

# Alaska's Mining Industry

The Economic Benefits of

January 2013

## Mining is a growing force in Alaska's economy

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 coal, gold, lead, silver, zinc, as well as construction materials, such as sand, gravel, and rock.

### In 2012, Alaska's mining industry provided:

- ▶ 4,800 direct mining jobs in Alaska.
- ▶ 9,500 total direct and indirect jobs attributed to Alaska mining industry.
- ▶ \$650 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.
- ▶ \$21 million in local government revenue through property taxes and payments in lieu of taxes.
- ▶ \$137 million in state government revenue through rents, royalties, fees, and taxes.
- ▶ \$126 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.

### 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
<b>Producing Mines</b>			
Fort Knox	State Mental Health Trust	X	X
Greens Creek	Private	X	X
Kensington	Private/Federal	X	X
Nixon Fork	Federal	X	
Pogo	State	X	
Red Dog	Private	X	X
Usibelli Coal	State	X	X
<b>Advanced Exploration</b> (Projected Payments)			
Bokan Mountain	Federal	X	
Chuitna Coal Project	State/Mental Health Trust/ Private/Borough	X	X
Donlin Gold	Private	X	
Livengood	State/Mental Health Trust	X	X
Niblack	State/Federal	X	X
Pebble Project	State	X	X
Upper Kobuk	State/Federal/Private	X	X
Wishbone Hill	State/Mental Health Trust/ Private	X	X

### 2012 Economic Benefits

estimated

#### Exploration

- ▶ \$275 million spent on exploration.
- ▶ \$2.3 billion spent on exploration since 1981.

#### Development

- ▶ \$270 million spent on mine construction and other capital investment.

#### Production

- ▶ \$3 billion in gross mineral production value from Red Dog, Greens Creek, Fort Knox, Pogo, Kensington, Nixon Fork and Usibelli Coal mines, placer mines, and rock, sand, and gravel operations.
- ▶ More than 300 placer mines produced 85,000 ounces of gold.
- ▶ \$80 million in production value from more than 120 active rock quarries, and sand and gravel operations.
- ▶ Export value of \$2 billion, or 38% of Alaska's total exports (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
- ▶ 548 employees in 2012

### 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
- ▶ Discovered in 1975, producing from 1989 to 1993, and continuously since 1996
- ▶ 390 employees in 2012

### Kensington

Gold

- ▶ Resumed full production in April 2012
- ▶ Second largest private employer in Southeast Alaska in terms of payroll
- ▶ Largest payer of property tax in the City & Borough of Juneau
- ▶ 300 employees in 2012

### Nixon Fork

Gold and copper

- ▶ Discovered in 1917, intermittent production since 1920s
- ▶ Production suspended in 2007, re-opened in 2011
- ▶ 90 jobs in 2012

### Pogo Mine

Gold

- ▶ Discovered in 1994, producing since 2006
- ▶ 220 full-time employees and 200 contractors in 2012
- ▶ Paid more than \$54 million in wages in 2012
- ▶ Capital spending exceeded \$19 million in 2012

### Red Dog

Zinc, lead, and silver

- ▶ One of the world's largest zinc concentrate producers
- ▶ Only taxpayer (payments in lieu of taxes) in the Northwest Arctic Borough
- ▶ Discovered in 1968, producing since 1989
- ▶ 604 employees (including 137 contractors) in 2012

### Usibelli Coal Mine

Coal

- ▶ Alaska's only operating coal mine, exporting half of its production in 2012
- ▶ Fuels 40% of Interior Alaska's electricity
- ▶ Founded in 1943
- ▶ 124 employees in 2012



### Bokan Mountain

Rare earth elements

- ▶ Drilling program started in 2007
- ▶ Preliminary economic analysis released in late 2012
- ▶ 190 potential production jobs

### Chuitna

Coal

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

### Donlin Gold

Gold

- ▶ Discovered in 1988, continued exploration since 1995
- ▶ Permitting process began in 2012
- ▶ Up to 90% Calista shareholder hire at its camp operation
- ▶ Up to 1,400 expected production jobs, depending on the production timeline

### Livngood

Gold

- ▶ Placer mining began in 1914, lode deposit discovered in 2007
- ▶ Feasibility Study complete in mid-2013
- ▶ Approximately \$200 million invested to date, including \$58 million in 2012
- ▶ Estimated 500 potential production jobs

### Niblack

Copper, gold, silver, and zinc

- ▶ Ongoing exploration for more than 25 years
- ▶ \$35 million invested since 2009
- ▶ 200 potential production jobs

### Pebble Project

Copper, gold, and molybdenum

- ▶ Discovered in 1987, ongoing exploration, engineering, and environmental studies since 2002
- ▶ Work program of approximately \$100 million for 2012
- ▶ Over 130 local hires in 2011 and 44 individual scholarships to region residents in 2012
- ▶ Approximately 1,000 potential production jobs

### Upper Kobuk Mineral Projects

Gold, silver, copper, and zinc

- ▶ Intermittent exploration from 1965 to 1998, renewed efforts starting in 2003
- ▶ Preliminary economic assessment released in 2011; pre-feasibility study now underway
- ▶ Average of 84 employees in 2012

### Wishbone Hill

Coal

- ▶ First mined in 1916
- ▶ Project feasibility study completed in November 2011
- ▶ 75-125 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 2012, Alaska's mining industry paid:

An estimated total of \$21 million to local governments, including:

- ▶ \$13.0 million in payment in lieu of taxes (PILT) by Red Dog to the Northwest Arctic Borough.
- ▶ \$5.2 million in property taxes paid by Fort Knox to the Fairbanks North Star Borough.
- ▶ \$1.5 million in property taxes paid by Kensington to the City and Borough of Juneau.
- ▶ \$1.2 million in property taxes paid by Greens Creek 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.

An estimated \$80.4 million to state government in royalties, rents, fees, and taxes, including:

- ▶ \$65.4 million in mining license taxes, rents and royalties, and other fees, payments, and taxes.
- ▶ \$15.0 million in corporate income tax, representing 15% of the State's non-petroleum industry corporate tax receipts.

Over \$56.9 million in other state government-related revenues, including:

- ▶ \$28.0 million to the Alaska Railroad Corporation for moving coal, sand and gravel.
- ▶ \$25.5 million to Alaska Industrial Development & Export Authority for the use of state-owned facilities (DeLong Mountain Regional Transportation System and Skagway Ore Terminal).
- ▶ \$3.4 million to the Alaska Mental Health Trust for mining claim and lease rent 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.

- ▶ \$124.7 million in net proceeds from Red Dog Operations to NANA and distributed \$76.4 million to other Alaska Native regional and village corporations.
- ▶ 57% of the 604 year-round jobs at Red Dog are filled by NANA shareholders, including Teck, NANA Lynden and NANA Management Services jobs.
- ▶ Calista Corporation anticipates \$1.2 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.

