

Testimony before the
Committee on Resources, Subcommittee on Energy and Mineral Resources

U.S. House of Representatives

"The Energy and Mineral Requirements for Renewable and Alternative Fuels Used for Transportation and Other Purposes"

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Presented by

James D Frank, Chairman

Marathon PGM Corporation

7773 S. Oneida Court

Centennial, Co 80112

(303) 2909164

Mr. Chairman, Members of the Subcommittee, thank you for the opportunity to appear before you today to discuss the status of future mine development in the US.

My name is James D Frank and I am the Chairman of Marathon PGM Corporation (Marathon), a Canadian company. I was born and raised in Kellogg Idaho in the Silver Valley mining district. I worked my way through college by working at the Bunker Hill Lead Smelter. After graduating from the University of Idaho, I went to work in mining industry in Idaho. In 1996, I went to work for Summo Minerals Corp (now Constellation Copper Corp.) in Denver, Colorado. In 2001, I was laid off from Summo and started to work on my own. In September of 2003 I founded Marathon, a small exploration/development company in Canada, although I still live and work in Centennial, Colorado.

Marathon has a mining project in northern Ontario with a resource containing 1.5 million ounces of palladium, 400,000 ounces of platinum and 348 million pounds of copper. In the last three years I also helped form a copper company with a property in the Philippines, which now also has two additional projects in Africa.



I have been involved in mining in the United States all of my life, until 2003. Actually, my father started mining in Idaho in 1932, and I started work at the Bunker Hill Smelter in 1966.

Why am I now running a Canadian company with a Canadian mining property? The answer is RISK.

This is a picture that I keep in office. This was the 19 th century "mine finder", he was an opportunist. He had to assess his many "RISKS", not unlike today:

- He had to get his 1 st “grub stake”. In other words, he had to convince others that he could find a mine so that he could get enough supplies to search for a mine. His odds of success were something in the order of 10,000 to 1, not unlike today.
- If he was lucky enough to find mineralization, he, or someone else, would come back to get a 2 nd “grub stake”, more financing to develop the property. Now his odds were reduced to maybe 1 in 1,000, not unlike today.
- Then he (or someone else) would get a 3 rd “grub stake” to develop the mine. He also had to hope the price of his commodity did not drop, or everything he had worked for was for “not”. His odds were now in the order of 10 to 1, not unlike today.
- The added “RISK” we have today, is permitting. With all of the other “RISKS”, this risk has made it almost impossible to find financing for early stage projects in the US.

This last “RISK” of permitting is not “can you get a mine permitted with good environmental standards” but “can you get it permitted at ALL”.

No one wants to go back to what it was before 1972. I remember growing up in Kellogg where the air was filled with smelter smoke so thick at times “you could cut it with a knife” and the South Fork of the Coeur d’ Alene River was gray from mine tailings being dumped directly into it. These are unacceptable practices today, but the current permitting process is also unacceptable.

To illustrate this additional risk, I would like to explain my experience at Summo. Schedule A shows a time line of permitting events for Summo’s Lisbon Valley Copper Project out of Moab, Utah. Summo’s permitting started in January 1991. By February 1996, when I joined Summo, they had already filed their Preliminary Draft EIS. One year later in March 1997, Summo had a Record of Decision from the BLM approving the construction of the project.

By March of 1997, Greg Hahn, the President of Summo, and I had put together a \$62 million financing (“3 rd Grub Stake”) to construct the project. This financing consisted of; bank loans, supplier loans and common stock sales. Summo started construction of the mine in April 1997. In May 1997 an environmental group organized by the National Wildlife Federation and the Mineral Policy Center filed an Appeal and Petition for Stay. In June 1997 the Interior Board of Land Appeals (IBLA) granted a stay on “mining”. Summo was told it could “build the mine” but it could “not mine it” until the stay was removed.



Under the “stay”, Summo could not complete the bank loan and Summo eventually lost the bank loan facility. Finally in March 1999, the IBLA ruled entirely in Summo’s favor, the stay was removed, and Summo could proceed. However, the price of copper had dropped from over \$1.20/ lb to less than \$0.60, and Summo stock had dropped from over Cd\$1.50/share to only a few pennies (see price chart).

Greg Hahn was forced in 2001 lay off most of his remaining employees, including me, and hold on as best he could. Finally in 2003, metal prices started to recover and Greg has been able to finally build Lisbon Valley and is now operating. But, the capital cost to build the project had increased by more than 50%. Lisbon Valley Project is a success story today with over 130 people employed and producing copper at a rate of 60 million pounds a year. However, the original investors lost most of their investment because it took almost ten years from the Record of Decision to a producing mine. There were no good arguments against building the mine in 1997. The two environmental organizations routinely challenge nearly every significant new mining project that is proposed in the US. They use very competent lawyers, and their strategy is simply

to delay each project for as long as they can in hope that the investors will give up and “throw in the towel”.

This is a personal story but it has been repeated 100's of times over the last 15 years. It is now very difficult, if not impossible, to raise money for exploration/development projects in the US. Canada has a very strong environmental permitting process. The problem in the US is that anyone can slow or stop the process for the price of a stamp, even if they have no valid concern.

This is why I can get “grub staked” for projects in the Philippines and in Canada but not in most places in the US. Nevada is one exception to this rule. We hope to be able to start construction on the Marathon PGM project in the next few years, a time frame that would be very difficult to match in most of the US.

As others have explain today, if we want fuel cell cars and smog free cars, we have to be able to mine the platinum, palladium and even copper to make them.