

The Economic Benefits of Alaska's Mining Industry

January 2012



Mining is a growing force in Alaska's economy

providing jobs for thousands of Alaskans and millions of dollars of personal income throughout Alaska. Alaska's mining industry includes exploration, mine development, and mineral production. Alaska's mines produce zinc, lead, gold, silver, coal, as well as construction materials, such as sand, gravel, and rock.

➤ In 2011, Alaska's mining industry provided:

- **4,500 direct mining jobs** in Alaska.
- **9,000 total** direct and indirect jobs attributed to Alaska mining industry.
- **\$620 million** in total direct and indirect payroll.
- Some of Alaska's highest paying jobs with an estimated **average annual wage of \$100,000**, over twice the state average for all sectors of the economy.
- **\$17 million in local government revenue** through property taxes and payments in lieu of taxes.
- **\$148 million in state government revenue** through rents, royalties, fees, and taxes, up 170% from 2010.
- **\$172 million** in payments to **Alaska Native corporations**.
- **Mostly year-round jobs for residents** of more than **120 communities** throughout Alaska, half of which are found in rural Alaska where few other jobs are available.

➤ 2011 Economic Benefits

estimated

Exploration

- **\$300 million** spent on exploration, up 13% from 2010.
- **60 exploration projects** spending more than \$100,000, of which **30 projects spent more than \$1 million**.
- **\$2.8 billion** spent on exploration since 1981.

Development

- **\$175 million** spent on **mine construction**, down 40% from 2010.

Production

- **\$3.8 billion in gross mineral production value** from Red Dog, Greens Creek, Fort Knox, Pogo, Kensington, and Usibelli Coal mines, placer mines, and rock, sand, and gravel operations, up 16% from 2010.
- More than **200 placer mines** produced **70,000 ounces** of gold, as well as platinum.
- **\$80 million in production value** from more than 120 active rock quarries, and sand and gravel operations.
- Export value of **\$1.3 billion**, or **31%** of Alaska's **total exports** (2010).

Largest Producing Mines and Selected Advanced Exploration Projects

State and Local Government Tax Obligations

	Land Status	Mining License Tax	State Royalty Payments	Local Govt. Tax Payments
Producing Mines				
Usibelli Coal	State	X	X	X
Greens Creek	Private	X		X
Red Dog	Private	X		X
Fort Knox	State/Mental Health Trust	X	X	X
Nixon Fork	Federal	X		
Pogo	State	X	X	
Kensington	Private/Federal	X	X	X
Advanced Exploration Projects (Projected Payments)				
Chuitna Coal Project	State/Mental Health Trust/ Private/Borough	X	X	X
Wishbone Hill	State/Mental Health Trust/ Private	X	X	X
Donlin Gold	Private	X		
Livengood	State/Mental Health Trust	X	X	
Niblack	State/Federal	X	X	
Pebble Project	State	X	X	X



Usibelli Coal Mine

Coal

- ▶ Alaska's only operating coal mine, exporting half of its production in 2011
- ▶ Fuels 40% of Interior Alaska's electricity
- ▶ Founded in 1943
- ▶ 138 employees in 2011

Greens Creek Mine

Silver, zinc, gold, and lead

- ▶ Among the world's top 10 silver producers
- ▶ Largest Southeast Alaska for-profit employer, in terms of payroll
- ▶ Largest payer of property tax in the City & Borough of Juneau
- ▶ Discovered in 1975, producing from 1989 to 1993, and continuously since 1996
- ▶ 355 employees in 2011

Red Dog Operations

Zinc, lead, and silver

- ▶ One of the world's largest zinc concentrate producers
- ▶ Only taxpayer in the Northwest Arctic Borough
- ▶ Discovered in 1968, producing since 1989
- ▶ 620 employees (including 130 contractors) in 2011

Fort Knox Mine

Gold

- ▶ Alaska's largest surface gold mine
- ▶ Largest single property taxpayer in the Fairbanks North Star Borough
- ▶ Discovered in 1984, producing since 1996
- ▶ 500 employees in 2011

Pogo Mine

Gold

- ▶ Discovered in 1994, producing since 2006
- ▶ 312 full-time employees and 150 full-time contractors in 2011
- ▶ Paid more than \$51 million in wages in 2011
- ▶ Capital spending exceeded \$11 million in 2011

Kensington

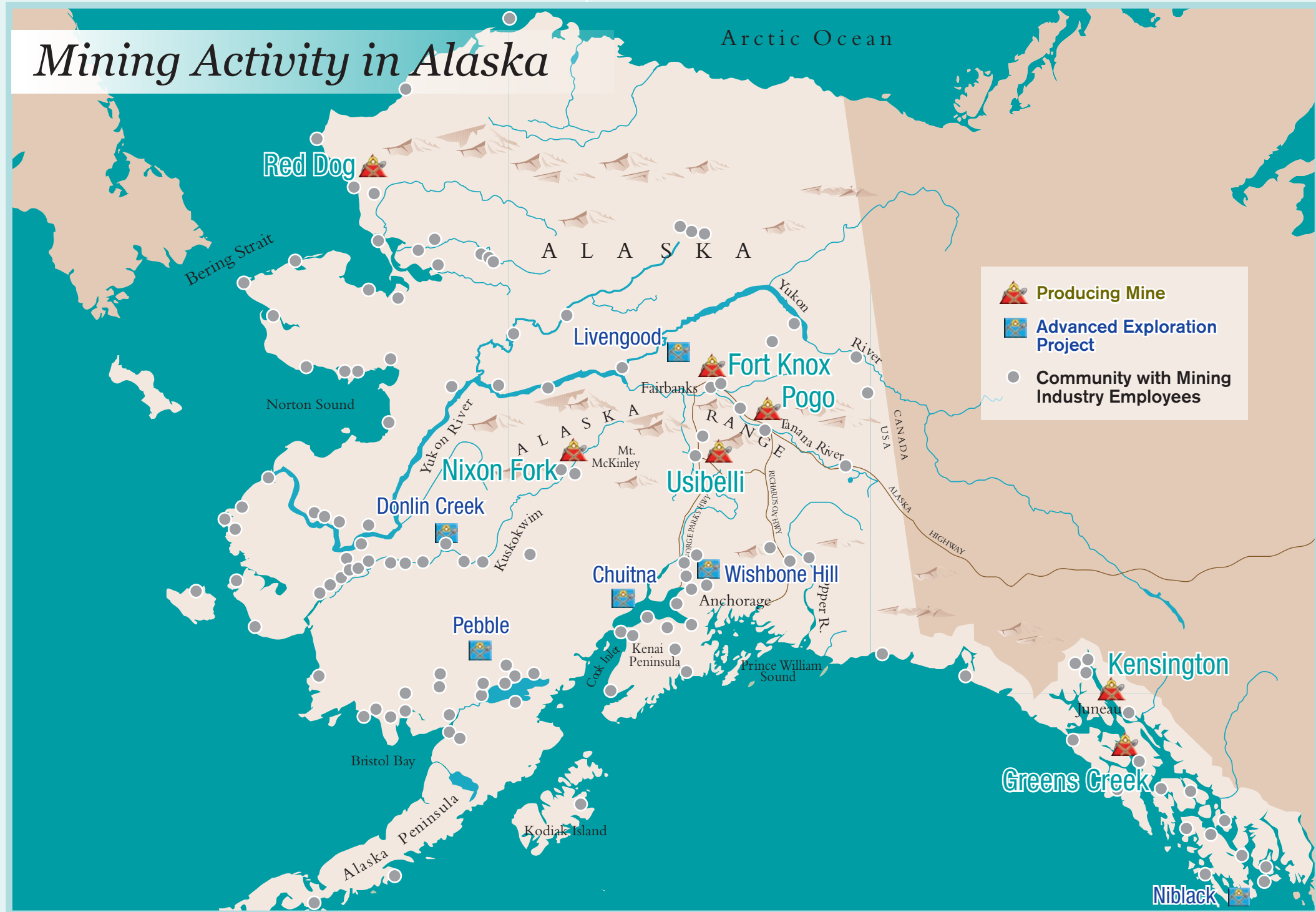
Gold

- ▶ 2011 marked the first full year of production
- ▶ Expect nearly 90,000 ounces of gold in 2011
- ▶ Adding infrastructure to provide long-term, sustainable production
- ▶ 230 employees in 2011

Nixon Fork

Gold and copper

- ▶ Discovered in 1917, intermittent production since 1920s
- ▶ Production suspended in 2007, re-opened in 2011
- ▶ 100 jobs in 2011



Chuitna

Coal

- ▶ Currently in the permitting process
- ▶ 300-350 expected production jobs

Wishbone Hill

Coal

- ▶ First mined in 1916
- ▶ Project feasibility study completed in November 2011
- ▶ 75-125 potential production jobs

Donlin Gold

Gold

- ▶ Discovered in 1988, continued exploration since 1995
- ▶ Permitting process expected to start in 2012
- ▶ 87% Calista shareholder hire at its camp operation
- ▶ Up to 1,400 potential production jobs, depending on the production timeline

Livengood

Gold

- ▶ Placer mining began in 1914, lode deposit discovered in 2007
- ▶ Pre-feasibility Study expected by June 2012
- ▶ Approximately 500 potential production jobs

Niblack

Gold, silver, copper, and zinc

- ▶ Ongoing exploration for more than 10 years
- ▶ \$26 million invested since 2009
- ▶ 200-300 potential production jobs

Pebble Project

Copper, gold, and molybdenum

- ▶ Discovered in 1987, ongoing exploration and environmental studies since 2002
- ▶ Over \$400 million invested through 2010
- ▶ 800-1,000 potential production jobs



➤ Strengthening Local Economies and Communities

Mining companies strengthen Alaska's local economies by employing Alaska residents from more than 120 Alaska communities located in 26 out of 29 Alaska boroughs or census areas. The industry also purchases supplies and services from hundreds of Alaska businesses.

These mining companies are also a significant source of stable revenue for local governments, as well as significant state government revenue. In 2011, Alaska's mining industry paid:

An estimated total of **\$17.2 million to local governments**, including:

- \$8.9 million in payment in lieu of taxes (PILT) by Red Dog to the Northwest Arctic Borough.
- \$5.6 million in property taxes paid by Fort Knox to the Fairbanks North Star Borough.
- \$1.4 million in property taxes paid by Greens Creek to the City and Borough of Juneau.
- \$1.2 million in property taxes paid by Kensington to the City and Borough of Juneau.
- Tax payments to other local governments, including Denali Borough, City of Nome and others.
- Mining industry employees also pay local property and sales taxes.

Mining companies paid an estimated **\$148 million to state government** in royalties, rents, fees, and taxes, up 170% from 2010.

The mining industry also paid **\$70.1 million in other state government-related revenues**, including:

- \$28 million to the Alaska Railroad Corporation – \$21 million for moving coal and \$7 million for moving sand and gravel.
- \$41.1 million to Alaska Industrial Development & Export Authority for the use of state-owned facilities (DeLong Mountain Regional Transportation System and Skagway Ore Terminal).



- \$1.0 million to the Alaska Mental Health Trust for rents and royalty payments, and construction material sales.

➤ Partnering with Alaska Native Corporations

All Alaska Native corporations benefited from mining industry activity – in 7(i) and (j) royalty sharing payments, in jobs for shareholders, or through business partnerships.

- \$169.9 million in net proceeds from Red Dog Operations to NANA and distributed \$82.0 million to other Alaska Native regional and village corporations.
- 56% of the 550 year-round jobs at Red Dog are filled by NANA shareholders, including Teck Cominco, NANA Lynden and NANA Management Services jobs.
- Calista Corporation anticipates \$2 million in royalties and other revenue for mineral agreements, including lode exploration, placer gold production, and construction material sales.
- Calista shareholders, descendants and spouses predominantly fill the exploration camp jobs at Donlin Gold.

Many Alaska Native corporations have taken the opportunity to develop businesses that serve the mining sector, including: NANA Regional Corporation, Calista Corporation, The Kuskokwim Corporation, Central Council Tlingit & Haida Indian Tribes of Alaska, Goldbelt, Inc., Kake Tribal Corporation, Klukwan, Inc., Prince of Wales Tribal Enterprise Consortium, Iliamna Development Corporation, Pedro Bay Corporation, Alaska Peninsula Corporation, Kijik Corporation, Igiugig Native Corporation, Tenalian Incorporated, and Tyonek Native Corporation.

Every Alaska Native region has some form of mining potential, ranging from gravel operations to gold, silver, copper, nickel, lead, zinc, platinum, tungsten, manganese, rare earth minerals, jade, limestone, and coal deposits. Several Alaska Native corporations, such as NANA Regional Corporation, Calista Corporation, The Aleut Corporation, Sealaska Corporation, CIRI, Doyon Ltd., Ahtna Inc. and Arctic Slope Regional Corporation, are actively evaluating the mining potential in their regions.