

**WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY
LAND QUALITY DIVISION**

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Land Quality Division (DEQ/LQD) and Power Resources, Inc. (PRI) doing business as Cameco Resources and authorized to do business in Wyoming, enter into this Settlement Agreement to fully and finally resolve without litigation the violations alleged in **Notice of Violation (NOV) Docket No. 4314-08 dated July 18, 2008.**

The area covered by the violation is found in Township 35 North, Range 74 West, Section 18 and Township 37 North, Range 74 West, Sections 35 and 36, Converse County.

Wyoming Statute (W.S.) §35-11-701(c) authorizes the DEQ/LQD to attempt to eliminate the cause of the violations by conference and conciliation, in lieu of litigation. To that end, PRI and the DEQ/LQD hereby stipulate and agree as follows:

1. The DEQ/LQD pursuant to W.S. §35-11-104, is a department in the executive branch of the state government of Wyoming and is principally situated in Cheyenne, Wyoming. DEQ/LQD is the agency with the responsibility for administering the Wyoming Environmental Quality Act including all provisions of the DEQ/LQD Rules and Regulations (R&R).
2. PRI is the permittee of Drilling Notice (DN) 236 associated with the NOV. DN 236 is used to track reclamation liability for the abandonment of drill holes used for exploration and delineation purposes for future in situ uranium mining areas near the PRI Permits 603 and 633.
3. The following summarizes the violations alleged in the NOV and provides the status of follow up investigation and documentation by PRI and the DEQ:
 - A. The NOV alleged that drill holes were not properly abandoned, which is a violation of W.S. § 35-11-404(c)(i-iii). This alleged violation included drill holes identified under DN 236 and drill holes located within the in situ uranium mine area for Permit 633. Further investigation by PRI following receipt of the NOV found that the alleged violation of W.S. § 35-11-404(c)(i) was incorrect. PRI documented that all drill holes in the inspection report had been plugged as required. The DEQ/LQD contends and PRI disputes that several drill holes had not been properly sealed as required in W.S. § 35-11-404 (c)(ii). The DEQ/LQD and PRI agree that several drill holes had not been properly surface capped as required by W.S. § 35-11-404(c)(iii). DEQ/LQD's follow-up compliance inspection of July 30, 2008 confirmed and verified proper sealing and capping of the drill holes that were observed during the June 26, 2008 inspection.
 - B. The NOV alleged that drill holes were not immediately capped, which is a violation of W.S. § 35-11-404 (h). This requirement is similar to W.S. § 35-11-404 (c). Therefore, this item is not considered a separate violation from the above-stated capping requirement.
 - C. The NOV alleged that monitoring wells lacked proper well caps and adequate surface seals, which is a violation of DEQ/LQD R&R, Chapter 11, Section 6 (b)(ii) and (c). PRI investigated and found that one well was uncapped and four wells lacked adequate surface seals. DEQ/LQD's follow-up compliance inspection of July 30, 2008 confirmed and verified proper corrective action had been taken at each of the wells that DEQ/LQD had inspected during the June 26, 2008 inspection.
 - D. The NOV alleged that drill hole sites were not properly backfilled, contoured and seeded for surface restoration, which is a violation of W.S. § 35-11-404 (c)(v). After receiving the NOV, PRI investigated and found that some of the drill holes were not properly contoured and vegetative cover was limited or absent. PRI has advised the DEQ/LQD that holes were previously seeded, but for various reasons, including drought conditions, the seed had not germinated.
 - E. The NOV alleged that plugging and abandonment had not occurred as reported in the 2007 abandoned drill hole report and drill holes were incorrectly reported in the DN 236

2007 abandoned drill hole report, which is a violation of W.S. § 35 -11-901(k). The investigation by PRI and the DEQ/LQD found that the error was unintentional. PRI and DEQ/LQD agree that there was confusion with how and where to report the abandonment of the drill holes (i.e., in the DN or the Permit Annual Report) and that this item is not considered a violation and will be addressed as stated in 4.E below; and

- F. The NOV alleged that PRI had failed to submit annual abandoned drill hole reports to the DEQ/LQD, which is a violation of W.S. § 35-11-404(e). The follow up investigation documented that no drilling in the DN 236 area occurred during 2002 and 2004. PRI's letter to the DEQ/LQD of 2/11/05 stated that no drilling was planned or conducted for these years. During 2003, drilling was initiated under the DN 236, but due to subsequent expansion of permit 633 this drilling was reported in the 2003-2004 Annual Report. As a result of this finding, PRI and DEQ/LQD agree this item is not considered a violation and will be addressed as stated in 4.D below.
4. To mitigate the uncapped drill holes and the lack of adequate reclamation for the drill hole locations, PRI agrees to the following corrective actions:
 - A. PRI agrees to finish verification of approximately 1800 drill hole locations for drilling under DN 236, Permits 603, and 633. PRI has found uncapped holes and has been capping these holes as they have encountered them since this issue was identified during the DEQ/LQD inspection on June 26, 2008. PRI completed its investigation and capping of uncapped drill holes by August 29, 2008.
 - B. PRI agrees that drill holes found to not be properly backfilled, contoured and seeded will be reclaimed by contouring and seeding according to DEQ/LQD Noncoal Rules and Regulations, Chapter 8, Section 2(a) by October 15, 2008.
 - C. PRI voluntarily has prepared and agrees to complete a confidential (W.S. 35-11-404(e)) spreadsheet tabulation of the activities of the investigation including, but not limited to: 1) drill hole locations, 2) discovery status of holes and sites (i.e., capping, recontouring, seeding), 3) work completed (i.e., capping procedures, etc.), and 4) dates of capping and dates of seeding. PRI agrees that the summary of drill hole status will be submitted to the DEQ/LQD by October 30, 2008.
 - D. PRI shall provide a letter stating that the Abandoned Drill Hole Reports for the 2002, 2003 and 2004 reporting periods were not necessary because no drilling within the DN 236 was conducted in 2002 and 2004, and drilling initiated in 2003 under the DN 236 was reported in the 2003-2004 Annual Report for permit 633 due to the subsequent expansion of the permit area. This letter will be submitted to the DEQ/LQD by November 30, 2008.
 - E. The DEQ/LQD and PRI agree to resolve proper reporting of drill holes as follows: All drilling outside the permit boundary will be reported in the DN 236 Annual Abandoned Drill Hole reports. All drilling within the permit boundary will be reported in the appropriate Annual Report.
 5. The DEQ/LQD and PRI agree that the 2008 Abandoned Drill Hole Report for DN 236 will be accompanied by the annual bond estimate either decreasing or increasing the bond estimate as appropriate. The DEQ/LQD will respond in writing to the bond estimate within thirty (30) days of receipt.
 6. PRI agrees that the company's designated personnel will review drilling and abandonment records for quality assurance/quality control and field verification of all future drilling activities to ensure proper abandonment procedures and reporting requirements are followed.
 7. PRI agrees to pay Fifty Thousand Dollars (\$50,000.00) as a stipulated settlement as partial resolution of this matter in lieu of litigation under W.S. §35-11-901(a)(ii). PRI shall pay Fifty Thousand Dollars (\$50,000.00) directly to the DEQ/LQD. Full payment in the amount of Fifty Thousand Dollars (\$50,000.00) shall accompany this executed Settlement Agreement. This signed agreement and payment are due no later than September 9, 2008. Payment to WDEQ/LQD shall be by check made payable to the

Wyoming Department of Environmental Quality/Land Quality Division and shall be sent to: Donald R. McKenzie, Administrator, Wyoming Department of Environmental Quality, Land Quality Division, Herschler Building, 3 Floor-West, 122 West 25th Street, Cheyenne, Wyoming 82002.

8. Neither party shall be liable for failure to perform under this Agreement if such failure to perform arises out of causes beyond the control and without the fault or negligence of the nonperforming party. Such causes may include, but are not limited to, acts of God or the public enemy, fire, floods, epidemics, quarantine restrictions, freight embargoes, and unusually severe weather. This provision shall become effective only if the party failing to perform promptly notifies the other party of the extent and nature of the problem, limits delay in performance to that required by the event, and takes all reasonable steps to minimize delays.
9. This signed Settlement Agreement by PRI, payment of penalty and fulfillment of the terms shall constitute full satisfaction for and resolution of all claims by the DEQ/LQD against PRI based on the violations alleged in this Settlement Agreement. Contingent upon PRI compliance with the terms of this Settlement Agreement, the DEQ/LQD will refrain from taking further enforcement action against PRI for these particular violations cited in this Settlement Agreement.
10. PRI waives any statute of limitations which may apply to an enforcement action by the DEQ/LQD involving the specific matters described herein in the event that PRI fails to fulfill their obligations under this Settlement Agreement.
11. Nothing in this agreement precludes DEQ/LQD from taking additional enforcement action, including the issuance of a NOV, and/or pursuing additional penalties, should PRI violate the Wyoming Statutes or applicable DEQ/LQD R&R in the future.
12. This Settlement Agreement shall be admissible by either party without objection by the other party in any subsequent action between these parties.
13. Notwithstanding any other language in this Settlement Agreement, the State of Wyoming and DEQ/LQD do not waive sovereign immunity by entering into this Settlement Agreement with PRI and specifically retain all immunity and all defenses available as sovereigns under state and federal law.
14. This Settlement Agreement is binding upon PRI successors and assigns, and upon the DEQ/LQD.
15. The persons signing this Settlement Agreement certify that they are duly authorized to bind their respective parties to this Settlement Agreement.

FOR POWER RESOURCES, INC.:

Signed: Stephen P. Collings

Date: 9-3-08

Typed: Stephen P. Collings

Title: President

FOR THE WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY:

[Signature]
John V. Corra, Director
Wyoming Department of Environmental Quality

8-29-08
Date

[Signature]
Donald R. McKenzie, Administrator
Land Quality Division

08-29-08
Date