

February 27, 2009

Dear WRPC Member,

On February 12, 2009, Rio Tinto announced that Kennecott's Eagle nickel-copper project on the Upper Peninsula's Yellow Dog Plains has been "deferred until market conditions recover." But Jon Cherry, Eagle Project manager, tried to reassure mine supporters that this decision will not affect the company's immediate plans. "We are continuing to work on our permits, litigation, and engineering design so that when the opportunity presents itself we will be poised to evaluate economic conditions and our next steps. The roughly 25 employees that are part of the Eagle project are integral to the ongoing activities in the U.P. These positions remain unchanged at this time."

The apparent contradiction between Rio Tinto's announcement and Jon Cherry's statement is reminiscent of the conflicting messages that were part of the Crandon mine controversy. Local project manager Jerry Goodrich would issue statements that the controversial project was proceeding on course while his superiors at Exxon's Houston headquarters were planning to withdraw from the project. Local project managers are reluctant to provide their superiors with an accurate picture of the extent of local opposition to the project for fear of losing their jobs. This deception can only last for so long. With the worldwide depression in metal consumption and Rio's staggering \$40 billion debt, mostly from its purchase of Alcan, this may be the beginning of the end for the Eagle project. Rio has already cut 14,000 jobs and is sharply reducing its spending on new projects. Even BHP-Billiton, the world's largest mining company, is closing its massive Ravensthorpe nickel mine in Australia only eight months after it opened.

"The news to defer Eagle represents a sound financial decision, something scarce at debt-laden Rio Tinto these days," says Marquette County resident and Yellow Dog Summer member Teresa Bertossi. "The company should seriously consider shelving the project permanently, rather than spend more money on a venture that will ultimately be stopped by Michigan citizens."

Kennecott is nonetheless proceeding with its application to the Michigan Department of Environmental Quality (DEQ) for its Humboldt processing mill. "With numerous, unresolved issues revolving around approval of the Eagle Project and serious questions as to whether Rio Tinto will ever fully pursue the project at all, why the DEQ is even considering the Humboldt application at this time is baffling," says Bertossi. "The Eagle Project, as approved, is inadequate and illegal until the company reapplies for a mining permit that includes its South Road and electric plans, as required by Michigan's nonferrous metallic mining law. Humboldt Township might have a refurbished mill site without any ore to process if Rio Tinto can't adequately address major structural and water pollution concerns at the Eagle ore body."

Opponents of the project are eagerly awaiting a recommendation from the administrative law judge in Lansing, based on evidence and testimony presented by the National Wildlife Federation, Keweenaw Bay Indian Community and the Huron Mountain Club in the contested case hearing on Kennecott's mine permit. The judge's recommendation is then sent to Michigan DEQ Director Stephen Chester for a final decision. Stay tuned.

Sincerely, Al Gedicks, Exec. Sec.