

BULLETIN

Northwest Mining Association

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Rebecca Watson Calls on Mining Industry to Improve Image Through Supporting Sustainable Development

Inside this issue:

President's Corner	2
2002 Sponsors	3
Mining Companies Increase Profits	4
Modern Mining Leaves Environmental Legacy	5
Alaska is Hot	5
NWMA Receives Int'l. Media Coverage	6
Around the World in Thirty Minutes.	7
Exposition Hall Highlights Optimism	8
2002 Exhibitors	9
BC - Welcome Mat is Out.	10
Short Courses Hit Mark	11
Committee Reports	11
Calendar of Events	12

Rebecca Watson, Assistant Secretary for Land and Minerals Management, Department of Interior, told an overflowing crowd at the Welcoming Luncheon that there is an opportunity through the concept of Sustainable Development to provide stability to both the domestic mining industry and economically distressed resource-dependent rural communities. A former natural resources lawyer and NWMA member from Helena, Montana, she told the audience that her two goals for public service were, (1) to start a new dialogue on western natural resources issues, one which is founded on Secretary Norton's 4 Cs – Consultation, Cooperation, and Communication – all in the service of Conservation; and (2) to manage our public lands and resources in a way that contributes to the economic sustainability of vulnerable rural communities.

She believes the mining industry can play an important role in achieving her goals by addressing economic, environmental and social issues in ways that go beyond the traditional operations of mining companies. The framework for this new approach is Sustainable Development.

She acknowledged that Sustainable Development is one of those amorphous terms that mean different things to different people. The variety of definitions is one of the problems the mining industry faces in trying to come to grips with the term. Plus, how does the concept of Sustainable Development relate to an inherently short-term extractive activity like mining? "It is not an intuitive relationship," she said.

However, we are seeing a growing use of the concept in the mining arena. One example is the Global Mining Initiative, where senior executives from nine of the largest mining companies embarked on a new initiative in 1998, intended to achieve a serious change in the way industry conducts itself. By 2002, this initiative had matured into the Final Report of the Mining, Minerals and Sustainable Development (MMSD) Project at the International Institute for Environment and Development.

Entitled, "Breaking New Ground," that report should be read by all of you, she said. "There are many things to think about in that report, and much to consider when you, as the miner, or we, as the government, take action on any aspect of the business of mining."

Ms. Watson then provided her definition of Sustainable Development as it relates to mining. It is "well-planned development that promotes economic growth both in the present and the future, provides long-lasting social benefits, and protects natural resources for current and future generations and includes as many stakeholders as possible."

This definition, she added, tracks with a joint USFS and Bureau of Land Management (BLM) document, issued this past April, titled "Sustainable Development and Its Influence on Mining Operations On Federal Lands — A Conversation in Plain Language." That policy seeks to ensure that minerals and metals are produced, used, reused, recycled, and, if necessary, stored to meet economic, social, and environmental needs.

She also delivered some pointed criticism of the mining industry for "losing its connection with the public." "I believe the mining industry may well need to enter into a new social contract with states and local communities to develop the public trust that will allow ...



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(continued on page 3)



President's Corner ...

Greg Hahn, Constellation Copper Corporation

NWMA's new president, Greg Hahn, President and CEO of Constellation Copper Corporation, presented his goals for the coming year during the Industry Outlook Luceon.

I joined NWMA and attended my first Convention twenty-five years ago, when I accepted an assignment as Mine Geologist at the Blackbird Co-Cu Mine in Idaho. I never expected then that I would ever be representing NWMA in this capacity. **That just goes to show you that the unexpected or seemingly impossible indeed can happen.** This is something we need to keep in mind as we face the challenges of mining in North America in the 21st century.

The industry has changed significantly since 1978. The company that brought me into the NW, Noranda, used to have a substantial presence here, both in mine development and in exploration, with programs at the Blackbird Mine, and throughout Montana, Idaho, Oregon and Washington, and most recently at Montanore, just a few hours from Spokane. They are now gone from the NW, as are many other companies. In fact Noranda is gone from the US entirely, walking away recently from its \$100 million investment at Montanore. Twenty-five years before I started at the Blackbird Mine it was in full production providing the only domestic source of cobalt under contract with the Department of Defense to supply armaments in the war against North Korea. Today, twenty-five years after I started there the mine is undergoing final closure under a Consent Order with the EPA. And there is still plenty of ore left in the ground, which hopefully Formation Capital can access from their adjacent development project some day. Yes, the mining industry in North America has changed.

But we are still in it. Some people say we're still in it because we don't know any better. I disagree. **We are in it because we love it.** It is who we are, it is what we do, it is where we live, it is the people we meet and the friendships we make for life. It is also, to no small degree, the sense of satisfaction that comes with discovery, creation of value out of seemingly nothing, and the pride of making a significant contribution to our communities and our countries.

Your Northwest Mining Association has evolved to adjust to these changing dynamics in the country and in the industry, and the factors that are responsible for those changes, and to be able to continue to represent you, its members. And we will continue to do so.

It is said that an organization is characterized and represented by three attributes: its Mission, Vision, and Values. While your Association has expressed statements that cover each of these areas, I'd like to express my goals and objectives as President of the NWMA for 2003 in these terms.

Mission: While your President, my mission is to represent the membership of NWMA, and the mining community of North America in general, and to do my utmost to see to it that your interests, individually and corporately, are fairly and clearly presented both on the public front and within the Association. Towards this objective we need to continue to focus on strength-

ening our membership, both individually and corporately, as that is where we derive our strength as an Association and as an industry. We also will continue to seek alliances and work with other associations and organizations, as we have with NMA and the state mining associations, and others, to strengthen our efforts and representation of our membership.

Vision: My vision for the NWMA is nothing short of a complete revival of the mining industry across North America, and the return of mining as a contributing member of communities, particularly throughout the west. We have witnessed the flight of investment capital from North America, and the United States in particular, with perhaps the exception of the pursuit of gold in north-central Nevada, as companies have fled real and perceived oppressive regulatory environments here, and in the process have knowingly accepted increased political risk elsewhere rather than continue to struggle here in an environment where the industry is no longer welcome. My company has done so also, in response to shareholder sentiment. The NWMA will continue to press for reform of the regulatory environment here in North America, at the Federal, State, and local levels, to create a more inviting investment climate for mining here at home. It is encouraging to see a change beginning, and investment capital returning to North America. Grupo Mexico's continued investment in and support of ASARCO, and Norilsk's recently announced investment in Stillwater Mining Company, both stand as testimony that the US can be an attractive investment arena, given reasonable regulatory practices and policies. We will work towards encouraging the return of investment capital to the mining industry in North America through regulatory reform.

Values: Our ability to achieve our mission and realize our vision will be determined by the degree to which we communicate our values. Our values are rooted in the conviction that the mining industry, is, has always been, and always will be, an integral part of sustainable societies and economies throughout the world since the dawn of civilization. Our commitment to all genuine stakeholders in communities in which we operate is that we will be responsible and contributing members of these communities. We have expressed our environmental values as an Association in our *Statement of Environmental Principles*, and we will continue to work with our membership in developing a comparable means of expressing our collective commitment to the sustainability of communities and economies.

Our membership has expressed the degree to which they value this Annual Meeting, and I will seek ways in which we can strengthen and improve this annual venue to the satisfaction of all those attending. The Convention is traditionally known as a good year-end party, in addition to a good technical meeting, and there are many who desire to see that tradition and value continued. **There is nothing wrong with throwing a good party.** I, like most of you, enjoy a good party. Of course, we're miners! As part of my goals I will work with the staff to probe ways in

(continued on page 6)

sustainable domestic mining to function effectively [and contribute to Sustainable Development].”

She told the audience that this includes a commitment to develop infrastructure - human skills, institutions, capacities - that remain after mining is done, a new commitment to transparency, and cooperation with states and local communities. Going that extra mile.

She next focused on three obstacles to mining’s role in creating sustainable development: (1) Economics; (2) Legal and regulatory; and (3) Public acceptance and industry response.

“Whether we like it or not, there is a broad range of people who believe, rightly or wrongly, that they will be negatively affected by mining activities or by the use of metals, and they insist on acting as gatekeepers to the resources you seek to respond to the demands of the very marketplace that doesn’t want you there.”

The two primary reasons for mining’s negative image with the public are the legacy of historic unreclaimed mine lands and bankrupt operations that saddle taxpayers with the cleanup. These two issues have fueled anti-mining initiatives in Montana and Colorado, sacred sites legislation in California and the U.S. House of Representatives, and backfilling efforts. Industry must focus its efforts on the AML problem. “Taxpayers simply cannot be asked to clean up these mines. Reclamation is and should be the responsibility of industry,” she said.

In response to this negative image, mining has not always responded well, she added. “You’ve hunkered down, haven’t listened to what the public’s concern is and haven’t helped them make the connection between what you do, and their quality of life.”

“The loss of the public’s acceptance of mining is just one of the many obstacles the industry faces,” she said. Closely related is the reduction in available capital and the inability to obtain surety bonds. Even the largest mining companies are having difficulty obtaining surety bonds. The lack of surety bond availability exacerbates the existing capital famine. The alternative to surety bonds is to put up cash or cash equivalents. This increases the capital costs of the project and only “world class” deposits can generate a rate of return to cover such costs.

Ms. Watson offered suggestions to her mining industry audience on how to overcome these obstacles. At the request of Secretary Norton, a DOI Bonding Task Force was created to examine the loss of bonding capacity post September 11th and the technology bankruptcies to determine if there is a problem, and if DOI has a role to play. As part of the Bonding Task Force effort, they are also investigating options that might provide a financial guarantee system. “The Secretary will not ask the taxpayers to assume the costs of reclamation, that is industry’s responsibility.”

“A key component of a financial guarantee system should be a reclamation goal and how progress toward that goal would be measured. Reclamation Standards, which would apply to all types of mining and non-fuel mineral commodities, could be developed along the lines of the Northwest Mining Association’s *Statement of Environmental Principles*.”

“The most important thing for industry would be to make sure that compliance with the reclamation standards or reclamation Best Management Practices is measurable and certifiable — a formidable task, to be sure, but one that is doable. Obviously, this helps a great deal to build public trust.” This could help address the surety crisis, and would also help with public acceptability, regulatory delay and could provide greater confidence to the capital market, the Assistant Secretary added.

“I believe the future of the mining and metals industry, whether domestic or international, is clearly linked with the notion of Sustainable Development. But getting the mining industry to change and then to be recognized for sustainable practices will not be an easy task.”

She concluded her remarks by stating her confidence in the U.S. mining industry, and its ability to solve the key issues facing it.

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Mining Companies Increase Profits By Expanding Development In The Americas

Survivors of mining's economic tough-times are now reaping the rewards. With gold reaching, then sustaining, prices into the \$320s an ounce (\$350 at press time), resurgence in mine development is underway in the Americas. Silver also is riding high on the coattails of its richer brother, with prices remaining in the \$4.50-\$4.65 range.

As a result of these higher prices, investors are rethinking their investment strategies. Gold is winning out over the traditional markets.

"After a long series of bankruptcies and mergers, we now have a reason to be excited," said Steve Craig, vice president of **Golden Phoenix Minerals** and Session Chair for the *Growth Companies in the Americas*, at NWMA's 108th Annual Meeting and Exhibition. "It's been a long drought for those of us who are left, Steve said."

Among the companies benefiting most from the rebound, are those who presented at this year's Annual Meeting. "The companies presenting their stories are the same ones that weathered the most severe downturn in the mining industry during the last few years," Steve said.

"They have been quietly working on discovering new deposits, developing old ones, or just plain getting ready to mine. Their work has taken them to the tundra of Alaska, the high deserts of the Great Basin, the jungles of Latin America and high Andes of South America in response to a gold price that increased from historic lows to \$326 per ounce. With the gold price poised to move even higher, these companies have a real story to tell about why they are the next generation of successful companies and why investors should take a strong look at them."

The ten well-positioned medium and junior mining companies provided the overflow S-R-O audience with information on their company, their business plan, and exciting mining projects they have in development.

Among the companies benefiting most from the rebound is 111-year-old **Hecla Mining Company**, which as recently as two years ago was struggling for survival. Hecla's stock has been one of the top performers on the New York Stock Exchange this year. The company focuses on low-cost production of gold and silver from mines in the United States, Mexico and Venezuela.

According to president Phil Baker, Hecla expects this year to produce 235,000 ounces of gold, at an average cost of \$140 per ounce, and 8.2 million ounces of silver, at less than \$2.30 per ounce. At current prices, that leaves plenty of profit.

Coeur, The Precious Metals Company has gold and silver mines in Idaho, Nevada, Alaska, Chile, Argentina and Bolivia. It is the nation's largest silver producer. "Coeur is beginning to emerge from a two-year turnaround," vice president Dieter Krewedl said.

The company is now generating positive cash flow, and expects to produce a record 15 million ounces of silver this year, up 40 percent from 2001, the company said. Coeur, also traded on the New York Stock Exchange, has cut its outstanding debt in half, he said.

While mines in developing and third world nations may be cheaper to operate, social unrest and anti-Western attitudes,

especially in Muslim countries, are making for a difficult business climate, executives told the convention.

"We at Golden Phoenix have chosen to stay in North America, especially the U.S., because we can safely operate here," Steve said. "At the same time, buying gold has always been a refuge for nervous investors during times of economic and political crisis.

The rise in gold prices means more profits that can be pumped into exploration and development of mines, and more attention from investors seeking to escape the stock market.

Copper prices also are starting to rise a bit, indicating a general economic rebound because copper is used in homes, automobiles and electrical transmission. This is really the early stages of a new cycle in exploration and mining," Steve said, "It's going to be a growth cycle."

Other North American mining and exploration companies reporting increased activity include:

Constellation Copper Corporation, of Denver, which is developing the Lisbon Valley Project in Utah.

The Lisbon Valley mine has been permitted and is expected to produce more than 50 million pounds of copper per year starting in 2004. The company also is pursuing a mine project in Chihuahua, Mexico, that is expected to produce 40 million pounds of copper and 60 million pounds of zinc per year.

NovaGold Resources Inc., of Los Gatos, Calif., is developing one of the largest gold mines in the world at Donlin Creek, Alaska. The mine has an estimated capacity of 23 million ounces of gold.

NovaGold and partner Placer Dome have spent some \$40 million on exploration and other activities at the mine in southwestern Alaska. The partners hope to produce 600,000 ounces of gold per year.

Nevada Pacific Gold Ltd., an exploration company in Reno, is studying 10 different projects in Nevada, covering 100 square miles of mineral rights. One project alone, Limousine Butte, could produce 620,000 ounces of gold, the company said.

Crown Resources Corporation, of Wheat Ridge, Colorado, is in the final stages of a reserve study on its Buckhorn Mountain mining operation in Washington State. Buckhorn, formerly the Crown Jewel, is an underground gold mine with a potential for more than one million ounces of recovered gold. "This mine happens to be a very high grade deposit," Chris Herald, president of Crown Resources said. Unlike Crown Jewel's heap leach operation, Chris believes this underground mine will not encounter the wrath of anti-mining environmental groups. "The Buckhorn will have minimal impacts on the environment. It is an exciting new project for us."

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Modern Mining Leaves Positive Environmental Legacy

Almost everyone associated with the mining industry knows that mining is a modern industry that uses new technologies, innovative reclamation practices, and consultation with local communities to ensure a positive post-mining legacy. Mining has entered the 21st century as a carefully regulated and environmentally responsible industry. Unfortunately, much of the industry's efforts go unnoticed. Instead of reporting on mining success stories, unreclaimed abandoned mines from the past continue to attract media attention.

To foster a better understanding of the modern mining industry, NWMA continues to include numerous sessions at its yearly conventions that focus on the responsible manner in which modern mining operates. At this year's 108th Annual Meeting, the session entitled, Reclamation Success Stories, highlighted some of the mining industry's many environmental accomplishments.

"My impression was that the reclamation success stories had significant utility for the audience, said Rick Richins, vice president, Environmental & Government Affairs, **Earthworks Technology, Inc.**

"They considered varying environmental conditions, factors, and constraints. They also were focused on the most difficult reclamation issues: long-term water management and treatment, bonding considerations, and funding of low cost care and maintenance programs. The latter is particularly difficult and relevant to modern mining, including industry, agencies, the general public, and NGO's," Richins said.

Richins believes the mining industry must focus on how it will deal with multiple management needs in perpetuity. He sees the answer in "living trusts" and responsible, sustained business approaches.

Two examples presented of sustainable development and mining were Homestake's **McLaughlin Mine** in the Napa Valley of California, and the **TVX Mineral Hill Mine** in Montana.

McLaughlin has received numerous awards for environmental responsibility and is cited by the Sierra Club and other environmental organizations as an example of responsible mine development.

The Mineral Hill Mine closure is recognized for its cooperative relationship with the community environmental organizations and government agencies, its agreement to reclaim historic mining disturbances, and its water treatment program.

"The talks provided real world examples of sustainability, a livable version as compared to the extreme. The talks also considered industry and agency perspectives. My compliments go out to the presenters," Richins said.

Innovative technologies in mining reclamation are the hallmark of success for the **Coeur Rochester Mine** in Nevada and the **Golden Cross Project** in New Zealand.

Rochester has experimented with several soil amendments for its dump reclamation, including the use of nutrient pellets with a seed mixture glued to the surface of the pellet to reduce wind dispersion of the seed.

Golden Cross has been a model of effective modern mine design that allowed for a more simplified and rapid mine closure. Its implementation of innovative water management systems has resulted in a higher water quality standard in its discharges and the test wetland.

The final presentation was on Asamera's **Cannon Mine** in Wenatchee, Washington. Cannon was situated within a community of more than 40,000 people and stood upstream from the Columbia River, a major U.S. fishery. This modern mine found success by practicing sustainable development before the term became "politically correct" and implementing new technologies. The Cannon Mine used progressive land-use planning and state-of-the-art reclamation and closure methods to create local public support. These actions have helped it qualify for two reclamation awards.

Alaska Is Hot

Tom Crafford assembled a suite of 4 talks on recent Alaskan exploration projects that were highly informative and played to a standing room only audience at this year's convention.

Two talks, one each presented by Gerry Carlson of Nevada Star Resource Corp. and Jeanine Schmidt of the U.S. Geological Survey, addressed the geology, geophysics and Ni-Cu-PGE mineralization potential of Nikolai volcanic rocks and related mafic and ultramafic of the Wrangellia Terrane on the southern flank of the Alaska Range near Paxson, AK. Carlson noted that the Ni and PGE depletion within the exposed intrusions and volcanic rocks at Nevada Star's MAN Project are greater than at the famous Noril'sk deposit in Russia, suggesting a concentration of mineralization elsewhere in the system. Jeanine Schmidt then presented geologic and geophysical data indicating that the mafic and ultramafic rocks occur in a synform associated with a large, dense, magnetic, highly conductive anomaly at depth.

Phil St. George of NovaGold Resources, Inc. presented the latest results from NovaGold's Donlin Creek in Southwest Alaska near Aniak. Gold mineralization at Donlin Creek is structurally controlled and occurs in disseminations and quartz-carbonate-sulfide veins and veinlets, primarily in ~70Ma felsic dikes and sills that have intruded flysch sediments of the Cretaceous Kuskokwim Group. With a high grade MI&I gold resource of 10.6 million ounces grading 5.2 grams/tonne (3.5 gram/tonne cutoff) and a lower grade MI&I gold resource of 23 million ounces grading 3.1 grams/tonne (1.5 gram/tonne cutoff), Donlin Creek is one of the world's largest undeveloped gold resources.

At Northern Dynasty Minerals, Limited's Pebble project north of Lake Iliamna, Bruce Youngman reported that the billion ton Pebble porphyry deposit is only a small part of a much larger series of coalescing mineral systems within a 90 square kilometer IP/chargeability anomaly. The 2002 Pebble drilling program, which tested coincident soil geochem-IP/chargeability anomalies as well as stand-alone specific IP features, discovered two Cu-Au porphyry deposits, a Cu-Au skarn, and the extension of a high-grade gold zone. Northern Dynasty will use these drill results, and their re-logging of drill core from Teck Cominco America's original exploration of the Pebble Cu-Au deposit, to direct their 2003 program which will focus on the delineation of higher grade resources.

These four talks generated considerable post-session discussions in the exhibit hall and bars. They contributed to one of the best technical programs in recent memory and were one of the many reasons for the excitement that permeated this year's convention.

NWMA Receives International Media Coverage for 108th Annual Meeting and Exposition

Media coverage of this year's Annual Meeting reached new heights as newspapers from across the nation and stretching to the African continent carried stories of the week's events. From South Africa to New York City, from Miami, Florida to Austin, Texas, and from Sante Fe, New Mexico to Reno, Nevada, NWMA's Annual Meeting was in the news.

The most covered news event was the Welcoming Luncheon address given by the Department of Interior's Assistant Secretary for Land and Minerals Management, Rebecca Watson. Watson held the attention of news editors from more than forty papers. She told mining industry leaders they needed to regain the public's trust. One of her recommendations was for industry to embrace Sustainable Development.

Minerals economist, Douglas Silver, Balfour Holdings Inc., garnered attention from mainstream and business press organizations, including Internet media, while speaking at the Industry Outlook luncheon. Silver, president of a well-established minerals consulting company, presented his reasons for gold to glisten in 2003. His vision was well received by reporters who spread Silver's upbeat economic news to audiences throughout North America and South Africa.

Several reporters from both print and television media were interested in the National Mining Association's (NMA) first nationwide public opinion poll on mining in the United States. The session, "Winning in the Court of Public Opinion, Part III – Are We Making Progress?" highlighted the research. The Associated Press led the way on this positive industry story and provided daily cover to the NWMA. The national media picked up all of the AP stories.

General coverage of the convention also sparked interest from television media giants like ABC News. Local ABC affiliate, KXLY, gave the best coverage to the NWMA, followed closely by both the CBS and NBC local affiliates, KREM and KHQ, respectively. Radio news gave an impressive showing, National Public Radio News, KBPX, and KGA radio in Spokane offered daily coverage of sessions. The most popular sessions with the media were "Growth Companies in the Americas," "Reclamation Success Stories," and NIOSH's "A Videotaped Documentary of the Sunshine Mine Disaster and the Lessons Learned," and "Evaluations of Heat Stress and Interventions in Mining."

Overall, more than fifty different newspapers, television, and radio organizations covered the 108th Annual Meeting, showing that NWMA continues to be an innovative leader and the public still has a great interest in the success and development of the mining industry in North America and abroad.

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President's Corner (continued from page 2)

which we can bring more of that atmosphere of revelry and celebration back into our annual meeting, without compromising the technical substance that draws attendees from across the continent.

To accomplish all of the above we need to be able to continue the Association on a firm financial foundation. Last year we turned the corner, I believe, on achieving financial discipline and stability within the Association. We will continue on this track, and strive to increase the financial base of the Association so we can continue to serve our membership as they have come to expect, and to improve on this service as we move forward in the 21st century.

That is a tall order, and more than can be accomplished in a single year, or by a single President. However, I have pledged my energies towards accomplishing these goals, as have my predecessors and as my successors certainly will also. With your support and our collective efforts, I am confident we can accomplish all that we put our backs to, and realize once again a vibrant and productive mining industry in North America.

Members on the Move

Hecla's Art Brown Sets Retirement Date

Hecla Mining Company's Chairman and Chief Executive Officer Arthur Brown announced his intention to retire from the position of Chief Executive Officer of the company at Hecla's 2003 Annual Meeting of Shareholders, currently scheduled for Friday, May 9, 2003.

Art, who has been with the 111-year-old precious metals mining company for 35 years, will retain his position as Chairman of the Board. He joined Hecla in 1967 as an engineer and worked his way up through the ranks to his appointment as president in 1986 and chairman and chief executive officer in 1987. Brown, 62, said this is a move he's been contemplating for some time and has thoroughly discussed it with Hecla's Board of Directors. "I have been working on succession planning, and one step of that plan occurred last year when Phil Baker was appointed president. Our intent is that Phil will succeed me as chief executive officer when I step down next year. I have been fortunate enough to assemble an executive team of talented young people that are very capable of moving this company forward under the leadership of Phil Baker."

Art said he's excited about Hecla's prospects. "In my view, Hecla now has some of its best exploration properties ever, with its projects in Mexico, Venezuela and the U.S.A. Rarely in my 40 years of mining experience have I seen as great a potential as I do with our San Sebastian and La Camorra mines. 2002 has been one of Hecla's best operating years ever, and I was determined not to retire until the company was on excellent financial and operational footing. I am satisfied we are at that point, and I am comfortable that the company will have the leadership necessary to make the most of these opportunities."

Art is a long time NWMA member and received NWMA's Life Member Award in 1985.

Around the World in Thirty Minutes - The State of the Mining Industry

(Editor's note: This article summarizes Doug Sliver's keynote address at the Industry Outlook Luncheon)

Renowned minerals economist Doug Silver, President of Balfour Holdings, Inc., forecasted an optimistic future for the gold mining industry and investors that take advantage of increasing gold prices during his presentation at NWMA's 108th Annual Meeting. The standing-room only audience of mining delegates listened eagerly to hear Silver's reasons behind his predictions. The unsteady nature of the U.S. economy and investors' reaction to international events was on Silver's list of reasons why people head for bonds and gold when looking to invest.

"The accounting scandals of 2002 have truly shaken the faith of equity investors in U.S. stocks. All of the gains during the Clinton years are now suspect as more than \$200 billion of falsified earnings were revealed, Silver explained." The fragile state of the U.S. economy also is exposed in its trade deficit of more than \$400 billion and the American citizens' lack of interest in saving for their future. "If people and companies do not save, they have nothing available for a rainy day."

The current lack of confidence in the U.S. economy is impacting the value of the dollar, Silver said. "A growing deficit weakens the value of the U.S. dollar. But the greenback is the strongest currency in the world so when it weakens, what is going to replace it? Not the yen or euro. Gold is where people go."

The uncertainty of world politics is disrupting global economics, so investors go to assets that will hold their value, e.g. land and gold. This is especially true when there is global conflict, Silver said.

Another sign of why gold is on the rise goes back to the basics of supply and demand. Silver explained how there are simply not enough large deposits available to replace the reserves currently being mined. World gold production levels, he predicts, should begin a long decline. One of the places to watch is South Africa. "South African mines are old, deep, and expensive. They require substantial investments but are not likely to obtain these monies when their largest companies are all moving their operations out of Africa for a variety of reasons," Silver said. "Since South Africa accounts for more than half of the world's annual gold production, there is a strong probability that one or more of these giant mines will close and accelerate the global declining production trend."

Because institutional investors are demanding companies increase their market capitalization, acquisition efforts are superceding exploration spending, Silver said. Overall, the number of gold players declined, as consolidation became the game in town. "Do you really think the industry is healthy when it is controlled by a handful of companies? Do you really think their exploration teams and managements are the best in the world? And as the companies have to grow larger due to investor demands, doesn't it just exacerbate this situation?"

Few new discoveries, a lack of funding, and being prey to takeovers only strengthen the hands of forces opposed to mining, Silver said. "Every new mine planned in the United States is on a critical watch list. Even worse, it is virtually impossible for mining companies to rely on their legal rights as a defense against these special interest groups. Make no mistake about it. These opposition groups are well funded, effectively use the media, and are hell bent to stop us. The fact that they drive their

metal cars to protest meetings is only amusing to us. Their hypocrisy reveals their true agenda."

Mining activity in the United States is on the decline, Silver added, not only because of the activities in the environmental arena, but the overzealous activities of the Securities and Exchange Commission (SEC). Silver claimed the SEC has granted itself powers equivalent to prophets who can predict future metal prices. "It is because they are so out-of-touch with acceptable international mining practices that one can only wonder where in Wonderland they live."

Silver blamed the improper bonding practices of some mining companies and regulators as the cause for a bonding crisis that has led to the third reason for mining's decline in the states. "States have properly tightened up their bonding requirements because of the bad actors that ruined it for the rest of us."

In 2002, gold funds were the best performers of all sectors with returns in excess of 40%. "I have spent a lot of time this year talking to the financial community and there is one common theme: Most believe that next year will see a renaissance in the mining industry and that financing will be plentiful in the spring."

"As world gold production declines, investors will believe there is a shortfall in supply at a time when demand continues to grow at about 3% per year. Their response will be to buy gold in anticipation of its imminent rise. If enough of them buy gold, the prophecy becomes self-fulfilling."

Silver added some more good news by predicting a resurgence in grassroots exploration, most of which will not be in politically risky countries, but in politically stable countries where democracies are well established, such as Canada, the United States, and Australia. Also, most of Latin America will also continue to attract exploration dollars.

Silver noted that there is a transition of gold targets from open-pit heap leach operations that are destructive to the landscape and carry low-grade ore deposits to high-grade targets, which also tend to be underground mines. For the United States, the pursuit of underground, high-grade targets is fertile ground. Many of the shallow deposits in Nevada have high-grade cores. The Northwest is also blessed. The good news is that so much attention has been focused on open-pit targets over the past two decades, that most of the western United States is under-explored for underground mines, Silver said. "The other good news is that these mines can be wildly profitable and leave a minimal environmental footprint."

Successful Convention Contributes to NWMA's Financial Health

Not only was NWMA's 108th Annual Meeting a success in terms of its technical program, Exposition, networking and overall upbeat atmosphere, it was also financially successful. As a result, NWMA finished the year in the black and will carry forward a small surplus into 2003. This is quite a turnaround from 2001. The financial support of our members, exhibitors, supporters, combined with strong support from the Board of Trustees and sound financial management by the staff have combined to put NWMA on a solid financial foundation for the future.

Upbeat Attitude in Exposition Hall Highlights Optimism for 2003

Expectations are high for new contracts and the word among exhibitors and vendors at this year's NWMA Annual Meeting and Exposition is that things are looking up for 2003.



"This was one of the best conferences all year," said Nancy Eccles, regional sales manager for **Energy Laboratories**. "I made as many contacts during three days in Spokane as I did touring the gold mines of Nevada in three weeks." Energy Labs sells analytical services to gold companies and engineering firms. "This show gets our foot in the door, and the contacts we've made are tremendous," She said. "People have a more positive attitude than in years past."

Neil Eurick, **Golder Associates, Inc.** agrees that this show seemed better than last year because of the attitude among the participants. "The industry is more optimistic. There were lots of decision makers here and opportunities to make contacts."

Jim Preston of **Automated Position Systems** thought the show was very well organized. "We got phenomenal help," Preston said. "We were a late entry and the staff treated us like gold." Preston enjoyed talking with other vendors at the show. It's his first year at the NWMA Convention. "We do GPS positioning, and while this show seemed focused more on underground mining, I found it was important to meet and talk with other vendors here."

As an exhibitor, Chris Herald, **Crown Resources, Inc.**, was impressed with all the foot traffic by his booth. "We had interest from people throughout the industry. Contractors, potential investors, vendors, and government people wanted to know the status of our new project." Crown's new project is the Buckhorn Mountain mine, formerly Crown Jewel, in



North Central Washington. "This was definitely worth my while. I think more companies would benefit from exhibiting here, he said, "we got lots of attention."

Lars Edling, **Hagby USA, Inc.** is pleased with the Spokane location. Hagby USA is located just across the border in Northern Idaho. "This show has a good reputation, and we enjoy the easy access," Edling said. "We did get some potential orders, and hope the show continues to grow next year as the outlook for mining improves."

TDS Sound Tire has returned to the show for 15 consecutive years. "This is a pretty good show, so we continue to show up even when times get tough, Chad Salonga of TDS said. It is important to show our support for NWMA and the industry that buys from us.

Eighty-five exhibitors occupied the large ballroom and entry-way of the Doubletree Hotel. The exhibit hall was packed from opening until close. On Wednesday evening, the exhibit hall was the scene of the Welcoming Reception sponsored by the Spokane Convention and Visitors Bureau



and three hotels. There was a constant "buzz" in the room, reflecting the upbeat atmosphere and lots of networking.

Next year promises to be even better. Exhibitors already are reserving their space for next year. Don't be left out – Send your reservation in today. Call Pat if you have any questions or need a reservation form. (509) 624-1158 Ext 11, or e-mail pnelsen@nwma.org

**NWMA's 109th Annual Meeting, Exposition & Short Courses
December 1 - 5, 2003**

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Thanks to our 2002 Exhibitors !!

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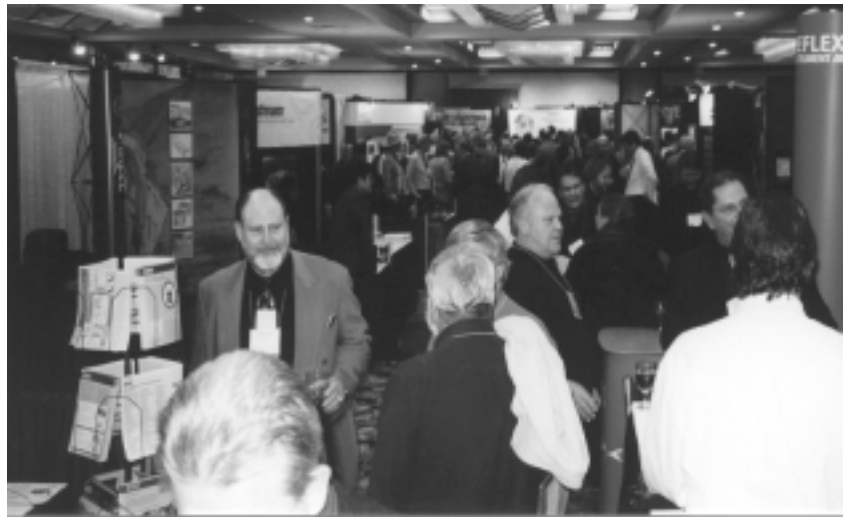


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British Columbia — the Welcome Mat is Out!

By Dan M. Jepsen RPF Executive Director BC and Yukon Chamber of Mines. Based on a presentation to the Northwest Mining Association Convention in Spokane, Washington December 5, 2002

Sweeping changes have occurred and continue to occur in British Columbia, Canada that are re-creating one of the most positive mineral exploration and mine development locations in North America. There is no doubt that 10 years of a rather unfriendly business climate took their toll on investor confidence. While investor confidence is on the upswing as more and more investors see the rekindled positive changes in government policies, it will take some time before the mineral exploration sector catches the full story that things really have changed. The changes have been rapid and dramatic. BC is once again a positive location to explore with a new pro-business, pro-economic government, world-class geology and, with the 10-year drought in exploration investment, huge untapped exploration opportunities.

The new government is anxious for a return to a thriving, healthy exploration industry and has committed to work with the mineral exploration sector to create legislation and policies that support a positive business climate and the promotion and marketing of the BC advantage. The recent approval of the Tulsequah Chief mine is a clear demonstration that the government is committed to approve the development of mines. Those companies that can see through the remaining negative rhetoric are in for a big surprise, BC offers huge untapped mineral potential. So, enough of the sales pitch – let's look at what really has changed to create this positive mineral exploration climate? Here are some highlights:

- BC has a new government that is committed to ensuring all decisions are made with an economic focus and working with the resource sector to create a positive investment climate.
- Other indications of the change in government include the review of offshore oil and gas exploration after a moratorium of over 20 years, development of coal bed methane and the development coal power guidelines early this year.
- Unlike many jurisdictions in the world, 95% of the BC land base is publicly owned and over 80% is open for exploration and mineral development.
- While many jurisdictions are struggling with the public's desire for additional parks and protected areas, BC has spent the last 11 years completing the most comprehensive parks system in the world. Why is this important? Because BC's parks system is virtually complete. Therefore, it is clear where mineral exploration and mine development can occur.
- During the last days of the previous government a rushed decision on one of the Land Use Plans was made, which the resource development sectors and the community felt did not strike a balance of public interest, environmental protection and economic opportunity. Fortunately the new government is reviewing this decision and we are confident the review will result in a more balanced decision.
- The government recently passed Bill 54, setting in motion the Two Zone Model for Exploration throughout the Province. In simple terms, Zone #1 is Parks where no Mining can currently occur, while Zone #2 is where Mineral Exploration and Mine Development is welcomed. This is a huge positive development for BC Mineral Exploration – you actually know where you can go to work!
- Although we have unsettled First Nation Treaties, our governments and most First Nations have adopted a treaty negotiation process. We also have a history of positive relations with First Nations and the resulting certainty those positive relations can bring to the resource sector. You will find many companies that will agree that First Nations are part of the solution!
- BC is considered a center for mineral exploration financing, exploration and mine development and operation expertise, and has been recognized as a world leader in mine reclamation. This reputation is well founded and the people and the expertise are right here in BC!
- We are among the geologically richest areas of the world, and have unsurpassed geological mapping and information databases. The Eskay Creek Mine is among the richest gold deposits ever located in the world, yet it was only discovered in the late 1980's.
- BC's Geological Survey Branch provides support, comprehensive accurate records and information, largely at no or minimal cost.
- We have experienced a shortfall in Mineral Exploration investment of over \$700 million CDN in the last 10 years - just think of the under-explored opportunities.
- The extensive road network and available aircraft coupled with the availability of local skilled geologists, prospectors and drill companies throughout the Province provide substantive advantages and cost savings for exploration.
- The government is committed to reducing red tape associated with application processes. The Health, Safety and Reclamation Code for Mines is being rewritten by a joint Government and Industry Task Group to make it results based, simpler, and less onerous and prescriptive. The new Code allows industry to determine how environmental objectives can be achieved, as opposed to being dictated in detail by government legislation and regulators.
- On the economic front, personal income tax rates have been reduced 24%, corporate tax rates reduced 18%, the 7.5% tax on machinery completely eliminated, and BC offers a 20% Flow Through Share tax credit. When this tax credit is combined with the Federal Tax Credit it equates to BC Exploration investors receiving tax rebates and deductions to bring the exploration costs down to 37% of investment.
- The strong US dollar! Need I say more \$1.00 US Dollar equals \$1.60 Canadian!

I've tried to highlight the major changes that are setting the positive mineral investment climate in BC that we have so dearly missed for the last 10 years. BC's new government has committed to set in motion the groundwork to foster a return of a healthy, vibrant and environmentally sound mineral exploration and mining sector. Those industry leaders who have been watch-

ing the BC situation carefully are catching on. Exploration investment has increased by 80% in the last 2 years. Industry leaders such as Barrick, Noranda, **Kinross** and **Newmont** are returning to BC. On a final note, I'd like to highlight that under the previous unfriendly government the Huckleberry, Mount Polley and Eskay Creek mines were all approved, can you imagine what a pro-business government will do!

We hope that you will carefully and objectively look at the BC advantage and consider investing in mineral exploration in our province. Our industry and our government would welcome you and your company.

NWMA Short Courses Hit the Mark

One of the highlights of this year's Annual Meeting were four highly successful short courses/workshops. All four were well attended and the feedback has been very positive.

More than forty gathered in Wallace, Idaho for the Coeur d'Alene Mining District Geological Symposium. The symposium was patterned after the highly successful Republic Mining District Symposium in 2000 and the Metaline District Symposium last year. Organized by **Bob Laidlaw** and **Jim Duff**, the participants received a comprehensive review of the district's history and geology, along with updates on current concepts for timing and controls on mineralization. NWMA was fortunate to have the district's most preeminent and knowledgeable geologists involved in the presentations.

The symposium idea was conceived by NWMA Trustee **Eric Cheney**, University of Washington. Eric is working on organizing a similar symposium for the 109th Annual Meeting that will focus on the geology of the Troy, Rock Creek and Montanore projects in western Montana.

The Permitting Exploration & Mining Projects on Federal Lands workshop presented by the U.S. Forest Service and Bureau of Land Management also was very successful. Several participants have told us that it was one of the most valuable courses they have attended. One comment encouraged us to do more in this area, and we will. The Forest Service, under Mike Doran's leadership, has already begun working on a short course/workshop for the upcoming convention that will focus on examining actual plans of operations that have been approved, as well as those that have had problems. The goal will be to help industry and regulators avoid problems that have resulted in denial or delays.

Dave Holmes and **Mike McClave** developed and presented a solid and informative Industrial Minerals short course. The course focused on the northwest industrials sector and included a tour of Mutual Materials Mica Clay Plant approximately 20 miles southeast of Spokane.

The fourth short course/workshop was the Sustainable Minerals Roundtable organized by Dr. **Dirk van Zyl**, University of Nevada-Reno and Dr. Debra Shields, U.S. Forest Service. This workshop was the scene of lively debate and discussion over the concept of sustainable development, mining's role, and what are the indicators of sustainable development and how do you measure it.

COMMITTEE REPORTS

PUBLIC LANDS

Ninth Circuit & Roadless Rule

On December 12, the ninth circuit court of appeals in a 2-1 opinion, overturned U.S. district court judge Edward Lodge's decision to issue a preliminary injunction of the Clinton Roadless Rule that permanently protected 55 million acres. This is not a surprise, considering that this is the same court that banned "Under God" from the Pledge of Allegiance and recently held that the Second Amendment does not guarantee a citizens right to bear arms, that it only applies to militias.

In 2001, the Kootenai Tribe, the State of Idaho, several Idaho counties, recreation groups, ranchers and Boise Corporation filed suits claiming the Roadless Rule violated NEPA, NFMA and APA. Judge Lodge determined, based on his initial review of the record, that the claims had merit and he issued the preliminary injunction. At that point a coalition of environmentalists appealed the decision to the ninth circuit.

The ninth circuit's majority opinion sounded more like the environmentalist's appeal brief stating that, "help conserve some of the last unspoiled wilderness in our country ... the unspoiled forest provides not only shelter shade for the visitor and sustenance for its diverse wildlife but also pure water and fresh oxygen for humankind." They went on to say, "Given the importance of roadless lands as a resource and the ease with which they may be irretrievably damaged ... a near total ban on future road construction in the remaining and precious roadless areas within our national forests is not the drastic measure that (opponents) make it out to be." The two judges concluded that Judge Lodge had abused his discretion in issuing the preliminary injunction.

The dissenting judge issued just as harsh of an opinion, saying that the Clinton administration confused the public with poor maps and "bizarre, Orwellian terms like 'roadless.'" Idaho's attorney general has stated that he plans to ask the ninth circuit to review this decision and may even consider taking it all the way to the Supreme Court – a place where the ninth circuit is regularly overturned (approximately 90% of the time).

The good news out of all of this is that now Judge Lodge can hear the cases before him on the merits. Plus several other cases can now proceed. The other fact is that while the Clinton Roadless Rule has been enjoined, the reality is that Forest Service Chief Dale Bosworth has retained decision authority for any projects in roadless areas and as a result the areas have been avoided. Stay tuned.

**NWMA goes to SME
February 23 - 26, 2003
Booth 1811
Be Sure To Stop By**

CALENDAR OF UPCOMING EVENTS

U of W Short Course, January 13-17, 2003, Seattle WA. Drilling & Blasting Techniques for Construction & Quarrying. Contact Emily West 866/791-1275 or 206/543-5539, E-mail uw-epp@enr.washington.edu, web - www.enr.washington.edu.epp/

Vancouver Investment Conference, January 26-27, 2003, Vancouver Convention & Exhibition Center, Vancouver, B.C. Organizer, Cam Conferences. (604) 684-4151, Fax (604) 687-4726. Website: www.cambridgeconferences.com

Cordilleran Roundup 2003, January 27 - 30, 2003. The Westin Bayshore, Vancouver, BC. Organizer BC & Yukon Chamber of Mines. Tel (604) 689-5271, Fax (604) 681-2363. Website: www.chamberofmines.bc.ca.

Microtunneling Short Course, February 4-7, 2003, Office of Special Programs & continuing Ed, Colorado School of Mines, 303/273-3321, Fax 303/273-3314, E-mail space@mines.edu

105th National Western Mining Conference and Exhibition, February 9-12, 2003. Adams Mark Hotel, Denver, CO. Contact

StewartSanderson, Colorado Mining Association, (303) 575-9199. E-mail colomine@coloradomining.org.

SME Annual Meeting & Exhibit, March 9-12, 2003 Cincinnati, OH. Contact SME Meetings Department, Phone: (303) 973-9550, Fax: (303) 979-3461. E-mail sme@smenet.org.

PDAC International Convention & Trade Show, March 9-12, 2003. Metro Toronto Convention Center, Canada. Contact PDAC, 34 King Street, Suite 900, Toronto, Ontario M5C 2X8. (416) 362-1969, Fax (416) 362-0101, E-mail info@pdac.ca.

12th Annual MEMS Professional Program & Meeting, April 9-11, 2003, Golden Colorado, E-mail Contact space @ mines.edu, web: www.mines.edu/outreach/cont_ed/mems.html for conference details

CIM 2003 Conference and Mining Exhibition, May 4-7, Montreal, Canada. Contact John Gaydos, Director CIM Tradex, Canadian Institute of Mining Metallurgy & Petroleum, 3400 de Maisonneuve Blvd. West, Suite 1210, Montreal, Canada H3Z 3B8. (514) 939-2710, Fax (514) 939-2714.

39th Forum on the Geology of Industrial Minerals, May 18 - 24, 2003, Sparks NV. Contact Terri Carside, NV Bureau of Mines & Geology, 775/784-6691 x 126, Fax 775/784-1709, E-mail tgarside@unr.edu, web: www.ngmg.unr.edu/imf

Elko Mining Expo 2003 Annual Convention, June 12-13, Elko Convention Center, Elko, NV. Contact ECVA at 800-248-3556.

10th Annual Conference on Tailings & Mine Waste, October 12 - 15, 2003, Rocky Mountain Regional Hazardous Substance Research Center, Announcement and Call for Papers. Contact Linda L Hinshaw at CSU, 970/491-6081 or fax 970/491-3584/7727, E-mail lhinshaw@enr.colostate.edu, web: www.tailings.org

Northwest Mining Association's 109th Annual Meeting, Exposition & Short Courses, December 1-5, 2003, Spokane, Washington. Announcement and Call for Papers. For more information contact Pat Nelsen. E-mail: pnelsen@nwma.org, Phone 509/624-1158, Fax: 509/623-1241, NWMA, 10 N. Post Street, Ste. 220, Spokane, WA 99201-0772