

MINUTES
SENATE RESOURCES & ENVIRONMENT COMMITTEE

- DATE:** Monday, February 11, 2013
- TIME:** 1:30 P.M.
- PLACE:** Room WW55
- MEMBERS PRESENT:** Chairman Pearce, Vice Chairman Bair, Senators Cameron, Siddoway, Brackett, Heider, Tippetts and Lacey
- ABSENT/EXCUSED:** Senator Stennett
- NOTE:** The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.
- CONVENED:** **Chairman Pearce** called the meeting to order at 1:32 p.m. and said the first order of business would be to approve some minutes.
- MOTION:** **Senator Bair** moved that the minutes of January 30th be approved. **Senator Siddoway** seconded the motion. The motion carried by **unanimous voice vote**.
- WELCOME:** **Chairman Pearce** welcomed the mining industry personnel who will present today's program. Special recognition was given to Senator Larry Craig. Also introduced was Ms. McKinsey Lyon who will be the program's moderator.
- Ms. Lyon** works for Gallatin Public Affairs and said she represents a handful of the companies here today. Her plan is to have each entity present for ten minutes and after everyone has presented, if time permits, there will be "Q and A" time. The focus of the presentations will be in regards to the permitting process and the economic impact of exploration from the perspective of both the junior exploration companies and the more senior companies with operations already running in Idaho.
- SPEAKER:** **Mr. Jack Lyman**, Executive Director, Idaho Mining Association, made a presentation of slides and a talk regarding the economic impact that mining has on Idaho by its six operating members. These six companies produce about 85 percent of the minerals and employ about half of the people in the industry, as well as paying 65-70 percent of the wages paid related to mining.
- Mr. Lyman** stated that Steven Peterson, Research Economist with the College of Business and Economics at the University of Idaho was employed to create a study, with the result being the economic impact made by the employment, wages and purchases of the mining industry. Thirty-one hundred people were employed and their wages amounted to \$267 million. In 2011, \$1.03 billion was added to the gross state product. The average wage per employee is about \$85,000, including benefits. As a result of the 3,100 people employed, another 5,000 jobs are generated by the mining industry. The total of those 9,000 jobs create \$523 million. Of the 3,100 mine workers, \$102 million is generated for state and local taxes. (See Attachment 1).
- SPEAKER:** **Mr. Del Steiner**, President and CEO of Premium Exploration, was the next speaker. He said they are operating in the Elk City area and the project area is 18 miles long and 3.5 miles wide. They are looking for new mines but there are lots of old mines there. **Mr. Steiner** said it was a good way to explore for precious metals. The drill rig that is in use is on rubber tracks, so it makes very little impact going through the forest, and requires very little road to travel.

The Buffalo Gulch Gold Mine was slated to go into production in 1992 by another mining company but was stopped because of the wetlands by the Corps of Engineers during the Clinton administration. Now, there are multiple deposits with growth potential. They are the Deadwood deposit, the Buffalo Gulch deposit and the Friday-Petsite deposit.

Premium Gold believes in jobs and the economy. They started drilling in 2009, have spent over \$15 million and employ up to 20 people at a time. However, in 2011, they employed 40 people. As they continue to grow, they expect to employ up to 500 people. **Mr. Steiner** stated that as a company, they support the local economy and participate in community activities. He also is a lifelong resident of Idaho, received his education here, and is an environmentally conscious citizen. (See Attachment 2).

SPEAKER:

The next speaker was **Ms. Anne Labelle**, Vice President of Midas Gold Corporation. She introduced three coworkers - Jeffrey Root, Jane Suggs and Rocky Chase.

Midas Gold's project is the Golden Meadows Project located in the historic mining area of Stibnite, in Valley County. It is a redevelopment of an area actively mined from 1928 to 1997 with concurrent reclamation. They also have three other pits in the area, namely Yellow Pine, West End and Hangar Flats. The minerals they are looking for are gold and antimony.

Ms. Labelle stated that the company wants to do what is right by developing a sustainable project. They will design for closure; protect and enhance water quality, fisheries, wetlands and groundwater; engage, inform, consult and consider stakeholders' input; and demonstrate significant net benefits. She said that if they are able to mine the area, they hope to leave the land better than they found it.

The company is taking a proactive approach and have had a positive local impact, as they are hiring locally, using local suppliers and contractors and participating in local activities. Regarding environmental affairs, they are doing more than is required by addressing historic legacy impacts, voluntary remediation and stakeholder engagement.

Ms. Labelle said they are the largest private employer in Valley County and approximately \$45 million was spent in Idaho in 2012. If, in the future, they are able to open a mine, they estimate there would be 400 direct employees; 1,000 indirect jobs created; and an average annual payroll of approximately \$20 million. Midas Gold is a publicly traded company and have investors. The biggest question from the investors is in regards to timing of the permits. The federal time lines are a great concern to them as it takes a long time. **Ms. Labelle** said that time means everything to them and they would like to shorten that up. (See Attachments 3 and 4).

SPEAKER:

Ms. Erika Stoner, Mine Manager for Agrium/NuWest, presented next. She introduced Ms. Katy McKinley, the Mine Permitting Manager and said that Senator Tippetts is her Public Relations Manager. **Senator Tippetts** asked to speak and said that he not only worked for Agrium, but Ms. Stoner is his supervisor.

Ms. Stoner said that southeast Idaho and Wyoming are locations for some of the richest phosphate ore concentrations in the U.S. Phosphate is primarily used as crop nutrient (fertilizer), pharmaceuticals, industrial products and in food and beverages. The Conda Phosphate Operations produces fertilizer products and is one of the largest facilities in the U.S. It has approximately 250 employees at the plant. Crop Production Services is their retail outlet and it supports their wholesale operations as well. It provides fertilizer, seed and agronomic services and has 300 employees in Idaho and thousands of employees across North America.

The current and planned operations are in North Rasmussen, Lane's Creek, Rasmussen Valley, North Dry Ridge, Husky 1 and Husky 2. The North Rasmussen Ridge Mine has approximately 240 employees and has an excellent safety record. The proposed Rasmussen Valley Project began permitting in 2010 and production is expected in 2017.

Most of the lands they utilize are federal or have a federal compliance which involves the National Environmental Protection Act (NEPA). The NEPA process is scoping (agency and public input); environmental impact analysis; draft environmental impact statement; public comment; final environmental impact statement; and record of decision. Agrium recognizes that collaboration with governmental and non-governmental agencies, as well as the public, is critical to the success and sustainability of phosphate mining in Idaho. (See Attachment 5).

SPEAKER: **Mr. Bill Scales**, President of Formation Capitol Corporation, U.S., was the next presenter. He stated that Formation is an Idaho based company and is a producer of high period cobalt. Cobalt is a strategic metal that is critical in many applications in the defense and aerospace industries. Currently, the United States consumes 60 percent of the world's cobalt production.

The Idaho cobalt project is comprised of a mine in the Salmon-Challis National Forest, located in the Blackbird Mining District approximately 20 miles west of Salmon. There is a hydrometallurgical facility located near Kellogg and access is by Forest Service roads.

Mr. Scales said that after spending ten years in the NEPA process, Formation was able to secure all the permits that were required for the Idaho Cobalt Project. This past summer, construction was started on building access roads and putting in service features. It is an underground mine with a small environmental footprint on National Forest Lands and will be 100 percent reclaimable. There will be no tailings pond, but tailings will be disposed of in a lined storage facility and water discharge will meet drinking water quality standards. Currently, the Idaho Cobalt Project has a ten year mine life.

The current hydrometallurgical facility near Kellogg has a leach section, a copper refining facility and a precious metals refinery. The precious metals refinery is currently in operation and they are looking to expand.

Mr. Scales said that during the construction phase, they anticipate employing up to 200 contractors and consultants. At full production, they will have 160 permanent employees. The annual payroll during production is estimated to be about \$10 million, with \$1.5 million in taxes to be paid by employees, and approximately \$5.8 million in corporate taxes. (See Attachment 6).

SPEAKER: **Mr. Kirk Williams**, Corporate Counsel and Holdings Manager for ISR Capital, spoke next. He stated that their focus is natural resources in the immediate region of Idaho and portions of the surrounding states. They procure capital and invest capital in underwritten projects and manage those investments. **Mr. Williams** said that there are states that have over regulated, such as Montana, and now has no mining industry.

SPEAKER: He then introduced **Mr. Dhwani Pambhar** who is the economist for the company. **Mr. Pambhar** provided statistics, furnished by the National Mining Association, Bureau of Labor Statistics for 2010. (See Attachment 7).

SPEAKER: Next to speak was **Mr. Christopher Guill**, President of Goldhill Reclamation and Mining. He said it is one of the youngest and smallest mining companies in Idaho. They are currently working in Quartzburg, near Placerville, and believes there is tremendous potential in this area. His family has invested their own money, as has ISR Capital as their primary partner, in putting this project together.

A reclamation project was just completed where 200,000 tons of mine tails were removed in the Quartzburg district. In closing, **Mr. Guill** said their goal is to bring jobs and employment to Boise County.

SPEAKER:

Closing out the presentations on mining in Idaho was **Mr. Ernest Simmons**, President and CEO of Atlanta Gold Corporation. He has been involved in Atlanta Gold since January, 2008, but his experience in Idaho began 35 years ago when he came from Canada to develop the Blackbird Mine in Cobalt. **Mr. Simmons** said that he and Idaho have a long history in mining and he believes mining should be an integral part of our future.

The Atlanta Gold mine is located near the historic mining town of Atlanta, Idaho, approximately 100 miles northeast of Boise. The site was originally mined in the 1860's, and for a time, the gold was used to fund the Confederate Army during the Civil War. Their current activity is on 2,500 acres consisting of private and leased lands from the U.S. Forest Service, where they conduct numerous sampling and exploration programs to provide them an estimate of the resources. **Mr. Simmons** stated that they anticipate becoming fully-permitted and operational by 2016 and have a resource recovery schedule that will take them through a minimum 30 years.

Mr. Simmons said that Atlanta Gold accepted the site with all of its legacy issues. One of those legacy issues has been the leaching of arsenic into the Middle Fork of the Boise River due to old mining practices. This problem persisted for many years. For the last five years, they have worked to resolve this issue and he is happy to report that they have installed a passive filtration system and it is successfully removing the arsenic from the water that flows into the river.

Another challenge has been trying to come into compliance, but their Plan of Operations has never been accepted nor approved. Finally, after much time and expense, a court ruling supported their Plan of Operations and that the plan would be executed in cooperation with the U.S. Forest Service. The fine imposed by the court is a minimum of \$2 million dollars. **Mr. Simmons** said that Atlanta Gold does not own, nor lease the land, but they have invested over \$2 million in water treatment, tunnel maintenance, road maintenance, and chemicals for treating the water.

Mr. Simmons indicated that if they could operate their mine, it would generate 400 jobs for families in Idaho and it would add significantly to the tax base from circulating dollars within the business community. (See Attachments 8, 9 and 10 for additional information).

Chairman Pearce thanked all the participants for providing information to the Committee regarding some of Idaho's resources.

He then asked the participants, if they could obtain their permits now, how many people could they put to work? **Mr. Steiner**, Premium Exploration, estimated 80-100 over the next 3-4 years, and after completed development, 500-700 employees. **Ms. Stoner**, Agrium, said they will maintain their current employees at 250. **Ms. Lavelle**, Midas Gold, said that in 2012, they had 146 direct and indirect employees. It is anticipated that in five to seven years, they would have 1,000 employees during the construction phase of the mine and 400 employees during the operational phase of the mine. **Mr. Guill**, Goldhill Mining, stated that they currently employ 25 full-time employees and seasonally, an additional 30.

Senator Siddoway asked what could the legislature do to make the next mine project come to fruition and also, how can the legislature better support the mining industry? **Mr. Lyman** replied that he feels all the representatives of mining that are here today are prepared to meet whatever standards the state of Idaho or the federal government were to impose on them. The problem the mining industry encounters is the constant delay of decisions from those agencies. The state seems to be much better with permitting, but the federal government is very slow. **Mr. Lyman** emphasized that if a resolution was made to Congress to expedite these issues, it would make a difference. If there was constant pressure put on the federal government to make timely decisions, he feels it would make a big difference.

ADJOURNED: Due to time constraints, **Chairman Pearce** adjourned the meeting at 3:00 p.m.

Senator Pearce
Chairman

Juanita Budell
Secretary