



Sept. 25, 2013

The Honorable Mark Dayton
Governor, State of Minnesota
130 State Capitol
St. Paul, MN 55155

RE: Minnesota Should Say Yes to Copper-Nickel Mineral Development

Dear Governor Dayton:

Anti-mining activists opposed to mineral development in Minnesota are urging you, as the state's chief executive, to address four questions before the state approves any proposed copper-nickel mining projects. These questions are focused on ensuring Minnesota's water resources are protected, that environmental safeguards are in place, that proper reclamation of mine sites will occur after mining is completed, and that taxpayers will be protected from any financial burdens. We agree that these are all good questions — and that there are fact-based answers that will give you and all the citizens of Minnesota the utmost confidence that new copper-nickel mining projects can bring unprecedented economic opportunity to Minnesota while protecting our precious natural environment. In short, can Minnesota enjoy both mining growth and a healthy environment? The answer is unequivocally **YES**.

1) Will Minnesota's water stay safe and clean?

YES, our water will be protected and be kept safe. The Minnesota Pollution Control Agency (MPCA) and the Federal Environmental Protection Agency have multiple specific water quality standards and regulations. Companies are required to have controls in place to comply with comprehensive environmental standards — assuring clean and safe water, air and land.

2) Are there strong safeguards in place for when things go wrong?

YES, safeguards require companies to demonstrate necessary remediation funding. Further, plans are in place to first prevent pollution and, second, address any potential unforeseen issues. The Minnesota Department of Natural Resources (DNR) and the U.S. Army Corps of Engineers, U.S. Forest Service, and Bureau of Land Management all require thorough environmental review of potential impacts before permits are issued. Should unplanned issues arise during operation, the Minnesota DNR and MPCA have authority to require corrective enforcement actions to remedy the issues. This requires additional financial assurance.

3) Will the company leave the site clean and maintenance free?

YES, state and federal agencies mandate the reclamation of all mining and processing activity, including mines, tailing basins, waste rock, wetland restoration, re-vegetation of disturbed ground, closure and post closure maintenance. In addition, strong financial requirements in Minnesota assure responsible clean-up. The financial assurance must be available to the state at all times and is adjusted annually by the state. Provisions for post closure maintenance are in place as a tool to eliminate the potential for water quality problems that have been documented from past mining operations in other states.

4) Will Minnesota's taxpayers be protected?

YES, taxpayers are financially protected and will not be on the hook for paying for anything that is the financial responsibility of mining companies. Minnesota requires state-managed and annually adjusted bankruptcy-proof financial assurance to cover any possible costs before permits can be issued. Minnesota is authorized to deny or revoke a permit if a company does not comply.

Importantly, Minnesotans will benefit from significant job and economic gains from the state producing its natural resources. Payroll and sales taxes for Minnesota, net proceed taxes for local governments, and royalties to the School Trust Fund provide revenue to every school district in Minnesota.

In addition to the four questions, the anti-mining activists continue to claim that no copper-nickel mine has operated without “polluting” local waters. This simply is not true.

Copper, nickel and other much needed metal production can and has been done safely and successfully, without polluting local waters. Right next door in Wisconsin, the Flambeau Mine is an excellent example of a copper mine that operated for several years, and now has been closed and reclaimed for more than ten years in full compliance with Wisconsin laws.

During both the operation and the closure of the Flambeau Mine, not a single permit condition was violated and the mine has not impaired local waters. The Wisconsin DNR holds this mine up as an example of a successful operation and successful closure.

A recent federal Court of Appeals decision, along with the lower court’s praise for the company’s demonstrated respect of the environment and local community, further affirm that the right company doing the right things in compliance with the right standards can produce the materials society needs safely and responsibly.

Minnesota should enthusiastically support the development of its own resources by way of mining. We can have a win, win, win situation. Mine the metals here in Minnesota – do it with Minnesota jobs – and be an example to the rest of the world for environmentally responsible mining.

Minnesota’s environmental review and permitting process — developed with the input of many stakeholders, including environmentalists — is comprehensive, open and transparent and invites citizen participation at many steps along the way. As an industry, we encourage everyone to participate in the process and learn the facts of each project as it goes through this rigorous review.

Each and every project will be required to demonstrate it will meet or exceed Minnesota’s strict air and water quality standards in order to receive a permit to mine. If a company demonstrates it will meet these strict standards, Minnesota should say **YES** to copper-nickel mining opportunities, and the jobs they bring.

The answer to all the above questions is a resounding, **YES**.

- We will protect our water and keep it safe
- Minnesota has strong safeguards in place
- Companies are required to leave sites clean
- Taxpayers are protected
- It has been done before

Thank you for your continued support of mineral development.

Sincerely,



Frank Ongaro
Executive Director

Cc: Minnesota Legislators, Minnesota Congressional Delegation, Minnesota Mining Subcabinet



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WILL MINNESOTA'S WATER STAY SAFE AND CLEAN?

YES, our water will be protected and be kept safe.

The Minnesota Pollution Control Agency (MPCA) and the Federal Environmental Protection Agency have multiple and redundant specific water quality standards and regulations. Companies are required to have controls in place to comply with comprehensive environmental standards —assuring clean and safe water, air and land.

Groundwater in Minnesota is protected for use as an actual or potential source of drinking water. The state of Minnesota has adopted the U.S. Environmental Protection Agency (USEPA) primary and secondary drinking water quality standards as its groundwater quality standards.

The MPCA has been delegated the authority by the USEPA to issue Water Quality Certifications to ensure a project will comply with state water quality standards.

MPCA water quality permits establish specific limits and requirements on the amount and quality of discharges to surface waters. Permits are enforced through a combination of self-reporting (reports to the MPCA, USEPA or both) and compliance monitoring. Industrial discharges may be required to obtain a National Pollutant Discharge Elimination System or State Disposal System permit through the MPCA.

Minnesota Rules requires characterization of mine wastes from strategic metals mining projects as part of the permit to mine process. The project proposer must meet with the Minnesota Department of Natural Resources staff to outline chemical and mineralogical analyses and laboratory tests to be conducted for mine waste characterization.

This will include developing waste characterization test plans that include chemical analysis of the mine waste, mineralogical/petrological analysis of the mine waste and laboratory tests describing acid generation and dissolved solids release from the mine waste. The tests are performed on material generated by exploration, preproduction sampling and/or process testing.

Requirements for the management of reactive mine waste are described in Minnesota Rules. The rule's objective is to prevent the release of substances that result in adverse impacts on natural resources. Per the rule, a generator of reactive mine waste must either:

- Modify the physical or chemical characteristics of the mine waste, or store it in an environment, such that the waste is no longer reactive; or
- During construction, to the extent practicable, and at closure, permanently prevent water from moving through or over the mine waste and provide for the collection and disposal of any remaining residual waters that drain from the mine waste, in compliance with federal and state standards.



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ARE THERE STRONG SAFEGUARDS IN PLACE FOR WHEN THINGS GO WRONG?

YES, safeguards require companies to demonstrate necessary funding. Further, plans are in place to first, prevent pollution and, second, address any potential unforeseen issues.

The Minnesota Department of Natural Resources (DNR) and the U.S. Army Corps of Engineers require thorough environmental review of potential impacts. State and federal agencies also mandate safeguards to prevent pollution and reclaim all mining and processing activity.

Minnesota has incorporated procedures to manage unanticipated issues into state mining permits. We believe this is proper and benefits the public to assure protection of natural resources. Two state agencies have provisions to manage these issues.

Minnesota Department of Natural Resources: issues a mineland reclamation permit for nonferrous metallic minerals called the permit to mine.

The purpose of the permit to mine is to implement Minnesota Statutes to control possible adverse environmental effects of mining, preserve natural resources, and encourage planning of future land utilization, while at the same time promoting orderly development of mining, encouragement of good practices, and recognition and identification of the beneficial aspects of mining.

One of the provisions of the permit to mine is, on the observation of violations of the permit to mine, immediate actions shall be taken to correct the violation. The commissioner of the DNR shall order the mining company to immediately take corrective action or submit, within two weeks, a corrective action plan for approval before the mining company implements corrective action that includes:

- Cause for failure to comply
- Corrective action cost estimates
- Methods, sequence and schedule of corrective action activities

If there is an immediate threat to human safety or natural resources, the mining company must take immediate corrective action and report to the commissioner.

The commissioner may take one or more of the following actions if the mining company fails to comply:

- Suspend the permit to mine
- Assess civil penalties
- Revoke the permit to mine
- Modify the permit to mine
- Require additional financial assurance to cover the cost of corrective actions

Minnesota Pollution Control Agency (MPCA): issues air and water permits that must be successfully obtained before any mining or procession can begin.

The MPCA has a variety of enforcement tools available to manage non-compliance with the permits they are responsible for issuing and enforcing. These tools include:

- Verbal notifications
- Inspection reports
- Letters of warning
- Notices of violation
- Field citations
- Schedules of compliance
- Administrative orders
- Administrative penalty orders
- Stipulation agreements
- Consent orders
- Criminal action

Additionally, permits issued by MPCA are subject to periodic reauthorization where permit requirements and conditions are reviewed and amended where needed to assure compliance.



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WILL THE COMPANY LEAVE THE SITE CLEAN AND MAINTENANCE FREE?

YES, state and federal agencies mandate the reclamation of all mining and processing activity, including mines, tailing basins, waste rock, wetland restoration, re-vegetation of disturbed ground, closure and postclosure maintenance.

In addition, strong financial requirements in Minnesota assure responsible clean-up. The state requires mining companies to have bankruptcy proof financial assurance in place to cover all possible environmental clean-up costs before it issues a permit. The financial assurance must be available to the state at all times and is adjusted annually by the state. A company will not be released from its liability until the site is clean and maintenance free.

As part of the initial mine planning and permitting, the need for possible postclosure maintenance to achieve site reclamation goals is identified before mining begins.

In order to ensure the site remains clean, postclosure maintenance may be required. Postclosure maintenance includes any activity that may be required to sustain reclamation after cessation of a mining operation. State rules require that postclosure activities minimize to the extent practicable the need for maintenance. Passive reclamation methods for postclosure treatment are preferred. Passive reclamation method means techniques or practices that require minimal maintenance to sustain reclamation.

Minnesota reclamation rules recognize that in some cases passive treatment alone will not entirely meet all reclamation goals. In these cases, active treatment technologies may be necessary and provisions for continued maintenance of the treatments will be required.

These provisions for postclosure maintenance are in place as a tool to eliminate the potential for water quality problems that have been documented from past mining operations in other states.

Here is an overview listing of the various categories of reclamation standard goals in Minnesota:

- Siting
- Buffers
- Reactive mine waste
- Overburden portion of pitwalls
- Storage pile design
- Tailings basins
- Heap and dump leaching facilities
- Vegetation
- Dust suppression
- Air overpressure and ground vibrations from blasting
- Subsidence
- Corrective action
- Closure and post-closure maintenance
- Wetland mitigation and replacement procedures



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WILL MINNESOTA'S TAXPAYERS BE PROTECTED?

YES, taxpayers are financially protected and will not be on the hook for paying for anything that is the financial responsibility of mining companies.

In fact, not only will Minnesota's taxpayers be protected through financial assurance of mining projects, taxpayers are likely to see significant financial gains with strategic nonferrous mineral development in Minnesota. This gain will come in the form of payroll, production, sales taxes and royalties.

- Did you know that in 2010 iron mining, statewide, helped support more than 11,000 jobs? Had a more than \$3 billion economic impact?
- Did you know that, in 2010, nonferrous strategic mineral projects, statewide, had a more than \$210 million economic impact? Helped support more than 550 jobs?
- Future mining of nonferrous strategic minerals on state owned School Trust land is estimated to provide \$2.5 billion to the Trust. The interest from this fund goes to every school district in Minnesota so every taxpayer in the state will receive this benefit.

Financial assurance is the result of a state of Minnesota law that requires the Commissioner of the Department of Natural Resources (DNR) to establish a bond or other security from a mining company and annually review the amount of the financial assurance. The Commissioner of the DNR developed a Minnesota Rule to implement this legislative directive. Key provisions of financial assurance include:

- Ensure that there is a source of funds to be used by the Commissioner of the DNR if the mining company fails to perform reclamation. These funds are annually adjusted and continuously maintained by the mining company.
- Funds will be sufficient to cover the costs of reclamation.
- Funds will be available and made payable to the Commissioner when needed.
- Funds will be fully valid, binding and enforceable under state and federal law.
- Funds will not be dischargeable through bankruptcy.
- All terms and conditions of the financial assurance must be approved by the Commissioner of the DNR.



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HAS ANY COPPER-NICKEL MINE OPERATED WITHOUT “POLLUTING” LOCAL WATERS?

YES, copper, nickel and other much needed metal production can and has been done safely and successfully, without polluting local waters.

A great example of this success is next door in Wisconsin. Located near the city of Ladysmith, Wis., the Flambeau Mine operated in the 1990s and has since been closed and reclaimed in full compliance with Wisconsin laws.



FLAMBEAU MINE AT A GLANCE

- The open pit mine produced 181,000 tons of copper, 334 ounces of gold and 3.3 million ounces of silver during operations.
- The Flambeau Mine paid more than \$27.7 million dollars in taxes and fees to local and state governments. This amount is in addition to employee salaries and local expenditures for goods and services.
- More than 100,000 people have visited the reclaimed site to hike the nature trails along the Flambeau River and view local wildlife since the site's reclamation.

PROTECTING THE ENVIRONMENT FROM DAY 1

Wisconsin's mining laws, as well as Minnesota's, are among the strictest in the country and cover every aspect of mining, from exploration to reclamation. Flambeau Mine met these requirements throughout its lifetime.

In fact, not a single permit condition was violated and the mine has not impaired local waters. The Wisconsin DNR holds this mine up as an example of a successful operation and successful closure.

Plans for reclamation were part of the initial permitting process and were approved by state regulators and communities. The reclaimed site is home to:

- More than 10 acres of wetlands.
- Hundreds of species of plants and animals.
- Four miles of hiking trails and five miles of equestrian trails open to the public year round.
- The Flambeau River, which attracts tourists, paddlers and fisherman; protected at every phase of the project, long-term monitoring upstream and downstream proves the river is clean and healthy.
- Clean and healthy groundwater of the same quality as before mining took place.

A recent federal Court of Appeals decision, along with the lower court's praise for the company's demonstrated respect of the environment and local community, demonstrate that the right company doing the right things in compliance with the right standards can produce the materials society needs safely and responsibly.

ADDITIONAL INFORMATION

www.flambeaumine.com