



# ***Energy Fuels Inc.***

*(A development stage company)*

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

**For the Three and Nine Months Ended  
June 30, 2011**

### **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.

The independent auditor of Energy Fuels Inc. has not performed a review of the unaudited interim consolidated financial statements for the three months and nine months ended June 30, 2011.

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

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<b>ASSETS</b>	<b>Unaudited June 30, 2011</b>	<b>Audited September 30, 2010</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 8,510,715	\$ 3,738,671
Prepaid expenses and other assets	225,688	341,879
	<u>8,736,403</u>	<u>4,080,550</u>
<b>Non-current</b>		
Plant and equipment (Note 2)	325,853	490,750
Mineral properties and deferred costs (Note 3)	33,611,912	28,894,305
Restricted cash (Note 4)	2,463,687	1,053,703
	<u>45,137,855</u>	<u>34,519,308</u>
	<u>\$ 45,137,855</u>	<u>\$ 34,519,308</u>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 741,894	\$ 827,036
Current portion of asset retirement obligation (Note 4)	12,759	12,759
Current portion of long-term debt (Note 5)	1,317	15,037
	<u>755,970</u>	<u>854,832</u>
<b>Non-current</b>		
Long-term asset retirement obligation (Note 4)	385,389	338,918
Long-term debt (Note 5)	1,037	1,108
	<u>1,142,396</u>	<u>1,194,858</u>
<b>Shareholders' equity</b>		
Capital stock (Note 6)	67,236,168	57,232,407
Contributed surplus (Note 6)	18,927,754	14,991,146
Deficit	(42,168,463)	(38,899,103)
	<u>43,995,459</u>	<u>33,324,450</u>
	<u>\$ 45,137,855</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**

	Three months ended		Nine Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
<b>EXPENSES</b>				
General and administrative	\$ 939,443	\$ 634,770	\$ 2,182,485	\$ 2,404,203
Amortization	46,543	46,868	83,616	98,888
Stock-based compensation (Note 6)	679,572	12,174	756,117	58,780
	<u>1,665,558</u>	<u>693,812</u>	<u>3,022,218</u>	<u>2,561,871</u>
Interest income	3,642	489	5,539	12,186
Other income (expense)	(8,951)	(7,197)	5,598	(16,743)
Loss on sale of plant and equipment	-	(3,754)	-	(30,653)
Foreign exchange gain (loss)	(591,650)	101,948	(258,279)	(146,075)
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<u>(2,262,517)</u>	<u>(602,326)</u>	<u>(3,269,360)</u>	<u>(2,743,156)</u>
<b>DEFICIT AND ACCUMULATED COMPREHENSIVE LOSS - BEGINNING OF PERIOD</b>	<u>(39,905,946)</u>	<u>(36,546,305)</u>	<u>(38,899,103)</u>	<u>(34,405,475)</u>
<b>DEFICIT AND ACCUMULATED COMPREHENSIVE LOSS - END OF PERIOD</b>	<u>\$ (42,168,463)</u>	<u>\$ (37,148,631)</u>	<u>\$ (42,168,463)</u>	<u>\$ (37,148,631)</u>
<b>LOSS PER COMMON SHARE (Note 6)</b>				
- BASIC AND DILUTED	<u>(\$0.02)</u>	<u>(\$0.01)</u>	<u>(\$0.03)</u>	<u>(\$0.04)</u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (Note 6)</b>	<u>123,957,916</u>	<u>77,783,510</u>	<u>107,158,739</u>	<u>77,222,143</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>Contributed Surplus</u>	<u>Accumulated Deficit</u>	<u>Total Shareholders' Equity</u>
	<u>No. of Shares</u>	<u>Amount</u>			
<b>Balance as at September 30, 2009 (Audited)</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 (Audited)</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 and warrants issued for public equity offering	23,000,000	8,356,786	3,143,214		11,500,000
Shares issued for property acquisitions	2,110,962	2,190,950			2,190,950
Shares issued for property obligations	217,004	238,358			238,358
Share issuance costs	-	(1,675,692)			(1,675,692)
Warrants issued to agents for public equity offering			298,421		298,421
Options exercised	1,482,700	893,359			893,359
Stock based compensation			756,117		756,117
Stock options transferred to share capital upon exercise			(261,144)		(261,144)
Net loss for the period				(3,269,360)	(3,269,360)
<b>Balance as at June 30, 2011 (Unaudited)</b>	<b>123,999,665</b>	<b>\$ 67,236,168</b>	<b>\$ 18,927,754</b>	<b>\$ (42,168,463)</b>	<b>\$ 43,995,459</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**

	Three months ended		Nine months ended	
	June 30,		June 30,	
	2011	2010	2011	2010
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (2,262,517)	\$ (602,326)	\$ (3,269,360)	\$ (2,743,156)
Items not involving cash:				
Amortization	46,543	46,868	83,616	98,888
Loss on sale of plant and equipment	-	3,754	-	30,653
Stock-based compensation	679,572	12,174	756,117	58,780
Net changes in non-cash working capital:				
Prepaid expenses and other assets	(29,616)	47,970	116,191	116,143
Accounts payable and accrued liabilities	(475,983)	131,558	(137,800)	(470,391)
	<u>(2,042,001)</u>	<u>(360,002)</u>	<u>(2,451,236)</u>	<u>(2,909,083)</u>
<b>INVESTING ACTIVITIES</b>				
Acquisition of plant and equipment	(29,329)	833	(52,577)	(1,500)
Cash received on sale of equipment	-	5,700	-	31,820
Mineral property acquisitions and expenditures	(604,584)	(429,197)	(2,055,312)	(2,450,518)
Restricted cash	(648,520)	(46,150)	(1,409,984)	23,125
	<u>(1,282,433)</u>	<u>(468,814)</u>	<u>(3,517,873)</u>	<u>(2,397,073)</u>
<b>FINANCING ACTIVITIES</b>				
Issuance of common shares, net of share issuance costs	(12,830)	-	10,122,730	-
Exercise of stock options and warrants	-	-	632,214	-
Repayment of debt	(4,068)	(18,054)	(13,791)	(138,273)
	<u>(16,898)</u>	<u>(18,054)</u>	<u>10,741,153</u>	<u>(138,273)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>	<b>(3,341,332)</b>	<b>(846,870)</b>	<b>4,772,044</b>	<b>(5,444,429)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	<b>11,852,047</b>	<b>2,640,267</b>	<b>3,738,671</b>	<b>7,237,826</b>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b>\$ 8,510,715</b>	<b>\$ 1,793,397</b>	<b>\$ 8,510,715</b>	<b>\$ 1,793,397</b>
<b>SUPPLEMENTAL INFORMATION</b>				
Cash interest paid	\$ 89	\$ 236	\$ 222	\$ 800
Cash taxes paid	\$ 8,847	\$ -	\$ 12,022	\$ 106
<b>Non cash investing and financing transactions:</b>				
Issuance of shares for acquisition of mineral properties	\$ -	\$ -	\$ 2,190,950	\$ -
Issuance of shares for advance royalty obligation	\$ 198,066	\$ 132,123	\$ 238,358	\$ 343,243

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 AND NINE MONTHS ENDED JUNE 30, 2011**  
**(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 its 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 consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) applicable to a going concern. This 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. The Company’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.

On March 31, 2011, the Company completed a short-form prospectus equity financing issuing 23,000,000 shares of common stock at a price of \$0.50 per share, for gross proceeds of \$11.5 million (Note 6). With the net proceeds of the equity financing and with the ongoing focus on cost management, the Company believes it has sufficient cash resources to carry out its business plan beyond fiscal year 2012. The additional cash resources will allow the Company to continue its mineral property consolidation activities and to continue evaluating capital raise alternatives for long term financing of the construction of the Piñon Ridge Mill now that the Company has received the Radioactive Material License (“License”) from the Colorado Department of Public Health & Environment (“CDPHE”).

The consolidated financial statements do not reflect any adjustments that might be necessary should the Company be unable to continue as a going concern. If the going concern basis was not appropriate for these consolidated financial statements then, adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications would be necessary. These adjustments could be material.

**ENERGY FUELS INC.**  
**(A development stage company)**  
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**(Unaudited)**

**2. PLANT AND EQUIPMENT**

	Nine Months Ended June 30, 2011			Year Ended September 30, 2010 (Audited)		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Office equipment	150,332	130,485	19,847	136,106	116,125	19,981
Furniture and fixtures	20,642	15,223	5,419	18,219	12,430	5,789
Shop tools and equipment	285,856	210,091	75,765	285,856	167,330	118,526
Vehicles purchase	59,970	24,223	35,747	24,044	18,682	5,362
Mining equipment	888,907	702,936	185,971	888,907	572,209	316,698
	1,405,707	1,082,958	322,749	1,353,132	886,776	466,356
Equipment under capital lease	142,334	139,230	3,104	142,333	117,939	24,394
<b>Balance, end of period</b>	<b>1,548,041</b>	<b>1,222,188</b>	<b>325,853</b>	<b>1,495,465</b>	<b>1,004,715</b>	<b>490,750</b>

Amortization in the amount of \$133,858 (June 30, 2010 - \$186,983) 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 June 30, 2011	As at September 30, 2010 (Audited)
	\$	\$
<b>Acquisition costs</b>		
Balance, beginning of year	8,962,508	8,524,815
Acquisition expenditures	3,011,992	437,693
	11,974,500	8,962,508
<b>Deferred exploration and development expenditures</b>		
Balance, beginning of year	19,931,797	17,658,062
Exploration expenditures	1,705,615	2,273,735
	21,637,412	19,931,797
<b>Balance, end of period</b>	<b>33,611,912</b>	<b>28,894,305</b>

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.

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

The following is a summary of mineral properties and deferred costs by area of interest as at June 30, 2011:

Properties	As at June 30, 2011			September 30, 2010 (Audited)
	Acquisition \$	Exploration & Development \$	Total \$	Total \$
Piñon Ridge Mill Site	1,397,873	11,436,242	12,834,115	11,540,373
Whirlwind Mine Area	4,610,247	6,668,672	11,278,919	10,611,813
La Sal-Energy Queen District	1,731,227	1,921,655	3,652,882	2,418,366
San Rafael Area	3,205,628	77,438	3,283,066	2,057,672
Gateway District	179,652	707,875	887,527	789,321
Uravan District	337,893	372,203	710,096	581,894
Other Areas-WY, NM	-	4,224	4,224	3,918
Moab Area	270,929	17,761	288,690	288,680
Slick Rock District	167,548	236,345	403,893	386,088
	<b>11,900,997</b>	<b>21,442,415</b>	<b>33,343,412</b>	28,678,125
Colorado Plateau JV (1)	59,283	180,171	239,454	191,485
West Lisbon JV	14,220	14,826	29,046	24,695
Arizona Strip Partners JV (2)	-	-	-	-
<b>Balance</b>	<b>11,974,500</b>	<b>21,637,412</b>	<b>33,611,912</b>	<b>28,894,305</b>

**1) 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 EFRC. Lynx-Royal's contribution was claims located in Colorado and Utah.

**2) 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.

**ENERGY FUELS INC.**  
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**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**3. MINERAL PROPERTIES AND DEFERRED COSTS (continued)**

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>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Piñon Ridge Mill	0	4,220	4,431	-	-	-	8,651
Mill License Bonding (1)	0	8,968,742	382,644				9,351,386
Whirlwind Mine Area	106,074	125,359	28,929	28,929	28,929	57,858	376,078
La Sal-Energy Queen District	73,287	101,657	101,657	72,728	72,728	718,442	1,140,499
Gateway District	96,430	98,551	98,551	98,551	98,551	1,009,236	1,499,870
Uravan District	0	105,880	105,880	105,880	105,880	476,750	900,270
Slick Rock District	96,430	104,675	104,675	104,675	104,675	1,085,462	1,600,592
Colorado Plateau JV	0	10,193	10,193	10,193	10,193	117,365	158,137
<b>Total Commitments</b>	<b>372,221</b>	<b>9,519,277</b>	<b>836,960</b>	<b>420,956</b>	<b>420,956</b>	<b>3,465,113</b>	<b>15,035,483</b>

**(1) Mill License Bonding**

The terms of the License issued to the Company by CDPHE in March 2011 establishes the timing and amounts of financial assurance that must be provided to CDPHE by the Company before and during construction of the Piñon Ridge Mill. To date, the Company has transferred USD\$844,400 in cash to CDPHE for the Long-term Care Fund component and submitted a surety bond in the amount of USD\$1,373,900 to CDPHE as the first prepayment of the decommissioning warranty component.

Three prepayments of the decommissioning warranty remain to be completed under the terms of the License. The timetable for submitting the remaining payments are September 7, 2011 (USD\$2,898,260), March 7, 2012 (USD\$6,401,920) and September 7, 2012 (USD\$396,810). In June 2011 the Company filed a request for amendment of the License requesting that the scheduled timing of the last three payments be changed whereby USD\$2,898,260 is due 30 days prior to the commencement of on-site construction of those facilities included in the decommissioning warranty estimate, USD\$6,401,920 is due six months after the commencement of on-site construction and USD\$396,810 is due prior to the start of mill commissioning and the associated generation of by-product material.

The Company anticipates CDPHE approval of the amendment to the License and the revised payment schedule. Accordingly, the future obligations for these payments have been included in the commitments table above based on the amended schedule and the Company's current estimate of commencement of on-site construction.

Under the terms of the surety bond arrangement with the third-party provider, the Company deposited USD\$686,950 cash collateral with the provider. At such time as the Company commences on-site construction, the third-party provider can request further cash collateral to support the face amount of the surety bond that was issued. The cash payments to the CDPHE and to the third-party provider have been recorded as restricted cash on the Company's balance sheet and should be considered not available for general working capital purposes.

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**4. ASSET RETIREMENT OBLIGATIONS**

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

	<b>Nine Months Ended June 30, 2011</b>	Year Ended Sept 30, 2010 (Audited)
	\$	\$
Reclamation obligations, beginning of year	<b>351,677</b>	305,580
Expenditures during current period		(15,869)
Accretion	<b>46,471</b>	61,966
<b>Reclamation obligations, end of period</b>	<b>398,148</b>	351,677
Site restoration liability by location:		
Exploration drill holes	<b>12,759</b>	12,759
Whirlwind Mine	<b>180,994</b>	158,157
Energy Queen Mine	<b>204,395</b>	180,761
	<b>398,148</b>	351,677
Site restoration liability:		
Current	<b>12,759</b>	12,759
Non-current	<b>385,389</b>	338,918
	<b>398,148</b>	351,677

During the period ended June 30, 2011, 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 June 30, 2011 is \$472,482 (Sept. 30, 2010 - \$507,562).

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

	<b>Nine Months Ended June 30, 2011</b>	Year Ended Sept 30, 2010 (Audited)
	\$	\$
Controlling entity:		
Colorado Division of Reclamation, Mining and Safety	<b>538,020</b>	574,565
Colorado Department of Public Health & Environment	<b>1,476,680</b>	-
State of Utah Division of Oil, Gas and Mining	<b>439,344</b>	468,840
Wyoming Department of Environmental Quality-Land Quality Division	<b>9,643</b>	10,298
	<b>2,463,687</b>	1,053,703

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**5. LONG-TERM DEBT**

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

	As at June 30, 2011	As at September 30, 2010 (Audited)
	\$	\$
Capital lease obligations	2,354	16,145
Total	2,354	16,145
Capital lease obligations by duration:		
Current portion	1,317	15,037
Long-term portion	1,037	1,108
	2,354	16,145

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

CAPITAL LEASE OBLIGATIONS	As at June 30, 2011
	\$
2011	1,329
2012	1,043
Total minimum lease payments	2,372
Amount representing interest	(18)
Total obligations under capital leases	2,354
Less: Current Portion	(1,317)
Long-term portion of obligations under capital leases	1,037

**ENERGY FUELS INC.**  
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**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:

	Nine Months Ended June 30, 2011		Year Ended September 30, 2010 (Audited)	
	Shares	Amount \$	Shares	Amount \$
Balance, beginning of year	97,188,999	57,232,407	76,482,613	54,000,709
Public offering (1)	23,000,000	8,356,786	-	-
Private placement	-	-	19,250,000	3,080,000
Options exercised	1,482,700	893,359	-	-
Advance royalty payments (2), (3)	217,004	238,358	1,456,386	343,243
Property acquisitions (4), (5)	2,110,962	2,190,950	-	-
Share issuance costs	-	(1,675,692)	-	(191,545)
Balance, end of period	123,999,665	67,236,168	97,188,999	57,232,407

- (1) On March 31, 2011, the Company completed a public offering (the "Offering") for net proceeds of \$10,123,000, net of cash costs totaling \$1,377,000. A total of 23,000,000 units were issued at a price of \$0.50, with each unit ("Unit") comprising one Common Share and one-half of a warrant (a "Warrant"). Each whole Warrant entitles the holder to purchase one Common Share at a price of \$0.65 per share until March 31, 2015. The fair value of the 11,500,000 full warrants that were issued on completion of the sale totaled \$3,143,214 and such value is recorded in contributed surplus which is a separate component of shareholders' equity.

In addition, 1,610,000 agent warrants were issued entitling the holder to purchase one Common Share at a price of \$0.50 per share until September 30, 2012. The fair value of the warrants totaled \$298,421 and is shown within equity as share issuance costs.

- (2) On November 16, 2010 the Company issued 66,708 common shares valued at \$40,292 as payment toward the advance royalty due on the Willhunt Property claim group.
- (3) 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. On April 26, 2011, the Company issued 150,296 common shares based on the average closing price for the five trading days immediately prior to January 24, 2011. The common shares were valued at \$198,066. The remaining USD\$100,000 is payable in cash on December 11, 2011.

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**6. CAPITAL STOCK (continued)**

- (4) On February 1, 2011, the Company issued 1,046,067 common shares to Titan Uranium Corp to acquire a 100% interest in a block of ten mining claims (the Hollie Claims) located in Emery County, Utah. The common shares were valued at \$1,193,068.
- (5) On February 10, 2011, the Company issued 1,064,895 common shares to Nuvemco, LLC to acquire the Calliham mining lease consisting of approximately 320 acres located in San Juan County, Utah. The common shares were valued at \$997,882.

**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 nine months ended June 30, 2011, the Company granted 1,880,000 stock options (June 30, 2010 – 300,000) to its employees, directors and consultants recording stock-based compensation expense of \$729,576 (June 30, 2010 - \$48,898). In addition, the Company also recorded stock-based compensation expense of \$26,541 (June 30, 2010 - \$9,882) 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% - 2.63%
Expected life	4.50 years
Expected volatility	102% - 105%
Expected dividend yield	0.0%

The fair value of stock options granted during the year ended June 30, 2011 is as follows:

	<b>Nine Months Ended June 30, 2011</b>	<b>Year Ended Sept 30, 2010 (Audited)</b>
	<b>\$</b>	<b>\$</b>
Value of stock options granted	<b>756,117</b>	356,075
Deduct value of stock options not vested	-	(18,404)
	<b>756,117</b>	<b>337,671</b>

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**6. CAPITAL STOCK (continued)**

The summary of the Company's stock options at June 30, 2011 and September 30, 2010, and the changes for the fiscal years ending on those dates is presented below:

	Nine Months Ended June 30, 2011			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	0.16 - 2.25	0.60	6,543,000	0.35 - 4.00	1.54	6,243,000
Transactions during the period:						
Granted	0.51 - 0.71	0.52	1,880,000	0.16 - 0.35	0.26	2,185,000
Exercised	0.20 - 0.45	0.43	(1,482,700)	-	-	-
Forfeited	2.25	2.25	(125,000)	0.35 - 2.25	1.01	(275,000)
Expired	-	-	-	2.25 - 4.00	3.70	(1,610,000)
Balance, end of period	0.16 - 2.25	0.59	6,815,300	0.16 - 2.25	0.60	6,543,000

The following table reflects the actual stock options issued and outstanding as of June 30, 2011:

Expiry Date	Exercise Price (\$)	Remaining Contractual Life (Years)	Number of Options Outstanding	Number of Options Vested	Number of Options Unvested
Jul-2011	0.45	0.07	195,000	195,000	-
Jan-2012	0.45	0.51	10,000	10,000	-
Feb-2012	0.45	0.59	58,500	58,500	-
Nov-2012	0.45	1.37	481,800	481,800	-
Jan-2013	2.25	0.07	710,000	710,000	-
May-2013	2.25	0.51	25,000	25,000	-
Feb-2014	0.35	0.59	700,000	700,000	-
Jul-2014	0.35	1.37	670,000	670,000	-
Oct-2014	0.35	1.53	150,000	50,000	100,000
Dec-2014	0.35	1.85	150,000	50,000	100,000
Jun-2015	0.16	2.60	12,500	12,500	-
Jul-2015	0.20	3.05	860,000	553,333	306,667
Jul-2015	0.17	3.32	12,500	12,500	-
Aug-2015	0.30	3.48	900,000	900,000	-
Oct-2015	0.62	3.98	75,000	75,000	-
Nov-2015	0.71	4.04	50,000	50,000	-
Apr-2016	0.51	4.06	1,755,000	1,755,000	-
		<b>2.36</b>	<b>6,815,300</b>	<b>6,308,633</b>	<b>506,667</b>

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**6. CAPITAL STOCK (continued)**

**Warrants**

On March 31, 2011 as part of the Public Offering, 11,500,000 share purchase warrants were issued at a price of \$0.65 per share and a fair value of \$3,143,214. In addition, and as part of the Public Offering, the Company issued 1,610,000 agent compensation warrants at a price of \$0.50 per share and a fair value of \$298,421.

<b>Month Issued</b>	<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Warrants Issued</b>
March 2011	March 31, 2015	\$0.65	11,500,000
March 2011	Sept 30, 2012	\$0.50	1,610,000

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
Balance, beginning of year	-	\$ -
Transactions during the period:		
Warrants	11,500,000	\$0.65
Agent warrants	1,610,000	\$0.50
Balance, end of period	<b>13,110,000</b>	<b>\$ 0.63</b>

**Contributed Surplus**

	<b>Nine Months Ended June 30, 2011</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 from options granted	<b>756,117</b>	356,075
Warrants issued on public offering	<b>3,143,214</b>	-
Warrants issued to agents for public offering	<b>298,421</b>	-
Stock options transferred to share capital upon exercise	<b>(261,144)</b>	-
Balance, end of period	<b>18,927,754</b>	14,991,146

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**6. CAPITAL STOCK (continued)**

***Loss Per Common Share***

	Nine Months Ended June 30,	
	2011	2010 (Audited)
Net loss	<b>(\$3,269,360)</b>	(\$2,743,156)
Net loss attributable to common shareholders	<b>(\$3,269,360)</b>	(\$2,743,156)
Weighted average number of common shares outstanding	<b>107,158,739</b>	77,222,143
Loss per share - basic and diluted	<b>(\$0.03)</b>	(\$0.04)

For the period ended June 30, 2011, 6,815,300 (June 30, 2010 – 4,938,000) options have been excluded from the calculation of diluted loss per share because they are anti-dilutive.

**7. RELATED PARTY TRANSACTIONS**

- 1) During the nine month period ended June 30, 2011, the Company incurred management consultation expenses of \$nil (2010 – \$151,839) for the services of its former Chief Executive Officer.
- 2) During the nine month period ended June 30, 2011, the Company incurred management consultation expenses of \$nil (2010 – \$104,122) for the services of its Chief Operating Officer.
- 3) During the nine month period ended June 30, 2011, the Company incurred expenditures of \$nil (2010 – \$39,452) to the spouse of the former Chief Executive Officer of the Company for administrative services.
- 4) During the nine month period ended June 30, 2011, the Company incurred rent expenditures of \$nil (2010 – \$11,245) 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:

<b>As at June 30, 2011</b>	<b>\$</b>
2011	<b>19,424</b>
2012	<b>79,060</b>
2013	<b>26,581</b>
Total	<b>125,065</b>

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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 \$2,463,687 (Note 4) to cover the estimated reclamation costs for exploration and development, the mine closure obligations at both the Whirlwind and the Energy Queen mines, and for the Piñon Ridge Mill recommissioning warranty.

**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 June 30, 2011:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents				
Cash	\$ 1,571,267	\$ -	\$ -	\$ 1,571,267
Cash equivalents	6,939,448			6,939,448
	\$ 8,510,715	\$ -	\$ -	\$ 8,510,715

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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 June 30, 2011, 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 \$7,980,433 of working capital as at June 30, 2011 (Sep. 30, 2010 - \$3,225,718). 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 June 30, 2011:

Cash	<b>\$7,424,356</b>
Accounts receivable	<b>101,559</b>
Accounts payable and accrued liabilities	<b>554,739</b>
Capital lease obligations	<b>2,354</b>
Total	<b>\$8,083,008</b>

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

The table below summarizes a sensitivity analysis for significant unsettled currency risk exposure with respect to the Company's financial instruments as at June 30, 2011 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.

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	Change for Sensitivity Analysis	Increase (decrease) in net income
Strengthening net earnings	+1% change in U.S. dollar	<b>\$80,830</b>
Weakening net earnings	-1% change in U.S. dollar	<b>(\$80,830)</b>

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(f) Interest rate risk:

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

**11. SUBSEQUENT EVENTS**

On July 27, 2011, the Company paid \$500,000 to purchase the mining lease and all related data for the Crain Property, located in San Juan County, Utah, from UEC Resources Ltd. This property is in the designated area of interest of the Colorado Plateau Partners LLC. As such, the property was contributed to the joint venture after the Company's partner, Royal USA Inc. agreed to the contribution and paid the Company \$250,000 for its share of the purchase price.