

ORIGINAL -
AREA WELL
COPY:
GENERAL
COMPLIANCE

MERRILL MINING, LLC
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HUGH NOWELL
CORPORATE COUNSEL

October 28, 2005

Mr. Doug Liden
Ground Water Office WTR-0
US Environmental Protection Agency Region IX
Water Management Division (WTR-9)
75 Hawthorne Street
San Francisco, California 94105-3901

RE: Preliminary Notice of a Possible Alert Level Exceedance
Florence Copper Project, Florence, Arizona

Dear Mr. Liden:

A nominal gross alpha alert level (AL) exceedance was reported for a point of compliance (POC) well during the recent biennial (Level 2) monitoring event at the Florence Copper Project in Florence, Arizona. Because the exceedance was not verified during the Third Quarter reporting period, Merrill Mining is providing advance notice of a possible exceedance to the Arizona Department of Environmental Quality (ADEQ) at this time in accordance with Part II, Section F.4 of the Aquifer Protection Permit (APP) No. 101704. Merrill would also be required to similarly notify the United States Environmental Protection Agency (USEPA) pursuant to Part II, Section H. 2 of the Underground Injection Control (UIC) Permit AZ396000001, except that Section H.2 applies only after commercial operations have begun. We are therefore enclosing a copy of the notice to ADEQ in order to ensure a complete Florence Copper Project file at Region 9, USEPA.

During the Third Quarter 2005 sampling event, 29 POC wells were sampled and a total of 1,067 constituents were analyzed. Two POC wells, M32-UBF and M33-UBF, were dry and could not be sampled. Of the 1,067 constituents analyzed, only one had a reported concentration exceeding the approved alert levels (ALs). Gross alpha activity in well O19-GL was reported at 15.7 ± 2.1 picocuries per liter (pCi/L), which is nominally above the AL of 15 pCi/L established in the APP. The permit does not contain an Aquifer Quality Limit (AQL) for gross alpha activity but it does include an AQL of 15 pCi/L for adjusted gross alpha. Adjusted gross alpha was calculated by subtracting total uranium from gross alpha. The adjusted gross alpha for well O19-GL was reported to be 8.7 ± 2.18 pCi/L, well below the AQL of 15 pCi/L.

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Because gross alpha was the only analytical result that showed a substantial change in value compared to the historical records for well O19-GL, the elevated activity appears to be the result of random fluctuations in groundwater quality or the result of field or laboratory error. A sample has been collected to verify the reported gross alpha value and the laboratory has been asked to re-run the original sample. Unfortunately, the laboratory results will not be available until after the Third Quarter Monitoring Report is required to be submitted. Hence, the preliminary notification to ADEQ.

If the verification sample indicates that the reported gross alpha exceedance is in error, no further action will be required. If the verification sample confirms the gross alpha exceedance, Merrill Mining will collect another sample for a more detailed analysis of potential alpha emitters. Merrill Mining will then submit a demonstration to ADEQ in accordance with Part II, Section F.4.d of APP No. 101704 showing that the exceedance resulted "from errors in sampling, analysis, statistical evaluation or natural circumstances." The highly unusual gross alpha value, plus the fact that commercial operations have not begun, gives Merrill Mining confidence that such a demonstration, if needed, can be developed. In the event that such a demonstration is required, Merrill Mining will provide a copy to the USEPA.

Please contact me at (404) 495-9577 or Mr. Jarrell Southall at (602) 567-3892 should you have any questions regarding this notice.

Sincerely,

A handwritten signature in black ink, appearing to read 'Hugh Nowell', with a stylized, wavy line extending from the end.

Hugh Nowell
Corporate Counsel

BAS:lld
Attachments

cc: Florence Copper File