

IN ALASKA, PEBBLE MANIA

Excitement grows in Alaska about a enormous gold-copper prospect called **Pebble** 250 miles southwest of Anchorage in the Iliamna region west of Cook Inlet.

An independent consulting firm in January confirmed resource estimates for Pebble of 26.5-million oz. of gold and 16.5-billion lbs. of copper. While these are just estimates, the numbers are extraordinary: Pebble would rank as the largest gold deposit and second-largest copper deposit in North America. At today's prices, these resources would be worth roughly \$28-billion.

What's more, Pebble is only part of what geologists call a "structural trend" on both sides of the prospect. This has helped fuel a claim-staking frenzy the past six months encompassing 365,000 acres (roughly 570 square miles) of land in the vicinity of the 1,440-acre Pebble claim block.

Teck Cominco, Vancouver, B.C. – operator of the huge Red Dog lead-zinc mine in northwestern Alaska – initially staked Pebble in the late 1980s. **Northern Dynasty Minerals Ltd.**, Vancouver, B.C., gained the rights to Pebble in 2001 when anemic gold and copper prices led Teck Cominco to abandon the project.

Northern Dynasty estimates an open-pit mine at Pebble would cost as much as \$1-billion to develop. It would be an enormous project, employing up to 2,000 construction workers over two seasons. Operating the mine would require up to 1,000 workers. The mine could have a life of 45 to as many as 60 years.

Northern Dynasty and Teck Cominco hold a total of 150 square miles of claims surrounding Pebble with at least two large unexplored – potentially similar – ore bodies.

Northern Dynasty, a Canadian junior mining company whose shares trade in the risky OTC bulletin-board market (symbol NDMLF), has engaged a number of independent consultants. It is spending \$20-million this season collecting data for a feasibility study and permits. It also has initiated an extensive exploratory drilling program.

The State of Alaska is cooperating under a memorandum of understanding. Alaska is providing an interagency team to monitor Northern Dynasty's work and also is studying alternatives for a port on Cook Inlet.

Pebble will take a long time to develop. Just preparing the feasibility study will take at least a year. Northern Dynasty hopes to apply for permits late next year; obtaining the permits could take several years. At best, it may be half a dozen years before production begins.

Northern Dynasty is managed by Vancouver-based **Hunter Dickinson Inc.**, a private company that manages publicly traded companies active globally in all phases of mineral exploration and development. Hunter Dickinson's strong reputation has motivated others to stake claims around Pebble, another minerals-exploration-company executive told *Petroleum News*: "Northern Dynasty is run by management that has a history of turning deposits into mines." Hunter Dickinson says companies it manages have invested \$300-million in 10 exploration ventures since 1985. Three of the 10 – all in B.C. – have been sold to majors for development, and two have become active mines – netting returns exceeding 1,000%.

Development of the Pebble prospect would be a huge plus for Alaska's economy, but is far from a slam-dunk. The prospect is in a remote and environmentally sensitive area, literally hundreds of miles from major infrastructure.

A road of approximately 65 miles would be needed to connect the mine to a new port on Cook Inlet. Northern Dynasty has provided the state with what it believes are several technically feasible routes and expects to make a final proposal later this year.

To operate, a Pebble mine would need 150 megawatts of electricity. The Fort Knox mine near Fairbanks, Alaska's largest current gold mine, uses about 50MW; Anchorage consumes 100 MW, Seattle roughly 1,000. Natural gas probably would fuel a power plant.

An Alaska regulator offers this perspective: "If Pebble were sitting right next to tidewater or closer to a power system, development would be a no-brainer if gold prices don't plunge. It's a good deposit and shallow – you wouldn't have to move a lot of waste rock to get to ore."

Adds this source: "Northern Dynasty is a little more exuberant than a major mining company would be, and it's not clear whether they will partner with a major that will actually build a mine. . . . They hope to keep moving ahead like a steamroller, but they've never permitted a large mine. It takes a lot of time."

Others active in the Pebble area include **Liberty Star Gold Corp.**, Tucson, Ariz. (OTC BB symbol LBTS). In December, Liberty Star made the largest one-time claim-staking effort on state land in Alaska history – roughly 237 square miles north and west of the Pebble claim.

Overseeing Liberty's exploration effort is the geologist credited with the initial Pebble discovery. **Alaska Earth Resources Inc.**, Anchorage – employer of "a lot of exploration geologists well known in Alaska," in the words of one source – has staked nearly 130 square miles southeast and southwest of Pebble for several clients.

These other claims "are not just guesses," the Alaska regulator tells us. "They've looked at the geology and see a structural trend where metals have come from below. . . . They got encouraging results from drilling. Companies initially go in and use widely spaced holes; later after getting property rights, they do closer-spaced drilling like Northern Dynasty. The other thing: Chances are a mine will eventually go in; then there will be a mill for other satellite prospects and mines. That's pretty typical anywhere, but this could all play out here over the next couple of decades." _