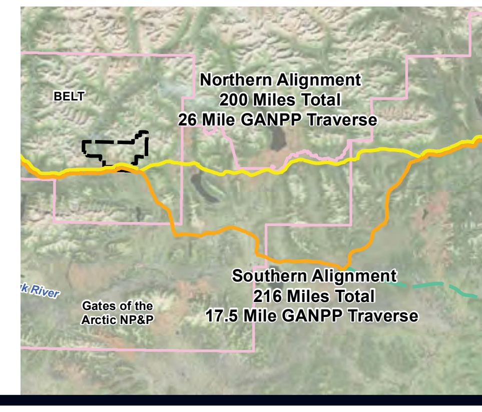
NORTH OF 60 MINING news



page 13 AIDEA seeks future direction at critical fork in Ambler Road

www.MiningNewsNorth.com *The weekly mining newspaper for Alaska and Canada's North* **Week of March 1, 2015**

NEWS NUGGETS

Compiled by Shane Lasley

Higher grades eyed at Kensington

Coeur Mining Inc. Feb. 18 reported that at the end of 2014 its Kensington Mine had 3.4 million tons of proven and probable reserves averaging 0.185 ounces per short ton (629,000 ozs) gold. Additionally, the Southeast Alaska mine had 1.57 million tons of measured and indicated resources averaging 0.185 oz/ton (382,000 ounces) gold; and 1.62 million tons of inferred resources averaging 0.351 oz/t (570,000 ozs) gold. The highest grades are found at Jualin where the company reports 289,000 tons of inferred resource averaging 0.619 oz/t (179,000 ozs) gold. Coeur President and CEO Mitchell Krebs said the company plans to release a new mine plan for Kensington that reflects higher grade and higher margin production over an extended life at the Southeast Alaska mine. Across all of its properties, Coeur Mining's year-end proven and probable mineral reserves totaled roughly 390.7 million silver-equivalent ounces, an increase of 6.2 million silver-equivalent ounces or 2 percent compared to year-end 2013.

Graphite Creek continuity endures

Graphite One Resources Inc. Feb. 17 reported that the final 10 holes of its 2014 drill program continue to encounter significant widths of near surface graphite mineralization along 700 meters of strike at its Graphite Creek property near Nome, Alaska. Highlights include: 42.81 meters of 6.27 percent graphitic carbon from a depth of 18.91 meters in hole 14GCH012; 24.56 meters of 6.76 percent graphitic carbon from a depth of 3.95 meters in hole 14GC020; and 38.8 meters of 7.8 percent graphitic carbon from a depth of 63.67 meters in hole 14GCH016. The 20-hole drill program completed last year were targeted to upgrade a portion of the Graphite Creek resource from the inferred to indicated category. The company said the geology and assays confirm good vertical and lateral continuity of the mineralization at Graphite Creek. An updated resource estimate is expected before the end of March. Additionally, Graphite One said its quality control process discovered minor variances in assay results of the first 10 holes reported in December due to equipment calibration issues. Following re-assay of all of the samples and checking with a third party laboratory, the aver-

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INVESTMENT

Betting on Alaska

Billionaires up the ante on a handful of Last Frontier gold explorers

By SHANE LASLEY

Mining News

American billionaires John Paulson, Seth Klarman and Thomas Kaplan have taken a keen interest in Alaska's next generation of gold and copper mines.

While it is natural for hedge fund managers such as Paulson and Klarman, and resource investors such as Kaplan, to hold mining stocks in their portfolios, this trio holds major positions in three of the top Alaska-focused mineral exploration and development companies.

In fact, the companies founded and managed by these billionaires are the largest shareholders of International Tower Hill Mines Ltd., which owns of the 20-million-ounce Livengood gold project in Alaska's Interior; Novagold Resources Inc., which holds 50 percent of the 40-million-ounce Donlin Gold project in western Alaska; and NovaCopper Inc., which is exploring copper-rich deposits in Northwest Alaska.

In addition to a vested interest in companies advancing gold and copper projects in Alaska, the billionaires have one other commonality – they see gold as a longstanding and stable form of currency.

"Gold is not a commodity, it is a currency with the longest known provenance we have – actually, gold and silver," Kaplan said.

While such assertions earned Kaplan the title of "Gold's Evangelist" by Bloomberg Businessweek, his views also are reflected in the words and investments of Paulson and Klarman.

Paulson takes Tower Hill

According to filings with the U.S. Securities and Exchange Commission, Paulson & Co. has sharply increased its stake in International Tower Hill Mines, an exploration and development company working to optimize the Livengood project located on a paved highway about 70 miles north of Fairbanks.

> *"Historically gold has been a very good currency alternative – an excellent currency alternative in times of inflation." —**John Paulson, president and portfolio manager, Paulson & Co. Inc.***

As of the end of 2014, Paulson & Co. Inc., a renowned hedge fund, owned 23.06 million shares of Tower Hill, or roughly 20 percent of the Alaska-focused gold company's issued and outstanding shares. This is a 14.15 million-share increase since the end of September and catapults the hedge fund to the top of the junior's roster of shareholders.

In December, Tower Hill raised C$8.4 million through a private placement of 18.245 million shares at C46 cents per share, providing the company with the funds needed to optimize the gold mine described in a 2013 feasibility study completed for Livengood.

The study anticipates a 100,000-ton-per-day mill at Livengood churning out 8.1 million oz of gold over an initial 14-year mine life, or an average of 577,600 ounces annually.

The all-in costs to mine an ounce of gold described in the feasibility study, however, are estimated to be US$1,474.

Undaunted by the high estimate, Tower Hill management launched a battery of optimization studies for the large gold deposit.

The company said the optimization work completed in 2014 identified areas that look as if they will reduce both capital and operating expenses, including a more efficient production schedule that alone is anticipated to significantly improve the financial viability of mining the gold at

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NEWS NUGGETS

age difference between the revised and original assays for all 10 holes is minus 0.05 percent. The new results replace the initial set of assays for these holes and a table showing both can be found on the company's website.

Constantine avoids equity financing

Constantine Metal Resources Ltd. Feb. 23 said it ended its fiscal year (Oct. 31) with C$587,481 in cash and working capital of C$470,841, compared with cash of C$181,557 and working capital of C$213,079 at the end of 2013. This increase is a result of the company generating more than C$663,000 from option earn-in and management fees, while reducing cash operating costs to about C$460,000. A record C$7.39 million was invested into Constantine's mineral exploration properties during 2014, including C$7.13 million of that spent on the Palmer project in Southeast Alaska. Dowa Metals & Mining Co. Ltd., which has the option to earn 49 percent in Palmer by investing US$22 million in the project over four years, recently paid Constantine a US$250,000 option payment for 2015 and is planning the scope of this year's program.

A record C$7.39 million was invested into Constantine's mineral exploration properties during 2014, including C$7.13 million of that spent on the Palmer project in Southeast Alaska.

USGS maps critical Alaska minerals

The U.S. Geological Survey Feb. 23 released new maps highlighting areas with potential for placer gold and five critical mineral deposit types in the U.S. Bureau of Land Management's Central Yukon Planning Area of central and northern Alaska. The maps were created using a geographic information system-based method for identifying areas with mineral resource potential across large regions. A new mapping method, developed in cooperation with the Alaska Division of Geological and Geophysical Surveys as part of a strategic and critical minerals initiative, was applied to the planning area. This study evaluated potential for rare earth deposits associated with alkali-rich intrusive rocks, placer gold deposits, platinum group element deposits associated with iron- and magnesium-rich, silica-poor igneous rocks like basalts, carbonate-hosted copper deposits, sandstone uranium deposits, and tin-tungsten-molybdenum-fluorspar deposits associated with some specialized granites. USGS says the maps are of particular importance because they identify potential sources for critical elements in short supply globally. ●

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NORTHERN NEIGHBORS

Compiled by Shane Lasley

Dominion mines 5.7M carats in 2014

Dominion Diamond Corp. Feb. 23 reported annual production results for the Ekati and Diavik diamond mines in Northwest Territories. For the year ending Jan. 31, the company's Ekati mine produced 3.16 million carats of diamonds from 4.13 million metric tons of ore averaging 0.76 carats per metric ton, a marked improvement over the 1.66 million carats of diamonds from 3.36 million metric tons averaging 0.49 c/t for 2013. Dominion Diamond's 40 percent share of the mine production at Diavik came to 2.82 million carats of diamonds from 902,000 metric tons of ore averaging 3.07 c/t, compared to 2.92 million carats from 863,000 metric tons of ore averaging 3.21 c/t diamonds in 2013. A subsidiary of Rio Tinto, Diavik Diamond Mines Inc., owns the remaining 60 percent and operates the high-grade diamond mine. At Jan. 31, Dominion had rough diamond inventory with an estimated market value of roughly US$270 million.

Capstone questions Minto economics

Capstone Mining Corp. Feb. 17 reported that its Minto Mine in Yukon Territory produced 18,411 metric tons of copper in concentrates during 2014 at a C1 cash cost of US$2.33 per pound of payable copper. Surface mining at Minto was suspended at the end of the third quarter 2014 due to delays in receipt of a water use license amendment required for pre-stripping at Minto North. Fresh ore from underground mining was supplemented with stockpiled ore to feed the mill during the fourth quarter. As a result of additional information requested by the Yukon Water Board and provided by Minto in mid-February, Capstone does not expect stripping of the Minto North deposit to occur early in the second quarter of 2015, as planned. Capstone said it will continue to work to secure the required license amendment as expeditiously as possible, but will not be making any commitment of capital until an acceptable permit is received. Copper prices are currently at levels where the economics of Minto, without the Minto North deposit, are questionable. The company said it is evaluating all options for optimizing cash flows from Minto in the current market climate. Copper production from all three of Capstone's operating mines totaled 99,739 metric tons of payable copper at a C1 cash cost of C$1.93 per lb. Capstone posted a record US$199.4 million of operating cash flow for 2014, before changes in working capital. The company, however, posted a loss for the year of US$22.4 million due to non-cash charges of US$55.8 million, including US$36.2 million related to a write down of inventory and capitalized mineral property costs at Minto, US$11 million related to the impairment of available-for-sale securities and US$8.6 million in the carrying value of the Kutcho development project in British Columbia. Capstone ended 2014 with US$106.5 million in working capital, including US$150.1 million in cash and cash equivalents.

The company said it is evaluating all options for optimizing cash flows from Minto in the current market climate.

Red Chris produces first copper

Imperial Metals Corp. Feb. 17 reported commissioning of the mill at the Red Chris copper-gold mine in northwestern British Columbia is progressing well. Both the SAG and ball mill drive systems have been operated at 100 percent load factors. The flotation circuits and secondary regrind mill are now being commissioned with low-grade ore, resulting in the first production of copper concentrate at the province's newest mine. The company said mining of the East and Main zones is ongoing.

New Polaris draws C$10M infusion

Canarc Resource Corp. Feb. 25 reported that a wholly owned subsidiary of Australia-based PanTerra Gold Ltd. has the option to earn 50 percent interest in Canarc's New Polaris gold mine by investing C$10 million in the Northwest Canada project over the next 2.5 years. Aimed at advancing New Polaris through feasibility and permitting, the agreement provides for Panterra to complete three stages of predevelopment activities that include drilling, metallurgical work, environmental permitting, detailed mine planning, tailings dam design, preliminary engineering and completion of a feasibility study. Canarc says the ultimate goal is to produce refractory gold concentrate at New Polaris that would be shipped for processing into doré gold bars at Panterra's Albion plant in the Dominican Republic. The Albion process oxidizes sulfide ore, rendering gold and silver amenable to extraction by standard carbon-in-leach processing. Upon completion of the requisite work and investment, PanTerra will have earned a 50 percent interest in New Polaris and be appointed manager. The Australia-based company can gain a majority interest in the project by purchasing 1 percent from Canarc within six months of completion of the feasibility study at a cost of 1 percent of the mine's net present value as established by the feasibility study using a 10 percent discount rate. New Polaris is a 1.1-million-ounce high-grade gold deposit located in northwestern British Columbia about 60 kilometers (37 miles) east of Juneau. ●

Canarc says the ultimate goal is to produce refractory gold concentrate at New Polaris that would be shipped for processing into doré gold bars at Panterra's Albion plant in the Dominican Republic.

INFRASTRUCTURE

AIDEA makes its case for Ambler Road

Development authority seeks direction from lawmakers on whether to begin permitting vital road to copper-rich region of NW Alaska

By SHANE LASLEY

Mining News

The Alaska Industrial Development and Export Authority is asking state lawmakers whether it should move ahead with the Ambler Mining District Industrial Access Road, a proposed 200-mile transportation corridor that would link the Ambler Mining District in Northwest Alaska, with the Dalton Highway to the east.

This question comes under the auspice of Administrative Order No. 271, a temporary suspension of all "mega-projects" being funded by the state, signed by Gov. Bill Walker in December.

"On Dec. 26, I took immediate action. I issued an administrative order directing that all 'mega-projects' stand down until we can assess their overall costs and benefits to the state," Walker explained during his State of the State address in January.

AIDEA estimates that the state would need to provide an additional US$6.8 million to complete an Environmental Impact Statement for the Ambler Road. Though the authority does not need any of these funds to be appropriated in the current budget, it is providing state lawmakers with future funding requirements if an EIS is initiated.

"We were prepared to file the EIS permit application, but pulled back in response to Administrative Order No. 271. We are now basically in a holding pattern pending further direction from the governor and the Legislature," AIDEA external affairs executive Karsten Rodvik told Mining News Feb. 11.

The question on how to proceed with the Ambler Road project comes at a time when Alaska lawmakers are wrangling with how to reconcile a sharp state budget deficit during a period when oil is only fetching US$50 per barrel.

AIDEA, however, reminds lawmakers that a relatively modest investment to get the project to a permit decision could pay exponentially larger returns in the form of jobs, taxes, royalties and dividends.

Little upside to quitting

In a response to Gov. Walker's request, AIDEA has laid out what Alaska has to gain or lose based on how state policymakers decide to proceed with the Ambler Road.

The options put before lawmakers are to move ahead with the EIS, put the application on hold, or cancel it altogether – AIDEA, however, concludes that the ultimate outcome of delaying or cancelling the permitting is essentially the same.

So far, the state has approved US$26.25 million in funding for the Ambler road. Not all of these funds have been spent and AIDEA estimates that roughly US$8.2 million could be put back in the kitty if lawmakers chose not to move ahead with the EIS process. This re-appropriation of funds, however, is the only upside the authority could find to not advancing the Ambler Road into the permitting process.

AIDEA said cancelling the process would result in the roughly US$18 million that the state has already invested in environmental, engineering and other studies being for naught.

AIDEA, which signed a memorandum of understanding with NovaCopper Resources Inc. regarding permitting the road, is also concerned that the uncertainty created by a sudden end of the project would damage the authority's reputation in the eyes of future companies that may otherwise want to partner on big budget projects in the state.

> *"We are now basically in a holding pattern, pending further direction from the governor and the Legislature."*
> ***—Karsten Rodvik, external affairs executive, Alaska Industrial Development & Export Authority***

Paying dividends

AIDEA contends that a US$6.8 million investment to complete the Ambler EIS process could pay big dividends for the state.

While described as an Alaska mega-project, the some US$250 million needed to build the road would not come out of the state budget. Instead, AIDEA would leverage its Standard and Poor's AA+ credit rating to obtain long-term, low-interest bonds to finance the road, which would be repaid by tolls or fees charged to users of the thoroughfare.

A similar arrangement for the Delong Mountain Transportation System, a road and port facility linking the Red Dog zinc-lead mine to world markets, has proven to be successful.

Like Red Dog, a number of mining prospects in the Ambler Mining District would likely be economically feasible to develop if they had some sort of surface transportation.

Over the past decade NovaCopper has invested roughly US$55 million on advancing copper-rich deposits in the Ambler district, including work completed by its predecessor Novagold Resources. This work has primarily focused on the exploration of Arctic and Bornite, two deposits rich in copper.

Arctic, for which the economics of building a road to Ambler would be weighed against, is the most advanced of these projects.

A preliminary economic assessment completed for Arctic in 2013 outlines a mine that would produce 125 million pounds of copper, 152 million lbs. of zinc and 24 million lbs. of lead, along with 2.5 million oz of silver and 29,000 oz of gold annually over a 12-year mine life.

Such a mine is estimated to pay more than US$300 million in taxes and royalties to the state.

NovaCopper is currently initiating a feasibility study on developing a mine at Arctic, a final step before determining whether to move ahead with developing a mine at the metal-rich deposit.

While the economics of building the Ambler Road would be weighed against the mining of Arctic, development of the other projects near the proposed road's terminus could continue to yield dividends to AIDEA after the initial capital was paid back. In turn, this would mean another source of future cash for state coffers.

AIDEA pays up to 50 percent of its revolving fund net income into Alaska's general fund. Including the US$17.65 million dividend for 2014, AIDEA has paid US$373.5 million to the state.

More jobs

While paying dividends to Alaska and its citizens is a testament to AIDEA's financial savvy, the development authority has a higher standard for measuring its success – an AIDEA-supported project must contribute to economic growth and have the support of the local communities.

The Ambler Road itself would require an estimated 490 jobs per year during its four-year construction period and 50 full-time jobs for maintenance thereafter. At the same time, some 1,300 workers would be needed to develop the Arctic Mine and a workforce of up to 1,000 people would be needed to operate the mine.

Many of these jobs are expected to be filled by shareholders of NANA Corp., the Alaska Native regional corporation that represents the Iñupiat of Northwest Alaska where the Arctic deposit is located.

NovaCopper, which signed an agreement with NANA to explore and potentially develop deposits on Native-owned lands adjacent to the Ambler mining district, has established a record of local hire.

To date, roughly 55 percent of the work force on its Ambler projects has been NANA shareholders. Since 2011, NovaCopper has paid US$1.4 million in wages to residents of villages in the Upper Kobuk region where the Arctic and Bornite deposits are located. ●

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BETTING ON ALASKA

Livengood.

The 2015 program at Livengood consists primarily of a hefty metallurgical program that aims to validate the observation that bulk samples of the deposit's mineralization return higher grades than drill results show.

The company believes this work could at least show the current resource was estimated conservatively, and could result in higher gold grades for the deposit.

Power supply and camp alternatives are other areas where the company might lower costs.

Together, Tower Hill hopes the studies will outline a financially robust project that can be moved into permitting.

Large stake in Novagold

Though Paulson's company is the largest single holder of Tower Hill shares, the hedge fund's 35.62-million-share position in Novagold is currently worth roughly 11 times its stake in Tower Hill, or about $132.2 million.

Yet Paulson is not the largest Novagold shareholder; that position belongs to Electrum Strategic Holdings, a natural resource investing firm founded by Kaplan.

Baupost Group, a hedge fund founded by billionaire hedge fund manager Klarman, is the third-largest Novagold shareholder.

The three firms own about 45 percent of Novagold's 312 million issued and outstanding shares.

Kaplan, who's Electrum owns nearly 85 million shares, is chairman of Novagold.

Kaplan, Paulson and Klarman are betting that the value of their respective interests in the junior will rise significantly as the company moves the 39-million-ounce Donlin Gold project toward and into production.

Donlin Gold, in which Barrick Gold Corp. holds the remaining 50 percent, has passed the halfway point of permitting which began in 2012. This puts the project on pace to begin construction by early 2017.

A feasibility study completed for Donlin in 2011 envisions a 53,500-metric-ton-per-day mill producing 1.1 million ounces of gold annually, at a cash-cost of US$585 per ounce, for 27 years. Targeting some of the higher grade reserves early on, the massive operation could extract 1.5 million ounces of gold annually at an average cash cost of US$409 per ounce over the first five years.

At US$1,200 per ounce gold, the base price scenario used for the feasibility study, the mine is predicted to generate after-tax cash flow averaging US$949.5 million per year for the first five years and US$500.7 million annually over the life of the mine – resulting in a payback of the foreseen US$6.7 billion capital costs in 9.2 years.

Novagold, which ended 2014 with roughly US$150 million in working capital, will likely not need to raise additional funds until a decision to develop Donlin Gold is reached.

Majority of NovaCopper

Novagold's top three investors are also the largest shareholders of NovaCopper, a company spun out of Novagold early in 2012. In fact, Electrum, Paulson and Baupost own more than 50 percent of NovaCopper's issued and outstanding shares.

NovaCopper is focused on exploring and developing copper-rich deposits in the Ambler Mining District of Northwest Alaska. Since becoming independent of Novagold, this exploration company has expanded the resources in the district to the equivalent of nearly 10 billion pounds of copper.

The spinoff, which started with roughly US$40 million in cash, needed to raise funds last year. NovaCopper's largest shareholders, including Paulson and Electrum, agreed to back a US$7.5 million financing to move the project ahead.

NovaCopper anticipates needing another US$20 million to complete a new feasibility study to develop the Arctic deposit as an open pit mine.

A 2013 preliminary economic assessment of the open-pit scenario predicts a 10,000-metric-ton-per-day mill at Arctic would produce roughly 125 million lbs. of copper per year at a cost of US62 cents per lb., including credits for zinc, lead, silver and gold by-products also found in the volcanogenic massive sulfide deposit.

As a result, the scoping-level study finds that an open-pit mining scenario at Arctic would produce an after-tax net present value (8.0 percent discount) of US$537.2 million, along with an after-tax internal rate of return of 17.9 percent; and would pay back capital expenses in about five years.

NovaCopper plans to refine and potentially improve project economics of a feasibility study for Arctic, scheduled for completion as early as 2016.

NovaCopper, which had US$4.8 million in working capital at Nov. 30, hopes to carry out an US$8-million to US$10-million program at the Upper Kobuk Mineral Projects in 2015.

Stability

Why are these billionaires interested in companies seeking to develop gold deposits in Alaska? The answer may boil down to one word – stability.

"Gold, at least, has been regarded as 'money,' for thousands of years, and it is relatively stable and widely accepted store of value and medium of exchange," Klarman wrote in a 2014 newsletter for Baupost.

Paulson believes that the U.S. Federal Reserve's quantitative easing (money printing) will eventually result in inflation, which is good for gold.

"Historically gold has been a very good currency alternative – an excellent currency alternative in times of inflation," the hedge fund manager explained in 2013.

He said that while gold prices have slipped, "the rationale for owning gold has not gone away. I think the consequences of printing money over time will be inflation. It's just difficult to predict when."

Being located on U.S. soil adds another level of stability to Livengood, Donlin Gold and the Ambler Mining District.

"Resource nationalism and an accelerating unreliability in the political landscape in many of the world's most prolific mining districts are evolving aggressively, and will likely continue to develop very unpleasantly, into the single greatest challenge for mining companies and their investors," Kaplan noted.

The Novagold chairman added that while quality gold projects worldwide are scarce, "truly great assets like Donlin Gold, which reside in a safe country which adheres to the rule of law and enjoys political stability in a world characterized by disturbing trends away from both of these virtues, is rarer still." ●