Copper Flat Mine Update
Statement by Jeff Smith, New Mexico Copper Corporation
Provided to the Water and Natural Resources Committee
July 31, 2019

Introduction

The Copper Flat Mine is a proposed polymetallic mine and processing facility located near Hillsboro, New Mexico. Facilities planned for Copper Flat are an open pit mine, a concentrate flotation plant, a tailings storage facility, waste rock storage facilities, and ancillary facilities. Economic resources at Copper Flat include copper, gold, silver, and molybdenum.

Copper Flat is in Sierra County approximately 30 miles southwest of Truth or Consequences. The site is reached by traveling south on Interstate Highway 25, exiting onto State Highway 152 west towards Hillsboro and Silver City, and continuing 12 miles to the Gold Dust Townsite turnoff. Copper Flat is approximately two miles west of Highway 152.

The owner of the project is New Mexico Copper Corporation (NMCC), a New Mexico Domestic Corporation that was organized in 2010 for the purpose of developing the Copper Flat Mine. NMCC is a wholly owned subsidiary of THEMAC Resources Group Ltd. The majority shareholder in THEMAC is the Tulla Group, a private family company based in Sydney, Australia. Tulla has funded the project to-date and thus far, Tulla has spent more than $55 million to provide for acquisition, exploration, technical studies and permitting.

Copper Flat is located within the Hillsboro Mining District and records of mining in the Copper Flat area begin in 1877. Remnants of underground and surface mining dating to that era are found throughout the project area and the Copper Flat

property is anchored by several Company owned patented mining claims. A large number of historic mine workings are present along arroyos and mineralized veins that radiate out from the Copper Flat intrusive center similar to the spokes on a wheel. When viewing on a large-scale map that identifies copper deposits of the southwestern US and northwestern Mexico, Copper Flat can be seen to be part of the large mineral trend that includes several porphyry copper deposits at Silver City, eastern and central Arizona, and Northern Mexico.

The Copper Flat project schedule is comprised of a 2-year construction period followed by 12-years of operation. Reclamation of the site will begin during the operation and will continue for 6-years after operations end. Water management, individual facility closure, and long-term monitoring of the site will continue after site reclamation is complete.

Environmental Protection

The Copper Flat Mine is designed to meet or exceed health, safety and environmental requirements. NMCC plans for Copper Flat include reuse of existing infrastructure to limit the overall impact of the proposed mine, and facility designs incorporate state-of-the-art materials, best practices, and sound engineering principles to provide for protection of the environment, surrounding ecosystems, and other users of the State's natural resources.

Baseline environmental studies started in 2010 at Copper Flat with approval of NMCC environmental sampling and analysis plans. Operational planning, facility

designs, and reclamation planning started shortly thereafter, and starting in 2012, initial plans and permit applications were submitted to the New Mexico Mining and Minerals Division, the New Mexico Environment Department, the New Mexico Office of the State Engineer, and the US Bureau of Land Management. In the 7 years since that time, the state and federal permitting authorities have conducted a very thorough and rigorous review of NMCC plans and designs.

NMCC reclamation plans are designed to configure and stabilize the site against erosion; return the site to the current land uses of wildlife habitat, livestock grazing, and recreation; and develop a self-sustaining ecosystem. NMCC will post financial assurance for the reclamation and closure of Copper Flat and the FA will be held jointly by the MMD, the NMED, and the BLM. Reclamation and closure cost calculations are developed from engineering designs and include costs for contractor performance of the work, equipment mobilization and demobilization, water management, long-term site monitoring, and agency management and contract administration costs. The financial assurance calculation currently totals $71 million and discussions with the agencies are ongoing.

In July 2018, the MMD issued a letter stating that NMCC's operation and reclamation plans are technically approvable according to 19.10.6.605.E NMAC. In December 2018, the NMED found that NMCC's plans and designs meet the requirements of the Copper Rule and the Agency issued Discharge Permit DP-1840 to New Mexico Copper. In April 2019, the BLM issued the completed

Environmental Impact Statement on NMCC's proposed plan of operations for the Copper Flat Mine.

Water

NMCC recognizes that water is a limited resource in New Mexico and the Company will implement best management practices to limit water use and increase water conservation at the mine. NMCC has prepared a water balance model to predict total water requirements for the operation. The NMCC model calculates water additions and deductions on a monthly basis for the entire life of mine. The NMCC model incorporates monthly precipitation and evaporation data developed from historical records for the area, runoff area measurements taken from site plans, and accepted stormwater runoff factors. With this information, NMCC has identified several water conservation measures that will be implemented at Copper Flat.

Water requirements are driven primarily by the ore processing rate and the mine will need 6,100 acre feet of water per year for the planned operation. A groundwater model to evaluate pumping effects on surface and groundwater has been prepared by John Shomaker and Associates (JSAI). The JSAI model has been shared with NM OSE hydrologists and the model incorporates their comments.

Water used at the Copper Flat mine will come from several sources including the Company's groundwater wells, pit dewatering, and stormwater runoff from mine

affected areas. The mine water supply wells are in the Lower Rio Grande Basin, approximately 6 miles west of Caballo Reservoir and 8 miles east of Copper Flat.

NMCC currently owns 861 AF of adjudicated water rights and the Company is considering options to secure additional water rights from within the LRG to operate the mine.

Economic Benefits

Developing the Copper Flat Mine will provide tremendous economic benefit to New Mexico. Project capital includes $360 million in construction and start-up costs. The NMSU Arrowhead Center has projected 1,300 direct and indirect jobs will develop in New Mexico as a result of project construction. During operation, NMCC has identified the need for 270 employees at the mine and the Arrowhead Center projects that many more indirect jobs will develop in Sierra County and throughout the State.

New Mexico Copper is already contributing to the local communities, Sierra County, and the State of New Mexico. 70 percent of the current project spending to-date, about $40 million, has been paid to New Mexico residents, companies and agencies. This money has been paid out for salaries, meals, lodging, fuel and supplies in the local community; property taxes and electrical power in the county; and professional services and state fees in Albuquerque and Santa Fe.

A wide range of skills will be needed to build and operate the mine. Many of the jobs at Copper Flat will not require special training or certification before hiring.

Prior experience will be useful, but a wide range of experience is acceptable and the primary qualifications for many jobs at the mine will be dependability, safety, and ability to learn. New Mexico Copper will provide job training to develop the skills needed for advancement at the mine and to help provide for an employee's future success beyond Copper Flat.

The Copper Flat Mine will lead to an increase in other jobs within the local community through the growth of necessary support businesses. Health care services, grocery stores, hardware stores, gas stations, convenience stores and restaurants will all reap the benefits of a new workforce and their families who will be earning and spending good wages in the community. Mine employees bring spouses and other family members with skills needed to fill job growth in the community.

New Mexico Copper is dedicated to hiring New Mexicans who have the skills, experience and drive to become a part of a great team engaged in constructing and operating the Copper Flat Mine. This goal includes significant job opportunities for the residents of Sierra County and the surrounding area. New Mexico Copper is an equal opportunity employer and the Company's hiring practices will adhere to all federal and state guidelines, policies and laws. Our hiring preferences for the mine are straightforward: hire from the local community; hire from the Jicarilla Apache Nation, which is providing important support for the mine; and hire individuals who will become part of the local community.

In addition to job opportunities, the project will result in significant expenditures on materials and goods produced in the County and the State, and the mine is projected to generate $175 million in total taxes over the 12-year mine life.

The Importance of Copper

Copper is a critical component of the clean energy revolution and uses for copper are rapidly expanding with the energy transition that is occurring today. Copper has superior properties that allow it to be used for many types of clean energy, including cost and electrical conductivity. Copper is used in a growing number of applications that range from power generation to energy storage and in the shift to electric and hybrid electric vehicles. The Copper Development Association predicts that by 2040, wind and solar will produce more electricity than any other source in the world. As these technologies grow, they will depend heavily on copper's reliability and high standard of performance to generate, transmit and store electricity. Current statistics for the use of copper include:

- Electric vehicles now contain three to four times the amount of copper used in a conventional fossil fuel only powered vehicle;
- There are 7,800 pounds of copper per megawatt of power output in a typical land-based wind farm power system; and
- 11,000 pounds of copper per megawatt of solar power systems.

Conclusion

The state and federal agencies responsible for regulatory compliance in New Mexico have performed a very lengthy and thorough review of the Copper Flat plans. NMCC has developed plans and designs that meet or exceed the very rigorous requirements of the New Mexico Mining Act and the NMED Copper Rule and the Copper Flat Mine is positioned to meet the local need for jobs and economic growth, as well as contribute to the growing need for materials to support production of clean energy and other components of modern life.