



Tyrone Operations
P.O. Box 571
Tyrone, NM 88065

December 4, 2020

Certified Mail #9171999991703579972845
Return Receipt Requested

Mr. Keith Ehlert
New Mexico Environment Department
Groundwater Quality Bureau
Mining Environmental Compliance Section
P.O. Box 5469
Santa Fe, NM 87502

Certified Mail #9171999991703579972852
Return Receipt Requested

Mr. David Ohori
Energy, Minerals & Natural Resources Dept
Mining and Minerals Division
Mining Act Reclamation Program
1220 South St. Francis Drive
Santa Fe, NM 87505

Dear Messrs. Ehlert and Ohori:

**Re: Freeport-McMoRan Tyrone Inc. Mining Act
Permit No. GR010RE and Discharge Permit DP-1341
Closure/Closeout Plan and Reclamation Cost Estimate**

On April 29, 2020, Freeport-McMoRan Tyrone Inc. (Tyrone) submitted an update to the Tyrone Closure/Closeout Plan (CCP) which included an updated cost estimate. In a letter dated November 4, 2020, the New Mexico Department of Energy Minerals and Natural Resources Mining and Minerals Division (MMD) notified Tyrone that the proposed updated closeout plan for Tyrone is technically approvable pursuant to 19.10.5.506.G NMAC and that they were processing the application under Revision 09-1 to Permit No. GR010RE. This letter is in response to MMD's notification and includes the final Net Present Value (NPV) calculation and a Financial Assurance (FA) proposal.

Final Net Present Value (NPV) Calculation

Based on the attached current cost cash flow (Table 1) approved by MMD in a letter dated November 4, 2020 and the NPV methodology proposed by the January 8, 2020, Joint Agency Response (for Chino, Tyrone, and Continental Mines), the resulting NPV is \$176,326,429.

FA Proposal

Tyrone proposes to change the FA instruments required under Permits GR010RE and Discharge Permit 1341 (DP-1341) consistent with the updated CCP and Reclamation Cost Estimate (RCE) and the recommendations in the January 8, 2020, Joint Agency Response. Tyrone

proposes to keep the Cash Trust, Collateral, Surety Bonds, and 3rd Party Guarantee instruments in place, but to update the values in accordance with the final NPV of \$176,326,429. The current and proposed FA instrument amounts are provided in the table below.

Instrument	¹Current Value (\$)	Proposed Amount (\$)	Percent	Note
Cash Trust (Floor Amount)	\$ 48,200,000	\$ 55,600,000	32%	Current Cash Trust: \$57,877,757 as of September 30, 2020
Collateral	\$ 48,549,200	\$ 48,549,200	28%	Approved 2014 Collateral Value (2014 Appraisal Value: \$60,686,500)
Surety Bonds	\$ 31,780,518	\$ 31,780,518	18%	Surety Bonds #'s: 022025842 and SU1142397
² LOC - MMD & BLM	\$ 170,874	\$ -	0%	LOC #: 96218/80085
² LOC - NMED	\$ 170,874	\$ -	0%	LOC #: 96219/80085
3rd Party Guarantee	\$ 50,804,400	\$ 40,396,711	23%	
Totals (\$)	\$ 179,675,866	\$ 176,326,429	100%	
¹ Currently required amounts per permits GR010RE and DP-1341.				
² For Copper Mountain South Pit Expansion Area only. Remaining scope for this line items is included in the Proposed Amount and Instruments.				

As shown above, Tyrone proposes to modify the Cash Trust Floor to reflect approximately 96% of the trust's market value as of September 30, 2020, with a corresponding adjustment to the Third-Party Guarantee amount.

If this proposal is approved, Tyrone separately proposes to terminate two letters of credit (LOCs) associated with Copper Mountain South Pit Expansion Area that were approved by MMD and the New Mexico Environment Department (NMED) in 2005 (Permit GR010RE Revision 03-1 and DP-1341). Tyrone will also seek approval from the Bureau of Land Management to terminate LOC 96218/80085.

Upon approval of the amounts proposed above, Tyrone will circulate three copies of the Certificate of Face Value Adjustment to change the amount of the Third-Party Guarantee for signatures on behalf of Freeport Minerals Corporation and Tyrone. Those three copies will then be sent to MMD to obtain approvals and signatures from the MMD and the NMED.

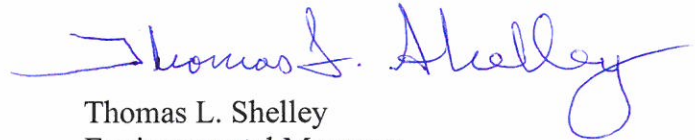
Messrs. Ehlert and Ohori

December 4, 2020

Page 3

Tyrone requests that MMD and NMED review and approve this proposal, which is a component of Tyrone's CCP and FA update. Should you have questions or comments regarding this report, please contact Ms. Mandy Lilla at (575) 912-5388.

Sincerely,



Thomas L. Shelley
Environmental Manager
Environmental Services

TLS:mjl
Attachments
20201204-100

c: Joseph Navarro - BLM

Table 1 - Financial Assurance Proposal for Permit GR010RE Revision 09-1 and DP-1341

NEW MEXICO NMED & MMD

DP-1341 & GR010RE Tyrone Mine Closure Financial Assurance

	Escalation Rate (Short-Term)	Escalation Rate (Long-Term)	Yr 1-10 Discount Rate	Yr 11-100 Discount Rate
Earth	2.24%	2.54%	5.09%	6.12%
Water	2.24%	2.54%	5.09%	6.12%

Component	Current Cost	NPV
Earthwork	\$105,465,018	\$81,001,968
Water Treatment	\$325,606,787	\$95,324,461
Total	\$431,071,806	\$176,326,429

Year	Earthwork Current Cost	Earthwork NPV	Water Treatment Current Cost	Water Treatment NPV
1	1,150,812	1,150,812	4,929,174	4,929,174
2	4,122,333	4,010,537	3,400,079	3,307,870
3	7,528,111	7,125,328	3,087,847	2,922,635
4	7,528,111	6,932,092	2,774,959	2,555,259
5	7,528,111	6,744,097	2,461,227	2,204,903
6	7,535,059	6,567,255	2,147,590	1,871,753
7	7,535,687	6,389,687	1,841,544	1,561,488
8	7,511,118	6,196,133	1,527,906	1,260,413
9	7,511,118	6,028,096	3,465,393	2,781,174
10	7,511,118	5,864,616	1,296,924	1,012,627
11	7,511,118	5,329,240	1,196,111	848,657
12	7,511,215	5,149,523	1,096,692	751,868
13	7,511,308	4,975,863	905,588	599,906
14	7,534,619	4,822,922	12,310,148	7,879,746
15	3,179,117	1,966,308	3,944,267	2,439,559
16	179,117	107,048	3,924,296	2,345,324
17	179,117	103,437	3,904,500	2,254,772
18	179,117	99,947	3,882,784	2,166,589
19	179,117	96,576	3,863,348	2,083,018
20	179,117	93,318	3,842,013	2,001,632
21	320,836	161,512	3,823,376	1,924,724
22	144,525	70,301	3,804,848	1,850,780
23	144,525	67,929	3,787,338	1,780,113
24	144,525	65,637	3,771,798	1,713,003
25	86,973	38,167	3,613,362	1,585,686
26	86,973	36,880	3,598,254	1,525,786
27	86,973	35,635	3,584,841	1,468,817
28	86,973	34,433	3,570,991	1,413,783
29	86,973	33,272	3,557,702	1,361,004
30	86,973	32,149	3,544,941	1,310,374
31	86,973	31,065	3,533,696	1,262,151
32	86,973	30,017	3,521,841	1,215,480
33	86,973	29,004	3,498,455	1,166,677
34	86,973	28,026	3,489,165	1,124,325
35	86,973	27,080	3,480,225	1,083,612
36	86,973	26,167	3,470,555	1,044,147
37	86,973	25,284	3,462,220	1,006,499
38	86,973	24,431	3,454,163	970,281
39	86,973	23,607	3,446,362	935,431
40	86,973	22,810	3,437,762	901,618
41	61,908	15,689	3,430,437	869,345
42	61,908	15,160	3,280,707	803,353
43	61,908	14,648	3,273,815	774,621
44	61,908	14,154	3,267,124	746,959
45	61,908	13,677	3,260,626	720,324
46	61,908	13,215	3,253,261	694,452
47	61,908	12,769	3,247,119	669,757
48	61,908	12,339	3,241,128	645,969
49	61,908	11,922	3,235,294	623,053
50	61,908	11,520	3,227,663	600,614
51	61,908	11,131	3,218,234	578,657
52	61,908	10,756	3,213,721	558,352
53	61,908	10,393	3,209,321	538,777
54	61,908	10,042	3,205,036	519,906

Table 1 - Financial Assurance Proposal for Permit GR010RE Revision 09-1 and DP-1341

Year	Earthwork Current Cost	Earthwork NPV	Water Treatment Current Cost	Water Treatment NPV
55	61,908	9,704	3,200,859	501,712
56	61,908	9,376	3,196,785	484,169
57	61,908	9,060	3,192,815	467,255
58	61,908	8,754	3,187,896	450,796
59	61,908	8,459	3,184,114	435,072
60	61,908	8,174	3,180,432	419,908
61	61,908	7,898	3,176,826	405,282
62	61,908	7,631	3,173,310	391,177
63	61,908	7,374	3,169,875	377,571
64	61,908	7,125	3,166,512	364,446
65	61,908	6,885	3,163,232	351,787
66	61,908	6,653	3,160,028	339,575
67	61,908	6,428	3,155,846	327,685
68	61,908	6,211	3,152,767	316,322
69	61,908	6,002	3,149,763	305,359
70	61,908	5,799	3,146,823	294,782
71	61,908	5,604	3,143,948	284,577
72	61,908	5,415	3,141,128	274,730
73	61,908	5,232	3,138,377	265,230
74	61,908	5,055	3,135,882	256,078
75	61,908	4,885	3,133,443	247,247
76	61,908	4,720	3,131,039	238,723
77	61,908	4,561	3,128,681	230,496
78	61,908	4,407	3,126,364	222,555
79	61,908	4,258	3,124,082	214,890
80	61,908	4,115	3,121,835	207,491
81	61,908	3,976	3,118,568	200,282
82	61,908	3,842	3,116,376	193,389
83	61,908	3,712	3,114,222	186,736
84	61,908	3,587	3,112,108	180,314
85	61,908	3,466	3,110,015	174,114
86	61,908	3,349	3,107,941	168,128
87	61,908	3,236	3,105,909	162,349
88	61,908	3,127	3,103,905	156,771
89	61,908	3,021	3,101,931	151,386
90	61,908	2,919	3,099,985	146,187
91	61,908	2,821	3,098,069	141,168
92	61,908	2,726	2,953,562	130,043
93	61,908	2,634	2,951,711	125,578
94	61,908	2,545	2,949,875	121,266
95	61,908	2,459	2,948,076	117,103
96	61,908	2,376	2,946,291	113,084
97	61,908	2,296	2,944,532	109,204
98	61,908	2,219	2,942,796	105,458
99	61,908	2,144	2,941,083	101,841
100	61,908	2,071	2,939,400	98,349
Total	105,465,018	81,001,968	325,606,787	95,324,461