



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

2008 Economic Benefits *estimated*

In 2008, Alaska's mining industry provided:

- ◆ **3,500 direct mining jobs** in Alaska.
- ◆ **5,500 total** direct and indirect jobs attributed to Alaska mining industry.
- ◆ **\$350 million** in direct and indirect payroll.
- ◆ Some of Alaska's highest paying jobs with an estimated **average annual wage of \$82,600**, 90% higher than the state average for all sectors of the economy, second highest after oil and gas sector wages.
- ◆ **\$15.6 million** in **local government revenue** through property taxes and payments in lieu of taxes, down 1% from 2007.
- ◆ **\$105 million** to the **state government** through rents, royalties, fees, and taxes, down 17% from 2007.
- ◆ **\$212 million** in payments to **Alaska Native corporations** (FY08) up 266% from FY07.
- ◆ **Jobs** for residents of more than 120 communities throughout Alaska— mostly year-round, and often in **rural areas**, where few other jobs are available.

Exploration

- ◆ **\$293 million** spent on exploration, **down 8%** from 2007.
- ◆ **59 exploration projects** spending more than **\$100,000**, of which 30 exploration projects spent **more than \$1 million**.

Development

- ◆ **\$331 million** spent on mine construction, up 7% from 2007, on at least 7 developing and existing mines.

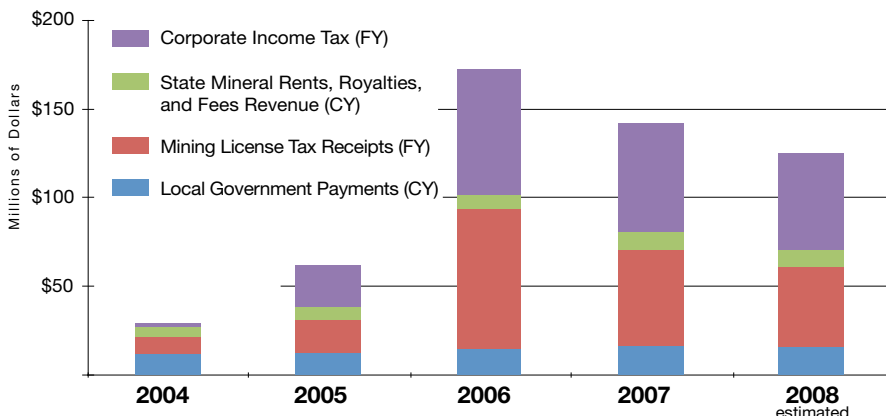
Production

- ◆ **\$2.4 billion** in **gross mineral production value** from Usibelli Coal, Greens Creek, Red Dog, Fort Knox, and Pogo mines, placer mines, and rock, sand, and gravel operations, down 27% from 2007.
- ◆ More than **175 placer mines** produced **54,000 ounces of gold**.
- ◆ **\$102 million** in production value from more than **117 active rock quarries**, and **sand and gravel operations**.

Exports (2007)

- ◆ **\$1.3 billion** in mining exports, or **34%** of Alaska's total exports.

State and Local Government Revenue Impact





Usibelli Coal Mine

Coal

- Alaska's only operating coal mine, exporting a third of its production in 2008
- Fuels 40% of Interior Alaska's electricity
- Founded in 1943
- 110 employees

Greens Creek Mine

Silver, zinc, gold, and lead

- One of the largest silver producers in North America
- Largest taxpayer in the City & Borough of Juneau
- Discovered in 1979, producing from 1989 to 1993, and since 1996
- 320 employees

Red Dog Mine

Zinc, lead, and silver

- World's largest zinc concentrate producer
- Largest taxpayer in the Northwest Arctic Borough
- Discovered in 1968, producing since 1989
- 390 employees, plus 95 full-time contractors in 2008

Fort Knox Mine

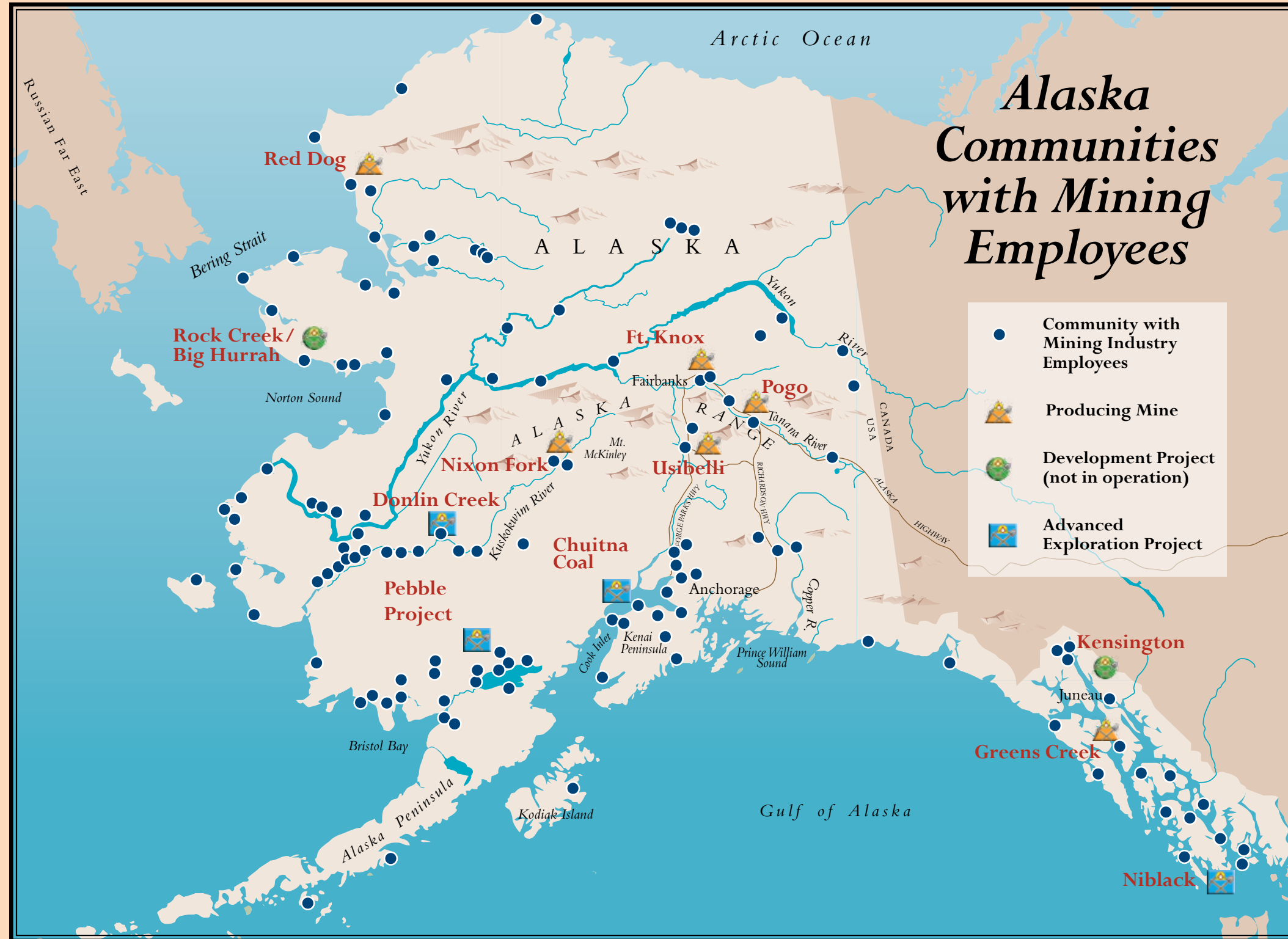
Gold

- Alaska's largest surface gold mine
- Largest single property taxpayer in the Fairbanks North Star Borough
- Discovered in 1984, producing since 1996
- 450 employees, plus 30 full-time contractors in 2008

Pogo Mine

Gold

- Approximately 700,000 ounces produced 2006 through 2008
- Significant private sector payments to the City of Delta Junction
- Discovered in 1994, producing since 2006
- 280 employees, plus 60 full-time contractors in 2008



Alaska Communities with Mining Employees

Nixon Fork

Gold and copper

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

Rock Creek/Big Hurrah

Gold

- Started and suspended production in 2008
- \$156 million invested through 2008
- 135 potential production jobs

Kensington

Gold

- \$238 million invested through 2008
- 200 potential production jobs

Chuitna Coal

Coal

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

Donlin Creek

Gold

- Discovered in 1988, ongoing exploration since 1995
- 210 exploration jobs in 2008, 86% Calista shareholder hire
- 500-600 potential production jobs

Niblack

Gold, silver, copper, and zinc

- Ongoing exploration for more than 10 years
- Over \$20 million invested through 2008

Pebble Project

Copper, gold, and molybdenum

- Discovered in 1987, ongoing exploration and environmental studies since 2002
- Over \$300 million invested through 2008
- Over 1,000 potential production jobs



Strengthening Government and Communities

Mining companies strengthen Alaska's local economies by employing Alaska residents from more than 120 Alaska communities, and purchasing supplies and services from hundreds of Alaska businesses.

These mining companies are also an important source of stable revenue for local governments, as well as significant state government revenue. In 2008, Alaska's mining industry paid:

An estimated total of **\$15.6 million** to **local governments**, including:

- ◆ **\$11 million** in payment in lieu of taxes (PILT) by Red Dog to the Northwest Arctic Borough.
- ◆ **\$2.8 million** in property taxes paid by Fort Knox to the Fairbanks North Star Borough.
- ◆ Over **\$1 million** in property taxes paid by Greens Creek to the City and Borough of Juneau.
- ◆ **\$500,000** in PILT paid by Pogo to the City of Delta Junction (FY08).
- ◆ **\$295,400** in property taxes paid by Kensington to the City and 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.

Largest Producing Mines State and Local Government Tax Obligations

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

An estimated **\$105 million** to **state government** in rents, royalties, fees, and taxes, including:

- ◆ **\$55 million** in mining license tax, rents, royalties, fees, and other payments.
- ◆ **\$50 million** in corporate income tax, making mining **Alaska's second highest corporate income tax paying sector** after the petroleum sector.



Over **\$42.1 million** in **other state government-related revenues**, including:

- ◆ **\$18.5 million** to the Alaska Railroad Corporation – \$11.2 million for moving coal and \$7.3 million for moving sand and gravel.
- ◆ **\$22.0 million** to Alaska Industrial Development & Export Authority for the use of state-owned facilities.
- ◆ **\$1.6 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**.

- ◆ **\$212 million** in royalties paid by Red Dog to NANA; of which \$122 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 Cominco, NANA Lynden and NANA Management Services jobs.
- ◆ Calista Corporation anticipates \$700,000 in royalties for mineral agreements, including lode exploration, placer gold production, and construction material sales.
- ◆ 86% of the 210 jobs at Donlin Creek Project 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).