

MONTANA TUNNELS MINING, INC. PIT EXPANSION

PURPOSE OF THE BRIEFING DOCUMENT:

Montana Tunnels Mining, Inc. (MTMI) proposed to deepen and expand its open pit mine to develop additional ore reserves. This expansion would extend the life-of-mine an additional three to five years from the date operations restart.

ISSUES:

MTMI has mined and processed ore from a single open pit mine since the adoption of the draft environmental impact statement (EIS) and approval of the current operating permit in 1986. Montana Tunnels mines a poly-metal bearing ore and produces gold, silver, lead and zinc in the form of metal-sulfide concentrates for sale into commerce. The products are recovered from the ore by conventional milling and flotation processes and gravity concentrating techniques. The mine operates under State Operating Permit No. 00113 and BLM Plan of Operations MTM-82856. It is located on public and private lands near Jefferson City in Jefferson County, Mont.

Development drilling programs at Montana Tunnels have delineated additional ore that extends beneath the existing open pit mine in the pipe of an ancient volcano. The ore body provides a significant resource for mining and milling beyond the current plan of operations. Montana Tunnels proposes to extend its life-of-mine plan to access this resource by open pit mining methods. The added ore resource will lengthen mining and milling operational life by approximately five years. The current mining plan covered operations into 2008, when economic conditions forced the mine into care and maintenance status.

To assure an uninterrupted supply of ore to the mill between the current plan and the mine expansion plan, overburden stripping from the open pit high wall layback was planned to begin in late 2008. The expansion of the pit to the north will require the relocation of Clancy Creek. The preferred alternative will move Clancy Creek into a reconstructed channel and riparian zone.

The downturn in commodity prices and the financial collapse in 2008 have made it difficult for MTMI to secure financing for its proposed expansion. The operation is currently in care and maintenance status pending changes in economic outlook.

MAIN DECISION OR MESSAGE:

The BLM and Montana DEQ released a final EIS and ROD to cover the proposed expansion in the fall of 2008.

The preferred alternative in the final EIS will allow MTMI to continue mining and reestablish a portion of Clancy Creek when mining is complete. The bond held by the agencies is approximately \$18 million.

The current economic downturn has continued to make it difficult for MTMI to secure financing for its expansion. The agencies expect the mine will reopen as the economy and commodity prices recover and MTMI is able to secure financing. With the current economic difficulties, many of the miners have likely sought work elsewhere.

BUREAU PERSPECTIVE:

Public interest in the mine is moderate. MTMI has a good history of environmental compliance and has not been a source of controversy. The company employed more than 200 people and has been an important source of revenue for Jefferson County. More than 100 people, mostly mine supporters, attended an EIS scoping meeting in early 2006.

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