



May 29, 2007

(By FAX: 819-953-4941)

The Honourable Jim Prentice
Minister of Indian and Northern Affairs Canada
Ottawa, Ontario
K1A 0H4

Dear Minister Prentice:

Re: Report of Environmental Assessment and Reasons for Decision on the Ur-Energy Inc. Screech Lake Uranium Exploration Project (EA 0607-003)

We are very concerned by the recommendation of the Mackenzie Valley Environmental Impact Review Board (the "Review Board") to reject our proposed exploration program at Screech Lake. It appears that special interest groups are exploiting the review process to further political, cultural and environmental causes and are thwarting established regulatory and legislative procedures. We believe that the Review Board has been strongly influenced by these groups.

Ur-Energy acquired mineral rights at Screech Lake in September 2004. To date, we have invested significant resources in this project. Expenditures are in excess of 3.5 million dollars and environmental studies alone have cost over \$400,000.00. Exploration has resulted in the advancement of the project to a "drill-ready" stage. In developing this project, we have followed the guidelines, recommendations, regulations and commitments required of Ur-Energy by all levels of government. We have done so with the full understanding that encouraging results could be drill-tested and mineral deposits, once discovered, could be developed. This is the long-established process on crown lands within the Northwest Territories.

Uravan Minerals Inc. Proposal

In July 2006, Ur-Energy applied to the Mackenzie Valley Land and Water Board (MVLWB) for a land use permit to conduct an exploratory drill program at Screech Lake. The proposed mineral exploration program was virtually identical to one conducted by Uravan Minerals Inc. on a mineral property adjoining the western boundary of the Screech Lake mineral claims. Uravan applied for a land use permit in March 2006 and a permit was issued within two months. The MVLWB saw no need to refer that exploration program to an environment assessment.

1128 Clapp Lane P.O. Box 279 Manotick ON K4M 1A3 Telephone: 613-692-7704 FAX: 613-692-3234

Ur-Energy's Proposal

In September 2006, the Mackenzie Valley Land and Water Board (MVLWB) referred Ur-Energy's proposed mineral exploration program at Screech Lake to environmental assessment (EA). The decision by the MVLWB to allow Uravan's proposed exploration to proceed unencumbered but force Ur-Energy's virtually identical exploration program to undergo expensive and time-consuming environmental review raises serious concerns with respect to the impartiality of the regulatory process in the Northwest Territories. We believe the MVLWB's decision with respect to Ur-Energy was prejudicial to the Company and inconsistent with other actions taken by the MVLWB.

Review Process by Review Board

The environmental assessment was conducted by the Review Board and concluded with the release of their Report of Environmental Assessment on May 7, 2007. Ur-Energy was an active participant in the review process but at times we were dismayed that the Review Board gave credence to speculative presentations that resulted in misleading information. While we recognize that the Review Board has a mandate to consider significant public concerns in its assessment of our proposed drill program, such concerns should be based on reasonable information. The Review Board provided the following quotes as part of the basis for recommending rejection of our proposed work program:

"I don't think it's good that you're doing that to our land because really you're destroying it."

"If the caribou die, we die."

"Beautiful land that – why do you want to destroy it?"

The Review Board also relied on the following quotes from the transcripts of the public hearing:

"Now you can't drink water from anyplace. Everything is poisoned."

"I know when you say uranium; you're going to use it for power. Power means nuclear power that kills people down south. And we don't want that."

The people expressing these concerns were truly sincere in their beliefs, but these concerns were in several instances based on misleading and inaccurate information with respect to the potential effects of mineral exploration and the safety of Canadian nuclear power plants. In some cases this information was provided by anti-mining special interest groups. The Review Board readily accepted the validity of these concerns, although they were not evidence based. Conversely the Review Board did not give due consideration to an extensive body of scientific evidence that clearly demonstrated the proposed exploratory drill program posed no significant environmental risk. In light of all the scientific evidence, it is inconsistent and inequitable that the Review Board would

suggest a small drill program on a few mineral claims will, "cause an adverse impact on the environment so significant that it cannot be justified".

Review Board Exceeded Its Jurisdiction

Ur-Energy believes that the Review Board has exceeded its jurisdiction and failed to provide a recommendation to the Minister as mandated by the provisions of the Mackenzie Valley Resource Management Act (the "Act"). As such, the Company is evaluating various legal avenues available to it as a result of the Review Board's actions. Set out below are some of the reasons for Ur-Energy's determinations based on a review of the Act:

1. The Review Board is mandated to review each proposal for development and make a determination in respect of that proposal whether the specific development is likely to have any significant adverse impact on the environment. However, the Review Board has not provided recommendations based on the potential impact of the Ur-Energy proposal for development but instead provided recommendations based on past, present and future development proposals and the cumulative effects of possible development in the Upper Thelon Basin now or in the future. The Review Board concludes in its Report ". . . that the impact of the proposed development in combination with the combined impacts of all other past, present and reasonably foreseeable human activities in the area are likely to have a significant adverse cultural impact on the aboriginal peoples who value the Upper Thelon." The Report further provides ". . . the recommended rejection prevents this development from contributing to cumulative effects on the Beverly caribou herd. . . the Review Board suggests that a Caribou Cumulative Effects Study be conducted." In addition, the Review Board ". . . noted that cumulative impacts to the landscape must be managed soon, or land use plans will be unable to effectively deal with cumulative cultural impacts from future development in the Upper Thelon watershed area."
2. The Review Board has made a recommendation to the Minister under Section 128(1)(d) which provides that ". . . the development is likely in its opinion to cause an adverse impact on the environment so significant it cannot be justified". The Review Board has stated that the development will have a significant adverse cultural impact and recommends rejection on the basis of cultural reasons. However, the recommendation in Section 128(1)(d) provided for an adverse impact in respect of the environment, defined in the Act as including (a) land, water, air including all layers of the atmosphere; (b) all organic and inorganic matter and living organisms and (c) the interacting natural systems that include components referred to in paragraphs (a) and (b). Although the Review Board has the mandate to consider the protection of social, cultural and economic well-being of residents and communities in the Mackenzie Valley and the well-being and way of life of the aboriginal peoples, a recommendation under Section 128(1)(d) provides for the adverse impact on the environment and then additionally an impact so significant it cannot be justified. The Review Board has provided no support for the proposition that this proposal would

cause an environmental impact or, more importantly, that such environmental impact would be so significant it could not be justified.

However, Ur-Energy and its agents have provided extensive scientific evidence to the contrary. In fact, this body of evidence confirms that the proposed exploratory drill program poses very limited environmental risk. In all its mining activities, Ur-Energy has maintained a high environmental standard. The Company addressed environmental issues in the LUP application, in pre-hearing information requests, during the community hearing in Lutsel K'e in January 2007 and in the environmental screening study conducted by Golder Associates and provided to the Review Board. Mitigation measures developed by Ur-Energy demonstrated that adequate standards had been considered and implemented to ensure there would be no significant environmental impact from the proposed exploration. The Review Board did not reject this evidence or the science behind it.

3. The Review Board makes several recommendations with respect to the need for an Interim Land Use Plan that should be developed and implemented incorporating the cultural values of the area and provides management prescriptions for the future development of the Upper Thelon River basin; a reduction of potential conflict between aboriginal rights and the mineral exploration provisions of the *Canada Mining Regulations*; and, a regional Caribou Cumulative Effects Study on the sustainability of the Beverly caribou herd. Although some or all of these may be valid recommendations by the Review Board, in the context of the Ur-Energy proposal for development, the Review Board has no authority or mandate to recommend rejection of the proposal for development of Ur-Energy based on any of these suggested actions.

In its recommendation, the Review Board ignored legal rights granted to Ur-Energy under the *Canada Mining Regulations*. If accepted, the Board's recommendation will effectively make worthless a substantial financial investment made by Ur-Energy and remove valid legal rights held by the Company. The fact that there may be conflicts between the aboriginal rights and the mineral exploration provisions was not created by, and is not the fault of, Ur-Energy, and there is no reason why the proposal for development by Ur-Energy should be rejected for these reasons, resulting in Ur-Energy being held accountable for these possible conflicts.

We believe that both the MVLWB and the Review Board have been inconsistent in the application of their mandates and that the Review Board has significantly erred in its recommendations. Ur-Energy's proposal for development has been singled out, for no valid reason, for broader social, economic and cultural concerns without any regard for the rights of Ur-Energy or the procedures and requirements of the Act under which the processes of the Review Board are governed.

Rejection of Recommendations

We respectfully request that you refer this recommendation back to the Review Board for further consideration. Additionally, we request that you urge the Review Board to carefully review the proposal for development by Ur-Energy and judge it on its merits. The only fair and equitable decision will be to issue the land use permit and allow the Company to proceed with the exploratory drilling program at Screech Lake.

We recognize that the task of a Minister and his department is not a simple one. The balancing of cultural and industry needs is delicate and requires forethought and a true sense of fairness. The Review Board should be a tool that contributes to the Minister's body of information. In this case, we have concerns that the Review Board has been used to further an agenda that is neither part of government policy nor of any long-term value to the Northwest Territories and its people.

Thank you for your attention to this matter.

Yours truly,



W. William Boberg
CEO, Ur-Energy Inc.

- cc. The Right Honourable Stephen Harper, Prime Minister of Canada (FAX: 613-941-6900)
The Honourable Gary Lunn, Minister, Natural Resources Canada (FAX: 613-996-0850)
The Honourable John Baird, Minister, Environment Canada (FAX: 613-996-9880)
The Honourable Joseph Handley, Premier, Government of the Northwest Territories (FAX: 867-873-0169)
The Honourable Brendan Bell, Minister, Industry, Tourism and Investment, Government of the Northwest Territories (FAX: 867-873-0306)
Ms. Gabrielle Mackenzie Scott, Chair, Mackenzie Valley Environmental Impact Review Board (FAX: 867-766-7074)



10758 West Centennial Road Suite 200
Littleton, Colorado 80127 USA
Phone 720.981.4588 Fax 720.981.5643

www.Ur-Energy.com TSX: URE

FACSIMILE TRANSMISSION

Date: May 30, 2007

To: Gabrielle Mackenzie Scott

Fax #: 867-766-7074

From: Bill Boberg, CEO
Ur-Energy Inc

From Fax #: 720-981-5643

Phone: 866-981-4588

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