

COLORADO OFFICE
10758 W. CENTENNIAL RD., STE. 200
LITTLETON, CO 80127
TEL: (866) 981-4588
FAX: (720) 981-5643



WYOMING OFFICE
5880 ENTERPRISE DR., STE. 200
CASPER, WY 82609
TEL: (307) 265-2373
FAX: (307) 265-2801

LOST CREEK ISR, LLC

July 27, 2016

Brian Wood
State of Wyoming
Department of Environmental Quality - Land Quality Division
510 Meadowview Drive
Lander, WY 82520

**Re: 7-Day Notification of Release – HH1-10 Valve Vault (Report 23)
Lost Creek ISR Project Permit #788**

Dear Mr. Wood,

In accordance with Wyoming Department of Environmental Quality Land Quality Division (WDEQ-LQD) regulation, Lost Creek ISR, LLC ("LCI") hereby provides a written report detailing a release of production fluid that was reportable to WDEQ. Using the spill report webpage, LCI notified WDEQ of the spill on July 21, 2016 (Incident ID 160721-1032). Additionally, LCI notified WDEQ-LQD (Brian Wood) and NRC (John Saxton and Linda Gersey) of the release via email on the same day it was reported to the WDEQ. The release volume was initially estimated at approximately 11,000 gallons based on flow rate and duration minus recovered volume of approximately 1,200 gallons. The release was originally erroneously stated as located in HH1-9 vault at T25N R92W Section 18, SE of SE qtr-qtr but was actually at HH1-10 vault at T25N R92W Section 17 SW of SW qtr-qtr and is shown on **Figure 1** attached.

The release of fluid within the valve vault associated with Header House 1-10 (HH1-10) was initially found by a Wellfield Operator on Wednesday July 20, 2016 at approximately 11:00PM which was reported to the Mine Manager. The release, due to a leak in an 8 inch polyethylene ("poly") production pipeline originating from HH1-13 (routed through the HH1-10 vault), was confined to the footprint of the vault with no surface expression. The release volume estimate was refined using electronically recorded flow rate data and time interval with a result of approximately 13,650 gallons. Approximately 1,260 gallons of the released fluid was recovered using a vacuum truck for a net estimate of released fluid of 12,390 gallons which infiltrated the ground at the bottom of the vault at around 4 feet below ground surface.

A sample of the released fluid was analyzed for uranium by the onsite lab the same day as the discovery of the release. The concentration of uranium was determined to be 89.1 ppm (U as U₃O₈).

Lost Creek ISR, LLC is a wholly-owned subsidiary of Ur-Energy Inc.

TSX: URE

www.ur-energy.com

The flow to the leaking pipeline had been shut off upon discovery of the leak. The leak was repaired within the vault and hence no excavation was required. Upon inspection of the leak during repairs, the likely cause of the leak was determined to be a failed poly fusion joint connecting the pipe with a 90 degree fitting.

The immediate action to stop the flow was to shut down operation of HH1-13. Additional corrective actions will include:

- Pressure testing will be conducted at a higher pressure, if feasible, as limited by the technical specifications of the system components.
- Pipe fusion records will be reviewed to determine if there are any potential issues with fusion joints constructed in the same time period.

If you have any questions regarding this letter or require additional information please feel free to contact me at the Casper Office.

Sincerely,



Michael D. Gaither
Manager EHS and Regulatory Affairs
Ur-Energy USA, Inc.

Attachments: **Figure 1: HH1-10 Area**

Cc: John Saxton, NRC Project Manager (via e-mail)
Linda Gersey, NRC Inspector (via e-mail)
Theresa Horne, Ur-Energy, Littleton (via e-mail)

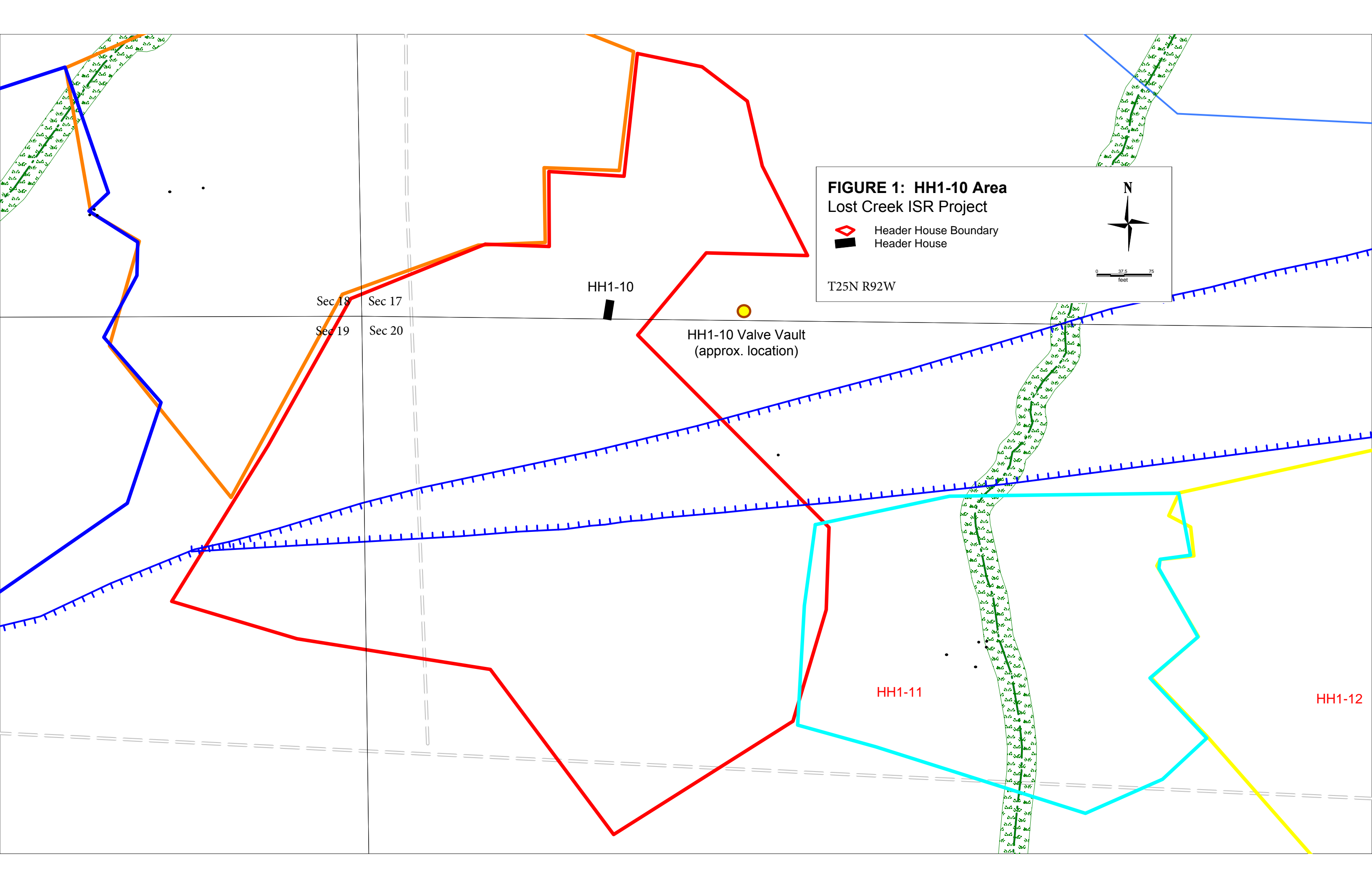


FIGURE 1: HH1-10 Area
Lost Creek ISR Project

- Header House Boundary
- Header House

T25N R92W

Sec 18

Sec 17

Sec 19

Sec 20

HH1-10

HH1-10 Valve Vault
(approx. location)

HH1-11

HH1-12