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Fire River takes a run at Nixon Fork



BY SUSAN KIRWIN

SITE VISIT

McGRATH, ALASKA — The camp at the Nixon Fork gold mine sleeps 85 but the beds have been empty for two years now.

Our group of about 15 has an endless selection of identical little rooms to choose from, each outfitted with a nicely made twin bed, a nightstand, a storage shelf and window. Not bad for “camping.”

We are 240 km north of Anchorage, somewhere in the middle of Alaska, and our host, **Fire River Gold** (FAU-C), is Nixon Fork’s newest owner. If all goes according to plan, miners will once again fill the rooms in the next year or two.

Geologist and Nixon Fork project manager Greg Myers, who’s been spending much of his time at the camp with a team of three others, wastes no time in getting to the safety lesson, including what to do if we have a run-in with the camp bear (stay still, don’t run, make noise, wave your arms). He then makes us laugh uncomfortably with stories about people who didn’t listen.

“We are in remote Alaska and there

are wild animals here,” Myers reminds us. “And they are dangerous.”

It’s late in the afternoon in late August but, being so far north, the sun won’t be setting anytime soon, so we get down to business.

Fire River is a spinout company from **Pacific North West Capital** (PFN-T), and both companies fall under the umbrella of International Metals Group (IMG), an organization whose member companies share resources in order to advance their projects. IMG was created by Harry Barr, a 30-year veteran of the mining industry who is also president and CEO of both Fire River and Pacific North West and the founder of **CanAlaska Uranium** (CVV-V, CVVUF-O), **Freegold Ventures** (ITF-T, FGOVF-O) and **El Nino Ventures** (ELN-V, ELNOF-O). About five years ago, Barr decided to resign as president, CEO and director from its other companies to focus on Pacific North West and IMG. Then last year, as the world markets were crashing, he came across a good deal on a gold mine.

Just a few months earlier, Barr had teamed up with Myers through a mining industry headhunter. Myers, an Alaska expert who’s worked with several majors, has helped discover seven copper-gold mines over the years. He became Pacific North West’s vice-president of corporate development and brought Nixon Fork to Barr’s attention.

Myers led the Nixon Fork discovery team while working for Battle Mountain Gold in the 1980s. Being a skarn deposit, (which was the topic of his PhD thesis), Nixon Fork was a project that intrigued

him, but it wasn’t until he joined Pacific North West that he got his chance to further explore his ideas. “I knew the history and geology and thought I could do something with it,” Myers says.

Pacific North West bought Nixon Fork from ailing **St Andrew Goldfields** (SAS-T, STADF-O) for US\$500,000 in December 2008. St Andrew had suspended production in October 2007 after a very short run, reporting problems with irregular geometry in the main part of the mine. St Andrew then drilled 9,300 metres to better define resources and improve future recovery and dilution, but never updated the resource.

In the end, St Andrew gave up on Nixon Fork, due to economic hardship, and optioned the mine to Pacific North West for US\$500,000, despite having dumped US\$54 million into the mine to upgrade the processing facilities and infrastructure over the past four years.

What does half a million dollars buy? A fully permitted mine with a state reclamation bond worth US\$3.5 million. There’s a 200-tonne-per-day flotation plant with a gravity gold separation circuit, a sulphide flotation circuit and a partially constructed carbon-in-leach (CIL) circuit.

The mine is a fly-in operation with a 1.5-km gravel airstrip. It came with a fleet of mining vehicles, a self-contained power plant, maintenance facilities, drilling equipment and the aforementioned camp, complete with office space and well-stocked kitchen.

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The tailings pond at Fire River Gold's shuttered Nixon Fork gold mine, in Alaska. The company, which recently bought the project, plans to eventually mine the high-grade material left behind in the pond by previous miners due to low metallurgical recoveries.

The mine was built by Nevada Goldfields, which operated it between 1995 and 1999, until low gold prices forced its closure. During the four years the company kept the mine going, about 138,000 oz. gold and 2.1 million lbs. copper were recovered. The average gold grade was 42 grams gold per tonne and production costs averaged US\$266 per oz.

St Andrew bought the mine in 2003, and started and then stopped operations in 2007, recovering less than 6,800 oz. gold and 79,000 lbs. copper.

Nixon Fork, basically a turnkey operation, didn't fit well with Pacific North West, a platinum group metal and base

metal company, so Barr created Fire River.

"We wanted to put it into a company that was focused on gold but still participate in the upside," Barr says, also noting, "I've spent my life in gold. . . I wanted a new gold company."

Fire River had its initial public offering at the end of May when it listed on the Canadian National Stock Exchange. The company has applied to list on the TSX Venture Exchange and is awaiting formal approval.

Fire River ended up paying about US\$3 million for Nixon Fork. The company optioned the mine from Pacific North West in June for US\$500,000 plus US\$2.5 million in Fire

River shares (6.4 million shares at 45¢), plus 1 million warrants exercisable at 50¢ for a period of 24 months. On top of that, Fire River was required to reimburse Pacific North West for expenses up to maximum of C\$1.25 million.

Pacific North West had a third-party evaluation done to determine the fair value of the Nixon Fork property. In less than five months, Pacific North West made a 500% return from its purchase and sale, and still held about 64% of the new company. Recently, Fire River completed a financing for \$2.8 million at 30¢ per share, diluting Pacific North West's interest to around 30%. The company

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now has \$3.6 million in the bank but Barr says another tranche of the financing will close shortly.

Back in August, the company planned to first mine the five-acre tailings pond while re-evaluating the geology of the mine for eventual production, then consider the exploration potential.

Two months later, Barr is considering reversing that strategy.

“The big thing that really has happened is we have an exploration market now,” he says. “All of a sudden, juniors who have good projects are getting financed again and I think the gold market is going to bring the juniors out of the funk that we’ve been in for the last 18 months or so.”

Fire River will still have the tailings ready for processing in the CIL plant by March — construction of the plant needs to be completed and could cost about \$1 million. First, the company is awaiting assays from September drilling. It could very well be worth its while whether it mines the tailings next year or the year after. While past operators mined an average of 42 grams gold per tonne, they only recovered about 83% of the gold. Old engineering studies have shown there are 150,000 tonnes of waste

grading 8.1 grams gold, but neither copper nor silver were evaluated.

But now that the market seems to be warming up to juniors again, Fire River might put the tailings idea on hold and instead focus more on developing resources.

“I think we are going into one hell of an exploration market, which could change the way we do things,” Barr says. “It doesn’t mean that if the tailings results come out that we won’t still do it, but do we do it (in spring) 2010? Or do we blend it six to eight months later (with material from the mine)?”

And because previous operators of Nixon Fork have all focused on mining the high-grade zones of the mine instead of exploration, Myers believes it’s worth re-evaluating the mine and the surrounding area.

“They didn’t fool around with five-gram, two-gram, ten-gram ore because they wanted the stuff that was forty grams,” Myers explains. “That’s why I think we can do a lot.”

Fire River plans 5,000-10,000 metres of surface and underground drilling next year, starting underground in March.

By that time, the company plans to have completed a new resource esti-

mate and a metallurgical report.

Restarting underground mining will be no easy task. Myers says the geology is quite complicated and that previous operators based their models on grade only. He says the geological interpretations need to be revised. For example, coarse grain sandstone has been labelled as intrusive rock in some parts of the models.

“It will help us understand where the mineralization is,” he says.

Myers expects to spend about two years going through about 120,000 metres of core. He says the drill-hole data is all mixed up because the numbering system was changed. There were also three different grids used for surveying. “Now we have to correct all the grids to the right co-ordinates,” he says.

Fire River recently optioned the Golden Zone project, also in Alaska, which has measured and indicated resources of 3.09 million short tons grading 2.81 grams gold per tonne for 260,000 oz. gold, along with 7.6 million lbs. copper and 1.39 million oz. silver.

Most of the company’s focus, however, will remain on the Nixon Fork camp.

And despite the surplus of beds, there won’t be much time for napping; there’s much to accomplish.