



# ***Energy Fuels Inc.***

*(A development stage company)*

## ***Unaudited Interim Consolidated Financial Statements***

**For the Three Months Ended  
December 31, 2010**

### **NOTICE TO READER**

The accompanying unaudited interim consolidated financial statements of Energy Fuels Inc. have been prepared by and are the responsibility of Energy Fuels' management.

**ENERGY FUELS INC.**  
**Interim Consolidated Balance Sheets**

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<b>ASSETS</b>	<b>Unaudited December 31, 2010</b>	<b>Audited September 30, 2010</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,531,222	\$ 3,738,671
Prepaid expenses and other assets	335,859	341,879
	<u>2,867,081</u>	<u>4,080,550</u>
<b>Non-current</b>		
Plant and equipment (Note 2)	427,373	490,750
Mineral properties and deferred costs (Note 3)	29,873,594	28,894,305
Restricted cash (Note 4)	1,017,802	1,053,703
	<u>34,185,850</u>	<u>34,519,308</u>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 628,034	\$ 827,036
Current portion of asset retirement obligation (Note 4)	12,759	12,759
Current portion of long-term debt (Note 5)	9,993	15,037
	<u>650,786</u>	<u>854,832</u>
<b>Non-current</b>		
Long-term asset retirement obligation (Note 4)	354,408	338,918
Long-term debt (Note 5)	1,070	1,108
	<u>1,006,264</u>	<u>1,194,858</u>
<b>Shareholders' equity</b>		
Capital stock (Note 6)	57,910,267	57,232,407
Contributed surplus (Note 6)	14,882,841	14,991,146
Deficit	(39,613,522)	(38,899,103)
	<u>33,179,586</u>	<u>33,324,450</u>
	<u>\$ 34,185,850</u>	<u>\$ 34,519,308</u>

Nature of operations, basis of presentation and going concern (Note 1)  
 Commitments (Note 3 and 8)

Approved by the Board

(signed) Stephen P. Antony , Director

(signed) Robert J. Leinster , Director

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

**ENERGY FUELS INC.****Unaudited Interim Consolidated Statements of Operations, Deficit and Accumulated Comprehensive Loss**

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	Three Months Ended	
	December 31,	
	<u>2010</u>	<u>2009</u>
<b>EXPENSES</b>		
General and administrative	\$ 509,960	\$ 794,644
Amortization	18,608	19,300
Stock-based compensation (Note 6)	<u>67,698</u>	<u>34,432</u>
	596,266	848,376
Interest income	853	3,978
Other income (expense)	17,212	(106)
Loss on sale of plant and equipment	-	(6,361)
Foreign exchange loss	<u>(136,218)</u>	<u>(162,027)</u>
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(714,419)</b>	<b>(1,012,892)</b>
<b>DEFICIT AND ACCUMULATED COMPREHENSIVE LOSS - BEGINNING OF PERIOD</b>	<u><b>(38,899,103)</b></u>	<u><b>(34,405,475)</b></u>
<b>DEFICIT AND ACCUMULATED COMPREHENSIVE LOSS - END OF PERIOD</b>	<u><b>\$ (39,613,522)</b></u>	<u><b>\$ (35,418,367)</b></u>
<b>LOSS PER COMMON SHARE (Note 6)</b>		
- BASIC AND DILUTED	<u><b>\$ (0.01)</b></u>	<u><b>\$ (0.01)</b></u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (Note 6)</b>	<u><b>97,613,361</b></u>	<u><b>76,565,580</b></u>

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

**ENERGY FUELS INC.****Interim Consolidated Statements of Shareholders' Equity**

	<u>Common Shares</u>			<u>Accumulated Deficit</u>	<u>Total Shareholders' Equity</u>
	<u>No. of Shares</u>	<u>Amount</u>	<u>Contributed Surplus</u>		
<b>Balance as at September 30, 2009</b>	76,482,613	\$ 54,000,709	\$ 14,635,071	\$ (34,405,475)	\$ 34,230,305
Private placement	19,250,000	3,080,000			3,080,000
Shares issued for property obligations	1,456,386	343,243			343,243
Share issuance costs	-	(191,545)			(191,545)
Stock based compensation			356,075		356,075
Net loss for the period				(4,493,628)	(4,493,628)
<b>Balance as at September 30, 2010</b>	<b>97,188,999</b>	<b>57,232,407</b>	<b>14,991,146</b>	<b>(38,899,103)</b>	<b>33,324,450</b>
Shares issued for property obligations	66,708	40,292			40,292
Options exercised	1,025,700	637,568	(176,003)		461,565
Stock based compensation			67,698		67,698
Net loss for the period				(714,419)	(714,419)
<b>Balance as at December 31, 2010</b>	<b>98,281,407</b>	<b>\$ 57,910,267</b>	<b>\$ 14,882,841</b>	<b>\$ (39,613,522)</b>	<b>\$ 33,179,586</b>

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

**ENERGY FUELS INC.**  
**Unaudited Interim Consolidated Statements of Cash Flows**  
**(Unaudited)**

	<b>Three months ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (714,419)	\$ (1,012,892)
Items not involving cash		
Amortization	18,608	19,300
Loss on sale of plant and equipment	-	6,361
Stock-based compensation	67,698	34,432
Net changes in non cash working capital		
Prepaid expenses and other assets	6,020	181,642
Accounts payable and accrued liabilities	(60,751)	(60,116)
	<u>(682,844)</u>	<u>(831,273)</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of plant and equipment	(9,453)	18,391
Cash received on sale of equipment	-	15,067
Mineral property acquisitions and expenditures	(1,007,536)	(1,631,754)
Restricted cash	35,901	25,778
	<u>(981,088)</u>	<u>(1,572,518)</u>
<b>FINANCING ACTIVITIES</b>		
Exercise of stock options and warrants	461,565	-
Repayment of debt	(5,082)	(70,565)
	<u>456,483</u>	<u>(70,565)</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>	<b>(1,207,449)</b>	<b>(2,474,356)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	<b>3,738,671</b>	<b>7,237,826</b>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b>\$ 2,531,222</b>	<b>\$ 4,763,470</b>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash interest paid	\$ -	\$ 1,275
Cash taxes paid	175	106
<b>Non-cash investing and financing transactions:</b>		
Issuance of shares for advance royalty obligation	40,292	211,120

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

**ENERGY FUELS INC.**  
**(A development stage company)**  
**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2010**  
**(Unaudited)**

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**NATURE OF OPERATIONS**

Energy Fuels Inc. (the “Company” or “EFI”) was incorporated under the laws of the Province of Alberta and continued into the Province of Ontario.

Energy Fuels Inc. is a Toronto, Ontario based uranium and vanadium exploration and mine development company with projects located in the states of Colorado, Utah, Arizona, Wyoming and New Mexico through its wholly-owned Canadian subsidiary, Magnum Uranium Corp. (“Magnum Uranium”) and it’s wholly owned U.S. subsidiaries Energy Fuels Resources Corporation (“EFRC”), Magnum Minerals USA Corp. (“Magnum USA”) and by way of several joint ventures (Note 3) with projects located in Colorado, Utah and Arizona.

The Company is in the process of exploring its mineral properties and has not yet established whether certain of its mineral exploration properties contain economically recoverable reserves. The recovery of amounts capitalized for mineral properties and related deferred costs on the balance sheet are dependent upon the existence of economically recoverable mineral deposits, the ability of the Company to complete exploration and/or development exploration of such properties, including related financing requirements and upon future profitable production or, alternatively, upon proceeds from the disposition of the properties.

**1. BASIS OF PRESENTATION**

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) applicable to a going concern for the period ending December 31, 2010. While they do not include all the information required for complete financial statements, they have been prepared on a basis consistent with the accounting policies outlined in the Company’s audited consolidated financial statements for the year ended September 30, 2010. The use of Canadian GAAP applicable to a going concern assumes the Company will be able to finance its operations and capital expenditures, realize the value of its assets, pay its liabilities and meet future obligations in the normal course of business. Accordingly, the accompanying financial statements do not include any adjustments to the recoverability and reclassification of recorded assets, or the amounts or classification of liabilities, that might be necessary should the Company be unable to continue as a going concern.

As is typical of a development stage company, EFI’s ability to continue as a going concern is dependent upon obtaining outside financing to fund its working capital and current and future capital project requirements. While the Company is evaluating several financing alternatives, there is no assurance that such additional financing can be obtained on acceptable terms. Currently, the Company has adequate cash reserves to fund the final approval and possible litigation associated with the initial approval of its mill license application with the Colorado Department of Public Health & Environment. This process is expected to culminate before the end of calendar 2011.

While these financial statements have been prepared on the basis of accounting principles applicable to a going concern, the Company’s cash balances have reached a point where they can support current operations only through late calendar year 2011 without additional financing. In addition, the Company has implemented a number of cost conservation strategies and could adjust its monthly cash utilization rate further, if necessary, until financing is available. There can be no assurance that the Company will be able to obtain sufficient financing to meet future operational needs. As a result, there is a significant doubt as to whether the Company will be able to continue as a going concern and realize its assets and pay its liabilities as they fall due.

These financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption found to be inappropriate. These adjustments could be material.

**ENERGY FUELS INC.**  
**(A development stage company)**  
**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2010**  
**(Unaudited)**

**2. PLANT AND EQUIPMENT**

	Three Months Ended December 31, 2010			Year Ended September 30, 2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Office equipment	145,557	120,975	24,582	136,106	116,125	19,981
Furniture and fixtures	18,220	13,348	4,872	18,219	12,430	5,789
Shop tools and equipment	285,856	181,740	104,116	285,856	167,330	118,526
Vehicles purchase	24,043	20,111	3,932	24,044	18,682	5,362
Mining equipment	888,907	616,256	272,651	888,907	572,209	316,698
	<b>1,362,583</b>	<b>952,430</b>	<b>410,153</b>	1,353,132	886,776	466,356
Equipment under capital lease	142,334	125,114	17,220	142,333	117,939	24,394
<b>Balance, end of period</b>	<b>1,504,917</b>	<b>1,077,544</b>	<b>427,373</b>	1,495,465	1,004,715	490,750

Amortization in the amount of \$54,222 (Dec 31, 2009 - \$63,012) for property, plant and equipment used at the mill site and mine properties was capitalized to mineral properties. Substantially all the Company's plant, property and equipment are located in the U.S.

**3. MINERAL PROPERTIES AND DEFERRED COSTS**

	As at December 31, 2010	As at September 30, 2010
	\$	\$
<b>Acquisition costs</b>		
Balance, beginning of year	8,962,508	8,524,815
Acquisition expenditures	398,274	437,693
	<b>9,360,782</b>	8,962,508
<b>Deferred exploration and development expenditures</b>		
Balance, beginning of year	19,931,797	17,658,062
Exploration expenditures	581,015	2,273,735
	<b>20,512,812</b>	19,931,797
<b>Balance, end of period</b>	<b>29,873,594</b>	28,894,305

The Company enters into exploration agreements whereby it may earn an interest in certain mineral properties by issuing common shares, making cash option payments and/or incurring expenditures in varying amounts by specified dates.

**ENERGY FUELS INC.**  
**(A development stage company)**  
**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2010**  
**(Unaudited)**

**3. MINERAL PROPERTIES AND DEFERRED COSTS (continued)**

The following is a summary of mineral properties and deferred costs by area of interest as at December 31, 2010:

Properties	As at December 31, 2010			September 30, 2010
	Acquisition \$	Exploration & Development \$	Total \$	Total \$
<b>United States (1)</b>				
Piñon Ridge Mill Site	1,397,873	10,611,536	12,009,409	11,540,373
Whirlwind Mine Area	4,417,071	6,547,403	10,964,474	10,611,813
La Sal-Energy Queen District	707,113	1,815,885	2,522,998	2,418,366
San Rafael Area	1,989,589	68,083	2,057,672	2,057,672
Gateway District	128,881	669,073	797,954	789,321
Uravan District	245,322	368,263	613,585	581,894
Other Areas-WY, NM	-	3,918	3,918	3,918
Moab Area	270,929	17,761	288,690	288,680
Slick Rock District	163,305	231,058	394,363	386,088
	9,320,083	20,332,980	29,653,063	28,678,125
Colorado Plateau JV	26,479	165,006	191,485	191,485
West Lisbon JV	14,220	14,826	29,046	24,695
<b>Balance</b>	<b>9,360,782</b>	<b>20,512,812</b>	<b>29,873,594</b>	<b>28,894,305</b>

The following is a summary of future commitments by fiscal year for the Company's properties:

	2011	2012	2013	2014	2015	Thereafter	Total
<b>United States</b>	\$	\$	\$	\$	\$	\$	\$
Piñon Ridge Mill	-	4,353	4,570	-	-	-	8,923
Whirlwind Mine Area	59,676	328,218	29,838	29,838	29,838	59,676	537,084
La Sal-Energy Queen District	59,676	95,482	95,482	65,644	65,644	628,587	1,010,515
Gateway District	51,918	101,648	101,648	101,648	101,648	1,040,948	1,499,458
Uravan District	104,234	119,153	119,153	119,153	119,153	561,352	1,142,198
Slick Rock District	120,347	112,091	112,091	112,091	112,091	1,131,952	1,700,663
Colorado Plateau JV	9,946	10,513	10,513	10,513	10,513	121,053	173,051
<b>Total Commitments</b>	<b>405,797</b>	<b>771,458</b>	<b>473,295</b>	<b>438,887</b>	<b>438,887</b>	<b>3,543,568</b>	<b>6,071,892</b>

**ENERGY FUELS INC.**  
**(A development stage company)**  
**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2010**  
**(Unaudited)**

**3. MINERAL PROPERTIES AND DEFERRED COSTS (continued)**

**(1) U.S. PROPERTIES:**

**a) Arizona Strip Partners LLC**

On June 30, 2008 the Company and Lynx-Royal JV LLC ("Lynx-Royal") completed the formation of the Arizona Strip Partners LLC, a joint venture company to explore uranium properties in the Arizona Strip region of Northern Arizona. The Company's interest in the JV is 50%, subject to adjustments based on future expenditures. EFRC contributed the Arizona acreage that was controlled by it and the unpatented claims initially held jointly with High Plains Uranium, Inc. under the Arizona Strip Resources JV LLC.

**b) Colorado Plateau Partners LLC**

On November 1, 2008 EFRC, along with Lynx-Royal, finalized the formation of Colorado Plateau Partners LLC to acquire, explore, evaluate and, if justified, mine uranium properties located in the states of Colorado and Utah. EFRC's interest in the JV is 50%, subject to adjustments based on future expenditures. EFRC contributed certain mineral leases located in the states of Colorado and Utah, which are currently controlled by the EFRC. Lynx-Royal's contribution was claims located in Colorado and Utah.

**4. ASSET RETIREMENT OBLIGATIONS**

The following table summarizes the Company's Asset Retirement Obligations ("ARO"):

	<b>Three Months Ended Dec 31, 2010</b>	<b>Year Ended Sept 30, 2010</b>
	<b>\$</b>	<b>\$</b>
Reclamation obligations, beginning of year	<b>351,677</b>	305,580
Expenditures during current period		(15,869)
Accretion	<b>15,490</b>	61,966
Reclamation obligations, end of period	<b>367,167</b>	351,677
Site restoration liability by location:		
Exploration drill holes	<b>12,759</b>	12,759
Whirlwind Mine	<b>165,769</b>	158,157
Energy Queen Mine	<b>188,639</b>	180,761
	<b>367,167</b>	351,677
Site restoration liability:		
Current	<b>12,759</b>	12,759
Non-current	<b>354,408</b>	338,918
	<b>367,167</b>	351,677

During the period ended December 31, 2010, there were no additions to the ARO. In calculating the current period ARO, management used an inflation rate of 4.9% and a weighted average cost of capital of 15.24%, which are based on information at the inception of the ARO.

The undiscounted ARO as at December 31, 2010 is \$487,328 (Sept. 30, 2010 - \$507,562).

**ENERGY FUELS INC.**  
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**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2010**  
**(Unaudited)**

**4. ASSET RETIREMENT OBLIGATIONS (continued)**

Restricted cash, which has been held by regulatory agencies to settle these future obligations, is comprised of the following:

	<b>Three Months Ended Dec 31, 2010 \$</b>	<b>Year Ended Sept 30, 2010 (Audited) \$</b>
Controlling entity:		
Colorado Division of Reclamation, Mining and Safety	<b>554,925</b>	574,565
State of Utah Division of Oil, Gas and Mining	<b>452,931</b>	468,840
Wyoming Department of Environmental Quality-Land Quality	<b>9,946</b>	10,298
	<b>1,017,802</b>	1,053,703

**5. LONG-TERM DEBT**

The Company's long-term debt is comprised of the following:

	<b>As at December 31, 2010 \$</b>	<b>As at September 30, 2010 (Audited) \$</b>
Capital lease obligations	<b>11,063</b>	16,145
Total	<b>11,063</b>	16,145

Capital lease obligations by duration:

Current portion	<b>9,993</b>	15,037
Long-term portion	<b>1,070</b>	1,108
	<b>11,063</b>	16,145

The table below represents currently scheduled maturities of long-term debt:

	<b>\$</b>
2011	<b>10,092</b>
2012	<b>1,075</b>
Total minimum payments	<b>11,167</b>
Amount representing interest	<b>(104)</b>
Total long-term debt	<b>11,063</b>
Less: Current portion	<b>(9,993)</b>
Long-term portion	<b>1,070</b>

**ENERGY FUELS INC.**  
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**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2010**  
**(Unaudited)**

**6. CAPITAL STOCK**

***Authorized share capital***

The Company is authorized to issue an unlimited number of Common Shares without par value, unlimited Preferred Shares issuable in series, and unlimited Series A Preferred Shares. The Series A shares are non-redeemable, non-callable, non-voting and with no right to dividends. The Preferred shares issuable in series will have the rights, privileges, restrictions and conditions assigned to the particular series upon the Board of Directors approving their issuance.

***Issued share capital***

The issued and outstanding share capital consists of Common Shares as follows:

	<b>Three Months Ended December 31, 2010</b>		<b>Year Ended September 30, 2010 (Audited)</b>	
	<b>Shares</b>	<b>Amount \$</b>	<b>Shares</b>	<b>Amount \$</b>
Balance, beginning of year	<b>97,188,999</b>	<b>57,232,407</b>	76,482,613	54,000,709
Private placement	-	-	19,250,000	3,080,000
Options exercised	<b>1,025,700</b>	<b>637,568</b>	-	-
Advance royalty payments (1)	<b>66,708</b>	<b>40,292</b>	1,456,386	343,243
Share issuance costs	-	-	-	(191,545)
<b>Balance, end of period</b>	<b>98,281,407</b>	<b>57,910,267</b>	97,188,999	57,232,407

- (1) On November 16, 2010 the Company issued 66,708 common shares valued at \$40,292 as payment towards the advance royalty due on the Willhunt Property claim group.

***Stock Options***

The Company has established a stock option plan whereby the Board of Directors may grant options to employees, directors and consultants to purchase common shares of the Company. The maximum number of authorized but unissued shares available to be granted under the plan shall not exceed 10% of its issued and outstanding common shares. The exercise price of the options is set at the Company's closing share price on the day before the grant date.

For the period ended December 31, 2010, the Company granted 125,000 stock options (Dec 31, 2009 – 300,000) to its employees, directors and consultants recording stock-based compensation expense of \$58,851 (Dec 31, 2009 - \$31,134). In addition, the Company also recorded stock-based compensation expense of \$8,847 (Dec 31, 2009 - \$3,298) for those stock options granted in a prior period and which vested during the current period. Offsetting amounts were recognized as contributed surplus.

The fair value of stock options granted to employees, directors and consultants was estimated on the dates of the grants using the Black-Scholes option pricing model with the following assumptions used for the grants made during the period:

Risk free rate	1.89%
Expected life	4.50 years
Expected volatility	102% - 103%
Expected dividend yield	0.0%

**ENERGY FUELS INC.**  
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**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2010**  
**(Unaudited)**

**6. CAPITAL STOCK (continued)**

The fair value of stock options granted during the year ended December 31, 2010 is as follows:

	<b>Three Months Ended Dec 31, 2010</b>	Year Ended Sept 30, 2010 (Audited)
	\$	\$
Value of stock options granted	<b>67,698</b>	356,075
Deduct value of stock options not vested	-	(18,404)
	<b>67,698</b>	<b>337,671</b>

The summary of the Company's stock options at December 31, 2010 and September 30, 2009, and the changes for the fiscal years ending on those dates is presented below:

	<b>Three Months Ended December 31, 2010</b>			Year Ended September 30, 2010 (Audited)		
	Range of Exercise Prices	Weighted Average Exercise Price	Number of Options	Range of Exercise Prices	Weighted Average Exercise Price	Number of Options
	\$	\$		\$	\$	
Balance, beginning of year	<b>0.16 - 2.25</b>	<b>0.60</b>	<b>6,543,000</b>	0.35 - 4.00	1.54	6,243,000
Transactions during the period:						
Granted	<b>0.62 - 0.71</b>	<b>0.66</b>	<b>125,000</b>	0.16 - 0.35	0.26	2,185,000
Exercised	<b>0.45</b>	<b>0.45</b>	<b>(1,025,700)</b>	-	-	-
Forfeited	-	-	-	0.35 - 2.25	1.01	(275,000)
Expired	-	-	-	2.25 - 4.00	3.70	(1,610,000)
Balance, end of period	<b>0.16 - 2.25</b>	<b>0.63</b>	<b>5,642,300</b>	0.16 - 2.25	0.60	6,543,000

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**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2010**  
**(Unaudited)**

**6. CAPITAL STOCK (continued)**

The following table reflects the actual stock options issued and outstanding as of December 31, 2010:

<b>Expiry Date</b>	<b>Exercise Price (\$)</b>	<b>Remaining Contractual Life (Years)</b>	<b>Number of Options Outstanding</b>	<b>Number of Options Vested</b>	<b>Number of Options Unvested</b>
Jul-2011	0.45	0.57	390,000	390,000	-
Jan-2012	0.45	1.00	39,000	39,000	-
Feb-2012	0.45	1.09	58,500	58,500	-
Nov-2012	0.45	1.87	514,800	514,800	-
Jan-2013	2.25	0.57	810,000	810,000	-
May-2013	2.25	1.00	50,000	50,000	-
Feb-2014	0.35	1.09	800,000	800,000	-
Jul-2014	0.35	1.87	670,000	670,000	-
Oct-2014	0.35	2.02	150,000	50,000	100,000
Dec-2014	0.35	2.35	150,000	50,000	100,000
Jun-2015	0.16	3.10	12,500	12,500	-
Jul-2015	0.20	3.55	960,000	653,333	306,667
Jul-2015	0.17	3.81	12,500	12,500	-
Aug-2015	0.30	3.98	900,000	900,000	-
Oct-2015	0.62	4.47	75,000	75,000	-
Nov-2015	0.71	4.53	50,000	50,000	-
		<b>2.35</b>	<b>5,642,300</b>	<b>5,135,633</b>	<b>506,667</b>

***Contributed Surplus***

	<b>Three Months Ended Dec 31, 2010</b>	<b>Year Ended Sept 30, 2010 (Audited)</b>
	<b>\$</b>	<b>\$</b>
Balance, beginning of year	<b>14,991,146</b>	14,635,071
Value assigned to:		
Stock-based compensation	<b>67,698</b>	356,075
Stock options transferred to share capital upon exercise	<b>(176,003)</b>	-
Balance, end of period	<b>14,882,841</b>	14,991,146

**ENERGY FUELS INC.**  
**(A development stage company)**  
**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2010**  
**(Unaudited)**

**6. CAPITAL STOCK (continued)**

***Loss Per Common Share***

	Three Months Ended December 31,	
	2010	2009
Net loss	( <b>\$714,419</b> )	(\$1,012,892)
Net loss attributable to common shareholders	( <b>\$714,419</b> )	(\$1,012,892)
Weighted average number of common shares outstanding	<b>97,613,361</b>	76,565,580
Loss per share - basic and diluted	( <b>\$0.01</b> )	(\$0.01)

For the period ended December 31, 2010, 5,642,300 (Dec 31, 2009 – 6,508,000) options have been excluded from the calculation of diluted loss per share because they are anti-dilutive.

**7. RELATED PARTY TRANSACTIONS**

- 1) During the three month period ended December 31, 2010, the Company incurred management consultation expenses of \$nil (2009 – \$66,017) for the services of its former Chief Executive Officer. The balance due at December 31, 2010 is \$nil (2009 - \$154,039).
- 2) During the three month period ended December 31, 2010, the Company incurred management consultation expenses of \$nil (2009 – \$52,815) for the services of its Chief Operating Officer. The balance due at December 31, 2010 is \$nil (2009 - \$105,627).
- 3) During the three month period ended December 31, 2010, the Company incurred expenditures of \$nil (2009 – \$13,203) to the spouse of the former Chief Executive Officer of the Company for administrative services. The balance due at December 31, 2010 is \$nil (2009 - \$4,400).
- 4) During the three month period ended December 31, 2010, the Company incurred rent expenditures of \$nil (2009 – \$6,375) for rental space controlled by the former Chief Executive Officer of the Company.

These transactions occurred in the normal course of operations and are measured at the exchange value.

**8. COMMITMENTS**

The Company is committed to payments under various operating leases. The future minimum lease payments are as follows:

As at December 31, 2010	\$
2011	<b>54,444</b>
2012	<b>63,494</b>
2013	<b>21,347</b>
Total	<b>139,285</b>

**ENERGY FUELS INC.**  
**(A development stage company)**  
**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2010**  
**(Unaudited)**

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**9. CAPITAL DISCLOSURES**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of cash and cash equivalents, common shares and stock options. Changes in the equity accounts of the Company are disclosed in Note 6. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares. The Company will require access to equity and credit markets to fund continued exploration and development of its mineral properties and the future growth of the business. The Company is not subject to externally imposed capital requirements.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets, which are approved by the Board of Directors and updated as necessary depending on various factors, including capital deployment and general industry conditions.

The Company is required by regulatory agencies to provide surety bonds of \$1,017,802 (Note 4) to cover the estimated reclamation costs for its exploration and development as well as for its mine closure obligations at both the Whirlwind and the Energy Queen mines.

**10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

(a) Fair value hierarchy:

Financial instruments recorded at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The three levels of fair value hierarchy are:

- Level 1 – Reflects inputs based on quoted prices in active markets for identical assets or liabilities.
- Level 2 – Reflects inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
- Level 3 – Reflects inputs that are not based on observable market data.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as of December 31, 2010:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents				
Cash	\$ 988,705	\$ -	\$ -	\$ 988,705
Cash equivalents	1,542,517			1,542,517
	\$ 2,531,222	\$ -	\$ -	\$ 2,531,222

**ENERGY FUELS INC.**  
**(A development stage company)**  
**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2010**  
**(Unaudited)**

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**10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

(b) Fair values:

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts payable and accrued liabilities, and long-term debt. CICA Handbook Section 3855 requires all financial assets and liabilities to be classified as one of five categories: held for trading, available for sale, held to maturity, loans and receivables, or other financial liabilities. Cash and cash equivalents are designated as held for trading, and are measured at fair value at the consolidated balance sheet date. HST recoverable is designated as loans and receivables and accounted for at amortized cost, net of an allowance for doubtful accounts. Accounts payable, accrued liabilities and long-term debt are designated as other financial liabilities and are recorded at amortized cost. Accounts receivable and accounts payable and accrued liabilities use cost as the estimate of fair value because the difference between cost and amortized cost using the effective interest method has been assessed as insignificant.

As at December 31, 2010, the fair values of cash and cash equivalents, restricted cash, short-term deposits, receivables, accounts payable and accrued liabilities approximate their carrying values because of the short-term nature of these instruments.

(c) Credit Risk:

The Company restricts investment of cash balances to financial institutions with high credit standing. To date, these concentrations of credit risk have not had any effect on the Company's financial position or results of operations.

(d) Liquidity Risk:

Liquidity risk is the risk the Company will not be able to meet the obligations associated with its financial liabilities. The Company manages liquidity risk through the management of its capital structure as outlined in Note 9. The Company has \$2,216,295 of working capital as at December 31, 2010 (Sept. 30, 2010 - \$2,225,718). Accounts payable and accrued liabilities and current portion of notes payable are due within the current operating period. The Company's financial liabilities and other commitments are listed in Notes 3 and 8.

(e) Foreign Currency Risk:

The foreign exchange risk relates to the risk that the value of financial commitments, recognized assets or liabilities will fluctuate due to changes in foreign currency rates. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates.

The following table summarizes, in Canadian dollar equivalents, the Company's major foreign currency exposures as of December 31, 2010:

Cash	<b>\$1,700,781</b>
Accounts receivable	<b>233,829</b>
Accounts payable and accrued liabilities	<b>423,758</b>
Capital lease obligations	<b>11,063</b>
<b>Total</b>	<b>\$2,369,431</b>

The table below summarizes a sensitivity analysis for significant unsettled currency risk exposure with respect to the Company's financial instruments as at December 31, 2010 with all other variables held constant. It shows how net income would have been affected by changes in the relevant risk variable that were reasonably possible at that date.

**ENERGY FUELS INC.**  
**(A development stage company)**  
**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2010**  
**(Unaudited)**

**10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

	Change for Sensitivity Analysis	Increase (decrease) in net income
Strengthening net earnings	+1% change in U.S. dollar	<b>\$23,694</b>
Weakening net earnings	-1% change in U.S. dollar	<b>(\$23,694)</b>

(f) Interest rate risk:

The Company is not exposed to any significant interest rate risks.

**11. SUBSEQUENT EVENTS**

On January 5, 2011, EFRC was granted approval by the Colorado Department of Public Health and Environment ("CDPHE") for a Radioactive Materials License ("the License") for the 500 ton per day Piñon Ridge Mill facility to be constructed twelve miles west of Naturita, Colorado in western Montrose County. EFRC has 60 days to review the License and to decide whether to request a formal hearing on any terms and conditions of the License. If EFRC does not request a hearing, the CDPHE License approval becomes final. That final License approval can be appealed to District Court through an appellate process that uses the existing record to review CDPHE's decision on the license.

On January 12, 2011, the Company signed a purchase agreement with Titan Uranium, Inc whereby the Company issued 1,046,067 of its common shares valued at USD\$1.2 million to purchase from Titan Uranium the rights for ten Hollie claims, located in Emery County, Utah.

On January 24, 2011 the leaseholder of the mineral lease on the Whirlwind property elected to take USD\$200,000 of the USD\$300,000 advance royalty due December 11, 2011 in EFI common shares. As a result, the Company will issue 150,296 common shares based on the average closing price for the five trading days immediately preceding the date of the notice. The remaining USD\$100,000 will be payable in cash on December 11, 2011.

On February 9, 2011, the Company finalized a transaction whereby it will issue 1,064,895 common shares valued at USD\$1.0 million to purchase, from Nuvemco LLC, the mining lease and all related data for the Calliham Mine, located in San Juan County, Utah. This property is in the designated area of interest of the Colorado Plateau Partners LLC. As such, the property will be proposed to be contributed to the joint venture. If the partners agree to the contribution, then the Company will receive a USD\$500,000 credit to its capital account.