

The Economic Impact of Alaska's Mining Industry

Presented to:

**Resource Development Council
Anchorage Chamber of Commerce**

Presented by:

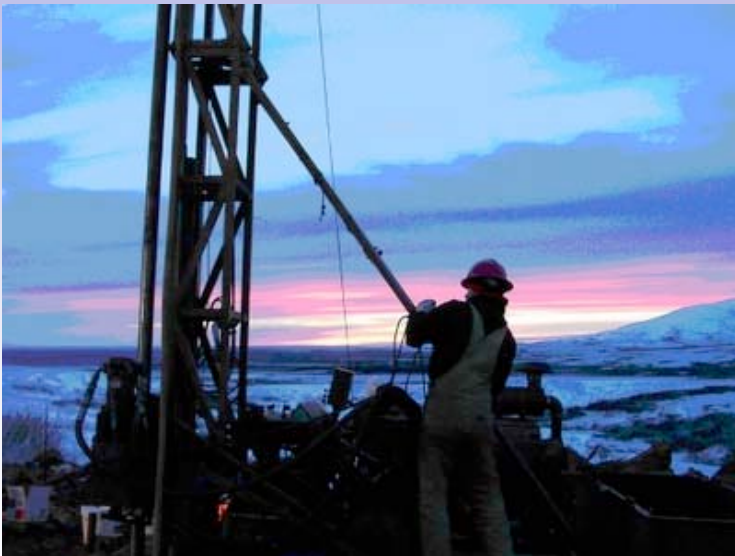
McDowell Group, Inc.

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Alaska's Mining Industry

The industry includes...

- Major producing mines
- Major development projects
- 26 significant exploration projects
- 68 placer mines
- Rock, sand & gravel operations throughout Alaska



Alaska's Mining Industry

Exploration

- \$71 million in exploration expenditures in 2004
- \$95 million in 2005, up 33 percent
- \$1 billion in total exploration expenditures in Alaska since 1981

Alaska's Mining Industry

Mine Development

- **\$209 million in development expenditures in 2004**
- **\$295 million in 2005, up 41 percent**
- **\$2.5 billion in total development expenditures in Alaska since 1981**

Alaska's Mining Industry

Operations

- **\$1.3 billion in mineral production value in 2004**
- **\$1.5 billion in 2005, up 15 percent**
- **Production includes Zinc (49%), Gold (14%), Silver and Lead (9%) each**
 - **Greens Creek is the largest silver producer in North America, 5th largest in the world**
 - **Red Dog is the world's largest producer of zinc concentrates**

What are the benefits of mining for Alaska?

Key findings.....

Mining...

- is an important part of the statewide economy
- provides high-paying jobs
- is a key source of income for government
- provides opportunities for rural Alaskans and Native interests
- provides infrastructure benefits

Statewide Employment Impacts, 2004



- 2,900 direct jobs
- \$194 million direct payroll
- 5,100 total jobs
- \$280 million total payroll

Mining Industry Jobs

- Average wages of \$70,000/year
- 83% Alaska resident
- Many year-round jobs
- Rural job opportunities
 - Red Dog, Pogo, Donlin Creek, Pebble, Rock Creek
- Training opportunities



Role of Mining Employment in Local Economies

- **Red Dog (480 jobs)**
 - 2nd largest employer in the NWAB (1st in terms of payroll)
- **Fort Knox (411 jobs)**
 - 2nd largest private sector employer in the FNSB
- **Greens Creek (260 jobs)**
 - Juneau's largest private sector employer in terms of payroll
- **Usibelli Coal (92 jobs)**

Income for Government

- **Red Dog Mine**
 - PILT of \$6.3 million to the NWAB in 2004, 3/4s of all General Fund receipts
- **Fort Knox Mine**
 - 2nd largest property tax payer in the FNSB
- **Greens Creek Mine**
 - largest property tax payer in the CBJ

Income for Government

- **Usibelli Coal Mine**
 - pays taxes in the FNSB, Mat-SU and Denali boroughs
- **Alaska Gold Company**
 - 4th largest property tax payer in the City of Nome
- **Pogo Mine**
 - PILT of \$500,000 in 2006 and \$1 million in 2007 to the City of Delta Junction

Other Revenue

- **\$16 million in revenue to the State of Alaska**
 - \$10.3 million in mining license taxes
 - \$4.5 million in rents and royalties
 - \$1 million in other fees, payments & taxes
- **\$17 million to the Alaska Railroad**
- **\$227,000 to the Alaska Mental Health Trust**

Rural and Native Benefits

Royalties....

- Red Dog paid royalties of \$11 million to NANA in 2004
 - \$5.9 million redistributed to other ANCSA corps
 - \$100 million in total royalties to date

Employment....

- Red Dog has employed 1,000 NANA shareholders
- Calista shareholders make up over 90% of the Donlin Creek workforce
 - 7 of 8 supervisors are shareholders

Rural and Native Benefits

Business relationships....

- **Teck Cominco (Red Dog) and NANA Corp.**
 - 120 of the 480 workers at Red Dog are actually employees of NANA JVs (NANA Management and NANA Lynden)
- **Placer Dome/NovaGold (Donlin Creek), Calista and The Kuskokwim Corp**
- **Alaska Gold Company and Bering Straits Native Corp.**
- **Coeur Alaska (Kensington), Goldbelt and Berners Bay Consortium**

Infrastructure

- **Historical infrastructure linkages**
 - Settlement of Fairbanks, Juneau, Skagway and others
 - Construction of the ARR, the Alcan, Richardson and Klondike Highways
- **Present day infrastructure benefits**
 - Fort Knox power purchases
 - Greens Creek power line extension

Key Findings

Mining...

- provides high-wage, year-round jobs
- is a key source of income for local government
- provides opportunities for rural Alaskans
- provides infrastructure benefits

Plus...

- Mining has potential for significant growth in Alaska
 - Strong markets
 - Rich mineral endowment



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