

EUREKA COUNTY BOARD OF COMMISSIONERS
OPEN HOUSE – RE: Eureka Canyon Subdivision
September 21, 2009

STATE OF NEVADA)
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COUNTY OF EUREKA)

CALL TO ORDER

The Board of Eureka County Commissioners met pursuant to law on September 21, 2009, for a special Open House regarding the Eureka Canyon Subdivision. Present were Chairman Jim Ithurrealde, Vice Chair Leonard Fiorenzi, Member Mike Page, District Attorney Theodore Beutel, and Clerk & Treasurer Jackie Berg. Tim Arnold, General Manager, was in attendance representing Eureka Moly, LLC. The special meeting was called to order shortly after 7:00 p.m. at the Eureka Opera House. This meeting was strictly for informational purposes and no deliberation or action took place.

PRESENTATION BY COMMUNITY DEVELOPMENT COORDINATOR

The Chairman turned the meeting over to Jim Evans, Eureka County Community Development Coordinator. Mr. Evans stated that the main purpose of the Open House was to hear community concerns and receive feedback from the public regarding the recent shared-cost proposal from Eureka Moly for development of the Eureka Canyon Subdivision.

Mr. Evans narrated a slide presentation which reviewed the history and status of the Lease Agreement (July 2008) between Eureka County and Eureka Moly, including conditions of the lease that have been met by Eureka Moly and those that have not yet been met. Cost estimates for the cost-share proposal for development of the subdivision were also detailed. Mr. Evans concluded his portion of the narrative by stating several future considerations for Eureka County. The presentation is attached hereto and made a part of these minutes by this reference. (See ‘Attachment A’ – 27 pages).

PRESENTATION BY EUREKA MOLY, LLC

Mr. Evans turned the program over to Tim Arnold, General Manager of Eureka Moly. Mr. Arnold continued the slide presentation, stating the benefits of developing the subdivision for both the County and the mine, and outlining the cost-share proposal, which is basically for Eureka Moly to pay infrastructure costs inside the boundary of the subdivision and for Eureka County to pay all infrastructure costs outside the boundary of the subdivision. Eureka Moly does not feel they are in default of the Lease Agreement, because the timeframes in the lease were anticipated/estimated dates, and additionally no notice of default has been issued by the County.

Although Eureka Moly realized from the start that they would not see a full return on their investment in the subdivision, the crash of the financial market compounded the financial burdens and contributed to development delays. Permitting issues and the pending Record of Decision (ROD) on the Mount Hope Project are also factors in the delays. Mr. Arnold noted that Eureka Moly is willing to negotiate the cost-share proposal; their desire is to partner with the County, and further discussions could lead to a workable plan for the benefit of all parties.

Mr. Arnold continued by reviewing detailed future tax benefits for Eureka County if the Mount Hope Project (molybdenum mine) comes to fruition. Mr. Arnold concluded his presentation by describing Eureka Moly’s core values and their intent to be a good neighbor and work with the community. His presentation is attached hereto and made a part of these minutes by this reference. (See ‘Attachment B’ – 22 pages).

QUESTION & ANSWER PERIOD / PUBLIC COMMENT

Chairman Ithurralde opened the floor for questions and/or public comments. It was later noted that written comments could be submitted to the County Clerk's office. Bob Cobb, Eureka resident, cautioned that without the security of the Record of Decision, it was a gamble for Eureka County to invest in the subdivision. Chairman Ithurralde agreed that the County was 'on the same page.' Mr. Arnold agreed that no parties should continue to invest in the subdivision until there was some security of the Mount Hope Project moving forward, stating that 'next fall' the draft Environmental Impact Statement (EIS) will be released and public meetings will be held which will give a fair indication whether the ROD will be issued.

At the Chairman's request, Mr. Arnold explained the site stabilization that will take place at the annex property while the draft EIS is awaited. This will include seeding, dust control, and weed control.

Carson "Byrnie" Stinnett, Devil's Gate resident, asked what Eureka Moly planned on paying for the annex property, adding that 85 homesites at \$85,000.00 each (using Eureka Moly's figures) works out to \$11 million, and he felt the mine should 'pay up' that amount to the County. Mr. Arnold clarified that the \$85,000.00 figure was the mine's estimated *development* cost per lot, which they realized they would not recover. As far as purchase price, Eureka Moly hoped to pay the County the original cost of the land.

Christine Smith, Eureka resident, asked about the current price of molybdenum, and whether Eureka Moly's employees will make a wage to support purchasing a \$250,000.00 home. Mr. Arnold stated that the current price of molybdenum was in the \$15.50-\$16.00 range, and that the mine's employees would be paid a very competitive wage.

Ken Conley, Diamond Valley resident, asked about Eureka Moly's ability and progress in obtaining financing. Mr. Arnold assured the audience of Eureka Moly's creditability, explaining that it wasn't only the question of ability to get financing, but the variance in interest rates as a result of the unstable economy. Fluctuations in the metal market make it necessary to consider financing decisions very carefully. Mr. Conley had concerns about the County spending tax dollars when the ROD was not guaranteed, or could be delayed, adding that there have been water issues surrounding the Mount Hope Project from the very beginning. He recommended that if the County was going to spend money on a large project, they spend it to figure out a way to resolve the water issues.

Lloyd Morrison, Diamond Valley resident, suggested that Eureka Moly sell stock to the County as a way to raise funding for development costs.

Russell Conley, Diamond Valley resident, commented that Mr. Arnold spoke about being responsible in the community, yet renegotiating the original agreement at great financial cost to the County did not 'set a good tone' for their overall project. Mr. Arnold replied that they don't want any party to be 'stuck' with costs; he hoped an agreement could be worked out now without any immediate costs; and development could begin once the ROD was issued and both parties could anticipate income (Eureka Moly in the form of production, and Eureka County in taxes).

Ben Zunino, Superintendent of Eureka County School District, first thanked Eureka Moly for allowing the School District and the County to rent some of their mobile homes. Mr. Zunino felt it made sense to locate the mancamp close to town, not only for the reasons already stated, but for bussing issues as well. He relayed what other Nevada communities are doing to draw businesses and companies to their areas, felt the mine had put forth an offer in everyone's best interest, and encouraged the County to consider negotiations.

Ken Conley didn't disagree with the benefits of locating housing close to town, but felt the molybdenum mine was a serious venture, and the supportive housing could happen without the taxpayers' dime being involved.

Todd Hubbard, Eureka resident, said the County didn't have to address these issues when the Ruby Hill Project came through; houses were built with curbs, gutters, and paving, and the County wasn't asked for money. He stated if a project as big as the moly mine hinges on affordability of this housing project, it makes everybody nervous about the financial security of the entire project.

Fred Etchegaray, Diamond Valley resident, stated he would like the County to partner up with him too, adding it would make his life a lot easier. He agreed that a company planning such a large project shouldn't be having so much trouble financing this little housing project.

Cindy Adams, Eureka resident, commented that Eureka Moly was asking for help from the County now, and she wondered what they would ask for down the road, or if they would be in a position and be willing to help the community in return. She was also concerned that \$250,000.00 houses would not sell in Eureka County.

Mr. Arnold stated they intend to be able to help the community, and have tried to do that up to this point, but they are a developing company and do not yet have the benefit of mine revenues. Following other area mines' examples, they plan to help the community when there's a specific need; they already identified such a need and started the vocational scholarship. Additionally, the increase in tax revenues will substantially benefit the County. Right now they're asking for a little help up front to get the project going. Mr. Arnold added that the County has given them some mixed signals regarding the Mount Hope Project.

Commissioner Fiorenzi commented on the socioeconomic portion of the EIS. At the time the County was participating in this, he spoke with various employees of Eureka Moly and asked about future help to the County. The answer he received was that Eureka Moly would help the first couple of years until the tax base was established, but after that, they seemed to feel the taxes would cover all of the impacts felt by the County.

Cindy Adams asked how the additional costs would be covered if the price of moly drops again. Mr. Arnold stated that Eureka Moly will be able to produce moly at a cost of \$5.50 per pound; also, they have sold 30% of their moly to steel companies for \$12.00, so they are working to set themselves up with a good business model to sustain them through the price fluctuations, and all indicators are that the market is improving.

John Etchegaray, Diamond Valley resident, commented that he was hearing what a great project this was, but as an irrigator it was not a great project for him if it affects the water levels in the future. Mr. Arnold replied that Eureka Moly will spend millions of dollars on monitoring the water to find out if there are any impacts to Diamond Valley, and the other water users will be a part of the process, a part of that program.

There were more comments regarding financing, including what Eureka Moly currently has in the bank. Mr. Arnold stated that Eureka Moly needs to safeguard enough funds to cover payroll when operations and production begin, and there will still be substantial costs before they reach that point.

Chairman Ithurralde reminded the public that the State of Nevada has already overspent their annual budget by 40% and is looking at ways to beef up their revenue stream; net proceeds is a part of that discussion, so the County must also be cautious with their funds, as they may not be able to rely on net proceeds at the same level in the future.

Fred Etchegaray felt it was the mine's project and they should take the risk and shoulder the expense; he doesn't agree with the concept of the County sharing these costs, but maybe an agreement could be reached now between the two parties that *when and if* the Mount Hope Project is up and running, the County could reimburse some of the infrastructure costs. Mr. Arnold stated that Eureka Moly was willing to discuss all negotiations, but felt that until the permits and the ROD are all in place, nobody should spend any more money.

Bob Burnham, Diamond Valley resident and School District Trustee, stated that Eureka Moly was asking the County to be proactive and supportive; if Mount Hope goes into

production, the mine has some guarantee of revenues, but with possible changes in legislation, the County cannot depend on the future of net proceeds. So Mr. Burnham's question was whether Eureka Moly plans on being proactive and supportive of the County at a time when the mine is making the money, and proactive and supportive in relation to the water issues that the residents are so concerned about.

Mr. Arnold stated Eureka Moly plans to be proactive in helping local communities; and as far as the water issues, they are absolutely trying to be proactive, and if they see any impact or decline in Diamond Valley water, will consider all other options, including buying existing water rights or pumping from outside of the area.

Commissioner Fiorenzi relayed several concerns. The State of Nevada will likely look to the counties for revenues, whether it is net proceeds or an increase in the state portion of property taxes. The mine is asking the County to spend in excess of \$5 million for the housing project, and when they're ready to go into production, they are going to need it now. The County already has a capital improvement plan in place with several years of projects planned; the current year's budget is already approved, so requests can't be considered until the next budget cycle (FY 2010-2011) and next year's budget already includes a large project for the Main Street water and sewer. So what are the options? Increase taxes or eliminate existing projects? What if the County is faced with an emergency project, such as a well/water system failure? And the County should have a guarantee in place before committing any funds, and since things must be planned a year in advance, the County's timing cannot work with Eureka Moly's timing. So the County needs to consider any move very carefully. Commissioner Fiorenzi went on to ask what the citizens would think if the Commissioners considered tax incentives for Eureka Moly? He asked for comments on what the public felt about an option such as that.

Lloyd Morrison agreed with that type of thinking; stating that if the project (Mount Hope) goes through, the mine has received an advantage through tax incentives, but if the project doesn't go through, the County is not left with a big bill; also it does not disrupt the County's current planning.

With rising costs, Bob Cobb was concerned that tax incentives might short-change the County when they start feeling the burden of an increased population.

Chairman Ithurralde made a final call for comments or questions and there were none.

ADJOURNMENT

The Chairman thanked everyone for their attendance (the sign-in sheet had 71 signatures), and invited Mr. Arnold to make a closing remark. Mr. Arnold reiterated that the proposal was just that, a *proposal*, and Eureka Moly was interested in negotiating a plan that would work for all parties. He was encouraged by the attendance at the Open House and thanked everyone for their comments.

Chairman Ithurralde stated that the Commissioners wanted to protect Eureka County's legacy for future generations. He thanked everyone for showing up and providing very relevant input. The special meeting was then adjourned at 9:00 p.m.

Approved this 6th day of October, 2009.

/s/ J.P. Ithurralde
J.P. Ithurralde, Chairman

Attest: /s/ Jackie Berg
Jackie Berg, Clerk