ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ENERGY
February 25, 2025
1:31 p.m.

MEMBERS PRESENT

Representative Ky Holland, Co-Chair
Representative Donna Mears, Co-Chair
Representative Bryce Edgmon
Representative Chuck Kopp
Representative George Rauscher
Representative Mia Costello (via teleconference)

MEMBERS ABSENT

Representative Cathy Tilton

COMMITTEE CALENDAR

PRESENTATION(S): ENERGY REQUIREMENTS FOR THE DONLIN GOLD PROJECT

- HEARD

PRESENTATION(S): U.S. GOLD MINING WHISTLER GOLD-COPPER PROJECT

- HEARD

PRESENTATION(S): CONTANGO ORE BUILDING ALASKA'S NEXT GOLD MINES

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

ENRIC FERNANDEZ, Interim General Manager
Donlin Gold
Anchorage, Alaska
POSITION STATEMENT: Gave a PowerPoint presentation on the energy requirements for the Donlin Gold Project.

TIM SMITH, CEO
U.S. GoldMining
Vancouver, BC, Canada

POSITION STATEMENT: Gave a PowerPoint presentation on U.S. GoldMining.

RICK VAN NIEUWENHUYSE, President and CEO
Contango Ore, Inc.
Fairbanks, Alaska
POSITION STATEMENT: Gave a PowerPoint presentation on Contango Ore, Inc.

ACTION NARRATIVE

1:31:30 PM

CO-CHAIR MEARS called the House Special Committee on Energy meeting to order at 1:31 p.m. Representatives Holland, Mears. Edgmon, Kopp, Rauscher, and Costello were present at the call to order.

PRESENTATION(S): Energy Requirements for the Donlin Gold Project

1:33:28 PM

CO-CHAIR MEARS announced that the first order of business would be a presentation regarding the energy requirements for the Donlin Gold Project.

1:33:59 PM

ENRIC FERNANDEZ, Interim General Manager, Donlin Gold, gave a PowerPoint presentation on the energy requirements for the Donlin Gold Project [hard copy included in the committee packet]. On slide 2, he stated that the Donlin Mine site is on lands owned by the Calista Corporation and the Kuskokwim Corporation. He stated that there is no energy supply or road access to support the mining operation on the land. He explained that Donlin has designed a 360-mile natural gas pipeline that could service the area and generate electricity, while barges up the Kuskokwim River could provide the needed transportation and supplies. He stated that a new port would be built close to Cooper Creek, and it would connect to the mine site with a 30-mile road.

MR. FERNANDEZ moved to slide 3 and discussed the project benefits. He stated that the project has a reserve of 33.9 million ounces of gold, with a mine life of around 27 years. He pointed out that this would be an open pit mine operation. He asserted that the project would bring economic benefits to the

Yukon-Kuskokwim region and to the state, noting that the construction phase would be 3-to-4 years, with $1.7 billion in payroll, and in full operation, there would be $118 million in payroll per year. He continued that the Native corporations in the area would receive royalties per the Alaska Native Claims Settlement Act. In addition, there would be the state license fees and corporate income taxes. He asserted that during operations 1,000 rotational jobs would be added to the state.

MR. FERNANDEZ moved to slide 4 and discussed the energy needs for the mine project. He stated that the key energy drivers would be the throughput, which is the milling of the materials, and the mining equipment. He noted that the equipment would include around 69 large trucks. He stated that these trucks would be powered with diesel fuel; however, there is the possibility that they could be run by liquified natural gas (LNG). To generate electricity, he said the plan is to have a dual-fueled power plant, using natural gas as the primary fuel with a diesel backup. He discussed the breakdown of the fuel consumption, as seen on the slide.

1:40:50 PM

MR. FERNANDEZ, in response to a question from Representative Rauscher, stated that the throughput would use trucks carrying multiple loads. In response to a follow-up question, he stated that 400 tons would be the capacity of one truck, but this would not be the limit of what each truck could do in one day.

MR. FERNANDEZ moved to slide 5 and discussed the construction of the proposed natural gas pipeline. He explained that ENSTAR Natural Gas Company would facilitate the pipeline. He discussed the infrastructure needed for the pipeline, including a compressor station, a metering station, pigging stations, check valves, and other safety features. He discussed the projected natural gas usage, as seen on the slide.

MR. FERNANDEZ, on slide 6, further discussed the source of the natural gas needed for the project. He stated that the current declines in the Cook Inlet natural gas supply was noted during the feasibility phase of the project, so the project was designed assuming that the needed natural gas would be imported. However, he expressed the opinion that using gas from the North Slope would be more cost effective, and he opined that using North Slope gas would create demand and reduce the price of gas delivered to Southcentral Alaska.

MR. FERNANDEZ, in response to a question from Co-Chair Mears, stated that for project feasibility, the price of natural gas was projected at $11.2 million per BTU. In response to a follow-up question concerning other possible energy scenarios, he stated that for the financial practicability of the project other factors would need to be considered. Concerning a question on electrifying equipment with affordable electricity, he stated that Donlin Gold is a mining company, not a utility company. He asserted that the pipeline has been proposed because there is no other infrastructure on site. He stated that if an electric supply were on site, this would be leveraged. He argued that a pipeline "makes the most sense." He responded that using electricity at this point would change the project, and it would not preclude the need for a backup energy supply.

CO-CHAIR MEARS pointed out that some of the committee's core interest concerns the potential demand of energy, as this could involve other possible projects.

1:49:37 PM

CO-CHAIR HOLLAND suggested that this is "a chicken and the egg problem," as the unknown gas price is holding up making a decision on the project, while not having more demand for the gas holds up the decision to supply the gas. He questioned how the "stalemate" should be broken. He questioned whether prospective LNG import projects could supply an alternative solution.

MR. FERNANDEZ, in response, expressed the opinion that the way to move forward would be through dialogue. He stated that there are many factors to be considered before making a final decision on the project, and the price of gas would be one of these factors. He expressed the understanding that Donlin would need to rely on the natural gas solution for the benefit of Southcentral Alaska; therefore, Donlin would need to be part of this dialogue. Concerning the potential gas pipeline schedule, he responded that Donlin is working to make a final investment decision on building the mine; however, there is no final date. He stated that there may be a feasibility update in a couple of years, and then the board would be making a choice. If this decision is positive, he said there would be around two years of engineering and then around three-to-four years of construction to build the mine.

1:54:35 PM

MR. FERNANDEZ, in response to a question from Representative Rauscher, stated that currently Donlin has a "sizable" camp, employing about 100 people. He stated that the camp has just opened, and it would begin drilling this year, lasting through the end of July.

MR. FERNANDEZ, in response to a question from Representative Costello, asserted that continuing the dialogue within the legislature would help the process. He stated that one of the biggest costs would be to bring natural gas to the project, and he expressed the importance of having this conversation.

MR. FERNANDEZ, in response to a question from Representative Kopp, reiterated that the cost of energy would be one of the most significant aspects. In response to a follow-up question, he expressed the opinion that transporting natural gas would be more efficient than transporting coal from West Susitna. In explanation, he moved to slide 7 and pointed out the additional benefits of using a gas pipeline. He pointed out that the pipeline would be designed with extra capacity for the Yukon-Kuskokwim area. He noted that currently this area is mostly reliant on diesel for its energy needs, and he expressed the understanding that this is very expensive. He reiterated that this project could bring natural gas into the region, phasing out the diesel usage. He suggested that smaller pipelines could be extended to the communities.

REPRESENTATIVE KOPP expressed appreciation for any relief on the price of energy in this area.

2:01:08 PM

CO-CHAIR HOLLAND questioned whether other projects in the Yukon-Kuskokwim area could be promoted by the mine infrastructure.

MR. FERNANDEZ expressed uncertainty on any other specific shovel-ready projects; however, he noted that energy would be a key for economic development in the region.

2:04:34 PM

PRESENTATION(S): U.S. Gold Mining Whistler Gold-Copper Project

CO-CHAIR MEARS announced that the next order of business would be a presentation by U.S. GoldMining, Inc.

2:04:59 PM

TIM SMITH, CEO, U.S. GoldMining, Inc., gave a PowerPoint presentation on U.S. GoldMining, Inc. [hard copy included in the committee packet]. He stated that the presentation would concern the Whistler Gold-Copper Project in the Susitna mineral district in Southcentral Alaska. On slide 2, he provided a disclaimer that concerns the status of U.S. GoldMining Inc., as it is a publicly listed company that is traded on the stock market. On slide 3, he described the Whistler Gold-Copper Project as prospective, and he pointed out its location on the slide. He pointed out that this land is entirely state owned. He noted that there are three gold-rich porphyry deposits. He stated that U.S. GoldMining is fully permitted for exploration, with the intention to drill in 2025. He explained that this would be possible because there is a state program that would unlock the mineral potential in the district.

MR. SMITH moved to slide 4 and stated that each stage would be an exploration stage, as no formal mining studies have been made because benchmarking was used. He explained that the benchmarking method compares this mine with similar mines of the same type and scale. He noted that the information in the presentation should not be confused with any potential future study, adding that there is no timeline available for any future mining study. He informed the committee that he would not be able to provide any nonpublic information.

MR. SMITH moved to slide 5 and addressed the location of the mine, which is around 100 miles northwest of Anchorage. He noted that an access winter road has been permitted and could be used for heavy equipment. He pointed out that because of the flat terrain, exploration could be performed throughout the year. He noted that U.S. GoldMining owns all mining claims in the 53,700 acres, and the company is fully permitted.

MR. SMITH moved to slide 6, which showed the Whistler Project mining claims and the mineral resource estimate. He pointed out the three main deposits: Whistler, Raintree, and Island Mountain. He stated that the tonnage listed on the slide is mainly from these three deposits. He pointed out on the slide the inferred and indicated classifications of deposits and the amount of metal in each, and he explained that this cluster of mines makes "a large deposit."

MR. SMITH moved to slide 7 and discussed the proposed Whistler Project's energy needs. He stated that the benchmarking method was used for determining the approximate energy requirement for any potential mining opportunity. He stated that an open pit mining method would be used, but the details have not been developed. He added that the resource estimate has been constrained within the open pit mining method. Based on this scale, he stated that an order-of-magnitude estimate was run, and 75 megawatts of energy would be needed for the low end of the projected production rate, while the high end would be 100 megawatts. He explained that this would be the site-wide requirement using a conventional diesel-powered mining fleet for the crushing, milling, floatation, and other processing of the ore.

2:16:46 PM

MR. SMITH, in response to a question from Co-Chair Mears, stated that these energy estimates include crushing, grinding, and floating the concentrate at the site. The estimates also include the trucking of the concentrate to Port MacKenzie for shipping. He added that these details would still need to be worked out in a feasibility study, and he discussed the importance of a clean concentrate. In response to a follow-up question concerning the possibility of using in-state processing, he said this has not been studied, but it could be a potential economic assessment. He noted that the current strategy is based on exploration, as this would give a better idea of the metal content in the area. He suggested that this could take around two years. In response to a question concerning the effect of the cost of energy on further in-state processing, he said that this has not been studied, but with the right critical mass, an assessment could be made. He stated that the current strategy is exploration, and one-to-two more years would be needed before any studies are undertaken. In projecting any potential in-state operating cost, he said that the cost of energy would be a significant part of this.

CO-CHAIR MEARS noted that in-state processing would create the potential for more in-state energy developers. She opined that the more energy growth a project could provide, the higher the likelihood the project would be pursued by the state.

2:21:41 PM

MR. SMITH moved to slide 8 and addressed the potential Whistler Mine power sources. He listed the following options: a

conventional on-site power plant; diesel or liquefied natural gas trucked to the mine; a transmission line from existing grid power; a transmission line from a future potential coal-fired power plant; and the potential to tap into the proposed Donlin Gas pipeline. He stated that to truck fuel, a road would need to be built. Concerning the various suggested energy sources, he stated that there would have to be enough power capacity for these sources to be considered.

2:25:36 PM

CO-CHAIR HOLLAND expressed the understanding that U.S. GoldMining would be the project developer, and he questioned its goals concerning the potential sources of energy. He questioned whether renewable energy has been considered.

MR. SMITH aknowledged that emissions have not been represented in the potential energy sources; however, in the formal mining study phase this could be considered. He expressed the opinion that using renewable energy would be considered additive, but not primary. He suggested that renewable energy would be intermittent, and he asserted that maintaining consistent energy for throughput would be a goal.

MR. SMITH pointed out that slide 9 maps out the proposed West Susitna Access Road. He noted that along this access road, from the Whistler Mine to Port Mackenzie, there would also be a proposed transmission line. He pointed out that the proposed Donlin gas pipeline could meet with the proposed road and transmission line. He moved to slide 10 and summarized the Whistler Gold-Copper Project, stating that it is a large resource stage project. He reiterated that the deposit is near the surface, and it contains gold-copper porphyry. He stated that currently the mine is in exploration mode, but there is a potential for development to begin while exploration continues. He said that drilling has been successful, but U.S. GoldMining would continue to add to the overall economy of scale. In regard to energy requirements, he said that it has benchmarked 75 megawatts to 100 megawatts of energy, which would support crushing, milling, flotation, and ancillary mine infrastructure. He reiterated that the identified power sources would be attached to the construction of the proposed West Susitna Access Road. In conclusion, he stated that future mining studies would include trade-off studies to optimize cost and efficiency.

CO-CHAIR HOLLAND questioned the energy needs concerning any future community development built around the mine.

MR. SMITH expressed the understanding that for the prospective mine there would be a campsite, with some workers flying in and others driving. He suggested that accommodations could be created in the future for more permanent lodging. The prospective mining road would pass by several undeveloped private allotments, and he suggested that these could be developed. He opined that if the road is built, it could create opportunities for other mines, opening up the western and southern part of the Matanuska-Susitna Valley for mineral exploration. He noted that there is already a mine in development just west of the Whistler Mine.

PRESENTATION(S): Contango Ore Building Alaska's Next Gold Mines

2:34:53 PM

CO-CHAIR MEARS announced that the final order of business would be a presentation from Contango Ore, Inc.

2:35:15 PM

RICK VAN NIEUWENHUYSE, President and CEO, Contango Ore, Inc., gave a PowerPoint presentation on Contango Ore, Inc. [hard copy included in the committee packet]. He stated that Contango is based in Fairbanks, and it is listed on the New York Stock Exchange. He pointed out that Contango has three projects: Manh Choh, Lucky Shot Mine, and the Johnson Tract Project, as seen on slide 2. He stated that Manh Choh is in production; therefore, the discussion on energy needs would concentrate on the other two projects. On slide 3, he noted that Contango owns a 30 percent interest in the Manh Choh mine, which was developed using the direct ship ore model (DSO). He stated that the mine produced approximately 42,000 ounces of gold in 2024, and the plan is to produce about 60,000 ounces in 2025. He noted that this would be Contango's share. He stated that around 420 local people are transported to work onsite, and the mine uses around 1 megawatt of power.

MR. VAN NIEUWENHUYSE, on slide 5, explained the DSO model. He pointed out that Manh Choh is an open pit mine, and the ore is transported to Fort Knox, where it is processed into gold bars on a quarterly basis. He explained that the DSO approach was taken because of the difficulty with the permitting process. He added that the DSO process also minimalizes the environmental impact, and it reduces costs. He asserted that Manh Choh is a successful mine, adding that it was created in a three-year time

frame. He expressed the desire to replicate the timeframe and process in Contango's other two projects.

MR. VAN NIEUWENHUYSE moved to slide 6 and discussed the Lucky Shot Project, which is located two hours from Anchorage, near Willow. He noted that this is a small resource, but it has a high grade of gold. He stated that it is about 20 miles from any existing power grid. He explained that the goal is to drill in the next two-to-three years, targeting an extraction of around 30,000 to 50,000 ounces of gold annually. He noted that it would employ 50-to-90 people, and it would have a low power requirement at around one-half of a megawatt. He stated that Contango is currently attempting to locate a processing facility for this mine, as it would operate as a DOS mine, as seen on slide 7. He pointed out that this has been a historically active mine. He discussed the details of the Lucky Shot mine, as seen on the slide. To produce the one-half of megawatt power, he expressed the anticipation that a diesel power plant would be created, and this would use around 250,000 gallons of fuel a year.

MR. VAN NIEUWENHUYSE moved to slide 8 and continued discussing the development of the Lucky Shot Project and the DSO process. He suggested that the containers of ore could be taken to Seward or to Port MacKenzie; however, he noted that currently the railroad does not go to Port MacKenzie. He opined that because of the high grade of the gold, there would be a business arrangement to have the ore milled, as this has been the past experience.

2:44:24 PM

CO-CHAIR HOLLAND noted that the mine would not be far from an electric transmission line, and he questioned the reasoning for the diesel power plant. He also questioned whether processing the ore on the [Parks Highway] would still be an option.

MR. VAN NIEUWENHUYSE responded that the previous operator had planned to put a processing facility near Willow; however, he explained that it would require a large amount of time and money to permit a new tailings facility. He pointed out that it costs Contango around a gram of gold to transport the ore to a processing facility, such as Fort Knox, and he asserted that "time is money."

MR. VAN NIEUWENHUYSE moved from slide 9 to slide 12 and discussed the Johnson Tract Project. He stated that the DSO

approach would be used in the Johnson Tract Project, and he noted that it has a high-grade asset as well. He pointed out that it is located about 100 miles southwest of Anchorage, outside of Cook Inlet. He stated that this is a polymetallic deposit consisting of mostly gold and silver, with some value in copper, lead, and zinc. He stated that the project is currently in the permitting process, and it would be five years from a feasibility study. He further discussed the expectation for the value of the project.

MR. VAN NIEUWENHUYSE continued that an engineering assessment on the economic viability would be available next month. He noted that the mine would employ up to 100 people, and it would require 2 megawatts of power. He pointed out that this would require a remote campsite, and employees would have to be flown in and out. On the next slide, he pointed out that Cook Inlet Regional, Inc. (CIRI) owns the land, and it is close to the tidewater. He added that the land is an inholding in the Lake Clark National Park and Preserve. He stated that through the Alaska Native Claims Settlement Act, CIRI has received an easement from the federal government through the park to the tidewater, so a road could be built there. He stated that the plan would be to barge the ore from there to a processing facility located on the water.

MR. VAN NIEUWENHUYSE noted that the Johnson Tract Project is in mountainous terrain, where there is about a 50-person camp that is run on diesel. He stated that with the mine there would be about 1 million gallons of fuel transported to the site. He noted that the access road has been permitted. He further discussed the development, as seen on slide 12. He pointed out that this is a modest-sized project, reiterating that it has a "very good grade." He moved to slide 13, which showed the timeline for the advancement of each project.

MR. VAN NIEUWENHUYSE moved to slide 14 and discussed small modular reactors (SMRs). He expressed the opinion that using SMRs would be a way to have reliable and sustainable power for remote projects and for remote communities. He stated that SMRs are not yet commercially available, but one company has had their model approved by the Nuclear Regulatory Commission. He pointed out that a microreactor is being used at Eielson Airforce Base. He noted that if SMRs become commercially available, using these for an energy source would be considered. He reiterated that this could be a solution for reliable and sustainable power for remote communities and projects.

2:54:18 PM

MR. VAN NIEUWENHUYSE, in response to a question from Representative Kopp, stated that in 1942, the War Production Board ordered closures during World War II, and the Lucky Shot mine was closed. Before this, he said that the mine had operated for 15 years. He explained that the ore body continues, but more drilling is needed. In response to a follow-up question, he stated that the Johnson Tract was an outcome of CIRI's exploration, and it was a "grassroots discovery" in the 1970s.

MR. VAN NIEUWENHUYSE, in response to a question from Co-Chair Holland, stated that Contango has been tracking the various geothermal projects that have been proposed. He discussed several of these projects, noting that the power consumption for the Johnson Track mine would be on a smaller scale. Concerning the timeframe, he added that projects would need power from sources that already exist. He expressed hope that the SMRs become commercial, as they could be used as a good source of power for remote projects.

2:58:44 PM

CO-CHAIR MEARS expressed appreciation to the presenters and made closing comments.

2:59:19 PM

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 2:59 p.m.