



COLORADO

**Division of Reclamation,
Mining and Safety**

Department of Natural Resources

1313 Sherman Street, Room 215
Denver, CO 80203

June 6, 2016

Mr. Miguel Hamarat
Climax Molybdenum Company
Henderson Mine
P.O. Box 68
Empire, CO 80438

**Re: Climax Molybdenum Company; Henderson Mine; Permit No. M-1977-342;
Notice of Financial Warranty Increase (SI-03)**

Dear Mr. Hamarat:

The Division of Reclamation, Mining and Safety (Division) currently holds a financial warranty in the amount of \$28,502,700.00 for the Climax Molybdenum Company (CMC) - Henderson Mine. In June 2015, CMC submitted an updated Closure Cost Estimate, Version 6.0, to the Division in the amount of \$56,142,434.00. The Division reviewed and accepted this amount, which equates to an increase of \$27,639,734.00.

CMC presently has three (3) separate types of financial warranties posted with the Division in the amount of \$28,502,700.00. These consist of Conditional Promissory Notes for the Use with Deed of Trusts, per Rule 4.9.1, for Henderson water rights in the amount of \$8,596,169.00 and water rights associated with the Climax Mine in the amount of \$9,552,480.00. This equates to a total value of the water rights posted with the Division in the amount of \$18,148,649.00. In addition, the Division currently holds a Corporate Surety, per Rule 4.3.3, in the amount of \$10,133,000.00 and a Letter of Credit, per Rule 4.3.4, in the amount of \$221,051.00. In aggregate, these instruments represent the present financial warranty of \$28,502,700.00.

The Division has required CMC to post a portion of the total financial warranty in cash or other easily convertible instruments to operate essential environmental facilities during the first months following a potential financial warranty forfeiture. The present amount for this requirement is \$221,051.00, posted as a Letter of Credit. On November 24, 2015, the Division recalculated the required easily convertible financial warranty in the amount of \$2,908,950.00, an increase of \$2,687,899.00. A copy of the estimate was sent to Henderson for review and no comments were received. The acceptable forms of financial warranties for the easily convertible amount of \$2,908,950.00 are Cash Bonds (Rule 4.3.1), Irrevocable Letters of Credit (Rule 4.3.4) and Certificates of Deposit (Rule 4.3.5).



The required surety increase amount is \$27,639,734.00. Of this amount, at least \$2,908,950.00 must be posted in an easily convertible amount as described above. In addition, as discussed during the May 4, 2016 meeting, the water rights warranties must be reviewed and updated as outlined in Division's letter dated January 12, 2016.

Pursuant to Rule 4.2.1(2) of the Mineral Rules and Regulations of the Colorado Mined Land Reclamation Board for Hard Rock, Metal, and Designated Mining Operations, the Permittee shall have up to sixty (60) days to post additional Financial Warranty from the date of written notice from the Office or Board. CMC will have sixty (60) days from the date of this letter to submit riders or new financial warranties per Rule 4.2. The due date is August 5, 2016.

Application forms for the various types of Financial Warranty can be found at the following website: <http://mining.state.co.us/Forms/Pages/WarrantyForms.aspx>.

If you have any questions regarding the Financial Warranty forms please contact Barbara Coria at (303) 866-3567 Ext. 8148.

If you have any questions regarding this process or the bond calculation, please contact me at (303) 866-3567 Ext. 8124.

Sincerely,



Peter S. Hays
Environmental Protection Specialist

Cc: Wally Erickson; Division of Reclamation, Mining and Safety
Barbara Coria; Division of Reclamation, Mining and Safety
Tony Waldron; Division of Reclamation, Mining and Safety
Tyler O'Donnell; Division of Reclamation, Mining and Safety
Michael Cunningham; Division of Reclamation, Mining and Safety
Stephanie Mitchell; Division of Reclamation, Mining and Safety
Jeff Fugate; Office of the Attorney General

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