



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

March 14, 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 Bi-weekly Inspection of Lost Creek ISR LLC's Permit 788**

Dear Mr. Cash:

On March 13, 2013 a bi-weekly Inspection of the Lost Creek ISR (LCI) project was conducted. The resulting 8-page Inspection report is attached. Three action items resulted from this week's Inspection (one of which is a carry-over from the previous Inspection Report).

1. **The site's faded topsoil stockpile signs should be replaced sometime in the next several months.**
2. **Toe ditches (v-ditch and berm) should be constructed around the perimeter of the site's topsoil stockpiles in the next couple of months.**
3. **If LCI plans to do a spring seeding, it should occur between now and mid-April.**

Other than the above action items, there are no concerns with the Lost Creek site at this time. The next site Inspection is scheduled for Wednesday March 27, 2013. If there are any questions regarding the enclosed Inspection Memorandum, 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 8-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
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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: March 13, 2013

Date of Report: March 14, 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
Steve Loose, Geologist, Lost Creek ISR/Ur-Energy
Mark Newman, BLM Geologist (Rawlins Field Office)
Melissa Bautz, WDEQ-Land Quality Division, Geologist

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

Subject: Bi-weekly (every other week) Inspection

Background

WDEQ/LQD Permit 788 was approved on October 21, 2011. In the fall of 2012, the Project's EIS was completed on October 5, 2012 and 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. Beginning February 27, 2013 LQD District reduced the site inspection frequency to bi-weekly (every other week).

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 still 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 and the digging of one of the main trunk line trenches were the only *infrastructure* activities 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 be conducted in 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 construction of the Plant building has been progressing. All of the building's walls and ceiling have been erected. Only minor (non-foundational) concrete-pours remain to be done within the building (E.g. containment barriers, grouting of cinder block walls). The attached Photo Addendum depicts the activities occurring and ground conditions at the Plant site. **There are 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. It was noted as thawed out during this Inspection, evidence of the recent warming trend in the weather. Mr. Lueders anticipates this well will be drilled in July of 2013. Some orange 10,000 gallon water tanks remain on this drill pad as well as some drill pipe. LCI personnel anticipate the drilling contractor will remove these items on an as-needed basis while they are drilling at another site. Otherwise, these items will be used when the contractor returns to drill DDW-3 in July.

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 mobilized off the site next week. The only drilling related items remaining on this drill pad are three 10,000 gallon orange water tanks that belong to the drilling contractor. These tanks will be removed from the site soon, when the drilling contractor comes to retrieve them.

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

As indicated in the previous two Inspection reports, the site's topsoil stockpile signs have faded to the point that they are practically illegible. Within the next couple of months these **signs should be replaced or repaired to improve their legibility**. This is not an immediate action item.

Erosion Prevention

Topsoil stockpile v-ditches: The perimeter of some of the site's topsoil stockpiles are showing some sloughing of topsoil. That is, topsoil is falling off the stockpile onto native lands. This only occurring in minor amounts; however, it speaks to the **need to construct a toe ditch (v-ditch and berm) around the perimeter of the site's topsoil stockpiles**. This is not an immediate action item but should occur within the next couple of months.

Seeding: Given the recent warm weather and lack of ice and snow on the ground surface and presence of soil moisture (due to the snow melting) LCI should seriously consider a spring seeding of the site's road ditches and topsoil stockpiles. If the spring moisture is not harnessed, it could be a very long time before adequate moisture for seed germination exists at the site. **If**

LCI chooses to do a spring seeding, it should occur between now and mid-April. LCI personnel are reminded that broadcast seeding rates are double the seeding rates of drill seeding.

Wattles: LCI personnel have installed straw wattles in the western access road's ditches at culvert locations. This is still a work-in-progress and will continue to the eastern access road. Wattles have also been placed within the large ephemeral drainage that runs north-south through the MU1 Pattern Area (see attached Photo Addendum). **These wattle installations are applauded, as the project approaches its first spring run-off event.**

Main Trunkline Trench

The Main Trunkline Trench, noted in previous weeks' Inspection reports has been lengthened and extended to the north significantly. During this Inspection, the trench was open to the main east-west access road (see Photo Addendum). Mr. Lueders indicated the portion of the trench that will run under the access road is anticipated to be dug, populated with pipe, and backfilled this upcoming Saturday (March 16). Pipe has begun to be placed in the trench in other locations (see attached Photo Addendum). **There are no concerns with the trench.**

Mine Unit 1 Pattern Area Construction

Drilling

Drilling status: Pilot-hole drilling, well-completion, and well-casing continue in the MU1 Pattern Area while exploration/delineation drilling continues in the MU2 and MU3 areas. Eleven (11) drill rigs were operating on site today: ten (10) in the MU1 Pattern Area and one (1) in the MU2 exploration area. LCI still plans to bring on one (1) more drilling crew for a total of 12 rigs to eventually be operating on site.

Drill holes near west edge of MU1 Pattern Area: During this Inspection, LCI's Steve Loose asked LQD whether the 500 foot distance from the MU1 monitoring ring could be decreased to a distance slightly less than 500 feet (E.g. 480'). This question was asked in the context of planning ahead for some newly discovered pattern areas in the west edge of MU1 and whether they should be included in MU1 or whether they should be included in MU2. Given the detail with which the MU1 monitoring ring was explained and justified in the Permit, LQD's Melissa Bautz indicated that the 500' distance should not be shortened without extensive revisions to the Permit. Mr. Loose acknowledged this recommendation.

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 three action items resulted from this and/or past Inspections.**

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

2. Toe ditches (v-ditch and berm) should be constructed around the perimeter of the site's topsoil stockpiles in the next couple of months.
3. If LCI plans to do a spring seeding, it should occur between now and mid-April.

Next Inspection

The next site Inspection is planned for Wednesday March 27, 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 4 – 8)

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

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



Photo Number 1: This panoramic is looking toward the east across the MUI Pattern Area from its west side. In the middle of the photo (blue line) is the large north-south drainage depicted in Photos 2a and 2b below.



Photos Number 2a and 2b: Photo 2a is view looking toward the north (up gradient) in the large north-south drainage at the west end of the MUI Pattern Area. Photo 2b is a view looking south down the same drainage.

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



Photo Number 3: This depicts the northern extent of the main trunk line trench, where it meets the access road. View is looking south.



Photo Number 4: This depicts the portion of the main trunk line trench immediately north of the MU1 Pattern Area, where pipes were being laid. View is looking to the east.

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



Photo Number 5: This depicts one of the four standard sized Stop signs that have been installed at the four-way intersection where the site's access road meets the road connecting the Plant to MU1. View is looking south.



Photo Number 6: This is a view looking north along the east edge of the topsoil stockpile (TS-15?) that is directly across the road from the temporary office complex. It has early indications of topsoil sloughing onto native lands. A toe ditch is needed around this (and other) site topsoil stockpile(s).

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



Photo Number 7: This depicts the south edge of the topsoil stockpile depicted in the photo above. In the foreground of this photo, topsoil from the stockpile can be seen on native ground. This speaks to the need to install toe ditches around the site's topsoil stockpiles.



Photo Number 8: This panoramic depict the north side of the Plant Building. The view is looking to the south.

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



Photo Number 9: This is a view looking south along the west side of the Plant Building.



Photo Number 10: This is a panoramic looking toward the north at the south face of the Plant Building. This is the same vantage point as the majority of pictures of the Plant Site over the past several months.