

May 21, 2010

Ms. Nancy Rumrill
U.S. Environmental Protection Agency
Region IX
75 Hawthorne Street
San Francisco, California 94105

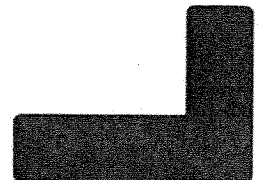
Subject: Florence Copper In-Situ Recovery Project
Underground Injection Control Permit No. AZ396000001
Application to Amend Aquifer Protection Permit No. 101704

Dear Ms. Rumrill:

Enclosed is a copy of the Application, signed May 20, 2010, which was submitted to the Arizona Department of Environmental Quality (ADEQ) for Aquifer Protection Permit (APP) No. 101704. The Application requests that ADEQ amend the APP to authorize both the transfer of the permit and the installation and operation of a test facility to evaluate key design elements of the in-situ copper recovery facility (Facility) as currently permitted. As noted in the cover letter to Mr. Richard Mendolia, the APP Amendment Application also reflects a change in the name of the owner/operator from U1 Resources, Inc. to Curis Resources (Arizona) Inc. (Curis Arizona). This is a change in name only.

Curis Arizona is asking ADEQ to process the requested changes to the APP in accordance with the "Other" permit amendment provisions of Arizona Administrative Code (A.A.C.) R18-9-A211(D) so that Curis may promptly begin the installation of the proposed test facility (Test Facility). The Test Facility would be similar in design to the test facility that BHP Copper, Inc. (BHP Copper) installed in 1997 to satisfy a condition of the APP that required the demonstration of hydraulic control for 90 consecutive days before commercial operations could commence. The test was conducted in accordance with Part II.F.7 of Underground Injection Control (UIC) Permit AZ396000001 issued by United States Environmental Protection Agency (USEPA), which also required a 90-day demonstration of hydraulic control.

The Test Facility will involve the installation of 21 test wells (four used as injection wells, nine used as recovery wells, and eight used as observation wells), the same as installed for the hydraulic control test in 1997. The test wells will be designed, installed, and operated in accordance with the requirements of the existing UIC Permit and APP. Existing surface facilities that were installed in 1997 to process and store in-situ solutions related to the hydraulic control test will be used as part of the Test Facility. They are currently being inspected and will be repaired as necessary to meet or exceed original design criteria before they process solutions associated with the new test wells. The entire Test Facility will be operated in compliance with existing requirements of the APP and UIC Permit, the same requirements that governed the hydraulic control test.

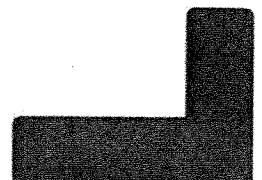


Although BHP Copper successfully demonstrated that hydraulic control could be maintained for 90 days, injection did not occur long enough to evaluate changes in constituent concentrations and flow patterns that will occur as in-situ recovery progresses over time. Curis Arizona is requesting authority to conduct its tests for up to 14 months because evaluation of the changes in the characteristics of the in-situ solutions over time is needed to explore opportunities for improving copper recovery efficiencies and for improving methods for insuring compliance with APP and UIC Permit criteria. Design changes indicated by the evaluation will be incorporated into an application for a Significant permit amendment that Curis Arizona will submit for ADEQ's approval before commencing commercial operations.

We ask that you accept the information contained in the attached APP Amendment Application in support of Curis Arizona's request that the USEPA authorize the permit transfer to Curis Arizona, and the installation and operation of the proposed Test Facility as a minor modification to UIC Permit AZ396000001 under 40 Code of Federal Regulations (CFR) §144.41. This request is made with the understanding that the components of the Test Facility will meet design criteria specified in the existing APP and UIC Permit, and that the Test Facility will be operated in accordance with existing APP and UIC requirements. This request is also made with the understanding that commercial operations may not begin until information from the tests is incorporated into an approvable application for Significant APP amendment. Of course, we hope that any information that USEPA may require as part of a permit modification process under 40 CFR § 144.39 could be developed and processed concurrently with the information that will be supplied for ADEQ's Significant amendment process.

Mr. David Albright mentioned in his letter of March 26, 2010 that Part II.C.5 of the UIC Permit requires advance notice to USEPA of physical alterations or additions to permitted injection wells. There are currently no plans to alter any of the existing injection wells. However, we do plan to inspect the wells and to temporarily remove pumps for inspection and testing purposes. Would those activities require a 30-day notice? We have no plans to add injection wells until ADEQ and USEPA approve the transfer of the APP and UIC Permit to Curis Arizona, and both agencies agree that Curis Arizona may install and operate the proposed Test Facility which includes 21 new test wells. After USEPA approves the addition of the 21 test wells, Curis Arizona will provide notice as required by Part II.C.5 at least 30 days in advance of any alteration or addition of an injection well.

The APP Amendment Application includes information describing the proposed Test Facility and requirements of the APP and UIC Permit that will govern installation, operation, maintenance, and closure of the facility. Because all proposed activities can be accomplished in compliance with existing UIC Permit requirements, it does not appear that the installation and operation of the Test Facility will trigger a permit modification under 40 CFR § 144.39. If you or Mr. Albright feel that any of the proposed activities discussed in the aforementioned Application might trigger such a modification, I would appreciate the opportunity to discuss the matter with you. Curis Arizona may want to modify its plans in order to avoid the delays associated with a 40 CFR § 144.39 permit modification.



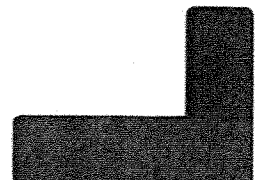
The APP Amendment Application includes closure and post-closure cost estimates that are based on an engineering estimate of third-party costs, sealed by a Professional Engineer registered in the State of Arizona, and a demonstration of financial assurance, in accordance with Arizona Administrative Code R18-9-203, for the estimated closure and post-closure costs. The closure cost estimate covers the Facility as it currently exists and as it will exist with the Test Facility. The post-closure cost estimate and related financial assurance covers the Facility as it will exist after copper recovery has been completed throughout the entire Mine Area (the area for which the aquifer exemption was approved) although, as discussed below, it is not clear that such full coverage is required at this early stage of facility development.

A detailed estimate of closure and post-closure costs for the entire Facility at the conclusion of commercial operations will be prepared and submitted as part of the application for Significant APP Amendment. It will update the closure and post-closure plan and cost estimate that was presented in Section 7 of Volume I of the January 1996 APP application, and subsequently included as Appendix F to the UIC Permit. The Section 7 cost estimates are based on the assumption that closure will occur after copper recovery has been completed throughout the entire Mine Area.

The closure cost estimate presented in the attached APP Amendment Application is more than two times greater than the \$1,066,000 closure cost estimate that formed the basis for the financial assurance provided by Florence Copper in 2001. Factors contributing to the increase are discussed in Attachment 2 of the Application and are shown in Table 1 of the attachment. Approximately 75 percent of the more than \$1,000,000 increase over the 2001 estimate is related to updated costs associated with existing facility components. The remaining 25 percent is associated with costs directly attributable to the closure (abandonment) of the 21 test wells that will be installed if the proposed Test Facility is approved.

Part II.I of the APP specifies that post-closure monitoring and inspection requirements will be established at closure based on a review of operational and closure activities. Curis Arizona nevertheless presented the post-closure cost estimate and related financial assurance in the APP Amendment Application for the following reasons:

- ADEQ and USEPA have overlapping interests in closure and post-closure activities at the Facility.
- Mr. Albright, in his letter of March 26, 2010, noted USEPA's requirement for a post-closure cost estimate and "evidence of financial assurance for sufficient funds acceptable to EPA."
- USEPA has the authority to either accept financial assurance provided to ADEQ or to require separate financial assurance.



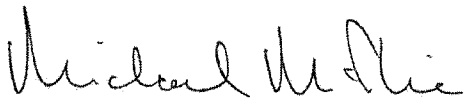
The estimated post-closure cost of \$1,478,500 is composed of an estimated monitoring and contingency response cost of \$1,225,500, and an estimated cost of \$253,000 for closing the monitoring wells after post-closure monitoring is completed. All of the costs reflect 2010 prices to conduct those activities. The estimated post-closure cost of \$1,225,500 is based on the 30-year post-closure monitoring and Aquifer Quality Limit (AQL) exceedance contingency requirements specified in Part II.F and Part II.H.2.b of the UIC Permit. The components of the cost are discussed in Attachment 2 to the APP Amendment Application and are shown in Table 1 of the attachment.

Because it is not clear that the UIC Permit requires full financial assurance for post-closure monitoring at this time, Curis Arizona would appreciate the opportunity to discuss with ADEQ and USEPA a phased approach that would provide financial assurance for post-closure monitoring and contingency responses consistent with the potential impacts associated with the UIC permitted wells. The approach would be based on the recognition that 31 point-of-compliance (POC) wells are not necessary to monitor potential impacts associated with the Test Facility, or even potential impacts during the first few years of commercial operation. Under such an approach, financial assurance would be initially provided for the existing test wells and the test wells included in the proposed Test Facility; increased at the time ADEQ approves the Significant APP amendment and USEPA issues its approval for commercial operations; and increased thereafter as operations progress through the Mine Area to ensure that sufficient funds will be available for post-closure monitoring and related activities.

We look forward to your comments about the information submitted in the attached APP Amendment Application, and the possibility for a phased approach for providing financial assurance for post-closure monitoring and contingency response activities.

Sincerely,

Curis Resources (Arizona) Inc.



Michael McPhie
President and Chief Executive Officer

