



Freeport-McMoRan Chino Mines Company  
P.O. Box 10  
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August 5, 2020

**Certified Mail: 7018 2290 0001 6073 8273**

Mr. Holland Shepherd, Manager  
Energy, Minerals and Natural Resources Department  
Mining and Minerals Division  
1220 South St. Francis Drive  
Santa Fe, NM 87505

**Certified Mail: 7018 2290 0001 6073 8266**

Mr. Kurt Volbrecht, Manager  
New Mexico Environment Department  
Water Protection Division  
PO Box 5469  
Santa Fe, NM 87502

Dear Mr. Shepherd and Mr. Volbrecht:

**Re: Freeport-McMoRan Chino Mines Company  
Mining Act Permit No. GR009RE and Discharge Permit DP-1340**

This letter corrects Freeport-McMoRan Chino Mines Company's ("Chino") proposal for updates to the required financial assurance as part of its pending applications to revise Permit GR009RE and to renew and modify DP-1340. Chino submitted a proposal for financial assurance on July 28, 2020. Upon review, an error was discovered and has been corrected below. The surety amount of \$254,000 in the July 28, 2020 proposal is associated with the Chino portion of the Cobre Haul Road. The cost of reclaiming that project has now been included in the Chino Reclamation Cost Estimate using slightly different methods for calculation of the cost estimate and net present value. Therefore, the surety bond amount has been removed and \$254,000 has been added to the Third Party Guarantee provided below.

The Reclamation Cost Estimate was approved by the Mining and Minerals Division in a letter dated May 26, 2020. Chino's proposal for updates to the required financial assurance for Chino's operations was prepared as outlined in the January 8, 2020, Joint Agency Response regarding the Final Net Present Value Calculation and Framework for Adjustment of Financial Assurance Instruments, along with Chino's comments in its letter dated January 23, 2020. Chino requests that the New Mexico Department of Energy Minerals and Natural Resources Mining and Minerals Division (MMD) and the New Mexico Environment Department (NMED) review and approve this financial assurance proposal which is a component of Chino's Closure/Closeout Plan and Financial Assurance update.

### Final NPV Calculation

Based on the revised cash flow submitted by Chino on April 8, 2020 and approved by MMD on May 26, 2020 and the NPV methodology proposed by the January 8, 2020, Joint Agency Response, a revised NPV calculation was provided on June 16, 2020. The resulting NPV is \$228,393,363.

### Financial Assurance (FA) Proposal

Chino proposes to change the FA instruments required under Permits GR009RE and DP-1340 consistent with the updated CCP and RCE and the recommendations in the January 8, 2020, Joint Agency Response and Chino's January 23, 2020 letter. Chino proposes to keep the same FA instruments in place, but to modify the values of the Cash Trust Floor and Third Party Guarantee to provide the NPV of \$228,393,363. The current FA instrument amounts and the proposed instrument amounts are provided in the table below.

Instrument	Current Amount	Proposed Amount	Percent	Note
Cash Trust (Floor Amount)	\$121,000,000	\$138,811,000	61%	Actual Cash Trust Value was <b>\$144,595,304</b> as of June 30, 2020
3 <sup>rd</sup> Party Guarantee	\$45,336,545	\$89,582,363	39%	
Total	\$171,640,047	\$228,393,363	100%	

\*Note – the values above do not include required financial assurance covered by surety bonds for the 3A and North Lampbright Stockpiles which were permitted separately.

Chino proposes to modify the Cash Trust Floor and the Third Party Guarantee amounts as shown in the "Proposed Amount" column in the table above once approved by the Agencies. The Cash Trust Floor amount will be specified in the Permit Revision document to be issued by MMD, along with the other amounts specified above. There should be no need to modify the financial assurance instruments associated with the Cash Trust or the Surety Bond(s). Upon approval of the amounts proposed above, Chino 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 Chino. Those three copies will then be sent to the Mining and Minerals Division to obtain approvals and signatures from the Mining and Minerals Division and the New Mexico Environmental Department.

Sincerely,

Sherry Burt-Kested, Manager  
Environmental Services  
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