

The Economic Benefits of Alaska's Mining Industry

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.



Key Industry Measures *estimated*

Exploration

- **\$135 million** spent on exploration (2018).
- **\$3.7 billion** spent on exploration since 1981.

Development

- **\$170 million** spent on mine construction and other capital investment (2018).

Production

- **Export value of \$1.8 billion**, or 36% of Alaska's total exports (2017).
- **205 active placer mines** produced approximately **41,295 ounces of gold** with a gross production value of **\$52 million** (2017).
- Approximately **120 active rock quarries**, and sand and gravel operations throughout Alaska with at least **\$12 million in production value** on state lands (2017).

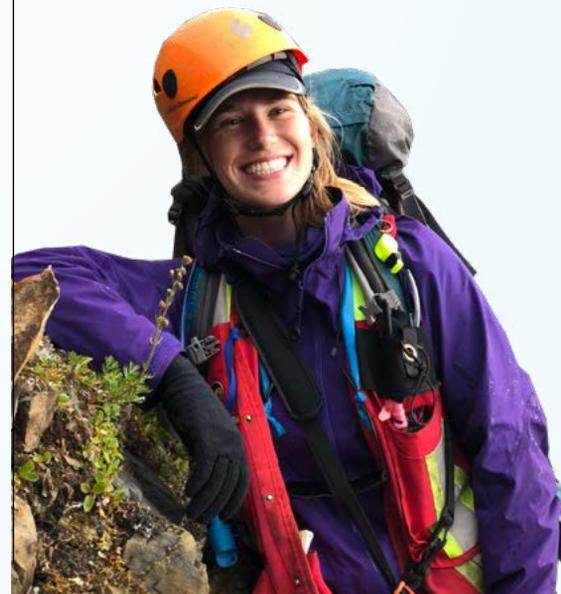
In 2018, Alaska's mining industry provided:

- ▶ **4,500** direct mining jobs in Alaska.
- ▶ **9,200** total direct and indirect jobs attributed to Alaska mining industry.
- ▶ **\$715 million** in total direct and indirect payroll.
- ▶ Some of **Alaska's highest paying jobs** with an estimated average annual wage of \$102,100, almost twice the state average for all sectors of the economy.
- ▶ **\$34 million** in local government revenue.
- ▶ **\$149 million** in state government revenue through mining licenses, rents, royalties, fees, taxes, and other government-related payments.
- ▶ **\$358 million** in payments to Alaska Native corporations.
- ▶ **Mostly year-round jobs** for residents of more than 60 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
Producing Mines				
Fort Knox	State/Mental Health Trust	●	●	●
Greens Creek	Private/Federal	●		●
Kensington	Private/Federal/State	●	●	●
Northern Star Pogo	State	●	●	
Red Dog	Private	●		●
Usibelli Coal	State	●	●	●
Development Projects				
Donlin Gold	Private	●		
Pebble	State	●	●	●
Advanced Exploration Projects				
Graphite Creek	State/Federal	●	●	
Livengood	State/Mental Health Trust/Federal	●	●	
Palmer	State/Mental Health Trust/Federal	●	●	●
Upper Kobuk	State/Federal/Private	●	●	●



Advanced Exploration Projects

Graphite Creek

Graphite

- Preliminary Economic Assessment completed in 2017
- \$363 million in projected capital costs
- 370 potential production jobs

Livengood

Gold

- Placer mining began in 1914, lode exploration in 2003
- 11.4 million ounces of gold measured and indicated resource
- Completed new prefeasibility study in 2017 as result of project optimization work
- 330 potential production jobs

Palmer

Copper, zinc, silver, gold, and barite

- Significant resource growth and discovery of a second deposit
- Preliminary Economic Assessment underway
- \$46 million invested in exploration, access road construction, and environmental and geotechnical studies since 2006

Upper Kobuk Mineral Projects (Arctic and Bornite)

Copper, zinc, gold, and silver

- \$126 million spent on exploration since 2011
- Prefeasibility study completed for open pit operation (Arctic)
- Environmental baseline data collection ongoing (Arctic)
- Updated resource statement completed in 2018 (Bornite)
- Draft Environmental Impact Statement in process for the Ambler District Industrial Access Project

Projects in Permitting

Donlin Gold

Gold

- Discovered in 1988, continued exploration since 1995
- Permitting process began in 2012; final Environmental Impact Statement and Joint USACE and BLM Record of Decision in 2018
- Up to 90% Calista shareholder hire at its camp operation
- Up to 1,000 expected production jobs, depending on the production timeline

Pebble

Copper, gold, molybdenum, and silver

- Discovered in 1987 on State of Alaska land
- Ongoing exploration, engineering, and environmental studies since 2002
- Over \$150 million spent on environmental baseline studies
- World class deposit of copper, gold, molybdenum, and silver
- In federal NEPA permitting and review process
- Approximately 750 potential production jobs

MINING EXPLORATION TIMELINE



Producing Mines

Fort Knox

Gold

- Alaska's largest producing gold mine; poured 7 millionth ounce in 2016
- Now in its 23rd year of operation
- Largest single property taxpayer in the Fairbanks North Star Borough
- Approximately 640 employees, plus 170 on-site contractors
- Proceeded with Gilmore expansion project in June 2018, increasing life of mine gold production by 1.5 million ounces

Greens Creek

Silver, zinc, gold, and lead

- Largest silver producer in the U.S. and in the top 10 producers worldwide
- Discovered in 1975, producing from 1989 to 1993, and continuously since 1996
- Largest payer of property tax in the City and Borough of Juneau
- Largest Southeast Alaska for-profit employer, in terms of payroll
- 420 employees in 2018

Kensington

Gold

- Produced 113,778 ounces of gold in 2018
- Exploration underway to expand ore zones
- Second largest private employer in Southeast Alaska in terms of payroll; over \$53 million in wages and benefits in 2018
- Second largest payer of property tax in the City and Borough of Juneau
- 387 employees in 2018

Northern Star Pogo

Gold

- Discovered in 1994, producing since 2006
- Eighth largest gold producer in the U.S.
- Acquired by Northern Star Resources Limited in August 2018
- Approximately 320 employees with \$44 million in wages in 2018

Red Dog

Zinc, lead, and silver

- Largest lead concentrate and zinc concentrate producer in the U.S.
- Discovered in 1968, producing since 1989
- Mine life expected until 2031
- Second largest silver producer in the U.S. in 2015
- Only taxpayer in the Northwest Arctic Borough
- Approximately 600 employees (including 100 contractors) in 2018

Usibelli Coal

Coal

- In continuous production since 1943
- Fuels 39% of Interior Alaska's electrical generation
- Approximately 98 employees in 2018

MINING PRODUCTION TIMELINE



Ongoing Environmental Studies, Protection, and Reclamation



Strengthening Local Economies and Communities

Mining companies strengthen Alaska's local economies by employing residents from more than 60 communities. The industry also purchases supplies and services from hundreds of Alaska businesses.

Mining companies are also a significant source of stable revenue for local governments, as well as significant state government revenue. In 2018, Alaska's mining industry paid:

An estimated total of \$34.2 million to local governments, including:

- ▶ \$14.9 million in payment in lieu of taxes by Red Dog to the Northwest Arctic Borough, plus \$8.0 million paid to the Village Improvement Fund.
- ▶ \$8.2 million in property taxes paid by Fort Knox to the Fairbanks North Star Borough.
- ▶ \$1.7 million in property taxes paid by Greens Creek to the City and Borough of Juneau.
- ▶ \$1.4 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.

An estimated \$148.6 million to state government in royalties, rents, fees, taxes, and other government-related revenues, including:

- ▶ \$58.8 million in mining license tax, rents, and royalties.
- ▶ \$34.6 million in corporate income tax collections, representing 28% of the State's non-petroleum industry corporate tax receipts.
- ▶ \$9.5 million in state material sales, miscellaneous fees, and other taxes.
- ▶ \$15.9 million to the Alaska Railroad Corporation for moving coal, sand, and gravel.
- ▶ \$28.2 million to Alaska Industrial Development and Export Authority for the use of state-owned facilities (DeLong Mountain Regional Transportation System and Skagway Ore Terminal).
- ▶ \$1.6 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 7(j) royalty sharing payments, in jobs for shareholders, or through business partnerships.

- ▶ \$355 million in net proceeds from Red Dog Operations paid to NANA

and \$221.5 million then distributed to other Alaska Native regional and village corporations, and at-large shareholders.

- ▶ Between 1982 and 2018, NANA received \$1.9 billion in net proceeds from Red Dog and paid more than \$1.2 billion to other regional and village corporations, KIC, and at-large shareholders via 7(i) and 7(j) provisions of ANCSA.
- ▶ 55% of the year-round jobs at Red Dog are filled by NANA shareholders, including Teck, NANA companies, and other service providers.
- ▶ Calista Corporation has received millions of dollars in royalties and other revenue from mineral agreements, including lode exploration, placer gold production, and construction material sales.
- ▶ 58% of all employees at the Upper Kobuk Minerals Projects, including contractor hires, were NANA shareholders in 2018.
- ▶ Many Alaska Native corporations have taken the opportunity to work with Alaska's mining sector, such as Alaska Peninsula Corporation, Alaska Central Council Tlinglit & Haida Indian Tribes of Alaska, Bering Straits Native Corporation, Calista Corporation, Doyon Limited, Goldbelt, Inc., Iliamna Natives Limited, Kake Tribal Corporation, Klukwan, Inc., NANA Regional Corporation, Prince of Wales Tribal Enterprise Consortium, Tenalian Incorporated, The Aleut Corporation, and The Kuskokwim Corporation.



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