

**FLORENCE COPPER INC.
FLORENCE COPPER PROJECT
SECOND QUARTER 2008 MONITORING REPORT
U.I.C. PERMIT AZ396000001
AND
A.P.P. PERMIT 101704**

JULY 28, 2008

MERRILL MINING, LLC
3340 Peachtree Road NE, Suite 2200
Atlanta, Georgia 30326
404-495-9577 Fax: 404-495-9578

HUGH NOWELL
CORPORATE COUNSEL

July 28, 2008

Ms. Nancy Rumrill
U.S. Environmental Protection Agency
Region 9, Ground Water Office, WTR-9
75 Hawthorne Street
San Francisco, California 94105-3901

RE: MONITORING REPORT FOR UIC PERMIT NUMBER AZ396000001
SECOND QUARTER 2008 REPORT

Dear Ms. Rumrill:

This report is submitted in accordance with the reporting requirements of Parts II.G.2.(a) through (j) of the referenced permit. It pertains to monitoring activities conducted at the Florence In-Situ Mine Site from April 1 through June 30, 2008. Copies of records required by Part II.G.1 are maintained at the Mine Site along with other information that is summarized below.

Florence Copper is subject to the requirements of UIC Permit No. AZ396000001 issued by the United States Environmental Protection Agency (USEPA) on May 1, 1997, and APP No. 101704 issued by the Arizona Department of Environmental Quality (ADEQ) on June 9, 1997, and last amended on July 16, 2004.

As you are aware, Florence Copper discontinued hydraulic control on September 1, 2004 in order to conduct groundwater quality tests in accordance with Part II.H.2 of the APP and Part II.I.2 of the UIC Permit. A report of the results has been provided to the ADEQ and USEPA for review. The pumping wells remain off during the evaluation process. As a result, no extraction flows are reported under Section (b) below and the water level measurements that are reported in Section (b) reflect natural conditions, not hydraulic control.

(a) A map showing the current status of the mine.

Figure 1 shows the current monitoring area including the Point of Compliance (POC) wells and the wellfield. Figure 2 shows the approximate layout of the wellfield and denotes the four well pairs. There are four injection/recovery wells and nine pumping wells. Five observation wells were installed to demonstrate net inward hydraulic gradient for the 90 days required by the permit. Solution injection began on October 31, 1997, and ceased on February 8, 1998.

- (b) A table and graph showing daily cumulative injection flows and extraction flows in each active mine block over the reporting period.**

Hydraulic control was discontinued on September 1, 2004 for purposes of collecting groundwater samples following a 90-day period of no hydraulic control, and remains discontinued for evaluation of results. Accordingly there are no injection or extraction flows to report.

- (c) A table and graph comparing average daily head in the four observation wells.**

Although hydraulic control was not maintained during this reporting period, water level measurements were continued by manual measurements in the four observation wells and their nearest inward neighbors. Figure 1 of Attachment 1 and the supporting data show the groundwater elevations in the four well pairs.

- (d) A table showing POC monitoring wells analytical results and alert levels.**

The attached report *Florence Project Quarterly Compliance Monitoring Report - Second Quarter 2008* by Brown and Caldwell and sealed by Ms. Barbara Sylvester, Professional Engineer (Attachment 2), contains the POC monitoring records and results. Brown and Caldwell, along with Project personnel, conducted compliance sampling on April 6 through 10, 2008.

Quarterly parameters were conducted for 29 of the 31 POC monitoring wells. POC monitoring wells M32-UBF and M33-UBF were dry and could not be sampled. All results were below the Alert Levels (ALs) or Aquifer Quality Limits (AQLs). The results are discussed in the report.

- (e) Results of the monthly analyses of organic in the injectate**

Organic analyses are not required because no solution was injected during the reporting period.

- (f) Results of monitoring required by 40 CFR 146.33 (b)(1)**

No solution was injected.

- (g) Results of the mechanical integrity tests**

No mechanical integrity test was required.

(b) Results of the annular conductivity monitoring

Although injection ceased in early 1998, annular conductivity measurements have continued to the present time. A graph showing measurement results for this reporting period is presented in Attachment 1, Figure 2. No unusual conditions were noted.

(i) Well and core hole plugging and abandonment.

None of the existing wells and core holes were abandoned during the report period.

(j) A summary of closure operations during the reporting period.

There were no closure operations during the reporting period.

Florence Copper, Inc., believes that you will find this report complete and in compliance with all permit conditions. Please contact me at (404) 495-9577 should you have any questions regarding this report.

Sincerely,



Hugh Nowell
Corporate Counsel

BAS:tc
Attachments

cc: Florence Copper File

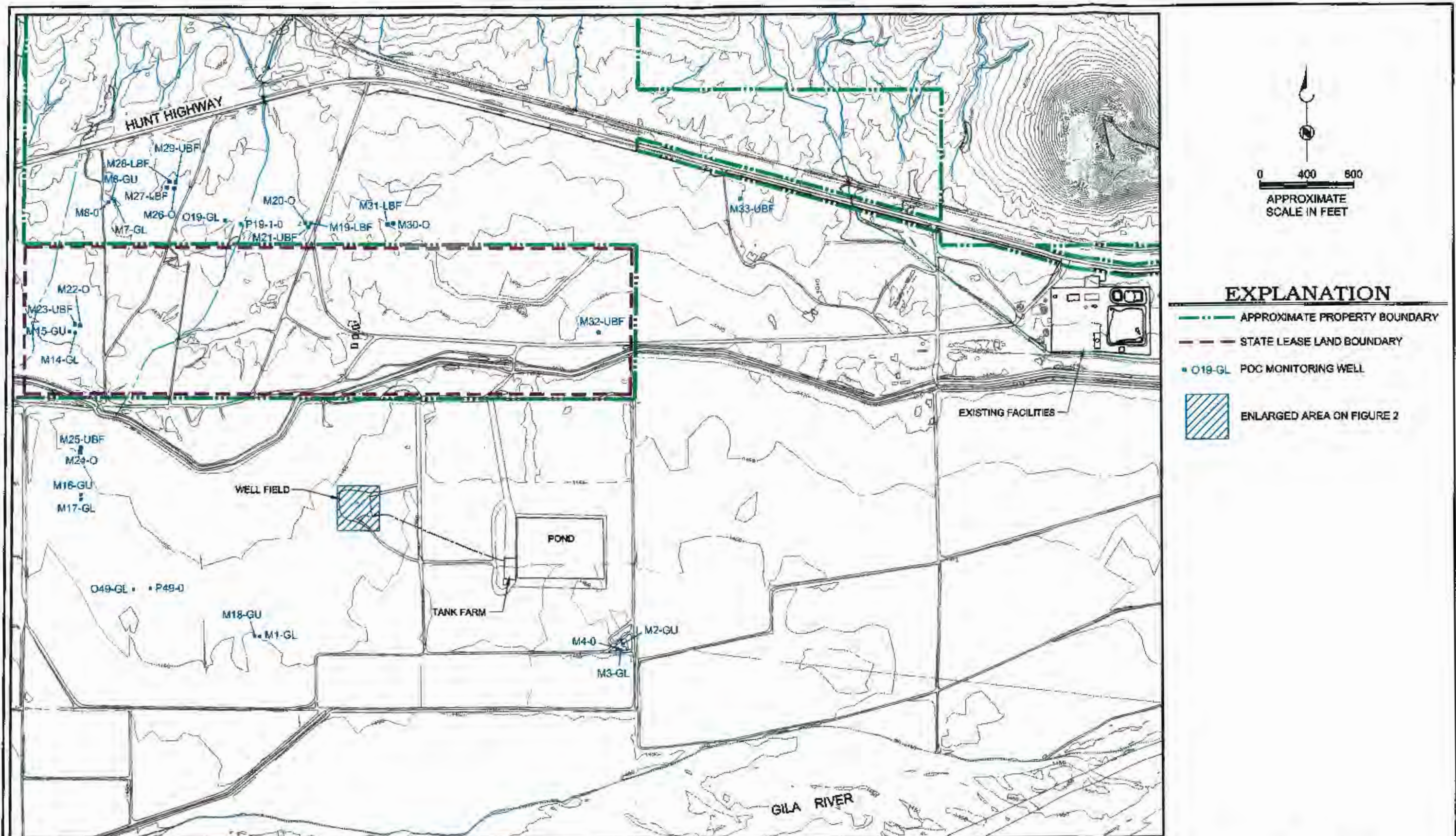
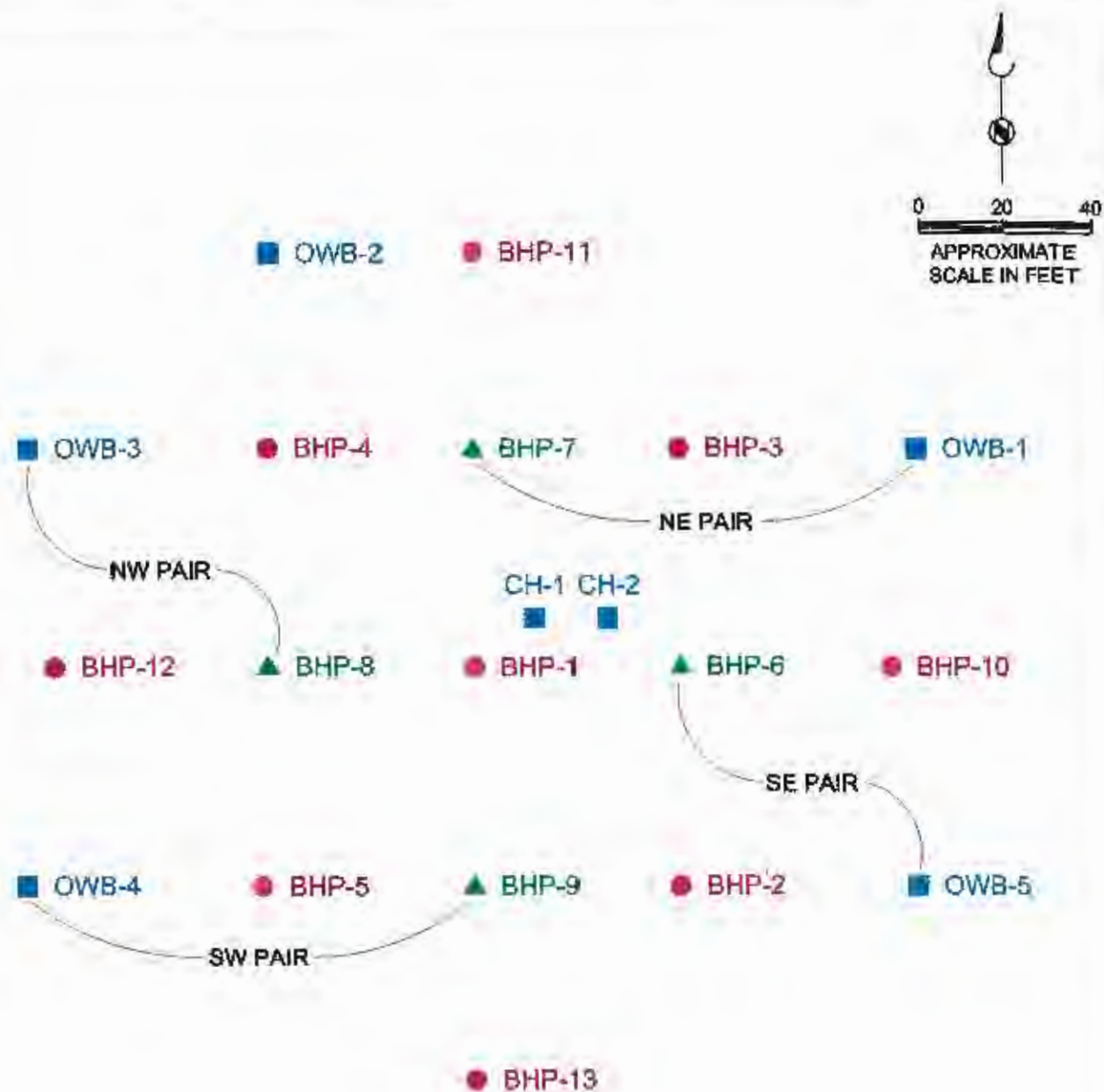


Figure 1
MONITORING AREA
 MERRILL MINING, L.L.C.
 FLORENCE, ARIZONA

BROWN AND
 CALDWELL



EXPLANATION

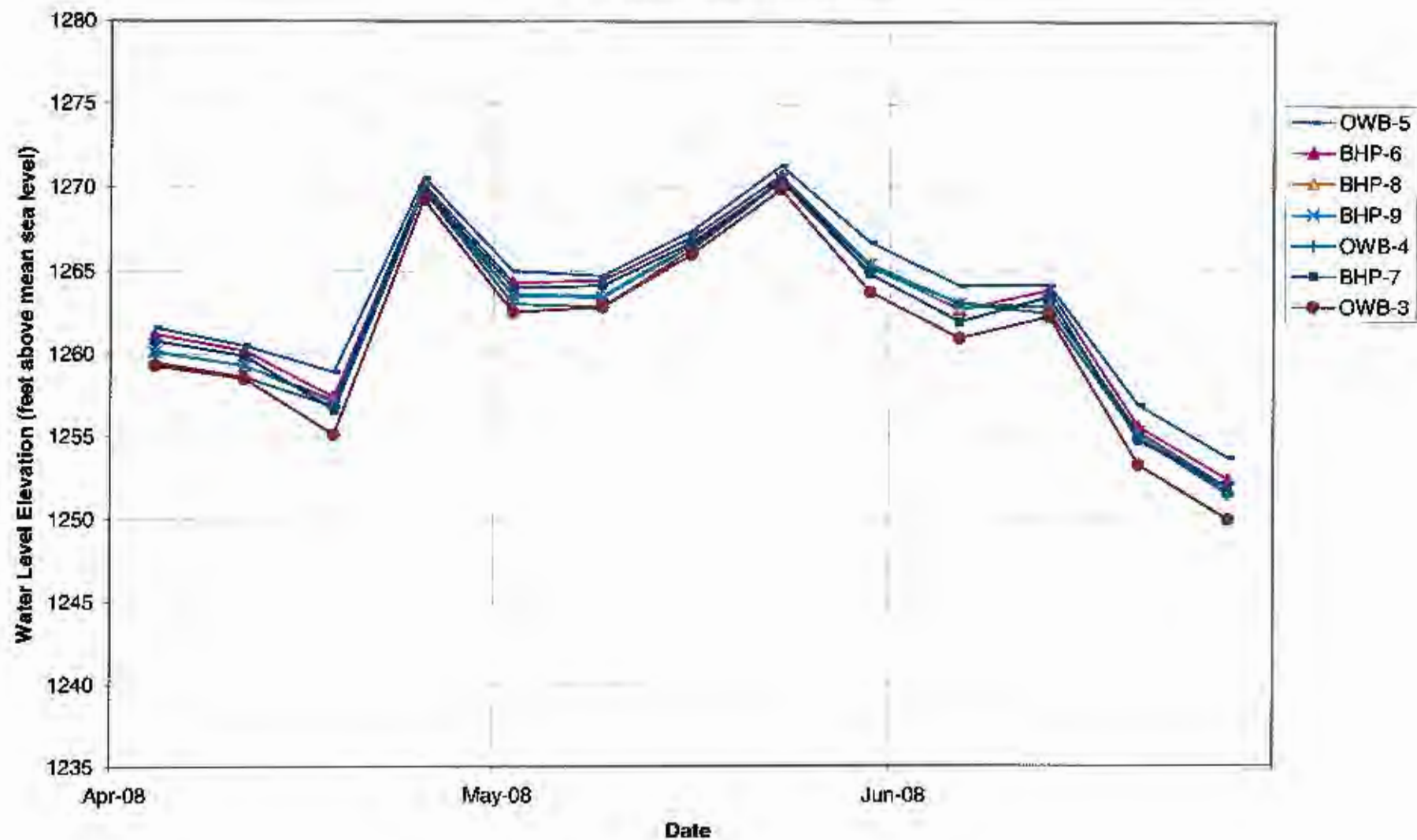
- BHP-10 PUMPING WELL (CURRENTLY INACTIVE)
- OWB-2 OBSERVATION WELL
- ▲ BHP-8 INJECTION / RECOVERY WELL (RECOVERY MODE SINCE 1998)

BROWN AND
CALDWELL

Figure 2
WELLFIELD LAYOUT
MERRILL MINING, L.L.C.
FLORENCE, ARIZONA

ATTACHMENT 1
MINE OPERATIONS MONITORING

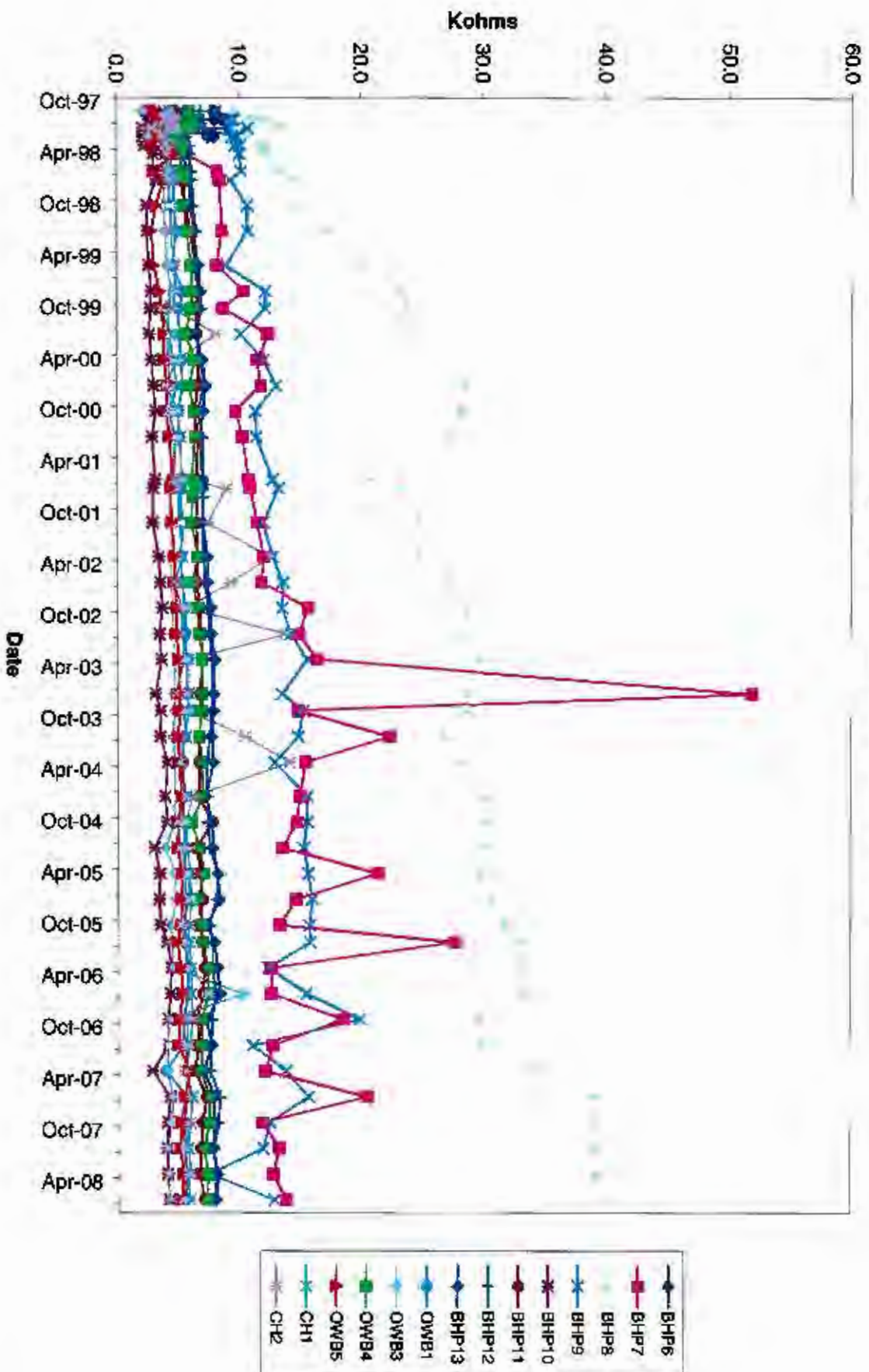
**Figure 1 - Well Field Water Elevations
Second Quarter 2008**



**Well Field Water Elevations
Second Quarter 2008**

Date	BHP-6	BHP-7	BHP-8	BHP-9	OWB-1	OWB-3	OWB-4	OWB-5
04/04/08	1261.2	1260.8	1260.2	1260.1	1261.5	1259.3	1259.5	1261.6
04/11/08	1260.2	1259.9	1259.3	1259.1	1260.6	1258.5	1258.6	1260.5
04/18/08	1257.4	1256.6	1257.0	1257.2	1257.3	1255.1	1256.8	1258.9
04/25/08	1270.2	1269.9	1270.0	1269.8	1270.3	1269.3	1269.8	1270.6
05/02/08	1264.3	1264.0	1263.6	1263.5	1264.6	1262.5	1263.0	1265.0
05/09/08	1264.4	1264.1	1263.5	1263.4	1264.7	1262.8	1262.8	1264.7
05/16/08	1267.0	1266.7	1266.6	1266.5	1267.1	1266.0	1266.3	1267.4
05/23/08	1270.7	1270.4	1270.5	1270.5	1270.8	1269.9	1270.4	1271.3
05/30/08	1265.3	1264.8	1265.2	1265.4	1265.1	1263.7	1265.2	1266.7
06/06/08	1262.6	1261.9	1262.7	1263.0	1262.2	1260.9	1263.0	1264.1
06/13/08	1263.8	1263.4	1262.9	1262.8	1264.1	1262.2	1262.4	1264.1
06/20/08	1255.5	1254.7	1255.0	1255.2	1255.4	1253.2	1254.9	1256.8
06/27/08	1252.3	1251.8	1251.6	1251.8	1252.3	1249.9	1251.4	1253.6
Water Level Elevations (feet AMSL)								

Figure 2 - Annular Resistivity in Kohms



ATTACHMENT 2

POC QUARTERLY COMPLIANCE MONITORING REPORT

**FLORENCE COPPER PROJECT
QUARTERLY COMPLIANCE MONITORING REPORT
SECOND QUARTER 2008**

Primary Sampling Activities

Quarterly compliance monitoring was conducted for the Florence Copper project on April 6 through April 10, 2008 (Second Quarter 2008). Groundwater sampling and analysis was conducted in accordance with the requirements of Aquifer Protection Permit (APP) Permit Number 101704, Part IIE.3.d (Compliance Monitoring). Quarterly parameters, as listed in Part IV Table III.B of the APP were analyzed from the designated Point of Compliance (POC) wells. The quarterly parameters are magnesium, sulfate, fluoride, and total dissolved solids (TDS).

During the Second Quarter 2008 sampling event, 29 POC wells were sampled and a total of 116 quarterly constituents were analyzed. Two POC wells, M32-UBF and M33-UBF, were dry and could not be sampled. Of the 116 constituents analyzed, none had reported concentrations exceeding the approved alert levels (ALs).

Analyses of the samples were conducted by TestAmerica Laboratories (TestAmerica, formerly Aerotech Environmental Laboratories). Analytical results for the POC wells for the quarterly parameters are provided in Table 1 and field parameters measured during sampling are indicated in Table 2.

AL Exceedances and Verification Sampling

Part IIE.4 of the APP (AL, Aquifer Quality Limit [AQL], and Discharge Limit [DL] Contingencies) requires verification sampling for an AL exceedance. There were no AL exceedances during this quarterly sampling. No verification sampling was required.

Contingency Sampling Plan to be Implemented During Third Quarter 2008

There were no AL exceedances verified during this quarterly sampling. No contingency sampling plan is required during the Third Quarter of 2008.

Results of Contingency Sampling Plan Implemented from First Quarter 2008

There were no AL exceedances during the First Quarter 2008. Therefore, no contingency sampling plan was implemented.

Issues

There were no other issues to report during the Second Quarter 2008.



TABLE 1. SUMMARY OF ANALYTICAL RESULTS, QUARTERLY PARAMETERS

Well ID	Sample Date	Magnesium		Sulfate		Fluoride		Total Dissolved Solids	
		Concentration	Alert Level	Concentration	Alert Level	Concentration	Alert Level	Concentration	Alert Level
M1-GL	Apr 08 2008	21.0	31	97	109	0.57	1.3	650	1028
M2-GU	Apr 08 2008	29.0	39	170	275	0.61	1.4	880	1496
M3-GL	Apr 08 2008	20.0	36	120	187	0.57	1.3	640	1157
M4-O	Apr 08 2008	4.5	15	56	405	2.3	5.1	410	1072
M6-GU	Apr 10 2008	2.9	5.1	49	86	0.69	1.3	360	620
M6-GU (Dup)	Apr 10 2008	2.8	5.1	49	86	0.68	1.3	370	620
M7-GL	Apr 10 2008	<0.25	1	36	82	0.84	1.7	260	464
M8-O	Apr 10 2008	<0.25	1	67	122	1.9	3.6	340	609
M14-GL	Apr 10 2008	2.3	23	55	144	0.6	1.4	380	874
M15-GU	Apr 10 2008	26.0	44	78	126	0.45	1.2	780	1359
M16-GU	Apr 08 2008	33.0	52	170	248	0.46	1.1	930	1635
M16-GU (Dup)	Apr 08 2008	34.0	52	170	248	0.45	1.1	980	1635
M17-GL	Apr 08 2008	6.1	9.3	110	209	0.68	1.6	420	831
M18-GU	Apr 08 2008	31.0	36	200	288	0.62	1.6	960	1323
M19-LBF	Apr 07 2008	13.0	21	53	89	0.42	1	500	794
M20-O	Apr 07 2008	9.5	14	64	112	0.68	1.7	460	809
M21-UBF	Apr 07 2008	25.0	87	180	487	0.62	1.1	880	2867
M22-O	Apr 10 2008	6.1	3.6	52	86	0.66	1.3	390	1094
M23-UBF	Apr 10 2008	40.0	69	260	411	0.51	1.3	1300	2392
M24-O	Apr 08 2008	11.0	19	750	1364	0.85	2.5	1300	2363
M25-UBF	Apr 08 2008	41.0	76	230	387	0.49	1.6	1200	2683
M26-O	Apr 07 2008	<0.25	1	61	105	1.5	3.4	330	556
M27-LBF	Apr 07 2008	35.0	51	140	179	<0.4	1	1000	1745
M28-LBF	Apr 07 2008	1.7	2.6	47	81	0.79	1.6	340	610
M29-UBF	Apr 07 2008	39.0	84	300	465	0.47	1.1	1300	2751
M30-O	Apr 07 2008	12.0	18	61	102	0.65	1.6	470	824
M30-O (Dup)	Apr 07 2008	12.0	18	57	102	0.67	1.6	450	824
M31-LBF	Apr 07 2008	17.0	46	120	330	0.79	1.3	620	1665
O19-GL	Apr 07 2008	10.0	17	59	99	0.57	1.4	360	770
O49-GL	Apr 07 2008	10.0	18	64	159	0.49	1	480	849
P19-I-O	Apr 07 2008	7.0	12	62	107	1.3	2.8	440	767
P49-O	Apr 07 2008	3.8	6.2	110	181	0.88	2	450	801
Arizona Aquifer Water Quality Standard						4			
All results in milligrams per liter (mg/L)									
< = less than the laboratory practical quantitation limit									

TABLE 2. SUMMARY OF QUARTERLY FIELD PARAMETERS

Well ID	Sample Date	Temperature (°C)	Temperature (°F)	pH	Conductivity (µmhos/cm)
M1-GL	Apr 08 2008	22.0	71.6	7.54	1055
M2-GU	Apr 08 2008	19.8	67.6	7.38	1277
M3-GL	Apr 08 2008	21.6	70.9	7.60	997
M4-O	Apr 08 2008	23.7	74.7	7.46	640
M6-GU	Apr 10 2008	25.5	77.9	8.71	681
M7-GL	Apr 10 2008	25.2	77.4	9.51	489
M8-O	Apr 10 2008	29.7	85.5	8.98	660
M14-GL	Apr 09 2008	26.8	80.2	8.66	789
M15-GU	Apr 09 2008	24.5	76.1	7.55	1333
M16-GU	Apr 08 2008	24.2	75.6	7.51	1530
M17-GL	Apr 08 2008	28.5	83.3	8.38	828
M18-GU	Apr 08 2008	20.5	68.9	7.32	1422
M19-LBF	Apr 06 2008	23.5	74.3	7.82	765
M20-O	Apr 07 2008	28.7	83.7	8.21	780
M21-UBF	Apr 06 2008	21.9	71.4	7.26	1972
M22-O	Apr 09 2008	30.5	86.9	7.84	1940
M23-UBF	Apr 09 2008	21.1	70.0	7.18	1752
M24-O	Apr 08 2008	28.9	84.0	8.69	579
M25-UBF	Apr 08 2008	22.9	73.2	7.63	1576
M26-O	Apr 06 2008	25.9	78.6	8.53	663
M27-LBF	Apr 06 2008	22.8	73.0	7.23	1918
M28-LBF	Apr 06 2008	24.3	75.7	7.52	782
M29-UBF	Apr 06 2008	22.6	72.7	7.62	985
M30-O	Apr 07 2008	24.1	75.4	7.86	764
M31-LBF	Apr 07 2008	25.7	78.3	7.76	867
O19-GL	Apr 07 2008	24.0	75.2	7.57	754
O49-GL	Apr 06 2008	24.9	76.8	7.69	728
P19-1-O	Apr 07 2008	23.1	73.6	7.29	1235
P49-O	Apr 06 2008	28.3	82.9	7.69	792