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Alaska Miners Association



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Strengthening Local Economies and Communities

Mining companies strengthen Alaska's local economies by employing Alaska residents from more than 80 Alaska communities. The industry also purchases supplies and services from hundreds of Alaska businesses. Additionally, the sector provided more than \$3 million in support for charitable organizations, scholarships, and community programs in 2013.

These mining companies are also a significant source of stable revenue for local governments, as well as significant state government revenue. In 2013, Alaska's mining industry paid:

An estimated total of \$16.8 million to local governments, including:

- \$8.7 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.
- \$1.6 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 \$100.2 million to state government in royalties, rents, fees, and taxes, including:

- \$71.4 million in mining license tax and rents and royalties.
- \$26.8 million in corporate income tax collections, representing 24% of the State's non-petroleum industry corporate tax receipts.
- Approximately \$2.0 million in state material sales, miscellaneous fees, and other taxes.

Over \$49.7 million in other state government-related revenues, including:

- \$23.8 million to the Alaska Railroad Corporation for moving coal, sand and gravel.
- \$21.1 million to Alaska Industrial Development and Export Authority for the use of state-owned facilities (DeLong Mountain Regional Transportation System and Skagway Ore Terminal).
- \$4.8 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.

- \$143 million in net proceeds from Red Dog Operations to NANA and distributed \$93.5 million to other Alaska Native regional and village corporations.
- NANA has received \$1.04 billion in proceeds from Red Dog (1989-2013), of which \$609 million has been shared in 7(i) and 7(j) royalty payments.
- 56% of 639 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.
- 53% NANA shareholder hire at Upper Kobuk Mineral Projects (NovaCopper) since 2011.
- NANA-NovaCopper Exploration Agreement completed in October 2011 to facilitate exploration at Upper Kobuk Mineral Projects Project.
- Many Alaska Native Regional and village corporations and their subsidiaries have taken the opportunity to develop businesses that serve the mining sector.



Special thanks to Millrock Resources Inc. and Hecla Greens Creek Mining Company for the use of their photographs in this publication. Sources used in this report include: State of Alaska departments of Commerce, Community and Economic Development, Labor and Workforce Development, Natural Resources, and Revenue, Alaska Railroad Corporation, Alaska Industrial Development & Export Authority, various local and borough governments, and mining companies. Prepared in consultation with McDowell Group, Inc.



The Economic Benefits of Alaska's Mining Industry

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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 2013, Alaska's mining industry provided:

- 4,600 direct mining jobs in Alaska.
- 9,100 total direct and indirect jobs attributed to Alaska mining industry.
- \$630 million in total direct and indirect payroll.
- Some of Alaska's highest paying jobs with an estimated average annual wage of \$100,000, twice the state average for all sectors of the economy.
- \$17 million in local government revenue through property taxes and payments in lieu of taxes.
- \$150 million in state government-related revenue through rents, royalties, fees, and taxes.
- \$144 million in payments to Alaska Native corporations.
- Mostly year-round jobs for residents of more than 80 communities throughout Alaska, many 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	X	X	X
Greens Creek	Private/Federal	X		X
Kensington	Private/Federal/State	X	X	X
Pogo	State	X	X	
Red Dog	Private	X		X
Usibelli Coal	State	X	X	X
Advanced Exploration (Projected Payments)				
Bokan-Dotson Ridge	Federal	X		
Chuitna Coal Project	State/Mental Health Trust/Private/Borough	X	X	X
Donlin Gold	Private	X		
Livengood	State/Mental Health Trust	X	X	
Niblack	State/Federal	X	X	
Pebble Project	State	X	X	X
Upper Kobuk	State/Federal/Private	X	X	
Wishbone Hill	State/Mental Health Trust/Private	X	X	X

2013 Economic Benefits

estimated

Exploration

- \$180 million spent on exploration.
- \$2.6 billion spent on exploration since 1981.



Development

- \$250 million spent on mine construction and other capital investment.

Production

- \$3.4 billion in gross mineral production value from Red Dog, Greens Creek, Fort Knox, Pogo, Nixon Fork, Kensington, and Usibelli Coal mines, placer mines, and rock, sand, and gravel operations.
- More than 300 placer mines produced approximately 100,000 ounces of gold.
- Approximately \$70 million in production value from more than 120 active rock quarries, and sand and gravel operations.
- Export value of \$1.6 billion, or 36% of Alaska's total exports (2012).

Advanced Exploration Projects

Bokan-Dotson Ridge Rare Earth

Rare earth elements

- Exploration from 1971 to 1981; renewed drilling program started in 2007
- Preliminary economic analysis and economic impact study released in 2013
- 190 potential production jobs

Chuitna

Coal

- Currently in the permitting process; anticipate draft permit decisions in 2014-2015
- 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
- Up to 1,400 potential production jobs, depending on the production timeline

Livengood

Gold

- Placer mining began in 1914, lode exploration in 2003
- Approximately \$210 million invested to date
- Completed feasibility study in 2013
- 450 potential production jobs

Niblack

Copper, gold, silver, and zinc

- Ongoing exploration for more than 30 years
- \$37 million invested since 2009
- Now focused on engineering, environmental, and other studies to support prefeasibility study
- 200 potential production jobs

Pebble Project

Copper, gold, and molybdenum

- Discovered in 1987 on State of Alaska land, ongoing exploration, engineering, and environmental studies since 2002
- Over \$150 million spent on environmental baseline studies
- Approximately 1,000 potential production jobs

Upper Kobuk Mineral Projects

Gold, silver, copper, and zinc

- Intermittent exploration from 1965 to 1998 and renewed efforts starting in 2004
- Preliminary Economic Assessments (Arctic) completed for underground & surface operations
- Exploration at Bornite continued in 2013 with updated resource statements expected in 2014
- Peak of 80 employees in 2013

Wishbone Hill

Coal

- First mined in 1916
- Project feasibility study completed in 2011
- 75-125 potential production jobs

MINING EXPLORATION TIMELINE



Mining Activity in Alaska

Producing Mines

Fort Knox Mine

Gold

- Alaska's largest producing gold mine
- Largest single property taxpayer in the Fairbanks North Star Borough
- Discovered in 1984, producing since 1996
- 630 employees in 2013

Greens Creek Mine

Silver, zinc, gold, and lead

- Among the top 10 silver producers in the world
- Largest Southeast Alaska for-profit employer, in terms of payroll
- Discovered in 1975, producing from 1989 to 1993, and continuously since 1996
- 400 employees in 2013

Kensington

Gold

- Surpassed 100,000 ounces of gold in 2013
- Second largest private employer in Southeast Alaska in terms of payroll; over \$38 million in 2013
- Largest payer of property tax in the City & Borough of Juneau
- 306 full-time, year-round employees in 2013

Pogo Mine

Gold

- Discovered in 1994, producing since 2006
- 320 full-time employees in 2013
- Paid \$56 million in wages and benefits in 2013
- Capital spending exceeded \$57 million in 2013

Red Dog

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
- 639 employees (including 131 contractors) in 2013

Usibelli Coal Mine

Coal

- In continuous production since 1943
- 140 full-time year-round employees in 2013
- Alaska's only operating coal mine, exporting about half of its production in 2013
- Fuels 30% of Interior Alaska's electricity

MINING PRODUCTION TIMELINE



Environmental Studies, Protection, and Reclamation