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AGENDA MATERIAL

DATE DEC 05 2006 ITEM NO. RA-6

November 28, 2006

Letter to:
Chairman of Pima County Board of Supervisors
Honorable Richard Elias

Members of the Board
Supervisor Sharon Bronson
Supervisor Ray Carroll
Supervisor Ann Day
Supervisor Ramon Valadez

And copy to:

Mr. Chuck Huckelberry
County Administrator

Regarding: Augusta Resource Corporation Rosemont Project

Dear Chairman Elias and Members of the Board:

We appreciate the County's preliminary review of the Rosemont Project initial Plan of Operations (Rosemont Plan of Operations) dated July 31, 2006.

We solicited and received comments on the initial draft Rosemont Plan of Operations from the U.S. Forest Service, Pima County and a wide range of other individuals and groups in the community. Among the concerns voiced in these comments were questions of whether commitments made by Augusta Resource (Arizona) Corporation (Augusta) in the Rosemont Plan of Operations would remain binding on any successor-in-interest or during a lower price environment for copper and molybdenum.

By its very nature, the Rosemont Plan of Operations is a preliminary and conceptual plan. After further review, we have determined that the most effective way to deal with the concerns expressed is to include substantially more detail in the Rosemont Plan of Operations, which will be binding on Augusta and any future owners/operators of the Rosemont mine. The agreements will be tied to the land regardless of ownership. Even though development of this more Comprehensive Plan of Operations for Rosemont (Rosemont Project CPO) may delay the start of the Environmental Impact Statement (EIS) process and by extension, the start-up for mine operations, Augusta is willing to incur this delay in order to address the various community concerns that have been expressed.

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The Rosemont Project CPO is scheduled for completion during first quarter 2007. The CPO will include over 100 engineering drawings, detailed maps, technical specifications, and more than 2 dozen new narrative sections describing the construction, operation, and closure of the Rosemont Project.

In order to illustrate the level of detail to be included in the new CPO, the draft Table of Contents is attached to this letter. The public scoping/review process for the EIS will not begin until after the Rosemont Project CPO has been submitted to and accepted by the Forest Service.

We accept the five performance standards included in the County Administrator's Report to the Board in the Rosemont Project CPO. Based on our initial review, we think that it would be best to enter into a written Rosemont Mitigation Agreement with the County on these five performance standards and other commitments to the community. We suggest that some reasonable period of time, possibly 120 days, be considered to work on a draft written agreement between Augusta and the County. This agreement could be integrated into the Comprehensive Plan of Operations and thus become a contractual obligation binding on any current or future permit holder/operator of the Rosemont Project.

In order to include public input into the process, we suggest the County Administrator convene a committee to work with Augusta to integrate the five county performance standards and the proposed community commitment into the Mitigation Agreement. Such a community group could work with Augusta to formulate firm commitments to be included in the CPO as an agreement with Pima County.

We request an opportunity to make a presentation on the Rosemont Project Plan to the Board of Supervisors at the meeting on Dec. 5, 2006. The information to be presented will include an outline of some significant commitments to be made by Augusta to the community.

Augusta is committed to a development plan for Rosemont that benefits both the shareholders of Augusta and the citizens of Pima County. We look forward to working with the County as we advance the public process.

Sincerely yours,



Jamie Sturgess
Vice President, Projects and Environment
Augusta Resource Corporation

Attachments:

1. Rosemont Project Summary and Economic Benefits to the Community
2. Draft Rosemont Mitigation Agreement Outline
3. Draft Annotated Table of Contents for Comprehensive Plan of Operations

Rosemont Project Summary

Over the past 120 years, Rosemont Ranch has been home to ranching and mining. Augusta Resource Corporation, current owner, will continue both traditions for the next 25 years and then, at the end of the mine life, will commit the reclaimed land to open space ranchland in perpetuity.

The Rosemont Ranch Project will use state-of-the-art processes – unlike any other mine in the state of Arizona. During its 20- to 25-year operation, this one local mine will produce 5% of the annual domestic copper used in the United States from a very small portion of land. Rosemont will produce 4-5 billion pounds copper, 100 million pounds of molybdenum and 100 million ounces of silver.

Under the U.S. Forest Service and the National Environmental Protection Act (NEPA) over the next one to two years, an open public process will take place to seek community input, as well as to complete a detailed environmental impact study and a comprehensive plan of operations for the mine. Every detail will be laid out, examined and re-examined, including:

- Water sources and protection
- Air quality and dust control
- Transportation and access roads
- Lighting
- Viewshed protection
- Open space planning and compliance
- Biological resource and environmental monitoring
- Power supply
- Facilities
- Mining processes
- Mine closure and land reclamation
- Financial assurance and performance guarantees
- Public safety and fire protection
- Ranch management and public access

Augusta Resource's commitment to the community is to:

1. **Meet Pima County open space guidelines** with conservation easements, lands dedicated to open space following mine closure, and purchase of lands for open space
2. **Protect Cienega Basin water** by providing an alternative water source, closed-loop water processing system, and high-tech tailings process to protect water
3. **Concurrent reclamation** beginning within the first year of mining as well as salvaging topsoil for replacement
4. **Visual considerations** to protect the viewscape including screening berms, contoured and sloped stockpiles, and low-profile facilities
5. **Community endowment** for local residents to manage and distribute that will grow with annual payments from Rosemont during the mine life. Millions of dollars will support important improvements such as open space land acquisition, invasive species control, internships, public safety, historic preservation and recreation.

Economic Benefits to Community

Estimated Annual Values \$

Employment in Pima and Santa Cruz Counties

- 350 direct high paying jobs for 20-25 years (Payroll) 30-40 million
- 700 indirect support jobs for local suppliers (Goods and services) 275 million

Tax Base (annual taxes @ \$2.00 Copper, \$20.00 Molybdenum)

- County Property Tax 200-400 thousand
- State Income Tax 15-35 million
- Federal Income Tax 60-150 million

Copper for the country is a nationwide benefit to all Americans

- Provides copper needs for 15 million Americans 1 of 20 US citizens for 20 years
- Domestic Production Imports vs. Exports

Jobs at home

1,000 local jobs for 20 years

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Rosemont Mitigation Agreement

A. Summary of Rosemont Approach to the Five Performance Standards

Rosemont Agrees and Proposes to:

1. Meet Open Space CLS Guidelines
 - Conservation easements on Rosemont Ranch lands not required for mining
 - Mine lands to be dedicated to Open Space Ranchland following mining
 - Purchase of mitigation lands and enhancement activities within region
2. Protect Waters of Cienega Basin
 - Alternate water source from outside the Cienega Basin
 - Closed-system process water loop
 - High-tech tailings process to conserve water resources
3. Concurrent Reclamation
 - Topsoil salvage and reuse
 - Reclaim throughout mine life
 - Expedited closure at end of mine life
4. Visual Considerations
 - Perimeter Screening Berm
 - Contoured stockpile surfaces and slopes
 - Facility siting criteria below 5200 feet
5. Community Endowment
 - Annual payment every year into Santa Rita Mountains Endowment Trust (SRMRET) for use during mine life
 - Endowment fund accumulates during mine life to provide post mining endowment
 - SRMRET funds to exceed total costs for acquisition of CLS lands

B. Proposed Community Commitment

Dedicated Endowment

1.	Meet Open Space CLS Guidelines	
	• Conservation easements on 2000 acres of Ranch lands	6 million
	• Additional mitigation lands and enhancement activities	12 million
2.	Protect Waters of Cienega Basin	
	• Additional costs for Alternate water source	10 million
	• Replacement water to meet AMA Safe Yield Goal	10 million
3.	Concurrent Reclamation	
	• Reclaim through first half of mine life	34 million
4.	Visual Considerations	
	• Expedited Construction of Perimeter Screening Berm	7 million
5.	Community Endowment to SRMRET	
	• Annual payments by Rosemont	13 million
	• Endowment Trust funded by Rosemont	<u>25 million</u>

Spent directly by Rosemont	\$ 67 million
Placed into Santa Rita Mountains Regional Endowment Trust	<u>\$ 50 million</u>
Community Commitment by Rosemont	\$117 million

Santa Rita Mountains Regional Endowment Trust

Potential Beneficiaries

- Open Space Land Acquisition
- Protection of Existing Open Space Land
- Invasive species control
- Dark skies initiative
- Internships
- Graduate fellowships U of AZ
- Public safety & off-road enforcement
- Historic preservation
- Recreation

Pima County, Santa Cruz County
Pima County SDCP
Santa Rita Exp. Range, SDCP lands
Smithsonian, Univ. of Arizona
Forest Service, BLM, Pima County
Mines, Geology, Agriculture
Santa Cruz County, Pima County
Santa Cruz Valley, Santa Ritas
Forest Service, Pima County, BLM

Others to be determined

By SRMRET Trustees

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Rosemont Mine Plan of Operations
Annotated Table of Contents

A. Introduction and Site Description

1. Owner and Operator
2. Project Location, Access, and Areas of Operation
 - general location information
3. Mining and Exploration Background
 - brief mining history for the project area
4. Claims Information
 - narrative description, claim list and associated map
5. Physiographic Setting
 - climate, geology, seismicity, and hydrology.

B. Mine Plan

1. Mining
 - mine schedule, mining rate, blasting schedule, pit sequencing, material balances, equipment, conveyor operation, haul roads, haul profiles
2. Ore Processing (Milling, Leaching Operations)
 - primary crusher, crushing/grinding, flotation, tailings thickening, reagent handling, process ponds, BADCT design
3. Waste Rock and Mill Tailings Management
 - placement schedule, rate of processing, BADCT design characteristics, geochemical information, geotechnical information
4. Ancillary Facilities (Laboratories, Maintenance, Warehouses)
 - facility locations and layouts; waste and product materials management
5. Access Road
 - USFS and engineering road standard information, alignment, profile
6. Power Supply
 - capacities, usage rates, alignment and locations of powerlines and substations
7. Water Supply
 - water source; usage rates; alignment and locations of wells, pumps, and waterlines
8. Water Management
 - pond (BADCT) designs, capacities, diversions
9. Transportation
 - road data, trip estimates, safety evaluation
10. Site Operations Security and Public Safety
 - fencing, security staffing, signage
11. Financial Assurance and Performance Guarantees
 - bonding methods, costing methods

C. Resource Protection and Control Plans

1. Groundwater Protection Plan
 - outlining the requirements of and compliance with the ADEQ Aquifer Protection Permit (APP) program; sustainable water supply design
2. Air Quality and Dust Control Plan
 - air quality analysis and permitting (Title V) program, waste and tailings design and concurrent reclamation concepts, road watering program

3. Mine Closure and Reclamation Plan
 - post-mine land use and reclamation goals, reclamation concepts and techniques for all areas (plant site, waste rock, impoundments, pit leach pad, roadways), stormwater and erosion control, safety, monitoring, financial assurance; in compliance with requirements of the Arizona State Mine Inspector and the US Forest Service
4. Viewshed Protection Plan
 - viewshed analysis, viewshed mitigation controls (perimeter berm and concurrent reclamation), air quality analysis
5. Environmental Monitoring Plan
 - environmental monitoring programs, including air (Title V), stormwater (NPDES), groundwater (APP)
6. Integrated Contingency Plan
 - outlining the requirements of and compliance with RCRA, EPCRA, CERCLA, and SARA
7. Biological Resource Plan
 - sensitive species surveys, Endangered Species Act compliance, operational monitoring, and biological resource mitigation efforts, as necessary
8. Cultural Resource Plan
 - cultural resources survey, resource treatment and data recovery, tribal consultations
9. Fire Protection
 - equipment, fire response program, vegetation/fuel control program
10. Solid Waste Plan
 - identification of onsite solid waste disposal areas (if any), identification of waste collection areas for offsite disposal, waste removal schedule

D. Other Resource Considerations

1. Lighting Plan
 - candle power, light directing, and other designs in conformance with the Dark Skies initiative
2. Public Access and Recreation Mitigation Plan
 - trails and roadway relocation and modification; fencing and security; evaluation and mitigation of effects to other types of recreation, including birding
3. Riparian Protection and Mitigation Plan
 - evaluation of impacts to waters of the US (Clean Water Act) and County-designated riparian areas (Conservation Lands System); discussion of mitigation efforts for impacts, including avoidance
4. Ranch Management Plan
 - delineation of pastures, grazing schedule, number of animals
5. Local Neighborhood/Community Mitigation Plan
 - description of community outreach coordination, including open house and meetings description and schedule,
6. Santa Rita Mountains Regional Community Endowment Plan
 - funding mechanism, organization, implementation schedule
7. SDCP Open Space Compliance Plan
 - map of SDCP designations on project area, amount of impacts per designation, mitigation

E. Rosemont Mitigation Agreement

1. Summary of Rosemont Approach to County Performance Standards
2. Proposed Community Commitments