

Companies We Like



Why I Like Fire River Gold (FAU/V)

Fire River Gold is on track to restore the Nixon Fork mine back into production in 2011. The property and mine is situated in the prolific Tintina gold belt, which traverses through the Yukon (Canada) into Alaska (U.S.A.). To accomplish this, the company has assembled a strong management team led by Harry Barr, President and CEO. I have known Harry for the past ten years and I trust him and know that he will work hard to attain the objectives that he and his team have planned for the company. In charge of Mining Operations is Richard Goodwin, who has an extensive background in that realm. Len Therrien has been appointed Mine Manager. He too has 30 years of experience, as does Bruce Ferguson, the Mill Superintendent. Michael McGinnis, has recently joined the team as Chief Geologist and has 20+ years experience working in Alaska on such projects as Donlin Creek and Pebble. A highly prized recent addition, who joins the team as Lead Director is David Russell. Mr. Russell was formerly President and CEO of Apollo Gold which in May 2010 merged with Linear Gold Corp to form a new entity called Brigus Gold Corp, which is currently producing 85,000 ounces from its Black Fox mine in Timmins, Ontario. Following Mr. Russell's appointment to this position Harry Barr stated, "I am very pleased to welcome R. David Russell to Fire River Gold Corp. as our Lead Director. Mr. Russell's extensive experience in all aspects of the gold mining industry will be a valuable addition to Fire River Gold's Board of Directors as we move the company through its development phases." Personally, I doubt that Mr. Russell would have joined the Fire River Board if he was harbouring any doubts regarding the viability of the Nixon Fork mine.

The Nixon Fork Mine was purchased from St. Andrews Goldfields for a ridiculously low price, when that company was experiencing financial difficulty (since resolved). Replacement value for all the facilities and infrastructure, which includes a 200 tpd flotation plant, surface and underground vehicles, 85 man fully equipped camp, company owned drills and a self contained power plant, water and septic systems, is estimated to be \$150 million (CAD).

The Nixon Fork Mine was operational from 1995 to 1999 and over that time produced almost 138,000 ounces of gold at an average grade of 42 gpt (1.2 oz). The gold recovery was 83%. Over that same period the mine produced 2,100,000 lbs of copper.

During 2007, St. Andrews Goldfields reintroduced mining at the site with dismal results. The average grade produced fell by almost 50% to 22.1 gpt and gold recovery fell to 68%. Copper production during that year was 78,688 lbs. These results were not achieved as a result of a lower gold grade than the previous operator, rather they were produced as a result of poor grade control.

The current resource estimate is:

Indicated Resources

121,690 tonnes grading 26.9 g/t (0.78 opt) in the mine
92,000 tonnes grading 7.9 g/t (0.21opt) in the tailings
=128,500 ozs of contained gold

Inferred Resources

70,780 tonnes grading 27.8 g/t (0.81 opt) in the mine
48,000 tonnes grading 7.4 g/t (0.21 opt) in the tailings
=74,600 ozs of contained gold.
Total Gold= 203,100 ozs

After completion of the current 28,000 metre drill program, the company is expected to provide a new resource calculation which will increase the contained ozs.

The aim of the company is to drill out about 50,000 ozs gold each year, which would be approximately production for one year.

Mining is expected to commence in June or July 2011 at the rate of approximately 4000 ozs gold per month.

Mining costs for the tailings are estimated to be approximately \$550 (CAD) per tonne and approximately \$600(CAD) for the mined gold. Thus, the annual production will yield a healthy pre-tax income of approximately \$40 million (CAD) based upon \$1,400 (U.S.) per ounce gold. The current market capitalization is about \$40 million (CAD). Once Fire River is able to deliver a meaningful amount of gold production, this market capitalization should increase substantially. I think the company has assembled the team to do just that.