

Pogo Cranking Up to Full Production

About 40,000 ounces of gold will be produced each year.

BY CHUCK GREEN



Pogo Pond

While Pogo, located on the Goodpaster River, 50 miles northeast of the Delta Junction has, "for short periods," reached its daily design rate of 2,500 tons of gold

ore (gold is the sole mineral produced there), issues such as backfill system-related bottlenecks have sparked intermittent slowdowns, according to the company's July second-quarter report.

Bottom line: while the overall plant, construction of which was completed in June, currently is operating at about 60 percent of design capacity, once a third pressure filter and other modifications are fully operational near the end of the first quarter of next year, the mine expects to swing into full production.

ON TRACK

"It will allow us to achieve our designed throughput of 2,500 tons per day in the mill (on a consistent basis)," said Karl Hanneman, manager of public and environmental affairs for Teck-Pogo, a subsidiary of TeckCominco, developer of the Red Dog zinc mine. Hanneman noted the progress meets the company's timetable to produce approximately 400,000 ounces of gold per year.

At the same time, a conveyor, up and running since July, which transports ore from underground to the mill, has helped boost Pogo's efficiency, as well as manpower and equipment utilization, he said.

While Pogo is working toward full capacity, it's running on all cylinders in terms of becoming a key part of the community and its fiscal well-being. "We're slated to be a new part of Alaska's economy and helping to diversify its economy. We're working hard to maximize Alaska's hire component and have had excellent support from contractors and vendors who are working 24/7 to support our operation. It's great to start producing gold and to start putting back revenue instead of just spending money."

DEVELOPMENT COSTS

Hanneman said Pogo has poured \$347 million into development,

"which is significantly higher than our feasibility estimates." The over-run, he explained, stems from "the same worldwide kind of demand-driven boon in the mining industry. Because of that, a lot of our cost complements went up, such as steel and equipment prices." Furthermore, he noted, Pogo's contractor margins increased above estimates, propelled by the worldwide demand for its services.

"Those things added together and kind of go hand-in-hand with increased product or gold prices. They're kind of driven by the same factors, so we benefit on one hand by higher prices, but we suffered on the other by the higher cost of getting the mine into production."

There is more palatable news on the monetary front, however, such as the price of gold, now at \$620 an ounce. "We're happy to have the price as robust as it is, which is helping to ease the challenge of the ramp-up phase. It helps corporate spirits and employee spirits and allows folks to know that we'll sooner be able to achieve our productivity objective," Hanneman said.

Indeed, said Steve Borell, executive director of the Alaska Miners Association, "metal prices drive the industry. If they're up, that's what's going to determine the level of exploration investment in the state. We're in a unique time right now with high precious metal, base metal and coal prices. That's never occurred before," said Borell of the now more than one-year phase.

BOOST TO DRY ECONOMY

Borell also noted mines like Pogo are important to the area, which has been plagued by military base closures. "Pogo's an additional private employer into Interior Alaska and that's a benefit in itself, especially in the Delta Junction area where they've had such a tumultuous history with the military bases closures. Pogo will add good long-term stability to the area and from that standpoint, it's a great project. Mines like Pogo show the mining industry "you can indeed permit a major mine in Alaska in what was previously a remote area."

One factor that attracted mineral investment to Alaska, including that at Pogo, was the stability of the state

taxation system, currently set at 10 percent of profits, of which Hanneman is confident will remain steady. "Moving forward, Alaska has demonstrated a stable tax regime for the mining industry, which has attracted investment to Alaska. And there's significant exploration by other companies going on that relies on that stable tax regime." He said while the level of the rate is a concern and "something we would watch closely, we have confidence that policymakers recognize the importance of stability."

MINE ACCESS

Recognizing the importance of creating greater accessibility to its mine, Pogo built a 50-mile road leading to the mine from the Richardson Highway. The road was fully funded by Pogo at a cost of approximately \$25 million, an act Borell lauded. "The road into Pogo is one of the very few new roads built here in some time; there are a few little roads around town, but basically there haven't been any roads. Pogo funded and financed that road and did an excellent job." While he explained it isn't

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constructed to the standard of the Parks Highway, "it's not a Parks Highway, so it doesn't need to be. It provides important access into that area and I know the state of Alaska has been using it for to access some logging and timber areas there, so it has multiple-purpose uses. It shows you can build a road."

Making Pogo's commitment to the road all the more impressive, he pointed out, is not all companies are willing to make such a financial commitment, and instead, well, have taken the road leading to someplace other than Alaska.

CHALLENGES

"Anytime you have to build your own infrastructure, that's an economic challenge for some companies who would consider investing in Alaska. In the past, a lot of companies just looked at Alaska and said it's going to be too expensive and they just didn't look at Alaska," Borell noted. "Now companies like Pogo have found ways to build the infrastructure they need, so maybe it's not of question that some other companies should

consider looking at Alaska. If you do your homework and do it right, it can be done. The permitting process is extremely difficult, but it can be done."

JOBS AVAILABLE

However, Hanneman said Pogo, like other mines in the area, is finding miner recruitment a somewhat tougher road to hoe. Among Pogo's approximately 210 employees, the company has about

50 full-time miners, well short of its target of 85. To help make up the difference, a contractor provides Pogo another 30 miners.

"Attracting and keeping qualified miners is tough. There's a worldwide mining boom and a lot of other projects and opportunities for miners and people with the skills we need. And it's difficult to train someone." He noted more than one-third of Pogo's miners



Mines like Pogo are important to the area, which has been plagued by military base closures.

Photo by Judy Patrick

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have attended the Delta Mine Training Center, which specializes in training entry-level personnel. "So we're working to give skills to local people who can learn mining trade. But it takes many years to learn the broad range of skills it takes to be a miner. You can't just train them quickly, nor can you reach out and attract them out of a work force."

Borell added mastering the intricacies of underground mining isn't an overnight process. "You don't just learn it and go to work the next day, and the only place you can learn is on the job. A lot of people don't have a clear understanding of what underground mining is like. All they might have heard are the stories of accidents that have occurred in coal mines and might not know anything more about mining than that. So a lot of people don't even consider it."

But those at Pogo who did are based at the mine, as well as a camp at the mine, "where miners work in various shifts. Miners, said Hammeman, primarily coming from the Fairbanks, Delta and Anchorage areas, "but some employees are commuting from the Lower 48 contiguous states."

According to Rich Hughes of the Office of Mineral Development in Fairbanks, the shortage of personnel for mining operations is twofold and multi-national. "Professional/technical, and the guys and gals who get it done, the miners, are in very short supply, not only in Alaska, but the rest of the U.S., Canada and the world." He explained the increased demand is "brought about by increased commodity demand and prices. The cyclic nature of the industry, coupled with a maturing work force, has created a dilemma for the industry. China's, followed by India's, demand for mineral commodities and the general upturn in the world's industrialization and economy is the driving force."

However, Jon Dufendach, president of Delta Industrial Services, said Pogo "did a good job of explaining their needs to the Delta business people and gave us a fair chance to compete with suppliers from other locales. A good number of Delta residents found jobs at the mine, both during construction and in permanent operations positions." □



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