



Photo by Nancy McGuire

SUNNY START—Bikers and runners prepare to bolt off the starting line in Saturday's Wyatt Earp Dexter Challenge. For more on the race, see page 12.

The Nome Nugget[®]

Alaska's Oldest Newspaper

• USPS 598-100 • Single Copy Price - 50 Cents in Nome •

VOLUME CVIII NO. 33 August 14, 2008



Photo by Diana Haecker

GONE FISHING—Michael Bell pedals along Seppala Drive with a bunch of friends en route to their favorite fishing hole Aug. 7.

Investors sue NovaGold over Galore project

By Diana Haecker

Last week NovaGold Resources Inc.—the parent company of Alaska Gold Company in Nome and its Rock Creek mine—and three of its directors and officers were hit with a class action lawsuit alleging misrepresentations regarding the Galore Creek gold-copper and silver project in British Columbia.

The complaint alleges that NovaGold issued “a series of materially false and misleading statements re-

garding the costs, progress and viability of its multi-billion dollar Galore Creek project.”

Two law firms, Brodsky & Smith and Schiffrin, Barroway Topaz & Kessler, filed the suit in the U.S. District Court for the southern district of New York, on behalf of plaintiff Rudolph Textor and other investors purchasing NovaGold securities between Oct. 25, 2006 and Nov. 23, 2007.

continued on page 5

Feds fine AMI \$115,000 for manlift accident

By Diana Haecker

More than a year after two construction workers crashed to their deaths while working at the construction of Alaska Gold Company's Rock Creek mine, the U.S. Department of Labor's Mine Safety and Health Administration on Aug. 7 assessed a \$115,000 fine against Alaska Mechanical Inc., the con-

struction contractor.

The fine was levied for safety violations that led to the deaths of Tyler Kahle, 19, of Tomahawk, Wis., and Craig Bagley, 27, of Anchorage, at Rock Creek on July 26, 2007.

The two ironworkers suffered fatal blunt force trauma injuries

continued on page 5

Voters to decide hotel/motel room tax

By Laurie McNicholas

Voters in Nome's regular city election Oct. 7 will have the last word on two ordinances adopted by the Nome Common Council at a meeting Monday night.

One of the ordinances increases the hotel/motel room tax from 4 per-

cent to 6 percent. The other authorizes the City of Nome to issue general obligation bonds for \$644,195 to replace the roof on buildings D and E at Nome-Beltz Junior/Senior High School.

continued on page 4

NSEDC board urged to provide one-time energy cost aid

By Laurie McNicholas

Elvina Naranjo, Koyuk's representative on the Norton Sound Economic Development Corp. board of directors, urged the board to consider providing one-time energy cost assistance to the company's member communities at a meeting Aug. 1 in Nome.

This year prices have soared to more than \$8 a gallon for fuel and more than \$7 a gallon for gas in some of the region's villages.

“Gas and oil prices have a great impact on our lives because we go out and get food to feed our families,” Naranjo said. In her village there are few jobs and big families who need

healthy food to live, she added.

For several years NSEDC has operated a bulk fuel loan program, purchasing bulk fuel at relatively low rates for program participants on an interest-free loan basis and arranging shipments of heating oil and gasoline to communities throughout the region.

NSEDC Vice President Janis Ivanoff told the board costs for bulk fuel shipments this year range from \$4.67 to \$4.83 a gallon for heating fuel, and \$4.60 a gallon for gas, compared to last year's average price of \$2.82 a

continued on page 20

Visit the *Nugget* on line at www.nomenugget.net • e-mail nugget@nomenugget.com

• Lawsuit

continued from page 1

The company as well as NovaGold CEO and president Rick van Nieuwenhuysse, senior vice president and CFO Don MacDonald, and NovaGold senior vice president and COO Peter Harris are named as defendants.

The plaintiffs charge that investors were misled by van Nieuwenhuysse's statements in a press release from Oct. 25, 2006, stating that "Galore Creek is one of the world's largest undeveloped copper-gold-silver projects with one of the lowest cash costs in the industry."

A feasibility study estimated the costs to develop the mine in British Columbia, Canada, at

\$2.2 billion (Canadian). During a failed hostile takeover bid by Barrick Gold Inc., the gold mining industry's undisputed giant, van Nieuwenhuysse told investors that "at U.S. \$16, NovaGold shares are better than money in the bank." Last November, NovaGold and its Galore Creek partner, Teck Cominco, announced that they shelved development of Galore Creek when a second feasibility study put development costs closer to \$5 billion, a 127 percent increase from the initial estimate.

In response to the news, NovaGold shares took a plunge, losing 53 percent or \$10.76 of their value to close at \$9.48 on Nov. 26. As of press time, NovaGold shares were down to \$6.44.

The lawsuit alleges, among other points, that NovaGold failed to make reasonable estimates, as costs were underestimated by more than \$3 billion; that the development of the Galore Creek mine was not proceeding on schedule; that the defendants knew but failed to disclose that the first feasibility study was not a bankable feasibility study; that NovaGold used the study as a marketing tool to fend off Barrick's hostile takeover bid to artificially support its stock price; and that the company lacked adequate internal control.

NovaGold issued a brief statement saying, "The company believes that it has substantial and meritorious legal and factual defenses, which the

company intends to pursue vigorously."

Comparable to NovaGold's announcement to pull the plug on Galore Creek, a flurry of opinion pieces flooded mining publications and investment websites. The cost underestimate had mostly to do with the design and practicability of the tailings storage facility and dam. *International Business Times* writer Jack Caldwell wrote, "There is a simple investment lesson here, namely keep your ears to the ground and do not believe official utterances."

"Keep in mind that miners are notorious for ignoring the waste once they have recovered the ore. But that waste has to be disposed of and it can cost a lot more than the mining."

• Fine

continued from page 1

when a manlift on which they were riding became unstable and toppled.

In a final report made public on Jan. 16, MSHA concluded that AMI management failed to see that the JLG manlift was improperly set up for three days before the crash occurred; that operators of the manlift were not trained beyond watching an introductory video called "The Sky is the Limit," and that operators were not made aware of the load management system of the unit.

"This tragic accident occurred because management policies and procedures were inadequate," said Richard Stickler, acting assistant secretary of labor of MSHA. "Mine management has the responsibility to train all employees before assigning them to operate machinery with which they are unfamiliar."

Kahle and Bagley were installing roofing bolts to secure the metal roof of the mill building. Toward the end of their shift, on July 26, 2007, the men were preparing to be transported to the ground from the lift, when it became unsteady. The MSHA investigation revealed that the basket hit the side of the mill building below the roofline and the boom, which had been extended about 90 feet above ground, toppled over.

The investigators found that the manlift had not been on solid, level ground, and that the center hydraulic lift cylinder was not intended for load bearing support while raising or

extending the boom. The men were also not trained to properly operate the manlift.

AMI was issued a so-called regular moderate negligence citation assessed at \$55,000 and a high negligence unwarrantable failure citation assessed at \$60,000.

According to Amy Louviere, spokesperson for MSHA, the maximum civil penalty for regular and special assessments is \$60,000 per violation.

"The \$55,000 penalty pertained to incomplete training, while the \$60,000 penalty had to do with the equipment," Louviere said. The violations were marked as significant and substantial.

In a letter to a Nome resident made available to *The Nome Nugget*, Diane Watson, supervisory special investigator with MSHA, wrote that MSHA is mandated to conduct one health and safety inspection per year. "However, our agency has conducted two regular health and safety inspections, one spot inspection and responded to three hazard complaints since July 2007."

She said that these inspections resulted in eight citations issued to Alaska Gold Company and 17 citations to contractor AMI. According to Watson, the penalties are the maximum allowed by current law. At press time, the penalties had not been paid. The company is in litigation with the solicitor of labor regarding the proposed penalties, and the case will be heard by an administrative

law judge unless a settlement is reached beforehand.

AMI management was contacted by *The Nome Nugget*, but didn't return phone messages by press time. According to the Associated Press, the company still questions the causes of the accident, despite the federal agency's investigation, Alaska Mechanical Chief Financial

Officer Kurt Imig said in a statement.

"There are a lot of questions. They [inspectors] look and say training was inadequate for the operator. We don't know how they came to some of their conclusions yet," Imig said. "We definitely want to focus on the future, and part of focusing on the future is knowing what happened in the past."

Tyler Kahle's mother Michele

Kahle told *The Nome Nugget* that she was distraught over the fact that MSHA didn't notify the victims' families before the news went out to the general public. "Despite multiple requests to be kept apprised, [...] we had to hear the information like general members of the public, over the radio or in the headlines," she wrote in an email to the *Nugget*.

LAST SAILING TO NOME FOR 2008!

Seattle deadline — Sept. 2
Anchorage deadline — Sept. 11

Delivery Address: Full Containers/Break Bulk
Container Consolidation/LCL
6700 W. Marginal Way SW (Terminal 115)
Seattle, WA 98106

Customer Service: Phone: (800) 426-3113
Fax: (206) 767-5579

Anchorage Terminal: 660 Western Drive
Anchorage, AK 99501
Phone: (907) 276-4030
Fax: (907) 276-8733

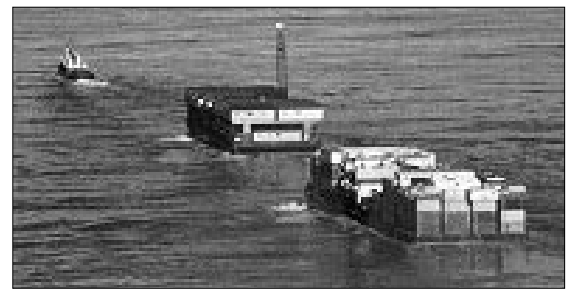
NOME: Phone: (907) 443-5738
Fax: (907) 443-5424

For information and
booking, call
800-426-3113



Northland Services
MARINE TRANSPORTATION

www.northlandservices.com



Advertise in the
Nome Nugget and
you'll reach readers
From Icy View
to Istanbul.

Find the entire Nugget,
ads and all, online at
www.nomenugget.net

Alaska Airlines is Going *Cashless.*

No more fumbling for exact change because Alaska Airlines is going cashless for all onboard purchases, including Northern Bites® meals, Picnic Packs, cocktails, wine, beer, Red Bull® and digEPlayer. We accept all major credit and debit cards, but for those of you with the Alaska Airlines Visa® card from Bank of America,† you'll earn 10 miles for every purchase dollar spent onboard through October 31, 2008.* So keep your cash and start racking up miles on every flight. Visit myalaskacard.com or your local Bank of America® banking center to apply today. To accommodate Alaska residents who do not currently have a debit or credit card, \$5 vouchers can be purchased for a limited time at all of our ticket counters in the state of Alaska.

Alaska Airlines

alaskaair.com | 1.800.252.7522

† For information about the rates, fees, other costs, and benefits associated with the use of the Alaska Airlines credit card, visit the above Web site or your local Bank of America banking center. This credit card program is issued and administered by FIA Card Services, N.A.
* Bonus Miles valid for purchases made on Alaska Airlines operated flights through 10/31/08. All terms and conditions of the Mileage Plan apply. Offer valid for a limited time and is subject to change without notice. Bonus Miles available 4-6 weeks after approval. Card benefits are subject to certain restrictions, limitations and exclusions. Price subject to change without notice. Credit subject to approval. Normal credit standards apply. Visa and Visa Signature are registered trademarks of Visa International Service Association, and are used by the issuer pursuant to license from Visa U.S.A., Inc. Bank of America and the Bank of America logo are registered trademarks of Bank of America Corporation. © 2008 Bank of America Corporation.