



The Economic Benefits of Alaska's Mining Industry

Mining is an important part of 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 2009, Alaska's mining industry provided:

- ◆ **3,300 direct mining jobs** in Alaska.
- ◆ **5,200 total** direct and indirect jobs attributed to Alaska mining industry.
- ◆ **\$320 million** in total direct and indirect payroll.
- ◆ Some of Alaska's highest paying jobs with an estimated **average annual wage of \$83,000**, 85% higher than the state average for all sectors of the economy, second after oil and gas sector wages.
- ◆ **\$12.3 million** in **local government revenue** through property taxes and payments in lieu of taxes.
- ◆ **\$35 million** in **state government revenue** through rents, royalties, fees, and taxes.
- ◆ **\$39.8 million** in payments to **Alaska Native corporations** (FY09).
- ◆ **Jobs for residents** of more than **120 communities** throughout Alaska—mostly year-round, and often in rural areas, where few other jobs are available.

LARGEST PRODUCING MINES State and Local Government Tax Obligations

| | Land Status | State Royalty Payments | Mining License Tax | Local Govt Payments | Corporate Income Tax |
|----------------------|---------------------------|------------------------|--------------------|---------------------|----------------------|
| Usibelli Coal | State | ✓ | ✓ | ✓ | ✓ |
| Greens Creek | Private | | ✓ | ✓ | ✓ |
| Red Dog | Private | | ✓ | ✓ | ✓ |
| Fort Knox | State/Mental Health Trust | ✓ | ✓ | ✓ | ✓ |
| Pogo | State | ✓ | ✓ | | ✓ |
| Kensington | Private/State Federal | ✓ | ✓ | ✓ | ✓ |

2009 Economic Benefits

estimated

Exploration

- ◆ **\$160 million** spent on exploration, down 54% from 2008.
- ◆ **39 exploration projects** spending more than \$100,000, of which 17 exploration projects spent more than \$1 million.
- ◆ **\$2 billion** spent on exploration since 1981.

Development

- ◆ **\$262 million** spent on **mine construction**, down 34% from 2008, on at least 6 developing and existing mines.

Production

- ◆ **\$2.4 billion** in **gross mineral production value** from Red Dog, Greens Creek, Fort Knox, Pogo, and Usibelli Coal mines, placer mines, and rock, sand, and gravel operations, down 2% from 2008.
- ◆ More than **175 placer mines** produced **54,000 ounces** of gold.
- ◆ **\$106 million** in **production value** from more than 120 active rock quarries, and sand and gravel operations.

Exports

- ◆ **\$750 million** in **mining exports**, or 21% of Alaska's total exports.



Mining Activity in Alaska

Usibelli Coal Mine

Coal

- Alaska's only operating coal mine, exporting 40% of its production in 2009
- Fuels 40% of Interior Alaska's electricity
- Producing an all-time high of 1.8 million tons in 2009
- Founded in 1943
- 125 employees in 2009

Greens Creek Mine

Silver, zinc, gold, and lead

- Largest silver producer in the US
- Largest Southeast Alaska for-profit employer, in terms of payroll
- Largest taxpayer in the City & Borough of Juneau
- Discovered in 1975, producing from 1989 to 1993, and since 1996
- 330 employees, plus 12 full-time contractors in 2009

Red Dog Mine

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
- 390 employees, plus 95 full-time contractors in 2009

Fort Knox Mine

Gold

- More than 4.5 million ounces produced
- Largest single property taxpayer in the Fairbanks North Star Borough
- Discovered in 1984, producing since 1996
- 500 employees, plus 350 contractors in 2009

Pogo Mine

Gold

- Discovered in 1994, producing since 2006
- Reached a production milestone of a million ounces of gold in 2009
- 297 full-time employees and 97 full-time contractors in 2009
- Paid over \$29 million in wages in 2009

Kensington

Gold

- 2010 expected production start date
- More than \$330 million invested through 2009
- 200 expected production jobs

Rock Creek/Big Hurrah

Gold

- Started and suspended production in 2008
- \$250 million invested through 2009
- 135 potential production jobs

Nixon Fork

Gold and copper

- Discovered in 1917, intermittent exploration and production since 1920s
- Production suspended in 2007 for additional drilling
- 75 potential production jobs

Chuitna

Coal

- Currently in advanced permitting stage
- 300-350 expected production jobs

Lucky Shot

Gold and copper

- Underground bulk sample planned for early 2010
- \$20 million invested through 2009
- 40-50 potential production jobs

Donlin Creek

Gold

- Discovered in 1988, continued exploration since 1995
- 28 exploration jobs in 2009
- 93% Calista shareholder hire
- 600 expected production jobs

Livengood

Gold

- Discovered in 2007
- \$35 million invested through 2009
- 450-500 potential production jobs

Pebble

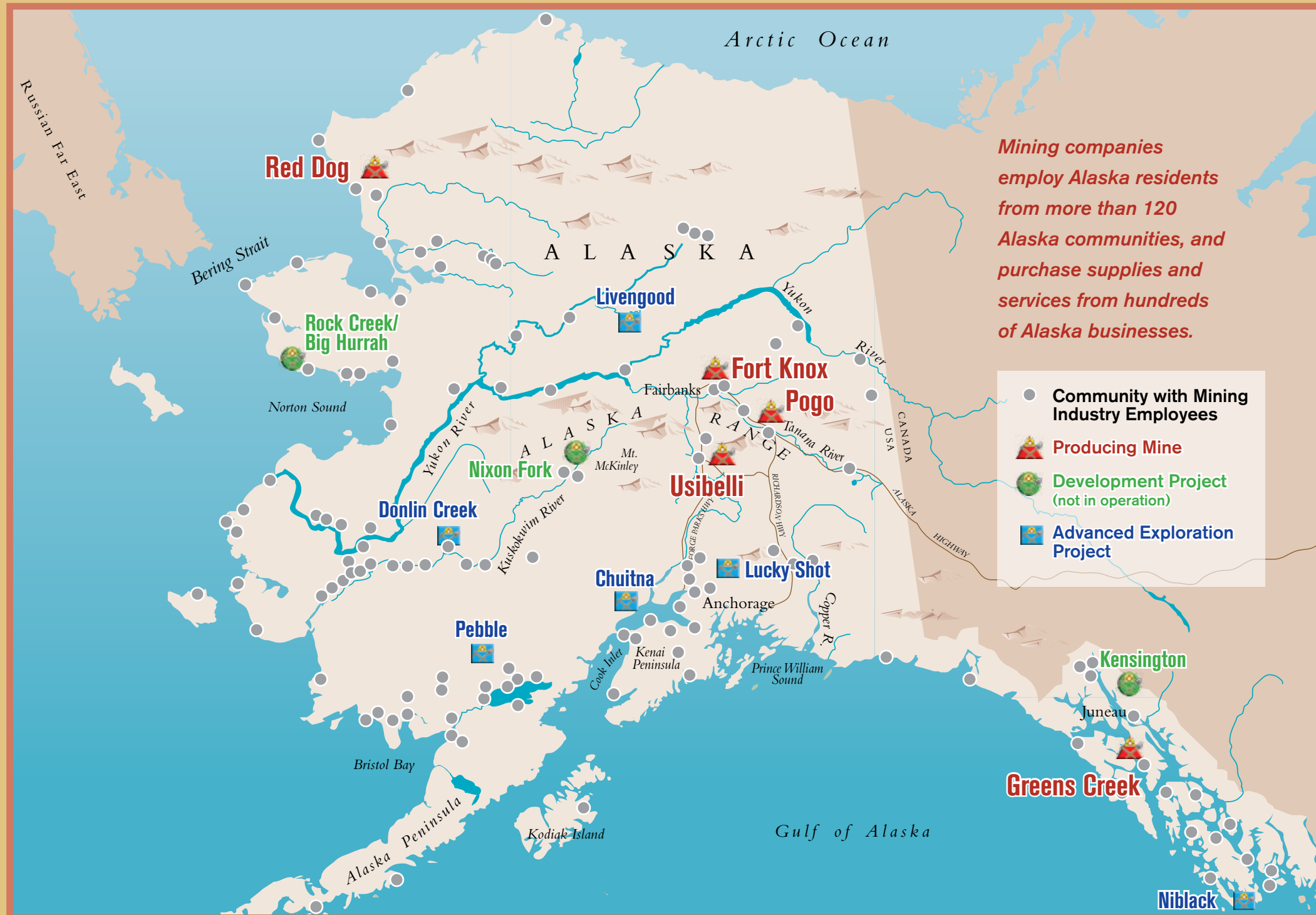
Copper, gold, and molybdenum

- Discovered in 1987, ongoing exploration and environmental studies since 2002
- Over \$400 million invested through 2009
- Over 1,000 potential production jobs

Niblack

Gold, silver, copper, and zinc

- Ongoing exploration for more than 10 years
- \$38 million invested through 2009



*Mining companies
employ Alaska residents
from more than 120
Alaska communities, and
purchase supplies and
services from hundreds
of Alaska businesses.*



Strengthening Government and Communities

In 2009, Alaska's mining industry paid:

An estimated total of **\$12.3 million** to local governments, including:

- ◆ **\$7.8 million in payment in lieu of taxes (PILT)** by Red Dog to the Northwest Arctic Borough, representing 100% of the Borough's tax revenue.
- ◆ **\$2.8 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 & Borough of Juneau.
- ◆ **\$325,550 in property taxes** paid by Kensington to the City & Borough of Juneau. Once in production, the mine will be the largest taxpayer in 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 **\$35 million** to state government in royalties, rents, fees, and taxes, including:

- ◆ **\$22 million in mining license taxes, rents and royalties**, and other fees, payments, and taxes.
- ◆ **\$13 million in corporate income tax**, making the mining sector Alaska's fifth highest corporate income tax payer after the petroleum, tourism, oil and gas services, and finance sectors.



Over **\$48.9 million** in other state government-related revenues, including:

- ◆ **\$22.6 million to the Alaska Railroad Corporation** – \$16.2 million for moving coal and \$6.4 million for moving sand and gravel.
- ◆ **\$25.1 million to Alaska Industrial Development & Export Authority** for the use of state-owned facilities.
- ◆ **\$1.2 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 benefit from mining industry activity – in 7(i) and (j) **royalty sharing payments**, in **jobs** for shareholders, or **through business partnerships**.

- ◆ **\$38.8 million in royalties** paid by Red Dog to NANA; of which \$23.0 million was redistributed to other Alaska Native regional and village corporations.
- ◆ **56% of the 485 year-round jobs** at Red Dog are filled by **NANA shareholders**, including Teck, NANA Lynden and NANA Management Services jobs.
- ◆ Calista Corporation anticipates **\$980,000 in royalties for mineral agreements**, including lode exploration, placer gold production, and construction material sales.
- ◆ **93% of the 28 jobs** at Donlin Creek filled by **Calista shareholders**.

Projects with near-term potential will directly benefit Bering Straits Native Corporation and Sitnasuak Native Corporation (Rock Creek), as well as Goldbelt, Inc., Klukwan, Inc., and Kake Tribal Corporation (Kensington).