

RICHARD E. BLUBAUGH
Vice President-Health, Safety
& Environmental Resources

October 7, 2014

Michael Fosha, State Archaeologist
South Dakota State Historical Society
Department of Tourism and State Development
2425 E. Saint Charles St.
P.O. Box 1257
Rapid City, SD 57709-1257

Re: Fifth Annual Report Pursuant to September 15, 2008 Memorandum of Agreement (MOA) Concerning the Dewey-Burdock Project Located in Fall River and Custer Counties

Dear Mr. Fosha:

This letter serves as the fifth annual report called for under Article IV of the September 15, 2008 Memorandum of Agreement (MOA) between Powertech (USA) Inc. (Powertech) and the South Dakota Archaeological Research Center (ARC). While this is the fifth annual report under the MOA, it actually covers the sixth year of the agreement as the first year was covered by four quarterly reports.

Schedule Changes

Powertech has not conducted any drilling or construction activities during the past year. The Nuclear Regulatory Commission (NRC) issued its record of decision (ROD), final license (No. SUA-1600) and Final Supplemental Environmental Impact Statement (FSEIS) for the Dewey-Burdock Project in April 2014.

Included with the FSEIS is a programmatic agreement (PA) that was signed by Powertech, the ACHP, NRC, BLM and the South Dakota SHPO. The execution of the PA completes the Section 106 process. The PA calls for a treatment plan that is currently being developed by the consulting parties. The treatment plan should be complete by or before the end of 2014.

The two intervenor groups opposed to the project submitted some additional contentions to the Atomic Safety and Licensing Board (ASLB) after the FSEIS and license were issued. The ASLB conducted its hearing the week of August 18, 2014 in Rapid City. Due to the acquisition by Powertech of some additional geophysical and geological data from another uranium company, the ASLB has allowed some additional time for the intervenors to review the data. Consequently, the ASLB's ruling may not be forthcoming until early 2015.

The Mining and Minerals staff of the SD Department of Environment and Natural Resources (DENR) issued their recommendation for issuance of a Large Scale Mine Permit in April 2013. The hearing before the Board of Minerals and Environment (BME) regarding this permit began September 23, 2013. The hearing was suspended pending acquisition of the required federal permits and will be resumed once the EPA and BLM issue their permits. It is anticipated that the Large Scale Mine Permit hearing will be resumed during 2015.

The Chief Engineer of SD DENR published a recommendation to issue two water rights back in November 2012, and the Water Quality group issued its recommendation to approve the Groundwater Discharge Plan. These permits must be authorized by the Water Management Board (WMB). The hearing for these permits was originally scheduled for the week of October 7, 2013 but, due to inclement weather, it was postponed to October 28, 2013. Powertech requested the WMB to discontinue the hearing until the federal permits are approved and issued. The hearing before the WMB is expected to resume in 2015.

In summary, Powertech has received the Source and Byproduct Material License No. SUA-1600 from the NRC and anticipates receiving the BLM and EPA permits late 2014 or early 2015, and is hopeful of commencing drilling and construction in late 2015 or early 2016.

Problems Encountered

Past reports noted that Powertech's NRC license application and NRC's Draft SEIS had received challenges from intervenors which include contentions pertaining to the Level III Cultural Resource study prepared by the Archeology Lab at Augustana College (ALAC). The NRC issued its license and FSEIS in April 2014. Contentions were heard by the ASLB in its August 2014 hearing. A ruling by the ASLB is expected around the end of the year.

No problems have been encountered regarding cultural and/or historic resources since the execution of the MOA.

Disputes and Objections

There have been no disputes or objections related to Powertech's activities as addressed by the MOA. However, as noted above, there are intervenors to the NRC licensing process that have questioned the adequacy of the protection being provided for cultural resources at the Dewey-Burdock Project. Additionally, cultural protection issues have been raised in the Large Scale Mine Permit hearing, which has been suspended. The approved PA addresses all issues that have been raised. The PA specifically calls for a treatment plan for all archeological and tribal sites that may be impacted by the project. The treatment plan is currently being developed by the consulting parties.

Please contact the undersigned at your convenience should you have any questions regarding this report. Your continuing cooperation in this matter is appreciated.

Respectfully yours,

Richard E. Blubaugh
Vice President –Health, Safety & Environmental Resources

cc: John Mays, COO