



March 31, 2009

Mr. Steve Tarlton, Unit Leader  
Radiation Management Unit  
Hazardous Materials and Waste Management Division  
Colorado Department of Public Health and Environment  
4300 Cherry Creek Drive South  
Denver, Colorado 80246-1530

Re: *Radioactive Materials License No. 369-01*  
*License Condition 8.2*

Dear Mr. Tarlton:

Amendment 50 to the above referenced License requires that a letter of intent be submitted no later than March 31, 2009, stating whether Cotter intends to refurbish the mill or to decommission the facility. This letter satisfies that requirement.

Cotter intends to refurbish the mill, taking the necessary steps to process ore from the Mount Taylor Mine (Mine) located near Grants, New Mexico. The Mount Taylor Mine is owned by Rio Grande Resources Corporation (RGR), a company affiliated with Cotter. RGR is currently securing funds to reopen the Mine. When production resumes at Mount Taylor, the ore would be shipped to Cotter via rail for milling. The Mount Taylor ore reserve is sufficient in size to produce a feed rate of some 500,000 tons per year which would allow Cotter to continue operations for approximately 25 years. The steps required to bring the mill at Cañon City back into production include final mill engineering, amendment of the license to accommodate the ore source and mill process, site preparation, and construction of new and refurbished facilities. Our intention is to bring the Mill on line coincident with Mount Taylor ore production.

The Mount Taylor Mine has been flooded for more than 20 years and will require dewatering and rehabilitation to bring it back into production. RGR is renewing and amending permits

required for dewatering the mine, and is performing bench scale testing of discharge treatment technologies for mine water cleanup. After dewatering, RGR will rehabilitate the Mine workings and prepare for ore production. First receipt of ore from Mount Taylor could be as early as August, 2014. With August 2014 as a target, the following represents milestones for activities within Colorado:

<b>Activity</b>	<b>Start</b>	<b>Finish</b>
Mill Engineering	February, 2010	October, 2010
Environmental Assessment	October, 2010	July, 2011
License Application	July, 2011	March, 2013
Site Preparation, Construction	March, 2013	August, 2014

This schedule is, of course, dependent upon market forces and regulatory approvals adding some uncertainty to the Cotter milestones stated above.

Since our letter dated 7/8/2008, Jacobs Engineering has completed a usability study of existing equipment which was the next phase of the Mill evaluation. The study evaluated current structures, systems and equipment for reuse in each process unit of ore milling operations. The study concluded that, with the exception of some process and storage tanks, the current equipment and facilities could be refurbished for future use. Cotter has retained a process engineering company to begin developing process flow sheets and detailed drawings that will form the basis for the final engineering work identified in the milestone table above.

In addition, Cotter produced an alternatives study on use of the Secondary Impoundment (SI). The selected alternative included interim closure of the SI, and the plan for interim closure is moving forward. Discussions with the State regarding this study have reinforced the importance of reducing the burden on tailings impoundment liners. Cotter is currently removing liquids from the deep materials in the Primary Impoundment (PI) and the SI by pumping from the standpipes. Cotter is also evaluating viable ore processing alternatives to further reduce water usage during future operations. URS, Cotter's tailings engineering firm, has been tasked with developing a dewatering and construction strategy for future tailings impoundment operations.

I will keep you informed as we move forward toward mill refurbishment. In the meantime, Cotter will continue to decommission facilities that have no future mission. If you should have questions please give me a call.

Sincerely,

A handwritten signature in blue ink that reads "John Hamrick". The signature is written in a cursive, flowing style.

John Hamrick  
Vice President Milling

cc: Jim Cain, EC/RSO  
Amory Quinn, President Cotter Corporation