

Mr. Jim Arnold
Vice President Technical Services
Coeur d'Alene Mines Corporation

Testimony
Before the Subcommittee on Energy and Mineral Resources
Committee on Resources
United States House of Representatives

Oversight Hearing on
“Sustainable Development Opportunities in Mining Communities” Part II

July 28, 2005

I appreciate the opportunity to testify before the Subcommittee on the importance of sustainable development to the mining industry and the rural communities that support our industry. I would also like to thank the Subcommittee members for all the work that you have done to highlight this important issue, including the field hearing you held on this subject last year in Reno, Nevada.

My entire career has been in the mining industry. I have worked in the industry for over 30 years, and my background is primarily in operations and engineering. I have served as General Manager for several mines and development projects throughout the United States while working for a variety of mining companies, including Gold Fields Mining Corporation, Santa Fe Pacific Gold Corporation, and Kinross. Before joining Coeur d'Alene Mines Corporation, I served as Principal, President and CEO of Knight Piesold & Co. in Denver, CO. I am a former Chairman and Board Member of the Nevada Mining Association (“NvMA”), and served as Chairman of NvMA’s Environmental and Wildlife Subcommittees, during the time when the State of Nevada developed and amended many of its environmental and wildlife protection regulations specific to mining. I am a member of the Society for Mining, Metallurgy, and Exploration (“SME”), and will serve as the Society’s president in 2007. In 2000, I was honored as SME’s Mill Man of Distinction and was the recipient of the Society’s Ivan Rahn Award for my contributions to education and professional development. I have authored over twenty-five technical publications. I hold a BS in Metallurgical Engineering from the University of Idaho and an MS in Engineering Management from the University of Missouri-Rolla.

I currently serve as Vice President of Technical Services for Coeur d'Alene Mines. Coeur is the world’s largest primary silver producer. We are an American mining company with properties in Alaska, Idaho, and Nevada. Coeur also operates in Australia, and has a new generation of low-cost silver operations expanding or coming into production in Chile, Bolivia, and Argentina.

Policymakers have been using the term “sustainable development” at least since the United Nations’ Earth Summit in 1992. At that meeting, and at numerous international gatherings since, the concept has been endlessly discussed, and volumes have been written on the subject. The United Nations defines sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” At its base, this is a doctrine of measured growth that should take into account all of the downstream consequences on community and the environment of a development.

Implementing the concept of “sustainable development” in the mining industry presents unique challenges. It is an inescapable fact that minerals are scarce and they are a nonrenewable resource. Even an exceptionally large ore body will be exhausted at some point, and the community that grows up around and depends on it for resources and jobs will have to seek them elsewhere. Thus, sustainable development in mining has to contend from the beginning with the finite nature of the resource and has to look beyond the economic life of any particular project. Along with a commitment to ensure an environmentally stable and clean site once a mining operation is closed, sustainable development in mining has to take into account local communities and their long-term economic and social welfare.

As the Chairman knows, many rural communities in the Western United States are islands surrounded by federal lands. Local governments have little control over how these lands are used and developed. This reality creates an additional challenge for communities hoping for stable post-mining economic development. The preponderance of federal lands means that local governments have little ability or opportunity to attract new business or to arrange for roads, power and the other infrastructure these businesses would need.

As a person with long experience in the hardrock mining industry, I see both challenges and opportunities in contributing to the sustainable development of the communities we leave behind when our mines close. The most important challenge facing

the mining industry and the federal government is to identify productive post-mining land uses for closed mines. Productive reuse can be difficult because the land has been devoted to mining, which leaves permanent structures such as mine pits, waste rock piles, heap leach pads, or tailings ponds that must be worked around, even after reclamation. Federal and state laws require extensive and expensive closure and reclamation of these facilities for environmental and safety reasons, and any post-mining land use has to be compatible with maintaining these requirements. These sites are often remote. And, in their natural state, they are not always safe for recreation or other general public access.

As challenging as these obstacles seem, there are also significant opportunities to reuse closed mine sites. Because access is so important, these sites are served by excellent roads across federal lands, usually constructed by mining companies at great expense to carry traffic to, from, and around the mine sites. Similarly, mines typically have invested significantly in running power lines to their facilities. The sites have extensive office, laboratory, mechanical, and industrial buildings that could be employed in a post-mining use. Without a post-mining use, these expensive and valuable facilities will be demolished and reclaimed and will serve no further useful purpose. With the right planning and forethought, they could be placed in the service of post-mining land uses that will sustain jobs and economic development for communities long after mine closure.

Mr. Chairman, I recognize that the reuse of closed mines is not going to work in every case in the cause of sustainable development. In some cases, the mine site, once closed and properly reclaimed, is best secured and left alone. This is a decision that must be made on a case-by-case basis, looking at development opportunities, environmental impacts, and other conditions. Because mines always close, mining companies must be prepared to think of sustainable development not only as post-mining land use but as long-term community economic development that has little or nothing to do with the mine site or mining. In my opinion, these are the hardest questions to resolve about sustainable development.

Fortunately, we have a great opportunity at our Rochester Mine in Nevada to demonstrate sustainable development through an innovative post-mining land use. We appreciate the Chairman's interest in this project, and believe it could help illustrate valuable sustainable development concepts as they can be applied practically in the mining industry.

The Coeur Rochester Mine in Pershing County, Nevada is nearing the end of its life. The mine has operated successfully for almost twenty years, and has been the source of jobs and other economic benefits to the County and the Cities of Lovelock, Fallon, and Winnemucca, Nevada, for a long time. Currently, the mine employs about 250 people, with an average wage of \$55,000 annually, and another 375 jobs in the State are directly dependent on the mine. The Mine is the largest private employer in Pershing County. In its almost twenty years of operation, federal, state, and local governments have received \$30,000,000 in tax revenues from the mine.

Through exploration and discovery of nearby silver and gold reserves, Coeur has extended the predicted mine life several times, but we believe at this point that the mine's reserves are mostly exhausted, and Coeur is preparing for closure. The BLM is currently conducting an environmental impact statement on the closure/reclamation.

Rochester's employees are among the most prominent members of the communities of Lovelock, Fallon, and Winnemucca; they have a combined total of over 320 years of service to their communities, including volunteering as members of the local fire department and ambulance crews, serving as elected public officials, and coaching little league teams in the area. For the first time in almost a generation, the people of Pershing County face devastating economic impacts that will come with Coeur's exit from the business life of the community.

These facts illustrate acutely how much Pershing County stands to benefit from innovative thinking about sustainable development, and conversely, how the County will suffer if we do not find a way to keep using the resources of Rochester to create jobs and economic opportunity. Coeur is grateful to the County and its people for their role in the mine's success, and is anxious to give back to them in a way that will provide opportunities for Pershing County's future.

If successful, Coeur's sustainable development proposal will replace a significant portion of the mining jobs that will be lost, and has the potential to provide the County with a source of long term economic development. Coeur has tested the rock extracted from the Rochester mine during its operation and has found that it is an ideal source of aggregate, small and large rocks, and boulders. Aggregate is used as roadbed material, in concrete construction projects, as fill, in rip-rapping, and for other purposes. Armor stone and boulders are used in rip-rapping and other channel armoring projects. These materials are in high demand in California, where they must be blasted and/or mined from increasingly scarce, hard-to-locate, and hard-to-permit quarries. By contrast, the material has already been blasted at the Rochester mine as a part of the mining operation, and is useless waste material if left there. Coeur's project is an excellent opportunity to place this waste material to a sound and valuable beneficial use.

Let me make clear that the material we propose to ship to California (and possibly other markets) is rock. It has not been

leached or treated with chemicals, and does not have acid-generating potential, so there is no concern about creating environmental hazards or moving environmental issues from Rochester to other sites. Coeur has conducted extensive testing of the materials, both as part of its mining operations and in development of the current proposal.

Everything we know so far suggests that this could be a very successful business, with the potential to create long-term employment opportunities for Pershing County. There is enough waste rock stockpiled at the site to supplement current and projected future demand from California for some rock sizes as much as 100 years (or more). Unfortunately, this operation will not replace all 250 mining jobs that will be lost when the mining operation closes. However, it will replace a good portion of them at the start, and the operation has the potential to grow into something much larger, with more jobs and benefits for Pershing County residents.

One potential for future development would be to accept non-hazardous solid waste – either municipal, industrial, or construction debris – from Reno, Sparks, northern California or other places. The waste could be hauled in rail cars returning from carrying loads of aggregate or boulders. This arrangement – where it is feasible – would cut the cost of transportation in half. Some aspects of the Rochester site make it promising for solid waste management. Solid waste from mining already will be managed there. Coeur has studied the site extensively to prepare and conduct mining operations and therefore already knows a good deal about ground water, surface drainage, indigenous wildlife, historic sites, and other issues that would be important in citing a landfill operation. However, it is important to emphasize here that solid waste management is a potential future development, not one that Coeur is proposing currently. Before Coeur could accept solid waste at the site, it would have to obtain appropriate federal, state, and local permits.

The electric, water, transportation, and other infrastructure at the site create other possibilities. Conditions may be favorable for a wind farm or other renewable energy technology. The site's proximity to Interstate 80 may provide other opportunities. Coeur continues to investigate ways to maximize use of the reclaimed mine site.

Some people may ask why Coeur would be interested in undertaking a project like this. Why not just reclaim and close the mine pursuant to federal and state law, and leave it alone? The most important reason for our interest is that we are committed to our employees and to this community. There is an opportunity here to contribute to the future of Pershing County. Second, Coeur is sincerely interested in showing how sustainable development can work, but like other mining companies, struggles for ways to realize its potential. As I have already said, it is not easy to identify and pursue post-mining land uses, but this site presents a great opportunity to do just that.

Finally, from a practical perspective, Coeur will be closing and reclaiming the Rochester site for years to come. To comply with numerous federal and state legal requirements, Coeur will demolish buildings, reclaim roads, regrade, revegetate and reclaim waste rock sites, rinse and revegetate leach pads, and so on. These activities will cost Coeur millions of dollars, and long term monitoring and care will last for decades. With the completion of reclamation, the chance to use roads and other infrastructure at the site will be diminished.

Coeur's proposal to transport aggregate, rocks and boulders from the Rochester site would take advantage of this expensive infrastructure and would use some of the materials and structures that otherwise would have to be reclaimed. Accordingly, certain of the reclamation and closure activities and costs could become unnecessary, although Coeur does not anticipate substantial savings on closure and reclamation. Most importantly, Coeur will be involved with the site well into the future as it fulfills its legal and ethical responsibilities to close and reclaim the site. Why not use a great opportunity to keep the resources of the site working for the people of Pershing County?

Finally, an important part of Coeur's proposal is to acquire approximately 7,000 acres of land at the mine proximate to mining claims. Coeur Rochester is responsible for the mining activities that have taken place there and for closure and reclamation, so the acquisition makes sense from that perspective.

Further, the land lies within the so-called "Checkerboard," the swath of federal land extending across Northern Nevada which is interspersed with private lands creating a "checkerboard" pattern. The land position was created when the federal government granted lands along the pathway of the transcontinental railroad in the 19th Century. The remaining federal lands are isolated, and difficult and expensive to manage, and so the BLM has marked them in its applicable land use plans for consolidation or disposal. We have already had discussions with BLM representatives in Nevada, who have expressed preliminary support for the land consolidation.

Finally, the disposal of the lands would generate badly needed revenues. Because of the size of the land disposal, federal legislation is necessary to accomplish it, and the disposition of sale proceeds would be up to Congress. We propose that at least some portion of the proceeds be provided to Pershing County to assist in its economic development efforts.

Mr. Chairman, I appreciate very much the opportunity to present my ideas about sustainable development to the Subcommittee and to speak on behalf of Coeur. I know that the future economic health of rural Nevada communities is important to you and to this Subcommittee, and we are grateful for your efforts to help Coeur make Rochester a model of sustainable development.