

Project digs deep to open long-awaited gold mine in Mother Lode

Mark Glover, Sacramento Bee, 5-10-12

The pursuit of gold – which propelled California to statehood more than 160 years ago – will soon return on an industrial scale to Amador County.

On Friday, Sutter Gold Mining Co. will host public officials and other dignitaries at ceremonies for its Lincoln Mine Project near Sutter Creek. There, the company hopes to begin gold production later this year.

Officials bill it as the first commercial underground gold mine operation in California's historic Mother Lode region in more than 50 years.

Along the way to gaining official approval for the enterprise, Sutter encountered hurdles that included vocal opposition from area residents and businesses, a lawsuit and a public vote on its operations.

Sutter concedes that the Lincoln Mine Project "is small by industry standards," but it's considered a milestone in a decades-long process to rejuvenate California's gold industry, which has fallen far behind in production to neighboring Nevada.

"It is a new mine ... One mine is not going to catch us up to Nevada ... but it's actually a working gold mine that has gone through the permitting process for quite some time. So that's significant," said John Clinkenbeard, head of the Mineral Resources Program for the California Geological Survey.

California's gold industry has been virtually dormant for years. Industry experts point to the prohibitively high cost of mining gold, California's strict environmental standards and, most recently, the recession.

CGS officials say it can take up to 10 years to assemble the needed permits for mining in California. Sutter officials note that the Lincoln Mine Project's beginnings date back to the 1980s.

Since then, Nevada has left California in the dust when it comes to gold production.

According to the Washington, D.C.-based National Mining Association, California produced an estimated 193,000 ounces of gold in 2010. Nevada weighed in that year with an estimated 5.6 million ounces, or nearly 75 percent of the nation's total.

In fact, in 2010, California also trailed Alaska (900,000 ounces), Utah (495,000) and Colorado (257,000).

At its peak, in 1853, the NMA said California produced more than 3 million ounces of gold. Nearly a century later, the Golden State's gold fortunes were in free fall.

Production all but collapsed during World War II, when the federal government ordered the closure of nonessential gold mines to free up equipment to extract copper and other metals coveted for military use.

The ban ended after the war, but the price was fixed by the U.S. government at \$35 an ounce, and mining waned. The price was allowed to float starting in 1971, but by then several key California mines had closed.

Surging gold prices over the past five years – the current price is about \$1,600 an ounce – have renewed gold mining possibilities, including Sutter's dogged interest in the Lincoln Mine Project.

Two years ago, Sutter estimated it was sitting on 223,000 ounces to perhaps 680,000 ounces of gold at the site. At today's prices, that represents a payoff of about \$357 million to more than \$1 billion.

Even so, a payoff takes time.

Scores of drilling results have to be processed. Friday's ceremonies kick off a five-year first phase of the project, and future economic factors will be key.

"It's been said ... that we're a 30-year overnight success story," said Leanne Baker, president and CEO of Sutter Gold Mining Inc., the Canada-based parent of Sutter Gold Mining Co. "From phase one, we have a lot of potential to go much longer.

"We have to have the ability to mine at the cost we believe we can mine. We have a high degree of confidence on that point. And the gold price has to remain in our favor over that period of time. I think we have many good years left in the gold bull market."

Beyond the value of the gold, however, there are other fiscal benefits in the Lincoln Mine Project.

A new mill building is being constructed on site. About 110 local jobs are projected to be generated, plus accompanying payroll, property and sales tax revenue.

Baker said Sutter expects to be "developing underground workings by June, and to bring the mill into operation in the fourth quarter of 2012. With initial gold production in the fourth quarter, we plan on ramping up to full production in early 2013."

While the Lincoln Mine Project is relatively small, the surrounding Mother Lode section between the Amador County communities of Plymouth and Jackson historically has produced substantial quantities of gold – nearly 8 million ounces by most estimates.

The history of Amador's gold mining industry dovetails with other California mining ventures. Amador County's gold industry ground to a halt in 1942 with the federal order closing the mines. Groundwater filled the gold workings, facilities fell into disrepair and mining equipment left on site decayed.

Consequently, after World War II, mining companies viewed Amador County gold as a decidedly unprofitable venture – with the price of gold not coming close to making up for projected costs to pump out water and bring facilities and equipment up to date.

The last mine in production in Amador County was the Central Eureka, which closed its doors in 1958.

Mineral exploration resumed in the 1980s to determine if profitable gold deposits still remained in the Mother Lode region.

That led to development of the "Lincoln Project," named for its location at the historic Lincoln Mine site. Between 1989 and 1991, exploration work included crosscuts, drifts and raises.

In the 1990s, there were pockets of strong opposition to the project.

Area residents argued in 1998 that underground blasting and heavy trucks rumbling through the area would upset the rustic rural environment and tranquil quality of life. They were joined in their criticism by some operators of restaurants, bed-and-breakfasts and other businesses.

Nevertheless, the Amador County Board of Supervisors unanimously approved a permit to build the \$26 million mine in September that year. The project also survived a 1999 lawsuit claiming that Amador officials did not adequately consider environmental issues.

Over the years, Sutter endeavored to mitigate environmental concerns and secured necessary permits. Waste discharge requirement permits were secured in 1999 and 2007. The Amador County Building Department issued the key permit for Sutter to build its mill complex in March this year.

In 1999, a mine tour was established at the site. Besides generating income for construction and production, it was touted as a tourist attraction enabling visitors to see the inside of a hard-rock gold mine.