

# **Annual Mining Industry Briefing Joint Senate/House Resources Committees**

February 25, 2009



## **Today's Agenda**

- The Economic Benefits of Alaska's Mining Industry – Jim Calvin, McDowell Group
- Review of Major Mines and Projects
  - Steve Borell, Alaska Miners Association



# The Economic Benefits of Alaska's Mining Industry in 2008

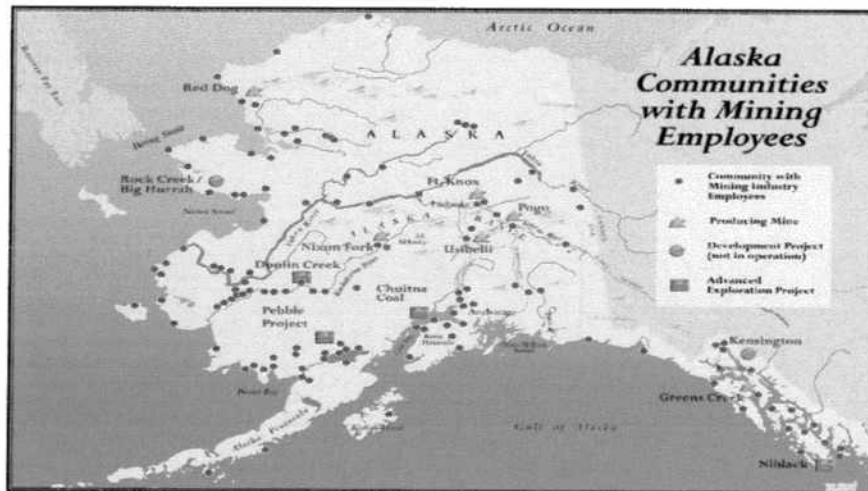
Presented by:  
Jim Calvin, Principal  
McDowell Group, Inc.  
*Anchorage • Juneau*

## Statewide Employment Impacts, 2008 Estimates



- 3,500 direct jobs
- 5,500 total jobs
- \$350 million total payroll
- \$82,600 average industry wage

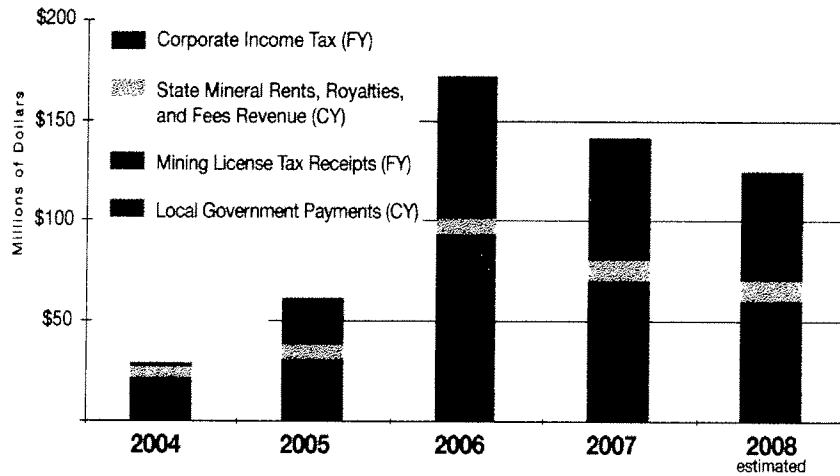
## Alaska Communities with Mining Employees



### 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	✓	✓	✓

### State and Local Government Revenue Impact



### Payments to Local Government

- \$15.6 million to local governments in 2008
  - \$11.0 million in PILT to NWAB (Red Dog)
  - \$2.8 million in property taxes to FNSB (Fort Knox)
  - \$1.3 million in property taxes to CBJ (Greens Creek and Kensington)
  - \$500,000 in PILT to City of Delta Junction (Pogo)
  - Additional tax payments to Denali Borough, City of Nome and others

## Payments to State Government

- \$105 million in *estimated* 2008 state revenue
  - \$55 million in mining license tax, rents, royalties, fees and other payments
  - \$50 million in corporate income taxes

### *PLUS...*

- \$18.5 million to the Alaska Railroad Corporation for moving coal, sand and gravel
- \$22 million to AIDEA for use of state-owned facilities (Skagway Ore Terminal and Delong Trans. System)
- \$1.6 million to the Alaska Mental Health Trust for rents and royalty payments, and material sales

## Rural and Native Benefits



### *Royalties....*

- Red Dog paid royalties of \$212 million to NANA in 2008
  - \$122 million redistributed to other ANCSA regional and village corporations

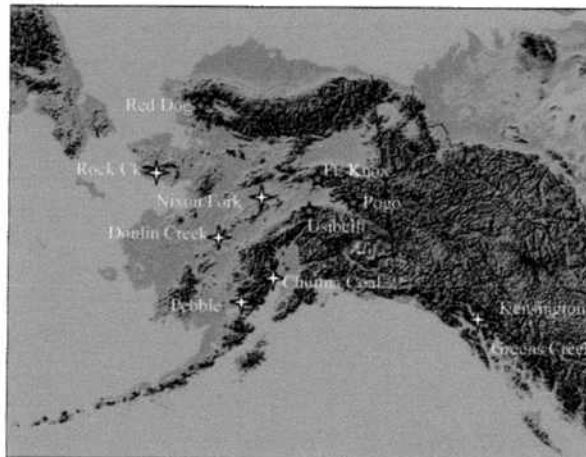
### *Employment....*

- 56% of Red Dog's 485 jobs held by NANA shareholders
- 86% of Donlin Creek's 210 jobs held by Calista shareholders

# Alaska Major Mines and Projects

★ Producing mine

✦ Developing and major exploration projects



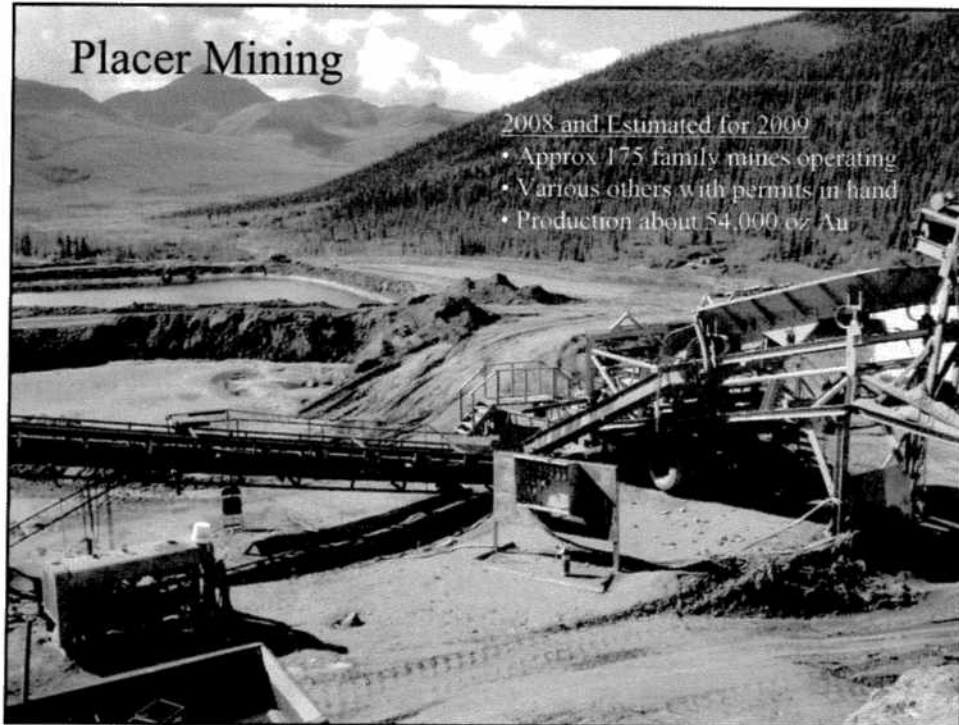
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## Placer Mining

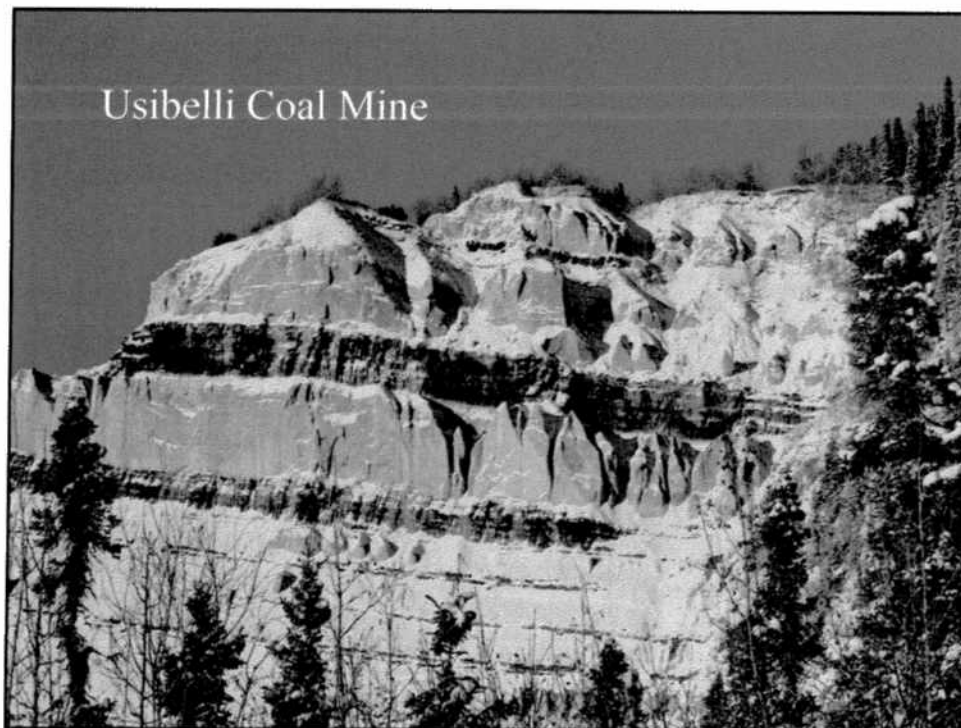
2008 and Estimated for 2009

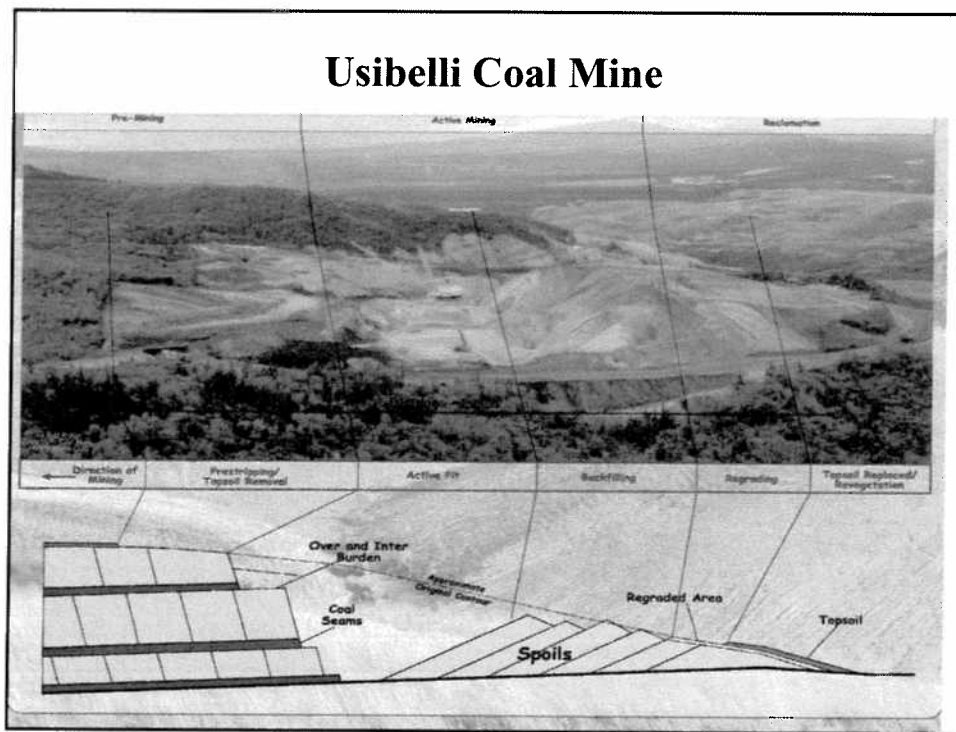
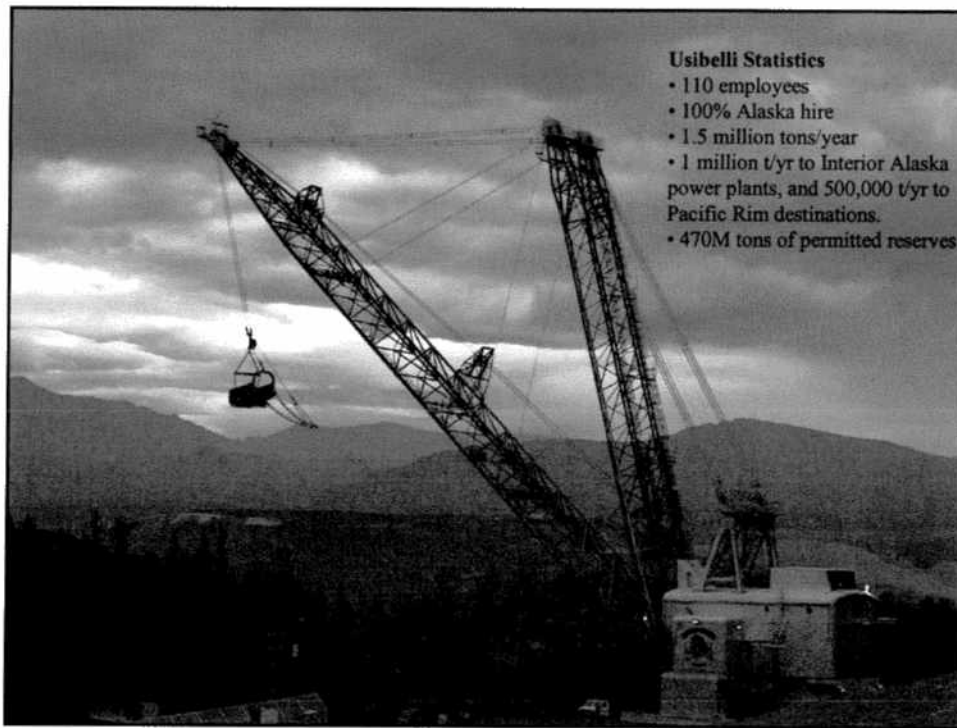
- Approx 175 family mines operating
- Various others with permits in hand
- Production about 54,000 oz Au



## **Large Operating Mines**

- |                   |                    |
|-------------------|--------------------|
| 1. Two Bull Ridge | Usibelli Coal Mine |
| 2. Greens Creek   | Hecla              |
| 3. Red Dog        | Teck               |
| 4. Fort Knox      | Kinross Gold       |
| 5. Pogo           | Teck Pogo          |







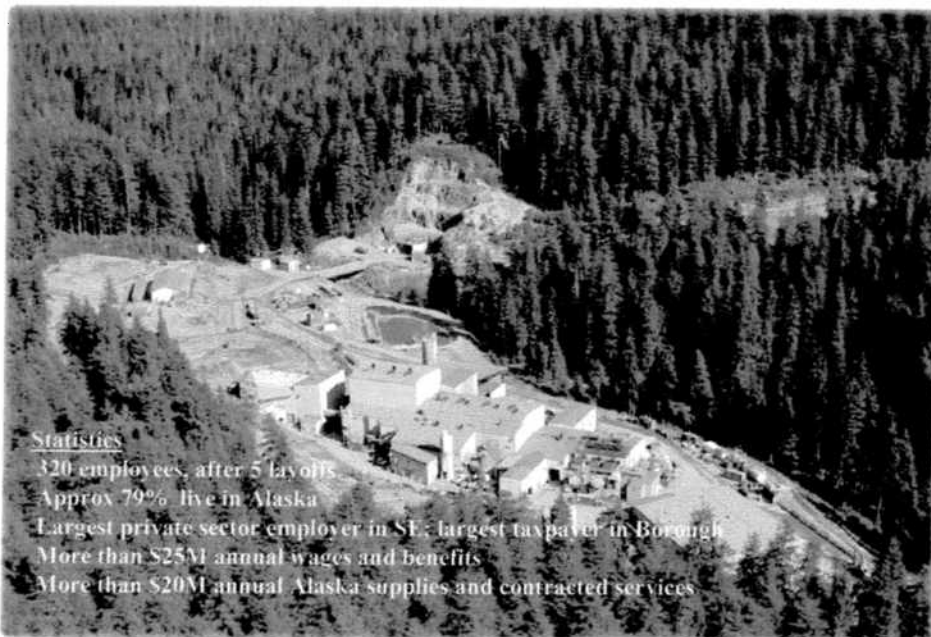
## World Wide Economic Downturn - Challenges for 2009



- metal prices now down to levels last seen 5 years ago
- costs still much higher than 5 years ago
- fuel purchased at the peak in July 2008 for the following year



## Greens Creek Mine



### Statistics

- 320 employees, after 5 layoffs
- Approx 79% live in Alaska
- Largest private sector employer in SE; largest taxpayer in Borough
- More than \$25M annual wages and benefits
- More than \$20M annual Alaska supplies and contracted services

## GREENS CREEK MINE ISOMETRIC



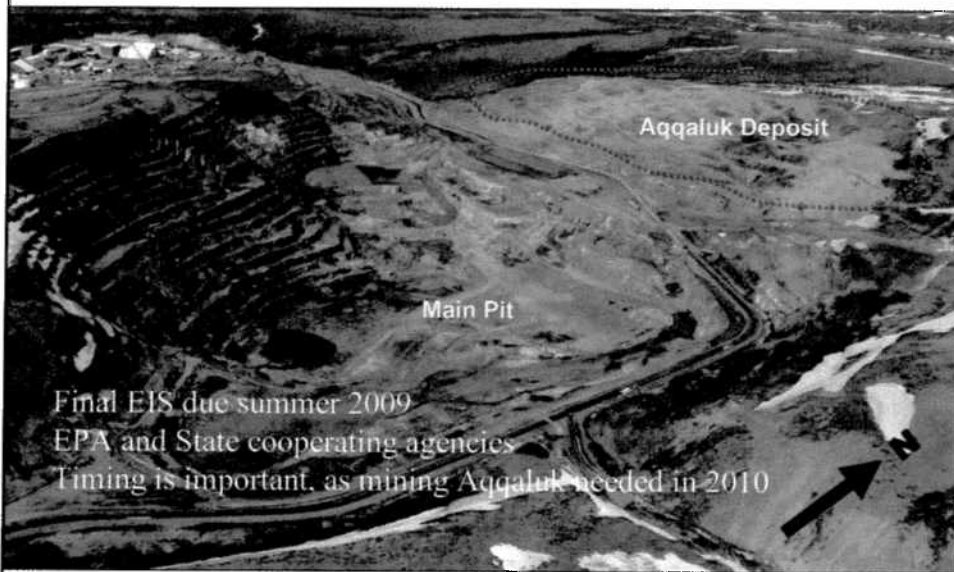
## Greens Creek Ship Loading Facilities



Red Dog Mine



Supplemental Environmental Impact Statement  
EPA studying last 20 and next 20 years operations



Final EIS due summer 2009  
EPA and State cooperating agencies  
Timing is important, as mining Aqqaluk needed in 2010

## **Red Dog Port Site – Delong Mts. Transportation System (DMTS)**



### **Red Dog Statistics**

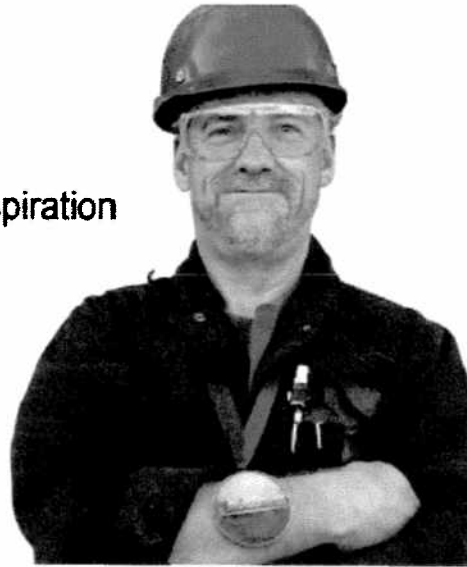
- 485 employees and full time contractors, no layoffs expected
- Improvements in safety
- 57% NANA shareholder hire
- \$50M annual mine wages & benefits
- \$110M with NANA JV companies
- \$10.8M spent to date on search for Natural Gas
- \$22.5M paid to AIDEA



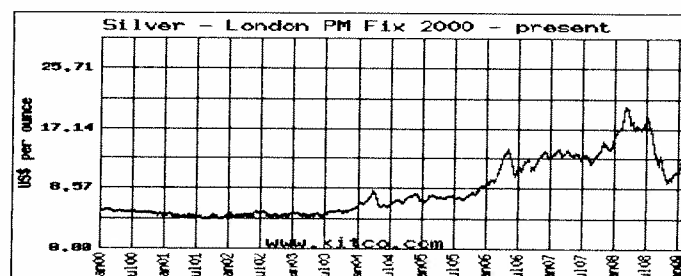
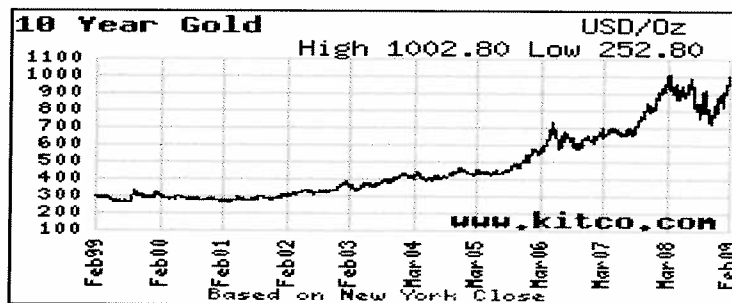
- 2008 Production down 10%
- Payments to NWAB down 30% to \$8M
- Taxes to State pending – down significantly

## 2010 Winter Olympics

Precious Metals:  
The Source of Inspiration

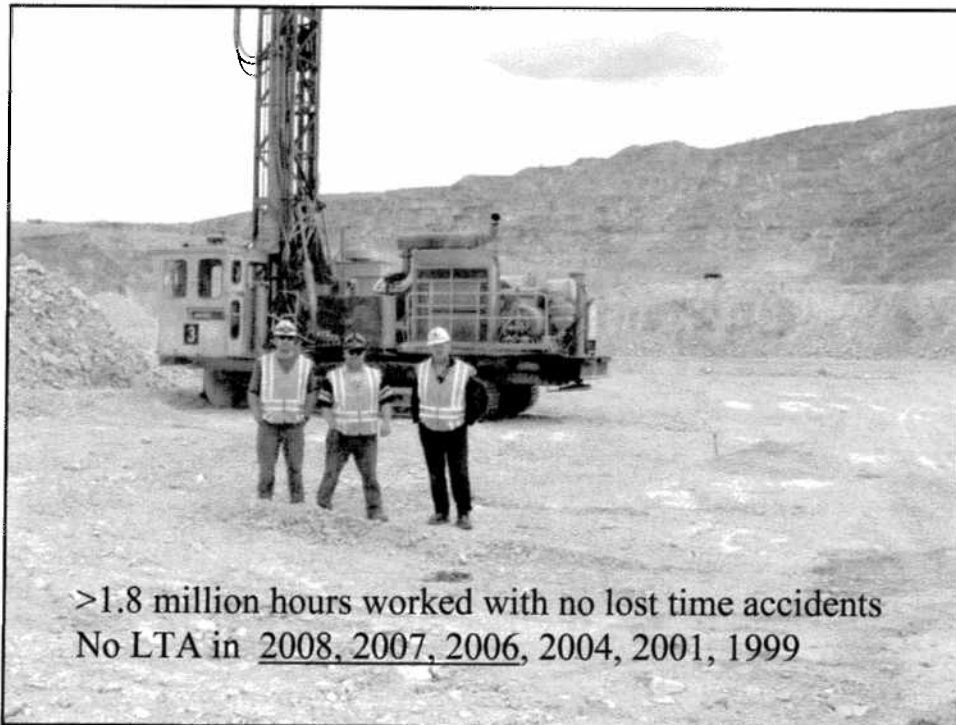


## Gold & Silver Prices for Past 10 years



## Fort Knox Statistics 2008

- 450 employees + 30 full time contractors
- \$38M annual wages & benefits
- \$28M/yr for electricity
- \$15M/yr for fuel



>1.8 million hours worked with no lost time accidents  
No LTA in 2008, 2007, 2006, 2004, 2001, 1999

**KINROSS**

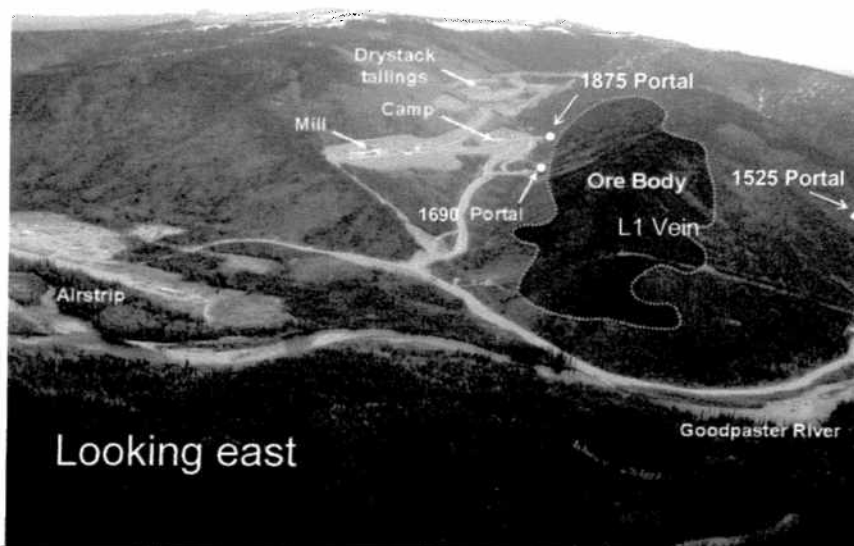
## Fort Knox Mine

### 2009 Status and Plans

- Production: Approx 330,000 oz
- Heap leach facility under construction
- Phase 7 pit expansion – began Oct. 2008
- Continue exploration/drilling for potential Phase 8
- Mine life extended to 2014

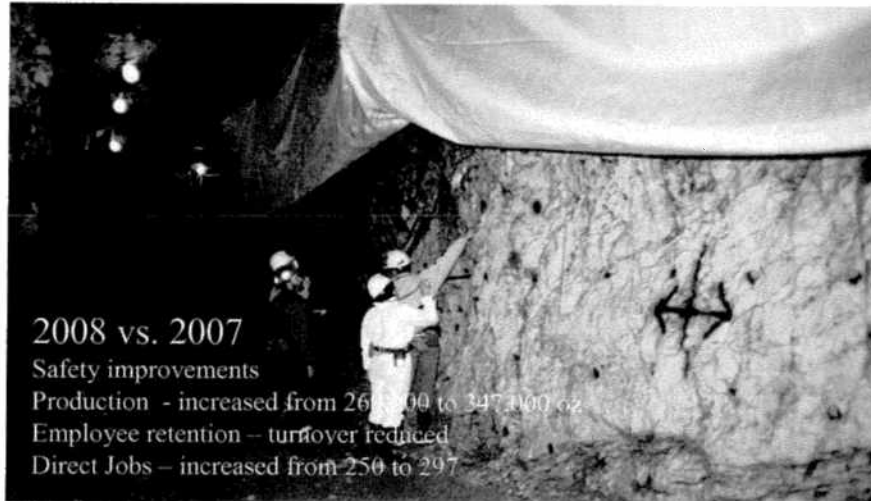


### Pogo Surface Facilities & Underground Orebody

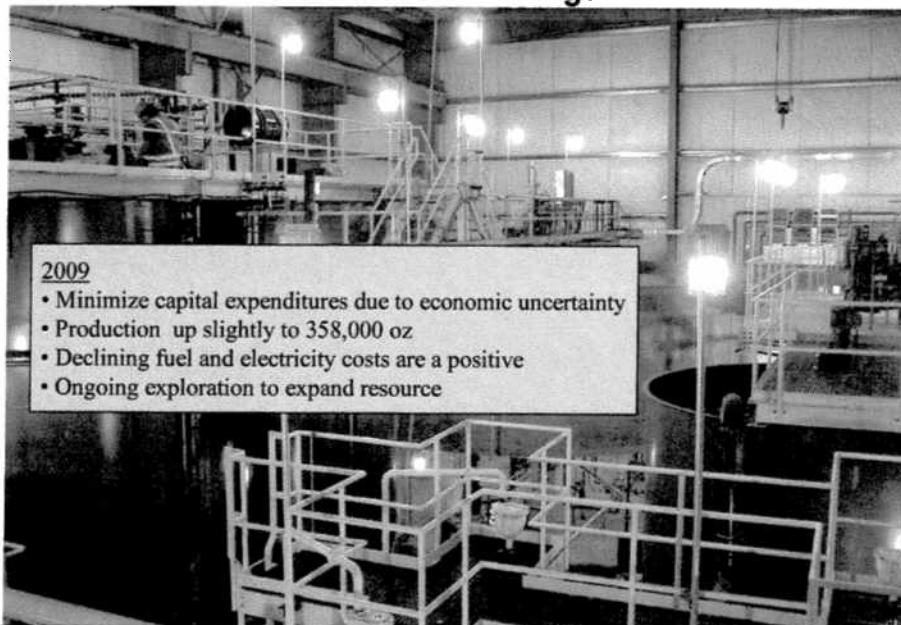


## Pogo 2008 Highlights

### Major Operational Improvements



### Pogo Water Treatment Plant treats mine water before discharge





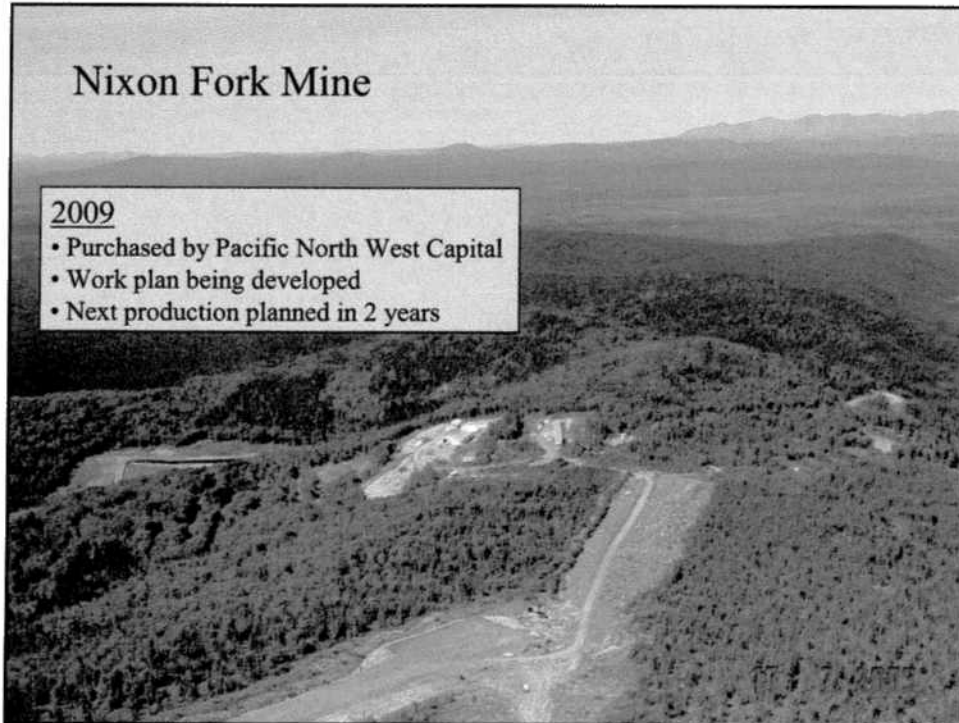
## **Mines Currently in Idle Status**

- |                      |                                   |
|----------------------|-----------------------------------|
| <b>1. Nixon Fork</b> | <b>Pacific North West Capital</b> |
| <b>2. Rock Creek</b> | <b>Alaska Gold/NovaGold</b>       |
| <b>3. Kensington</b> | <b>Coeur Alaska</b>               |

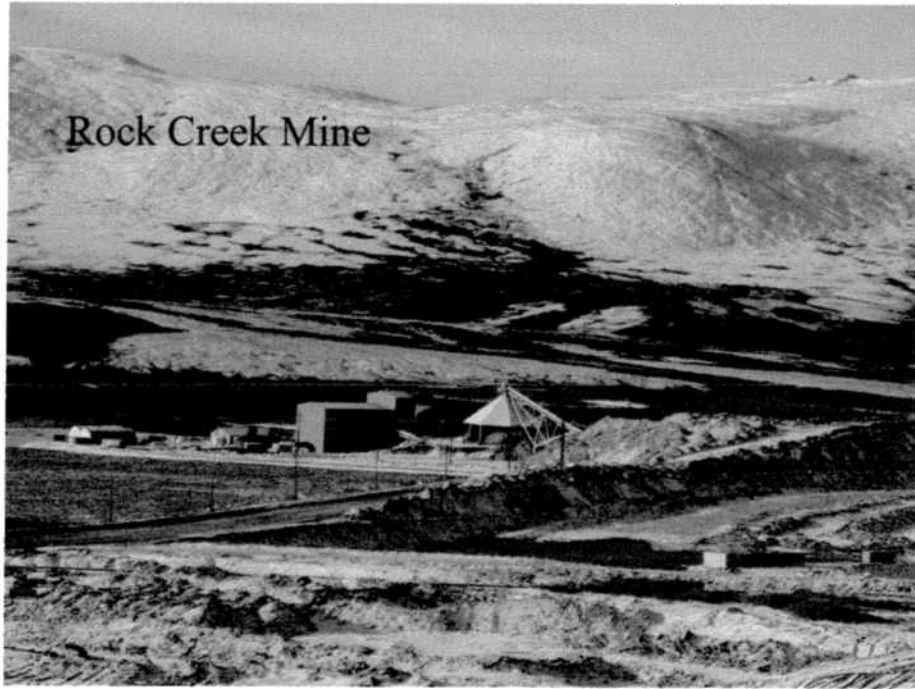
### **Nixon Fork Mine**

2009

- Purchased by Pacific North West Capital
- Work plan being developed
- Next production planned in 2 years

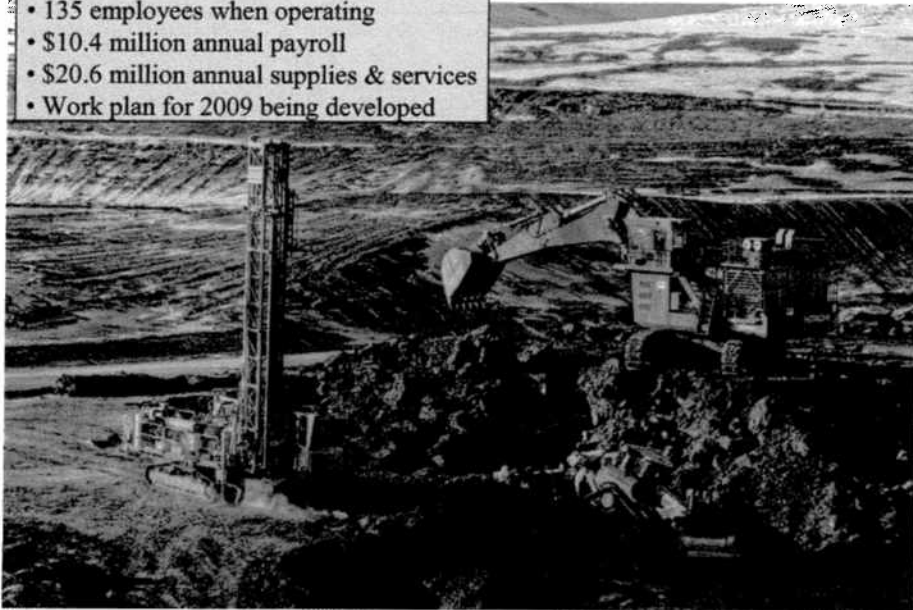


## Rock Creek Mine

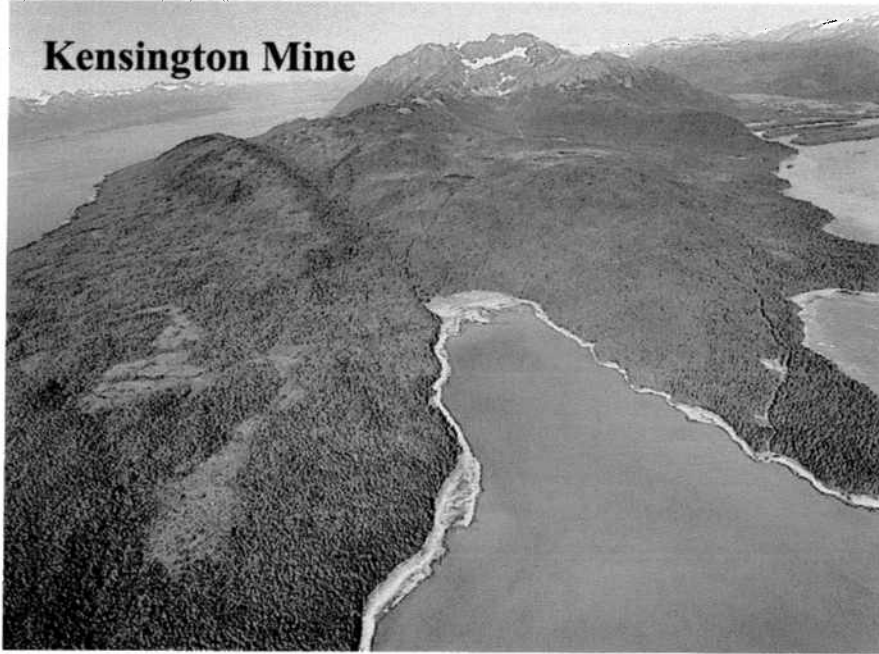


### Rock Creek Statistics

- 135 employees when operating
- \$10.4 million annual payroll
- \$20.6 million annual supplies & services
- Work plan for 2009 being developed

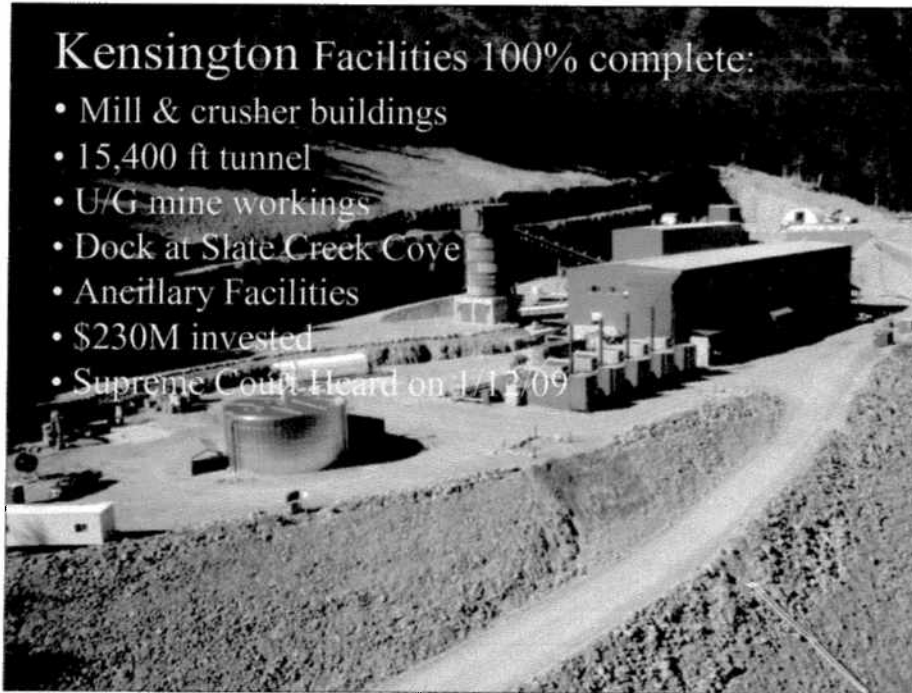


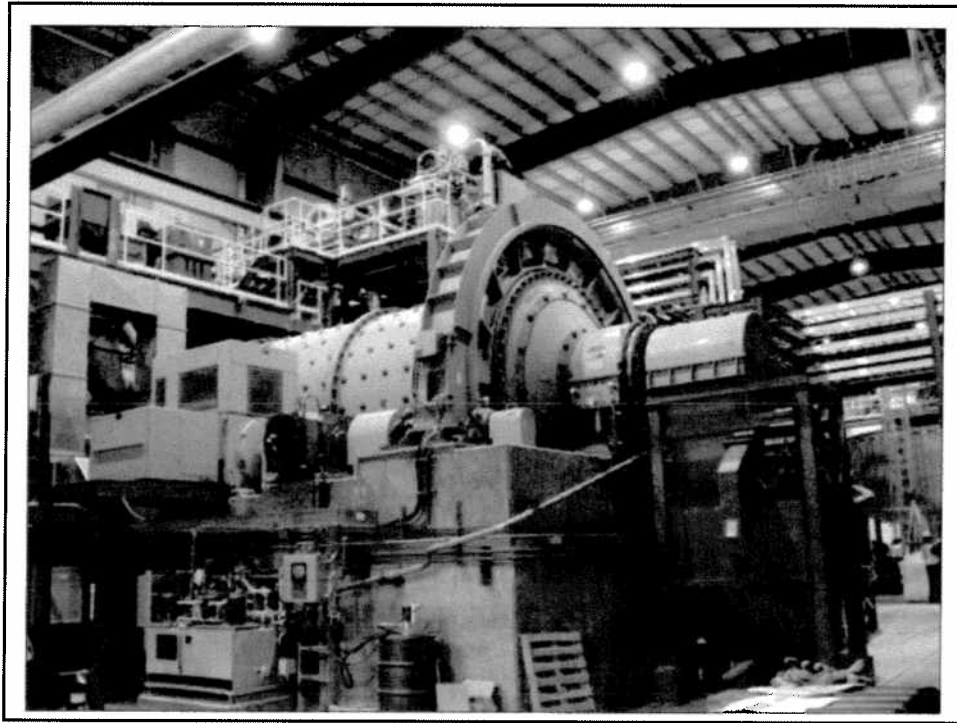
## Kensington Mine



## Kensington Facilities 100% complete:

- Mill & crusher buildings
- 15,400 ft tunnel
- U/G mine workings
- Dock at Slate Creek Cove
- Ancillary Facilities
- \$230M invested
- Supreme Court Heard on 1/12/09





## **Projects in Advanced Exploration and Permitting**

### **Advanced Permitting:**

1. Chuitna Coal      PACRIM Coal

### **Advanced Exploration/Pre-permitting:**

2. Donlin Creek      Barrick/NovaGold JV
3. Pebble Partnership      NDM/Anglo American JV

# Chuitna Coal Project

Management transition in 2008

## Project Statistics

- Total Investment +\$600M
- 350 full-time jobs

## Chuitna Coal Mine

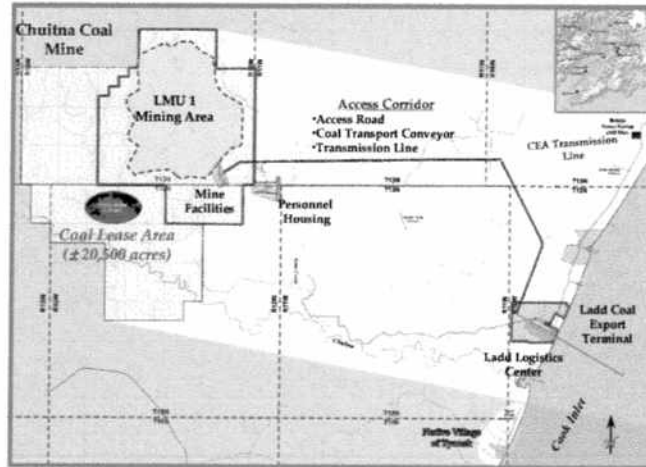
- 12MMTPy design capacity
- 300MMT mineable (LMU1)

## Infrastructure

- 9 to 12 mile Access road & coal conveyor (alternatives under review)
- 138 Kv power line
- Personnel housing & airstrip

## Ladd Landing

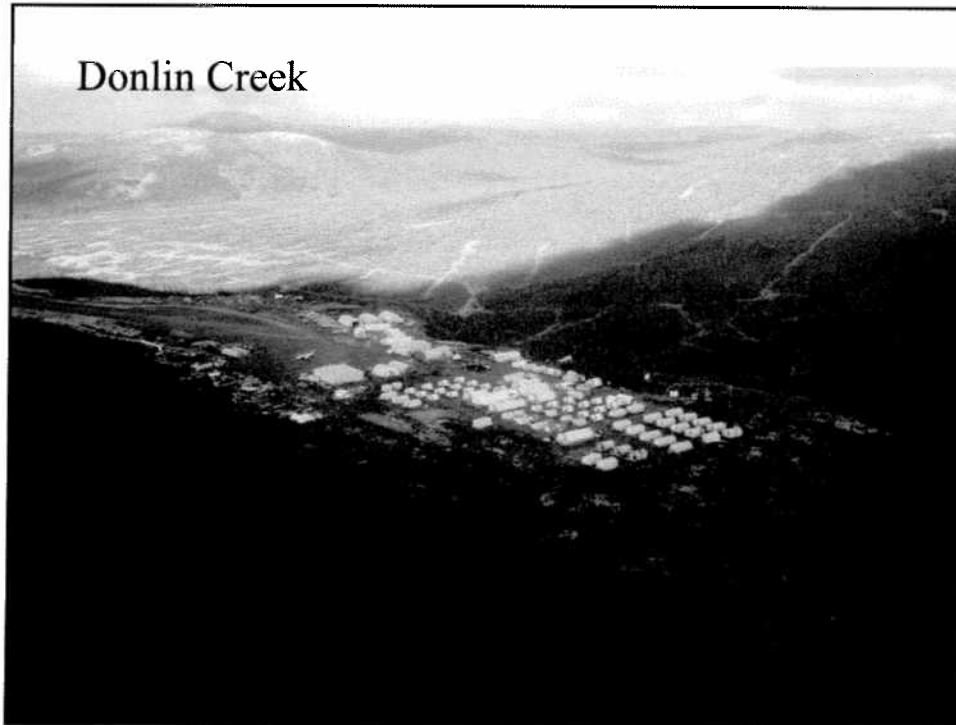
- Logistics center
- Export terminal
- Cape Class vessels 60ft draft



## Permit Status

- ASCMCR permit applications filed, public review process projected 4<sup>th</sup> Qtr 2009
- Draft SEIS in process, anticipate public review process 4<sup>th</sup> Qtr 2009
- Projected approval anticipated for late 2010

## Donlin Creek



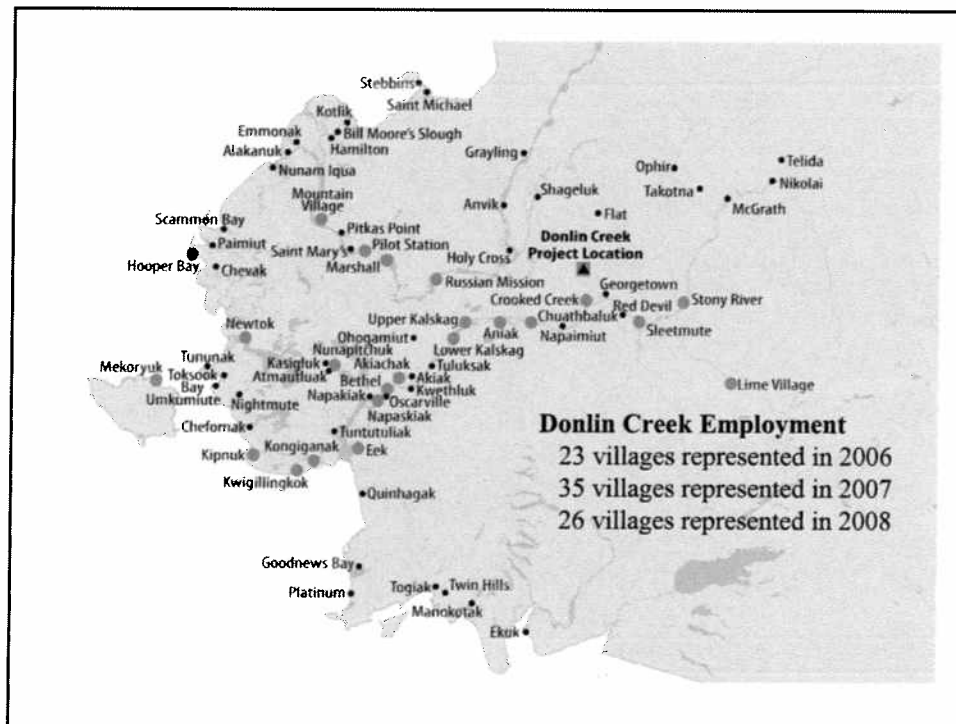
# Donlin Creek Update

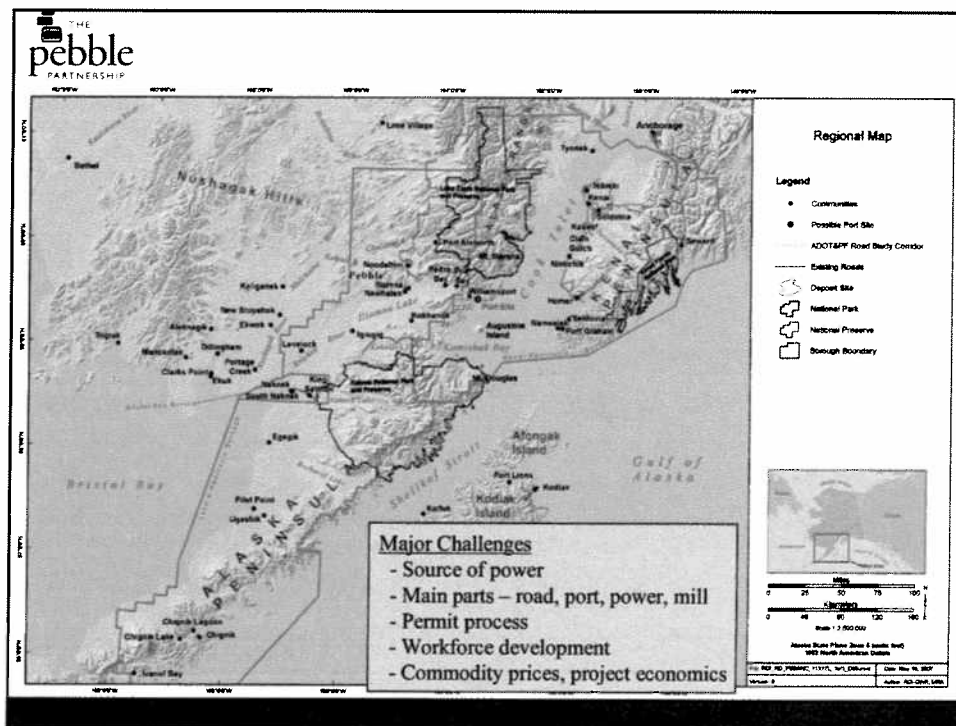
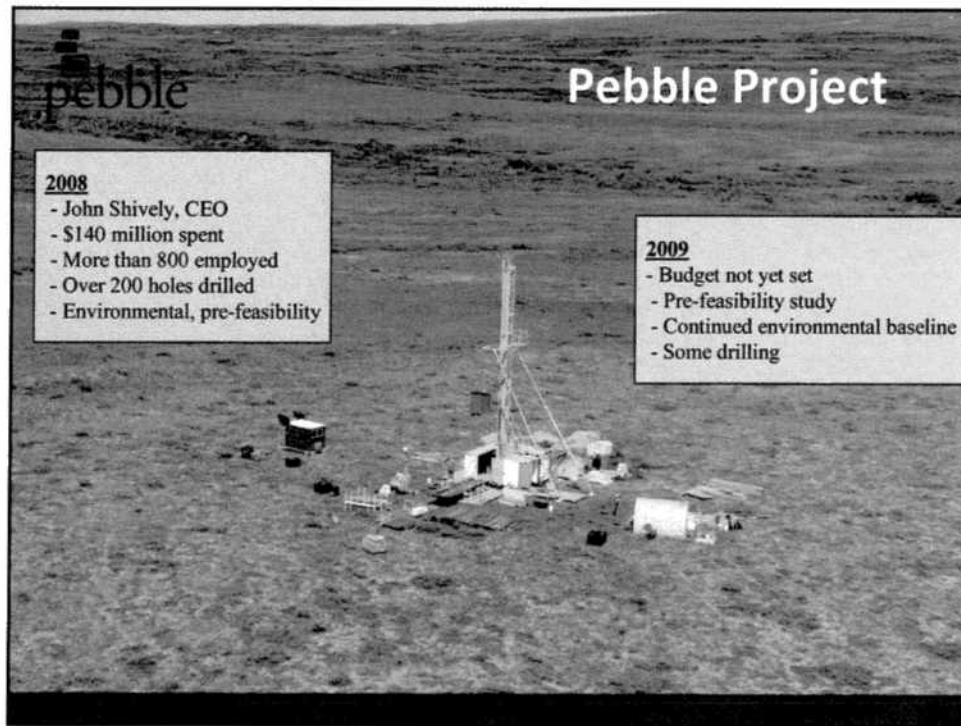
## 2008

- Completed 33,500 m of drilling
- 138 employees representing 26 Y-K villages
- Advanced project engineering and baseline environmental studies

## 2009

- Finalize the project feasibility study
- Submit permit applications for the project
- Conduct pre-permitting meetings with Y-K region stakeholders
  - Meetings held with representatives of 35 villages to date
  - Scheduled to meet with remaining Y-K villages in March
  - Feedback will be incorporated into permit application documents and plans





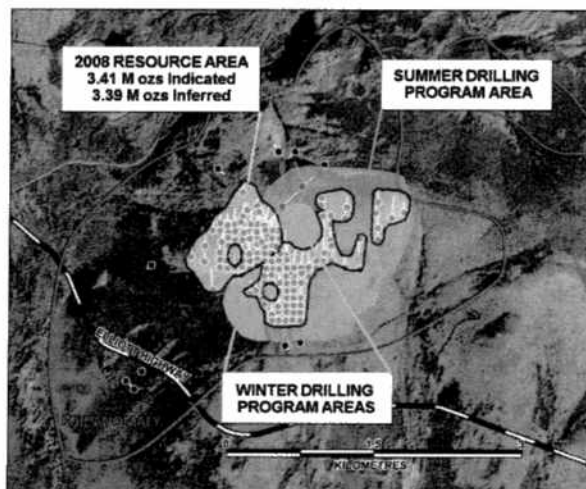
## Grassroots (early stage) Exploration

- 30 projects spent >\$1 million each in 2008
- Expect fewer in 2009

### Examples

- International Tower Hill Mines - Livengood
- Committee Bay Resources - Niblack
- Full Metal Minerals – Lucky Shot

## International Tower Hill Livengood, Money Knob Project



### Money Knob Project

Phase I & II drilling - 2008

Phase III drilling - Winter 2009

Phase IV drilling – 2009

2009 Budget = \$8.5 million (\$8m in 2008)

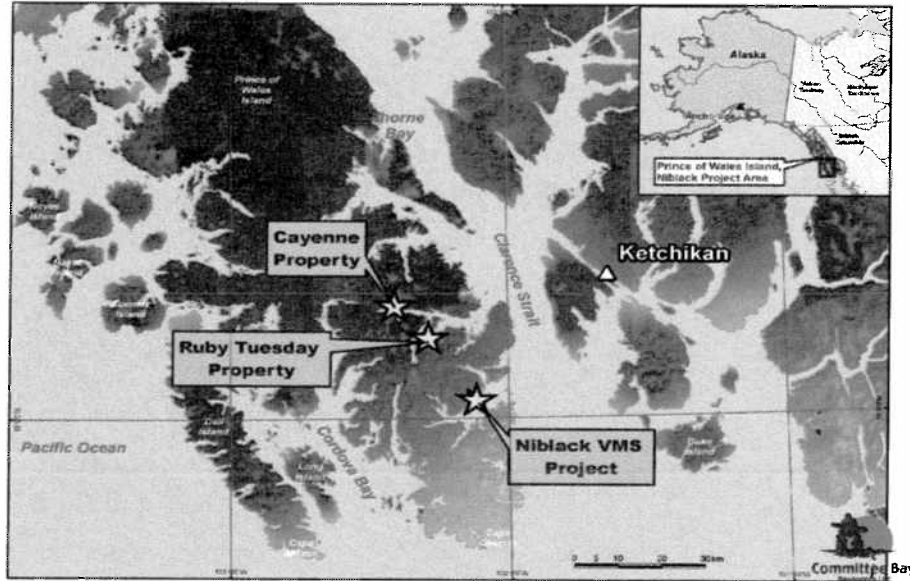
45 employees (42 in 2008)

### Other Alaska Projects

\$1.5m in 2009 ((\$2m in 2008)

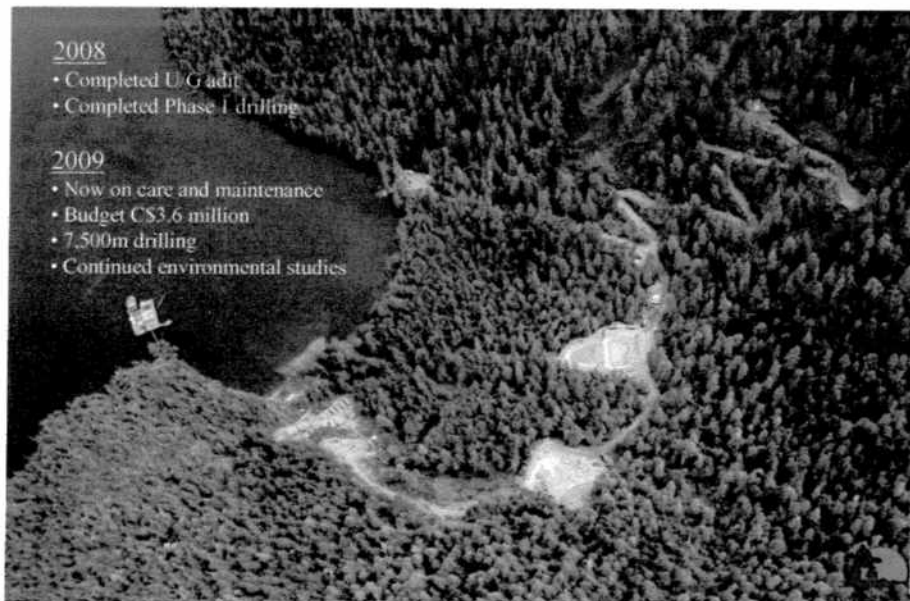


## Committee Bay Resources Niblack Project



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## Niblack Project



### 2008

- Completed U.G. audit
- Completed Phase I drilling

### 2009

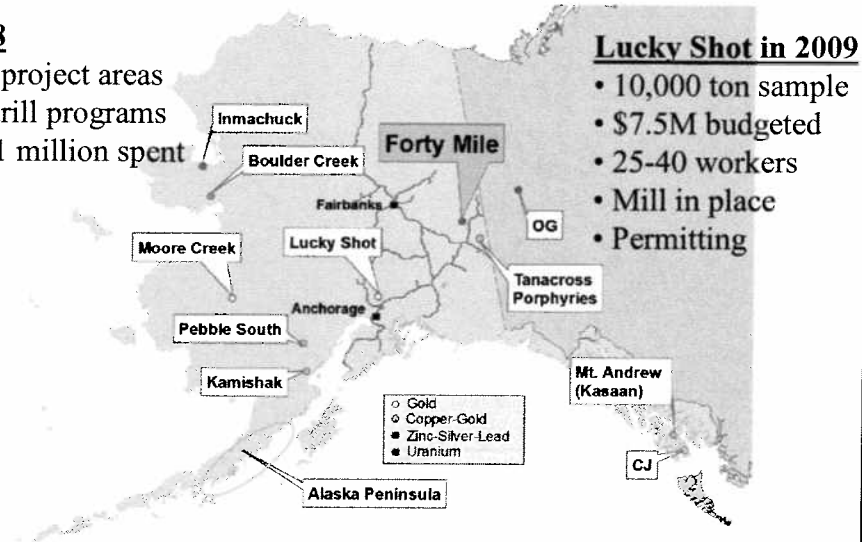
- Now on care and maintenance
- Budget C\$3.6 million
- 7,500m drilling
- Continued environmental studies

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## Full Metal Minerals

### 2008

- 11 project areas
- 5 drill programs
- \$21 million spent



### Lucky Shot in 2009

- 10,000 ton sample
- \$7.5M budgeted
- 25-40 workers
- Mill in place
- Permitting

