RECENT SAFETY MILESTONES

Kinross Fort Knox
1.6 million hours no Loss Time Injury (LTI)
2015: Int’l Society of Mine Safety Professionals Awards
2012-2014: 2.6 million hours no LTI

Sumitomo Pogo
2015: surpassed 2 years no LTI
2014: surpassed 1 million manhours no LTI
2009: MSHA Underground Mine Sentinels of Safety

Teck Red Dog
2009 & 2011: surpassed 1 million manhours no LTI
2009 - The Journey to Courageous Safety Leadership

Coeur Alaska – Kensington Mine
2015: Employee Led Behavior Safety Program
2011: Alaska Governor’s Safety Award

Hecla Greens Creek
2013: NIOSH Safety & Health Technology Innovation Award

Usibelli Coal Mine
540 days no LTI
If Alaska were a country, we would be the eighth most mineral-rich nation in the world.”
- Governor Bill Walker, 2016 State of the State Address

Are the right policies in place to encourage development and production of critical and strategic minerals in Alaska?
Only 6 large mines

- 8,700 direct & indirect jobs
- $83.7 million to state gov’t
- $18.5 million to local gov’t
- $144 million to Native Corps
- $500 million to Alaska businesses

…while maintaining highest environmental and safety standards.

Plus the impact of small mines and exploration

2014

Alaska Miners Association
Council of Alaska Producers
ALASKA MINERAL DEVELOPMENT
TIMELINES AND INVESTMENT

Longer lead times and more $$

Successes

- Greens Creek
- Red Dog
- Fort Knox
- Pogo
- Kensington

Development Timeline in Years
Companies pay exploration, development and construction costs. This often includes access and infrastructure, unlike in L48. Reimbursable Service Agreements. Financial assurance for reclamation and closure.
AIDEA’S RETURN ON INVESTMENT

• Mission: encourage Alaska’s economic growth
• By 2014, AIDEA had already received >$355 million in payments from its $265 million investment in the Red Dog port and road and will continue to receive payments until 2034
MINING INDUSTRY TRENDS

Production value in $ Billions

Jobs

Kensington starts production

Pogo starts production

Year:
- 2000
- 2001
- 2002
- 2003
- 2004
- 2005
- 2006
- 2007
- 2008
- 2009
- 2010
- 2011
- 2012
- 2013
- 2014
- 2015
100% of Fort Knox employees live in the Fairbanks North Star Borough
70% of Greens Creek employees live in Alaska
Usibelli’s local hire is 99%
Kensington Mine's local hire is 70%
NANA shareholders fill 57% of 610 year-round jobs at Red Dog
Pogo’s local hire rate is 70%
The industry supports scholarships and training programs to increase the resident hire rate
ALASKA MINERAL DEVELOPMENT TIMELINES

Still Seeking Success

Development Timeline in Years

- Arctic/Bornite
- Chuitna
- Livengood
- Pebble
- Donlin
- Palmer Project
- Niblack Project
- Bokan-Dotson Ridge
LACK of INVESTOR CONFIDENCE
EXPLORATION SPENDING DECLINES

**SNL Metals 3/2015**

**ADNR/DCCED Mineral Industry reports**
2012
24 exploration projects
Spending $100,000-$5 million

2013
17 exploration projects
Spending $100,000-$10 million
120+ communities with mining industry employees

50+ communities with mining industry employees
Attract investment and encourage a robust, responsible mining industry that contributes to Alaska’s economic diversity by providing good jobs, procurement and contract opportunities for local businesses, state and local government revenue and revenue sharing to Alaska Native Corporations.
## MINING PAYS ITS WAY:

<table>
<thead>
<tr>
<th>State revenue from mining</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMLT</td>
<td>38,700,000</td>
</tr>
<tr>
<td>State corporate income tax</td>
<td>17,300,000</td>
</tr>
<tr>
<td>State Fuel Taxes</td>
<td>*</td>
</tr>
<tr>
<td>AIDEA facilities user fees</td>
<td>12,000,000</td>
</tr>
<tr>
<td>State mineral rents and royalties</td>
<td>13,500,000</td>
</tr>
<tr>
<td>State coal rents and royalties</td>
<td>1,400,000</td>
</tr>
<tr>
<td>State material sales</td>
<td>600,000</td>
</tr>
<tr>
<td>State mining miscellaneous fees</td>
<td>200,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$83,700,000</strong></td>
</tr>
</tbody>
</table>

Source: DNR/DCCED Alaska’s Mineral Industry 2014
“Fiscal Effects of Commercial Fishing, Mining, & Tourism. What does Alaska receive in revenue? What does it spend?”
Bob Loeffler and Steve Colt, Institute of Social and Economic Research, University of Alaska Anchorage, 2016
Alaska competes against the world for investment. Appropriate comparison is with other countries, not just US states.

Appropriate comparison is total tax take, not just royalty. A royalty-to-royalty comparison is misleading unless you also show what other taxes are levied.

Alaska is the only US state with general domain state land. Most other states’ “state land” involves isolated trust parcels. State royalty is not a large factor.
How is net income calculated?

Gross revenue = net smelter revenue (not the same as world price for refined product)
Minus allowable costs (initial and ongoing exploration costs are not deductible)
  Transportation
  Wages and benefits
  Consumables
  Allowable development
  Depreciation/Amortization
  Interest expense and taxes

= Net income
Minus depletion allowance
= Net taxable income
US top metal mining states are NV and AZ

Mineral tax comparisons should be with these states

**Nevada:**
- 5% net proceeds tax
- No corporate income tax
- 2% gross payroll > $50,000/quarter
- Property and sales taxes

**Arizona:**
- 2.5% of 50% of difference between gross value and production costs
- 6% corporate income tax
- Property and sales tax
CORPORATE TAX RATES

<table>
<thead>
<tr>
<th>State/Prov</th>
<th>Federal</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALASKA</td>
<td></td>
</tr>
<tr>
<td>AZ</td>
<td></td>
</tr>
<tr>
<td>UT</td>
<td></td>
</tr>
<tr>
<td>NV</td>
<td></td>
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<tr>
<td>SD</td>
<td></td>
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<tr>
<td>WY</td>
<td></td>
</tr>
<tr>
<td>CA/YK</td>
<td></td>
</tr>
<tr>
<td>CA/BC</td>
<td></td>
</tr>
</tbody>
</table>
“Pure” Mineral Potential (assumes best practices policy regime)

1. Yukon
2. Nevada
3. Alaska (in top 5 since 2010)
4. Chile
5. British Columbia

122 jurisdictions

Policy Perception

23rd Alaska
Investment Attractiveness

1. Finland 6. Quebec
2. Saskatchewan 7. Wyoming
5. W. Australia 10. Alaska

Current Mineral Potential
(does current policy environment encourage or discourage mining)

28th Alaska (11th in 2013, 6th in 2012)

122 jurisdictions
POTENTIAL

“If Alaska were a country, we would be the eighth most mineral-rich nation in the world.”

- Governor Bill Walker, 2016 State of the State Address

Are the right policies in place to encourage development and production of critical and strategic minerals in Alaska?
## ALASKA’S MINERAL INDUSTRY REPORT

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mineral value</td>
<td>$3.419B</td>
<td>$3.282B</td>
<td>-4%</td>
</tr>
<tr>
<td>Estimated revenue to State of</td>
<td>$142.5M</td>
<td>$102.2M</td>
<td>-28%</td>
</tr>
<tr>
<td>Alaska and municipalities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exploration spending</td>
<td>$175.5M</td>
<td>$96.2M</td>
<td>-45%</td>
</tr>
<tr>
<td>Jobs</td>
<td>4,051</td>
<td>2,967</td>
<td>-27%</td>
</tr>
</tbody>
</table>

Alaska’s Mineral Industry Report 2014
http://dggs.alaska.gov/pubs/minerals
ARE WE ATTRACTING INVESTMENT?

• There will always be a need for metals in the global economy
• But, we see greater competition for fewer global dollars and share prices reflect lack of investor confidence
• AK challenges: infrastructure, permitting, only element we control: perception of positive investment climate, AK open for business
• Ultimate goal is new mines making greater contribution through jobs, state and local revenue, opportunities for AK businesses, etc.

• The limited capital will go to jurisdictions that encourage mineral development