



DEPARTMENT OF THE ARMY
LOS ANGELES DISTRICT, U.S. ARMY CORPS OF ENGINEERS
915 WILSHIRE BOULEVARD, SUITE 930
LOS ANGELES, CALIFORNIA 90017

Office of the Commander
and District Engineer

28 Feb 2014

Mr. Rod Pace
President/CEO
Rosemont Copper Company
PO Box 35130
Tucson, Arizona 85740

Dear Mr. Pace:

I am writing in regard to the proposed Rosemont Open Pit Copper Mine for which Rosemont Copper Company (Rosemont) has submitted an application for a Department of the Army permit pursuant to Section 404 of the Clean Water Act to discharge fill material into waters of the U.S. (WUS) within the Barrel Canyon watershed, near Tucson, Pima County, Arizona.

I appreciated the opportunity to meet with you and your team on January 29, 2014 and visit the proposed mine site. As part of the site visit, Rosemont presented preliminary information regarding potential mitigation to offset environmental losses resulting from unavoidable impacts to approximately 68.8 acres of WUS associated with the proposed discharges of fill material.

As you are aware, our Senior Regulatory Project Manager, Ms. Marjorie Blaine, has worked diligently with Ms. Kathy Arnold and Rosemont's consultants, WestLand Resources, for approximately two years meeting initially monthly, and subsequently, weekly for the past year. The primary focus of these meetings has been in regard to the development of potential compensatory mitigation to offset the impacts to WUS.

While I understand there was, for a period of time, a good possibility that a new in-lieu fee (ILF) mitigation plan at Pantano Dam, along with associated water rights, had the greatest potential to provide a majority of credits needed to offset the impacts of the proposed discharges, other sites (Sonoita Creek Ranch and Fullerton Ranch) were retained as options to provide additional mitigation credits. The current Pima County Regional Flood Control District/Tucson Audubon Society ILF program also has a small number of available advance credits that could be purchased if the ILF sponsor is willing to sell them. Unfortunately, the new ILF mitigation plan for Pantano Dam was withdrawn by the ILF sponsor on December 30, 2013.

Since that time, Ms. Blaine has conveyed the urgency and importance of Rosemont developing sole permittee responsible mitigation which complies with the "Mitigation Rule" codified at 33 C.F.R. Part 332 and 40 C.F.R. Part 230. In accordance with 33 C.F.R. §

332.3(a)(2), Ms. Blaine articulated it is imperative Rosemont focus on restoration/enhancement of WUS to offset the direct loss of 40 acres of WUS, and has suggested other potential mitigation opportunities for Rosemont to investigate. Unfortunately, Rosemont has continued to present mitigation plans which provide more acres of upland and riparian preservation, with some enhancement, than acres of actual restoration/enhancement of WUS.

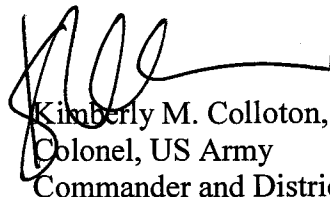
The U.S. Forest Service (USFS) plans to issue its final Record of Decision (ROD) after the conclusion of their NEPA Objection Process. As a cooperating agency, the Corps has worked closely with the USFS to ensure the EIS and the Section 404 permit processes were concurrent. It is my desire and plan to complete a ROD regarding the Department of the Army permit application by June 30, 2014.

I plan to advise the USFS by April 16, 2014, as to whether adequate compensatory mitigation exists to offset the unavoidable impacts to WUS. To this end, in accordance with 33 C.F.R. § 332.4(c)(1)), I am requesting that Rosemont submit a detailed compensatory mitigation plan that addresses the items described at 33 C.F.R. § 332.4(c)(12) through (c)(14) by April 1, 2014.

In the interim time, Ms. Blaine will continue to work closely with Ms. Arnold and WestLand Resources to ensure expedited review of conceptual plans and on calculating the amount of compensatory mitigation provided by such plans using the Corps' regional Mitigation Ratio Checklist process. She will also coordinate with the U.S. Environmental Protection Agency to allow that agency to review and comment on the components of the conceptual and detailed plans as they are developed.

I look forward to receiving your detailed mitigation plan. If you have any questions, please contact Ms. Blaine at (520) 584-1684 or Mr. David Castanon, my Regulatory Division Chief, at (805) 584-2141. A copy of this letter is being furnished to Mr. Jim Upchurch, U.S. Forest Service, Coronado National Forest, 300 W Congress St., Tucson AZ 85701 and Mr. Jason Brush, Wetlands Office, U.S. Environmental Protection Agency, Region IX, 75 Hawthorne St., San Francisco, CA 94105.

Sincerely,



Kimberly M. Colloton, P.E.
Colonel, US Army
Commander and District Engineer