

Testimony of Jon Cherry, Vice-President, Resolution Copper Company
before the
U.S. House of Representatives Subcommittee on National Parks, Forests and Public Lands
concerning
H.R. 1904, Southeast Arizona Land Exchange and Conservation Act of 2011
June 14, 2011

Mr. Chairman and Members of the Subcommittee,

INTRODUCTION

Thank you for the opportunity to speak with you today about this very important bill. My name is Jon Cherry and I am Vice-President of the Resolution Copper Company, a US Corporation headquartered in Superior, AZ and subsidiary of Rio Tinto, one of the largest mining companies in the world. Resolution Copper Company is the managing partner of the Resolution Copper Mining LLC, an LLC owned jointly between Rio Tinto (55%) and BHP Billiton (45%), and referred to as Resolution Copper throughout this testimony. I am here today in support of H.R. 1904, which directs a land exchange to consolidate ownership of the land where we plan to invest over \$6 billion of private capital to develop the third largest known underground copper deposit in the world, while creating over 3,700 badly needed mining jobs in Arizona.

Please note, as shown on my first display that we already own valid mining claims on roughly 70 percent of the land we are seeking to acquire. We estimate that the copper produced from this project will produce 25 percent of the US copper demand (based on current demand) for more than 40 years from a secure and environmentally responsible domestic source.

THE LOGIC OF THE EXCHANGE

The land exchange of H.R.1904 transfers 2,422 acres of National Forest land into our ownership which is underlain and surrounded by current and historic mining operations and mining claims, some of which are more than 100 years old. Simultaneously, Resolution Copper transfers approximately 5,300 acres in eight different privately held land parcels to the government to be managed by the USFS or BLM. With these eight properties, this land exchange will result in very significant net gains to the United States in:

- 1) river bottoms and riparian lands;
- 2) habitat or potential habitat for several threatened, endangered or sensitive plant and animal species;

- 3) areas identified as national and international important bird habitat by the Audubon Society and Bird Life International;
- 4) public recreational opportunities;
- 5) year-round water resources – a rarity in many parts of Arizona; and
- 6) protection of the important geographic feature of Apache Leap.

As a company we recognize that mining disturbs the land. However, we believe in a sustainable development approach to mining, and more than seven years ago began the process to identify and secure lands for long term conservation and habitat protection as an offset and improvement to the federal land within the mining district that would be disturbed as a result of our operations. To accomplish this, we went first to the Forest Service, BLM, Nature Conservancy, Audubon Society, Trust for Public Land, Arizona Game and Fish and others interested in land conservation to ask them where mitigation lands might be located. As a result of their input, we now own eight parcels of land, totaling more than 5,300 acres which we will be conveying to either the BLM or Forest Service in the exchange. These include:

- the 3,050 acre **7B Ranch** running for 7 miles along both sides of Arizona’s renowned San Pedro River. The Nature Conservancy is currently managing the 7B for us together with adjacent land it owns. The 7B lies along one of the most important migratory bird corridors in the entire United States and also has what may be the largest ancient mesquite bosque, or forest, in the entire southwest;
- the 940 acre **Appleton Ranch** which the National Audubon Society manages for us until it can be conveyed to the BLM for addition to the Las Cienegas National Conservation area. It is an extremely diverse area biologically, boasting more than 90 native grass species and 470 native plant species;
- a 640 acre **in-holding along East Clear Creek in the Coconino National Forest** near Flagstaff, including 2 miles of trout stream and other habitat for a variety of sensitive fish and wildlife species; and
- 5 other in-holdings in the Tonto National Forest that are long-time Forest Service acquisition priorities.

Lands were also identified to help provide the Town of Superior with the opportunity for economic growth.

The goal of the land exchange is quite simple. It consolidates our ownership of the land where we will be developing and operating the mine. As the map shows, the current fragmented land ownership pattern between Resolution Copper and the Forest Service is a logistical and

regulatory jumble. It serves neither public nor private interests, and due to operational and safety considerations, continued Forest Service ownership of the land will not benefit the public, recreationally, or any other way, once the physical mining operation begins.

Display #2 is what is known as the Copper Triangle in Arizona. The three points of the triangle are anchored by the old mining towns of Globe/Miami, Hayden/Winkelman and Superior all of which have active copper mines except Superior. However, the old Magma mine at Superior is the platform from which Resolution Copper is launching its new mining project. Our project incorporates some of the old surface and underground workings and infrastructure of the Magma Mine, and is located right in the middle of the Copper Triangle. Running counter-clockwise, you can see Asarco's very large Ray Mine in the center of the triangle, then Asarco's Smelter and tailings in Hayden to the right, the Christmas Mine to the north of Winkelman, the Globe and Miami area open pit mines to the west, including the very large Freeport-McMoRan mine, BHP mine and Carlota and BHP Pinto Valley Mines - the latter of which is a possible location for the tailings from our mining operation, where we could fill up existing open pits and reclaim them.

Display #3 is a close-up of the Resolution Copper project site which shows even more of the existing infrastructure in detail, including all of the various drill holes that have been drilled in the area, including areas where 67 new exploratory holes have been drilled since 2001 shown by pink dots. The point I want to leave with you is that the federal land that is part of this exchange is located in an area of a historic mining district that will continue to have mining and produce copper for many decades into the future. Conversely, the land Resolution Copper would trade to the government is significantly larger and contains lands of much higher conservation and habitat value, but which also will benefit the public for generations to come.

Finally, I have three photos of the mine site which were taken just last month. The first shows the mine site in dead center, with the Town of Superior to the right, Asarco's very large open pit Ray Mine to the south...(it has been continuously producing copper since 1880)... and other mines to the north. The second photo shows a closer view, with the mine site in the lower right. You can see our head frame and shafts and the numerous roads which cross the area. The last photo is a composite panorama which shows various other mines, roads, transmission lines, the large power substation near the mine and the Town of Superior. As you can see, one could not find a better place to build a new mine with all the existing infrastructure that already exists in the area.

ECONOMIC AND NATIONAL IMPACT

Earlier this year Resolution Copper commissioned Pollack & Associates to conduct a new economic impact study to evaluate the impacts of our project to the local and state economy. A

copy of the executive summary of this report is included with the written testimony, but I would like to highlight a few important statistics from this report.

As a result of the \$6 billion dollar investment to construct and operate the mine, the following would occur:

- Jobs Created – over 3,700 jobs related to mining
 - During our current engineering studies approximately 100 Resolution employees have full time jobs and more than 400 contractors are on site on a daily basis
 - 1400 direct high-paying mining jobs would be created in the future
 - More than 2300 indirect mining employment jobs would be created in the future
 - Potential for hundreds more jobs in Superior from the land that the town acquires from the land exchange which will be used for economic development

- Economic Impact to the State of Arizona
 - \$61 billion life of mine impact from mining
 - \$960 million average annual impact from mining

- Taxes
 - \$19 billion in federal, state and local taxes over the life of project from mining
 - \$14 billion of which is in federal taxes

FAIR VALUE OF THE EXCHANGE

I should also mention that even though the proposed land exchange will utilize all aspects of the established Federal appraisal process, we have added Section 6 to the bill to ensure that the United States will not be short-changed if the appraisers are wrong about the volume of copper we will acquire in the exchange. Section 6 says that if we ever produce more copper from the land than is anticipated in the land exchange appraisal, we will make a value adjustment payment to the United States on any excess production. Thus, even if the Federal land appraisal is off to some degree, the United States will receive full economic value for the minerals it conveys to us. Conversely, if the land that Resolution Copper provides to the government as part of the exchange is determined to be more valuable than the land it receives, Resolution Copper will donate that difference to the government. In addition, Resolution Copper has secured an additional property to replace the Oak Flat campground and is working with the Town of Superior to ensure that recreational camping and related activities can continue in the area.

RESPONSIBLE MINING

Creating jobs, mining and protecting the environment are not mutually exclusive positions. Recognizing that society needs the metals and jobs that we produce as well as a

healthy environment requires that appropriate study, planning and mitigation be considered and incorporated into any mine design. Resolution Copper has already spent more than \$33 million to date studying the hydrogeology in and around the mine project, and has drilled more than 30 holes in the area to assess the water resources. These activities so far show little if any impact to local water quantity or quality from the new operations, including no impact to the San Carlos Apache Reservation, the western boundary of which is located more than 20 miles further to the east of the project site, and which is also separated from our project by a 7,800 foot tall mountain range. We built a new \$10 million water treatment plant to treat water from the old underground mine workings that we are dewatering and are putting that water to beneficial use with local farmers for irrigation. We have spent more than \$30 million cleaning up and reclaiming the old mine site in Superior as part of a \$50 million reclamation program – work that by law isn't required to be implemented for decades. We have also purchased and banked approximately 240,000 acre feet of water for potential future operations. We have conducted numerous flora, fauna and cultural resources studies. All of these data and studies will be incorporated into a mine plan of operations that will be submitted to regulatory agencies for the NEPA process as well as various federal, state and local agency permits.

As part of the land exchange, it is worth noting that Resolution Copper is also transferring more than 100 acres of privately held land to the government as well as foregoing any mining beneath the geographic feature know as Apache Leap to help secure long term protection of and create a buffer for this important geographic feature.

CONCLUSION

In conclusion, our nation has been struggling through the worst economic downturn since the Great Depression. We have been losing many manufacturing jobs, raw materials production and tax revenues to overseas endeavors. Thus, we believe that when an opportunity comes along to develop a very large mine from a reliable domestic source that produces a metal that is vital to our national security and modern lifestyle...and that source is in a location where significant development infrastructure already exists...and where there appear to be minimal environmental conflicts, we should avail ourselves of the opportunity. Copper, the metal that will be produced from this mine, is the fundamental building block for the new green economy including hybrid and electric cars, solar panels, wind turbines and smart grids.

We know that the temptation always exists for some to say “put it over there, not here”, and that there is no place where a large development can be located without some impact on the environment. However, you can only mine where the mineral is found and we believe we are truly fortunate to have found such a large mineral resource in an area where developing it will have minimal adverse impacts and at the same time such tremendous benefits.

Our project will:

- produce a very large amount of a critical metal right here at home that is the fundamental building block for the new green economy including hybrid and electric cars, solar panels, wind turbines and smart grids;
- create more than 3,700 mining related jobs that are desperately needed in an area of high unemployment; with hundreds of other potential non-mining related jobs
- generate more than \$19 billion in tax revenues to Federal, State and local government coffers;
- benefit the economy of the state of Arizona by \$61 billion over the life of the project from these mining related jobs
- add valuable avian, wildlife and plant habitat to the Federal domain; and
- do all of that in an area with over 100 years of historic mining activities and in a way that minimizes impacts to the environment.

If we as a nation are truly serious about creating new jobs with private investment, reducing long term budget deficits, and producing here at home rather than abroad the base metals that serve our national interests, then the land exchange embodied in H.R. 1904 should be advanced at the earliest possible date. To do otherwise, and to continue to subject it to prolonged study and delay will only serve the interests of those who, while perhaps well intentioned, cannot see their way to any significant natural resource production, and in so doing ship our jobs, tax revenues and resource production overseas. I know that is a strong statement, but I believe it comports with today's realities.

Thank you again for the invitation to share our views with you today and I would be happy to answer any questions you may have.