

In December 2019 Rio Grande Resources Corporation (RGR) submitted a notice of its intent to place the Mt Taylor mine in closure. This notice was sent to both MMD and NMED. Because of this, the intended purpose of the Construction Update Report no longer existed. RGR stated to NMED that it would provide updates of the closure activities as they progressed.

The Construction Update Report was initially requested by NMED in item #4 of a letter dated September 11 2018. The subject of the letter was "Request for Additional Information and Conditional Approval of Construction Quality Management Plan Phase 1 Construction Mt Taylor Mine Reactivation Rev.0 6/15/2018 for Conditions 31 and 32 of Discharge Permit 61." It was requested that RGR provide monthly updates of the Phase I construction activities.

At the end of 2019, RGR closed its Phase I construction project. The primary work remaining to be completed under Phase I at the end of 2019 was construction of the disposal cell cover and excavation of the ore pad and ore pad runoff pond. RGR had planned to begin construction of the disposal cell cover before 2019 ended. However, excavation of contaminated material and filling of the disposal cell with it consumed more time than expected. Because of winter weather conditions, initial construction of the cover was put on hold until the spring construction season.

The removal of the ore pad and ore pad runoff pond was to start after the low-grade ore stockpile was removed. Removal of the ore from the site is still in progress. Once the ore is fully removed, RGR will excavate the contaminated materials from the ore pad and ore pad runoff pond. Full removal of the ore is anticipated to take between one and one and a half years more.

In January 2020, RGR began initiating closure activities. This report provides information on the activities that occurred in January.

Closure Activity Update: January 2020

With a change in direction of work at the Mt Taylor mine in January, RGR initiated its planning phase. The first planning activity was to identify closure tasks and formulate a schedule. By the end of January, a draft work schedule was completed. The primary tasks were identified in the approved closure plan. Work priorities were organized but numerous tasks remained to be fully defined. After 30 years of shutdown, the status of many of the components of the closure plan were unknown.

The next planning activity was to formulate a plan to expand the disposal cell. The currently constructed disposal cell was filled to capacity by the end of 2019. After estimating the quantities of contaminated materials to be remediated, RGR determined that it would need to increase the size of the disposal cell. By the latter part of January, a conceptual plan had been created.

Planning work began on the formulation of a proposal for post-closure ground water monitoring of the deep aquifers. Monitoring of these deep aquifers will be difficult. Because of the great depth and hot water anticipated to be encountered, RGR began researching vendors who could provide appropriate sampling systems to retrieve valid water samples under the harsh conditions.

Activities Continued from 2019

- 1) MWTU Pond No. 2
 - Pond 2 is ready to be filled with clean water
 - Filling is necessary in order to conduct a leak detection survey of the primary liner
 - Work continued on setting up the sump pump system
- 2) MWTU Ponds 1, 4, 5, 6, 7, and 8
 - The final status surveys are scheduled to be performed in early 2020, once drier and warmer weather arrives.
- 3) Ore Pile Removal
 - Removal and transportation of the ore pile material to the mill continued. There are currently 5 trucks per day operating 5 days per week.
- 4) Disposal Cell Liner and Waste Rock Pile (WRP)
 - Final shaping and grading of the north and east sides of the disposal cell liner was completed in December 2019
 - The locations of the east and north sides of the liner were fixed in position and made ready for construction of the cover
 - RGR is preparing plans to increase the size of the disposal cell
 - An increase in footprint size is necessary to accommodate the anticipated materials that will be excavated during closure activities
 - Plans are being made to construct the cover once the spring construction season starts
- 5) Connection to Surface Water Drains
 - The WP5 well is actively being pumped; the water will continue to be trucked to MWTU Pond 3 until the north force main is operational
 - Integrity testing of the north and south force main pipes is still in progress
 - Plans are being implemented to repair the force mains
 - RGR is preparing to submit a proposed testing standard specifically designed for HDPE pipe
 - It is currently believed that expansion of the HDPE pipe section of the North Force Main is contributing to the inability to pass the integrity tests
- 6) Facility Refurbishment
 - RGR's certifying consultant (M3) was preparing a final certification report on the facility buildings
- 7) Diesel Release
 - RGR's contractor for removing the Above-ground Storage Tanks (ASTs) was on site in January. All seven of the ASTs were removed from the site.
- 8) Miscellaneous
 - RGR continued with cleanup of scrap materials around the site
 - RGR continued with facility maintenance and performing permit commitments
 - RGR's radiation consultant began formulating plans for scanning metal scrap and decommissioning the Water Treatment Plant

- RGR began formulating a decommissioning plan
 - The Radiation Control Bureau informed RGR that its radioactive material license did not authorize RGR to conduct decommissioning activities

Forecasted Activities

- 1) MWTU Pond No. 2
 - Filling of pond 2 with water and performing the primary liner leak location survey
 - Anticipated for late March
- 2) Final Status Surveys (FSS) of MWTU Ponds 1, 4, 5, 6, 7, and 8
 - Anticipate conducting the “Final Status Surveys” on these ponds in March
 - Surveys cannot be conducted while there is moisture on the ground
- 3) Disposal Cell
 - Anticipate starting construction of the cover in late spring
 - Cold weather prevents achievement of compaction specifications
- 4) Ore Pile Removal
 - Anticipating 1 to 1.5 years to complete
- 5) Potential Diesel Release Investigation
 - Awaiting plan approval by the NMED

Critical Path Items

- 1) Approval for eastward expansion of the disposal cell
 - This is a critical path due to the amount of contaminated soil still expected to be removed from the ore pad and ore pad retention pond, site debris and other yet-to-be identified contaminated soils on site