



An Economic Impact Profile

Alaska's Mining Industry

January 2007 supplement to the February 2006 McDowell Group report

Alaska's Mining Industry in 2005

- ▶ In 2005, there were three major metal mines and one coal mine in production, and 33 significant exploration projects in Alaska. Exploration spending totaled \$104 million, up 47 percent since 2004. There were 17 projects with budgets of \$1 million or more.
- ▶ Another \$348 million was invested in development of new mines in Alaska (mostly on the Pogo Project), up 67 percent since 2004.
- ▶ Approximately 71 placer mines produced 24,605 ounces of gold in Alaska in 2005.
- ▶ Production value was about \$1.4 billion, up 8 percent since 2004. Four metals represented almost 90 percent of Alaska's total mining production: zinc (61.5 percent), gold (13.6 percent), lead (8.2 percent), and silver (6.1 percent).
- ▶ In 2005, the value of coal produced in Alaska was \$49 million. Just over a third of Usibelli Coal Mine's production was exported and the balance was consumed by local power plants.

Employing Alaskans in Good Jobs

- ▶ The average annual wage for employees working in Alaska's metallic mineral mines was \$72,150 in 2005, up 2 percent from 2004, and 82 percent higher than the statewide average annual wage of \$39,700.
- ▶ The mining industry had a slightly higher resident hire rate in 2004, at 82.3 percent, than the statewide average of 81.6 percent, and significantly higher rates than other key Alaska industries, such as oil and gas extraction (72.6 percent) and seafood processing (27.4 percent).

Strengthening Government

In 2005, \$25.4 million was paid by the mining industry to **state government** in royalties, fees, and taxes, up 59 percent from 2004. This includes:

- ▶ \$18.6 million in mining license taxes, up 81 percent from 2004.
- ▶ \$5.6 million in rents and royalties, up 24 percent from 2004.
- ▶ \$1.2 million in other fees, payments and taxes, up 20 percent since 2004.

Strengthening Government (continued)

Other state government-related revenues in 2005 totaled over \$36 million, including:

- ▶ \$18 million to the Alaska Railroad Corporation. The Railroad earned \$8.7 million moving coal and \$9.2 million moving rock, sand and gravel. Combined, this revenue represented 15.6 percent of the Railroad's total transportation revenue.
- ▶ \$18 million in annual user fees paid by Red Dog Mine to the Alaska Industrial Development & Export Authority for use of the state-owned DeLong Mountain Regional Transportation System road and port, totaling \$226 million paid in user fees by June 2006.
- ▶ \$423,300 in revenue to the Alaska Mental Health Trust for rents and royalty payments, and construction material sales from the mining industry for activities on Trust lands.

In 2005, payments to **local governments** in Alaska totaled \$11.4 million, including:

- ▶ \$6.3 million in payment in lieu of taxes (PILT) by Red Dog to the Northwest Arctic Borough.
- ▶ \$3.5 million in property taxes paid by Fort Knox/True North to the Fairbanks North Star Borough.
- ▶ \$818,200 in property taxes paid by Greens Creek Mine to the City and Borough of Juneau.
- ▶ \$500,000 in the first PILT payment made by Pogo Mine to the City of Delta Junction.
- ▶ \$143,000 in property taxes paid by Usibelli Coal Mine to the Fairbanks North Star Borough and \$70,100 in other taxes to the Denali Borough.
- ▶ \$48,425 in personal and real taxes paid by the Alaska Gold Company to the City of Nome.

Partnering with Alaska Native Corporations

In 2005, \$17.5 million was paid by mines to Native corporations, up 59 percent from 2004.

- ▶ Teck Cominco paid \$17 million in net smelter royalty payments to NANA. Of the 2005 royalty payment, \$9.9 million was redistributed to the other 11 ANSCA regional corporations as part of its 7(i) payments. Teck Cominco has paid approximately \$134 million in total royalties to NANA from 1982 to 2005.
- ▶ In 2005, of the 518 employees at Red Dog, approximately 121 were employed by NANA/Lynden and NANA Management.
- ▶ In 2006, Donlin Creek Project had 214 Calista shareholder (or their descendents) employees, making up 90 percent of the Project's supervisors and 89 percent of its on-site employees.

2006 and the Near Future

- ▶ Pogo Mine poured its first gold in February 2006, employing around 250 workers.
- ▶ Rock Creek/Big Hurrah projects are scheduled for production in 2007, employing 135 workers.
- ▶ Kensington Mine is scheduled for production in 2007, employing 225 workers.
- ▶ Chuitna Coal Project development may support up to 450 construction jobs, and 300 to 350 jobs once in production.
- ▶ Nixon Fork re-opened in late 2006 and expects to hire 97 employees once in full production.