

HARD-ROCK MINING IMPACT PLAN ANNUAL MONITORING REPORT

BLACK BUTTE COPPER PROJECT
MEAGHER COUNTY, MONTANA



TINTINA MONTANA INC.
DBA SANDFIRE RESOURCES AMERICA INC.

WHITE SULPHUR SPRINGS, MONTANA

MAY 1ST, 2020

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EXECUTIVE SUMMARY

Montana's Hard-Rock Mining Impact Act requires developers of hard-rock mines with more than 75 employees to work with local governments to assess and finance infrastructure and services required to facilitate mine development and operation. The purpose of the Act is to mitigate fiscal impacts of mining projects. Projected mine-related costs are reported in a Mining Impact Plan which describes how necessary capital and operating needs will be financed by the developer. Local governments are consulted annually to monitor community impacts and update the Impact Plan if necessary.

Sandfire Resources America, Inc. worked with Meagher County public schools, the county government and the city of White Sulphur Springs to develop a Hard-Rock Mining Impact Plan in 2018 for the company's Black Butte Copper Project. The plan is filed with the Montana Hard-Rock Mining Impact Board and submitted to the local governments.

This report fulfills the first annual monitoring required by the Hard-Rock Mining Impact Act. The report updates the mineral development timeline and employment projections for the Black Butte Copper Project. Updated projections are shared with local governments to identify new or changing community impacts.

Summary Findings

Sandfire Resources America, Inc. is in the final stages of the permitting process for the Black Butte Copper Project. At this time mining activity has yet to begin and no changes to the employment projections in the Hard-Rock Mining Impact Plan are anticipated. Officials with affected local governments identified no changes to actual or anticipated community impacts or costs. As a result, this first annual monitoring update recommends no changes to the existing Mining Impact Plan for the Black Butte Copper Project.

1.0 INTRODUCTION

Sandfire Resources America, Inc. (Sandfire) recently received a positive Record of Decision (RoD) regarding a Mine Operating Permit from the Montana Department of Environmental Quality (DEQ) to develop and operate the Black Butte Copper Project (BBCP) in Meagher County, Montana. The DEQ is currently finalizing the bonding calculation for the project as the final step in the permitting process.

As a part of the permitting process, Sandfire prepared and submitted a Hard-Rock Mining Impact Plan (Impact Plan) to the Montana Hard-Rock Mining Impact Board and affected local government units in accordance with the Hard-Rock Mining Impact Act (HRMIA).

The HRMIA is designed to mitigate fiscal impacts to local governments affected by new large-scale mineral development projects, including mining, related industrial processing, and transportation activities. To assess and mitigate community impacts associated with mineral development, the HRMIP requires the Impact Plan to project infrastructure and services necessary to facilitate development. The Impact Plan requires that the costs of these impacts be covered by the developer through tax prepayments or other financing mechanisms. In addition to the Impact Plan, the HRMIP requires annual monitoring in consultation with local governments and outlines stipulations for Plan adjustments and amendments as required.

This report fulfills the requirement to conduct annual monitoring of the Impact Plan in consultation with local governments. The purpose of annual monitoring is to reassess the mineral development timeline and changes in employment associated with mining activities, to communicate these changes (if any) to affected local governments, and consult with the local governments to identify changes in infrastructure or services costs (if any) that would trigger new tax prepayments or other funding assistance from the developer.

This report begins with background from the existing Impact Plan, including contact information for affected local government units, a review of existing local government impact costs estimates, and important definitions. Next, this report describes the process for updating the mineral development employment projections with an internal survey of company employees and updates the mineral development timeline as necessary. Finally, this report includes a summary of engagement with affected local governments and recommended changes to community impact cost estimates, if any.

Note: A related program included in the HRMIA allocates 25 percent of annual metal mines license tax collections to be used by communities to diversify and strengthen their local economies while the mine is still operating and to finance economic, workforce, and fiscal impacts after mine closure. These longer-term planning and economic development resources are additional to direct mining impacts that are the subject of the Impact Plan and are beyond the scope of this monitoring report.

1.1 Affected Local Government Units

Local government units affected by the BBCP are identified in the Impact Plan. They are Meagher County, the City of White Sulphur Springs, and White Sulphur Springs School District #8. Contact information for each local government is below.

Meagher County—County Commissioners

15 W. Main Street

White Sulphur Springs, MT 59645

Ben Hurwitz, Chair

(406) 547-3612

dogle@meagherco.net

City of White Sulphur Springs

105 West Hampton

White Sulphur Springs, MT 59645

Rick Nelson, Mayor

(406) 547-3911

wss@itstriangle.com

School District #8

405 S. Central Ave

White Sulphur Springs, MT 59645

Larry Markuson, Superintendent

406-547-3751

lmarkuson@whitesulphur.k12.mt.us

1.2 Existing Community Impact Cost Projections

Through consultation with affected local governments, the Impact Plan projected net impact costs related to the development of the BBCP as follows:

For Meagher County, the plan projects net impact costs of \$338,700 which will be mitigated with tax prepayments.

For the City of White Sulphur Springs, the plan projects net impact costs of \$98,300 which will be mitigated with tax prepayments.

For School District #8, the plan projects no net impact costs. If net impact costs do occur, they will be mitigated with grants through the adjustment procedures outlined in the Impact Plan.

1.3 Definitions

Important definitions included in the Impact Plan for the BBCP that are relevant for this annual monitoring report include:

"Affected Local Government Unit"—a local government unit within which a large-scale mineral development is located or that will experience a need to increase services or facilities as a result of the commencement of large-scale mineral development in accordance with an adopted impact plan.

"Mineral Development Employee"—a person who resides within the jurisdiction of an affected local government unit as a result of employment with a large-scale mineral development or its contractors or subcontractors.

"Mineral Development Student"—a student whose parent or guardian resides within the jurisdiction of an affected local government unit as a result of employment with a large-scale mineral developer, its contractors, or subcontractors.

"Non-resident Mineral Development Employee"—a Mineral Development Employee who is not originally from the impact area and moves into an affected local government jurisdiction within one year prior to or any time after obtaining employment resulting from the mineral development.

"Resident Mineral Development Employee"—a Mineral Development Employee that has resided within an affected local government jurisdiction, as identified in an impact plan, for at least one year prior to the date of hire.

2.0 ANNUAL MONITORING INFORMATION

The HRMIA requires that the Impact Plan project community impacts associated with mining and related activities. These impacts are projected using information on the number of mineral development employees and students living in and relocating to the region where the mine is located, along with an updated mineral development timeline.

2.1 Mineral Development Employment Survey

The Impact Plan for the BBCP requires the following information on mineral development employment be gathered and reported annually:¹

1. The total number of employees at the mine and employees of contractors and their school-age children;
2. Whether the employees live inside or outside White Sulphur Springs and Meagher County;

3. The residential status of employees as resident, non-resident, or commuting. Residents are employees who already lived in the area before getting a job at the mine. Non-resident employees are those who moved to the area to take a job at the mine. Commuting employees travel to the area for work.
4. The total number of Mineral Development Students—including elementary, middle, and high school—residing in School District #8 and the share of these students that are dependents of Resident and Non-resident Mineral Development Employees.

Sandfire will obtain this data by conducting a survey of its employees and contractors. The survey results are required to be submitted to affected local governments (Meagher County, the City of White Sulphur Springs, and White Sulphur Springs School District #8), the Montana Hard-Rock Mining Impact Board, and the Montana Department of Revenue by May 1st each year. This information is intended to help affected local governments monitor actual fiscal impacts related to the BBCP and mitigate those impacts if there are discrepancies between the actual impacts and projections in the Impact Plan.

The Impact Plan states that any additional monitoring of fiscal impacts related to the BBCP is the responsibility of the affected local governments.

Currently, Sandfire is still in the permitting process for the BBCP and construction on the project has not yet commenced. Given the still pending status of the BBCP, Sandfire has not initiated hiring Mineral Development Employees and will not complete a survey of Mineral Development Employees or contractors before May 1, 2020 (there are no Mineral Development Employees yet to survey). In future years, after mineral development activity begins, Sandfire will conduct the required internal survey and report information on mineral development employment to affected local governments.

In lieu of new information on mineral development employment, Sandfire has prepared this report with the intention of informing affected local governments on the process of monitoring the Impact Plan and updating them on the status of the mineral development timeline.

2.2 Mineral Development Timeline

The Impact Plan includes a timeline of mineral development activities, including permitting, construction, mining, and closure activities. The mineral development timeline helps affected communities understand the timing of different types of activities they can use to anticipate changes in services, maintenance, and infrastructure demands that may have a fiscal impact.

Permitting Timeline

The BBCP is in the final stages of the permitting process. The project recently received three major regulatory decisions allowing the development to move forward.

On March 13th, 2020 the DEQ issued a Final Environmental Impact Statement (EIS) that defines the required environmental mitigation steps the company must follow in mining and reclamation. The EIS identified the Agency Modified Alternative from among several possible alternatives. The selected alternative includes additional requirements on the past/backfill system that contains mine tailings (mine waste) as the mining process progresses.

On the same day, the Montana Department of Natural Resources and Conservation (DNRC) released a Preliminary Determination approving Sandfire's application to modify their irrigation water rights to include leasing water for mitigation related to the BBCP.

On April 9th, 2020 the DEQ released a positive RoD regarding a Mine Operating Permit for the BBCP. The RoD initiates the final step in the permitting process which is a financial bond calculation that the DEQ must complete within 40 days. After the bond is submitted and accepted, construction on the project is allowed to commence.

Construction Timeline

After the bond is in place, Sandfire projects construction to last two to three years. Construction may begin as early as summer, 2020.

Mining and Reclamation Timeline

The life of the development, including construction, operations, and reclamation, is estimated to last eighteen years.

3.0 CONSULTATION WITH LOCAL GOVERNMENT UNITS

As required by the Impact Plan, in early-April 2020 Sandfire shared information on the mineral development timeline and mineral development employment projections with affected local governments and consulted with them to identify any changes to the original projections for net impact costs in the Impact Plan.

Due to the COVID-19 outbreak, outreach was conducted remotely and consisted of an email outlining the goals and requirements of the annual monitoring process and the status of the mineral development timeline and mineral development employment projections. The email was followed with a phone call to each local government unit to answer questions and solicit feedback on community impacts and costs associated with the BBCP.

4.0 ANNUAL MONITORING RESULTS

The affected local governments each expressed that they were still comfortable with the projections for net costs as identified in the existing Impact Plan. These affected local governments also stated that they are aware of the stipulations for plan adjustments and amendments in the event that actual costs diverge from the projected costs in the Impact Plan. Finally, it was explained to the local governments that because of the pending status of the BBCP, this first annual monitoring report would not contain new information on the number and place of residence of Sandfire employees and contractors. If the BBCP receives an operating permit and begins mineral development activities, future annual monitoring reports will include updated information on mineral development employment and a mineral development timeline.

Although no new information on the mineral development timeline or mineral development employees is available to communicate to local governments, consultation with communities and the preparation of this annual monitoring report are done in good faith to establish a foundation of transparency around annual monitoring of the Impact Plan and create expectations around timelines and information requirements.

This annual monitoring report recommends no changes to the existing Mining Impact Plan for the Black Butte Copper Project.

¹ For more information on data required to be included in the survey, see the Hard-Rock Mining Impact Board's *Guide to the Implementation of the Hard-Rock Mining Impact Act and The Property Tax-Base Sharing Act* (2008).