



August 9, 2018

Mr. David Ennis
Reclamation Specialist/Permit Lead
New Mexico Energy, Minerals and Natural Resources Department
Mining and Minerals Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Re: Financial Assurance Proposal
Copper Flat Mine
New Mexico Copper Corporation
New Mine Permit S10227RN

Dear Mr. Ennis,

Per your letter of July 13, 2018, and as required by 19.10.6.605.F NMAC and 19.10.12.1201.A NMAC, New Mexico Copper Corporation (NMCC) hereby submits its proposal for financial assurance of reclamation and closure of the Copper Flat Mine. As set forth in paragraph 1201.A, this proposal is based on estimates for a third-party contractor to complete the reclamation work. NMCC considers that this proposal is the basis for initiation of discussions with New Mexico Mines and Minerals Division (MMD) and other agencies, i.e., the New Mexico Environment Department (NMED) and the US Bureau of Land Management (BLM), that will ultimately result in the Director's determination of the amount of financial assurance needed to issue the permit. As such, it is understood that there may be questions and clarifications required of NMCC as agency review proceeds in order to reach agreement upon the final cost estimate. We look forward to those discussions.

Calculations of reclamation and closure costs have been prepared by SRK Consultants (SRK) using the Copper Flat reclamation designs and sequence submitted to MMD with the mine permit application package. Calculated costs assume the work is completed by a third-party contractor and other costs outlined in 19.10.12.1205 NMAC. SRK assumptions and calculations are documented in a technical memo, calculation spreadsheet, and appendices, all of which are provided with this letter.

The NMCC cost estimate conforms to requirements of 19.10.12 NMAC, including:

1. Reclamation and closure of the entire Copper Flat Mine Permit Area;
2. Contractor operating, maintenance, and management costs;
3. Equipment types, productivities, operating and maintenance costs expected to be attained by a third party contractor;

4. Pricing for fuel and consumables specific to the Copper Flat region;
5. Demolition and disposal of buildings, unused materials, and debris;
6. Earthwork activities necessary to achieve reclamation and closure designs submitted to MMD while reflecting the existing and future topography, hydrology, geology, and approved post-mining land use;
7. Costs for contract administration; mobilization; demobilization; engineering redesign; profit and overhead; procurement costs; reclamation plan management; and contingencies; and
8. Post reclamation monitoring.

Included in this letter are two summary tables that outline our proposed cost estimate. The electronic medium (thumb drive) provided herewith contains details of the proposal, including the Basis of Estimate memorandum, the Copper Flat SRCE Financial Assurance Model, and documents needed to support model inputs.

The documents provided with this proposal provide full life-of-mine third-party reclamation costs. NMCC proposes that it will consider utilizing the option of providing incremental financial assurance as outlined in 19.10.12.1202.A.2 NMAC, taking into account the mining and reclamation sequence submitted previously with the mine permit application package. NMCC also proposes to consider a net present value calculation as outlined in 19.10.12.1202.C NMAC. If either option is determined by NMCC to be a viable alternative, NMCC will provide details of the calculation(s) to MMD for review and approval.

The form of financial assurance will conform to 19.10.12.1203 NMAC. The specific form will be determined after plan details are established.

The financial assurance plan will be designed to meet financial assurance requirements of MMD, NMED, and BLM and NMCC proposes that the determined financial assurance is held jointly by the three agencies.

Don't hesitate to contact me with questions or for more information.

Sincerely,



Jeff Smith, COO
New Mexico Copper Corporation

Attachments:

1. Memo_Copper_Flat_LOM_Basis_of_Estimate_191000_060_FNL_20180801_ft.docxSRK
2. SRK SRCE Model, Copper_Flat_FA_SRCE_191000_060_FNL_20180801_ft.xlsm
3. SRCE Attachments

TABLE 1

**Closure Cost Estimate
 Property Information**

STANDARDIZED RECLAMATION COST ESTIMATOR

Version 2.0
 Build - Beta 01

COST DATA FILE INFORMATION	
File Name:	Copper_Flat_FA_SRCE_191000_060_FNL_20180802_ft.xlsm
Cost Data File:	Copper_Flat_CDF_191000_060_FNL_20180801_ft.xlsm
Cost Data Date:	July 1, 2018
Cost Data Basis:	User Data Data Cost Units: Imperial
Author/Source:	
PROJECT INFORMATION	
Property/Mine Name:	Copper Flat Property Code:
Project Name:	Copper Flat Reclamation Bond Cost Estimate 2018
Date of Submittal:	July 2018 Average Elevation 5450 ft.
Units of Measure:	<input type="radio"/> Metric (m, km, ha, etc.) <input checked="" type="radio"/> Imperial (ft, mi, acres, etc.)
Currency Symbol:	Dollar (US)
Project Type:	Mine Operations Plan
Land Type:	Private Land
Cost Basis Category:	Copper Flat FA
Cost Basis Description:	0

TABLE 2

Closure Cost Estimate
Acct Codes

Project Name: Copper Flat Reclamation Bond Cost Estimate 2018 - Reclamation Plan
 Date of Submittal: July 2018
 File Name: Copper_Flat_FA_SRCE_191000_060_FNL_20180802_ft.xlsm
 Model Version: Version 2.0
 Cost Data: User Data
 Cost Data File: Copper_Flat_CDF_191000_060_FNL_20180801_ft.xlsm
 Cost Estimate Type: FA Cost Basis: Copper Flat FA

Facility/Activity Type		Acct Code	Total Cost
			\$
1	Waste Rock Dumps		12,911,961
2	Tailings Storage Facility		17,728,017
3	Draindown Management		4,490,755
4	Buildings		1,911,273
5	Pits		1,937,882
6	Pit Rapid Fill		448,769
7	Roads		30,511
8	Ponds		298,257
9	Yards		1,486,311
10	Wells		134,488
11	Waste Disposal		82,483
12	Miscellaneous Linear Facilities		254,714
13	Monitoring		1,883,745
14	Reclamation Maintenance		688,791
15	Mob/demob		7,592
TOTALS			44,291,529

Engineering, Design and Construction Plan	1,771,661
Contingency	2,657,492
Contractor OH and Profit	4,429,153
Contract Administration	2,657,492
TOTAL COST	55,807,327