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## **Mining Tradition Still Runs Deep**

### **Junior mining companies often find next big deposit that biggies take on**

**By Paul Read**

The shine might be off Spokane's once rich reputation as a center for mining-industry activity, but one still doesn't have to drill very deep here to discover a lode of small exploration companies, scratching the ground for the next big prospect.

They're a fraction of the size of such stalwart concerns as Coeur d'Alene-based Hecla Mining Co. and Coeur d'Alene Mines Corp., both of which have operating mines around the world and assets in the hundreds of millions of dollars. They even pale in comparison with up-and-coming ventures here like Gold Reserve Inc., which plans to build a big gold and copper mine in Venezuela, and Minera Andes Inc., which is close to deciding whether to develop gold and silver project in Argentina.

Still, they often control properties in districts that historically have been big producers, and they're betting real money that, with the right funding, partners, permits, and prospectors' luck, they could strike it rich.

"They play a critical role in the industry in terms of their position in what I call the food chain," says Laura Skaer, executive director of the Spokane-based Northwest Mining Association.

"They're perhaps more critical today," she says, because many major mining companies have "shrunk the size of their exploration departments," creating an opportunity for smaller companies to prospect new deposits.

Skaer says such junior mining companies are skilled at raising enough capital to explore and develop properties to the point they look attractive to bigger companies.

Most smaller mining concerns are publicly traded, but their shares usually aren't listed on major stock exchanges, rather they're traded in the over-the-counter markets.

Analysts consider such stocks to be speculative and sometimes volatile, so generally only sophisticated investors trade in them.

"These little companies, they're the guys on the ground floor," says Ron Nicklas, president of Pennaluna & Co., a longtime Coeur d'Alene stock brokerage that specializes in small mining stocks. "Many times, they're the ones with the initial discoveries."

The goal of most small mining companies is to sell off a property or team up with a bigger concern to bring a deposit into production, says Nicklas. Some, however, end up producing metals, including Silver Valley's New Jersey Mining Co., which recently began mining the Golden Chest, near Murray, Idaho, and Sterling Mining Co., a Kellogg-based concern that hopes to reopen the famous Sunshine mine there but in the meantime has begun producing silver from old tailings in Mexico.



## **Mines Management**

Spokane-based Mines Management Inc. might be farther along in developing property than most small mining companies here. Though it currently has no operating mines, it's concentrating on a potentially massive silver and copper deposit located south of Libby, Mont.

Mines Management acquired rights to the property in 2002, when its partner there, mining giant Noranda Inc., abandoned it due to low metals prices after spending \$100 million on exploration, permitting, and some construction. The Spokane company now is trying to secure new permits for a mine there, to be called the Montanore, that it estimates could produce 8 million troy ounces of silver and 60 million pounds of copper a year for at least 20 years.

In May, the Montana Department of Environmental Quality issued a memorandum of agreement with Mines Management that outlines a schedule for completing the permitting process by July 2006.

Montana Gov. Bryan Schweitzer favors the project, which Mines Management says could create 250 to 300 jobs in the economically depressed northwest part of the state.

Meantime, the company is completing a feasibility study and design of the proposed mine, which is expected to cost about \$300 million to get into production, says company spokesman Douglas Dobbs.

Dobbs says a production decision likely will come in the second half of next year, and that construction of a mine would take about 30 months.

To go ahead with the project, however, the company also must raise funds. As of Dec. 31, it had total assets of about \$7.1 million, and enough cash, says Dobbs, to fund the feasibility study and permitting.

He says the company likely will seek either a joint-venture partner or go it alone with a combination of debt and equity financing.

It raised about \$6.4 million last year in a stock offering.

Unlike some of its peers here, Mines Management's shares are traded on the American Stock Exchange, and have ranged in price between about \$3.65 and \$6.60 a share over the past year.

Noranda's decision to bail out of the project three years ago came at a time when it was frustrated with U.S. mining policies and not optimistic about metals prices, says Dobbs.

Since that time, the price of copper has doubled, and silver prices have jumped 50 percent, he says.

## **Idaho General Mines**

Spokane's Idaho General Mines Inc., meanwhile, has completed a feasibility study on a big molybdenum deposit it hopes to develop near Eureka, Nev., and is seeking permits and financing for the project, says President Bob Russell.

The open-pit mine would be developed on property known as the Mount Hope, for which Idaho General has an option to secure long-term rights from a California company.



Russell says there's growing demand for molybdenum, which has a variety of uses including as a catalyst in petroleum mining and as a component in greases, specialized alloys, and oil and gas pipelines.

The mine, he says, would cost about \$400 million to build, and likely would take at least four years to complete, and would be among the largest and lowest-cost molybdenum mines in the world, processing 40,000 metric tons of ore a day.

"We have a lot of fund raising to do," says Russell. "Right now, all I can say is that we are at the stage of determining how we are going to do that."

The young company, the stock of which is traded on the OTC bulletin board, raised about \$2.1 million in a private placement in April.

As of Dec. 31, it had assets of about \$1.2 million. It employs seven people here.

### **Little Squaw Gold**

Little Squaw Gold Mining Co. is another small Spokane-based concern with modest assets but what it hopes will be a promising deposit, this one in the Alaskan Arctic, about 190 air miles north of Fairbanks.

That property, known as the Chandalar, is in the early exploration stages and has no defined reserves, but the company believes there is a good chance of discovering gold on the property, based on the property's extensive mining history.

Exploration at Chandalar must be done between May and September, due to the harsh winters there, and access to the property is limited to nearby airstrips or a 55-mile trail from the town of Coldfoot, a service center along the Trans Alaska Pipeline.

The company is being led by Richard Walter, who has been involved in launching several mining companies, including a former Spokane venture called Yamana Resources Inc., which moved to Toronto and changed its name a couple of years ago.

Walter, a geologist, says he had known about the Chandalar for 40 years. He says that after leaving Yamana, where he was president and chief operating officer, he had been looking for a public company to take on a couple of South American prospects he had his eye on, but eventually led an investment group that took over Little Squaw, which already controlled the more promising Chandalar mining district.

The company continues to look for other gold properties internationally, but is focusing on Chandalar, a district that has produced 84,000 ounces of gold over the years.

Little Squaw currently has assets of roughly \$400,000. It has no employees, and hires consultants to do its exploration.

Walters says it likely will take \$14 million over the next five years to further explore the Chandalar and do a bankable feasibility study.

### **Metalline Mining Co.**



Coeur d'Alene-based Metalline Mining Co., a prospecting company with assets of \$5.6 million, owns mining concessions in northern Mexico known as the Sierra Mojada.

It has done some exploration and believes the property has potential to produce zinc, copper, lead, and silver. It launched a feasibility study there in 2004 that it expects will cost about \$5 million.

Earlier this month, it announced that test results at the Sierra Mojada confirmed that zinc oxide concentrate could be produced viably. There won't, however, be any determination of known reserves there until the feasibility study is completed.

Metalline does have some quarterly revenue, from selling zinc carbonate inventories from a previous mine, called the San Salvadore, on the Sierra Mojada property. Zinc carbonate is used in fertilizers.

The company's stock is traded on the OTC bulletin board.

### **Fischer-Watt Gold**

Fischer-Watt Gold Co., also of Coeur d'Alene, announced earlier this month that it had entered into a letter of intent with Vancouver, British Columbia-based Nexvu Capital Corp. to launch the development of Fischer-Watt's sole potential mining property. That copper deposit, called the La Balsa, is located along Mexico's west coast, about 170 miles north of Acapulco. Fischer-Watt controls mining concessions there through a Mexican subsidiary of which it owns 65 percent.

Under the recent agreement, Nexvu can earn a two-thirds interest in the surface-mining rights at La Balsa by spending at least \$10 million over the next 27 months to put the planned open-pit mine into production.

The project, however, is likely to cost as much as \$18 million, and Nexvu would provide the additional capital in return for 83 percent of the cash flow from the mine until the extra costs are recouped, Fischer-Watt says.

A pre-feasibility study completed on the property in 2001 indicated the mine could generate about \$64 million over its expected seven-year life.

### **Metalline Mining & Leasing**

Metalline Mining & Leasing Co. is a small, Liberty Lake-based company that plans next month to change its name to HuntMountain Resources.

A family partnership led by Huntwood Industries President Tim Hunt bought a majority interest in Metalline earlier this year, and Hunt now is leading the long-dormant company with the hope of making it active again.

Hunt was named chairman and president of the company in March and said in April that he was assembling a management team so he could continue to focus on running Huntwood Industries, the big Spokane Valley cabinetmaking company that now employs more than 800 people.

"We believe in the strength of precious metals moving forward," Hunt said at the time. "I believe it's a good time to make an investment in this sector."



Metaline, whose stock is traded on the OTC bulletin board, plans to hold a shareholders' meeting early next month to approve the name change, which will be accomplished by creating a Nevada-based subsidiary called HuntMountain Resources and then merging the parent company into it.

The company says it's looking for property acquisitions, and is eyeing mining properties in both North and South America.

Metaline, which started in 1927, early on held some mineral rights and did some exploration near Metaline, Wash., about 100 miles north of Spokane. Those activities ceased in the 1950s.

Hunt said he became interested in Metaline because his family was involved in mining when he was young, and he remained interested in the natural-resources industry.

When he first moved to Spokane, he worked as a registered securities broker and developed some contacts in the mining industry here.

### **Thunder Mountain**

Spokane-based Thunder Mountain Gold Inc. is looking to sell its sole mining property, known as the Thunder Mountain and located about 55 miles east of McCall, Idaho.

The property, a heap-leach open-pit mine, was operated by Coeur for several years beginning in the mid-1980s, producing about 100,000 ounces of gold and 200,000 ounces of silver, but closed in 1992. Coeur operated the mine under a net-profit agreement with Thunder Mountain, and relinquished the property back to Thunder Mountain after it stopped mining there. Other companies also have leased and explored the property, but no other mining has been done there since, Thunder Mountain says.

The property, which Thunder Mountain owns jointly with a company called Dewey Mining Co., is next to and extends like a "cherry stem" into the Frank Church River of No Return Wilderness Area. "This makes mining activities rather delicate due to environmental concerns," Thunder Mountain says.

Five years ago, Thunder Mountain and Dewey jointly entered into an option agreement with the nonprofit Trust for Public Lands, which now is trying to find money to buy the property for the U.S. Forest Service, the company says.

Last fall, an independent appraisal put the value of the land at about \$13 million, which if the sale went through at that amount, would give Thunder Mountain proceeds of roughly \$5 million after related expenses are paid.

Thunder Mountain has no current production and no revenues, and its business address is a residence in southeast Spokane.

### **Legacy is deep**

There are other such companies, as well. They include Mascot Silver-Lead Mines Inc., a Kellogg-based concern with the Little Pittsburg Mine in Silver Valley; Kimberly Gold Mines, a Coeur d'Alene company that's exploring two closed mines in central Idaho; and Atlas Mining Co., an Osburn, Idaho, concern that hopes to mine halloysite, a high-value clay, at the Dragon Mine in Utah.



There's also Revett Minerals Inc., a larger concern which, through a subsidiary, already operates the Troy copper and silver mine, in western Montana, and hopes to launch the controversial Rock Creek mine south of there in the Cabinet Mountains.

As of the end of March it had assets of \$87.1 million.

Mining has always been a part of Spokane's fabric.

Fortunes made in the rich Silver Valley of Idaho helped build Spokane in the early days, and many businesses here once thrived by serving the Inland Northwest's mining districts.

Some mining companies here have come and gone, including Pegasus Gold Corp., which failed in the late 1990s, and Yamana, which moved to Toronto.

Also here once was a mining-heavy stock exchange, called the Spokane Stock Exchange, which launched in the late 1800s and operated until 1991.

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