

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

**SETTLEMENT AGREEMENT**

The Wyoming Department of Environmental Quality, Land Quality Division (WDEQ/LQD) and Strathmore Resources U.S. Ltd, a company 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. 4292-08, dated June 16, 2008**. The NOV alleges that Strathmore Resources U.S. Ltd failed to salvage and protect topsoil, failed to secure/seal boreholes, failed to adequately cap/secure wells, and failed to ensure the safety of the public and wildlife at the 354DN site. These are violations of the Wyoming Statutes and the WDEQ/LQD Non-Coal Rules and Regulations. These violations are located in Sections 1 and 2 in T.31N R.95W and Section 35 in T.32N, R.95W in Fremont County.

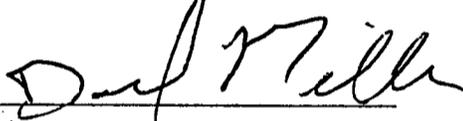
Wyoming Statute (W.S.) §35-11-901(a) (ii) authorizes the WDEQ/LQD to negotiate a stipulated settlement in lieu of litigation. To that end, Strathmore Resources U.S. Ltd and the WDEQ/LQD hereby stipulate and agree as follows:

1. The WDEQ/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. WDEQ is the agency with the responsibility for administering the Wyoming Environmental Quality Act including all provisions of the WDEQ/LQD Rules and Regulations.
2. Strathmore Resources U.S. Ltd is the operator of a drilling exploration operation (Drilling Notification number 354DN) located in Sections 1 and 2 in T.31N R.95W and Section 35 in T.32N, R.95W in Fremont County.
3. The failure to salvage and protect topsoil is a violation of W.S. §35-11-406(b) (viii) and W.S. §35-11-415(b)(iii) and of LQD Noncoal Rules and Regulations Chapter 8, Section 2(b)(iii). The failure to secure/seal boreholes is a violation of W.S. §35-11-404(h), W.S. §35-11-404(c)(ii), and W.S. §35-11-404(c)(iii). The failure to adequately cap/secure wells is a violation of W.S. §35-11-404(h) and W.S. §35-11-404 (c)(iii). The failure to ensure the safety of the public and wildlife is a violation of LQD Noncoal Rules and Regulations Chapter 8, Section 2 (b)(i).
4. Subject to the waiver hereafter set forth, Strathmore Resources U.S. Ltd agrees to pay a total of eighteen thousand (\$18,000.00) dollars as a stipulated settlement in partial resolution to this matter in lieu of litigation under W.S. §35-11-901(a)(ii). Strathmore Resources U.S. Ltd shall pay eighteen thousand (\$18,000.00) dollars directly to the WDEQ/LQD. Payment is due and payable no later than 30 days after this agreement is signed by all parties. Payment to WDEQ/LQD shall be by check and 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, 3rd Floor-West, 122 West 25<sup>th</sup> Street, Cheyenne, Wyoming 82002.
5. Strathmore Resources U.S. Ltd shall consolidate the salvaged topsoil at Hole # S5-SKY-M-07 into a single discreet stock pile that is kept separate from any other subsoil stockpiles.
6. Strathmore Resources U.S. Ltd shall complete the abandonment of the three open boreholes identified as Hole #'s S1-SKY-CP-07, S2-SKY-M-07, and S3-SKY-CM-07.
7. Strathmore Resources U.S. Ltd shall either properly complete or abandon the two wells on the site identified as Hole #'s S4-SKY-CM-07 and S5-SKY-M-07. The WDEQ/LQD understands that Strathmore Resources U.S. Ltd experienced difficulties installing these two wells and that the company's most recent plan for those holes was to abandon them. Alternatively, if these wells are completed, Strathmore Resources U.S. Ltd shall install steel locking cap risers on them.
8. Strathmore Resources U.S. Ltd shall backfill and regrade all mud pits, reapply topsoil to all disturbed areas, and scarify and seed all areas of disturbance before the ground freezes this year (2008) and no later than October 30, 2008.
9. This signed Settlement Agreement and payment by Strathmore Resources U.S. Ltd as specified above shall constitute full satisfaction for and resolution of all claims by the WDEQ/LQD on Strathmore Resources U.S. Ltd based on the violations alleged in NOV, Docket No. 4292-08. Contingent upon Strathmore Resources U.S. Ltd's compliance with the terms of this Settlement Agreement, the WDEQ/LQD will refrain from taking further enforcement action against Strathmore Resources U.S.

Ltd for these particular violations cited in this Settlement Agreement. By this Settlement Agreement, the parties intend to resolve with prejudice all allegations that were asserted in NOV Docket No. 4292-08.

10. Strathmore Resources U.S. Ltd waives any statute of limitations which may apply to an enforcement action by the WDEQ/LQD involving the specific matters described in NOV Docket No. 4292-08, in the event that Strathmore Resources U.S. Ltd fails to fulfill its obligations under this Settlement Agreement.
11. Nothing in this agreement precludes WDEQ/LQD from taking additional enforcement action, including the issuance of a Notice of Violation, and/or pursuing additional penalties, should Strathmore Resources U.S. Ltd violate the Wyoming Statutes or applicable 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 WDEQ do not waive sovereign immunity by entering into this Settlement Agreement with Strathmore Resources U.S. Ltd and specifically retain all immunity and all defenses available as sovereigns under state and federal law.
14. Each party shall bear its own attorney fees and costs, if any, incurred through the date this Settlement Agreement is signed by both parties.
15. **This Settlement Agreement is binding upon Strathmore Resources U.S. Ltd, its successors and assigns, and upon the WDEQ/LQD.**
16. The persons signing this Settlement Agreement certify that they are duly authorized to bind their respective parties to this Settlement Agreement.

**FOR STRATHMORE RESOURCES U.S. LTD:**

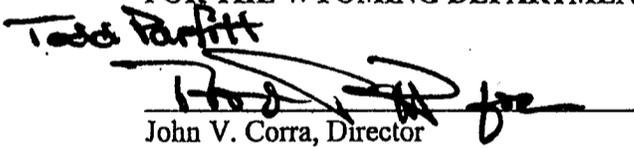
Signed: 

Date: 8-26-08

Typed: David Miller

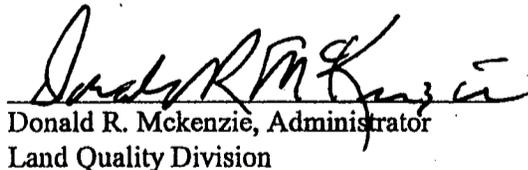
Title: CEO

**FOR THE WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY:**

  
John V. Corra, Director

Wyoming Department of Environmental Quality

Date: 8-29-08

  
Donald R. McKenzie, Administrator  
Land Quality Division

Date: 08-29-08

JVC/DRM/MLB

cc: Mark Moxley → Lander LQD 354DN file  
Donald R. McKenzie → Cheyenne LQD 354DN file  
Mr. Terence Osier, C/o Strathmore Resources U.S. Ltd, 2420 Watt Court, Riverton, WY 82501  
Ms. Susan Evans, 4001 Office Court Drive, Suite 602, Santa Fe, NM 87507  
Jon Kaminsky, BLM Lander, P. O. Box 589, Lander, WY 82520  
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