



Matt Mead, Governor

Department of Environmental Quality

To protect, conserve and enhance the quality of Wyoming's environment for the benefit of current and future generations.



Todd Parfitt, Director

February 15, 2013

Mr. John Cash – VP Regulatory Affairs
Exploration and Geology
Lost Creek ISR, LLC
5880 Enterprise Drive, Suite 200
Casper, WY 82609

Re: **Summary of the sixteenth Weekly Inspection of Lost Creek ISR LLC's Permit 788**

Dear Mr. Cash:

On February 13, 2013 the sixteenth weekly Inspection of the Lost Creek ISR (LCI) project was conducted. The resulting 11-page Inspection report is attached. One action items resulted from this week's Inspection.

- 1. The site's faded topsoil stockpile signs should be replaced with in the next several months.**

Other than the above action item, there are no concerns with the Lost Creek site at this time. The next site Inspection is scheduled for Wednesday February 20, 2013. If you have any questions, please contact Melissa Bautz in the Lander Land Quality Division office at (307) 332-3047.

Sincerely,

Melissa L. Bautz, P.G.
Natural Resources Analyst
Land Quality Division - District 2 (Lander)

Enclosure 11-page Inspection Memorandum

MLB:mlb

cc: Mark Newman – BLM – P. O. Box 2407, Rawlins, WY 82301
John Saxton – US Nuclear Regulatory Commission – Federal and State Materials and
Environmental Management Programs – Uranium Recovery Licensing Branch, Mail Stop T-8F5,
Washington, D.C. 20555-0001
Mark Moxley - WDEQ-LQD, District II → Permit 788 Inspection File
LQD Cheyenne → Permit 788 Inspection File
Chron

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Wyoming Department of Environmental Quality (WDEQ)- Land Quality Division (LQD)
Inspection Memorandum

File: Lost Creek ISR, LLC – Permit 788

Date of Inspection: February 13, 2013

Date of Report: February 15, 2013 *MLB*

Participants: Eric Stonaker, Site Safety Officer, Lost Creek ISR/Ur-Energy
Mike Lueders, Mine Manager, Lost Creek ISR/Ur-Energy
Catherine Bull, Project Engineer, Lost Creek ISR/Ur-Energy
Melissa Bautz – WDEQ-Land Quality Division, Geologist

Report Prepared by: Melissa Bautz – WDEQ-Land Quality Division, Geologist

Subject: Sixteenth Weekly Inspection

Background

WDEQ/LQD Permit 788 was approved on October 21, 2011. In the fall of 2012, the Project's EIS was completed and on October 5, 2012 the BLM issued a Record of Decision (ROD) authorizing commencement of work at the Project. Groundbreaking began at the Lost Creek Project on October 8, 2012. Beginning October 16, 2012 LQD District 2 started weekly inspections of site. Today's Inspection was the sixteenth site Inspection since the approval of Permit 788.

Inspection

The primary activities occurring at the Lost Creek site during this Inspection were 1) *infrastructure construction* and 2) *Mine Unit 1 pattern area construction*. This Report is divided into those two categories. The temporary office complex (four office trailers) south of the Plant Site is now the official site office for the Lost Creek Project. Anyone visiting the site is expected to check in at this location. Lost Creek ISR (LCI) personnel have requested that all vehicles be backed into the parking spaces outside the offices with the keys left in the vehicle. This is being requested for safety and/or emergency purposes.

Infrastructure Construction

Construction of the Plant Site was the only *infrastructure* activity occurring during this Inspection.

Plant and Pond Sites

The Pond Site construction (dozer work) has been completed. The next stage of Pond construction includes compaction, liner installation, and the installation of the leak detection system. These remaining activities related to Pond construction will not be conducted until the spring of 2013, when the ground is no longer frozen. The diversion ditch has been constructed around the east edge of the Ponds as well.

Since the last Inspection, the following activities have been occurring at the Plant site:

- Continued pouring of the concrete floor,

- commencement of the installation of plant processing tanks, and
- installation of the septic field.

In last week's Inspection Report, a very small area immediately west of the batch plant was noted as not being stripped of topsoil prior to being affected. During this Inspection, Ms. Bull explained that the area in question will be reaffected very soon. In light of that fact, LQD's previous recommendation to either reclaim that area or fence it is rescinded. The area in question is of no concern, given this new information.

There were no concerns with the Plant Site.

Deep Disposal Well (DDW) Sites

DDW-3: The water storage pond at DDW-3 continues to be used to fill water trucks for drilling.

DDW-1: This deep disposal well was completed a several weeks ago. It was not inspected during this Inspection.

DDW-4: The completion rig has completed fracturing the formation in DDW-4 since the last Inspection. During this Inspection, the rig was in the process of washing out the sand and was preparing to collect a background groundwater sample and, eventually, swab DDW-4.

There are no concerns with any of the DDW sites.

Laydown Yard and Temporary fuel storage area

There are no concerns with the temporary fuel storage area or laydown yard.

Signage

At the site's west entrance (where the haul road meets the Wamsutter-Jeffrey City Road), a speed limit sign and stop sign were noted. Additionally, four stop signs were noted at the intersection of the haul road with the "main" north-south road that connects the plant site with the laydown yard. These signs are welcome additions to the site.

The signs indicated the site's topsoil stockpiles were noted during this Inspection as being faded. Specifically, the black lettering on the signs is extremely faint. **LCI should plan to either replace the faded signs or fix them sometime in the near future.**

Mine Unit 1 Pattern Area Construction

Drill Rigs

Well completion, well casing, exploration and pilot hole drilling continues in the MU1 and MU2 areas. Nine (9) drill rigs were operating on site today. A tenth (10th) rig was scheduled to start up at the end of this week or first thing next week. Then, LCI plans to bring on two (2) more drillers for a total of 12 rigs to be operating on site.

Perimeter Fence

Installation of a permanent MU1/MU2 perimeter fence is still in progress. LCI anticipates the perimeter fence being completed early next week.

Cement Weights for well construction

Mr. Lueders indicated the location of a cement balance calibration sheet (see attached Photo Addendum) in the temporary office. This was in response to last week's observation that the cement balance being used by the drillers was reading about 2 ppg too high. Since then, LCI have begun to use two new cement balances (both of which were calibrated prior to use). The old cement balance will be refurbished (cleaned) and calibrated before using it again. The calibration of cement balances will occur weekly. LQD appreciates LCI's attention to this topic.

There are no concerns with cement weights at this time.

Bond evaluation

The bond was not reevaluated as a result of this Inspection. The currently-posted bond, in the amount of \$8,599,000, is considered adequate.

Summary

This Inspection revealed that LCI personnel are generally following the approved Operations Plan for Permit 788. **The following action item resulted from this Inspection.**

- 1. The site's faded topsoil stockpile signs should be replaced sometime in the next several months.**

Next Inspection

The next site Inspection is planned for Wednesday February 20, 2013 at about 10:00am. Please do not hesitate to contact Melissa Bautz regarding this Inspection Report at (307) 332-3047.

W/Photo Addendum (Pages 3 – 11)

*****END OF MEMORANDUM*****

Photo Addendum to accompany the February 13, 2013 Inspection at the Lost Creek Project – Permit 788



Photo Number 1: This is a panoramic view of the plant site. The crane will be used to install all of the processing tanks.

Photo Addendum to accompany the February 13, 2013 Inspection at the Lost Creek Project – Permit 788 cont'd...

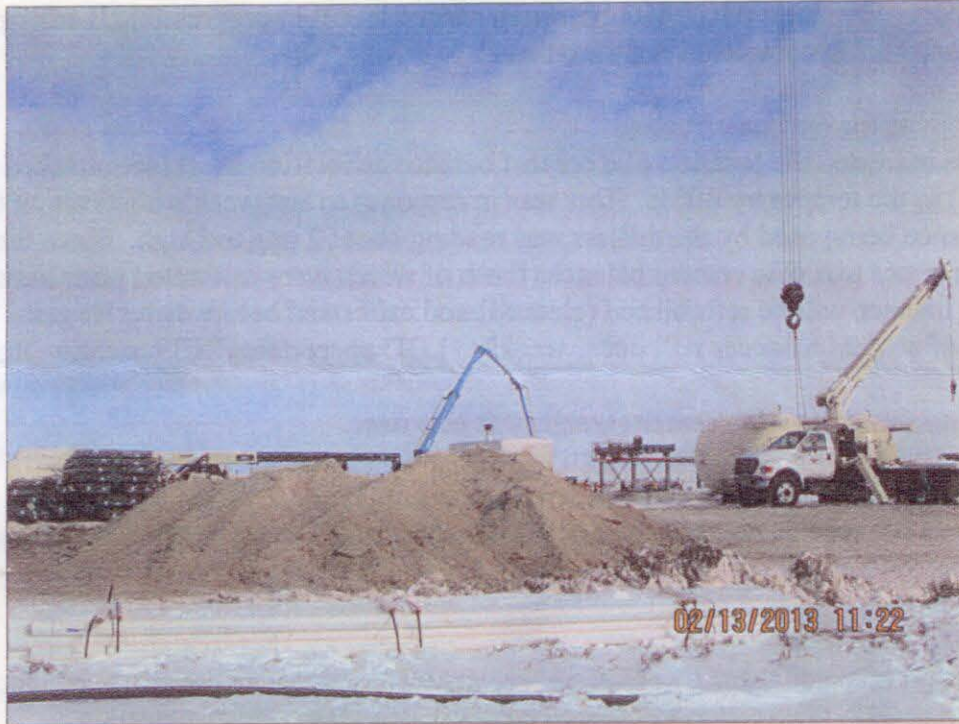


Photo Number 2: This depicts the concrete pumper (blue boom) being used at the plant site.



Photo Number 3: This depicts the septic field excavation. Workers were ensuring the correct slope exists in the bottom of the excavation using laser surveying equipment during this Inspection.

Photo Addendum to accompany the February 13, 2013 Inspection at the Lost Creek Project – Permit 788 cont'd...

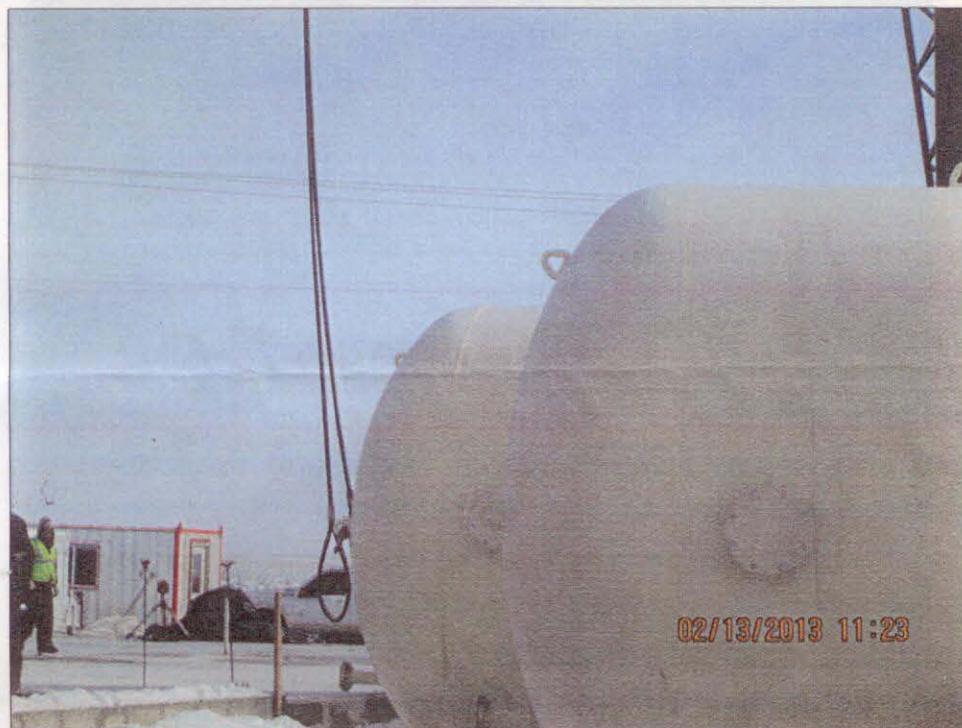


Photo Number 4: This is a close-up of the crane's cable attached to one of the processing tanks.



Photo Number 5: This is a view looking up at the boom of the crane.

Photo Addendum to accompany the February 13, 2013 Inspection at the Lost Creek Project – Permit 788 cont'd...



Photo Number 6: This is a ground level view of the activities occurring at the southwest corner of the plant site.



Photo Number 7: This is a closer view of the concrete pumper.

Photo Addendum to accompany the February 13, 2013 Inspection at the Lost Creek Project – Permit 788 cont'd...



Photo Number 8: This depicts some metal framework that will eventually support a catwalk in the plant.

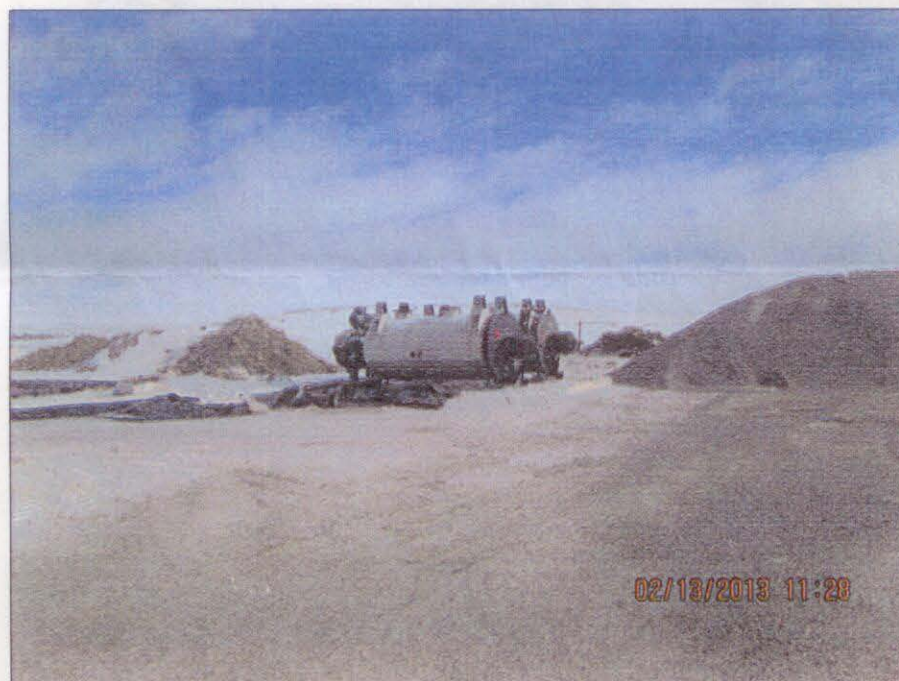


Photo Number 9: This depicts the two vacuum dryers that will be installed in the plant.

Photo Addendum to accompany the February 13, 2013 Inspection at the Lost Creek Project – Permit 788 cont'd...



Photo Number 10: This is another view of the crane attached to one of the processing tanks.



Photo Number 11: These white bags are insulation material that will be used in the walls of the plant building.

Photo Addendum to accompany the February 13, 2013 Inspection at the Lost Creek Project – Permit 788 cont'd...

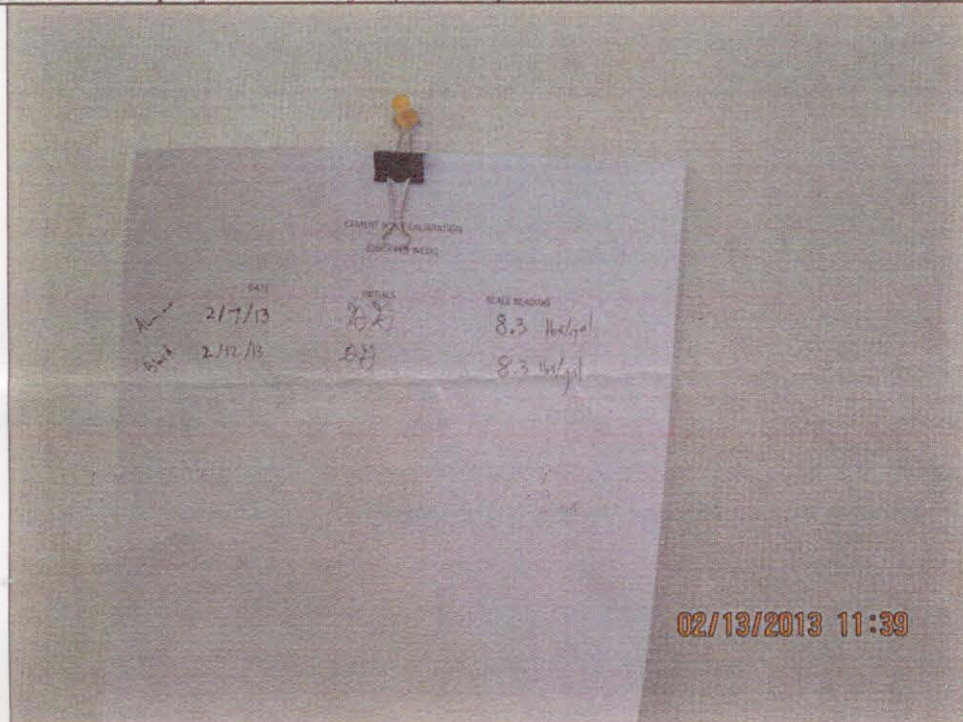


Photo Number 12: This depicts the calibration check sheet (log) for the cement balances being used at the site. Two are currently being used: one aluminum balance and one black balance.



Photo Number 13: This depicts the black cement balance (newly purchased and calibrated).

Photo Addendum to accompany the February 13, 2013 Inspection at the Lost Creek Project – Permit 788 cont'd...



Photo Number 14: This depicts one of the four stop signs at the intersection of the haul road and the road that connects the laydown yard with the plant site. The view is looking south. The drill rigs towered up in the background are in the MU1 Pattern Area. The laydown yard is just beyond this intersection.



Photo Number 15: This depicts the stop sign facing westbound traffic on the west haul road where it meets the Wamsutter-Jeffrey City Road (County Route 4-23) at a "T"-intersection.

Photo Addendum to accompany the February 13, 2013 Inspection at the Lost Creek Project – Permit 788 cont'd...



Photo Number 16: This depicts the speed limit sign that is located at the west entrance to the site, facing eastbound traffic; I.e. where the west haul road begins at its intersection with County Rte. 4-23.



Photo Number 17: This depicts the signs posted at the beginning of the west haul road. It is at the northeast corner of the intersection of the west haul road where it meets County Rte. 4-23.