

July 16, 2010

Open Letter to
the Honourable James Prentice, Minister of the Environment, and the Right Honourable Stephen Harper,
Prime Minister of Canada

RE: Socio-economic Costs and Benefits of Proposed Prosperity Mine

I write urging you to accept the findings of the Federal Panel Review on the Prosperity Mine in British Columbia, and refuse to issue any federal permits for the mine.

The independently-constituted Federal Panel found that the proposed Prosperity Mine will destroy an entire watershed and irretrievably damage the way of life of the Tsilhqot'in and Secwepemc peoples. The mine's approval will make a mockery of the apology your government made to Aboriginal peoples, and will threaten the already tenuous relationship that the BC government has built with First Nations.

You are being asked by the mining company – Taseko – to believe that the socio-economic benefits for the province and for Williams Lake- which is over 100 kms from the mine – justify this destruction. No critical review of Taseko's economic data was undertaken by the Government of British Columbia before they issued the Certificate of Environmental Compliance. They accepted the company's promotional data without question.

As part of the federal environmental review, MiningWatch Canada and Friends of the Nemiah Valley undertook detailed examinations of the anticipated benefits from the mine. Based on their research these organizations asked for an independent, ecological, full cost accounting of the company claims about socio-economic benefits, but none have been undertaken. Before the federal Cabinet can even contemplate overturning the Panel findings, such a study should be done.

I reviewed the socio-economic analysis submitted by the company for MiningWatch Canada. Currently working as a university professor, I am the former National Co-ordinator of MiningWatch, and the author of a number of peer-reviewed publications on mine economics and taxation.

It is my considered opinion that the mine will not deliver on the benefits the company promises. The company's claims were exaggerated and do not address key negative social and economic impacts of the project.

In the company's feasibility studies for the proposed mine (which were undertaken for investors), the economic evaluations were not done by an "independent qualified person" as the securities regulators require, but by the company vice-president, Scott Jones. As a result, the feasibility studies have a number of serious short-comings.

The Prosperity deposit is very low grade, with gold at less than 0.43 grams per tonne of ore mined, and copper at 0.22% of the ore. The gold is dispersed in the copper, and cannot be mined without mining the copper. The ore itself contains antimony, arsenic and mercury in such concentrations that the company will pay huge penalties to any smelter that accepts the ore.

The cost estimates in the feasibility studies do not make any allowance for the payment of federal or provincial income taxes; for compensation to the affected First Nations; for any financing or interest charges; for contingency on operating costs; or for variations in the exchange rate.

The hydro costs are estimated based on a cost of \$37.4/Mwh, when BC is currently purchasing hydro for over \$88/Mwh. Dr. Marvin Shaffer estimates this discrepancy in power costs as a subsidy to the mine of over \$35 million per year from BC taxpayers.

Even with all these ignored costs, the mine's rate of return to investors is expected to be 10%, below industry standard. The bottom line for this mine is fragile and its ability to operate for 20-30 years will be totally dependent on continuing high prices for gold and copper, and on a low Canadian dollar.

Since all mining taxes are based on profit, it is unlikely that the mine will ever pay much (if anything) in royalties or income taxes.

Will the mine actually provide employment for the people of the Chilcotin? During the construction phase – two years at the most - there will probably be some increased local employment. However, the Panel's report highlighted the fact that most of the mine employees will be skilled workers who leave other jobs, and that the company claims are based on total employment, not actual net new jobs created.

Will the mine stimulate new businesses in the region? There are already many community level initiatives in the Chilcotin that could grow to provide the needed jobs but will be disrupted by the mine: tourism, market gardens, ranching, renewable energy, timber fibre products, and arts and heritage enterprises. Existing businesses will shift their focus to supplying the mine, and will become dependent on it.

The community of Williams Lake is divided over the mine proposal. Even those Williams Lake community leaders that are in favour of the mine admit that they need to diversify their economy away from mining and forestry, but believe they have no alternative.

It is anticipated that the mine will worsen inequality and social problems in the region, especially for low income people. Costs for dealing with these problems will be carried by First Nations governments and taxpayers, not by the company.

Most importantly, the mine will entail huge ecological and cultural costs, which can only be roughly calculated in dollars. These costs will be borne by the affected First Nations and by future generations of taxpayers.

Yours,

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