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RAILROAD COMMISSION OF TEXAS
SURFACE MINING AND RECLAMATION DIVISION

March 26, 2008

Mr. Josh Leftwich
Environmental Manager
Uranium Energy Corporation (UEC)
400 Mann Street, Suite 900
Corpus Christi, Texas 78401

RE: Weesatche Project, Goliad County
Uranium Exploration Permit No. 123A
Inspection Report

Dear Mr. Leftwich:

Enclosed is a copy of the report for the inspection completed on March 19, 2008, at UEC's Weesatche Project, Goliad County.

If you have any questions, please contact me at (512) 305-8813.

Sincerely,

Mark Schlimgen, Manager
Inspection and Enforcement

MS/sdj
Enclosure

RAILROAD COMMISSION OF TEXAS
SURFACE MINING AND RECLAMATION DIVISION
URANIUM EXPLORATION INSPECTION REPORT

Project Name: Weesatche Permit Number: 123A

Permittee: UEC County: Goliad

Industry Representative(s) Present: John Pollock

Inspector: Steve Meadows Date of Inspection: March 19, 2008

I. Field Conditions and Data Collection

Samples Collected: No ☒ Yes ☐ Sample Type: Water ☐ Soil ☐ Vegetation ☐

Average Temperature 65 Soil Condition Muddy Date Last Rainfall March 18, 2008 Wind Direction/ Velocity (Est.) North at 15

Photographs Attached: No ☐ Yes ☒ (Complete Section IV)

II. Enforcement Action Taken

Notice of Violation Issued: No ☒ Yes ☐ NOV No. _____

Cessation Order Issued: No ☒ Yes ☐ CO No. _____

✓ Steve Meadows 03/25/2008 Mark Schlinger 3-25-08

Inspector Signature Date Reviewing Supervisor Signature Date

The Railroad Commission of Texas complies with Federal and State laws applicable to race, religion, national origin, sex, and disability. Information is available upon request by calling (512) 463-7288 or 1-800-735-2989 if special assistance is required.

Project Name: Weesatche
Permit Number: 123A
Inspection Date: March 19. 2008

III. Comments – Inspection Narrative

- *Document the area of the permit inspected*
- *Discuss observations made during the inspection*
- *Document the results of any field tests taken*
- *Provide a summary of any discussions with industry representatives, along with results, and expectations from those discussions*
- *Describe any enforcement action taken during the inspection, along with facts or evidence supporting the enforcement action*

Rain the previous day in the Permit 123 area somewhat curtailed access to certain portions of UEC's activities. 40 exploration boreholes located on the Karnei property will need to be inspected in the future as the landowner requested that road travel be avoided on his property during muddy conditions. Plugging and site restoration for 16 boreholes located near the two old un-occupied Braquet house's was completed and the sites inspected. Photo's 1-6 documents the typical quality of site restoration on the acreage near the old houses. The area past the fence line in Photo 3 is the previously inspected portion of the Braquet property where little evidence can be seen of the several dozen restored borehole drill sites located there. I also inspected the site restoration in progress for several borehole sites located in the field visible in the background of Photos 5-6, through which it was necessary to travel to access the Braquet house location. Further surface restoration remains to be done on these sites that will be reported in a future inspection. The coordinates of the 16 boreholes for which surface restoration was complete are given in the table below.

By email dated March 17, 2008, Ms. Margaret Rutherford requested an investigation of 2 exploration boreholes located adjacent to her property, reportedly approximately 300 feet from each of her 2 water wells that supply her drinking water. I found boreholes P1-07-1-20 and P1-07-JN18 located on the Jacobs property at coordinates N382,796.83-E2,533620.36 and N383,190.69-E2,533,614.74 respectively. During the inspection, I attempted to contact Ms. Rutherford, by telephone and in person, for permission to enter her property and collect a GPS coordinate of her water wells. Unable to access the Rutherford property, I collected a GPS coordinate at the Rutherford property line on Bluntzer Road, and determined borehole P1-07-1-20 to be approximately 374 feet from the property line and borehole P1-07-1-JN18 located at a distance of 246 feet. According to UEC records, drilling and logging of borehole P1-07-1-20 was completed on February 20, 2008 after which the borehole was plugged from a total depth of 500 feet with a slurry of 44 sacks of cement, 50 pounds gel and 9.2 bbls of water. Photo 7 documents a 10-foot metal probe sitting on top of the cement plug. Drilling and logging of borehole P1-07-JN18 was completed on February 26, 2008 and the hole plugged from a total depth of 480 feet with 42 sacks of cement, 50 pounds of gel and 8.83 bbls of water the same day. Borehole P1-07-JN18 is seen in Photo 8 also with the 10-foot metal probe sitting on top of the cement plug. Final topping off and surveying of the borehole plug to complete site restoration was not yet complete at either site although the mud pits were backfilled. I found the surface restoration at both sites to be in good order with all cuttings and drilling mud properly disposed of. The plugging and site restoration procedures followed for these boreholes is consistent with the requirements of the regulations and Permit No. 123A.

Ms. Rutherford returned my telephone call later that day, at which time I informed her of my findings. She related to me that she was unaware of the standard procedure of plugging exploration boreholes with cement from total depth to the surface and remarked that the information was interesting.

Project Name: Weesatche
Permit Number: 123A
Inspection Date: March 19, 2008

III. Comments – Cont.

Hole ID	East (x)	North (y)
N196	2,497,095.94	13,500,941.94
N256	2,496,678.43	13,501,317.83
N257	2,496,561.82	13,501,103.81
N258	2,496,675.72	13,500,977.95
N259	2,496,809.06	13,500,941.41
N260	2,496,943.37	13,500,934.80
N261	2,496,622.19	13,501,062.85
N262	2,496,691.92	13,501,050.62
N296	2,496,982.04	13,501,105.10
N297	2,497,006.66	13,501,293.18
N298	2,496,880.22	13,501,300.27
N301	2,497,104.50	13,501,297.26
N302	2,496,801.13	13,501,000.71
N303	2,496,858.40	13,500,945.69
N304	2,496,753.79	13,500,946.73
N299	2,496,901.10	13,501,191.73