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**LOST CREEK ISR,
LLC**

December 18, 2013

Mrs. Melissa Bautz
State of Wyoming
Department of Environmental Quality
Land Quality Division
510 Meadowview Drive
Lander, WY 82520

**Re: Responses to Letter of Violation Dated December 13, 2013
Permit 788**

Dear Mrs. Bautz,

Pursuant to your request, below are responses to Items 1 through 5 in your Letter of Violation dated December 13, 2013. A response to item 6 is forthcoming.

Item 1. Stop injection immediately and maintain a cone of depression (hydrologic sink) in Mine Unit 1 well field by pumping as necessary.

Pursuant to our exchange of emails and telephone conversation on December 13th, a bleed is being maintained and therefore both injection and production are continuing.

Item 2. Provide weekly potentiometric surface maps of the production zone to LQD weekly for MU1 until the injection capacity of the new deep disposal well (DDW-4) is demonstrated to meet the disposal needs of the Plant. Also provide a graph of water levels vs. time for all of the wells that are used to generate the potentiometric surface maps. The first map and associated water level graphs should be submitted by December 18, 2013.

The first draft weekly potentiometric surface map of the production zone was provided to LQD via email on December 18, 2013 as requested. LQD promptly reviewed the map and suggested some minor changes which are currently being addressed. The requested water level graphs were also provided on December 18th via email. LCDW4 is being commissioned at this time. Notification will be provided when it is operating at normal capacity.

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Item 3. Provide a current water balance for the site. This should be submitted by December 18, 2013.

Please see the attached Figure 1: Project Water Balance, December 18, 2013. The water balance is based on current operating practices and data from the plant and wellfield averaged over the last 10 days. This was done to provide a more representative display of operations as instantaneous data provides only a “snapshot” of operations at a particular time.

Item 4. Provide a written explanation of the reason for the absence of a bleed at the site during the first 130 days of operation at the site (August – November 2013). This should also explain why, out of the 130 days of production at the site to date, there were 48 days without a bleed but there were only 18 days with no production occurring. This should be submitted by December 18, 2013.

Operations at the Lost Creek Project began August 2, 2013. Table 1 summarizes production and bleed operations through November 30, 2013.

Table 1 – Production and Bleed Operations

Dates	Production (kgal)	Bleed (kgal)	Bleed %	Cum. Bleed % To Date
8/2 – 10/3	86,902	856	1%	1%
10/4 – 12/4	57,663	0	0%	0.6%
12/5 – 12/14	9,754	67	0.7%	0.6%
Project Total	154,319	923	0.6%	0.6%

Operations were initiated with Lost Creek Disposal Well (LCDW) # 1 ready to operate at 15 to 25 gpm, the storage ponds empty and expectations that we would have approval for LCDW-4 soon. Bleed was maintained at 1% during the first two months of operations. However, it became quickly evident that the disposal well would not be able to operate at the designed flow rate. During that same two month period, the disposal well injection systems were operated only sporadically waiting to get the necessary parts to operate at the appropriate rate and pressure. Because the disposal well was not functioning properly, the bleed and any plant waste water was sent to the storage ponds to await deep injection.

Dryer operations were approved on October 3, 2013. Precipitation, filtering and drying added an additional 10 gpm (average) to the waste load. At this point, the bleed was operating at approximately 14 gpm and a cumulative bleed to date of 1% had been built up. Our understanding of bleed maintenance is that it referred to overall or cumulative bleed. As such, we continued operations to LCDW-1 when available and to the storage ponds but pulled no bleed from the wellfield until December 5. At that time, we discussed this operational practice with the NRC during a routine inspection. We explained that we had maintained more than a 0.5% overall bleed from the wellfield. The NRC representative informed us that he was concerned with the practice. Because of his concerns, we re-initiated the bleed from the wellfield.