

Mining Industry Briefing

Alaska Miners Association
Council of Alaska Producers

Joint House/Senate Resources Committees
February 22, 2012

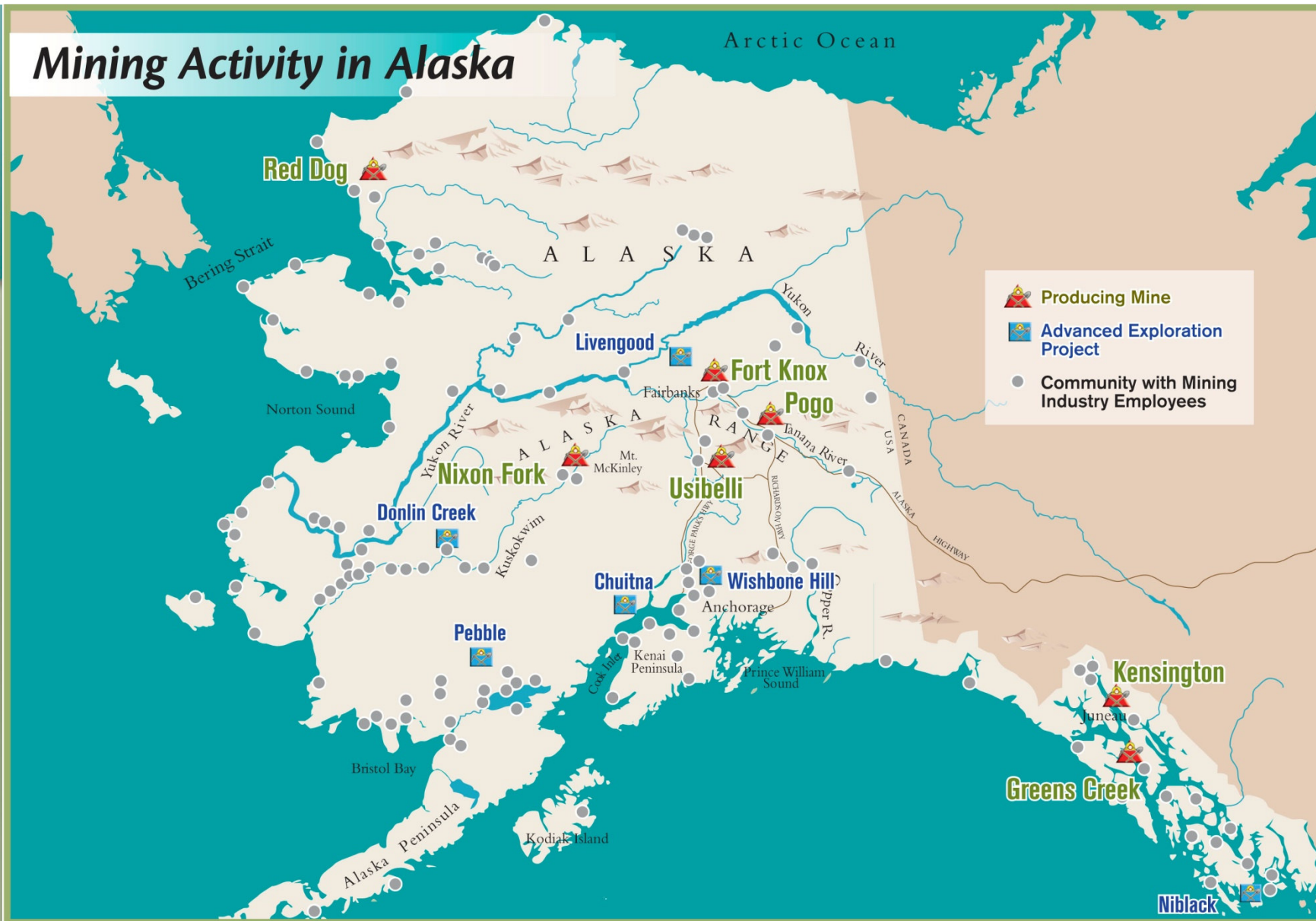


Mining Works for Alaska – 2011

- ▶ Seven producing large mines
- ▶ 30 exploration projects >\$1 M
- ▶ >4,500 direct mining jobs
- ▶ \$100,000 average annual wage



Mining Activity in Alaska



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2011 Operational Milestones

- ▶ New, more efficient mills– Red Dog
- ▶ 5 Moz Strong – Ft. Knox
- ▶ Investment in the future – Pogo
- ▶ Record exports– Usibelli



2011 Operational Milestones

- ▶ A new beginning – Nixon Fork
- ▶ First full year – Kensington
- ▶ Tails Expansion – Greens Creek



2011 Development Milestones

- ▶ Feasibility Update – Donlin Gold
- ▶ PA complete – Livengood
- ▶ Environmental Baseline Studies – Pebble



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2011 Development Milestones

- ▶ Partnerships – NANA/Novacopper
- ▶ Increased Resources – Niblack
- ▶ SEIS work continues– Chuitna
- ▶ Feasibility + Permitting– Wishbone Hill



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2011 Exploration Milestones

- ▶ Exploration investment up 13%
- ▶ >60 Exploration projects
- ▶ Juniors lead the way



2011 REE/Critical Minerals



- ▶ State funding of REE Inventory
- ▶ Ucore investment at Bokan Mountain
- ▶ Alaska strategically poised to be a world leader

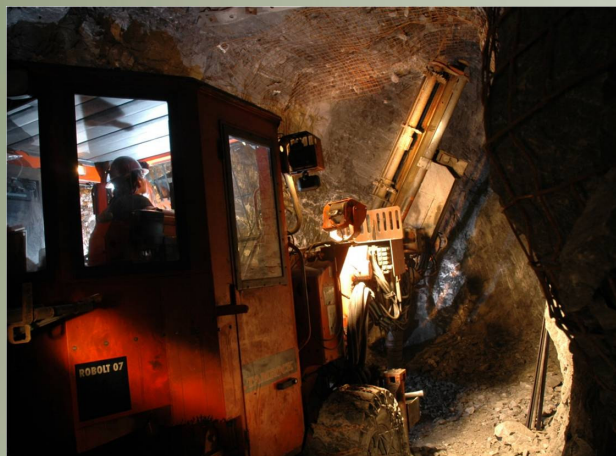
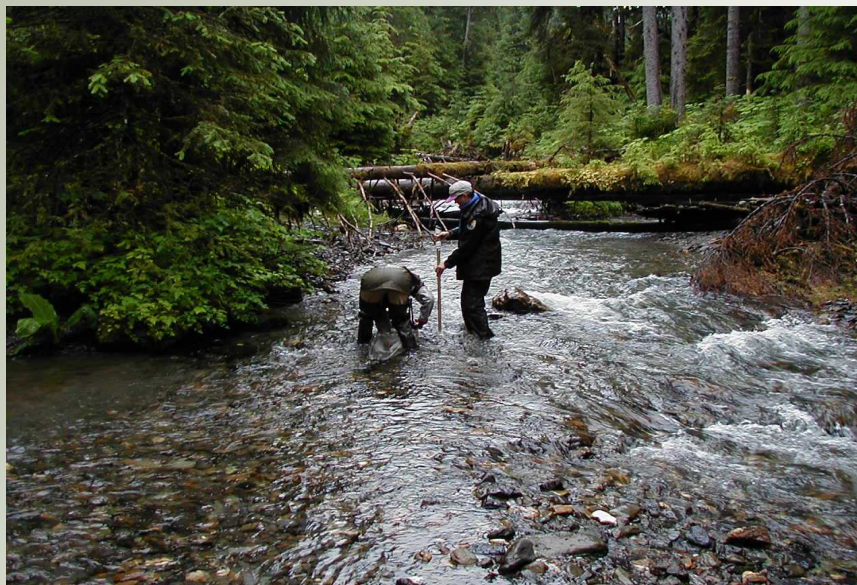
2011 Placer Mining

- ▶ >200 Placer Mines
- ▶ >70,000 Oz Mined



Challenges

- ▶ High Risk
- ▶ Infrastructure
- ▶ Perceptions



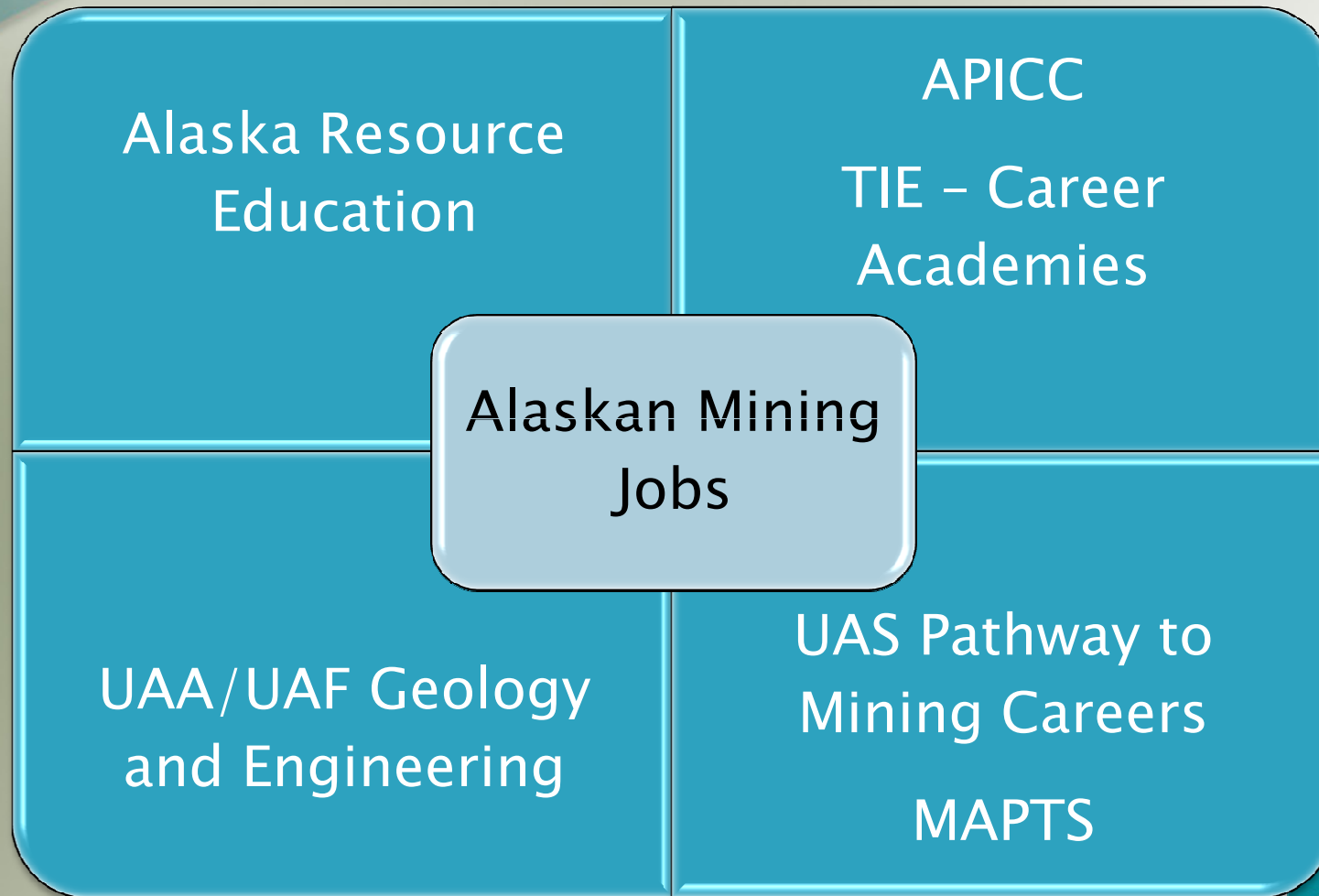
Opportunities



- ▶ Mineral Potential
- ▶ Rigorous Permitting
- ▶ Public Support
- ▶ Workforce Development



Vitalizing Alaska's Workforce



Looking to the Future:



- ▶ Alaska
 - ▶ Potential
 - ▶ Means
 - ▶ Opportunity
- ▶ Mining will work for Alaska

AMA Issues of Concern

- ▶ Integrity of the Permitting System
- ▶ Increased Oil Flow in TAPS
- ▶ Litigation Reform
- ▶ Infrastructure
- ▶ Energy



AMA Permitting Issue – Wetlands

- ▶ U.S. Army Corps of Engineers – Section 404
- ▶ All activities on all lands
- ▶ > 50% of Alaska is classified as wetlands
- ▶ ‘No Net Loss’ is the policy
- ▶ Impacts must be offset
- ▶ Compensatory Mitigation Credits are required



AMA Advocates

- Establishing a State mitigation program
- Evaluating State primacy over Section 404 wetlands mitigation, permitting, and management
- ▶ Many states with similar issues have established state run programs
- ▶ Provide mitigation credits where there are limited options
- ▶ Developed to address DOT needs, expanded to other permittees



Perspectives

- ▶ Alaska's scale is unique
 - Access to mineral lands is vital
 - Industry is a century old but in its infancy
 - Infrastructure is key limitation
 - Roads to Resources
 - Lines to Mines
 - Uncertainty is the enemy of economic investment
 - Need to continue to strengthen the process



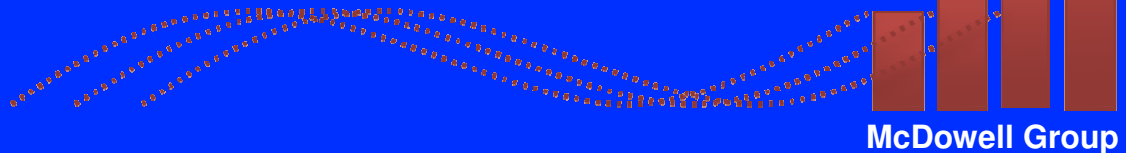
The Economic Impacts of Alaska's Mining Industry

Prepared for:
**Joint Senate and House Resources
Committee**

Prepared by:
McDowell Group, Inc.
Anchorage · Juneau
February 22, 2012



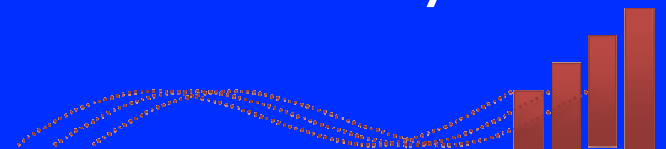
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McDowell Group

Presentation Contents

- ◆ Overview of Alaska Mining Activity
- ◆ Employment and Payroll
- ◆ Alaska Resident Employment
- ◆ Alaska Spending
- ◆ Payments to Local and State Governments
- ◆ Benefits to Alaska Native community



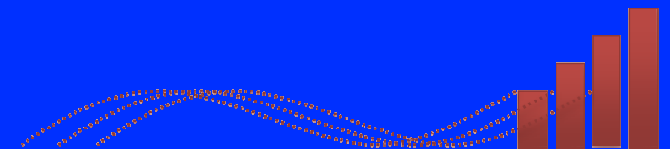
Alaska Mining Activity in 2011

◆ Exploration

- ◆ \$300 million , up 13% from 2010
- ◆ 60 exploration projects spending more than \$100,000

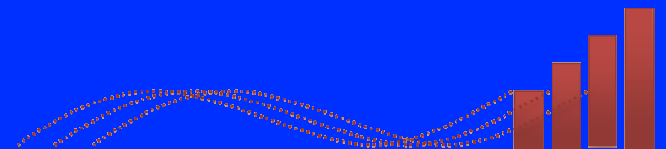
◆ Development

- ◆ \$175 million, down 40% from 2010



Alaska Mining Activity in 2011

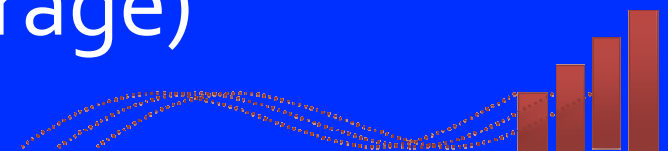
- ◆ Production
 - ◆ \$3.8 billion in gross mineral production value
 - ◆ >200 placer mines
 - ◆ >120 active RSG operations
- ◆ Exports of \$1.3 billion (2010) or 31% of AK's exports



Employment and Payroll (2011)

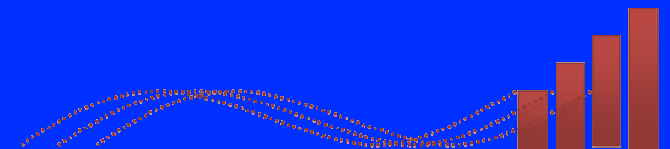


- ◆ 4,500 direct jobs
- ◆ 9,000 total direct and indirect jobs
- ◆ \$620 million in total direct and indirect payroll
- ◆ Average annual wage of \$100,000 (double the statewide average)



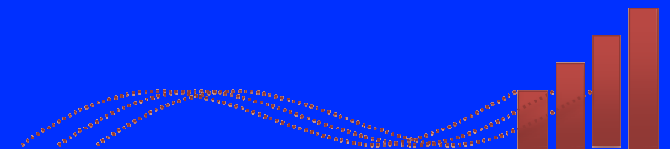
Purchases of Goods and Services in Alaska

- ◆ Large operating mines spent \$620 million on goods and services
 - ◆ \$500 million (or 70% of total) was spent with Alaska businesses
- ◆ More than 600 Alaska businesses provided goods and services to Alaska's large mines
- ◆ 500 Alaska businesses supported advanced exploration projects



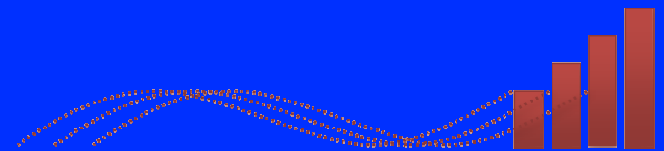
Payments to Local Governments (2011)

- ◆ \$17.2 million to local governments, including:
 - ◆ \$8.9 million in PILT to NWAB
 - ◆ \$5.6 million to FNSB
 - ◆ \$2.6 million to CBJ
 - ◆ Other payments to Denali Borough
City of Nome, etc.
- ◆ Employees also pay local property and sales tax



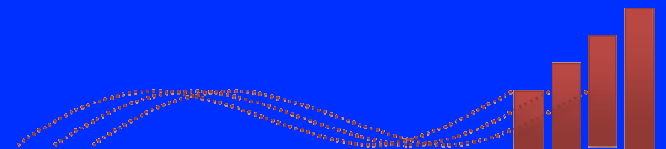
Payments to State Government (2011)

- ◆ \$148 million in royalties, rents, fees, and taxes -- up 170% from 2010
- ◆ Also paid \$70 million in other revenues, including:
 - ◆ \$28 million to Alaska Railroad (coal, sand & gravel)
 - ◆ \$41 million to AIDEA for DeLong Mountain Regional Transportation System & Skagway Ore Terminal use
 - ◆ \$1 million to the Alaska Mental Health Trust



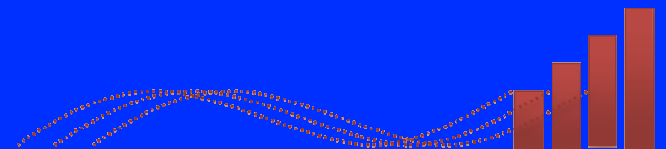
Benefits to Alaska Native Corporations

- ◆ Nearly all Alaska Native corporations benefit from mining
 - ◆ 7(i) and (j) royalty sharing payments
 - ◆ jobs for shareholders and descendants
 - ◆ business partnerships



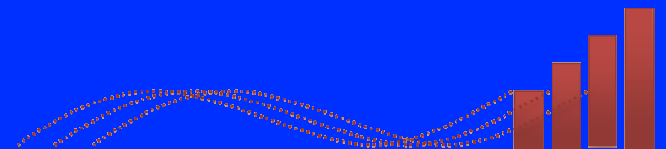
Benefits to Alaska Native Corporations

- ◆ ANC benefits include:
 - ◆ \$170 million in net proceeds from Red Dog Operations to NANA, of which \$82 million was distributed to other ANCSA regional and village corporations
 - ◆ 56% of the 550 year-round jobs at Red Dog are filled by NANA shareholders
- ◆ Every ANCSA region has some form of mining potential



Summary

- ◆ Significant source of jobs (9,000 jobs in Alaska)
- ◆ Provides high-paying, year-round jobs
- ◆ Key source of tax revenue, especially to local governments
- ◆ Critical ANC benefits
- ◆ Economic benefits spread throughout Alaska



Thank You!

