

## AURORA URANIUM MINE

### Developer

Oregon Energy LLC filed Oregon incorporation documents in March 2010. Oregon Energy is 100% owned by Energy Ventures Limited (EVE), a Perth based Australian company incorporated in 2003.

EVE reports market capital of \$39 million as of June 30, 2011, and stock held by 1400 shareholders. The 20 largest of EVE's 1,400 shareholders own 58% of the outstanding stock; directors and managers own 27%. According to the EVE website, John Hasleby and Lachlan Reynolds are the principal Oregon Energy officers.

Oregon Energy briefed the Oregon Department of Geology and Mineral Industries Governing Board on September 13, 2011, and announced that a notice of intent to develop a chemical process mine may be filed before year-end 2011.

### Aurora Project

The Aurora Project is a proposed open-pit uranium mine located on approximately 1700 acres of Bureau of Land Management (BLM) land in the southeast corner of Malheur County, Oregon. For nearly a century, the Aurora project area has been explored and mined for mercury, gold, and uranium.

Uranium ore will be processed on-site to produce concentrate known as yellowcake. Pits, roads, processing facilities, and support activities will be located on 272 unpatented lode claims (20 acres each) pursuant to the General Mining Law of 1872 (1872 Law). Company officials estimate that Aurora will produce 30% of U.S. yellowcake output.

### Yellowcake Production

Uranium ore mined from open pits is crushed at an on-site mill. The crushed ore is treated with acids (primarily sulfuric acid) and other chemicals to leach uranium from ore. The product is a sand-like powder -- uranium oxide concentrate -- called yellowcake. Yellowcake is shipped in 55 gallon drums for further refinement. (See diagram.) China, South Korea, India, and Russia are the principal end markets.

Chemical processing of uranium to produce yellowcake uses large quantities of water and produces a large waste stream. (Oregon Energy has not disclosed water and electricity sources and volumes.) Generally liquid waste is about twice the quantity of solid waste. Liquid waste is discharged to ponds and solid waste to piles, collectively called tailings. Tailings contain the original constituents of crushed uranium ore; processing acids and chemicals; and, heavy metals.

Sulfuric acid leaches heavy metals -- mercury, molybdenum, arsenic, lead, manganese, and cadmium -- as well as uranium. (The Aurora site has been extensively mined for mercury.) Residual uranium elements decay and release radon; heavy metals can interact within tailings and other wastes.

## Approvals, Permitting, and Regulation

The principal elements for Aurora approvals, permitting, and regulation follow:

1872 General Mining Law - The 1872 Law allows claimants and claim owners, foreign and domestic, exclusive access to federal public domain lands for the purpose of locating and removing minerals. Mining claims constitute private property rights and are a dominant use not subject to federal agency land use plans.

BLM - Aurora is located on public domain lands managed by BLM. BLM will prepare an environmental assessment or environmental impact statement as required by the National Environmental Policy Act (NEPA). The NEPA process will evaluate the proposed Aurora plan of operations (POO). BLM may require modifications to the POO “to prevent unnecessary or undue degradation on the federal lands.” Unnecessary or undue are not defined by federal regulations.

BLM does not issue permits to carry out mining activities on public land. Under existing public lands mining law, BLM may neither deny a POO nor condition a POO approval on the operator securing permits from other agencies. If a Clean Water Act (CWA) permit is required, for example, BLM may not withhold approval of the Aurora POO pending CWA permit approval.

Similarly, BLM does not have direct enforcement authority to regulate mining operations on public land claimed pursuant to the 1872 Law. Miners operating in conflict with an approved POO are issued a notice of non-compliance. Because BLM does not issue a permit, BLM has the burden of proof when seeking judicial enforcement if an operator fails to comply.

State of Oregon - The Oregon Chemical Process Mining Law (CPML) applies to Aurora. Following the CPML enactment in 1991, cooperating Oregon agencies -- DOGAMI, Oregon Department of Environmental Quality (DEQ), Oregon Department of Fish and Wildlife (DFW), Oregon Water Resources Department (WRD) -- developed comprehensive administrative rules implementing the law.

The CPML is triggered by a notice of intent. Cooperating agencies are notified and a coordinated application process is initiated. Unlike BLM, the State of Oregon is not obligated to approve an application for chemical process mining; chemical process mining permits are revokable.

The right of the State of Oregon to regulate mining and to deny a permit to carry out mining activities on public land was confirmed by the landmark case *Kinross Copper Corporation v. State of Oregon* decided by the Oregon Court of Appeals in 1999. Kinross petitions for review were denied by both the Oregon State Supreme Court and the United States Supreme Court.

Oregon Energy Facility Siting Council (EFSC) - Because Aurora operations involve facilities for the milling and production of uranium ore and products, EFSC laws and regulations apply to Aurora. Oregon Energy has suggested that an memorandum of agreement (MOA) or statutory changes may be necessary to carry out a consolidated permitting process between EFSC and state cooperating agencies.

U.S Department of Energy (DOE) - DOE administers the Uranium Mill Tailings Radiation Control Act (1978) regulating disposal, stabilization, and control of uranium mill tailings.

U. S. Environmental Protection Agency (EPA) - EPA has delegated authority to the State of Oregon to administer the Clean Water Act (CWA) and Clean Air Act (CAA). EPA retains the authority to review and intervene in permits proposed and issued pursuant to the CWA and CAA. Because uranium mining tailings and overburden are classified as Technology Enhanced Naturally Occurring Radioactive Material, EPA has an additional oversight role.

#### Revenues and Taxes

The 1872 Law grant to individuals and domestic corporations -- and corporations wholly or partially owned by foreign entities -- the exclusive right to claim public land for the purpose of prospecting for and mining hardrock minerals.

Royalties - Neither the federal government nor Oregon receive royalties or severance taxes based on the value for hard rock minerals -- including uranium -- removed from public lands.

Depletion Allowance and Gross Revenue Deductions - The federal tax code -- and by extension the Oregon revenue code -- allows federal lands claim owners to deduct a fixed percentage of gross income (or alternatively actual costs) annually for as long as the a mine generates income. The uranium depletion allowance is 22% and may be taken even after the claimant has exhausted the resource and/or recovered the actual investment. (IRS Publication 535.)

Property Taxes - The Oregon Department of Revenue has determined that Oregon statutes limit real property taxes related to mining claims to buildings. Unlike most other Western States, Oregon excludes from taxation improvements such as roads and paving; pits and ponds; wells, water systems, and storm water collection facilities; fences, security, and fire protection; and, power distribution facilities.

#### Oregon Energy Community Economic Projections

Oregon Energy projects the following jobs benefits for Malheur County and the project area: 250 direct construction jobs; 150 permanent jobs; 450 indirect jobs; and, opportunities for local businesses to provide goods and services to the mine.

Oregon Energy's economic benefit projections are not uncommon for major mining operations throughout the West. These economic benefits rarely materialize: 1) mining operations like Aurora are located in isolated communities with few skilled workers and businesses capable of providing mining operations with specialized mining equipment, products, and services (the nearest community to Aurora has a population of 150); 2) workers and families often do not relocate and when they do relocate, rarely make long-term investments such as purchasing homes; 3) when families relocate, communities must spend significant resources for infrastructure such as school; and, 4) the least-skilled workers often remain behind when mines close.