

MINING: Former journalist probes company in bid to stop Ariz. copper mine

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Foes of a proposed copper mine near Tucson, Ariz., have hired a former journalist to scour records on the mining company's finances, securities filings and executives in search of damaging information that might halt the project.

John Dougherty, founder of InvestigativeMEDIA LLC and a former reporter for Ohio's *Dayton Daily News* and the *Phoenix New Times*, said he's looking into the developer, Rosemont Copper Co., and its parent, Augusta Resource Corp., and hoping to raise questions about a planned open-pit mine in the Santa Rita Mountains.

"I think they are probably cooked," Dougherty said of the mining company's permitting and financial hurdles. "They're in a bind."

Farmers Investment Co., a family-owned producer and marketer of pecans that's based in Sahuarita, Ariz., hired Dougherty, who as a reporter for the Dayton newspaper was credited with uncovering financier Charles Keating Jr.'s ties to five senators who came to be known as the "Keating Five" -- Alan Cranston (D-Calif.), Dennis DeConcini (D-Ariz.), John Glenn (D-Ohio), John McCain (R-Ariz.) and Donald Riegle (D-Mich.).

In one of his reports, Dougherty, who also ran unsuccessfully for Senate in 2010, described Augusta's leaders as having a "history of bankruptcies, cease trade orders and stock exchange de-listings."

An opposition group called Save the Scenic Santa Ritas used some of Dougherty's research to file a complaint with the Arizona Corporation Commission accusing the Vancouver, British Columbia-based mining company of failing to disclose a corporate bankruptcy involving Donald Clarke and Richard Warke, two company officers.

Augusta denied any allegations of wrongdoing. And the commission declined to act, saying it didn't have jurisdiction over bankruptcies outside the United States. Still, mine opponents remain undeterred and the company defiant.

"Rosemont has survived similar attacks over and over again by those opposed to mining over the past few years and we will continue to survive these attacks," Rosemont spokeswoman Letitia Cornacchia wrote in a lengthy statement for this story. "To date each attack has been proven wrong and we have continued to receive our permits or draft permits as required."

Rosemont executives say the mine could provide more than 10 percent of U.S. copper, a resource they tout as vital for the country's economic growth and green energy projects like wind turbines and hybrid cars. The site, about 30 miles southeast of Tucson, contains at least 4.2 billion pounds of copper and more than 95 million pounds of molybdenum, an element widely used in steel.

"While the factual reports and environmental studies continue to prove Rosemont as an environmentally sound plan and as permitting agencies continue to issue permits or draft permits," Cornacchia said, "those opposed have turned to utilizing 'for-hire journalists' and baseless attacks in an effort to delay construction and jobs for 9,000 [people]."

'Pump and dump'

Dougherty's investigation took him to an abandoned open-pit gold mine in Sardinia.

In a 23-minute documentary that premiered to a packed crowd at an Arizona theater last month, he explained how several current Rosemont leaders were involved in a company called Sargold Resource Corp., which bought the mine on the Italian island.

Dougherty explained how Sargold ran into financial troubles and argued with the local government over cleanup issues. Executives eventually merged the company with Buffalo Gold Ltd., he said, leaving behind a polluted pit that many residents call "Cyanide Beach."

"The cash crisis was so serious that Sargold's top executives made personal loans to the company to keep it going," Dougherty says in the video, "even as they continued to issue overly optimistic press releases."

Dougherty said his experience in Europe "provides a cautionary tale of what could happen in the Santa Rita Mountains south of Tucson, Ariz." In the film he warns people against believing company promises of environmental stewardship: "These same Augusta executives made similar promises in Sardinia, promises that were later broken."

Opponents say the same thing may happen with the Rosemont mine, with executives just hoping to milk investors and eventually sell off the project. Dougherty refers to it as "Pump and dump. Pump and dump. Pump and dump." He added, "This is extremely

divisive in Pima County."

A poll by Fairbank, Maslin, Maullin, Metz & Associates and Baselice & Associates, which was released by mining opponents in April, found that 46 percent of respondents have a negative impression of the project, compared with 44 percent who favor development.

Augusta sees Dougherty's documentary as a "hit piece" with misleading and false accusations. Company leaders say other ventures like Sargold should not be compared with Rosemont and the current permitting process.

"The film is based on a flawed premise," spokeswoman Cornacchia said. "There is no logical, legal or credible means to link Rosemont or Rosemont's parent, Augusta, to any issues in Italy. It's far from journalism -- it does not even qualify as a documentary."

Hedge fund provides cash

Dougherty and other mine opponents are also going through Rosemont's financial statements. They say cash flow problems could stop the project in its tracks. Earlier this summer, the company had only \$9.6 million on hand, compared with more than \$30 million in December.

"The economic and finance environment has changed considerably during the past years, though," said Renate Kloeppinger-Todd, who lives part time in Sonoita, Ariz., and has worked as a senior adviser for the World Bank. "I definitely would not want to have the job of fundraising for Rosemont!"

Kloeppinger-Todd represents a significant segment of the opposition in that it stems from population growth in the Tucson area and the unwillingness of people there to accept a large mining project.

But just when many of those opponents were looking forward to the company's financial situation deteriorating, one of its funders, a British hedge fund called Red Kite, came through with a \$40 million loan on top of the \$43 million it had already supplied.

"This Expanded Loan provides us with the funding needed to continue development of Rosemont through to the start of construction, expected in early 2013, and fits our financing objective of minimal equity dilution," Augusta CEO Gil Clausen said in a statement.

Even though opponents and independent analysts have expressed doubts about Rosemont beginning construction in just a few months, the company is expressing confidence that its recent loan will be enough to make ends meet.

"With the additional \$40 million loan and current cash," Cornacchia said, "our funding is more than sufficient to take us through permitting."

Permit hurdles

In recent weeks, the Arizona Department of Environmental Quality granted Rosemont a draft air permit. The public comment period, which critics are hoping to use to their advantage, closes in October. Critics are also appealing a state aquifer permit issued for the project.

Among their main concerns are the project's impacts on tourism, water supplies to the Las Cienegas National Conservation Area and American Indian resources.

"This might be selfish since we also live there, but the arguments for Rosemont do not hold at all," Kloeppinger-Todd said. "Little job creation and definitely not the kind of jobs that would build up Tucson as a city of the future."

Augusta has promised to build Rosemont with significant water conservation and recycling, and a smaller overall environmental footprint than other Arizona mines.

An ad on the Augusta website touts the hiring of engineers to come up with a plan to reduce light pollution. It says, "[T]heir six point plan for Rosemont Copper will help protect Tucson's night skies."

But in a draft environmental impact statement (EIS) released by the Forest Service late last year, the agency said the plan would degrade air quality in an effort to keep wastes out of waterways, cultural sites and wildlife habitat ([Greenwire](#), Oct. 20, 2011).

The service, which received about 25,000 comments on its draft EIS, says the project would generate more than 550 million tons of ore and more than 1 billion tons of waste rock from a pit that is expected to be nearly 3,000 feet deep.

U.S. EPA also weighed in this year. Jared Blumenfeld, EPA's Pacific Southwest regional administrator, expressed concerns about the project in a letter saying Augusta could face problems obtaining a key Clean Water Act permit ([Greenwire](#), Feb. 27).

The Center for Biological Diversity is also waging a legal battle against the project on the grounds that it would harm endangered species. The center is suing to ensure federal protection for an orchid, the Coleman's coralroot, which lives in the mine's proposed footprint. Similarly, the Fish and Wildlife Service, at CBD's urging, is moving forward with reviewing possible special status for the Sonoran talussnail.

"We are confident that thoughtful analysis will relegate the faux science and bullying tactics of the Center for Biological Diversity as activism," Rosemont executive James Sturgess wrote in a recent letter provided by the company.

Speaking about separate plans for jaguar habitat protection, Sturgess said he hoped regulators "will see that designation of critical habitat in other areas may be warranted for the conservation and recovery of the species, but not the northern Santa Rita Mountains."