio Algom Mining L.L.C.
P.O. Box 218
Grants, NM 87020
November, 2011

Lisbon Operations
San Juan County, Utah

BACKGROUND

Rio Algom Mining LLC has a current Utah Radioactive Material License (RML No. UT1900481) for a former uranium milling facility (currently in reclamation) in the Lisbon Valley, San Juan County, Utah. The Utah RML includes groundwater monitoring requirements and concentration limits which are based on previous modeling approvals of an Application for Alternate Concentration Limits, approved by the U.S. Nuclear Regulatory Commission (NRC) per a May 11, 2004 License Amendment 66 (Source Materials License SUA-1119). The NRC SUA-1119 Amendment 66 was based on the following reports:

- Rio Algom February 23, 2001 Application for Alternate Concentration Limits Source Materials License SUA-1119 prepared by Lewis Water Consultants
- Rio Algom October 13, 2003 Response to Request for Additional Information, Application for Alternate Concentration Limits Source Materials License SUA-1119 prepared by Komex
- Rio Algom February 19, 2004 Long-Term Groundwater Monitoring Plan (LTGMP), Application for Alternate Concentration Limits, Source Materials License SUA-1119 prepared by Komex

The state of Utah obtained primacy to administer the Uranium Mill program in Utah from the NRC in August 2004, and the Division of Radiation Control (DRC) included the conditions previously approved by the NRC in the Utah RML. Based on DRC concerns regarding the ACL concentrations, the ground water monitoring compliance requirements and compliance limits were revised and included in an amendment of the RML on March 6, 2006 (Amendment 2). All changes to the concentration limits were based on ground water concentration break through curves (groundwater model) included in the LTGMP.

NEW LICENSE CONDITION 56 (REQUIREMENT FOR A WORK PLAN AND SCHEDULE)

Per DRC review of the time versus concentration data points and plotted regression line for well RL-1, included with the 2010 1st Semi-Annual Groundwater Stability Report (includes 28 plots

beginning in January, 2003 to present), an increasing Uranium trend was shown at well RL-1. DRC noted that the increasing trend is not in conformance with the February 19, 2004 LTGMP predicted breakthrough curve for RL-1 which depicts a decreasing Uranium concentration trend. Based on this finding, DRC and Rio Algom agreed on confirmatory actions to be undertaken in response. The confirmatory actions were negotiated during: 1) A telephone conference call was held with Chuck Wentz (Rio Algom), Billy Ray (Rio Algom), Loren Morton (DRC) and Tom Rushing (DRC) on January 26, 2011; 2) A follow up e-mail from Chuck Wentz on January 27, 2011, and 3) Subsequent conversations and e-mails between Rio Algom and DRC.

The confirmatory actions agreed upon were for Rio Algom to: 1) Hire an independent consultant, qualified to review pertinent information and documents, including the existing ACL model, relevant laboratory data, LTGMP and associated technical information, and provide potential additional ground water modeling (revised ACL model) as appropriate; and 2) Provide the Executive Secretary a detailed written action plan and schedule for the investigation.

Based on Rio Algom's responses related to these confirmatory actions and further discussion with Rio Algom, the DRC has determined that additional site assessment and refinement of the conceptual site model is needed before a determination is made to revisit or revise the existing groundwater model (ACL model). This entails the collection of additional site field samples and aquifer tests as well as a review of site groundwater monitoring procedures.

During a meeting amongst DRC staff, Rio Algom and Montgomery and Associates on October 13, 2011, it was agreed that a Work Plan and Schedule for the additional field work would be submitted to DRC by December 16, 2011. In addition, during the meeting, it was agreed that a license amendment was warranted regarding the work plan and schedule.

CHRONOLOGY OF CORRESPONDENCE AND MEETINGS REGARDING THE AMENDMENT

Document/ Meeting Date	Author / Event	Document/Meeting Summary
8/17/2010	Rio Algom/ GW Report	Rio Algom Lisbon Facility 1 st Half 2010 Semi-Annual Groundwater Stability Monitoring Report.
2/7/2011	DRC/Memo	DRC Review Memo which details findings regarding review of the 8/17/2010 Rio Algom 1 st Half 2010 Semi-Annual Groundwater Stability Monitoring Report.
2/7/2011	DRC/Notice of Enforcement Discretion and Confirmatory Action Letter (CAL)	Letter sent to Rio Algom regarding DRC review of the 8/17/2010 Rio Algom 1 st Half 2010 Semi Annual Groundwater Stability Monitoring Report. Includes a Notice of Enforcement Discretion regarding Rio Algom failure to comply with License Conditions 53.C.(1), (2) and (3). These were violations related to out of compliance (OOC) status at groundwater monitoring well RL-1. The letter

		<p>requires agreed upon action (confirmatory action) for Rio Algom review of the current Lisbon application for Alternate Concentration Limits (ACL Model). Specifically the CAL requires the following performance objectives:</p> <ol style="list-style-type: none"> 1. Justify whether the current RL-1 data set is or is not sufficient to depict the Uranium concentration trend: 2. Conclude with definitive evidence whether the Lisbon Valley Facility is operating within or outside of the analyzed condition of the Nuclear Regulatory Commission (NRC) approved "Application for Alternate Concentration Limits" (Approved May 11, 2004), and LTGMP, and, 3. Determine whether the ACL model should be revisited/revised to account for more recent data. <p>Per the CAL, a report providing conclusions for the above objectives was due to DRC by August 1, 2011.</p>
6/2/2011	Rio Algom/Action Plan for Assessment of the ACL	Action Plan to Assess Out of Compliance Conditions at Target Action Level Well RL-1. Includes a work plan prepared by Montgomery and Associates.
6/23/2011	DRC/ Work Plan Approval	DRC Letter approves the Action Plan prepared by Montgomery and Associates and included with the Rio Algom 6/2/2011 Letter.
8/11/2011	Rio Algom/ Letter	Rio Algom Letter responds to the 2/7/2011 DRC CAL, Includes an Attachment: Montgomery and Associates Technical Memorandum, August 10, 2011, <i>Technical Evaluation of Lisbon Facility Groundwater Quality</i> . The Montgomery and Associates evaluation determines that additional field data is needed for the evaluation.
10/13/2011	Rio Algom and DRC/ Meeting	Meeting Amongst DRC, Rio Algom, and Montgomery and Associates to discuss the 8/11/2011 Rio Algom Letter and the future steps to evaluate the Lisbon ACL. It was agreed that a Work Plan and Schedule for additional needed field data will be submitted to DRC by Rio Algom on or before December 16, 2011.

Appendix A

Draft License Amendment (Redline – strikeout version)

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