



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

December 28, 2007

The following discussion and analysis, which is the responsibility of management, should be read in conjunction with the Consolidated Financial Statements and accompanying notes of Energy Fuels Inc. (the "Company" or "Energy Fuels") for the fiscal years ended September 30, 2007, and September 30, 2006. This discussion contains forward-looking information. Please see "Risk Factors" and "Cautionary Statement on Forward-Looking Information" for a discussion of the risks, uncertainties and assumptions relating to this information.

In this discussion, the terms "Company", "we", "us" and "our" refer to the Company and, as applicable, the Company's wholly-owned Colorado subsidiary Energy Fuels Resources Corporation as a group. All financial information in this discussion and analysis is presented in Canadian dollars unless otherwise stated and have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

HIGHLIGHTS

Whirlwind Mine

- Rehabilitation of the Whirlwind Decline is virtually complete with the steel set section of the decline finished and roof support measures for the remaining section of the decline ongoing.
- 17,880 feet of exploration drilling was conducted during the year and resulted in additional resource located within 200 feet of the planned initial development drift.
- Temporary facilities are being constructed under the Prospect Permit which include:
 - Shop facility
 - Water treatment facility installation
 - Ventilation fan installation
 - Mine utility infrastructure (installed to the point of rehabilitation in the decline)
- The Packrat portal of the Whirlwind Mine has been reopened and a working pad at the portal has been constructed.
- Repairs and upgrades to sections of the mine access road are complete and reclamation of the related disturbance has been completed.
- Mining equipment was acquired including mine haulage trucks, loaders, and mine drills, and support equipment.
- The Whirlwind Prospecting Permit was modified and approved by the Bureau of Land Management and the Colorado Department of Reclamation Mining and Safety (DRMS) in September.
- The Water Discharge Permit was approved in September 2007, by the Colorado Water Quality Control Division.
- The Mesa County Conditional Use Permit is on schedule to be approved in late December or January of 2008.
- The Colorado DRMS 112d Mining Permit is moving forward with approval expected in the first quarter of calendar 2008.
- The Plan of Operations permit with the BLM is expected to be approved with a finding of no significant impact in the first quarter of 2008.
- An application has been submitted to the Colorado Air Quality Control Division and is expected to be approved in the first quarter of calendar 2008.

Energy Queen Mine

- Refurbishment cost estimates completed on the head frame structure and electrical/hoist systems.
- Surface rehabilitation of the shop and facilities is ongoing.
- Exploration drilling is underway on the deposit. Fifteen of the twenty planned holes have been completed and will result in an increase in the NI43-101 resource.
- The transfer of the mining permit from Denison Mines is ongoing and expected to be complete in the first quarter of calendar 2008.
- Approval of a water discharge permit is expected in the second quarter of calendar 2008, and a water treatment system is being designed.

Piñon Ridge Mill

- Acquired 880 acres of fee land for mill site near Naturita, Colorado in July 2007.
- Initiated the mill license application by immediately retaining the Kleinfelder consulting group to begin baseline and site characterization studies.
- Selected and retained the mill design team for the project.
- Progress to date includes:
 - Land survey and detailed mapping completed.
 - Geologic, geotechnical, seismologic, geophysical, and hydrologic modeling of the proposed mill site was initiated and is ongoing.
 - Cultural resources field work completed.
 - Radiological background survey completed.
 - Vegetation and wildlife studies are ongoing.
 - Evaluation of preliminary layouts for tailing disposal are underway.
 - Monthly meetings with the regulatory authorities to update them and obtain continual feedback on the ongoing data gathering and licensing process.
 - Process flowsheet expected in late December 2007.
 - Piping and instrument diagrams are being prepared for initial EFR review.
 - Procurement documents are prepared and long lead time equipment is being identified.
 - Highway traffic studies completed.

Exploration

- Completed first phase reconnaissance drilling on six properties; MCT, DOC, Sara, Farmer Girl, Torbyn, and the HC Claim group on Calamity Mesa. Favourable sandstones found on all properties indicating further drilling in 2008.
- First phase drilling will result in new resource estimates for the Torbyn, Farmer Girl, and Willhunt properties.
- Independent Qualified Persons have been retained to prepare 43-101 reports based on new information, and to review earlier 43-101 reports to reflect re-interpretation of the CIM resource definitions.

Corporate

- Energy Fuels Resources established a corporate office in Denver, Colorado in 2007.
- The company grew from six (6) employees in 2006 to thirty seven (37) employees in 2007.
- Key management appointments were made during the year.

OVERVIEW

Energy Fuels is a Toronto, Ontario based mineral exploration and development company. The principal business activity of the Company is mineral exploration, development, and mining of uranium and vanadium property interests located in the States of Colorado, Utah, and Arizona through its wholly-owned U.S. subsidiary, Energy Fuels Resources. Since January 2006, the primary focus of the Company has been the acquisition, exploration and development of uranium (U_3O_8) and vanadium (V_2O_5) property interests located within the states of Colorado, Utah, and Arizona in the U.S. To date, the Company has acquired properties which encompass ten former operating uranium mines. The Company has increased its land position at the Whirlwind Mine from the initial 1100 acres to over 4400 acres, and strategically consolidated one of the most productive uranium districts in Colorado. Energy Fuels owns or controls the entire area surrounding the Whirlwind Mine, known as the Beaver Mesa/John Brown Uranium District. This district alone has historically produced at least 7.4 million lbs U_3O_8 and 23.8 million lbs V_2O_5 . The Company expects to access resources identified in this mining district from the Whirlwind decline, as well as from the other historical mines within the claim groups.

In July of 2007, the Company reported the acquisition of the site for the construction of its Piñon Ridge Uranium Mill. Three contractors have been retained (Kleinfelder, Golder Associates, and CH2M Hill) and are working diligently to bring this project into production by the end of December, 2010.

The map on the previous page (Figure 1) illustrates the strategic location and value of the Energy Fuels property position and mill site location in one of the highest producing and the highest grade uranium region in the United States. Energy Fuels' advanced mining properties are located in the heart of this enormous resource base. The Company intends to capture other opportunities to consolidate and grow the resource position as they become available.

Historical estimates for remaining potential reserves and resources of U_3O_8 in the states of Colorado, Utah, and Arizona, prepared by the US Energy Information Administration (EIA) in 1998, are tabulated below, at several different prices for U_3O_8 .

Pounds U_3O_8 CO, UT, & AZ	@ \$30US/lb. (\$84US Current \$)	@ \$36US/lb. (\$100US Current \$)	@ \$50US/lb. (\$140US Current \$)
Potential Reserves*	42 million @ 0.29% U_3O_8	64 million @ 0.24% U_3O_8	118 million @ 0.13% U_3O_8
Estimated Additional Resources*	1,330 million	1,490 million	1,900 million

* *Potential reserves* as defined by the US EIA are the estimated quantities of uranium that occur in known deposits of such grade, quantity, configuration, and depth that they can be recovered under current regulations at or below a specified cost with state of the art mining and processing technology. *Estimated additional resources* are based only on occurrence, with no economic test applied. The Company is not treating this data as current mineral resources or mineral reserves according to the CIM definitions of such terms. These historical estimates should not be relied upon. The Company considered the historical resources as relevant for purposes of acquiring properties but the historical resources may not be relevant for any other purpose. The historical resource estimates were prepared to industry standards in place in 1993.

In the 42 years between 1948 and 1990, approximately 250 million pounds of U_3O_8 were produced from Colorado and Utah, an average of about 6 million pounds per year. This production ceased only because uranium prices would no longer support the costs of production in these states, not because of resource depletion. With the strategic location of our mining properties and mill site, Energy Fuels is positioned to capture the potential growth in uranium mining to come with the current and perceived future prices for uranium. The Piñon Ridge mill design output of 1.7 million pounds per year from the milling of 1000 tons per day of ore, can

readily be supplied from this regional resource base. At the peak of the prior cycle, there were five mills processing ore from Colorado and Utah with a combined capacity of 6,750 tons per day. Denison's White Mesa Mill is being re-opened at 1,500 tons per day. The combined milling capacity of 2,500 tons per day for White Mesa and Piñon Ridge represents only 37% of the milling capacity that was supplied with ore at the former peak of uranium production.

U₃O₈ in this region was deposited in complex, meandering, braided river channels rather than in the continuous lake bed deposits typically found around the world. The original major producers in the Uravan typically drilled out just enough resource to demonstrate payback of the capital to reach initial production. Operations were then continued based on advance or "long hole" drilling from the underground mining faces. These operators were able to mine in the mineralized zones for many years and in some cases, continuously, from the first production in the 1950's until the U₃O₈ price collapse in the 1980's. Energy Fuels is pursuing the same strategy for developing its mine properties.

Mining is an inherently risky business. Reserve and grade risk, process risk, permitting risk, and country risk all combine to form a large part of the risk backdrop for the mining enterprise. The rich mining history of the region coupled with the resource and reserve base illustrated by the data above tend to minimize reserve risk. There is nothing new or unproven in either the age old, traditional mining techniques the Company will apply in the underground mines, or the proven milling process to be used. In addition, by locating the mill in Colorado, an "Agreement State" for uranium mill licensing, Energy Fuels has greatly reduced permitting risk and has the best defined and the most understood permitting path ahead that a sponsor of a new uranium mill can possibly have. The U.S. location of all of Energy Fuels' development, mining, and milling activities mitigates country risk and will offer a reactor fuel buyer a very secure fuel supply. Therefore, we anticipate that Energy Fuels will be one of the lowest risk producers in the uranium business.

In July 2007, Energy Fuels acquired the 880 acre site for its Piñon Ridge Uranium/Vanadium Mill, located in western Montrose County, Colorado, about 12 miles west of the town of Naturita. This will be the first uranium mill to be built in the US in 25 years. The Company immediately initiated aggressive activity to license and construct the new mill by engaging the Kleinfelder consulting group to conduct baseline environmental studies and to prepare the mill license application, and Golder Associates to provide geotechnical services and design for the mill site, tailings cells, and evaporation ponds. Additionally, the Company has contracted with a world class engineering firm, CH2M Hill to provide engineering, procurement, and construction management (EPCM) services, including a Basic Engineering Report to be a part of the license application, and detailed design and cost estimates.

As mentioned previously, Colorado is an "Agreement State" for mill licensing and as such, the licensing authority for a new uranium mill is the Colorado Department of Public Health and Safety (CDPHE); not the federal Nuclear Regulatory Commission. Energy Fuels anticipates filing the mill license application with CDPHE in late third quarter of calendar 2008. To date the Company continues to receive strong, local support for the project. The license approval process requires approximately 12 to 16 months, with the 16 month maximum mandated by Colorado State law. Preliminary engineering reports indicate construction of the plant should be completed within 10 months from license approval. Mill start-up is anticipated in late calendar 2010.

Energy Fuels has continued its activities to bring formerly producing mines into production in accordance with its plan to become a near term, fully integrated producer of U₃O₈ and V₂O₅ in the western United States. While focused on the rehabilitation and reopening of the Whirlwind Mine and the Energy Queen Mine, and the licensing and construction of the Piñon Ridge Mill, the Company continues to pursue opportunities to acquire additional property interests supporting its strategy to develop mines and provide feedstock for milling into U₃O₈ (yellowcake).

Uranium markets remain strong in spite of the recent pullback in spot U₃O₈ prices. Uranium spot prices increased from US\$36.25 per pound on December 26, 2005 to a price of US\$136 per pound as at June 30, 2007, an all time high in the price of U₃O₈ on both a nominal and real basis. Spot prices then declined to US\$75 per pound, where they closed at the end of the Company's fiscal year on September 30, 2007. Subsequently, the U₃O₈ spot price reversed with its first increase back to US\$78 per pound during early October and spot prices have increased rapidly back to US\$90 per pound as at December 18, 2007. The long-term contract price has remained stable at US\$95 per pound, throughout the entire pullback in spot prices.¹

In the opinion of Energy Fuels the underlying supply-demand fundamentals of the global uranium market remain extremely strong well into the end of the next decade, and ongoing production and supply issues reinforce that position. New nuclear plant construction plans, and the projected demand for uranium to fuel them, continue to increase, while uranium supply reflects production constraints. Several of the world's largest uranium producers have reported ongoing production problems and delays.

In 2006, U₃O₈ production was 107 million pounds. The reactor and inventory requirement was 167 million pounds of U₃O₈ equivalent. The 60 million pound differential came from blended down Russian weapons grade uranium (HEU) and drawdowns from inventories. With the end of the Russian HEU deal in 2013, if not sooner, inventories cannot continue to sustain more than 1/3 of a rapidly growing nuclear fuel market.

Management will continue to pursue and evaluate strategic options, for Energy Fuels, including partnerships, joint ventures and acquisition opportunities that enhance shareholder value and that fit within the Company's development strategy. In the past, funding for exploration and development operations has been obtained through equity offerings. Future operations (and the ability to meet mineral property option commitments) are dependent upon the Company's continuing ability to finance expenditures and achieve profitable operations. The Company is considering other financing arrangements such as debt, joint ventures and project financing to finance its growth.

RESULTS OF OPERATIONS

The Company recorded a net loss of \$12,241,243 for the twelve months ended September 30, 2007 (the "Current Period"), compared to a loss of \$1,327,451 for the twelve month prior period ended September 30, 2006 (the "Prior Period"). The increased loss of \$10,913,792 in the Current Period, as compared to the loss in the Prior Period, resulted from increased general and administrative costs associated with increased activities of the company, recognizing non-cash stock-based compensation costs of \$4,734,067 (2006 - \$700,459) for options granted during the period, and a foreign exchange loss of \$4,291,581 (2006 - \$0).

In addition, shareholder costs, including investor relations, increased to \$280,918 (2006 - \$84,017) as the Company continued to raise its profile in the uranium community and financial markets. General and administrative costs increased to \$2,213,036 (2006 - \$274,595) in support of the Company's continued growth and property acquisitions. In addition, professional fees increased to \$370,745 (2006 - \$156,475) due to increased costs related to audit, legal, and other professional fees.

The Company earned \$1,026,981 in interest in the Current Period, compared to \$39,410 in the Prior Period.

¹ Source: The Ux Consulting Company, LLC, and TradeTech, LLC

The Company had cash and cash equivalents of \$27,569,484 at the end of the Current Period, compared to \$2,428,368 at September 30, 2006.

LIQUIDITY

As at September 30, 2007, the Company had working capital of \$26,041,258 compared to a working capital of \$2,523,575 on September 30, 2006. Prospective sources of additional funding may come from financings, exercise of stock options and outstanding warrants. There is no assurance that this source of capital will be forthcoming.

Cash used in operating activities

During the Current Period, the Company used cash of \$6,386,089 (2006 - \$811,008) to fund its general and administrative costs, an increase of \$5,575,081.

Cash used in investing activities

During Current Period, the Company used \$6,571,857 (2006 - \$1,031,175), an increase of \$5,540,682, the majority of which was associated with expenditures for property acquisition, exploration and development activities.

Cash provided by financing activities

Cash provided by financing activities during the Current Period was \$38,099,062 (2006 – \$3,813,557), the result of the Company completing two private placements on December 14, 2006. With the first private placement, the Company issued 7,142,857 units at a price of \$1.40 per unit, for total gross proceeds of \$10,000,000. Each unit consisted of one common share and one half share purchase warrant with each full warrant entitling the holder to purchase one additional common share at \$2.20 for a period of 18 months from the date of the closing of the private placement. By means of a second private placement, the Company issued 10,057,143 units at a price of \$2.00 per unit, for total gross proceeds of \$20,100,000. Each unit consisted of one common share and one half share purchase warrant with each full warrant entitling the holder to purchase one additional common share at \$2.20 for a period of 18 months from the date of the closing of the private placement.

Funding for operations is raised principally through share offerings. The Company will need to raise sufficient funding through share offerings, debt or profitable operations to support current and future expenditures. 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 of the properties, including related financing requirements and upon future profitable production or, alternatively, upon proceeds from the disposition of the properties.

The Company's cash requirement for fiscal year 2008 is approximately US\$12.8 million. Future commitments for the Company's properties for the fiscal years 2008 – 2011 are approximately \$5.9 million.

DIVIDENDS

The Company has not paid dividends in the past and it does not expect to have the ability to pay dividends in the near future. If the Company generates earnings in the future, it expects that they will be retained to finance further growth. The directors of the Company will determine if and when dividends will be declared and paid in the future based on the Company's financial position at the relevant time.

OFF BALANCE SHEET TRANSACTIONS

The Company did not enter into any off balance sheet transactions during the Current Period, which would result in a material financial impact. Nor were there any such transactions in existence as at September 30, 2007.

RELATED PARTY TRANSACTIONS

During the Current Period, the Company:

- 1) Incurred management remuneration and consulting fees of \$884,434 (Sept 30, 2006 – \$123,413) for the services of officers and directors of the Company. At Sept 30, 2007, \$33,109 (Sept 30, 2006 – \$10,000) was payable to the officers and directors.
- 2) Paid \$61,287 to an individual related to a senior officer of the Company for services (Sept 30, 2006 – \$24,000).
- 3) Paid fees of \$5,000 pursuant to a Technical Services Agreement with a related company. The balance due to the related company at Sept 30, 2007 is \$0 (Sept 30, 2006 – \$19,814).

MINERAL PROPERTIES

Energy Fuels will become the next fully integrated US uranium and vanadium producer from properties located in the states of Colorado, Utah, and Arizona. During the last fiscal year, the primary efforts of the Company have been directed toward permitting and rehabilitating two formerly producing mines, the Whirlwind Mine, near Gateway, Colorado, and the Energy Queen Mine, near La Sal, Utah. Additionally, several adjacent properties were acquired, both as exploration opportunities, and to expand the resource at our Whirlwind Mine. Drilling was undertaken at several of the exploration properties, to confirm and add to the resources at Whirlwind.

The most significant event of the year was the decision by the Company to acquire a site and begin to license and construct a new 1,000 ton per day uranium mill (the Piñon Ridge Mill) in western Montrose County, Colorado. After being unable to negotiate a toll milling agreement for the processing of production from Energy Fuels mines, the Company accelerated its plans to build the first uranium mill to be constructed in the US in the last 25 years.

Energy Fuels' resource base in western Colorado and eastern Utah was deposited in complex, meandering, braided river channels rather than in the continuous lake bed deposits more typically found around the world. The original major producers in the UraVan Mineral belt typically drilled out just enough resource to demonstrate payback of the capital to reach initial production, and then continued operations based on advance or "long hole" drilling from the underground mining faces. These operators were able to mine in the mineralized zones for many years and in some cases, operated continuously from the first production in the 1950's until the U_3O_8 price collapsed in the 1980's. Millions of pounds of U_3O_8 were produced from the region during that period.

Energy Fuels is evaluating the re-statement of its NI 43-101 resource base. The Company has engaged the services of a qualified person as defined in NI 43-101 to re-evaluate the resource estimates at the Whirlwind and Energy Queen Mines based on further interpretation of the NI43-101 resource class definitions. Additional infill drill holes completed during 2007 will bring a significant portion of the resource into measured plus indicated status and re-interpretation of the data will significantly increase the inferred resource category. Significant additional work

has been completed including both field drilling, and mine engineering and design by Energy Fuels' mining engineers, as recommended by the initial NI 43-101.

Piñon Ridge Mill

On July 18 2007, Energy Fuels announced the acquisition of an 880 acre site approximately 12 miles west of Naturita, Colorado in the Paradox Valley of western Montrose County, Colorado, on which to build its Piñon Ridge uranium mill. The site is large enough to accommodate a mill to meet the needs of the Company for at least 30 years of mill operation. The Energy Fuels team responsible for the Piñon Ridge Mill development includes many of the key members of the team that financed and built, for Energy Fuels Nuclear, the last fully operational uranium mill commissioned in the US, the White Mesa Mill in Blanding, Utah.

Initial engineering studies indicate the Piñon Ridge Mill will be designed with a capacity of 1,000 tons per day of ore throughput. At historical U_3O_8 grades typical for the region, this mill will be designed to produce between 1.6 million and 2.0 million pounds of U_3O_8 (yellowcake) per year.

In addition, the mines in the local region (the Uravan Mining District) produce V_2O_5 as an associated mineral with uranium. Vanadium is a metal used primarily for alloying in high strength steels. The presence of vanadium in these deposits effectively lowers the cost of uranium extraction. At historical V_2O_5 grades for this region, the Piñon Ridge Mill will also produce 5 million to 8 million pounds of V_2O_5 per year. The current price for V_2O_5 is in the \$7.50 to \$8.00 per pound range.

The Piñon Ridge mill site is located in a sparsely populated region of open rangeland, centrally located among all of Energy Fuels' properties in Colorado and Utah. The mill will be built in a recently producing uranium district with numerous mines visible from the site that have been operational within the last two years. It is less than a mile from an open uranium pit mine with a known historical resource that has been on standby since 1984 because of low uranium prices.

Mill licensing, geotechnical, and EPCM consultants are under contract and in place. Energy Fuels is coordinating all data gathering and licensing activities with the Colorado Department of Public Health and Environment, the licensing authority in Colorado. The Company is confident in its targeted mill start-up of fourth quarter, calendar 2010.

Mine Development

Whirlwind

Work has proceeded on the permitting, design, and rehabilitation of the Whirlwind Mine, including acquisition and refurbishment of mining equipment and timbering, bolting, and arch-set replacement to ready the Whirlwind decline for production. A mining permit application was prepared and submitted on July 2, 2007, to the Colorado Division of Reclamation, Mining, and Safety. A US Bureau of Land Management Plan of Operations was submitted July 5, 2007. A water discharge permit has been issued for the Whirlwind mine and construction of a water treatment plant and settling tanks has been completed. Mine dewatering is proceeding currently. Final approval of the mining permit and the commencement of permitted mining at the Whirlwind Mine are expected during the second quarter of calendar 2008.

In April 2007, the Company announced the lease of 157 uranium lode claims in two separate blocks containing about 3,200 acres adjacent to and contiguous with the initial 1,181 acre Whirlwind Mine claims leased in December of 2006. These newly acquired properties are among those identified in the Whirlwind Property NI 43-101 Technical Report filed on January 3, 2007, as having the potential to significantly expand the minable resource in the area of the Whirlwind

Mine. The Whirlwind 43-101 identified 657,000 pounds of U_3O_8 and 2.2 million pounds of V_2O_5 resource.

The Company performed verification drilling with fourteen holes completed on the Colorado side of the Whirlwind Mine during the summer. Uranium mineralization was encountered in all but one of those holes. Drilling of fourteen holes on the Utah side of the Whirlwind was completed in September. Mineralization was encountered in several holes, but results were inconclusive. Additional NI 43-101 compliant technical reports covering the Whirlwind properties already included in the Company's portfolio of holdings will be prepared as resources are identified.

The Company's stated objective of realizing near-term stockpiling of mineral material will be deferred at the Whirlwind Mine by one quarter, into the first quarter of calendar 2008. Full production mining at Whirlwind will commence well ahead of completion of the Piñon Ridge Mill, or upon reaching an interim toll milling agreement with an operator of a mill located in the area.

Energy Queen

The Energy Queen Mine, near La Sal, Utah, has been extensively evaluated to determine the condition of the existing headframe, shaft, hoist, and other infrastructure. Bids for refurbishing the in-place facilities and cost estimates for materials and supplies have been obtained, and developed into a total cost of rehabilitating the Energy Queen Mine. The mine planning and mapping process at Energy Queen continued during the third quarter of calendar 2007. The Company anticipates bringing mineralized material to the surface during 2008. Energy Queen permitting efforts to date consist of initiating work on a water discharge permit, ground water monitoring, and pursuing transfer of the existing mine permit from Denison Mines to the Company. We anticipate permit transfer before the end of the first quarter of calendar 2008. Rehabilitation efforts at Energy Queen will increase significantly upon completion of the work at Whirlwind, and the transfer of the mining permit from Denison.

A NI 43-101 Technical Report was completed for the Energy Queen Mine during July 2007 detailing 766,000 pounds of U_3O_8 resource and 3,000,000 pounds of V_2O_5 . Verification and offset drilling is currently underway.

Farmer Girl

Initial drilling was completed during July 2007 at the once producing Farmer Girl Mine near the reclaimed Uravan mill site. Farmer Girl is a developed mine with a decline in place and known historical production. Twelve holes were completed of which one is ore-grade (1.5ft- 0.67% U_3O_8), one is low-grade (1.4ft- 0.06% U_3O_8), and one is mineralized (1.0ft- 0.02%). The goal of the Farmer Girl drilling is to locate sufficient resources near the old mine workings on which to base a decision to begin permitting the mine for rehabilitation and production. To date, insufficient information has been collected for the Company to evaluate whether to put this mine into production. Evaluation of the project is continuing.

Torbyn (Tenderfoot Mesa)

Drilling at the Torbyn Mine was finished during the third quarter of calendar 2007, with 20 holes completed. The Torbyn is a developed mine with a decline in place and known historical production. While ore-grade mineralization was encountered in several holes, this drilling program essentially provided guidelines for further drilling required to establish a mining plan.

Exploration

URenergy

The intent of the drilling project with respect to the MCT claims is to explore for the possible continuation of the known channel and uranium-vanadium mineralization in the Salt Wash member of the Morrison Formation that is being mined by Denison Mines nearby at their Topaz/Sunday/Carnation complex.

Five holes were ultimately completed to target depths. Even though the geologic character of the Salt Wash sandstones provides an environment conducive to mineralization, no mineralization has been encountered to date. The sandstone thicknesses are encouraging. Geologic evaluation is in progress to determine placement of exploration holes for an extended drilling program. This area is accessible year round.

Six holes were completed and drilled as offsets around one of the three mineralized areas of the DOC claim group. These holes showed favourable, reducing environments of the sandstones and interbedded mudstones in the upper sandstone sequence (Top Rim) of the Salt Wash member of the Morrison Formation. Geologic evaluation of the data is in progress. While it is too early to commit, results remain inconclusive. However, the Company is currently evaluating the next phase of drilling required to further evaluate its mineral potential.

URenergy - Sara Claims (including Moonlight Claims owned by Energy Fuels)

Eight holes were completed on both the Sara and Moonlight Claims during August 2007. While mineralization was encountered, results were inconclusive. The Company has budgeted seven additional holes on this property during calendar 2008 to further evaluate its mineral potential.

AZ Strip JV (High Plains JV)

Drilling has concluded on the Weap Prospect and a definite breccia pipe was confirmed. Geologic evaluation of the drill hole data is ongoing.

Future Drilling Plans

Exploration drilling plans are being finalized and permit applications prepared for the following projects, which were in progress during the fourth quarter of calendar 2007:

- 1.) Willhunt Claims located on Gyp Ridge in San Miguel County, Colorado between the MCT and DOC groups. Planning for offset drilling of the resource identified in the late 1970's-early 1980's by Nuclear Dynamics is in progress. Mineralization is known to occur in the Salt Wash sandstones as a continuation of the trend that Denison is presently mining in their Topaz/Sunday complex. Permit applications will be submitted in January 2008.

- 2.) Drilling on the Club Mesa claim group is in progress and will be completed in January 2008. Drilling at Calamity Mesa was completed in November 2007. In January 2008, the Company will complete drilling on both the MO and Luke claim areas.

During the upcoming first quarter of calendar 2008, the Company is planning to continue its aggressive exploration and development program specifically targeting certain properties located in Colorado, Utah, and Arizona, areas that management believes to have the greatest potential for achieving near-term production.

For a complete table of the uranium and vanadium properties in the Company's property portfolio please see attached Exhibit 'A'. More information and discussions on the Company's exploration and mine development can be found on the Company's web site at www.energyfuels.com.

Canadian Properties

The Canadian properties are legacy properties and fall outside the Company's strategic plan to be a near term producer of uranium and vanadium in the western United States.

The Company holds a 100% interest in the Newfoundland VMS property known as Burnt Pond which consists of 30 mining claims totaling 725 hectares that is located approximately 38 kilometres east of Buchans and approximately 55 kilometres west of Grand Falls in the Tally Pond Belt of volcanic and sedimentary rocks of central Newfoundland. The annual costs to maintain this property is approximately \$600.

SELECTED FINANCIAL INFORMATION

The following table sets out selected financial information for the Company which has been derived from the Company's consolidated financial statements for the years ended September 30, 2007, 2006 and 2005. These financial statements were prepared in accordance with accounting principles generally accepted in Canada and are in Canadian dollars.

For the years ended September 30,	2007	2006	2005
<hr/> \$000s, except per share data			
Interest Income	\$ 1,027	\$ 39	\$ 0
Net loss for the year.....	(12,241)	(1,327)	(679)
Basic and diluted loss per share.....	(0.27)	(0.06)	(0.04)
<hr/> As at September 30,			
<hr/> \$000s, except per share data			
Total assets	\$ 38,681	\$ 4,573	\$ 1,382
Total long-term financial liabilities.....	64	68	nil

Results for the eight most recent quarters as of September 30, 2007 are:

	Sept 30 2007	Jun 30 2007	Mar 31 2007	Dec 31 2006	Sept 30 2006	Jun 30 2006	Mar 31 2006	Dec 31 2005
	\$	\$	\$	\$	\$	\$	\$	\$
<hr/> \$000s, except per share data								
Interest income	383	313	270	61	30	7	1	1
Net loss	(4,174)	(1,187)	(5,573)	(1,307)	(493)	(656)	(122)	(56)
Net loss per basic & diluted share	(0.09)	(0.02)	(0.12)	(0.04)	(0.03)	(0.02)	(0.01)	(0.00)

Judged against a typical quarter, the \$5.6 million loss recorded in the fiscal quarter ended March 31, 2007 was significantly higher due to the recording of \$4.4 million in stock based compensation due to issuance of stock options during the quarter.

In addition, the \$4.2 million loss recorded in the fiscal quarter ended September 30, 2007, as compared to the fiscal quarters ended June 30 and December 31, 2007 was significantly higher due to the recognition of \$4.3 million in foreign exchange translation losses due to a change in

the exchange rate from 1.06 (\$1USD=CAD) at the beginning of the quarter to .99 (\$1USD=CAD) at the end of the quarter.

CHANGES IN ACCOUNTING POLICIES

The Company did not have any changes in accounting policies during the fiscal year ended September 30, 2007, other than noted below.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities, debt, and capital stock. 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. Accounts payable and accrued liabilities and long-term debt are designated as other financial liabilities and are recorded at amortized cost. The carrying value of long-term debt approximates fair value and has been adjusted for the financing and transaction costs associated with the arrangement of the long-term debt. 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.

OUTSTANDING SHARE CAPITAL

As at September 30, 2007, there were 52,116,307 common shares, 6,246,932 common share purchase warrants, and 3,835,000 stock options outstanding. All common share purchase warrants and stock options are exercisable for one common share.

DISCUSSION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Company's financial statements requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities, as well as revenues and expenses. The Company's significant accounting policies are set out in Note 1 of the audited consolidated financial statements.

Going Concern

These consolidated financial statements have been prepared on a going concern basis, under which the Company is assumed to be able to realize its assets and discharge its liabilities in the normal course of operations. The Company's ability to continue as a going concern is therefore dependent upon its ability to finance its current and future operations and future acquisition costs. The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of assets, such as property, plant and equipment, liabilities, the reported expenses, and the balance sheet classifications used.

Mineral Property Costs

In accordance with Canadian GAAP, the Company records its interest in mineral properties at cost. The acquisition costs and exploration and development expenditures related to the mineral properties are deferred. These deferred costs are either amortized against future production upon the commencement of commercial production, or written off to the extent that the

properties are sold, allowed to lapse, or are abandoned. General exploration, overhead and administration costs are expensed in the period incurred.

The recovery of the values of the mineral properties are individually assessed regularly by management. This assessment may be estimated by quantifiable geological evidence of a commodity resource or reserve or the Company's assessment of its ability to sell the property for an amount greater or less than the carrying value.

Stock-based Compensation

Stock-based compensation is accounted for at the fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock, and the risk-free interest rate. The estimated fair value of awards of stock-based compensation are charged to expense as awards vest, with offsetting amounts recognized as contributed surplus. Stock-based compensation related to exploration and development activity is deferred to the appropriate mineral properties.

Foreign Exchange

The Company's reporting currency is the Canadian dollar. EFRC's balances are denominated in U.S. dollars, the functional currency. EFRC is financially and operationally interdependent of EFI and as such, is deemed to be an integrated foreign operation for purposes of currency translation. Accordingly, EFRC's balances are translated into Canadian Dollars as follows:

- Monetary assets and liabilities at period-end rates;
- All other assets and liabilities at historical rates;
- Revenue and expense transactions at the average rate of exchange prevailing during the year.

Exchange gains and losses arising on these transactions are reflected in income in the year incurred.

RISK FACTORS

A number of factors could cause actual results to differ materially from the results discussed in this management's discussion and analysis (MD&A), including, but not limited to, fluctuation in the prices of uranium and/or vanadium, risks associated with the exploration, development and operation of uranium and vanadium properties, costs associated with bringing any of the Company's properties into production or with the milling of ores produced from the Company's properties, the reliability of any resource estimates obtained by the Company, environmental risks, foreign exchange rates, competition, the Company's ability to manage operations and execute strategies and government regulation of uranium exploration, production and sales, including the export of uranium.

Exploration for and development of mineral properties involves significant financial risks, that even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of an ore body may result in substantial rewards, few properties, which are explored, are ultimately developed into producing mines. Major expenditures may be required to establish reserves by drilling, constructing mining and process facilities at a site, developing metallurgical processes and extracting uranium and other metals from ore.

Any and all resource estimates quoted herein are based on prior data and reports obtained and prepared by previous operators. The Company has not completed all work necessary to verify

the classification of the mineral resource estimates other than the NI 43-101 technical report completed by Landy A. Stinnett, PE, of FGM Consulting Group, and referred to above, with respect to the Company's Whirlwind Mine. With regard to all other remaining properties, the Company is not treating the mineral resource estimates as NI 43-101 defined resources verified by a qualified person. Therefore, the historical estimates, other than those associated with the Whirlwind Mine, should not be relied upon. These properties will require further evaluation which the Company's technical management team continues to carry out.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING.

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal control over financial reporting for the issuer. They are assisted in this responsibility by the Management team. The Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures and the design of internal controls at September 30, 2007, have concluded that the Company's disclosure controls and procedures are adequate and effective to ensure that material information relating to the Company and its subsidiary would have been known to them.

During the Current Period, there were no changes in the Company's internal control over financial reporting that materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

CORPORATE GOVERNANCE POLICIES

The disclosure required pursuant to National Instrument 58-101 – Disclosure of Corporate Governance Practices has been made by the Company in its Management Information Circular which was issued to shareholders on April 20, 2007 and filed on SEDAR concurrently for internet access for public viewing.

OUTLOOK

The Company's long-term objective is to bring its uranium and vanadium properties into profitable production by acquiring and refurbishing previously producing mines in the western United States. To complement this objective, the Company has acquired approximately 880 acres to build its own uranium and vanadium milling complex west of Naturita, Colorado and adjacent to a U.S. Department of Energy site in the Paradox Valley in order to secure long-term access to milling facilities and to minimize any reliance on third party ore processing mills. While management believes the long-term outlook is favourable, short-term fluctuations in the price of uranium and vanadium and the mining investment climate may result in variances on a short-term basis.

Further details on the acquisition of the mill site may be obtained on the Company's web site www.energyfuels.com.

CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

Certain information in this MD&A contains management's assessment of the Company's future plans and may constitute "forward-looking information" under applicable securities laws. Such information may involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance, achievements, or opportunities expressed or implied by such forward-looking information. This forward-looking information includes estimates, forecasts and statements as to management's and others' expectations with

respect to, among other things, exploration, development and production strategies and the outlook for the Company and the uranium exploration and mining industry. When used in this MD&A, such information uses words such as “may”, “will”, “estimate”, “expect”, “anticipate”, “believe”, “intend”, “plan”, “could” and other similar terminology. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this MD&A. Forward-looking information involves significant risks and uncertainties, should not be read as a guarantee of future performance or results, and will not necessarily be an accurate indication of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information, including, but not limited to, the factors discussed under “Risk Factors”. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, the Company cannot assure that actual results will be consistent with this forward-looking information. This forward-looking information is made as of the date of this MD&A, and the Company assumes no obligation to update or revise it to reflect new events or circumstances except as required by law.

Stephen P. Antony, P.E., a Qualified Person as defined by National Instrument 43-101 has reviewed and approved the content of this Management Discussion & Analysis.

ADDITIONAL INFORMATION

Additional information relating to the Company, including all public filings and financial statements, are available on SEDAR (www.sedar.com) and on the Company's web site www.energyfuels.com.