

Mining Industry Briefing

Alaska Miners Association
Council of Alaska Producers

Joint House/Senate Resources Committee
February 27, 2013



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Mining Works for Alaska

- ▶ Seven producing large mines
- ▶ 60 exploration projects >\$1 M
- ▶ >4,800 direct mining jobs
- ▶ \$100,000 average annual wage



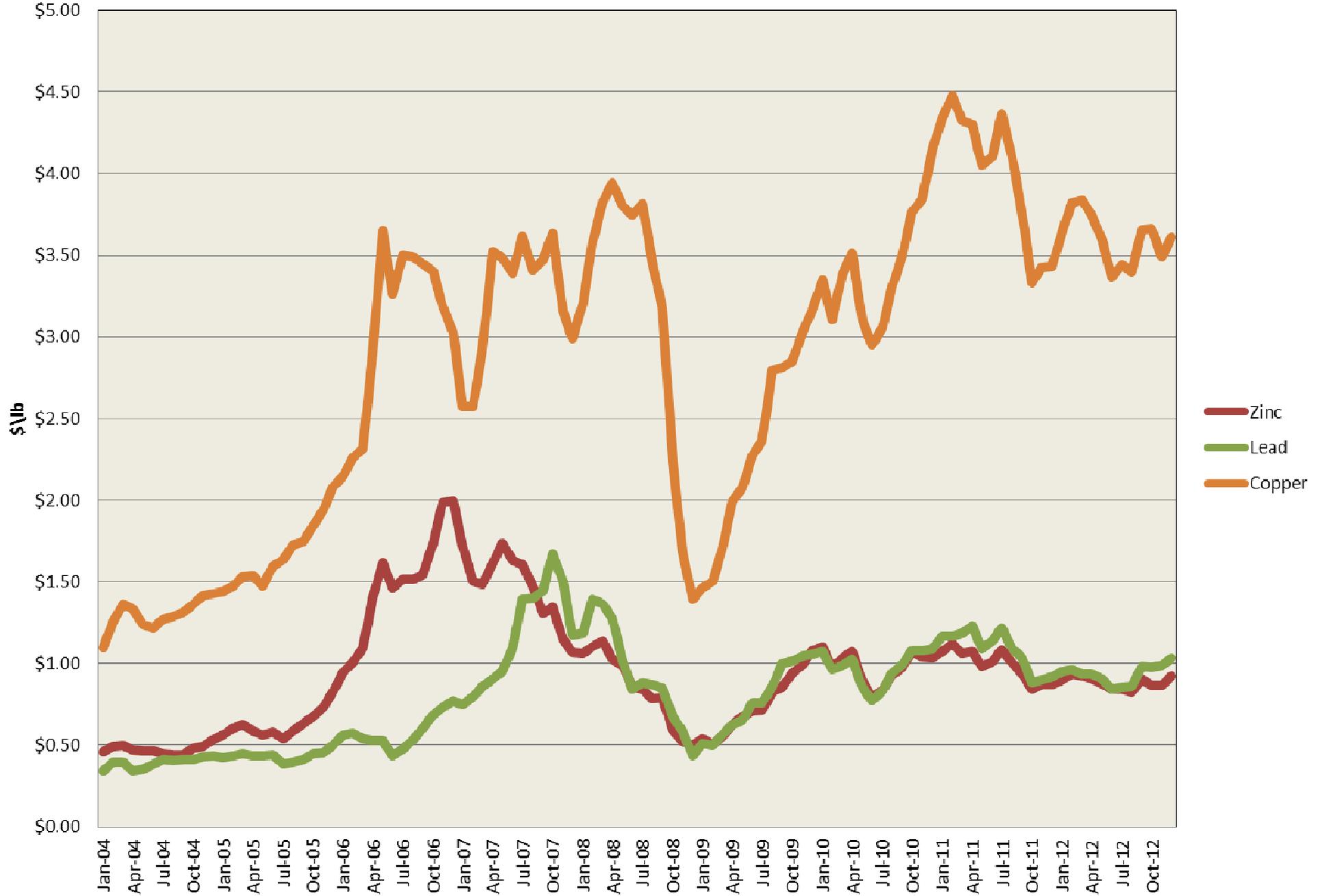
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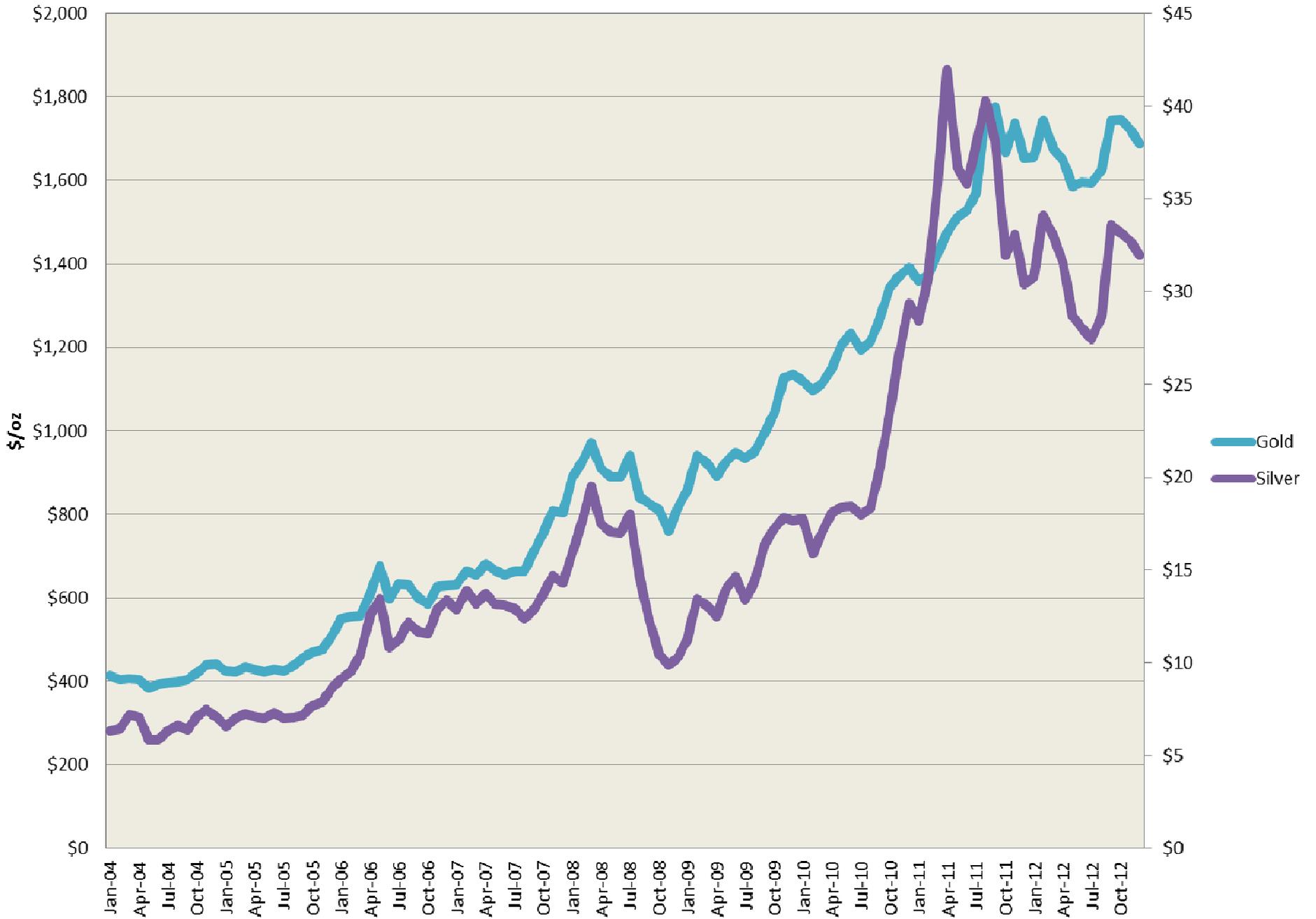
Mining Activity in Alaska



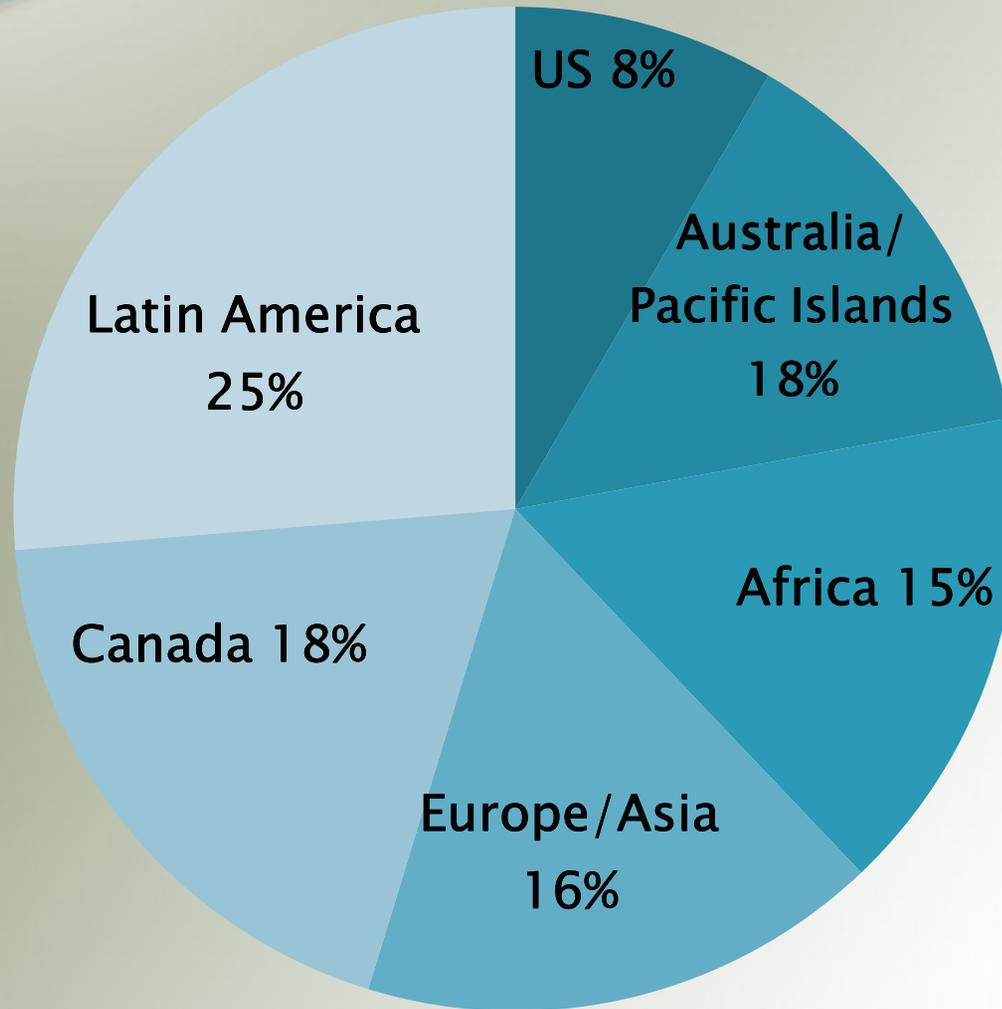
Monthly Base Metal Prices 2004-2012



Monthly Precious Metal Prices 2004-2012



Exploration spending by region



Source: Metals Economics Group, *Global nonferrous exploration budgets by region, 2011*



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Alaska Permanent Fund

- ▶ 292 investments in metals mining and fabricating
- ▶ \$567 million value
- ▶ Includes shares in Anglo American, Barrick, Coeur d'Alene Mines, Hecla, International Tower Hill Mines, Kinross, Northern Dynasty, NovaGold, Sumitomo, Teck.

Source: www.apfc.org, 12/31/2012



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Alaska's Advantages and Challenges

- ▶ Rich resource potential
- ▶ High costs (energy, labor, transportation)
- ▶ Northern climate
- ▶ Lack of infrastructure (roads, ports, energy)
- ▶ Litigation costs (money and time)



Gold – Uses and Production

- ▶ *Historically significant, modern importance*
- ▶ *Computers and cell phones:* microchips, touch tone telephone typically contains 33 gold-plated contacts
- ▶ *Medical:* used in pacemakers and stents; dentistry
- ▶ *Sun-block:* astronauts wear gold-plated visors to protect their eyes from the sun



Production	Ounces
Annual Worldwide	~86 Million
Annual United States	~7.3 Million
Annual Alaska	>900,000
All Alaska 1880–2010	>40 Million



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Gold – Producers Hardrock

- ▶ Kinross – Fort Knox
- ▶ Sumitomo Metal Mining Pogo
- ▶ Fire River Gold – Nixon Fork
- ▶ Coeur Alaska Kensington Gold Mine
- ▶ Hecla Greens Creek Mine



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Gold – Placer Mining

- ▶ >300 Placer Mines
- ▶ >85,000 Oz Mined



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Gold – Developers

- ▶ ITH Mines – Livengood Project
- ▶ Barrick and Novagold – Donlin Gold
- ▶ Heatherdale Resources – Niblack
- ▶ Pebble Partnership – Pebble



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Silver – Uses and Production

- ▶ Best thermal and electrical conductor of all the metals
- ▶ *Medical*: most powerful treatment for burns is silvadene (silver sulfadiazine), which is used in every hospital in North America to promote healing and reduce infection
- ▶ *Electronics*: electrical switches
- ▶ *Home*: rear defrost in many cars, button batteries in cameras and watches



Production	Ounces
Annual Worldwide	~771 Million
Annual United States	~34 Million
Annual Alaska	~13 Million
All Alaska 1880–2010	>140 Million

Silver – Producers

- ▶ Hecla Greens Creek Mine
- ▶ Teck/NANA Red Dog Mine



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Lead and Zinc – Uses and Production

▶ Zinc

- *Anti-corrosive*: galvanized metal (guard rails on highways, underside of vehicles, roofs)
- *Zinc oxide*: sunscreen
- *Health*: essential for life – growth, development, immune system.

▶ Lead

- *Most common use*: lead-acid batteries
- *Hunting*: bullets and shot
- *Health*: radiation shield



Production	Lead Tons	Zinc Tons
Annual Worldwide	~5.7 Million	~14 Million
Annual United States	~380,000	~825,000
Annual Alaska	~155,000	~690,000
All Alaska 1880–2010	>2 Million	>9.7 Million



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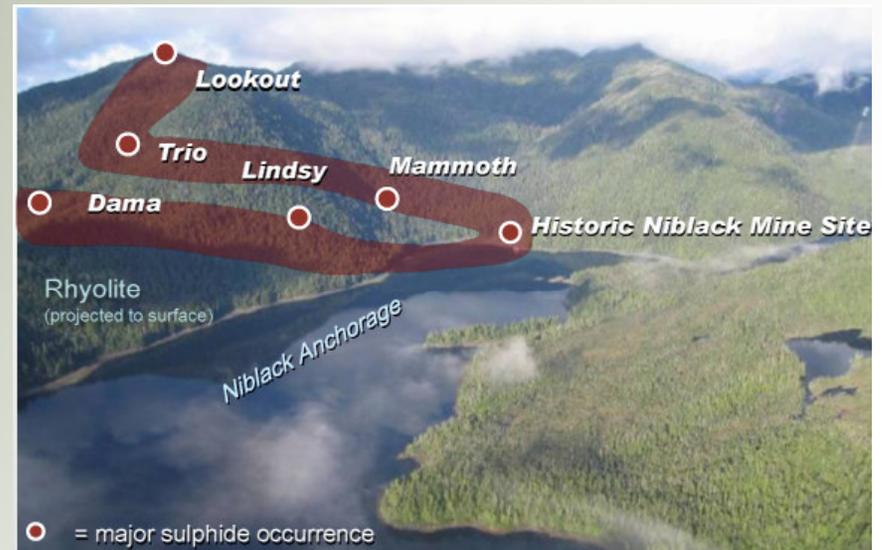
Lead and Zinc

▶ Producers

- Teck/NANA Red Dog Mine
- Hecla Greens Creek Mine

▶ Developers

- Heatherdale Resources – Niblack

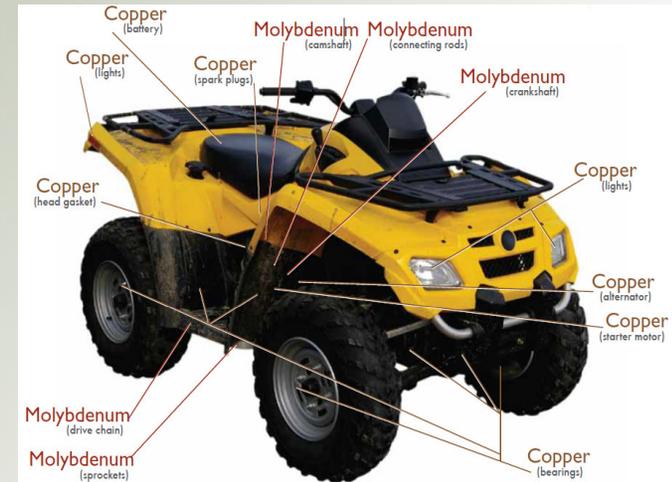


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Copper- Uses and Production

- ▶ Copper – third most widely consumed metal in the world
- ▶ *Wiring and electrical components:* essential for snowmachines, fishing boats, airplanes, and buildings



Production	Pounds
Annual Worldwide	~37.4 Billion
Annual United States	~2.5 Billion
Annual Alaska	N/A
<i>All Alaska 1880-2010</i>	<i>>1.3 Billion</i>



Copper- Developers

- ▶ NovaCopper/NANA – Upper Kobuk Mineral Project
- ▶ Pebble Partnership – Pebble
- ▶ Heatherdale Resources – Niblack



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Coal

- ▶ Production
 - Usibelli Coal Mine
- ▶ Development
 - Wishbone Hill
 - Chuitna Coal Project



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Rare Earth Elements

- ▶ Rich resources in Alaska – especially valuable heavy REEs
- ▶ AK could play critical role in domestic supply
- ▶ Used in electronics, radar systems, avionics, satellites



33 lbs of REEs in each hybrid car



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Alaska Mining Activity in 2012

- ▶ \$275 million Exploration Expenditures
 - >60 exploration projects spending more than \$100,000 annually
- ▶ \$270 million Development Expenditures
 - Mine construction and other capital investments
- ▶ \$3 billion in gross mineral production
 - \$80 million from 120 active RSG operations



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Employment and Payroll

- ▶ 4,800 direct jobs
- ▶ 9,500 total direct and indirect
- ▶ \$650 million total payroll
- ▶ Average annual wage of \$100,000
- ▶ Residents of 120 communities



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Payments to Local Governments

- ▶ \$21 million to local governments:
 - \$13 million in PILT to NWAB
 - \$5.2 million to FNSB
 - \$2.7 million to CBJ
 - Denali, City of Nome, etc.



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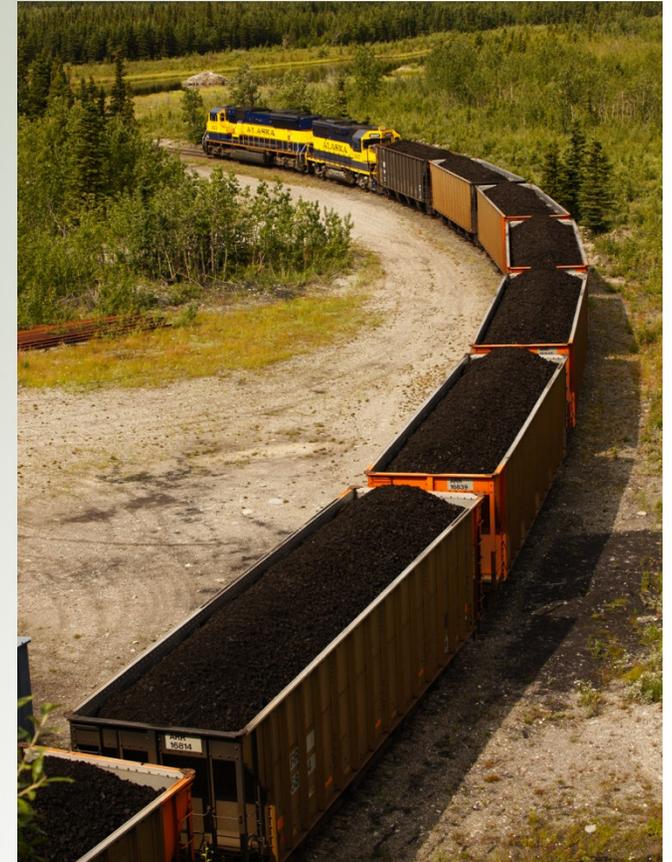


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Payments to State Government

- ▶ \$80.4 million in royalties, rents, fees, and taxes
- ▶ \$56.9 million in other state-government related revenues, including:
 - \$28 million to Alaska Railroad (moving coal, sand, gravel)
 - \$25.5 million to AIDEA (DeLong Mountain Regional Transportation System, Skagway Ore Terminal)
 - \$3.4 million to Alaska Mental Health Trust



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Benefits to Alaska Native Corporations

- ▶ Nearly all Alaska Native corporations benefit:
 - 7(i) and 7(j) royalty sharing
 - Jobs for shareholders
 - Business partnerships



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Benefits to Alaska Native Corporations

- \$124.7 million in net proceeds from Red Dog Operations to NANA – \$76.4 million distributed to other ANCSA regional and village corporations
- 57% of the over 600 jobs at Red Dog held by NANA shareholders
- Donlin Gold camp over 90% Calista shareholder and descendant hire



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Mining Will Work for Alaska



- Seven producing large mines
 - ... and more to come
- Significant Exploration Potential
- Global importance
- Local benefits



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