

The Coles Hill Progress

On the Record With Walter Coles Chairman, Virginia Uranium, Inc.

Virginia Uranium welcomes Governor McDonnell's decision to direct Virginia's regulatory agencies to draft regulations for uranium mining and present them to the Coal and Energy Commission by December 1, 2012. The multiple state-commissioned studies conducted on uranium mining in Virginia over the past 30

Gov. McDonnell directs agencies to draft regulations for uranium mining

Virginia Governor Bob McDonnell has issued a directive to key state agencies to draft uranium mining regulations to be presented to the state's Coal and Energy Commission by December 1st of this year.

The governor's initiative is an important step forward in setting the stage for the

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Socioeconomic Study Highlights Major Economic Benefits

The Virginia Coal & Energy Commission in November released the findings of its official study of the potential socioeconomic impacts of uranium mining, predicting an enormous positive economic impact on the state and minimal impacts to the environment and public health.

Under the most likely scenario considered by Chmura Economics & Analytics, the Richmond-based firm that performed the study, the Coles Hill project will "bring substantial and much needed economic benefits to Pittsylvania County, the immediately surrounding areas, and the state."

Economic Benefits of Uranium Mining

Annual Jobs	1,052
Annual Positive Economic Impact	\$136.7 million
Total Positive Economic Impact	\$4.8 billion
Annual Local & State Tax Revenue	\$3.2 million
Total Local & State Tax Revenue	\$112.3 million

**Source: Chmura Economics & Analytics*

from western states and countries such as Canada, the study laid out a clear path forward for Virginia to operate the safest uranium mine in the world.

According to the study, major technological and regulatory advances over the past 30 years have dramatically improved the industry's stewardship of the environment and public health.

Among other industry best practices, the study singled out below-grade tailings storage as a way to substantially reduce the risk of water contamination from heavy storms or flooding. Advanced water

treatment facilities, now a standard feature of mining and milling operations, have also successfully maintained water quality, the study concluded.

Here are more key findings from the NAS study:



WATER QUALITY

While adverse impacts on water quality were observed at mining facilities in the 1950s and 1960s, the NAS concluded that, by conducting uranium mining

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National Academy of Sciences Outlines Roadmap for World's Safest Uranium Mine in Virginia *Continued from page 1*

and milling operations in accordance with modern international best practices, the industry has been able to substantially reduce these impacts. Specifically, the study pointed to municipal-grade water treatment facilities, below-grade tailings disposal, use of underground mining, and lining and capping of tailings and waste rock piles as the most effective methods for preserving water quality. The study cited the McClean Lake and Rabbit Lake operations in Canada as examples of uranium mining and milling operations with minimal impacts on water quality.

ventilation and other now-common radon mitigation techniques were introduced in underground mines.

According to the study, since the 1970s, federal requirements for mine ventilation and the mandatory use of dosimeters to measure workers' radiation exposure have virtually eliminated concerns about radon exposure. According to the Canadian Nuclear Safety Commission, today radon exposures for uranium miners in North America are typically about 90% below the current regulatory exposure limits.



AIR QUALITY & DUST CONTROL

The study demonstrated that properly covering waste rock piles and mill tailings with engineered capping systems has prevented off-site dust dispersion at modern sites in Canada and the U.S. The study specified other effective control measures such as suppression systems, spraying and wetting techniques and mandatory washing of equipment before it is taken off site.

The panel also observed that mandatory and continuous air quality monitoring at on- and off-site locations surrounding mining operations has effectively ensured compliance with state and federal air quality standards.



WORKER SAFETY

The NAS emphasized that negative health impacts for workers were observed in the 1950s and 1960s before

"[INDUSTRY] BEST PRACTICES, IF PROPERLY IMPLEMENTED IN ASSOCIATION WITH RIGOROUS MONITORING, SHOULD ADDRESS OR ALLOW THE SITE OPERATOR TO TAKE ACTION TO MITIGATE THE MAJORITY OF SHORT-TERM ENVIRONMENTAL EFFECTS FROM ROUTINE URANIUM-SPECIFIC MINING AND PROCESSING."
(NAS STUDY, P. 155)



TAILINGS MANAGEMENT

The NAS study showed that "over the past few decades, improvements have been made to tailings management systems to isolate tailings from the environment." Addressing concerns about Virginia Beach's

water system, the study concluded that below-grade tailings storage facilities are designed to "eliminate concerns over the release of tailings due to catastrophic failure of a constructed retaining berm or tailings dam."



REGULATIONS & BEST PRACTICES

The NAS concluded that "there exist internationally accepted best practices, founded on principles of openness, transparency, and public involvement in oversight and decision-making, that could provide a starting point for the Commonwealth of Virginia were it to decide that the moratorium should be lifted."

The National Academy of Sciences study singled out several modern operations in Canada as models for how to safely mine and mill uranium. In 2011, several legislators visited one of the sites, the Rabbit Lake operation in Northern Saskatchewan, where Canadian regulators told them that in 36 years of operation, there have been no instances of environmental contamination or dangers to public health.

National Academy Study Highlights Canadian Model for Environmental Protection

"As shown at Elliot Lake, Canada and elsewhere, lined and capped storage repositories can prevent the spread of tailings by erosion and control contamination of groundwater and surface water systems... Full below-grade disposal of mill tailings is an option that has been developed specifically to eliminate concerns over the release of tailings due to catastrophic failure of a construction retaining berm or tailings dam."
(NAS Study, p. 153)

Socioeconomic Study Highlights Major Economic Benefits Continued from page 1

According to the study, the Coles Hill project will generate an average of more than 1,000 jobs and \$136 million in economic benefits annually during the 35-year operation. The study concluded that more than half of the jobs supported by the project will be filled by Southside residents, including approximately 97% of the 325 jobs directly created by Virginia Uranium.

Additionally, the Chmura study predicted a significant infusion of tax dollars into cash-strapped local and state coffers. Chmura conservatively estimated that the project would produce more than \$112 million in tax revenue over the life of the operation, with the potential for significantly more if the General Assembly decides to impose a 2 to 5 percent severance tax on the uranium produced at Coles Hill.

While unemployed workers and businesses in the Southside region stand to gain the most economically, the study emphasized that the project will support hundreds of jobs in other regions of the state and generate almost \$5 billion in revenue for Virginia businesses over the project's life.

After closely examining federal and state regulations and examples of modern industry practices currently widely used in

Canada and the western U.S., Chmura predicted that the Coles Hill operation would pose "minimal" risks to the environment and "negligible" risks to public health.

Specifically, the study determined that the Coles Hill project would not result in increased cancer rates in the region, and that the project would not adversely impact the Southside region's agriculture and tourism industries.

Addressing concerns about the impact of mining on the ability of local boarding schools to attract students and faculty, the study reassured residents that Chatham Hall, one of the region's leading private schools, "is unlikely to experience any long-lasting stigma effects."

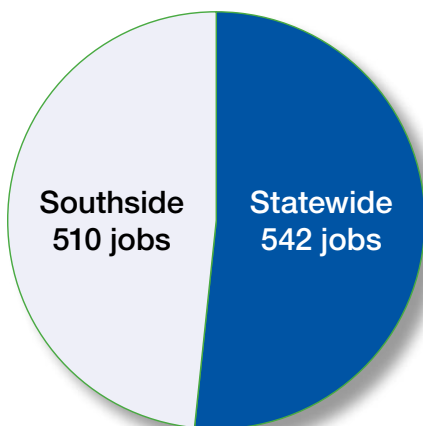
Importantly, the study also determined that the African-American community is "unlikely to be disproportionately impacted by the Coles Hill operation," and actually stands to gain a tremendous deal in terms of jobs and other economic opportunities.

Many Southside residents greeted the study with enthusiasm and saw it as an impetus to move forward with lifting the moratorium. Chatham resident and restaurant manager Kenneth Hicks put it simply for the *Wall Street Journal*, "It's for jobs and the economy. I say, dig it."

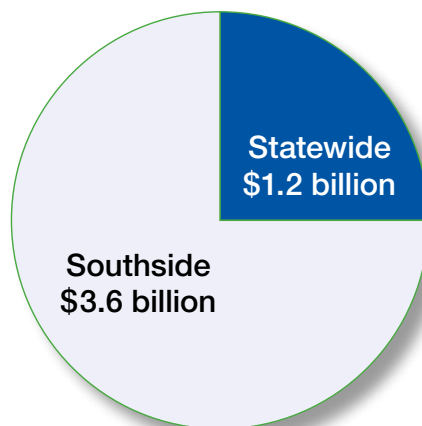
**"THE COLES HILL OPERATION
WILL NOT RESULT IN ANY
INCREASE IN CANCER RATES
OR OTHER FATAL ILLNESSES,"
AND "POSES MINIMAL
RISK TO DEGRADE THE
SURROUNDING ENVIRONMENT
– AIR, SOIL AND WATER."
(CHMURA STUDY, P. 10)**

Economic Benefits for Pittsylvania County & Virginia

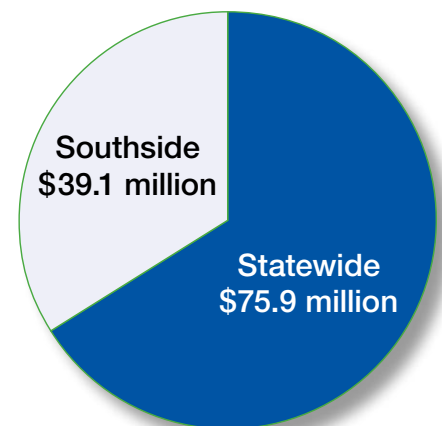
**Annual Jobs:
1,052**



**Total Economic Impact:
\$4.8 billion**



**Total Tax Revenue:
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*Source: Chmura Economics & Analytics (some numbers may not total exactly due to rounding)

Gov. McDonnell directs agencies to draft regulations for uranium mining

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2013 Virginia General Assembly to consider lifting the mining moratorium and moving toward development of the Coles Hill uranium project.

In creating the Uranium Working Group composed of the heads of several state agencies, McDonnell has called for a thorough analysis of the Coles Hill site.

The Governor's working group will be comprised of staff from the Departments of Health, Environmental Quality and Mines, Minerals & Energy, the three main government agencies that would be responsible for permitting and regulating uranium mining in the state.

In assessing the Coles Hill site and drafting regulations, the Governor directed the working group to address a host of key issues, including air and water quality, worker safety, public health, financial assurances, emergency preparedness and Virginia's particular weather and hydrological conditions.

The Governor emphasized the importance of public involvement in the process and instructed the working group to present its

findings to the Uranium Mining Subcommittee of the Virginia Coal & Energy Commission at least three times throughout the year.

The working group will present its final product to the Coal & Energy Commission by December 1, 2012, allowing legislators sufficient time to review the group's work before deciding whether to lift the moratorium during its 2013 Session.

Virginia Uranium welcomes the Governor's decision to move Virginia one step closer to establishing a robust regulatory framework that will ensure that our company builds and operates the safest uranium mine in the world.

URANIUM WORKING GROUP

DEPARTMENT OF COMMERCE & TRADE

Secretary James Cheng

DEPARTMENT OF HEALTH & HUMAN RESOURCES

Secretary Bill Hazel

DEPARTMENT OF NATURAL RESOURCES

Secretary Doug Domenech

DEPARTMENT OF MINES, MINERALS & ENERGY

Director Conrad Spangler

DEPARTMENT OF ENVIRONMENTAL QUALITY

Director David Paylor

DEPARTMENT OF HEALTH Commissioner Karen Remley