M/023/0003
cc: Wayne
Tom

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Paul Baker
Minerals Program Manager

December 19, 2011

Subject: *Upcoming Mining and Reclamation Plan Phase 2 Amendment Application*

Dear Paul:

Thank you for scheduling the meeting of December 14, 2011 between representatives of Materion Natural Resources (the "Company") and Division staff in order to discuss the subject. Attendees included John Wagner and Robert Dalton from Materion, Marit Sawyer from JBR Environmental Consultants, and Wayne Western and Tom Munson from your staff.

The meeting began with an explanation that the Company's proposed "Phase 2" Mining and Reclamation Plan ("Plan") amendment would need to be complete and approved by January 2014, with surety in place by June of 2014. This timeframe is necessary to ensure an uninterrupted ore feed supply. The Division indicated that a one year lead time on submitting a proposal should be adequate.

The Plan, as approved in 2006, outlined an ultimate, or Life of Mine ("LOM") permit area, and within that, the Logical Mining Unit ("LMU") concept of providing a detailed mine plan for the first Phase of development ("Phase 1"). The intent of the LMU phase approach was to provide flexibility in response to the Company's demand forecast while keeping detailed planning and surety to manageable levels. The remaining lands outside the initial Phase 1 LMU areas were included in the approved LOM permit area and will be available for future mining needs. Detailed planning for these future phase areas, as well as the surety requirements, will be established as amendments to the Plan when these lands are scheduled for development.

The Phase 1 plan is nearly finished. Mining of the LMU areas from the Fluro property is complete and the Rainbow is in progress. A recently approved amendment to the Monitor LMU is scheduled for stripping in the second quarter of 2012. Also, the South Wind Phase 1 LMU, as designed and approved, has been withdrawn from the Plan. This sequence of events has exhausted the Phase 1 approved plan. Therefore, it is now necessary to begin the application and approval process for the Phase 2 LMU plan.

Phase 2 will involve four mining properties; Fluro, Rainbow, South Wind, and Blue Chalk. Mining methods will remain the same, as will the highwall design. The pits will be larger and deeper due to increased strip ratios, grade considerations, and ore demand forecasts. The Plan amendment will move the completed Phase 1 information to an appendix, and insert the proposed Phase 2 information in its place. Explanations of the Phase transition will be discussed throughout the Plan in terms of acres planned for mining in Phase 2, acres being mined in Phase 1, reclamation status for Phase 1 and reclamation plan for Phase 2. The Plan will remain functionally the same, with only those pages needing changes being updated.

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There were two other meeting topics discussed:

- The Company's bond escalation requirement, which is submitted for review, and
- The reclamation plan for an access road that crosses Materion's land that was approved by the Division and constructed by Rare Earths Limited.

Bond Escalation: The calculation for the required five-year escalation of the bond amount was received by the Division on August 3, 2011. A letter issued by the Division dated September 28, 2011 acknowledged the first review of the submittal and included comments. The comments were discussed at length with the Division and the format and amount of the calculation were revised according to the Division's recommendations. The surety form was submitted again on December 1, 2011. The Company requests a letter from the Division acknowledging receipt of the submittal in compliance with the escalation requirement.

Rare Earths Limited Drilling: The Bureau of Land Management and the Division approved an exploration drilling notice submitted by Rare Earths Limited ("REL"). Both the Bureau and the Division failed to recognize in their review that approximately one-half mile of the proposed access road to the project area crossed Materion Natural Resources private property. It was assumed by both agencies that the pre-existing two-track road was entirely on BLM land. In an effort to be a good neighbor and not require REL to revise their notice and risk their drilling season, the Company allowed them to doze the road. An easement was offered to REL, but was not executed by them, on the promise to reclaim the road. The Division inspected the site at the request of the Company and noted reclamation work to be done in the inspection report. The Company requests that the Division coordinate with the BLM and require REL to reclaim the road.

If you have any question or comments, please call me during regular business hours on Monday through Thursday at (435) 864-1298.

Best Regards,

John Wagner

John Wagner
Materion Natural Resources

/jw
Cc: Alex Boulton, Robert J. Bayer