

March 21, 2022

TO: Mr. Jaime Chamberlain, Chairman

FROM: Luis Ramirez, President, Ramirez Advisors Inter-National

SUBJECT: Monthly Report of Activities – February 2022

On behalf of Ramirez Advisors Inter-National, LLC (“RAI-N”) allow me to present our activity report to you and the Board of Directors of the Greater Nogales Santa Cruz County Port Authority. As always, we request and welcome your continued comments and suggestions as to how we can improve on our services, our communications and on our activities on your behalf. With your feedback, we will make every effort to improve our response to your directives and ensure an effective implantation of the initiatives at hand.

Our recent activities on behalf of the GNSCCPA have focused on the following key areas:

1. Mariposa Cold Room Project Update;
2. Joint Task Force visits Nogales;
3. Briefing for new Sonora State Representative;
4. IBWC Hosts Southeast Arizona Citizens Forum;
5. Approval of Corporate Amended Bylaws;
6. South32 Presentation on Pre-Feasibility Study for Hermosa Project;
7. Roundtable discussion with Senator Sinema; and
8. SR-189 Project approaches completion.

This report is not intended to be a full description of all activities but rather, provides highlights and information on the direction of our activities to keep the Board of Directors informed and to ensure adherence to the vision and guidance imparted to RAI-N by the GNSCCPA and its leadership. Throughout this period, RAI-N has maintained active and frequent communications with Ms. Allison Moore, Mr. Bruce Bracker and various other members of the Board of Directors in order to ensure that we have a fully coordinated approach to our efforts. RAI-N stands ready to address any issue, concern or suggestion that may arise from this report and from our on-going dialogue with the leadership and the Board of Directors.

1. **MARIPOSA COLD ROOM PROJECT UPDATE**

- Work with the General Services Administration (GSA) continues on the project.
- GSA has provided initial response to changes suggested by Technical Team on the Revocable License Agreement.
- Technical discussions continue between PA and GSA on architectural requirements, including the easements for the electric energy service.
- Port Authority is working with the architects to complete 90% design for submission.

2. **JOINT TASK FORCE VISITS NOGALES**



- On February 4, 2022, the newly created Commercial Vehicle Enforcement Task Force (CVETF) that brings together the Arizona Department of Public Safety and the Enforcement and Compliance Division of the Arizona Department of Transportation, conducted a visit to Nogales to meet with the leadership of the Port Authority.
- This Task Force, created in December of 2021, is an “agreement to streamline and enhance the vehicle enforcement at Arizona’s ports of entry located at interstate and international borders.”
- Under the agreement, 89 ADOT sworn enforcement officers and 49 non-sworn personnel are assigned to the DPS CVETF on a full-time basis.

- Chairman Chamberlain and Vice Chair Josh Rubin met with the Task Force to stress the importance of the working relationship that has been established over the past 6 years between industry and ADOT.
- RAI-N reminded the task force that ADOT has a Memorandum of Understanding (MOU) in effect between ADOT and the Federal Motor Carriers Safety Administration (FMCSA) on the way that ports operate under state ownership and the collocation of both state and federal inspection personnel at the ports.
- Chairman Chamberlain stressed the importance of the voluntary training and compliance programs that have resulted in lower Out of Service Orders, fewer fines and enhanced competitiveness vis a vis corridors leading to California, New Mexico and Texas.

- Vice Chair Rubin stressed the growing number of trucks rely on an effective and efficient inspection process and reassured of the commitment to work with the Task Force to find ways to improve the process and seek additional gains.

3. **BRIEFING FOR NEW SONORA STATE REPRESENTATIVE**



- On February 8, 2022, Mark Sanders of ADOT, along with Luis Ramirez and Martin Rodriguez of RAI-N, provided a detailed briefing on border projects for David Figueroa, Sonora State Representative.

- The briefing included a bit of an overview of the history of the relationship, the progress to date on SR-189, the need to modernize the DeConcini port of entry, and the work underway to update the Arizona-Sonora Border master Plan.

- Mr. Figueroa, who originates from Agua Prieta, Sonora, was very familiar with the issues and encouraged a continued working dialogue to address issues of mutual interest.

- Unfortunately Mr. Figueroa will not

be able to participate in the March Board meeting but plans to participate in the April meeting.

4. **IBWC HOSTS SOUTHEAST ARIZONA CITIZENS FORUM**

- On February 10, the International Boundary and Water Commission hosted a meeting of the Southeast Arizona Citizens Forum and one of the principle topics for discussion was the start of the modernization project for the International Our=tfall Interceptor (IOI).
- As can be seen from the slides below, planning for the project is well underway and the positive impacts of the improvements will benefit the community for generations to come.

Nogales Trunkline and IOI Projects Phasing

- Phases 1-3: Rehab of 5.3 Miles of piping and 56 manholes
 - Construction Award: 7/13/21
 - Contractor: SAK Construction
 - Cost: \$13.8 Million
 - Includes Wash repairs at MH 86 and 93 for IOI protection
- Phases 4 & 5: Rehab of 3.4 Miles of piping and 38 manholes
 - Solicitation upcoming Spring 2022
 - Expected Construction Award Date: 9/30/22
 - Anticipated Construction Completion: 2024

Rehabilitation Phases 1-3 Status Update

- Construction Completion Required: 10/29/23
- Preparation of preconstruction submittals and permits (City of Nogales, UPRR & 404/401)
- Anticipated Construction Start: February 2022
- Install CIPP starting at Phase 1 by plant and work upstream
 - Phase 1 to start February 2022
 - Phase 3 to start August 2022
 - Phase 2 to start January 2023
- Wash repairs at MH 86 and MH 93 to start February/March 2022

Construction Requirements Status Update

City of Nogales (CON) Requirements:

Right of Entry

- Required before Contractor can enter the City's right of way along the existing pipeline of the Trunkline and IOI
- Agreement finalized December 2021

Bypass Plan Approval

- CON review and approval of bypass piping plan for Phase 2 in progress
- Meetings held to discuss and address CON concerns
- SAK revising bypass plan and will resubmit
- Pending information from CON for existing waterline by Public Works Building and any additional permits required

Traffic Control Approval

- CON review and approval of traffic control plan for Phase 2 pending SAK submission of plan

Construction Requirements Status Update

UPRR Permit - Contractor Right of Entry (ROE) Status

- Contractor must obtain their Right of Entry to enter the UP ROW for either rehab or Wash repairs under the USIBWC permit
- Contractor ROEs for Wash Repairs Approved in 2021
- Contractor ROE for CIPP and Manhole Rehab Phase 2 Approved 2021
- Contractor ROE for CIPP and Manhole Rehab Phase 1 in progress – addressing comments for bypass crossing under tracks

Environmental Clearance for Wash Repairs

- Requirements under the USACE Nationwide Permit (NWP) No. 13, Bank Stabilization
- Coordination with USFWS for mitigation measures to protect endangered species in the Potrero Creek – awaiting their concurrence

5. APPROVAL OF CORPORATE AMENDED BYLAWS

- During the February 16, 2022 Board meeting, the Board approved an update of the Bylaws for the corporation.
- Principal among the amendments, are:
 - Updated the membership of the organization,
 - clarification on the succession of leadership of the organization;
 - provides the ability for proxy votes in compliance with Arizona statutes.
- Special thanks to Port Authority Legal Counsel Robert “Kip” Martin for his invaluable insights to ensure that all amendments complied with all applicable laws and statutes.

6. SOUTH32 PRESENTS ON PRE-FEASIBILITY STUDY

- During the February 16 meeting, Pat Risner, President of South32, provided an update on the findings of the Pre-Feasibility Study for the Hermosa project, tapping into the Taylor resource and actually provides insights into the possible expansion of operations into the Clark Resource.
- Among the most salient themes raised by Mr. Risner during his presentation were:
 - Commitment to a carbon-neutral operation
 - Reliance on electric trucks for transport of materials
 - A footprint that is a fraction of similar operations, just a few hundred acres versus several thousand acres for other projects

- Anticipated investment of \$1.7 billion in the development of the Taylor Deposit
- Several hundred million dollars more could be committed for the Clark deposit in the future.
- An economic impact study is in the work and should be released in late March, 2022
- A copy of the complete study can be found at:
 - <https://www.south32.net/our-news/pre-feasibility-completed-for-hermosa-s-taylor-deposit>



TRANSPORT AND LOGISTICS

Hermosa is well located with the potential to serve multiple markets from established infrastructure

Concentrate readily exported to Asian and European smelters

Access to multiple North American ports

Concentrate expected to be trucked to a rail transfer facility or directly to port

Feasibility study to investigate the potential to supply smelters in the Americas

Transport logistics map showing routes to Phoenix, Hermosa project, Asian markets, and Americas markets.

SLIDE 14

PFS CAPITAL EXPENDITURE

Upfront investment required to support additional orebody dewatering

Four year construction period following final investment decision

Pre-production capital expenditure (US\$M)

- Direct costs: 1,000
- Indirect costs: 1,000
- Total: 2,000

Includes shaft development, 2,000M, mobile equipment and infrastructure

Includes shaft development, 2,000M, mobile equipment and infrastructure

Includes processing plant, 1,000M, tailings and utilities

SLIDE 15

PFS TIMELINE AND APPROVALS

Taylor feasibility study and a final investment decision expected in mid CY23

Preferred development path assumed in the PFS**

PFS completed (H2 FY22) → Dewatering construction commences (H2 FY22) → Feasibility study completed and final investment decision (Mid CY23) → Shaft development commences (FY24) → First production targeted (FY27)

Key approvals and permits required for the Taylor Deposit

- Initial underground development, surface infrastructure and initial tailings placement are expected to be located on patented mining claims, requiring approvals and permits from the State of Arizona. Several State-based permits for dewatering are already held
- Surface disturbance on unpatented land will require completion of the National Environmental Policy Act (NEPA) process with the United States Forest Service to receive a Record of Decision (ROD)
- ROD would enable the establishment of tailings storage capacity on unpatented land
- The project may benefit from the classification of metals found at Hermosa as critical minerals in the United States. Zinc is proposed to be added as a critical mineral by the U.S. Geological Survey while manganese (Clark Deposit) already has this designation

SLIDE 20

LOOKING AHEAD

PFS results show Taylor's potential to underpin Hermosa's first stage of development

Taylor feasibility study and final investment decision expected in mid CY23

Critical path works including dewatering infrastructure expected to commence in H2 FY22

We are assessing Clark's potential to be a second development option at Hermosa

Evaluating opportunities to reduce initial capital, including further optimisation of the shaft design, construction and procurement

Planning to drill the high priority flux prospect in late FY22, subject to receipt of permits

SLIDE 21

7. SENATOR SINEMA HOSTS ROUNDTABLE DISCUSSION WITH LOCAL LEADERSHIP

- On February 19, 2022, Senator Kyrsten Simena hosted a roundtable discussion with invited leaders from both the public and private sector at the Dos Cabezas Winery in Sonoita, Arizona.
- For those invited by the Senator, it was an opportunity to provide 3-to-4-minute updates on key issues.
- Among the topics covered during the meeting were:
 - Port of Entry Infrastructure, particularly the need to modernize the DeConcini Port of Entry (work with GSA to start Feasibility Study as soon as possible) and Modernization of Interchanges at Ruby Road and Rio Rico Drive on I-19 **(Jaime Chamberlain)**
 - Supply Chain issues and challenges **(Josh Rubin)**
 - Deploy mesh to stop drug bundles that may be inserted into the IOI (\$3 million request)**(Supervisor Bracker)**
 - Need to update CBP staffing model for ports of entry, as mission requirements continue to expand **(Guillermo Valencia)**
 - Continue to support efforts to protect the import of fresh produce from Mexico from politically-driven attacks by Florida producers **(Scott Vandervoet)**
 - High level overview of the Hermosa Mine Feasibility Study (key highlights: projected investment, job creation, environmental footprint minimization, production of minerals that are of interest for national security)**(Pat Risner)**
 - Need to support border retail sector **(Olivia Ainza Kramer)**
 - Need to complete projects that remain unfinished on the border and address the issue of materials and equipment that has been left along the border **(Dan Bell)**.



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8. ADOT NEARS COMPLETION OF SR-189 PROJECT

- As ADOT nears the completion of the SR-189 Modernization Project, work is underway in the planning for a small Ribbon Cutting Ceremony to commemorate the completion of this momentous project.
- A note was sent out to the Board of the Port Authority on February 25 asking people to set aside the tentative date for the festivities:

PA Board members,

*With the announcement from ADOT that the SR-189 flyovers are now operational, we wanted to give you a HEADS UP that we are working with ADOT on a ribbon cutting ceremony marking the completion of the project tentatively for 10:00 AM on Friday, March 11, 2022. **Details have not been finalized** but we wanted to give as much advance notice as possible. Please be on the lookout for an invite from ADOT in coming days that should provide more information.*

Given the short notice, this event will be far smaller than the groundbreaking. While the groundbreaking had about 150 people we anticipate this to be a +/- 50 person event. ADOT is working on finalizing the invite list as we speak.

Again, this is only a heads up as we hope each of you will be able to participate in this momentous occasion.

We ask that you please keep this information to this group for now until additional information becomes available. If there are any questions, please do let me know - but please know that the details are still being worked out.

*Respectfully,
Luis Ramirez*

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RAMPING UP for the Future

New flyover ramps open for travel as work continues on SR 189

Work continues on State Route 189 to complete the SR 189: international border to Grand Avenue project in Nogales.

The new flyover ramps that connect SR 189 to Interstate 19 in both north and south directions open to traffic for the first time.

Work will continue through March to complete the project whose purpose is to improve traffic flow and safety.

Motorists should proceed through the work zone with caution, slow down and watch for construction personnel and equipment.

Work is occurring in conjunction with the [SR 189 improvement project between the international border and Grand Avenue in Nogales](#).



*Schedules are subject to change based on weather and other unforeseen factors. For more information, please call the ADOT Bilingual Project Information Line at 855.712.8530 or go to azdot.gov/contact and select **Projects** from the drop-down menu. For real-time highway conditions statewide, visit ADOT's Traveler Information Site at www.az511.gov, follow ADOT on Twitter [@ArizonaDOT](https://twitter.com/ArizonaDOT), or call 511 except while driving.*

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