

Meeting #23
July 9, 2014
MEETING SUMMARY

Meeting Attendees

Community Working Group members present:

Pamela Rabago – Superior Chamber of Commerce
Nancy Vogler – LOST Trail
Roy Chavez - Concerned Citizens and Retired Miners
Bill Vogler – Superior Copper Alliance
Bruce Wittig – Queen Valley Fire Department
Cecil Fendley – Queen Valley Water Board
Jeff Bunkelmann – Central Arizona College
George Martin – JF Ranch
Lynn Martin – JF Ranch
Evelyn Vargas – Cobre Valley Medical Center
JoAnn Besich – Superior Optimist Club

Community Working Group members not present:

Dominic Perea – Superior Junior-Senior High School
Pam Bennett - Queen Valley HOA
Steven Byrd – Superior Junior-Senior High School
Matt Nelson – Arizona Trail Association
Fred Gaudet – Arizona Trail Association alternate
Mark Siegwarth – Boyce Thompson Arboretum
Kiki Peralta – Superior Rotary Club
Nina Crowder – Superior Rotary Club alternate
Patrick O'Donnell – Superior Unified School District #15

Resolution Copper Company:

Vicky Peacey – Environmental, Permitting & External Affairs Manager
Melissa Rabago – Community Relations
Jim Schenck – Manager for Communities & Social Performance

Facilitator – Godec, Randall & Associates (GRA)

John Godec
Debra Duerr
Brian Watts

Guest Speaker:

Dr. Chris Anderson - Americas Director, Communities & Social Performance, Rio Tinto PLC

Public Guests:

Dennis VanGorp – Family Life Christian Center
Jacquie Smith – Arizona Water Company
Tiffany Rowell

Housekeeping

John Godec introduced Ms. JoAnn Besich, a new group member representing the Optimist Club. He asked the group to introduce themselves. He also introduced two members of the public who are considering becoming group members as a result of the group's suggestions, including Jacquie Smith from Arizona Water Company and Pastor Dennis Van Gorp from Family Life Christian Center.

Godec said he had spoken with Mayor Valenzuela, who said he is still working to find someone to represent the Town of Superior as part of the CWG. He also mentioned that two additional people have expressed interest in representing the Chamber of Commerce, and asked the group if two additional business community representatives would be appropriate. The group discussed the candidates and thought it would be desirable to have two additional business representatives. Several asked about student representation. Dr Bunkelmann reported that students are still signing up for the *Geology 101* course that will attend our meetings, and we should plan an orientation session as things progress.

Mr. Chavez had a question regarding the last CWG meeting with the State Land Department, asking Resolution when they last met with the Department. Vicky Peacey recalled that it was probably about February 2013. Although no further meetings have been held, the state has made it clear that they would not be interested in any proposal from Resolution for a tailings site. Peacey said that the Forest Service has asked Resolution to keep the State Land site in the proposed Environmental Impact analysis as an option, however. Members agreed that what they heard from the state was that 'the door is closed'. A member said she found it interesting that Pinal County hasn't decided what to do with the southeast corner of Superstition Vistas, so there seems to be misalignment between the state's desired land use plan and the county. There was speculation about how the political landscape may change in the future. The group speculated that with the current funding of public schools the way it is, the state would want to sell this land; however, if the plan is to promote residential development this type of industrial facility would not appear to be compatible with that.

Overview and Discussion of Mining Community Investment Programs Worldwide

Presenter: Dr. Chris Anderson, Rio Tinto PLC

Godec introduced Dr. Anderson by noting that this group has talked about community investment for some time, and Anderson is the specialist for Rio Tinto who does this work on behalf of the company throughout the Americas.

Dr. Anderson explained that he works for corporate Rio Tinto, not for Resolution Copper Company. He is currently responsible for the Americas, and has worked all over the world as an anthropologist and consultant on mining projects. He grew up in southern Appalachia in West Virginia, which is coal country. Towns in that area have suffered due to the reduction in coal extraction and use around the country. He observed that to do mining correctly, a company

needs to have “deep pockets”. He feels that copper – unlike coal - is likely to be a strong commodity for a long time, as it is increasingly used for so many things.

The objective of his group in Rio Tinto is to develop ‘win-win’ solutions for communities. This company, headquartered in London, has been in business for 150 years and is now the second biggest mining company in the world after BHP. Rio Tinto is a joint venture with Resolution Copper Company to manage this project. Rio Tinto gets about 85% of its revenue from developed countries, but also has several projects in developing countries.

Anderson noted that Rio Tinto has a set of corporate values that includes issues of human rights, communities, and the environment. There is a Communities Policy that looks at community relationships as integral to their business and not as an adjunct. The company promotes active partnerships and community-based projects. They use the term ‘social license to operate’, meaning that they seek the consent of communities to work in their area. Unlike other businesses, however, mining has no options to move locations, and so has a greater stake in gaining community trust.

Rio Tinto’s Communities and Social Performance (CSP) group seeks to build a knowledge base, develop local partnerships, and sponsor local programs. This approach is built into multi-year plans that are developed within the company and with communities. These often result in participation agreements with communities to address issues such as:

- Supply chain and local enterprise options
- Training and direct employment programs
- Governance and capacity training
- Financial and business administration advice
- Environmental & cultural heritage protection and promotion
- Local land management and access
- Land and water co-management, monitoring and review
- Participation in eventual decommissioning and closure options
- If appropriate, benefits receiving trusts – long and short term investment

The focus of these agreements is on overall economic growth and enterprise, not just on jobs or taxes, so the impact is much greater than simply for discretionary benefits.

Anderson gave examples of a socioeconomic monitoring agreement the company made for a diamond mine in Diavik, Canada and for the Western Cape Communities Co-Existence Agreement in Australia. Another example is the Eagle Mine in Michigan, which is a similar situation to Superior in that it is an old mine that is being expanded (refer to meeting handouts describing this program). Here, a community environmental monitoring program was undertaken, and a ‘community scorecard’ approach was developed. There are other good examples of community partnerships from mines in Ghana (Newmont Mining) and in Montana (Stillwater Mining Good Neighbor Agreement). In some cases, community trusts are established, with operating rules, qualifications for trustees, and criteria for projects to be funded.

Anderson posed the question: How can Superior harness to the fullest extent the economic benefits the Resolution Copper Project will generate? He estimated that Resolution will spend about \$1 billion per year during construction and the same when operating at full capacity for about 40 years. If the town captures just 1% of this, the economic benefit would be \$10 million per year. He urged the community to explore ways to take advantage of this situation.

Group members had the following comments and questions:

- What specifically has the company done in towns similar to Superior? This area is beautiful and could be a tourist destination.
 - Rio Tinto doesn't build hotels or similar activities; it's up to the communities to do that, but the company can provide financial support.
- Do you have specific examples of sustainability projects?
 - Addressing health problems like malaria and AIDS, and educational support through scholarships and support of trade institutions.
- What about infrastructure projects, e.g. water, transportation?
 - Rio Tinto believes that governments need to take care of some of these, using the company's taxes.
- A member speculated that Superior is on the verge of big changes if it wants to do so. It could plan and grow if it wants to. She noted that mining in the past did not involve any community development ("pitch your tent"), but now there is an opportunity to do so.
 - The company is willing to support local government initiatives to do planning and development.
- A member noted that this community possibly doesn't want to pay higher property taxes and wants to remain small. Another member noted that property taxes are higher outside of Superior.
- A member suggested that a foundation might be preferable to a trust, for this community.
 - There are pros and cons to each. One difficulty is making sure you get good and/or broad representation of the community. One suggestion is to look at the potential impacts on the community to assist in deciding what representation should be included.
- Is there a trust fund associated with the foundations described in the other mine examples? Does Rio Tinto contribute to this?
 - Yes, usually, based on an agreement. For example, there could be an annual contribution, based on amount of resource extracted, that is contributed to an endowment.
- Peacey asked how communities get started with this kind of process.
 - It would be different here than in developing countries. This group, or similar, could hire someone to help. There are a number of different options.
- Why did Rio Tinto pull out of the Pebble Mine in Alaska?
 - It was not considered a good investment due to the remoteness of the area, environmental concerns, and other reasons. The company did not sell its shares but donated them to local educational charities.
- Why has it taken long to get this mine going here in Superior?

- One reason is environmental permitting and approvals, and another is that the plans for the project have changed significantly because the Pinto Valley mine became unavailable for the tailings location.
- The land exchange has been a very time-consuming process, and this member doesn't think it will be approved at all.
- What's the status of the Resolution #10 Shaft?
 - Peacey reported that the air shafts have been repaired. Full operation of shaft sinking will be able to start next week, with a full complement of workers.
- Is this kind of timeframe unusual?
 - Not at all. This is typical for projects of this magnitude.
- Is Rio Tinto thinking about selling this project?
 - Not that anyone here is aware of.
- If the town of Superior wanted to see a population of 10,000 people, what influence does the mining company have in keeping employees living in the community.
 - Anderson suggests that any agreement developed include provisions by the community for the company to keep a certain percentage of local workforce, or similar ideas. There are also things the community can do to ensure that there is adequate housing stock and services, etc.
- Living with mining as your primary industry has always been a gamble for communities, because of the up-and-down nature of the business.
- A member noted that there are a lot of small companies who come and go, partially due to laws and other legal issues. What brought Rio Tinto to Superior? He feels that this is now an international market ("not your grandfather's mine"). Did the connection with BHP have anything to do with it?
 - Rio Tinto looks for 'Tier 1 assets' that are sustainable and have sufficient value for long-term investment. Magma Mine closed in 1996 and Rio Tinto/BHP became interested in the Superior resource in 2004.

Public Comments

- A visitor asked a clarification question about the social license that was mentioned. Are these with the local governing body? Can there be a separate agreement that does not include local government?
 - Not always, but there should be government representation on such a group. There can also be other agreements with other organizations such as trusts or foundations that are separate from government. There are many possible approaches.
- If you have the majority of the community behind the project, do you also need to have the government behind it?
 - Resolution feels that it's important to work with both. It's possible that there could ultimately be two agreements, one with the Town and one with the community.
- Would Resolution be willing to pay for someone or some organization to come in and help develop programs and structures?
 - Absolutely.

- A member noted that these approaches have been tried in the past, by the Chamber for example, but haven't been successful yet. We don't have the professionalism to do this ourselves, but we need seed money.
- Several members noted that the previous agreement was not good. A member offered to try to find a copy and send it to the members.
- A member said that he's been negotiating community agreements for many years, and finds Resolution to be the easiest company to work with.
- Sustainability is the most important thing in thinking about this approach.
- The group reminded itself that the members of this group have been working on these issues for a long time, and can be the catalyst for developing a sustainable community investment program.
- The NEPA process will also have a large public component, and will provide more data and information.
- An Ad Hoc Committee was suggested as an approach.

Final CWG Comments and Future Meeting Planning

Next Meeting:

5:30 PM

Wednesday, August 13, 2014

Meeting Location

Superior Chamber of Commerce

165 W. Main Street

Superior AZ

If a representative of the San Carlos community is willing to speak with the group, this will be the focus of the next meeting. Alternately, we will likely explore community investment program options for the Superior area.