



July 25, 2016

Mr. Dave Schellinger
Permit Coordinator
Wyoming Department of Environmental Quality - Land Quality Division
2100 West 5th Street
Sheridan, WY 82801

Re: Strata Energy Inc. Ross ISR Project
Spill Report, WDEQ-LQD Permit to Mine No. 802

Dear Mr. Schellinger:

In accordance with Wyoming Department of Environmental Quality - Land Quality Division (WDEQ-LQD) Non-Coal Rules and Regulations Chapter 11, Strata Energy Inc. (Strata) is required to submit a written report of any noncompliance within five days. This report includes the details of a spill of water from Pond 1 Cell 3 that occurred on July 19, 2016 at the Ross ISR Uranium Project.

On Tuesday July 19, 2016 at 1830 hours the Strata operator was informed by the Director of Development of water escaping from the west side of the Central Processing Plant (CPP). The operator immediately investigated the situation and determined that the water was coming from the line that transfers water between the lined retention ponds and the CPP. The operator turned off the pump, which was in use to pump water from Cell 3 of the lined retention ponds to the CPP. The Vice President of Permitting, Regulatory and Environmental Compliance, who was on-site at the time, was advised of the spill at the same time as the operator and subsequently called the Radiation Safety Officer (RSO) to report the spill.

The operator completed a Spill Investigation Report, obtained a sample of the spill for analysis for radionuclides, and delineated the extent of the spill. The operator also notified the Plant Superintendent and the RSO and stated the extent of the spill, a possible cause, and that there was no pooled water which could be recovered from the spill and returned to Cell 3 as the water absorbed quickly into the dry soil.

The Plant Superintendent investigated the cause of the spill on the morning of July 20. The Plant Superintendent determined that a combination of factors had contributed to the spill. It was discovered that the spill had occurred at a flange where the pipe from the lined retention ponds enters the CPP. The pipe is the line which goes between the ponds and the Brine tank. The spill was emitted from a small rupture in the gasket at the flange. The investigation concluded that the filters which are used inside the processing facility downstream of the flange had clogged with sediment and debris, causing back pressure to build. The resultant back pressure caused the failure of the gasket at a flange located on the west wall of the CPP. The released liquid flowed across the gravel pad at the west end of the CPP and



collected in a drainage ditch that runs along the west side of the controlled area. The water remained in the ditch, did not leave the controlled area, and did not enter a drainage or waterway.

The transfer from Cell 3 began at 1700 and no problems were noted at that time. The pump used to transfer water back to the CPP is rated at 18 GPM. If the break had involved an open pipe, the maximum volume released could have been 1,620 gallons (90 minutes x 18 GPM). However, the release was actually a spray from where the gasket failed and it is not known exactly when the gasket failure occurred so the release was clearly less than 1,620 gallons. It is possible that the volume released was less than the reporting criteria of 420 gallons. However, since there is no method to determine the volume of the release with any accuracy, Strata conservatively estimated the volume at 1,620 gallons.

Analysis of the water sample for uranium at the Strata lab resulted in 2 mg/L uranium. A sample was also sent to an outside lab for analysis for Ra-226.

One corrective action that Strata has identified and which will be implemented is to install leak detectors in the bottom of the two shelters that house pipes exiting and entering the CPP so that if there is another case of a ruptured flange/gasket it will be caught immediately.

If you have any questions regarding the provided information, please contact me at 307-467-5995 or by email at mgriffin@stratawyo.com.

Sincerely,
STRATA ENERGY INC.

A handwritten signature in blue ink, appearing to read "Mike Griffin", is positioned above the printed name.

Mike Griffin
Vice President of Permitting, Regulatory and Environmental Compliance

Cc: John Saxton, USNRC