

# Rio Algom Mining Corp.

December 18, 1990

Mr. Ramon Hall  
Nuclear Regulatory Commission  
Region IV  
Uranium Recovery Field Office  
P. O. Box 25325  
Denver, Co. 80225-0325

Re: Parent Company Guarantee  
NRC Docket No. 40-8905

Dear Mr. Hall:

Guarantee made this 18<sup>th</sup> day of December, 1990 by Rio Algom Mining Corp., a corporation organized under the laws of the State of Delaware, herein referred to as "guarantor", to the United States Nuclear Regulatory Commission (NRC), "obligee" on behalf of our subsidiary Quivira Mining Company (QMC) of 6305 Waterford Blvd., Ste. 325, Oklahoma City, Oklahoma, 73118, NRC License Number SUA-1473.

## Recitals

1. Guarantor has full authority and capacity to enter into this guarantee under its bylaws, articles of incorporation, and the laws of the State of Delaware, its State of incorporation. Guarantor has approval from its Board of Directors to enter into this guarantee.
2. This guarantee is being issued to comply with regulations issued by the NRC, an agency of the United States Government, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974. NRC has promulgated regulations in Title 10, Chapter I of the Code of Federal Regulations, Part 40, Appendix A, Criteria 9 and 10. These regulations require that a holder of a materials license issued pursuant to 10 CFR Part 40 provide assurance that funds will be available when needed for required decommissioning activities.
3. The Guarantee is issued to provide financial assurance for decommissioning activities for QMC's Ambrosia Lake Facility NRC License No. SUA-1473 as required by 10 CFR Part 40. The decommissioning costs for this facility is \$18.25 million.

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4. Guarantor meets or exceeds the following financial test criteria under Alternative I and agrees to comply with all notification requirements as specified in 10 CFR Part 40, Appendix A:
  - (a) Guarantor's tangible net worth is at least \$10 million dollars.
  - (b) Guarantor's tangible net worth and net working capital are each equal to or greater than two times the sum of the current decommissioning cost estimates;
  - (c) Guarantor's assets located in the United States amount to at least 90 percent of its total assets; and
  - (d) Guarantor meets the following three ratios: a ratio of total liabilities to net worth less than 2.0; a ratio of the sum of net income plus depreciation, depletion, and amortization to total liabilities greater than 0.1; and a ratio of current assets to current liabilities greater than 1.5.
5. Guarantor owns 100 percent of the voting stock of the licensee covered by this guarantee (Quivira Mining Company, Ambrosia Lake Facility, McKinley County, New Mexico, License SUA-1473). Guarantor also certifies that the licensee for which this guarantee is being made has a positive tangible net worth.
6. Decommissioning activities as used below refers to activities as required by 10 CFR Part 40, Appendix A, for decommissioning of facilities identified above.
7. For value received and pursuant to the authority conferred upon the guarantor by resolution of its directors, a certified copy of which is attached, guarantor guarantees to NRC that if the licensee fails to perform the decommissioning activities required by License No. SUA-1473, the guarantor shall:
  - a. Carry out the required activities, or
  - b. Set up a trust fund in favor of the above identified beneficiary in the amount of the current NRC-approved cost estimates for these activities.

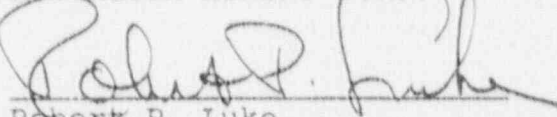
8. Guarantor agrees to submit revised financial statements, financial test data, and a special auditor's report and reconciling schedule annually, within 90 days of the close of the parent company guarantor's fiscal year.
9. Guarantor agrees that if, at the end of any fiscal year before termination of this guarantee, the guarantor fails to meet the financial test criteria, the licensee shall send within 90 days of the end of the fiscal year, by certified mail, notice to the NPC that the licensee intends to provide alternate financial assurance as specified in Appendix A of 10 CFR Part 40. Within 120 days after the end of the fiscal year, the guarantor shall establish such financial assurance if QMC has not done so.
10. The Guarantor also agrees to notify the beneficiary promptly if the ownership of the licensee or the parent firm is transferred and to maintain this guarantee until the new parent firm or the licensee provides alternate financial assurance acceptable to the beneficiary.
11. Guarantor agrees that within 30 days after it determines that it no longer meets the financial test criteria or that it is disallowed from continuing as a guarantor for the facility under License Number SUA-1473, it shall establish an alternate financial assurance, as specified in 10 CFR Part 40, Appendix A, as applicable in the name of QMC, unless QMC has done so.
12. Guarantor as well as its successors and assigns agree to remain bound jointly and severally under this guarantee notwithstanding any or all of the following: amendment or modification of license or NRC-approved decommissioning plan for that facility, the extension or reduction of the time of performance of required activities or any other modification or alternation of an obligation of the licensee pursuant to 10 CFR Part 40.
13. Guarantor agrees to remain bound under this guarantee for so long as QMC must comply with the applicable financial assurance requirements of 10 CFR Part 40, Appendix A, for the previously listed facility, except that guarantor may cancel this guarantee by sending notice by certified mail to the NRC and to QMC, such cancellation to become effective no earlier than 120 days after receipt of such notice by both NRC and QMC, as evidenced by the return receipts.

14. Guarantor agrees that if QMC fails to provide alternate financial assurance as specified in 10 CFR Part 40, Appendix A as applicable, and to obtain written approval of such assurance from the NRC within 90 days after a notice of cancellation by the guarantor is received by the NRC and QMC from the guarantor, guarantor shall provide such alternate financial assurance in the name of QMC or make full payment under the guarantee.
15. Guarantor agrees to be jointly and severally liable for all litigation costs incurred by the NRC in any successful effort to enforce the agreement against the guarantor.
16. Guarantor expressly waives notice of acceptance of this guarantee by the NRC or by QMC. Guarantor also expressly waives notice of amendments or modification of the decommissioning requirements and of amendments or modifications of the license.
17. If the guarantor files Financial Reports with the U.S. Securities and Exchange Commission, then it shall promptly submit them to the NRC during each year in which this guarantee is in effect.

I hereby certify that this guarantee is true and correct to the best of my knowledge.

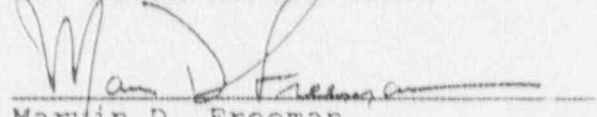
Corporate Seal

RIO ALGOM MINING CORP.



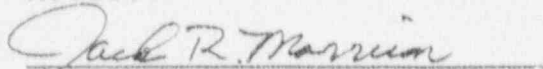
Robert P. Luke  
President

RIO ALGOM MINING CORP.



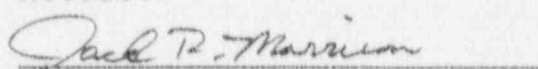
Marvin D. Freeman  
Vice-President

Attest:



Jack R. Morrison  
Assistant Secretary

Attest:



Jack R. Morrison  
Assistant Secretary

RIO ALGOM MINING CORP.

C E R T I F I C A T E

I, DAVID J. CARTER, Assistant Secretary of RIO ALGOM MINING CORP. (the "Corporation"), a Delaware corporation, do hereby certify that the following resolution was duly passed at a meeting of the Board of Directors of RIO ALGOM MINING CORP. held on December 11, 1990 and that such resolution remains in full force and effect, unamended:

"BE IT RESOLVED:

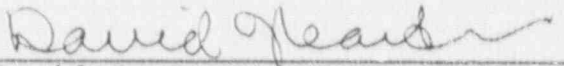
THAT the Corporation guarantee to the U.S. Nuclear Regulatory Commission ("NRC") the potential reclamation liability of the Corporation's wholly-owned subsidiary, Quivira Mining Company ("Quivira") in its Ambrosia Lake uranium facility up to the amount of U.S. \$18,250,000 in accordance with the terms of Licence No. SUA-1473 issued to Quivira;

THAT the form of guarantee annexed to this resolution as Schedule "A" be and is hereby approved for execution on behalf of the Corporation and that the President, Robert P. Luke, together with a Vice-President, Marvin A. Freeman, be and they are hereby authorized to execute a guarantee on behalf of the Corporation substantially in the form attached, together with such changes and amendments as they may deem necessary or appropriate;

THAT the Corporation be and is hereby authorized, in the event the guarantee is not accepted by NRC, to provide such other form of surety of the potential reclamation liability of Quivira, to a maximum of U.S. \$18,250,000, as the NRC may approve; and

THAT the proper officers of the Corporation be and they are hereby authorized to perform all acts and execute all documents as may be required in order to give effect to the foregoing.

DATED at Toronto, Ontario, this 14th of December, 1990.

  
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David J. Carter  
Assistant Secretary

# Rio Algom Mining Corp.

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Mr. Ramon Hall  
Nuclear Regulatory Commission  
Region IV  
Uranium Recovery Field Office  
P. O. Box 25325  
Denver Co. 80225-0325

Re: Parent Company Guarantee  
NRC Docket No. 40-8905

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## Recitals

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3. The Guarantee is issued to provide financial assurance for decommissioning activities for QMC's Ambrosia Lake Facility NRC License No. SUA-1473 as required by 10 CFR Part 40. The decommissioning costs for this facility is \$18.25 million.

4. Guarantor meets or exceeds the following financial test criteria under Alternative I and agrees to comply with all notification requirements as specified in 10 CFR Part 40, Appendix A:
  - (a) Guarantor's tangible net worth is at least \$10 million dollars.
  - (b) Guarantor's tangible net worth and net working capital are each equal to or greater than two times the sum of the current decommissioning cost estimates;
  - (c) Guarantor's assets located in the United States amount to at least 90 percent of its total assets; and
  - (d) Guarantor meets the following three ratios: a ratio of total liabilities to net worth less than 2.0; a ratio of the sum of net income plus depreciation, depletion, and amortization to total liabilities greater than 0.1; and a ratio of current assets to current liabilities greater than 1.5.
  
5. Guarantor owns 100 percent of the voting stock of the licensee covered by this guarantee (Quivira Mining Company, Ambrosia Lake Facility, McKinley County, New Mexico, License SUA-1473). Guarantor also certifies that the licensee for which this guarantee is being made has a positive tangible net worth.
  
6. Decommissioning activities as used below refers to activities as required by 10 CFR Part 40, Appendix A, for decommissioning of facilities identified above.
  
7. For value received and pursuant to the authority conferred upon the guarantor by resolution of its directors, a certified copy of which is attached, guarantor guarantees to NRC that if the licensee fails to perform the decommissioning activities required by License No. SUA-1473, the guarantor shall:
  - a. Carry out the required activities, or
  - b. Set up a trust fund in favor of the above identified beneficiary in the amount of the current NRC-approved cost estimates for these activities.



8. Guarantor agrees to submit revised financial statements, financial test data, and a special auditor's report and reconciling schedule annually, within 90 days of the close of the parent company guarantor's fiscal year.
9. Guarantor agrees that if, at the end of any fiscal year before termination of this guarantee, the guarantor fails to meet the financial test criteria, the licensee shall send within 90 days of the end of the fiscal year, by certified mail, notice to the NRC that the licensee intends to provide alternate financial assurance as specified in Appendix A of 10 CFR Part 40. Within 120 days after the end of the fiscal year, the guarantor shall establish such financial assurance if QMC has not done so.
10. The Guarantor also agrees to notify the beneficiary promptly if the ownership of the licensee or the parent firm is transferred and to maintain this guarantee until the new firm or the licensee provides alternate financial assurance acceptable to the beneficiary.
11. Guarantor agrees that within 30 days after it determines that it no longer meets the financial test criteria or that it is disallowed from continuing as a guarantor for the facility under License Number SUA-1473, it shall establish an alternate financial assurance, as specified in 10 CFR Part 40, Appendix A, as applicable in the name of QMC, unless QMC has done so.
12. Guarantor as well as its successors and assigns agree to remain bound jointly and severally under this guarantee notwithstanding any or all of the following: amendment or modification of license or NRC-approved decommissioning plan for that facility, the extension or reduction of the time of performance of required activities or any other modification or alternation of an obligation of the licensee pursuant to 10 CFR Part 40.
13. Guarantor agrees to remain bound under this guarantee for so long as QMC must comply with the applicable financial assurance requirements of 10 CFR Part 40, Appendix A, for the previously listed facility, except that guarantor may cancel this guarantee by sending notice by certified mail to the NRC and to QMC, such cancellation to become effective no earlier than 120 days after receipt of such notice by both NRC and QMC, as evidenced by the return receipts.

14. Guarantor agrees that if QMC fails to provide alternate financial assurance as specified in 10 CFR Part 40, Appendix A as applicable, and to obtain written approval of such assurance from the NRC within 90 days after a notice of cancellation by the guarantor is received by the NRC and QMC from the guarantor, guarantor shall provide such alternate financial assurance in the name of QMC or make full payment under the guarantee.
15. Guarantor agrees to be jointly and severally liable for all litigation costs incurred by the NRC in any successful effort to enforce the agreement against the guarantor.
16. Guarantor expressly waives notice of acceptance of this guarantee by the NRC or by QMC. Guarantor also expressly waives notice of amendments or modification of the decommissioning requirements and of amendments or modifications of the license.
17. If the guarantor files Financial Reports with the U.S. Securities and Exchange Commission, then it shall promptly submit them to the NRC during each year in which this guarantee is in effect.

I hereby certify that this guarantee is true and correct to the best of my knowledge.

Effective Date: \_\_\_\_\_

Corporate Seal

\_\_\_\_\_  
RIO ALGOM MINING CORP.

\_\_\_\_\_  
Robert P. Luke  
President

Attest:

\_\_\_\_\_  
Jack R. Morrison  
Assistant Secretary

RIO ALGOM MINING CORP.

C E R T I F I C A T E

I, DAVID J. CARTER, Assistant Secretary of RIO ALGOM MINING CORP. (the "Corporation"), a Delaware corporation, hereby certify that the following is a true extract from the By-Laws of RIO ALGOM MINING CORP. and that such is in full force and effect, and has not been rescinded:

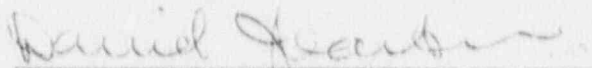
"ARTICLE X - EXECUTION OF DOCUMENTS

Contracts, documents or any instruments in writing requiring the signature of the Corporation shall be signed by any two of the directors, the President or a Vice-President or by any one of the foregoing together with the Secretary, the Treasurer, an Assistant Secretary or an Assistant Treasurer and all contracts, documents and instruments in writing so signed shall be binding on the Corporation without further authorization or formality.

The President together with the Secretary shall have the power from time to time in writing to appoint any officer or officers, person or persons on behalf of the Corporation either to sign contracts, documents and instruments in writing generally, or to sign specific contracts, documents or instruments in writing; and

The Seal of the Corporation may, when required, be affixed to contracts, documents and instruments in writing signed as aforesaid or by any officer or officers, person or persons duly appointed by the President and Secretary."

DATED at Toronto, Ontario, this 14th of December, 1990.

  
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David J. Carter  
Assistant Secretary