

LEHIGH CEMENT.

Quarry proposal, Davie Bay, Texada Island. BC Economic progress or economic vandalism?

June 1, 2009



Davie Bay, Texada.

Tom Scott.

Lehigh Northwest Minerals Ltd (Lehigh), whose parent company is HeidelbergCement AG, (Germany) has applied to the BC Provincial Government for use of the foreshore at Davie Bay, Texada Island, for a barge loading facility. Lehigh plans to quarry limestone over 36 hectares (with the works extending over 75 hectares) in order to extract 20,000 tons per month of 3 inch aggregate limestone for shipment to the Lower Mainland and adjacent areas for use in road base and associated uses.

The Power River Regional District has required Lehigh to present and discuss its proposed plans with the community of Texada Island and a meeting is scheduled for June 27th at the Texada Community Hall. There is also an invitation to visit the site between 11am and 4pm on the same day. Residents and ratepayers of Texada are encouraged to take up the invitation to walk the site and attend the public meeting in the evening.

There are some fundamental issues involved with the Lehigh proposal that Texada islanders need to consider and resolve.

1 Social License

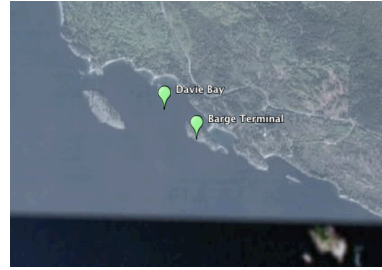
Firstly, it is important to appreciate that Lehigh will need a “social license” from the residents and ratepayers of Texada before it can proceed with this project. A social license means that Lehigh will need the tacit and explicit approvals of governments, communities and other stakeholders. So what you as a Texada resident and ratepayer think of this project will have a strong influence on whether it goes ahead or not.

2 Davie Bay .

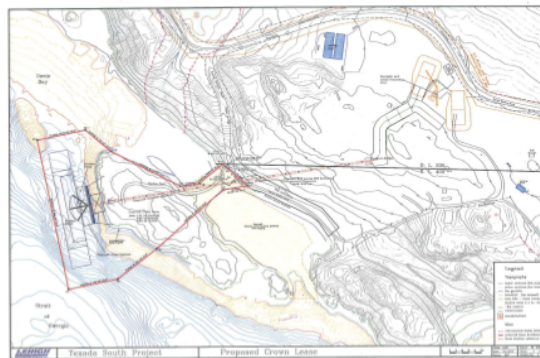
Davie Bay is an area of outstanding natural beauty; the shoreline and islands of Davie Bay are spectacular. Tom Scott has posted a selection of pictures of Davie Bay. To view these go to:

<http://picasaweb.google.co.uk/tomnsharon/DavieBay>

Davie Bay has little islands just off-shore and spectacular views of the Georgia Strait, including Lasqueti and Vancouver Islands. Texada's Official Community Plan (OCP) considers Davie Bay a potential park site.



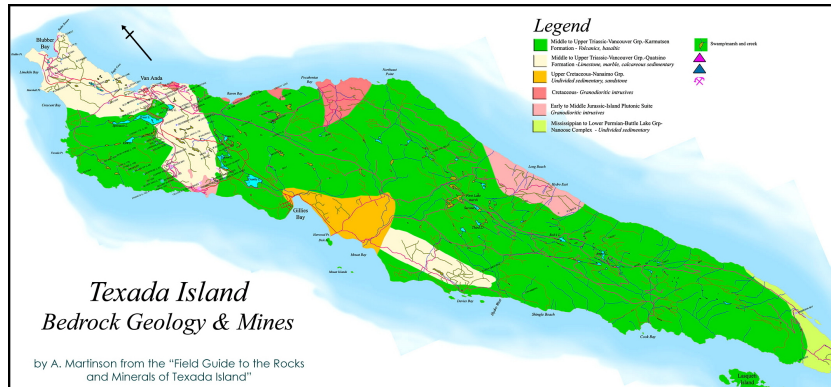
Lehigh plans to construct a conveyor or ramp, 433 meters in length, 7 meters in height, spanning the causeway and tidal island at its crest (at the skyline of the picture above, and on the picture on page 1), and build a barge-loading facility on the Lasqueti side of the tidal island in Davie Bay. Clearance for the conveyor would be approximately 6 meters, and it would entail the building of several pylons to support the structure. The location of the barge loading terminal is pin-pointed, on the tidal island in Davie Bay.



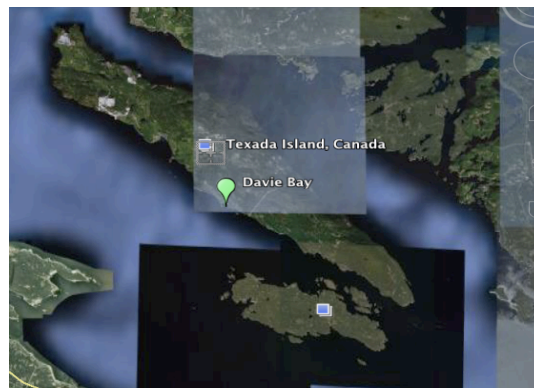
The schematic of the Lehigh plan is shown above. The conveyor or belt would be 4 feet wide, over the tidal island and extend about 50 feet out into the ocean to enable 10,000 ton barges, 350 feet in length, to load.

Judging from other quarry operations on Texada and on the Sunshine Coast it would appear little can be done to lessen the environmental impact.

3 Location of the new quarry



The quarry operators on Texada have to date quarried the northern limestone deposits on a large scale over decades. While returning economic benefits, these operations have done substantial damage to the ecological system in the northern part of the island. What efforts have been made to restore the natural environment have largely been unsuccessful.



A quarry operation in Davie Bay half-way down Texada would take quarry operations on Texada to a new level; quarry operations would then extend from the north to the sensitive mid-part of the island, impact the natural beauty, recreation, be intrusive, and threaten the economic and environmental “balance” of Texada.

4 Economic justification

Texada is host to 3 long-established limestone quarries.

(1) Lafarge Corporation Texada Quarrying Ltd (TQL). In 2005, the Gillies Bay quarry increased cement limestone and aggregate rock production. Approximately 6 million tonnes were quarried with up to 1 million tonnes stockpiled depending upon final contracts. It is expected that this production will consist of 3 million tonnes of cement limestone; 0.6 million tonnes of chemical-grade limestone; 0.5 to 1.5 million tonnes of crushed aggregate (limestone, volcanic and granitic rock) and rip-rap; and, 40 to 50000 tonnes of high brightness white limestone.

(2) Ash Grove Cement West Inc. at Blubber Bay, in operation since 1907. Records indicate that Ashgrove has shipped about 5 million tonnes annually. About 1 million tonnes of waste rock is sold as construction aggregate. The Company sells aggregates, agricultural limestone and also cement rock to their cement plant in Seattle, Washington, chemical grade limestone to their Rivergate lime plant in Portland, Oregon as well as aggregates and chemical grade limestone in BC.

4 Economic justification (continued)

(3) Imperial Limestone Ltd. near Van Anda, is another US Company based in Seattle. There is also a non-operational quarry owned by Lafarge; it is the terrace-like landscape as seen from Powell River.

Currently production rates at the 3 quarries are at low levels.

Lehigh Northwest Minerals Ltd (Lehigh), is a subsidiary of HeidelbergCement AG, a German company which is a global competitor to Lafarge Corporation, which is the owner and operator of the TQL quarry. Historically Lehigh has been a major customer of TQL buying substantial quantities of aggregate from TQL under long term contracts. It is believed the current contract is due to expire in 2013.

Global construction and raw material companies such as LaFarge and Heidelberg Cement prefer to be vertically integrated and thus have physical control over sources of raw material. Compared to the TQL quarry, potential production at Davie Bay is stated to be at a modest output rate, at 20,000 tons per month, or 240,000 tons per year, subject to market conditions. In contrast the TQL quarry north of Gillies Bay is a low cost producer and can ship about 5 million tons per year.

One presumes that Lehigh's quarry operation in Davie Bay will be a higher cost operation because of its projected small scale, the high employees to production ratio, and cost of infrastructure will be in current dollars (versus historical costs for TQL). The Lehigh management would likely use potential production at Davie Bay as a "hedge" against price gouging by TQL, should aggregates regain price buoyancy in the future. This is particularly valuable, as it is a physical hedge, of unlimited duration, unlike financial hedges which are short term and expensive.

Given the low production rate of the Davie Bay quarry, Lehigh would likely retain its contracts with TQL, and use the Davie Bay facility as both a hedge and a "peaking" facility, only bringing in the quarry when aggregate prices are high, to augment the TQL supplies. As the Davie Bay quarry would be high cost, this is a most probable scenario ---it means of course that production (and jobs) would be highly intermittent hence the value to Texada's economy would be very low, and taking into account environmental and social costs, negative.

Lehigh indicate that the quarry at Davie Bay would employ 10 people. If Davie Bay is used to displace TQL supply, TQL jobs would likely be displaced. If used as a peaking facility, employment would be intermittent and in a period when jobs are not hard to find at the peak of the cycle.

Longer term there is very little chance those relationships would change as TQL has many, many years of low cost reserves.

It is said that the Lehigh proposal relates to federal "stimulus spending" in Canada and the USA. It would be difficult for a corporation to justify a capital investment of \$5-8m at the present time. There is abundant idle capacity in the industry, we are in the midst of the impact of the credit crunch, and there is a major competitor, a few kilometers away which happens to be a low-cost producer working at low production rates.

The environment would be better protected if federal subsidies were directed into more meaningful projects. Lehigh (Heidelberg Cement) should reach an arrangement with Lafarge. The regulators should insist on it.

5 Cost to Texada.

A Benefits questionable

There would be construction of the ramp, the barge loading facility, and ancillary facilities to have the quarry in a “ready to operate” condition. The 10 jobs promised by Lehigh are highly likely to be intermittent, or displacing jobs at TQL, as explained above. The environmental and amenity costs on Texada outweigh these questionable economic benefits.

B Jeopardizing future options

Texada already has a major limestone quarry in TQL that encompasses a large portion of the island with apparently enough limestone for 200 years and a deep sea loading facility. The other two quarries also comprise very large tracts of land and are also currently suffering under the economic conditions.

Texada is still largely a natural wilderness area, with the most stunning rugged natural beauty of all the Gulf Islands. Fortunately the environmental damage of the quarries has been restricted to the northern part of the island, but if this quarry goes through this could be about to end. If Texada’s environment is abused this will affect the decisions of people wanting to move here. Texada sits astride the Malaspina and Georgia Straits, near major population centres, and has huge potential for recreation, nature tourism, wilderness activities, attraction as a holiday destination and as a retirement community. These attributes create their own economic activity offering a sustainable economic base. Quarry activities in one of the most beautiful parts of our island, mid-way down to the provincial park, might jeopardize our economic options for the future.

Also, if Davie Bay is permitted it would create a blight on the area surrounding Davie Bay, including Shingle Beach and threaten recreation activities in the south of Texada. Any operation of the quarry would create intrusion and traffic, and the site is 14 km down the island on gravel roads.

6 Democracy

Some say, enough is enough. We don’t need another quarry. The project offers doubtful economic benefits to Texada, and has the potential of doing major damage to the Texada’s environment in a most sensitive part of the island. It could threaten Texada’s alternative economic prospects for the future.

This is a decision to be taken by ALL Texada residents and ratepayers, and what you think does matter. You are urged to participate in full in the upcoming events of June 27th. It is hoped that TAN itself will hold a public meeting to gauge the public mood and subsequently survey individual opinion on Texada, similar to the “referendum” TAN conducted with the WestPac LNG proposal.

As you can see from the above note, each of us should consider this matter carefully, obtain as much understanding as possible, and make a decision personally whether this project should be supported or opposed.

You may want to write to our Power River Regional Director Dave Murphy davewm@xplornet.com Please copy to Frances Ladret who is the Administrator at the PRRD . administration@powellriverrrd.bc.ca

You may also want to write to the parent company of Lehigh Northwest Minerals Ltd, HeidelbergCement, Berliner Strasse 6, 69120 Heidelberg, Germany. Comments should be directed to the attention of the Supervisory Board, or e-mail <http://www.heidelbergcement.com/global/en/company/contact.htm>

A core part of HeidelbergCement’s corporate mission is building on the three pillars of sustainable development: economy, ecology and social responsibility.

Richard Fletcher

Richard Fletcher is Vice-Chair of Texada Action Now Community Association. This note is written in a personal capacity.

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