

Can We Afford the Rosemont Project?

As Augusta shareholders meet today to hear about the state of the company for another year, there are some things they should be kept in mind about the health of Augusta Resource Corporation as well as company management's decision to put all of the company "eggs" into one basket and a leaky basket at that. Little more than a year ago, the company had properties in New Mexico and Nevada as well as Rosemont in Arizona. Now the only property remaining is in Arizona in the middle of a hotbed of controversy. It is in the interest of all shareholders to take a hard look at the Rosemont property and ask management to divest itself of this property and move on to a more feasible project.

There are many problems with the Rosemont project from a technical standpoint and there is a good reason that every major mining company has shied away from the project since ASARCO backed away from the project, in a large part due to intense citizen opposition, a decade ago. Today there is a better understanding of the negative consequences of a mine at Rosemont. Some of these are listed below.

Total Opposition

Opposition is more widespread than a decade ago. Every elected official and government body in the region opposes the Rosemont Project. The county boards of both Pima and Santa Cruz counties surrounding the project have passed resolutions (every resolution passed by local governments has been unanimous). The city of Tucson and the towns of Marana, Patagonia, Oro Valley, and Sahuarita. Both Congressman Raul Grijalva and Congresswoman Gabrielle Giffords who represent the region in the US House of Representatives are in total opposition of the mine project. Republican state legislators Tim Bee, Marian McClure and Jonathan Paton who represent the region in the State or Arizona House and Senate also are in opposition to the project. At both US Forest Service hearings held so far to take public comments about the project, out of 600 people that attends, at most a dozen have spoken in favor of the mine project and nearly all of them work for the company. In short, opposition to the project is overwhelming.

Far from a done deal

The first two Plans of Operation Augusta management has submitted to the US Forest Service were rejected as being incomplete. The US Forest Service has accepted the third plan, but it is widely viewed as being incomplete even in statements made by company management. The process used by the Forest Service to begin the permitting process is flawed and pressure is being put on the Forest Service from US Congress Representatives to stop the process until documentation is complete. This rough start to the permitting process will delay progress considerably and will inevitably lead to lawsuits. In addition, new designations of the waters of the nearby Santa Cruz River and Davidson Canyon will require additional permits. It will take at least five years, if not much more, for a decision on mine permits and there is no guarantee that permits would be granted. It is likely that US hard rock mining laws will be revised and updated within the next five years, which will almost certainly lead to a more arduous permitting process.

Water woes

Arizonans are very protective of both their water quality and quantity. The Rosemont project sits at the headwaters of much of the city of Tucson's water supply and water pollution from a mine at Rosemont would have serious consequences. Hydrological studies conducted by Pima County show that a mine at Rosemont would require dewatering of the open pit by pumping during operation. When mining ceases, groundwater would flow back into the open pit to create a pit lake. This would cause a cone of depression that would dry up area springs and seeps for many years beyond the life of a mine. Augusta is drilling wells on the west side of the Santa Rita Mountains near the town of Sahuarita and plans to pipe water over the top of the mountains to the mine. Early testing of these wells has already caused a drop in production to private wells nearby and there is a serious possibility that company wells would cause widespread problems with private and commercial wells in the area. The fact that Augusta is trying to get residents in the area to sign agreements that would limit Augusta's liability in the event that neighboring wells would dry up is an indication that the company recognizes the problem. Finally, Augusta has been buying excess water supplied to Tucson via a canal from the Colorado River 350 miles away to recharge at a facility 30 miles downstream from the company's water supply wells. While technically in the same water basin, the recharge will do nothing to mitigate problems near the company wells. Projections show that this "excess" water from the Colorado River will run out long before the mine would close.

Economics

A study by the Sonoran Institute shows that a mine at Rosemont would have, at best, no positive impact on the economic wellbeing of the region but more likely would have a negative economic impact. A major conclusion of the study shows that if the Rosemont project displaces only 1% of tourism/outdoor recreational activity in Santa Cruz and Pima Counties, the economic losses would be greater than the entire annual payroll of the project. Since the Santa Rita Mountains are heavily used for recreation and other outdoor activities and Highway 83, which is slated to be the main entrance to the mine, is one of Arizona's few Scenic Byways and heavily used for tourism, this is a very real possibility.

"These beautiful and unique places need to be preserved and protected, not decimated by open pit mining," said Nancy McCoy, Patagonia business owner and president of the Patagonia Area Business Association. "Our small town livelihoods depend on a pristine landscape. The only livelihoods that will be enriched by these mines are those of the mine owners and investors, who are mostly foreign and out-of-state individuals and corporations."

Conclusion

The chances of the Rosemont project being built and successfully operated are small in comparison to the risks involved. It would be prudent for the company to divest itself of this project and move on to a project that has much less risk.

To hear more about problems with the Rosemont project, please attend a briefing following this meeting at 4:00 in room 1510 of the Harbour Centre.