



Freeport-McMoRan Chino Mines Company  
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February 7, 2020

Mr. Holland Shepherd, Manager  
Mining and Minerals Division – EMNRD  
Mining Act Reclamation Program  
1220 South St. Frances Drive  
Santa Fe, NM 87505

**Certified Mail #70182290000160737542**  
**Return Receipt Requested**

Kurt Vollbrecht, Manager  
Mining Environmental Compliance Section  
Ground Water Quality Bureau – New Mexico Environment Department  
P.O. Box 5469  
Santa Fe, NM 87502

**Certified Mail #70182290000160737559**  
**Return Receipt Requested**

**Re: Freeport-McMoRan Chino Mines Company Permits GR002RE and DP-1403 (Continental Mine)**

Dear Mr. Shepherd and Mr. Vollbrecht:

This letter transmits the required modifications for the Continental Mine outlined in the January 8, 2020, Joint Agency Response regarding the Final Net Present Value Calculation and Framework for Adjustment of Financial Assurance Instruments for the Continental Mine and the Updated Closure/Closeout Cost Estimate for the Continental Mine. Freeport-McMoRan Chino Mines Company (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 these final submittals which are components of the Continental Mine Closure/Closeout Plan and Financial Assurance update.

**Revised Reclamation Cost Estimate RCE**

Transmitted by a letter dated April 2, 2019, Chino submitted an updated detailed cost estimate for closure/closeout of the Continental Mine. Since the changes required by the January 8, 2020, Joint Agency Response are minor, Chino is providing an Errata Sheet listing the replacement pages for the Earthwork and Water Management Cost Estimate Summary Report, Continental Mine dated March 2019, Telesto Solutions Inc. (Please see Attachment 1 to this letter). The replacement pages of the cost estimate are provided in Attachment 1.

The revised Table 2 (provided in Attachment 1) of the Summary Report shows that the revised total earthwork cost increased to \$22,916,005 (current dollars) after implementing the corrections for "Miscellaneous Areas" revegetation and well plugging costs approved for update in the January 8, 2020, Joint Agency Response. This brings the total current dollar amount (including water management) for the Continental Mine to \$25,061,005.

The updated Continental Mine Earthwork Cash Flow from the RCE to be used in the net present value (NPV) calculation is also provided in Attachment 1. The water management cash flow did not change.

#### Final NPV Calculation

Based on the revised cash flow above and the NPV methodology proposed by the January 8, 2020, Joint Agency Response, a revised NPV calculation is provided in Attachment 2. The resulting NPV for the Continental Mine is \$21,444,901.

#### Financial Assurance (FA) Proposal

Chino proposes to revise FA instruments for the Continental Mine generally consistent with the recommendations in the January 8, 2020, Joint Agency Response. As stated in Chino's response dated January 23, 2020, Chino proposes to keep the same FA instruments in place for the Continental Mine, but to modify the values of the Cash Trust Floor and Third Party Guarantee to provide the NPV amount shown above. The current FA instrument amounts and the proposed instrument amounts are provided in the table below.

Instrument	Current Amount	Proposed Amount	Note
Cash Trust (Floor Amount)	\$5,300,000	\$5,500,000	Actual Cash Trust Value was \$6,015,606.22 as of Jan 31, 2020
Surety Bond	\$632,612	\$632,612	
Collateral	\$13,908,900	\$13,908,900	
3 <sup>rd</sup> Party Guarantee	\$8,146,372	\$1,403,389	
<b>Total</b>	<b>\$27,987,884</b>	<b>\$21,444,901</b>	

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 would 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, the Surety Bond or the Collateral. Chino will supply the documents to revise the Third Party Guarantee within 15 days of receipt of the Agencies' approval of the Proposed Amount.

Electronic copies of the RCE spreadsheets, NPV calculation and this letter will be sent to you via email within a week.

Thank you for your attention to these matters and please call me if you have any questions.

Best Regards,



Sherry Burt-Kested  
Manager, Environmental

c:  
Anne Maurer - NMED, MECS  
Kevin Myers - MMD

## Errata Sheet

The following pages were changed and require replacement in the Earthwork and Water Management Cost Estimate Summary Report, Continental Mine dated March 2019, Telesto Solutions Inc. to comply with the January 8, 2020 Joint Agency Letter.

<u>Report Section</u>	<u>Page/Tab</u>	<u>Title of Page (if applicable)</u>
Main Report	6	NA
Main Report	7	Table 2 – Earthwork Costs
Appendix A	8	Facility Characteristics Form – Miscellaneous
Appendix B	Unit Rates	Unit Rates Worksheet
Appendix B	1 General	General Information with Total Earthwork Cost
Appendix B	3 Material	Material Handling Plan Summary Sheet
Appendix B	4 Earthwork	Earthwork Quantity Worksheet
Appendix B	14 Revegetation	Revegetation Costs – for Miscellaneous Added
Appendix B	16 Sum	Reclamation Summary by Component
Appendix B	17a Facility Char	Details by Facility
Appendix B	17b Facility Char	Facility Characteristics – Costs by Major Unit
Appendix B	CashFlow	Earthwork Cash Flow

## Continental Mine - NPV Calculation

February 6, 2020

		Yr 1-10	Yr 11-100
Escalation Rate		2.24%	2.54%
Discount Rate		5.09%	6.12%

Component	Current Cost	NPV
Earthwork	\$ 22,916,005	\$ 19,826,507
Water Management	\$ 2,144,516	\$ 1,618,394
<b>Total</b>	<b>\$25,060,520</b>	<b>\$ 21,444,901</b>

Year	Earthwork				Water Management and Treatment			
	Current Cost			NPV	Current Cost			NPV
	Capital <sup>1</sup>	O&M <sup>2</sup>	Total		Capital Cost <sup>3</sup>	O&M <sup>4</sup>	Total	
1	300,000	12,340	312,340	312,340	105,864	120,515	226,378	226,378
2	4,414,226	31,186	4,445,412	4,324,854	0	120,515	120,515	117,246
3	5,264,007	53,660	5,317,667	5,033,152	0	120,515	120,515	114,067
4	4,346,719	72,218	4,418,936	4,069,079	0	120,515	120,515	110,973
5	4,761,825	110,212	4,872,037	4,364,639	0	120,515	120,515	107,964
6	300,000	110,212	410,212	357,524	211,049	113,326	324,375	282,712
7	0	110,212	110,212	93,451	0	93,501	93,501	79,281
8	0	110,212	110,212	90,917	0	93,501	93,501	77,131
9	0	110,212	110,212	88,451	0	93,501	93,501	75,040
10	0	110,212	110,212	86,052	19,612	93,501	113,113	88,317
11	0	110,212	110,212	78,197	0	85,238	85,238	60,478
12	0	110,212	110,212	75,559	0	85,238	85,238	58,437
13	0	110,212	110,212	73,010	153,264	81,644	234,908	155,615
14	0	106,618	106,618	68,247	0	3,594	3,594	2,301
15	0	106,618	106,618	65,944	0	3,594	3,594	2,223
16	0	106,618	106,618	63,720	0	3,594	3,594	2,148
17	0	88,955	88,955	51,370	0	3,594	3,594	2,076
18	0	88,955	88,955	49,637	0	3,594	3,594	2,006
19	0	88,955	88,955	47,962	0	3,594	3,594	1,938
20	0	88,955	88,955	46,344	0	3,594	3,594	1,873
21	0	38,506	38,506	19,384	0	3,594	3,594	1,809
22	0	38,506	38,506	18,730	0	3,594	3,594	1,748
23	0	38,506	38,506	18,098	0	3,594	3,594	1,689
24	0	38,506	38,506	17,488	0	3,594	3,594	1,632
25	0	38,506	38,506	16,898	0	3,594	3,594	1,577
26	0	38,506	38,506	16,328	0	3,594	3,594	1,524
27	0	38,506	38,506	15,777	0	3,594	3,594	1,473
28	0	38,506	38,506	15,245	0	3,594	3,594	1,423
29	0	38,506	38,506	14,730	0	3,594	3,594	1,375
30	0	38,506	38,506	14,234	0	3,594	3,594	1,329
31	0	38,506	38,506	13,753	0	3,594	3,594	1,284
32	0	38,506	38,506	13,289	0	3,594	3,594	1,240
33	0	38,506	38,506	12,841	0	3,594	3,594	1,199
34	0	38,506	38,506	12,408	0	3,594	3,594	1,158
35	0	38,506	38,506	11,989	0	3,594	3,594	1,119
36	0	38,506	38,506	11,585	0	3,594	3,594	1,081
37	0	38,506	38,506	11,194	0	3,594	3,594	1,045
38	0	38,506	38,506	10,816	0	3,594	3,594	1,010
39	0	38,506	38,506	10,451	0	3,594	3,594	976
40	0	38,506	38,506	10,099	0	3,594	3,594	943
41	0	15,369	15,369	3,895	0	3,594	3,594	911
42	0	15,369	15,369	3,763	0	3,594	3,594	880
43	0	15,369	15,369	3,636	0	3,594	3,594	850
44	0	15,369	15,369	3,514	0	3,594	3,594	822
45	0	15,369	15,369	3,395	0	3,594	3,594	794
46	0	15,369	15,369	3,281	0	3,594	3,594	767
47	0	15,369	15,369	3,170	0	3,594	3,594	741
48	0	15,369	15,369	3,063	0	3,594	3,594	716
49	0	15,369	15,369	2,960	0	3,594	3,594	692
50	0	15,369	15,369	2,860	0	3,594	3,594	669
51	0	15,369	15,369	2,763	0	3,594	3,594	646
52	0	15,369	15,369	2,670	0	3,594	3,594	624

## Continental Mine - NPV Calculation

	53	0	15,369	15,369	2,580	0	3,594	3,594	603	
	54	0	15,369	15,369	2,493	0	3,594	3,594	583	
	55	0	15,369	15,369	2,409	0	3,594	3,594	563	
	56	0	15,369	15,369	2,328	0	3,594	3,594	544	
	57	0	15,369	15,369	2,249	0	3,594	3,594	526	
	58	0	15,369	15,369	2,173	0	3,594	3,594	508	
	59	0	15,369	15,369	2,100	0	3,594	3,594	491	
	60	0	15,369	15,369	2,029	0	3,594	3,594	475	
	61	0	15,369	15,369	1,961	0	3,594	3,594	459	
	62	0	15,369	15,369	1,895	0	3,594	3,594	443	
	63	0	15,369	15,369	1,831	0	3,594	3,594	428	
	64	0	15,369	15,369	1,769	0	3,594	3,594	414	
	65	0	15,369	15,369	1,709	0	3,594	3,594	400	
	66	0	15,369	15,369	1,652	0	3,594	3,594	386	
	67	0	15,369	15,369	1,596	0	3,594	3,594	373	
	68	0	15,369	15,369	1,542	0	3,594	3,594	361	
	69	0	15,369	15,369	1,490	0	3,594	3,594	348	
	70	0	15,369	15,369	1,440	0	3,594	3,594	337	
	71	0	15,369	15,369	1,391	0	3,594	3,594	325	
	72	0	15,369	15,369	1,344	0	3,594	3,594	314	
	73	0	15,369	15,369	1,299	0	3,594	3,594	304	
	74	0	15,369	15,369	1,255	0	3,594	3,594	294	
	75	0	15,369	15,369	1,213	0	3,594	3,594	284	
	76	0	15,369	15,369	1,172	0	3,594	3,594	274	
	77	0	15,369	15,369	1,132	0	3,594	3,594	265	
	78	0	15,369	15,369	1,094	0	3,594	3,594	256	
	79	0	15,369	15,369	1,057	0	3,594	3,594	247	
	80	0	15,369	15,369	1,021	0	3,594	3,594	239	
	81	0	15,369	15,369	987	0	3,594	3,594	231	
	82	0	15,369	15,369	954	0	3,594	3,594	223	
	83	0	15,369	15,369	922	0	3,594	3,594	216	
	84	0	15,369	15,369	890	0	3,594	3,594	208	
	85	0	15,369	15,369	860	0	3,594	3,594	201	
	86	0	15,369	15,369	831	0	3,594	3,594	194	
	87	0	15,369	15,369	803	0	3,594	3,594	188	
	88	0	15,369	15,369	776	0	3,594	3,594	182	
	89	0	15,369	15,369	750	0	3,594	3,594	175	
	90	0	15,369	15,369	725	0	3,594	3,594	169	
	91	0	15,369	15,369	700	0	3,594	3,594	164	
	92	0	15,369	15,369	677	0	3,594	3,594	158	
	93	0	15,369	15,369	654	0	3,594	3,594	153	
	94	0	15,369	15,369	632	0	3,594	3,594	148	
	95	0	15,369	15,369	610	0	3,594	3,594	143	
	96	0	15,369	15,369	590	0	3,594	3,594	138	
	97	0	15,369	15,369	570	0	3,594	3,594	133	
	98	0	15,369	15,369	551	0	3,594	3,594	129	
	99	0	15,369	15,369	532	0	3,594	3,594	124	
	100	0	15,369	15,369	514	0	3,594	3,594	120	
	Total	19,386,777	3,529,228	22,916,005	19,826,507	489,788	1,654,727	2,144,516	1,618,394	

## Notes

- 1 Includes all earthwork direct and indirect costs - Refer to Earthwork Cash Flow sheets from the S Stockpile\_Tailing Earthwork cost estimate spreadsheets
- 2 Includes all revegetation and all other maintenance costs -Refer to Earthwork Cash Flow sheets from the S Stockpile\_Tailing Earthwork cost estimate spreadsheets
- 3 Includes water management capital and capital removal costs - Refer to Water Management Summary and Water Management Worksheet #3
- 4 Includes routine maintenance and replacement O&M-Refer to Water Management Summary and Water Management Worksheet #3



**Table 2 Earthwork Costs**

Item	Subtotal, Direct Costs	Subtotal, Indirect Costs	Total Estimated Cost
<b>Capital Item</b>		<b>30%</b>	
<b>Tailing Ponds</b>			
Main Tailings Impoundment	\$2,233,007	\$669,902	\$2,902,909
Magnetite Tailings Impoundment	\$779,787	\$233,936	\$1,013,723
<b>Subtotal</b>	<b>\$3,012,794</b>	<b>\$903,838</b>	<b>\$3,916,633</b>
<b>Waste Rock and Ore Piles</b>			
SWRDF	\$8,004,435	\$2,401,331	\$10,405,766
No. 3 Stockpile	\$48,381	\$14,514	\$62,895
Low Grade Ore WRF	\$265,991	\$79,797	\$345,789
<b>Subtotal</b>	<b>\$8,318,807</b>	<b>\$2,495,642</b>	<b>\$10,814,450</b>
<b>Mines</b>			
Hanover Mountain Deposit	\$850,562	\$255,169	\$1,105,730
Continental Pit	\$74,070	\$22,221	\$96,291
<b>Subtotal</b>	<b>\$924,632</b>	<b>\$277,390</b>	<b>\$1,202,021</b>
<b>Surface Impoundments</b>			
Surface Impoundments	\$46,041	\$13,812	\$59,854
<b>Subtotal</b>	<b>\$46,041</b>	<b>\$13,812</b>	<b>\$59,854</b>
<b>Historic Sites</b>			
Pearson-Barnes Mine Area	\$113,233	\$33,970	\$147,202
<b>Subtotal</b>	<b>\$113,233</b>	<b>\$33,970</b>	<b>\$147,202</b>
<b>Other Disturbed Areas</b>			
Miscellaneous Areas	\$568,537	\$170,561	\$739,098
North Overburden Stockpile	\$18,072	\$5,422	\$23,494
<b>Subtotal</b>	<b>\$513,654</b>	<b>\$154,096</b>	<b>\$667,750</b>
<b>Demolition</b>			
Demolition	\$1,524,735	\$457,421	\$1,982,156
<b>Subtotal</b>	<b>\$1,524,735</b>	<b>\$457,421</b>	<b>\$1,982,156</b>
<b>Total Capital Cost without CHR</b>	<b>\$14,526,852</b>	<b>\$4,358,055</b>	<b>\$18,884,908</b>
<b>Cobre Haul Road</b>	<b>\$386,053</b>	<b>\$115,816</b>	<b>\$501,869</b>
<b>Total Capital Cost with CHR</b>	<b>\$14,912,905</b>	<b>\$4,473,871</b>	<b>\$19,386,777</b>
<b>Operations and Maintenance</b>		<b>17.5%</b>	
O&M	\$3,003,598	\$525,630	\$3,529,228
<b>Total Earthwork with O&amp;M</b>	<b>\$17,916,503</b>	<b>\$4,999,501</b>	<b>\$22,916,005</b>