

DRAFT

Memo

To: Dana Pierce, chair

From: Gregg Erickson

Subject: Draft AJMAC Conditions

You asked me to send you a draft of the conditions the Assembly should establish before moving forward with efforts to jump-start development of an AJ mine. I suggest that before proceeding with any request for proposals or other action to solicit commercial interest in AJ mine development, the CBJ Assembly should take the following steps:

1. At its own expense CBJ should contract for an "environmental impact report" designed to meet the requirements of a federal environmental impact statement. The contractor should have demonstrated experience in (A) designing mines and (B) preparation of environmental impact statements. The contractor should be directed to establish a base line mine development scenario (the "base-line scenario") following in general the small mine development concept prepared by Echo Bay before it relinquished its lease. The base-line scenario shall specify the ore milling and concentration process to be used, The base-line scenario shall require that

- A. milling operations and tailings disposal shall be underground, and

- B. The only rock that may be removed from the mine is rock which can be promptly marketed for civil construction projects

Excepting the above requirements, the contractor may modify the base-line scenario and add additional conditions as the contractor considers appropriate.

2. The environmental impact report prepared by the contractor should be submitted to a third-party consultant for validation.

3. Following validation, the Assembly should put the question of AJ development to an advisory vote.

Following the advisory vote, if the CBJ assembly decides to move forward with an effort to jump-start AJ mine development, it should establish by ordinance an AJ Citizens Oversight Panel (the "Panel") to including neighborhood representation. In addition, the CBJ assembly should establish the following conditions:

1. Before commencing mining the developer shall be required to establish, or pay for establishing an alternate municipal water source capable of supplying all of CBJ municipal water needs in the event the Last Chance Basin source is rendered permanently unusable.

2. Deviations from the base-line mine development scenario proposed by the mine developer must be evaluated, at the developer's expense, in accordance with the requirements of a federal environmental impact statement. An independent contractor selected by the Panel and paid by the CBJ shall validate the adequacy of the supplemental EIS.

3. Lease provisions governing payment for the right to mine shall be at least as favorable to the AJ unit as those established in recent years for other Alaska mines.

4. Before mining operations begin the developer shall annually pay \$200,000 to the CBJ for support of the Panel and such staff and consulting studies as the Panel may consider

necessary. After mining begins the CBJ will provide the Panel with an annual budget equal to the greater of 1 percent of CBJ's AJ lease revenue or \$200,000. Environmental monitoring, due diligence, and other governmental and proprietor duties relative to the AJ development shall be the responsibility of the CBJ, not the Panel

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