Placer Dome Case Study: Golden Sunlight Mine
Catherine Coumans – April 2002

MINE: Golden Sunlight Mine
Location: Near Whitehall in Jefferson County, southwestern Montana, USA
Ownership: Placer Dome owns 100% of Golden Sunlight Mines Inc., which owns and operates the mine. Placer Dome has owned this property since it was obtained in 1958 by Placer's U.S. predecessor, American Exploration and Mining Co.
Product and Reserves: Gold. Proven and probable reserves as of December 31, 2000, 312, 000 ounces of gold.
Production Rate and Cost: During 2000, 2,347,000 tonnes of ore were mined and milled to produce 212,266 ounces of gold at a total production cost of $243 per ounce.
Type: Open pit mining, cyanide vat leach
Operating Dates: 1983 – ongoing for another 2-3 years
Employment: 75 employees and 25 contract workers

ISSUES:

1) Inadequate Reclamation Plans and Bonding

Since 1988, five organizations (Montana Environmental Information Center, National Wildlife Federation, Mineral Policy center, Gallatin Wildlife Association, Sierra Club) have been engaged in legal battles over the Golden Sunlight Mine over Article IX, section 2 of the Montana constitution that says that "All lands disturbed by the taking of natural resources shall be reclaimed." The first action, launched in 1990, was an administrative appeal against the US Bureau of Land Management, as part of the mine was on federal land, for approving a massive pit expansion without an acceptable reclamation plan.

In 1992, the Interior Board of Land Appeals ruled that Placer's reclamation plan was flawed but only required that the reclamation bond be increased to $433,000. In March 1992, the groups sued the Montana Department of State Lands (now Department of Environmental Quality) in state court for violation of state reclamation laws and the Montana constitution. In September 1994, State District Judge Thomas Honzel ordered Montana's Department of State Lands to prepare an Environmental Impact Statement and declared unconstitutional the section of the state's reclamation law that exempts open pits from being reclaimed. The EIS was finally complete in April 1998 and found two reclamation alternatives to be feasible, "No Pit Pond" and "Partial Pit Backfill." The latter was stated by the Record of Decision to be preferable, the former was cheaper for the company and was therefore chosen by Director Mark Simonich.

In September 1998, the groups challenged Simonich's decision. In February 2000, Judge Honzel ruled against the State and the Golden Sunlight Mine and for the more expensive reclamation option because it would "revegetate more acreage," "result in less acid mine drainage, further protecting the groundwater reserves around the Golden Sunlight Mine." The judge noted that a decision should not be made on the basis of "whether a mine operator will make a profit." Placer responded by having the reclamation statute rewritten (this was the second time Placer Dome had successfully lobbied to have the statute rewritten to thwart legal victories of the group!). The new language prohibited the requirement of backfilling open pits except under limited circumstances that do not apply for Golden Sunlight. The changes were written to apply retroactively, thereby forcing the authorities to choose the "No Pit Pond" alternative for Golden Sunlight. The groups amended their suit again to challenge the changes in the statute.[1]

On Friday March 22, 2002, Judge Honzel upheld the position of the groups that the changes to the statute are not constitutional. This decision is in the process of being reduced to a judgment order.

According to Montana Law, a bond has to cover the full costs of reclamation by a third party contractor as well as administrative and reclamation costs (this statute was improved in 2001). Placer's bond is currently $58 million, to cover the No Pit Lake alternative. The new bond, to implement the Partial Backfill Option, will have to be increased by **US $23.5 to $58 million** dollars.[2] This amount does not include bond calculations for perpetual water treatment.

2) Decision to Mine Under Water Table at Acid Generating Site

Placer has known for many years that this mine was "profoundly acid generating."[3] Yet in 1994 Placer Dome decided to mine into the water table, thereby guaranteeing that the mine would need **perpetual care and maintenance** to treat its toxic water runoff. According to one expert, the mine had been profitable up to that point and Placer could have closed it out at a profit thereby protecting the environment and shareholders from increased liability.[4] It is estimated that Placer will spend approximately **US$ 100 million** over the next 100 years to provide the capital and operating costs of water treatment at the Golden Sunlight Mine.[5]

3) Spills and Leaks

Golden Sunlight has had repeated spills from broken pipes and leaks from tailings facilities. One spill killed cattle grazing near the mine. In 1983, a retaining wall at one of Golden Sunlight's tailings impoundments failed. Millions of gallons of cyanide-laced water was spilled. Groundwater was contaminated and the spill ruined wells on two farms near the mine. Placer bought out the two farms at an **unknown cost**. The contaminated groundwater has not been cleaned up and is expected to result in further environmental damage and costs in years to come.[6]

<u>POTENTIAL UNCOVERED LIABILITY</u>:

Approximately **U.S.$ 23.5 to $58 million** will be required to increase the current bond to comply with Montana Law and its Constitution. This amount does <u>not include</u> bond calculations for perpetual water treatment. The costs of perpetual water treatment are estimated at **US$100 million** for the next 100 years. The unresolved issue of cyanide in the groundwater near the mine entails currently unknown costs.

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[1] For more detail on the above see: http://www.meic.org/sunlight.html
[2] J. Jensen: personal communication, April 19, 2002.
[3] G. Miller: personal communication, 2001.
[4] G. Miller: personal communication, 2001.
[5] Mineral Policy Center, July 1999. *14 Steps to Sustainability: Placer Dome Inc.*
[6] J. Jensen: personal communication, April 19, 2002.

DISCLOSURE ISSUES:

Placer Dome does not have any information on the above issues on its web site or in its sustainability reports.