

2/25/09
ANNUAL
MINING
INDUSTRY
UPDATE
BRIEFING



ALASKA MINERS ASSOCIATION, INC.

Joint Senate & House Resources Committee

Annual Mining Industry Update Briefing
3 p.m., Wed, February 25, 2009

Introduction - Steve Borell

The Economic Benefits of Alaska's Mining Industry - Jim Calvin, McDowell Group

Update briefing - Steve Borell

Operating Mines

- Placer mines
- Usibelli Coal Mine
- Greens Creek
- Red Dog
- Fort Knox
- Pogo

Mines Currently in Idle Status

- Nixon Fork
- Rock Creek
- Kensington

Major Projects

- Chuitna Coal
- Donlin Creek
- Pebble

Other Projects of Note

- Livengood
- Niblack
- Lucky Shot



ALASKA MINERS ASSOCIATION, INC.

Issues of Concern to the Alaska Mining Industry for 2009

Actions needed by the Administration and/or the Legislature:

January 2009

INTEGRITY OF PERMITTING PROCESS

Statewide Initiatives - Ensure the requirements for the ballot initiative process are open, transparent and hold proponents accountable.

State Permitting System - Support the integrity of the current, very rigorous, science-based state permitting process.

Water Quality - Support ADEC implementation of the new approved APDES program.

Water Quality Standards - Continue to revise water quality standards to ensure: 1) availability of mixing zones, 2) standards are scientifically supportable and developed using Alaska-specific criteria, and 3) are sufficient to protect water quality.

Air Quality Program - The Administration contract with air permitting experts to recommend changes that will improve DEC permit review time and address the other challenges faced by this program.

Non-Profit Foundation Money - Enact legislation to require disclosure whenever funds from 501(c)(3) non-profit foundations are involved, to include name of the source, amounts and purpose for which the moneys are given.

Wetlands - Petition the federal government to develop regulations that strictly follow the U.S. Supreme Court decisions in SWANCC, Rapanos, etc.

FISCAL ISSUES

Taxation - Maintain an equitable and stable tax structure at state and local government levels to ensure Alaska industry remains world competitive.

State Agency Funding - Provide sufficient funding for the minerals and permitting functions of the

Departments of Natural Resources; Commerce, Community & Economic Development; Fish & Game; and Environmental Conservation.

Permitting Agencies - Increase salary and benefits for state agency personnel involved in minerals permitting and management so they are competitive with industry.

State Fiscal Policy - Adopt a long range fiscal plan.

State Land Entitlement - Support continued funding for DNR to process final transfer of lands from BLM.

Annual Airborne Geophysical Mapping Program - Accelerate the extremely effective program of State investment in airborne geophysical mapping along with baseline water quality mapping.

Mineral Education - Continue to support mining engineering and geological engineering, geology, the Mining and Petroleum Training Service (MAPTS), and the Delta Mine Training Center (DMTC) at levels that will ensure continued accreditation and continue funding the State's share of AMEREF (Alaska Mineral & Energy Resources Education Fund).

LAND MANAGEMENT ISSUES

State Lands - Ensure no net loss of multiple use lands and require that additions to any state parks, refuges, critical habitat areas, marine restricted areas, or any other restricted-use areas, be made only if an equal acreage of other lands already having the same designation is released and the new area being designated is first evaluated for mineral potential.

Land Transfers - Prior to any state land transfers to boroughs, land disposals/sales, or leases not required for resource development, require a detailed mineral evaluation, to include airborne geophysical surveys.

be completed to help ensure that mineralized lands or key access routes are not transferred.

Outdated Federal Withdrawals - Pursue removal of old federal land withdrawals (where purpose for withdrawal has expired) which are blocking land transfers to the State, such as PLO 5150, the outer pipeline corridor. Encourage BLM to remove such PLOs and open the lands through its land planning process.

New Federal Withdrawals - Oppose all new federal land withdrawals, roadless initiatives, marine restricted areas, Antiquities Act designations, BLM wilderness studies, etc. and fight vigorously against additional buffers or other restrictions to multiple use of federal lands in Alaska. The Alaska National Interest Lands Conservation Act (ANILCA) provides that "no more" federal land will be withdrawn for parks, preserves, monuments, wilderness designations, wild & scenic river designations, etc.

International Heritage & Biosphere Designations - Oppose establishment of international parks, biosphere reserves, and world heritage sites, such as the so-called Beringia (over the Seward Peninsula & Bering Sea), NPRA, or ANWR. International designations would - 1) surrender partial sovereignty to the United Nations, and 2) eliminate access across the affected lands and waters.

Federal Mining Law Issues - Continue to oppose changes to federal law and regulations that would be adverse to Alaska miners.

ACCESS ISSUES

Interties, Roads, Railroads, Ports - Continue investing in development of infrastructure that will help diversify the economy and encourage private investment that would benefit from such facilities.

RS-2477 Rights-of-Way - Continue to systematically and aggressively pursue the rights of the State of Alaska regarding RS-2477 rights-of-way, both administratively and in the courts. Without RS-2477s much of Alaska public lands will never have overland access.

Navigability - Continue to systematically and aggressively pursue recognition of State ownership of and authority over all navigable waters granted under the Statehood Act.

OTHER ISSUES

NEPA - The Administration develop an MOU with the Corps of Engineers to ensure timely coordination of future Environmental Impact Statements.

Energy Plan - Develop a state energy plan that addresses both local and regional needs that considers all energy sources.

Coal Development - Encourage utilization of coal liquefaction and gasification technologies for Alaska's vast coal resources.

Climate Change - Support federal actions only if they are based on sound, peer-reviewed science.

Jones Act - Because Jones Act vessels for bulk mineral shipments are not available, petition Congress to amend the Jones Act to allow use of non-Jones Act vessels for shipment of "non-petroleum bulk natural resources from Alaska".

Endangered Species Act/Essential Fish Habitat - Petition the federal government to develop new ESA and EFH regulations that strictly follow the original intent of these laws.

For further information on the above issues or for information regarding exploration and mining in Alaska please contact:

Steven C. Borell, P.E.
Executive Director
Alaska Miners Association, Inc.
3305 Arctic Blvd., #105
Anchorage, AK 99503
907-563-9229 Ofc
907-563-9225 Fax
sborell@alaska.net
www.alaskaminers.org

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



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

February 25, 2009



The Economic Benefits of Alaska's Mining Industry in 2008

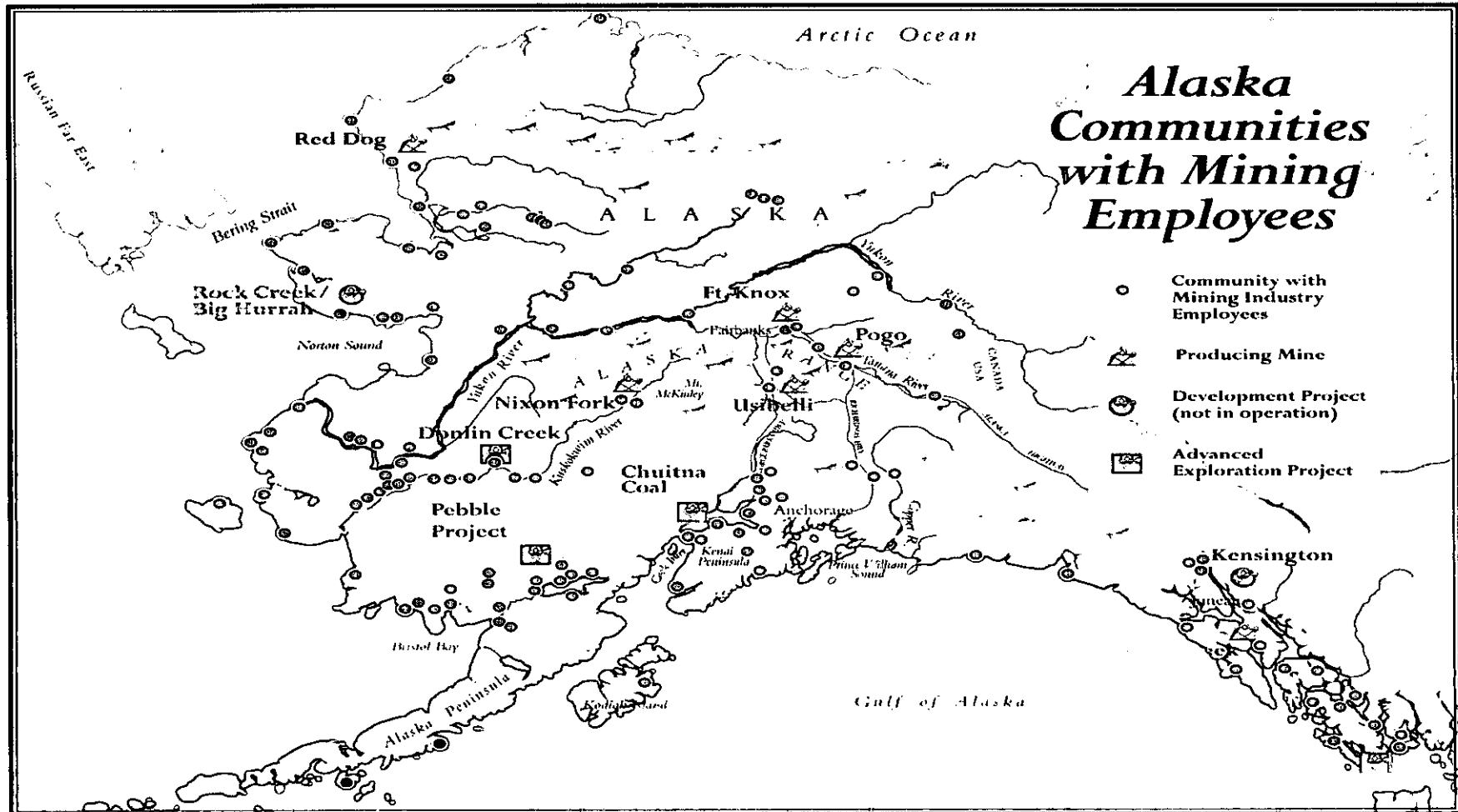
Presented by:
Jim Calvin, Principal
McDowell Group, Inc.
Anchorage • Juneau

Statewide Employment Impacts, 2008 Estimates



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

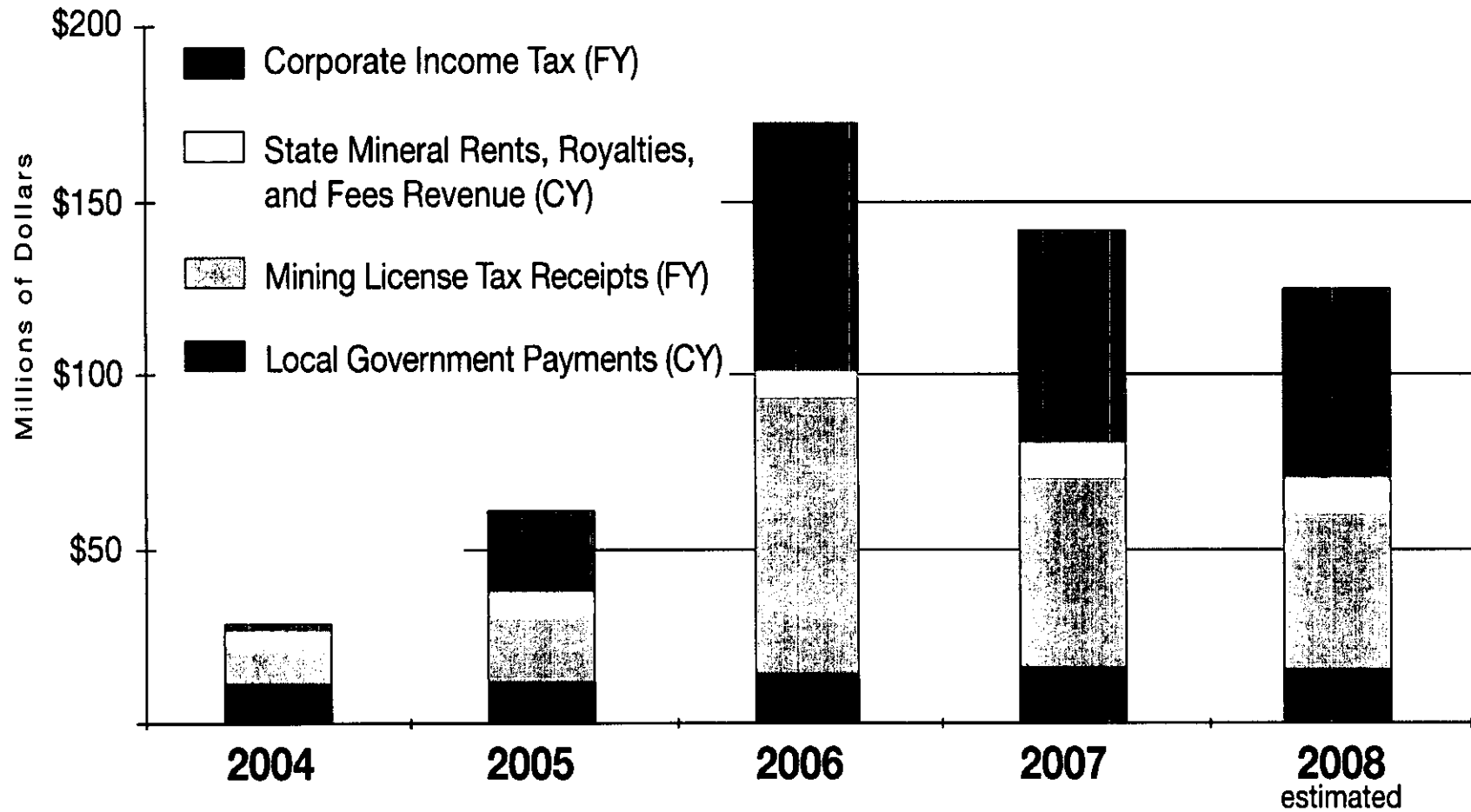
Alaska Communities with Mining Employees



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

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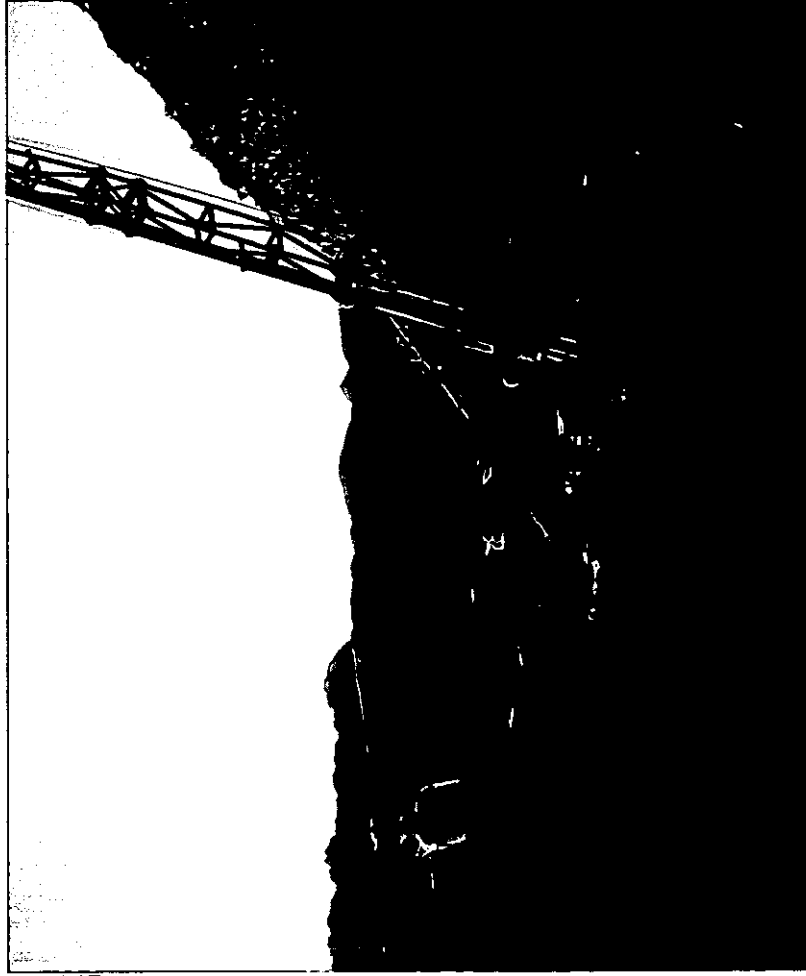
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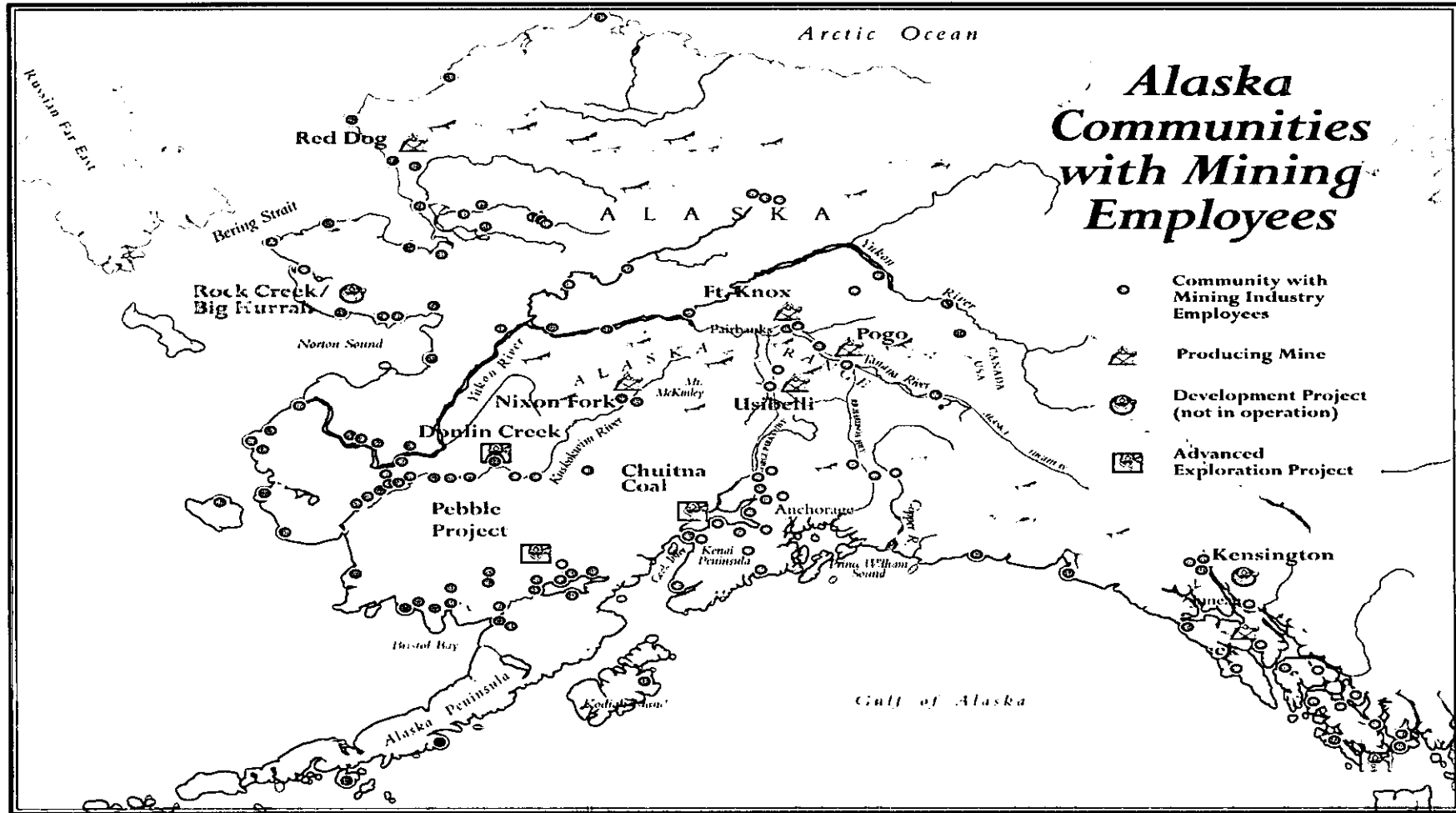
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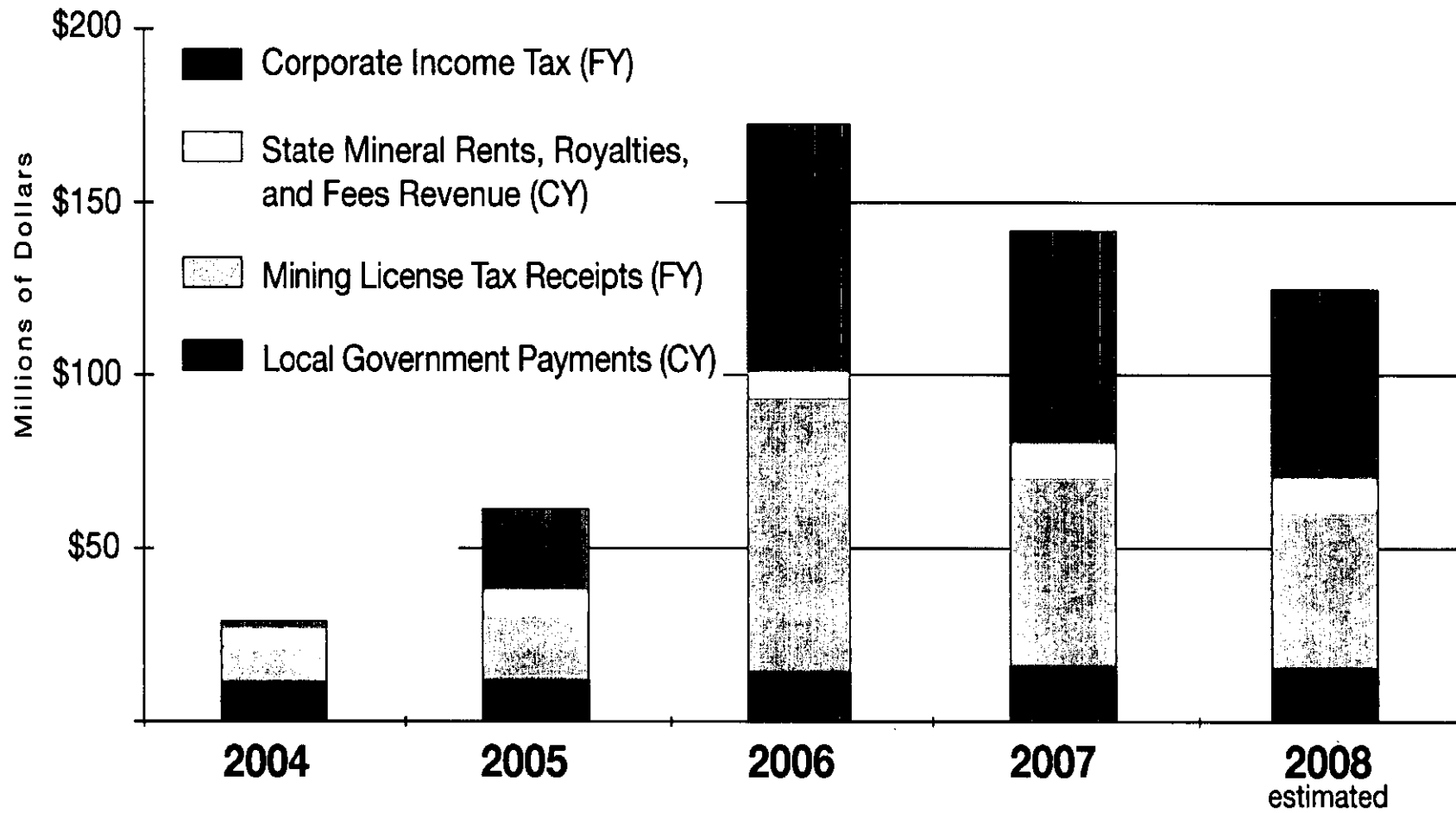
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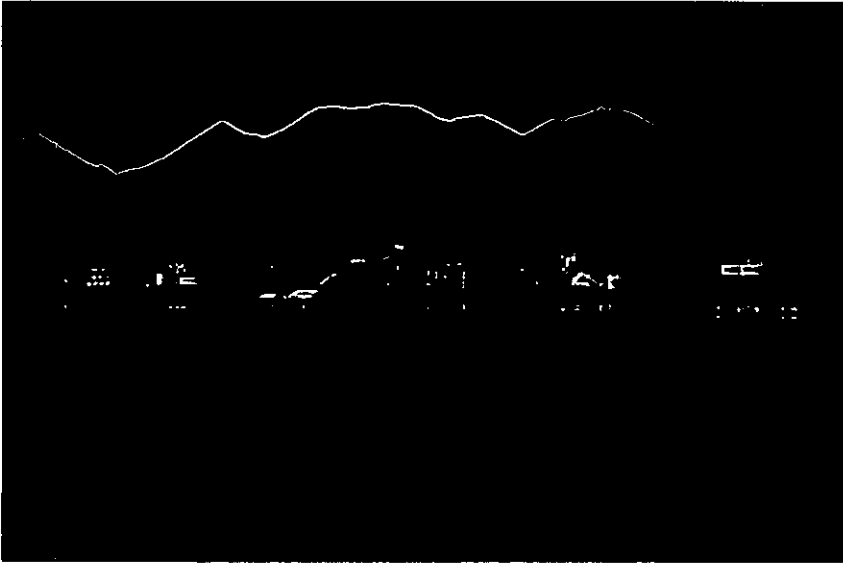
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Rural and Native Benefits



Royalties....

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

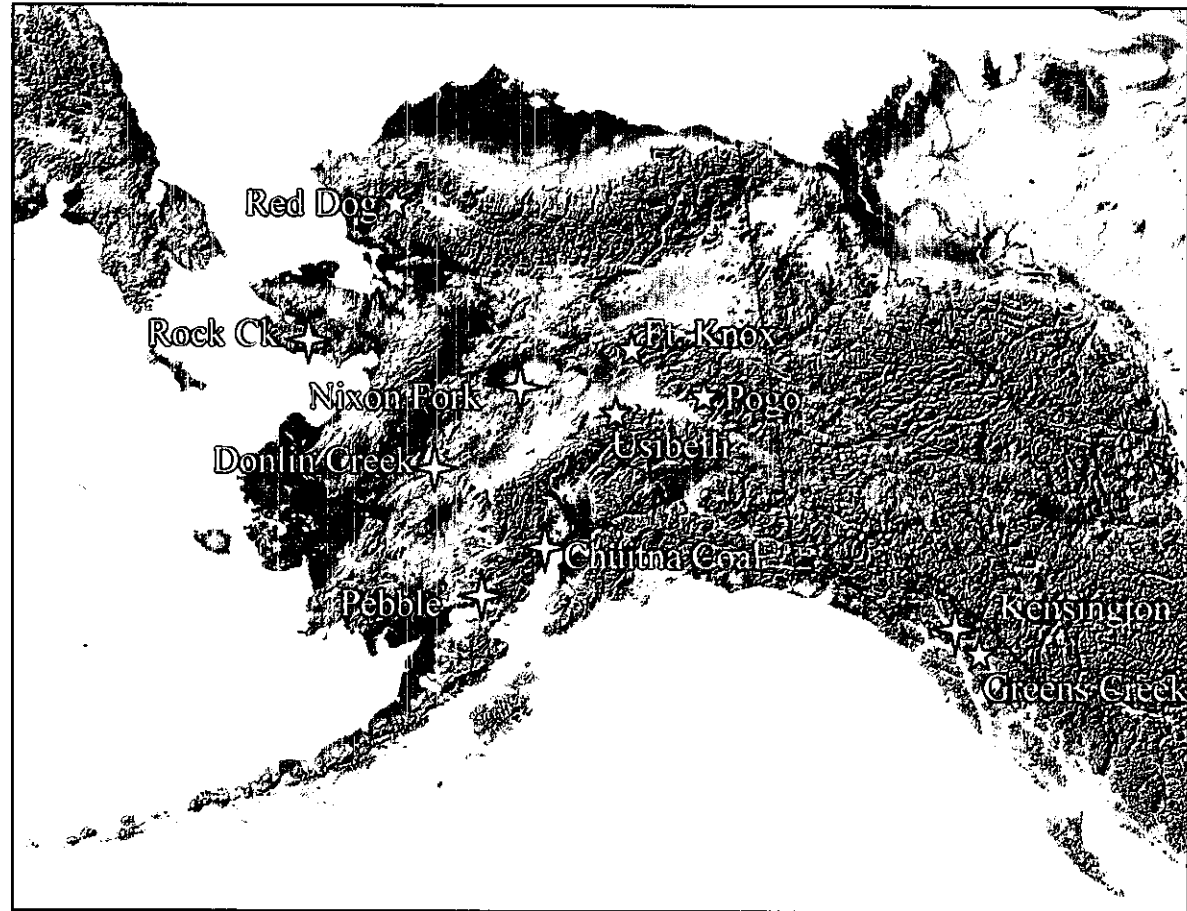
Employment....

- 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



0 100 200 300 400 500 kilometers
 0 50 100 150 200 250 300 350 statute miles

meters 0 1000 2000 3000 4000 5000
 feet 0 5000 10000 15000

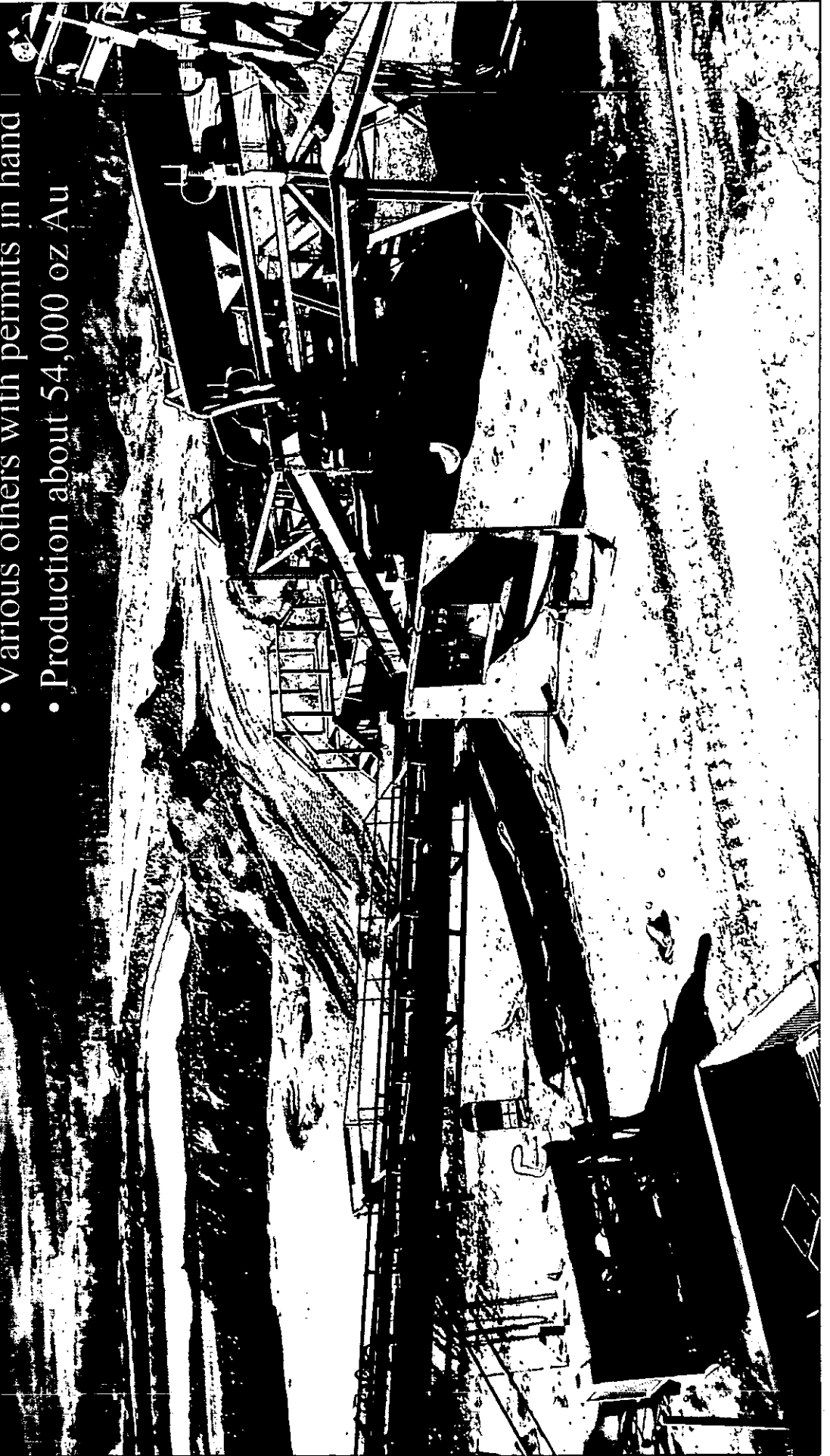
Stereographic
 Central lat, lon, ang: 63.0, -149.5, 0.0
 V 3.0 Copyright © 2003 by Ray Sterner, Johns Hopkins University Applied Physics Laboratory

Map by Ray Sterner, Johns Hopkins Applied Physics Laboratory, licensed to North Star Science and Technology, LLC

Placer Mining

2008 and Estimated for 2009

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

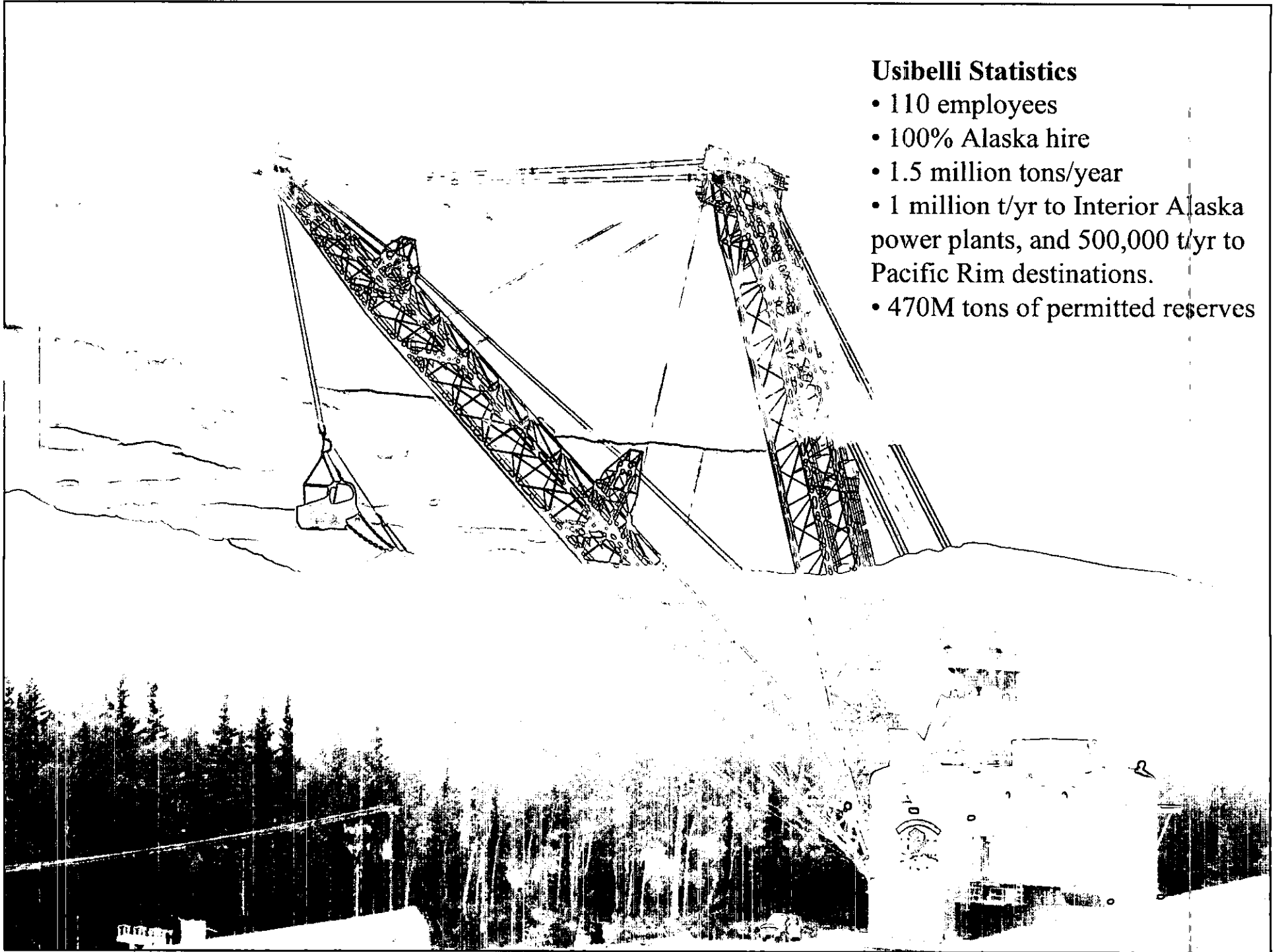


Large Operating Mines

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

Usibelli Coal Mine

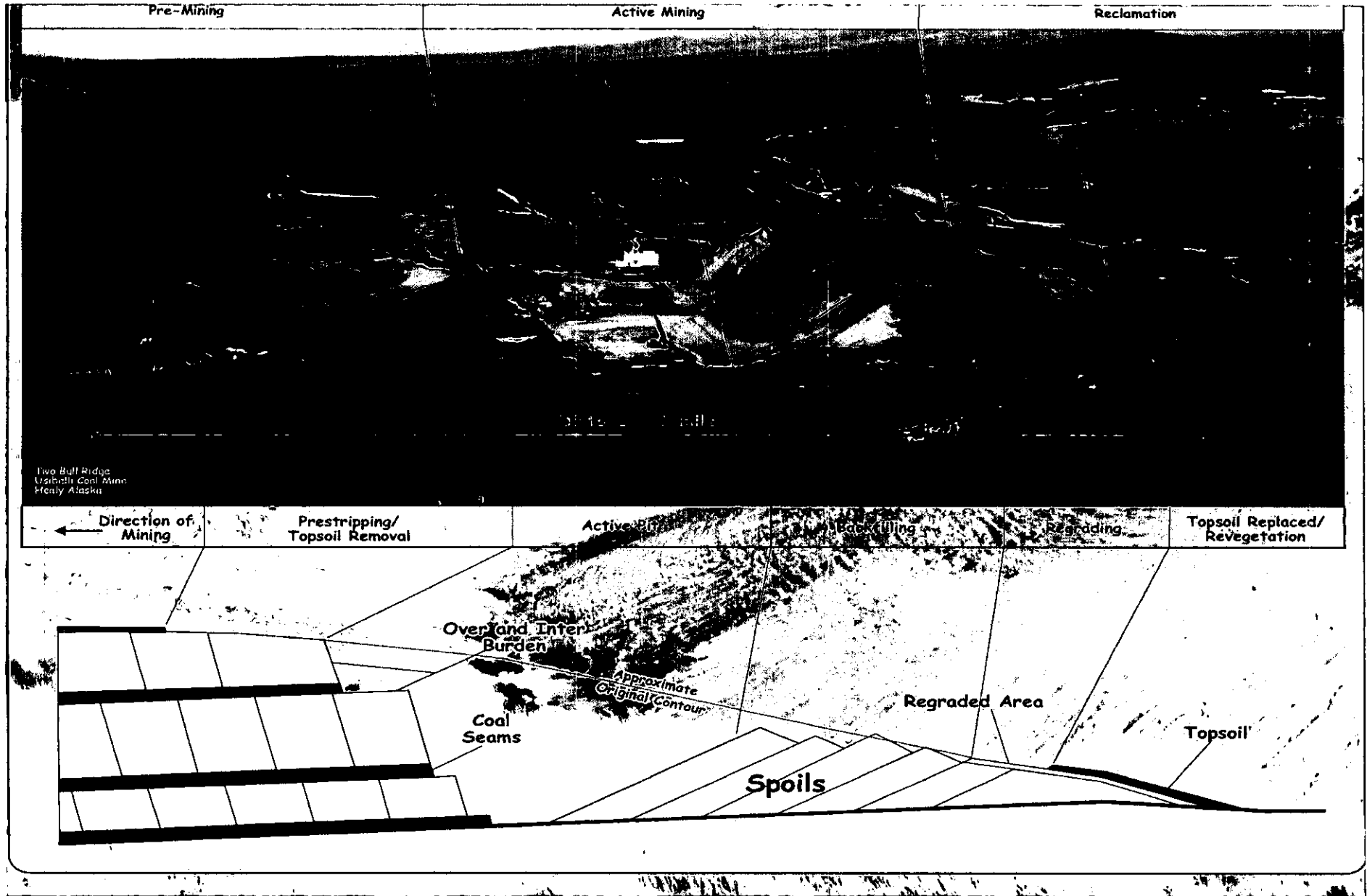




Usibelli Statistics

- 110 employees
- 100% Alaska hire
- 1.5 million tons/year
- 1 million t/yr to Interior Alaska power plants, and 500,000 t/yr to Pacific Rim destinations.
- 470M tons of permitted reserves

Usibelli Coal Mine





World Wide Economic Downturn - Challenges for 2009

5 Year Zinc Spot

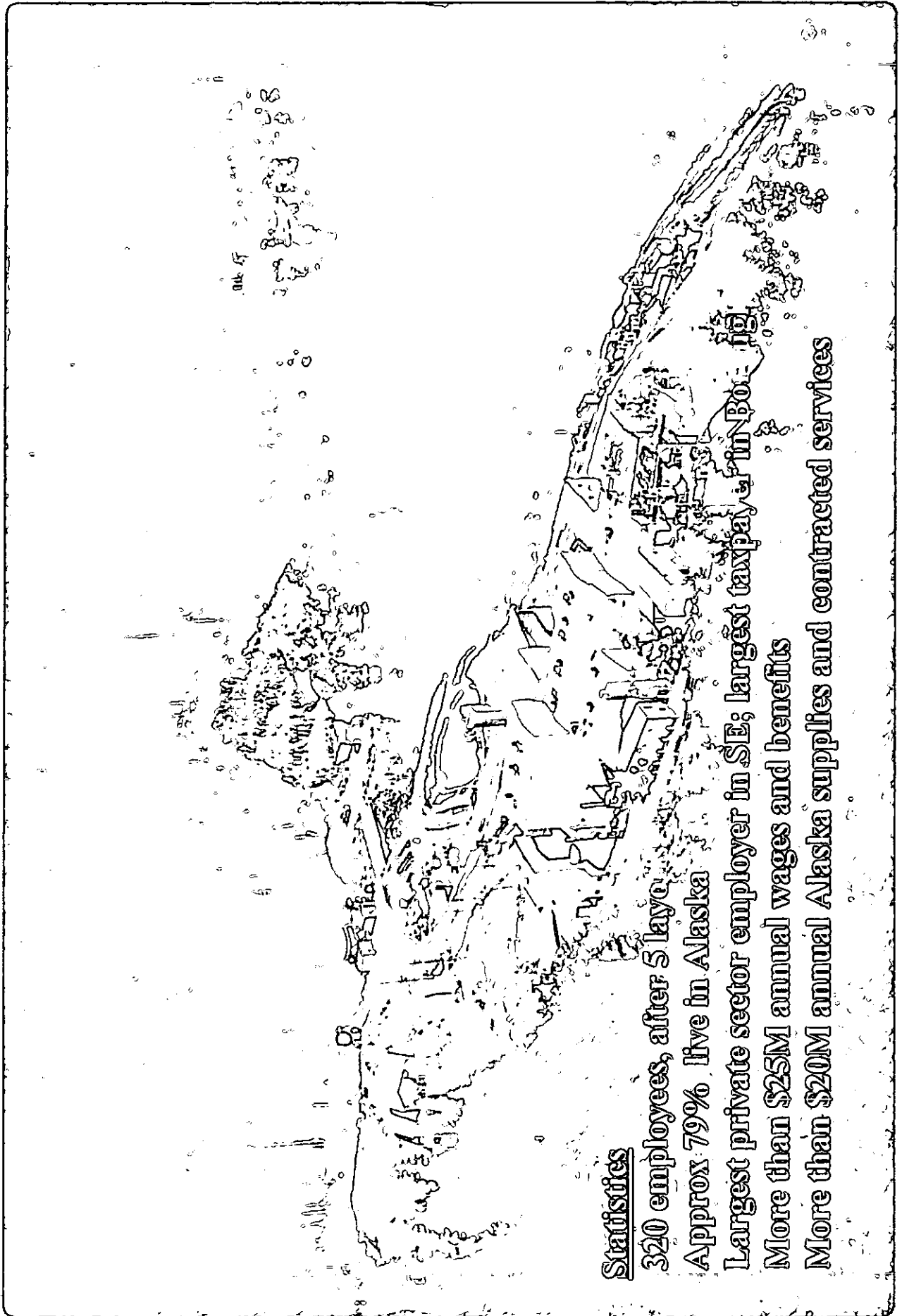


- metal prices now down to levels last seen 5 years ago
- costs still much higher than 5 years ago
- fuel purchased at the peak in July 2008 for the following year

5 Year Lead Spot



Greens Creek Mine



Statistics

320 employees, after 5 layoffs

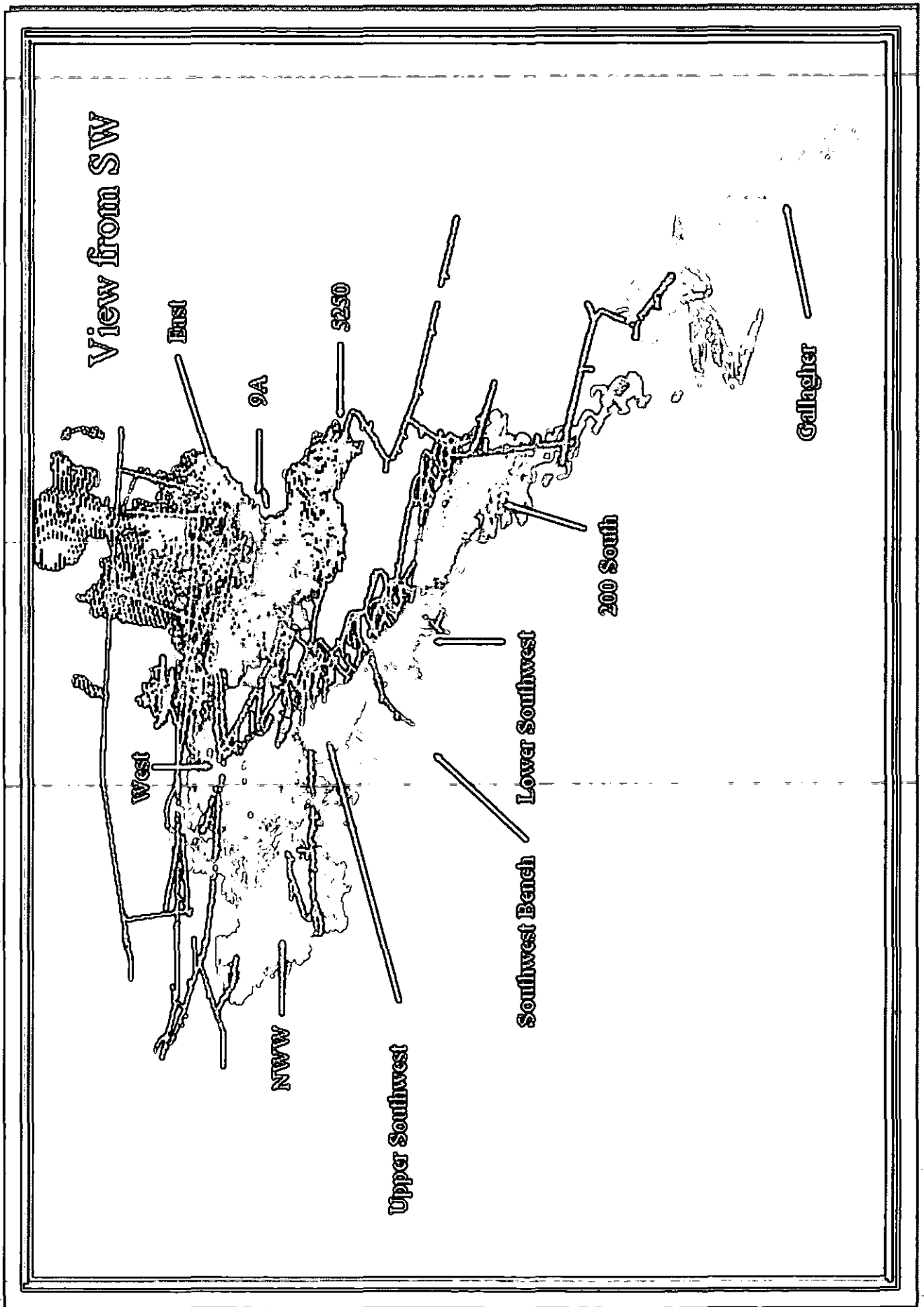
Approx 79% live in Alaska

Largest private sector employer in SE; largest taxpayer in Boeing

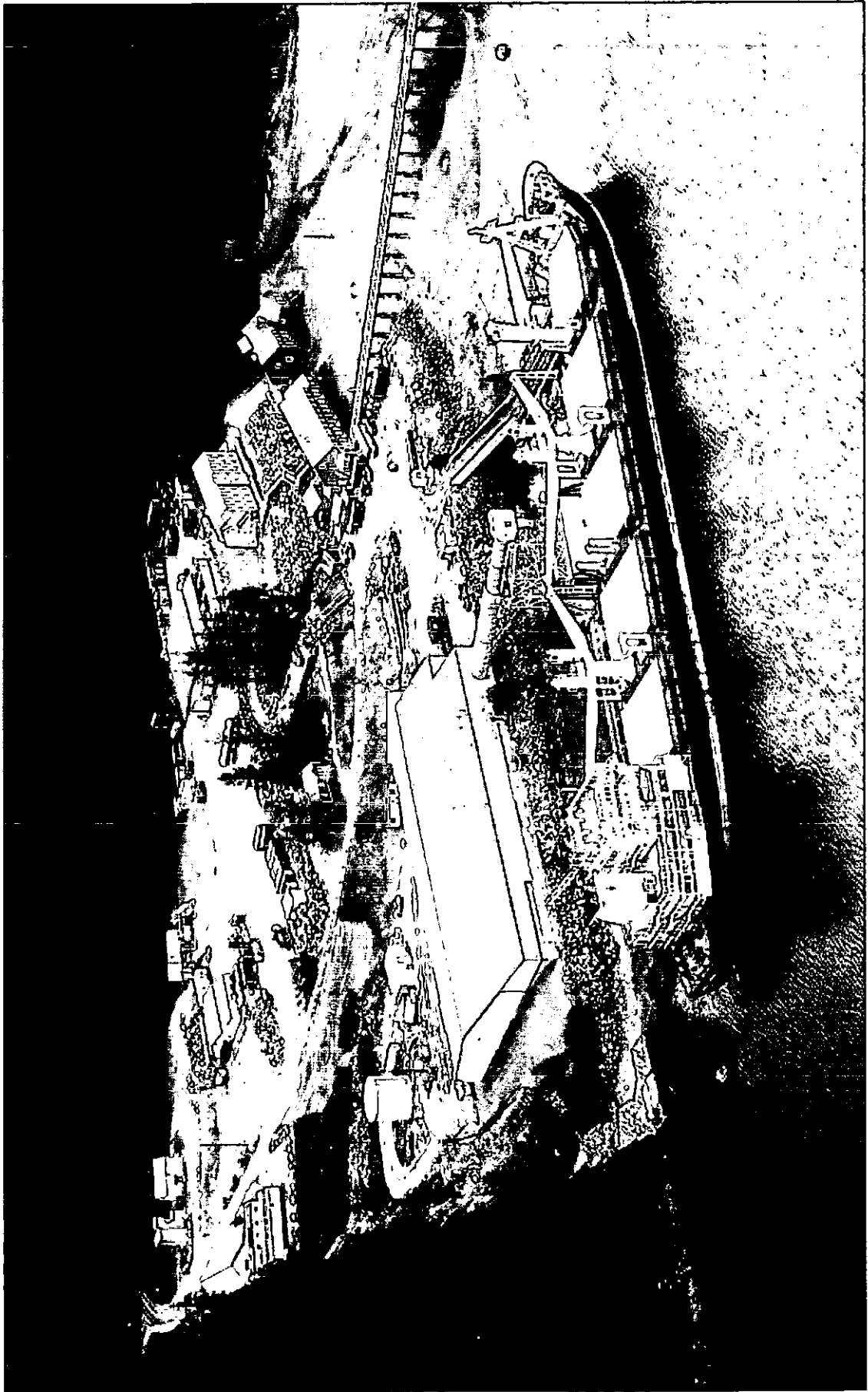
More than \$25M annual wages and benefits

More than \$20M annual Alaska supplies and contracted services

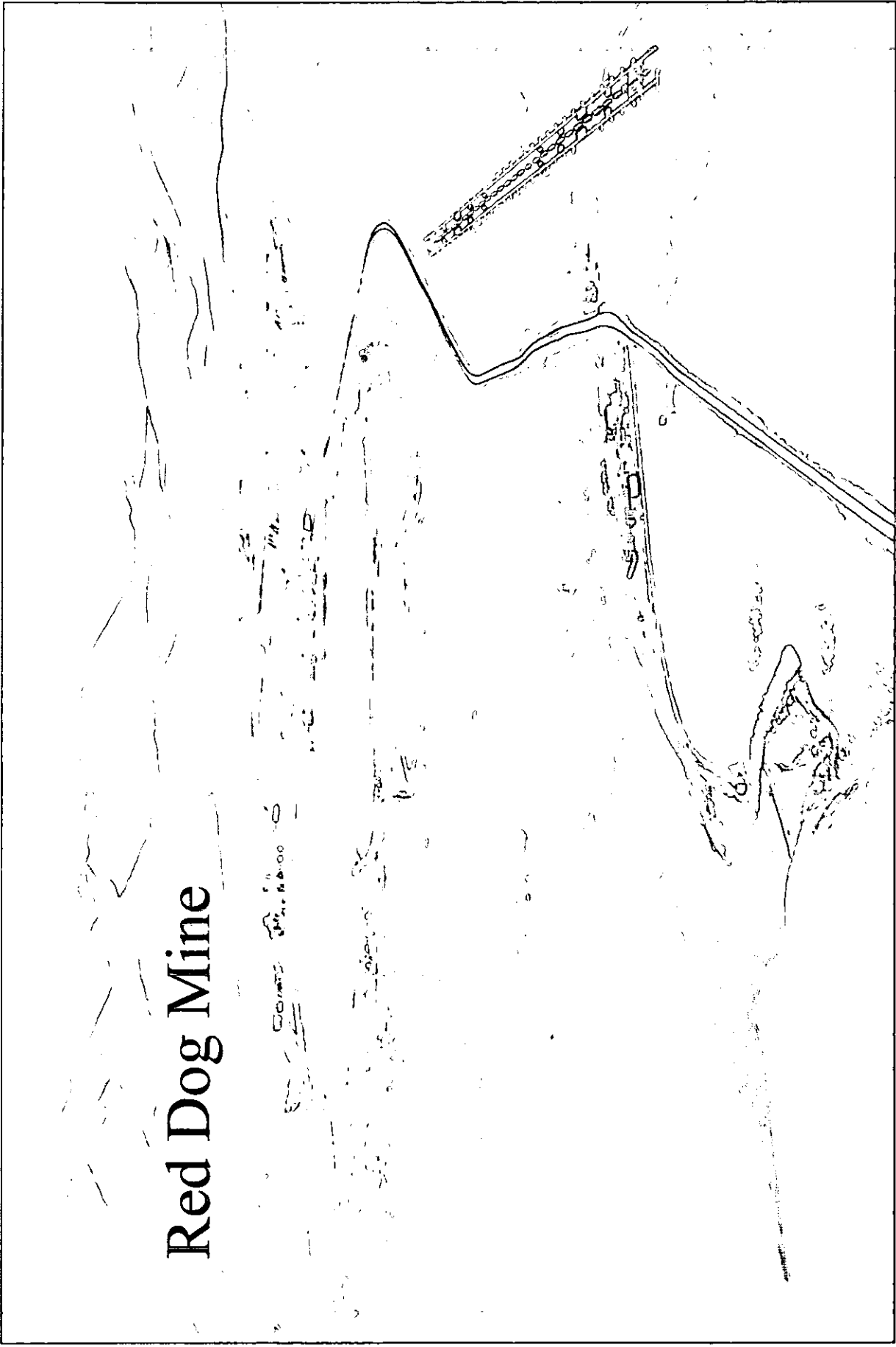
GREENS CREEK MINE ISOMETRIC



Greens Creek Ship Loading Facilities

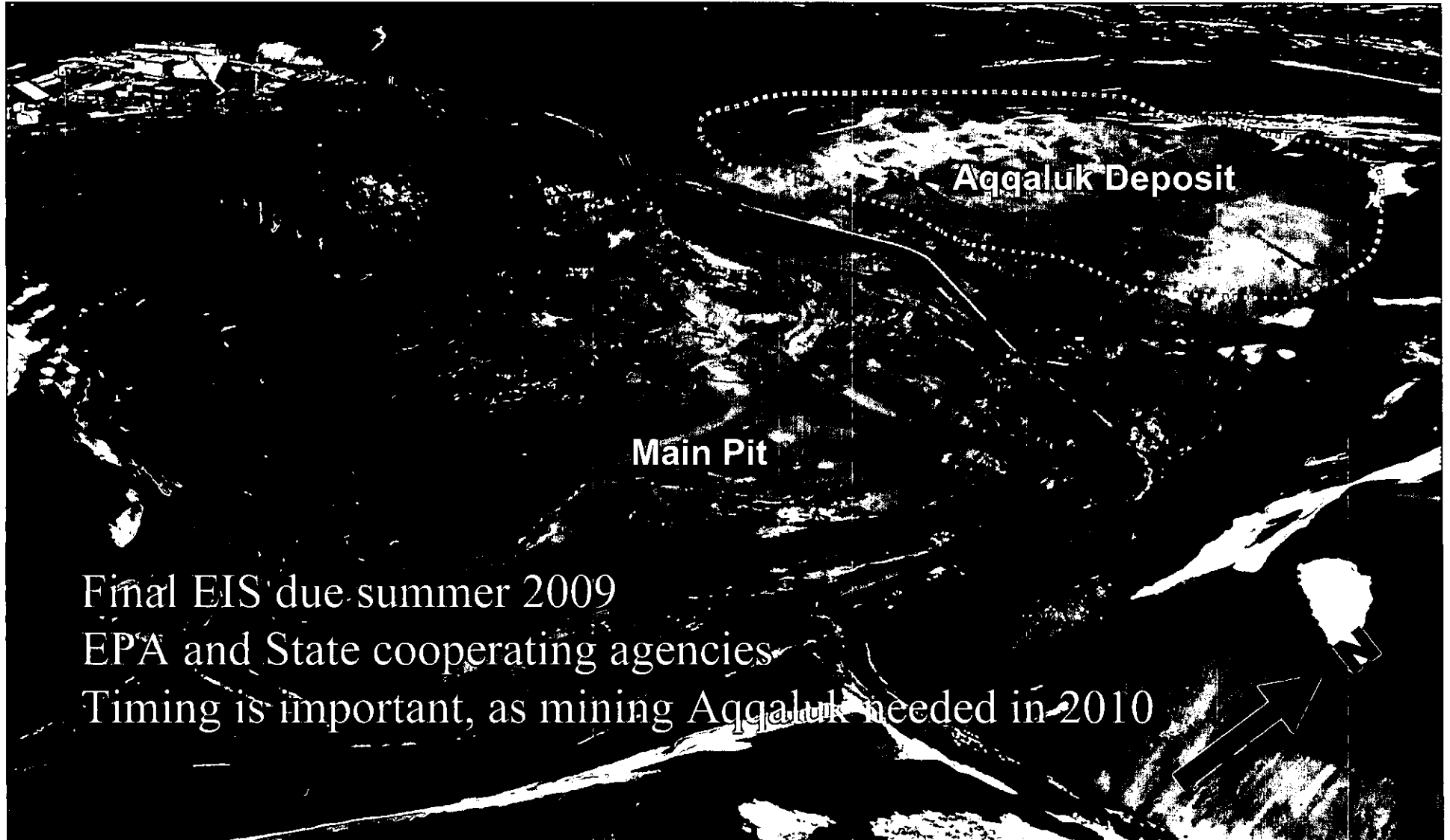


Red Dog Mine

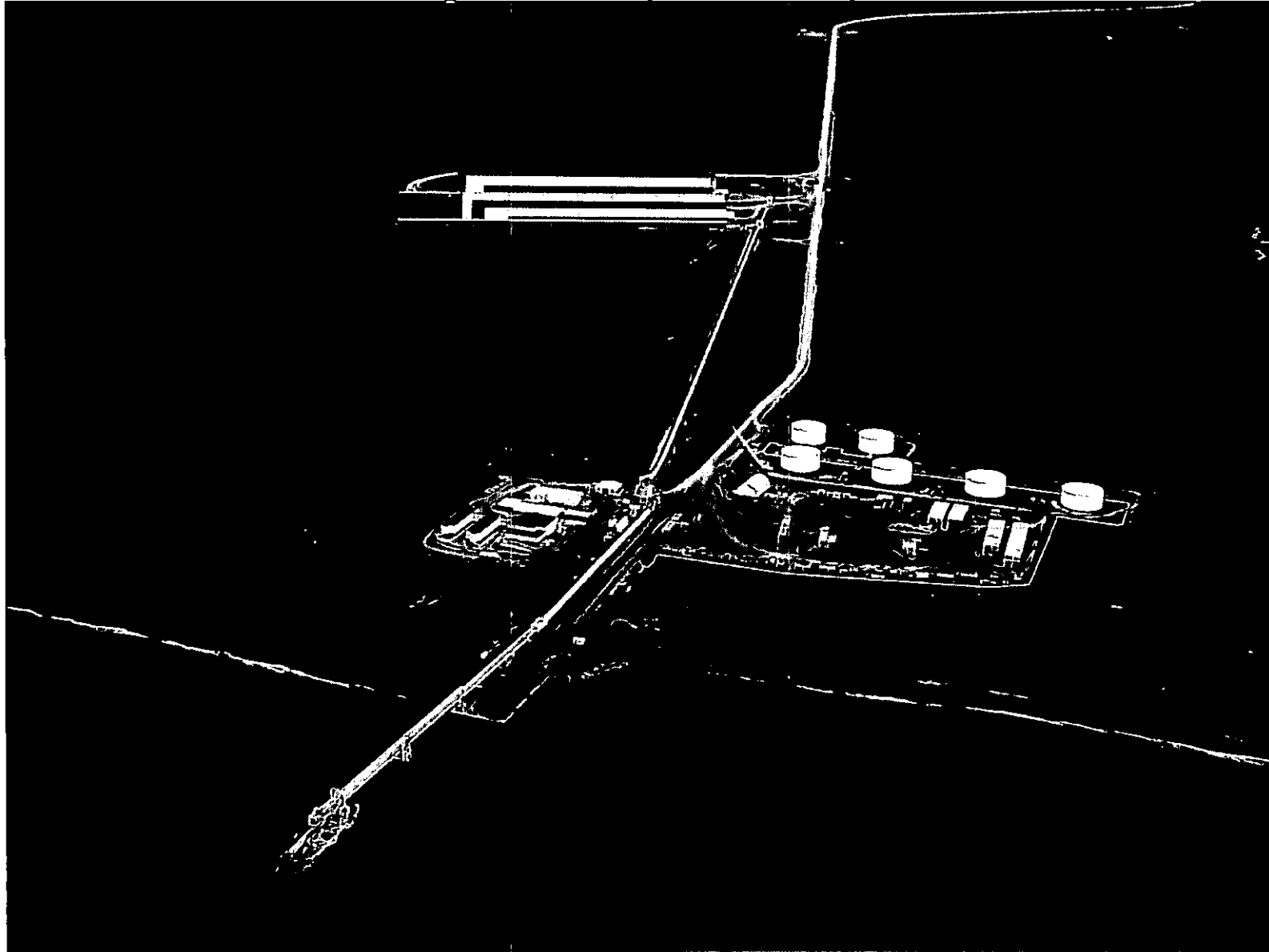


Supplemental Environmental Impact Statement

EPA studying last 20 and next 20 years operations



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



Red Dog Statistics

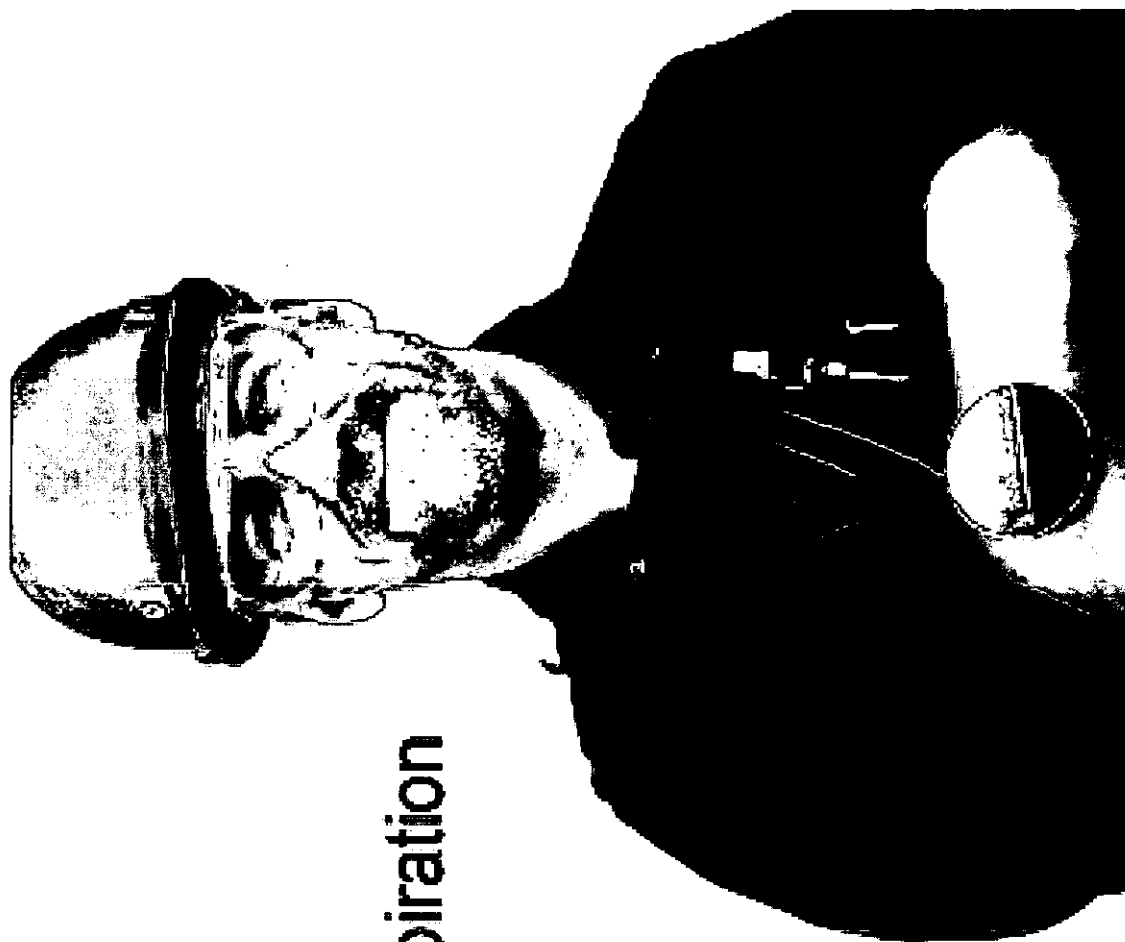
- 485 employees and full time contractors, no layoffs expected
- Improvements in safety
- 57% NANA shareholder hire
- \$50M annual mine wages & benefits
- \$110M with NANA JV companies
- \$10.8M spent to date on search for Natural Gas
- \$22.5M paid to AIDEA



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

2010 Winter Olympics

Precious Medals:
The Source of Inspiration

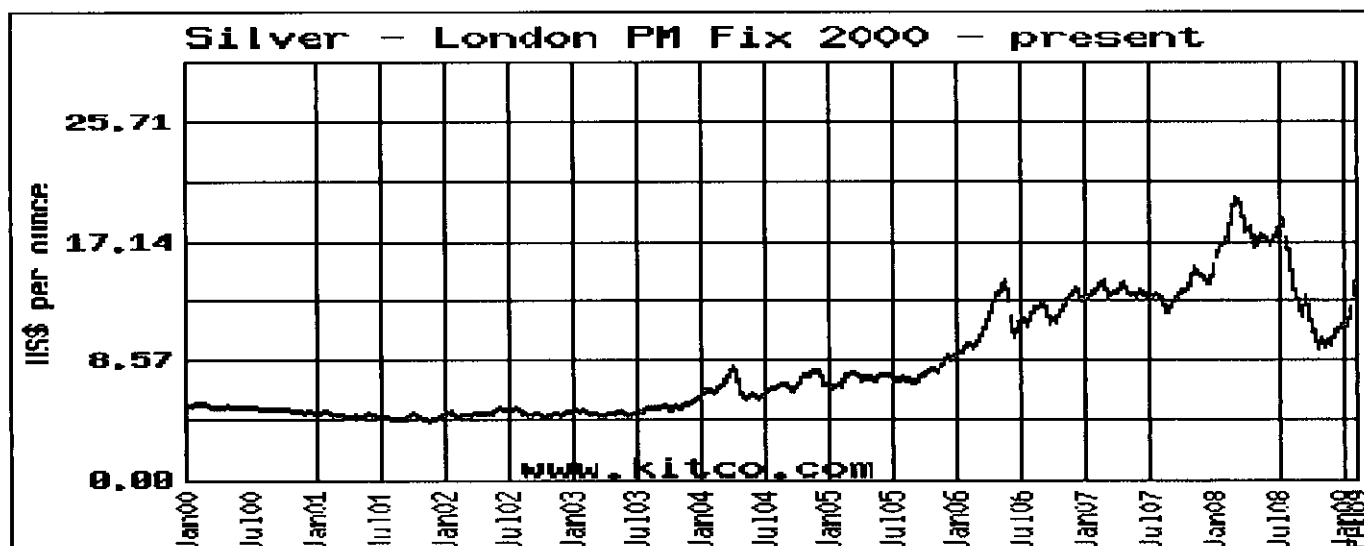
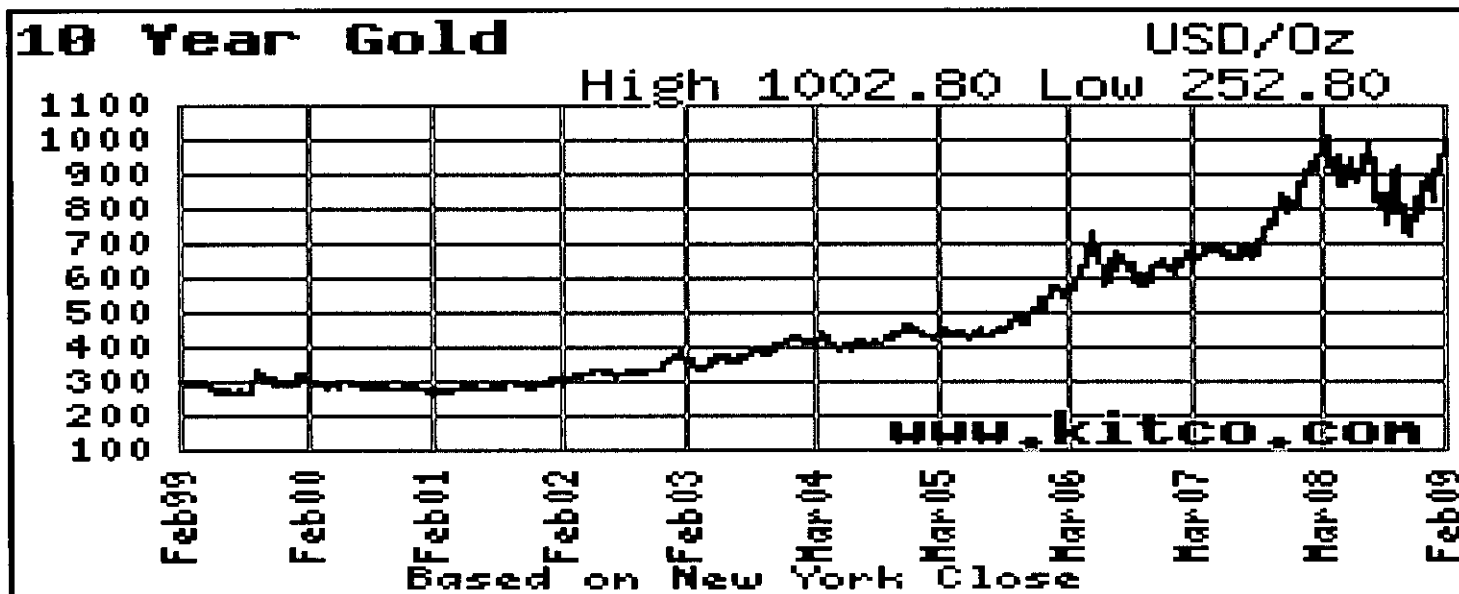


VANCOUVER 2010

teckom/1010

OFFICIAL SUPPORTER

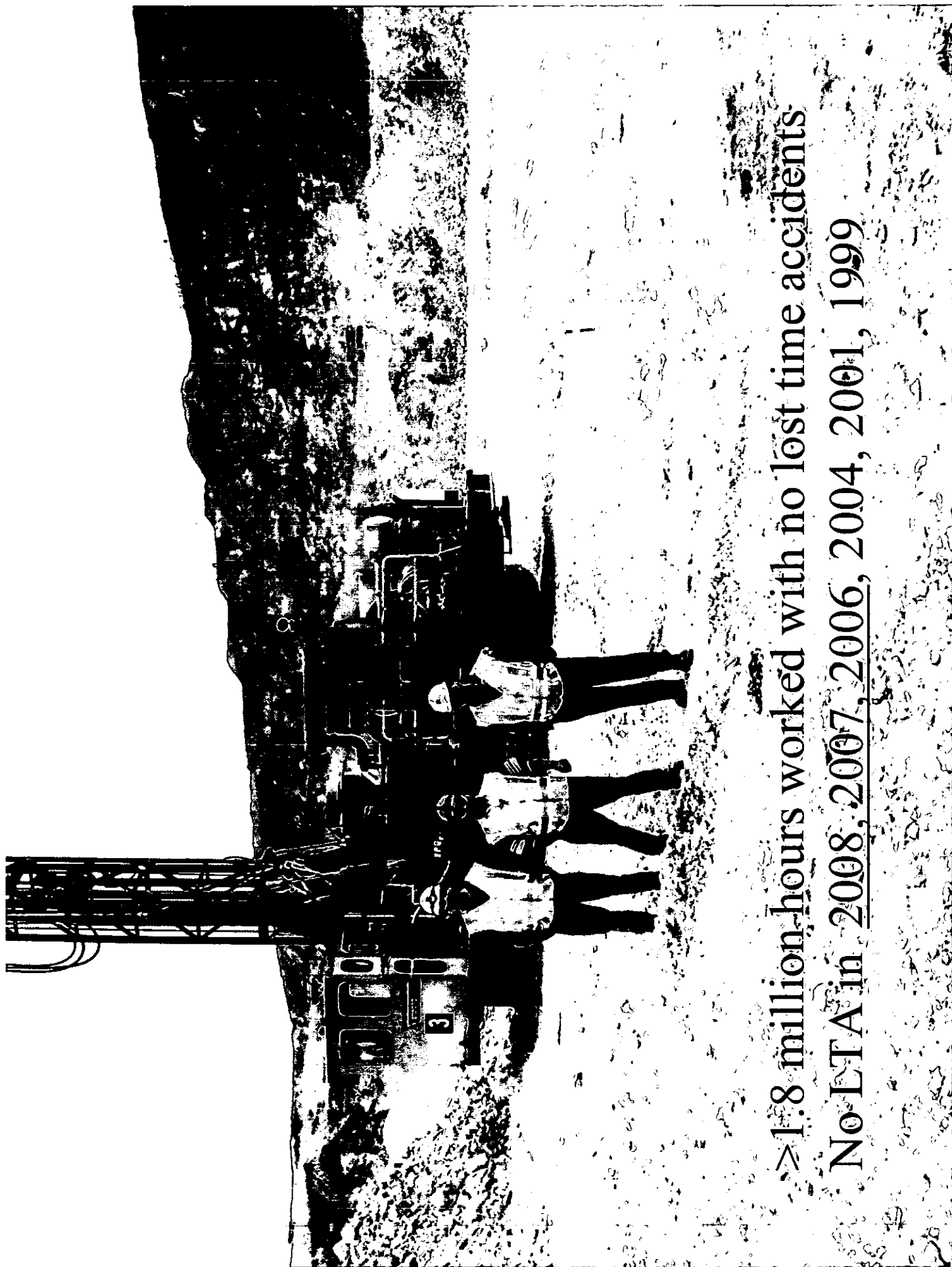
Gold & Silver Prices for Past 10 years



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

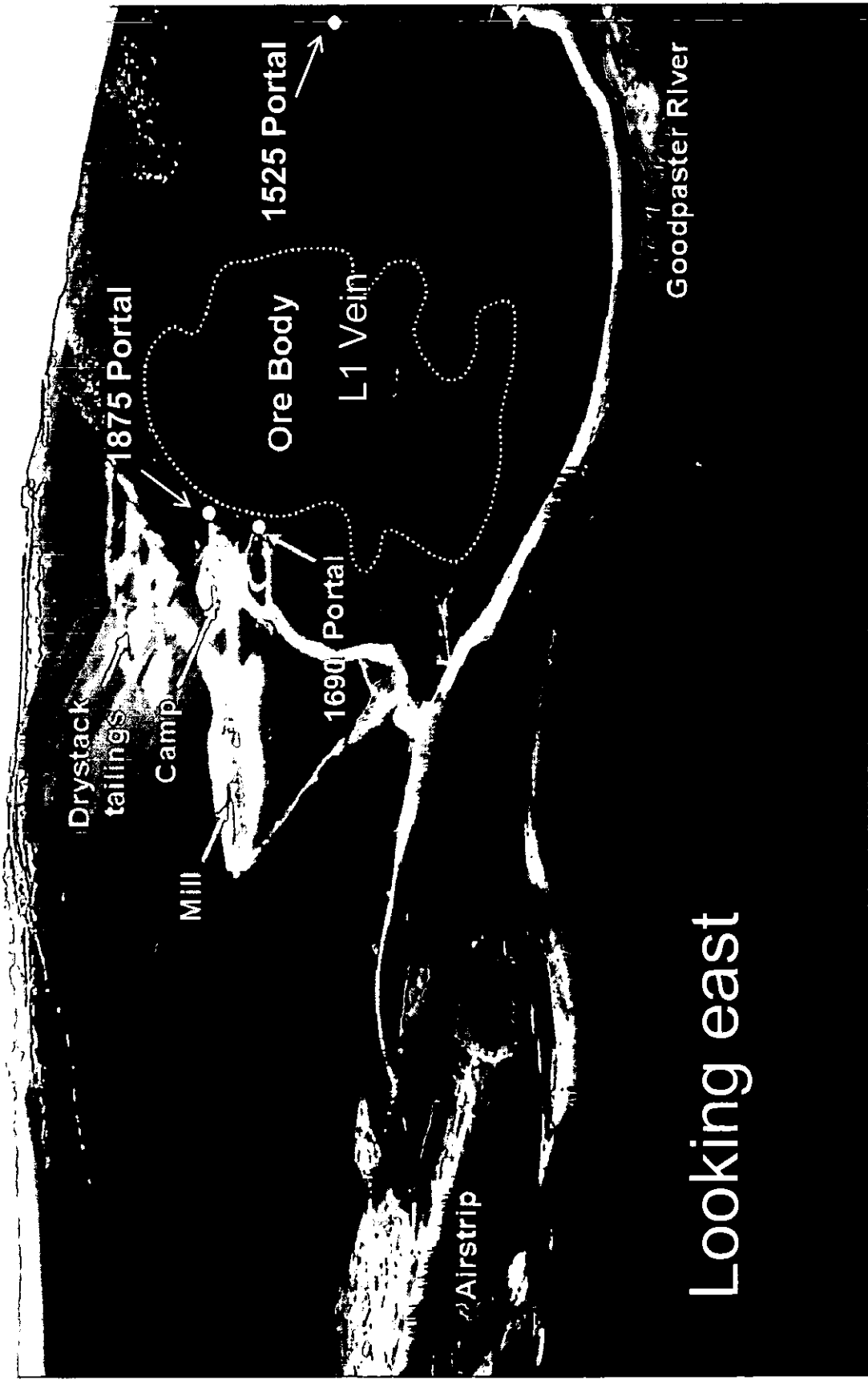
Fort Knox Mine

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



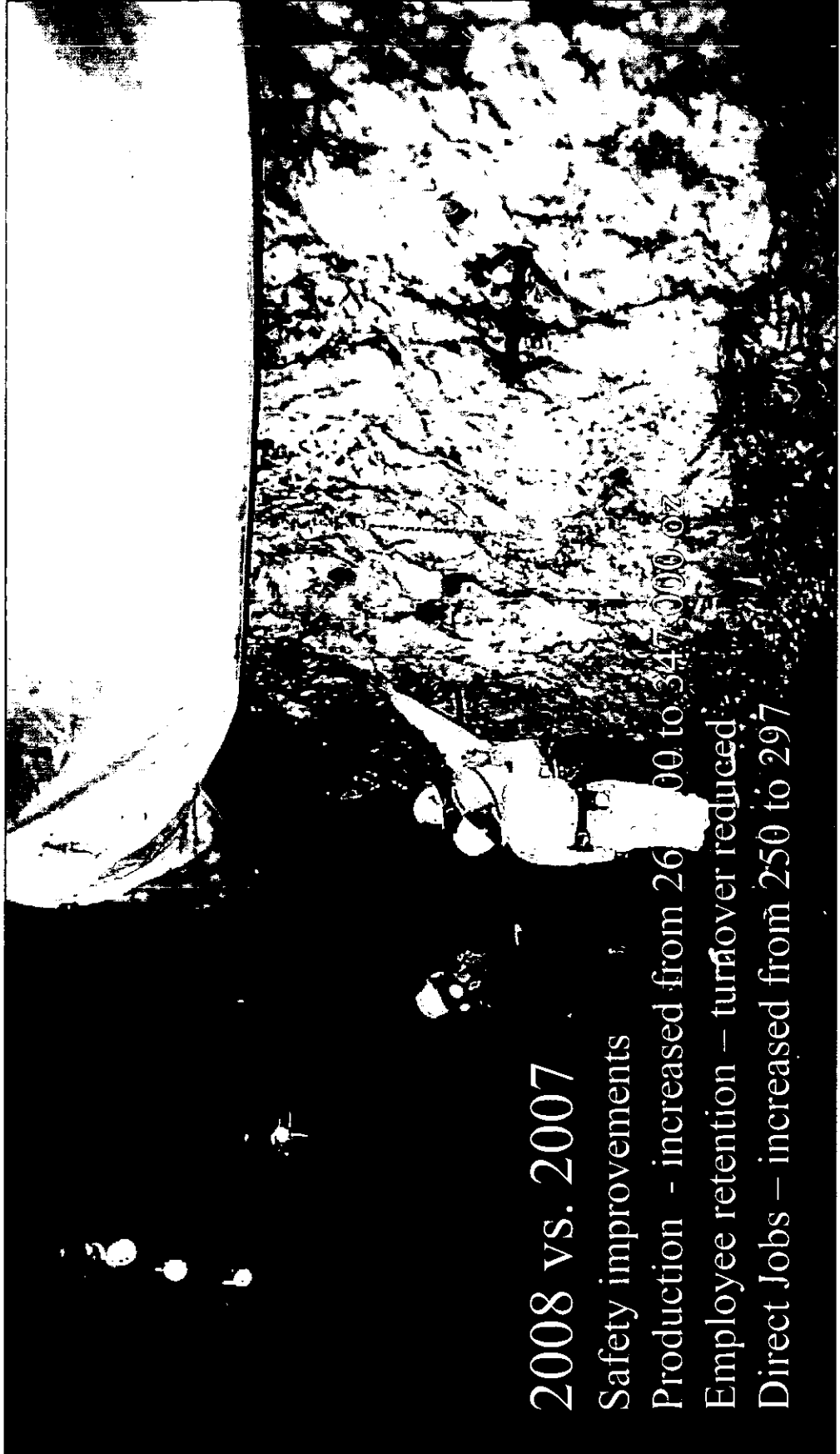
Pogo Surface Facilities & Underground Orebody



Looking east

Pogo 2008 Highlights

Major Operational Improvements



2008 vs. 2007

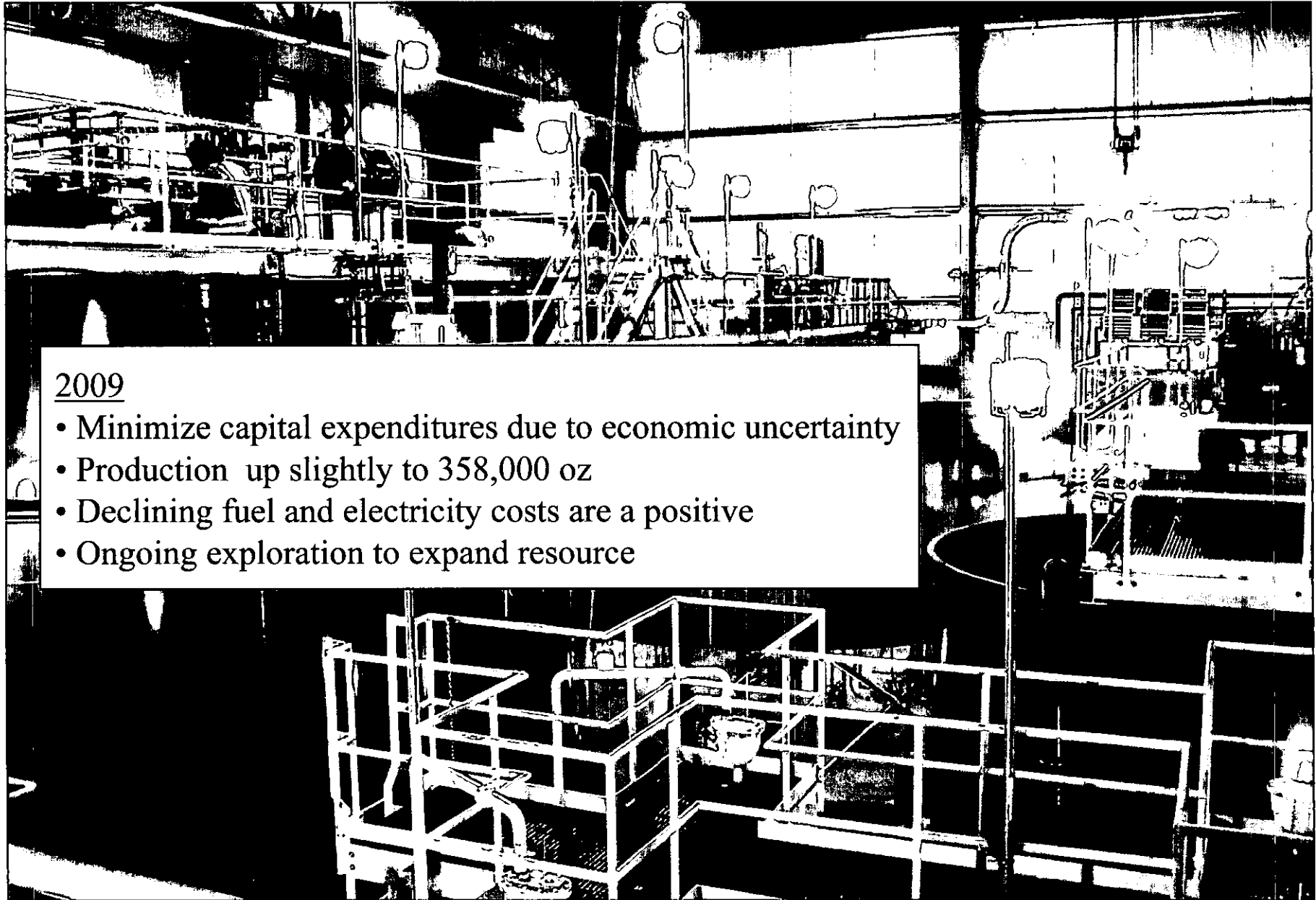
Safety improvements

Production - increased from 267,000 to 347,000 oz

Employee retention - turnover reduced

Direct Jobs - increased from 250 to 297

Pogo Water Treatment Plant treats mine water before discharge



2009

- Minimize capital expenditures due to economic uncertainty
- Production up slightly to 358,000 oz
- Declining fuel and electricity costs are a positive
- Ongoing exploration to expand resource

Mines Currently in Idle Status

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

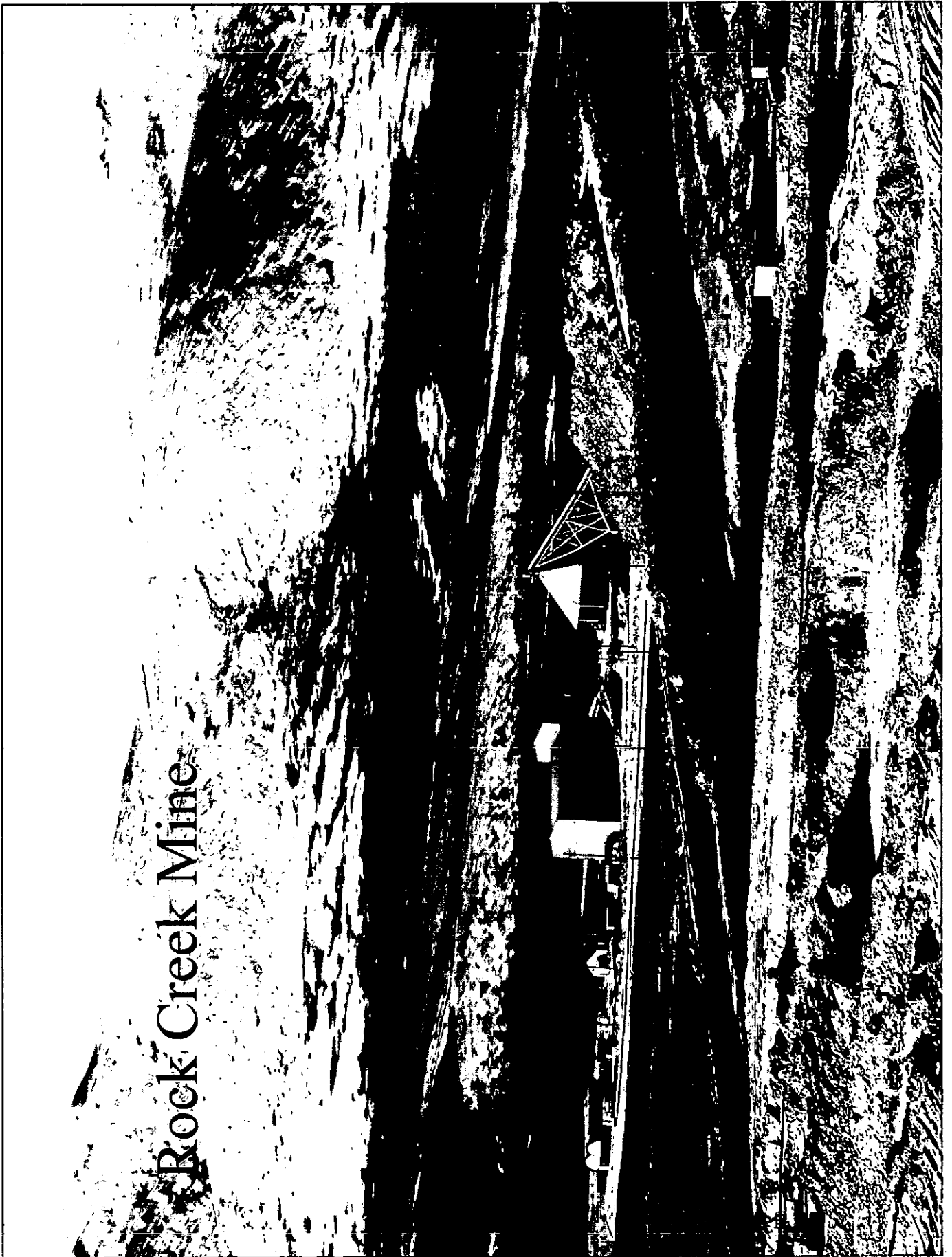
Nixon Fork Mine

2009

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

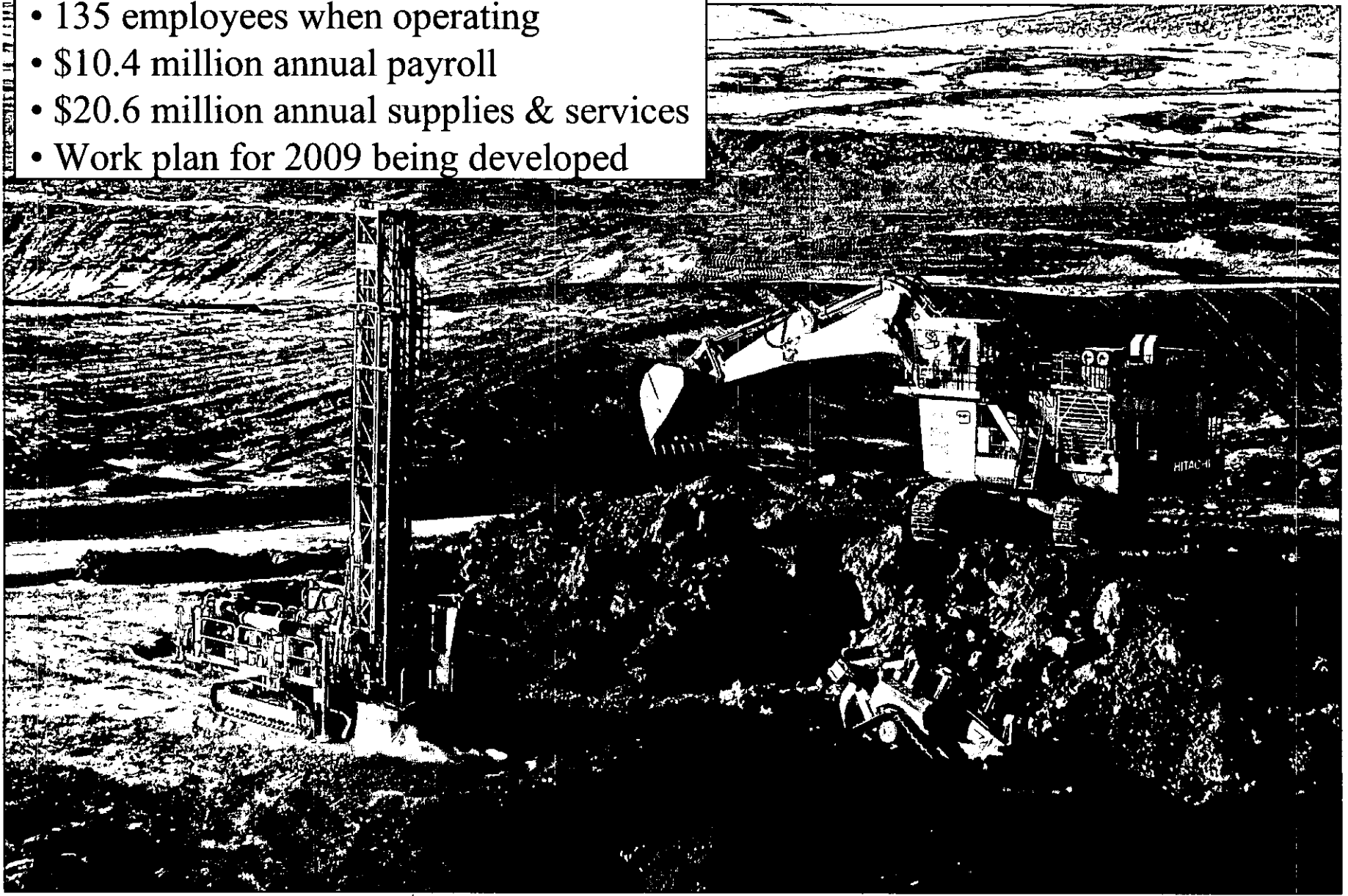


Rock Creek Mine



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 Hearing on 1/13/09





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

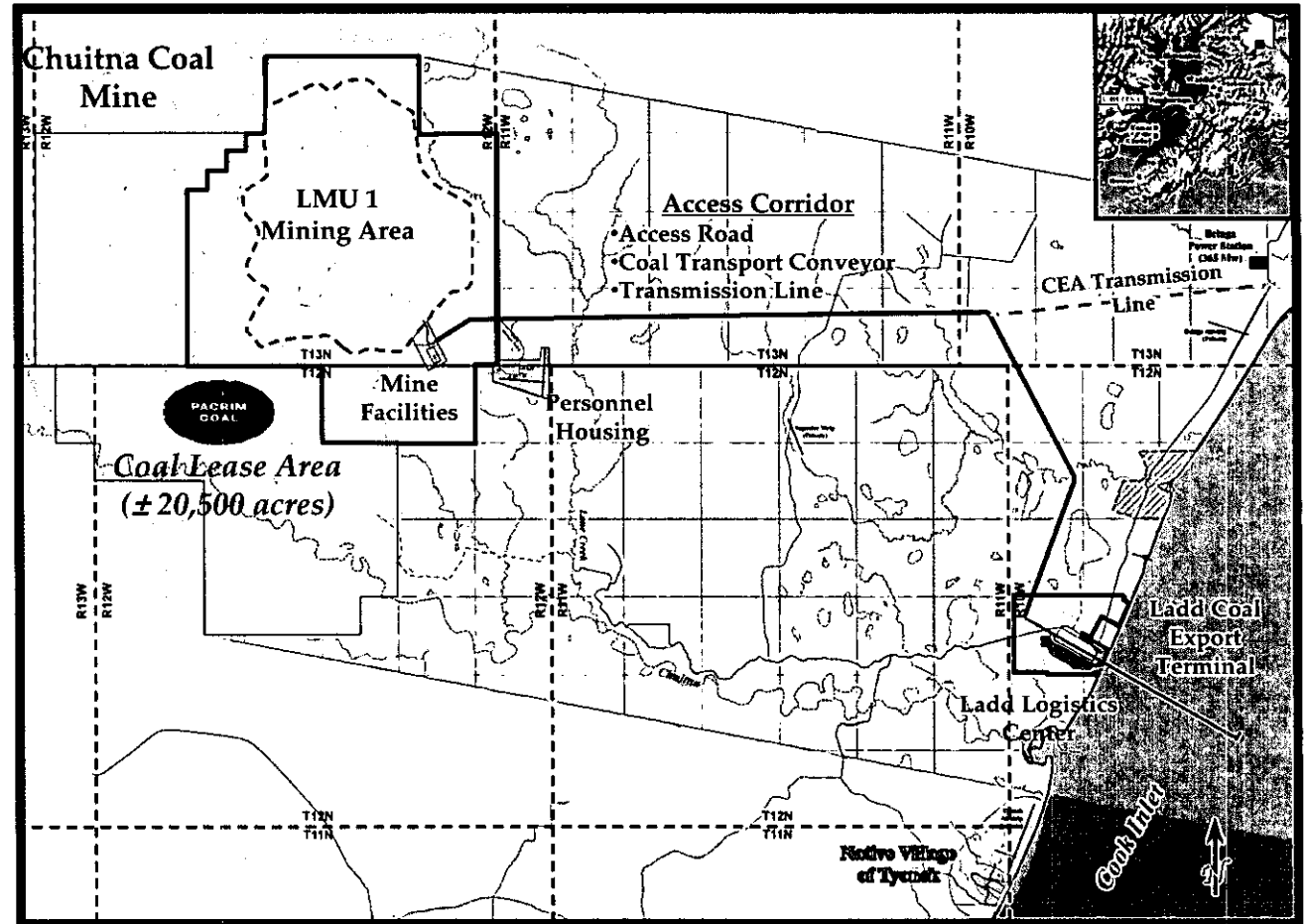
- 9 to 12 mile Access road & coal conveyor (alternatives under review)
- 138 Kv power line
- Personnel housing & airstrip

Ladd Landing

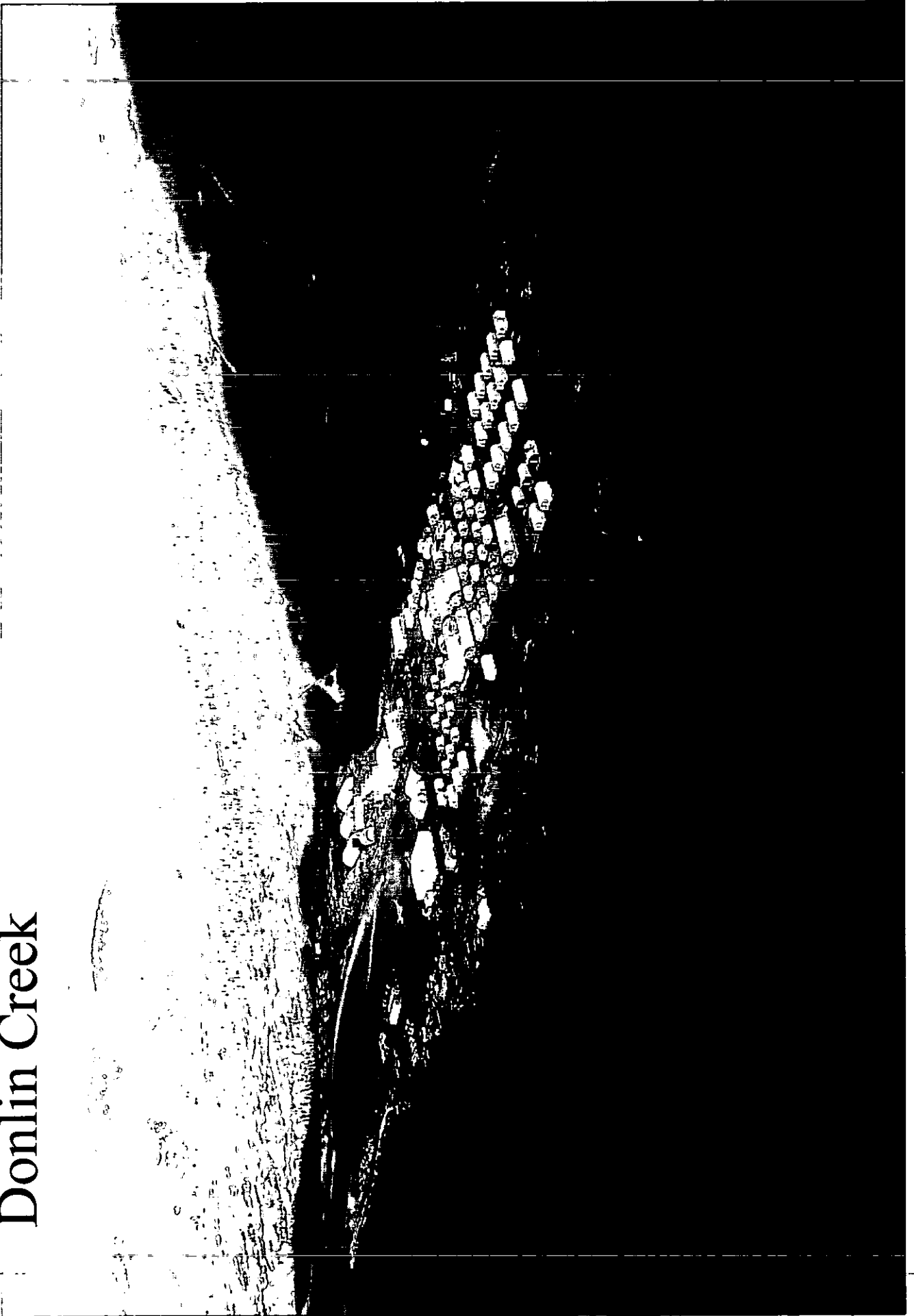
- Logistics center
- Export terminal
- Cape Class vessels 60ft draft

Permit Status

- ASCMCRA permit applications filed, public review process projected 4th Qtr 2009
- Draft SEIS in process, anticipate public review process 4th Qtr 2009
- Projected approval anticipated for late 2010



Donlin Creek



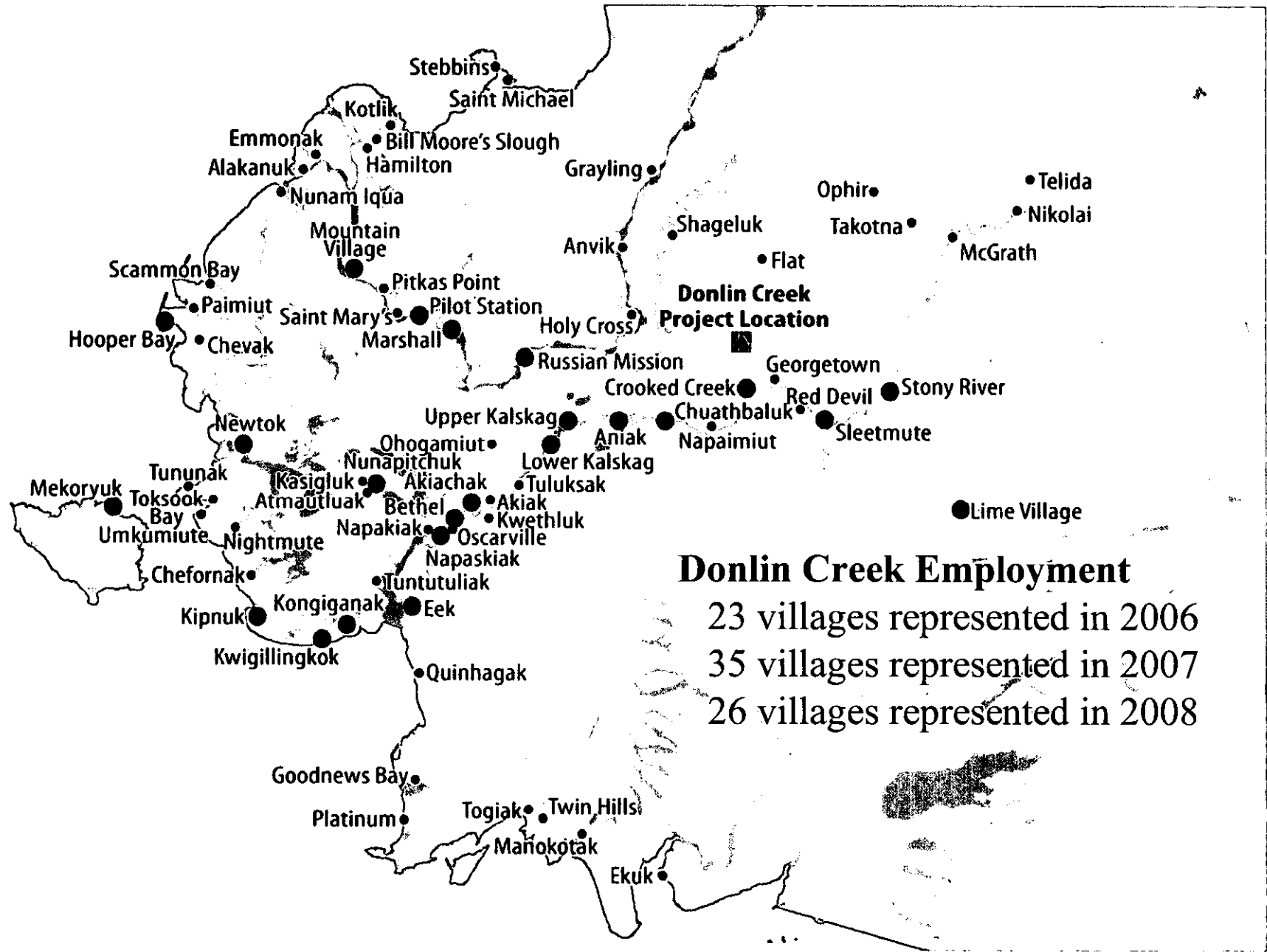
Donlin Creek Update

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



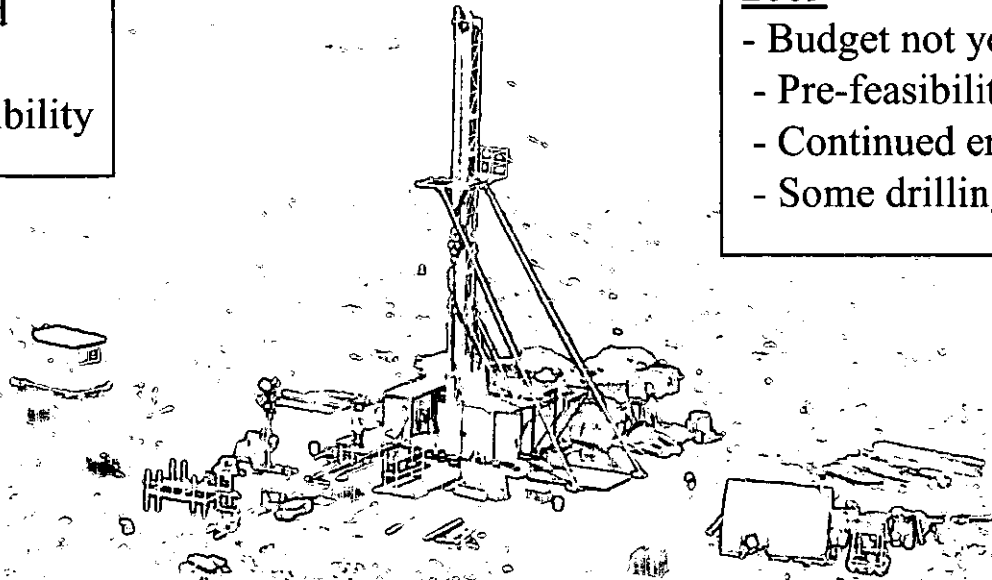
Pebble Project

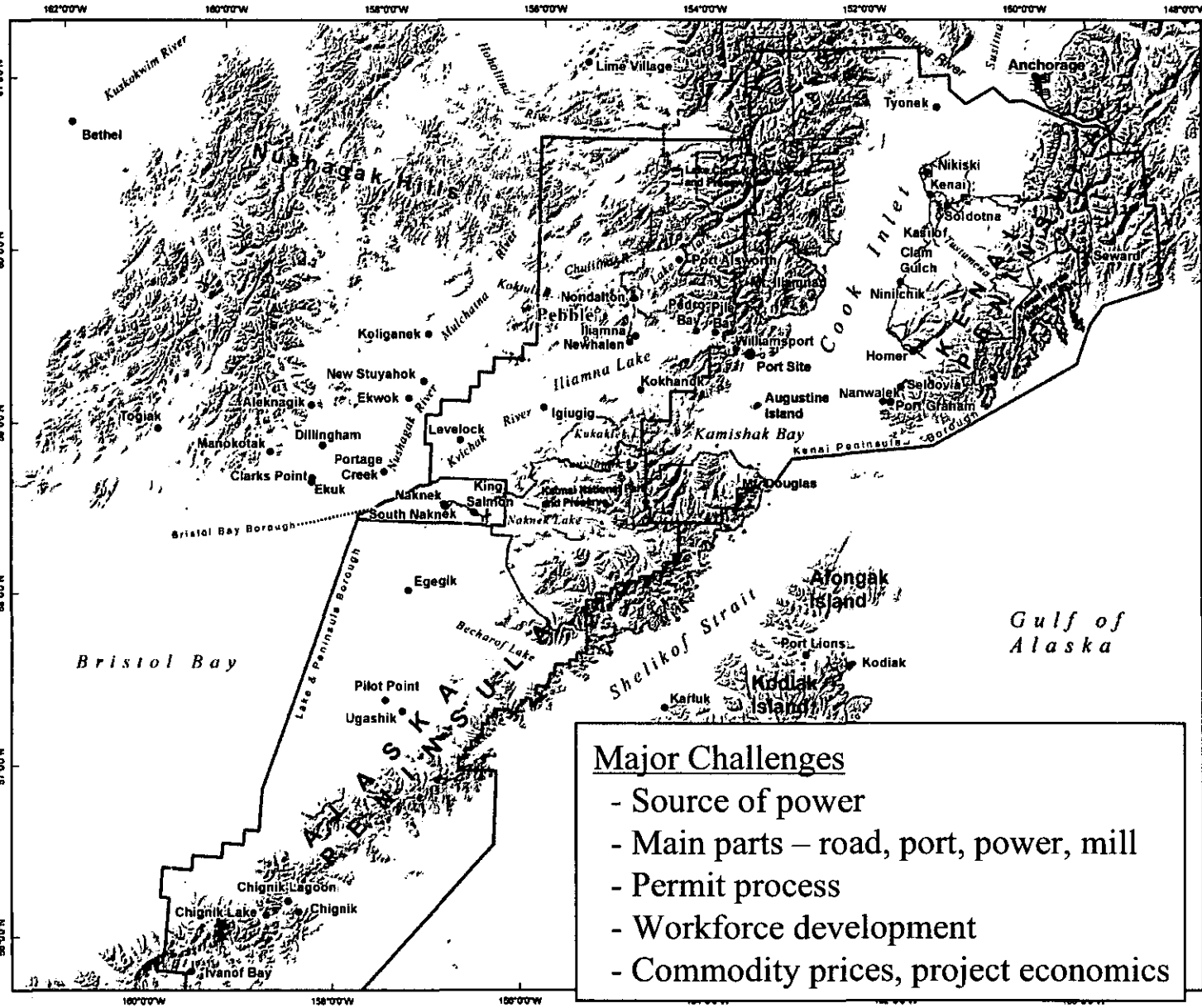
2008

- John Shively, CEO
- \$140 million spent
- More than 800 employed
- Over 200 holes drilled
- Environmental, pre-feasibility

2009

- Budget not yet set
- Pre-feasibility study
- Continued environmental baseline
- Some drilling

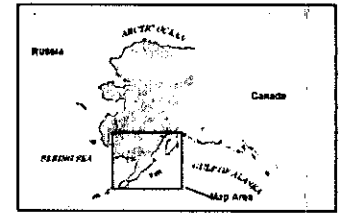




- ### Major Challenges
- Source of power
 - Main parts – road, port, power, mill
 - Permit process
 - Workforce development
 - Commodity prices, project economics

Regional Map

- #### Legend
- Communities
 - Possible Port Site
 - ADOT&PF Road Study Corridor
 - Existing Roads
 - ☁ Deposit Site
 - ⊕ National Park
 - ⊕ National Preserve
 - Borough Boundary



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Version: 8 Author: RDI-OWR, MRA

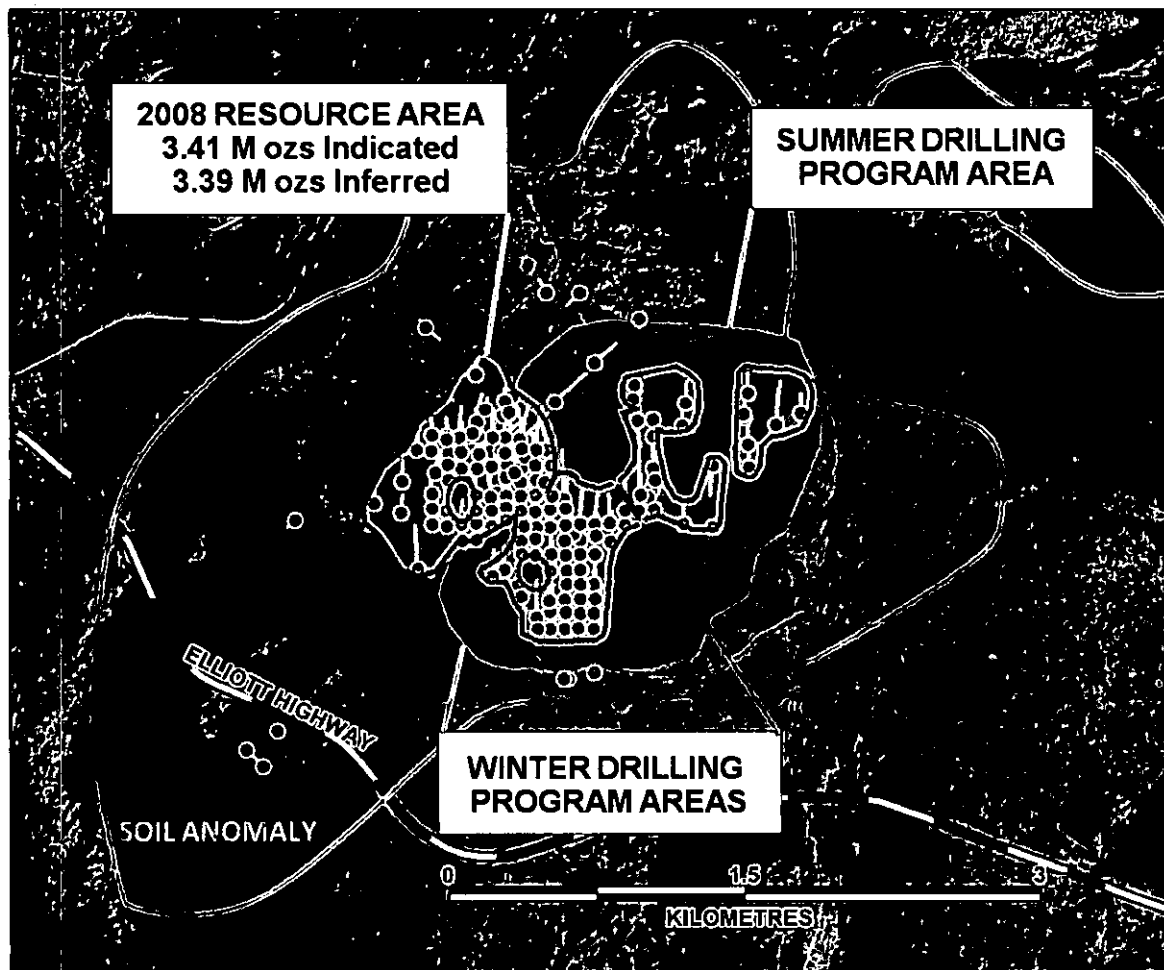
Grassroots (early stage) Exploration

- 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

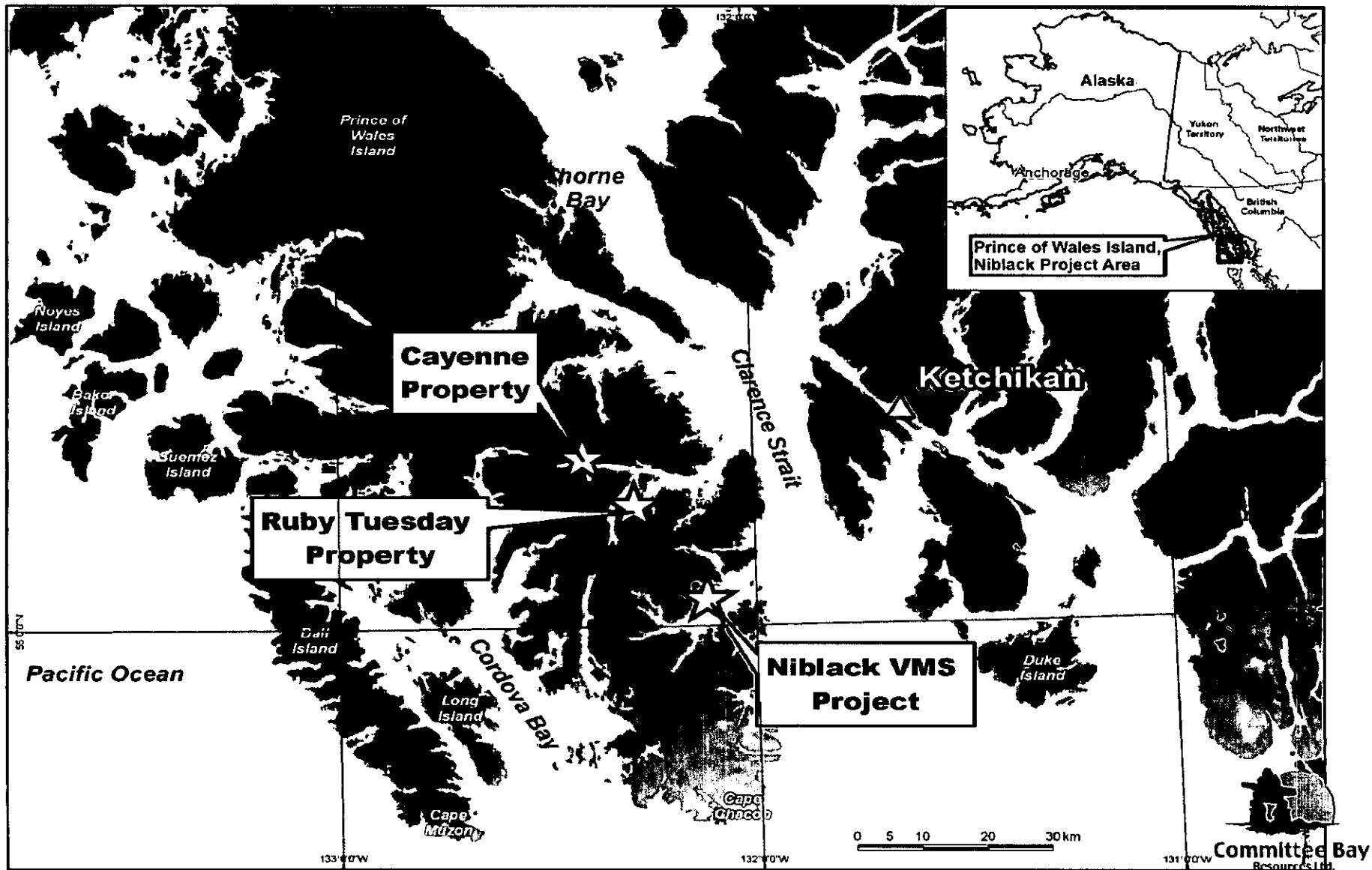
2009 Budget = \$8.5 million (\$8m in 2008)

45 employees (42 in 2008)

Other Alaska Projects

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

Committee Bay Resources Niblack Project



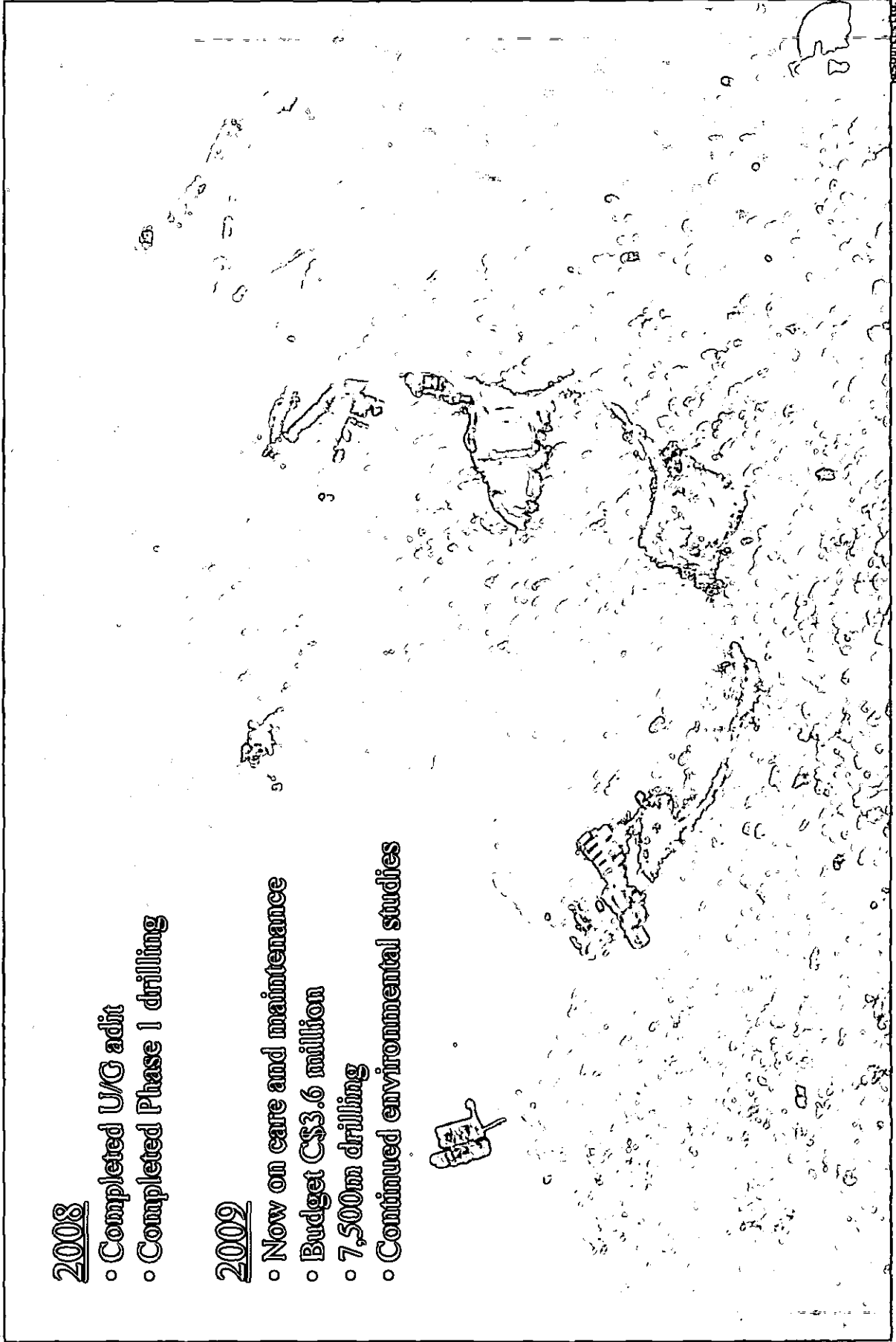
Niblack Project

2008

- Completed U/G audit
- Completed Phase 1 drilling

2009

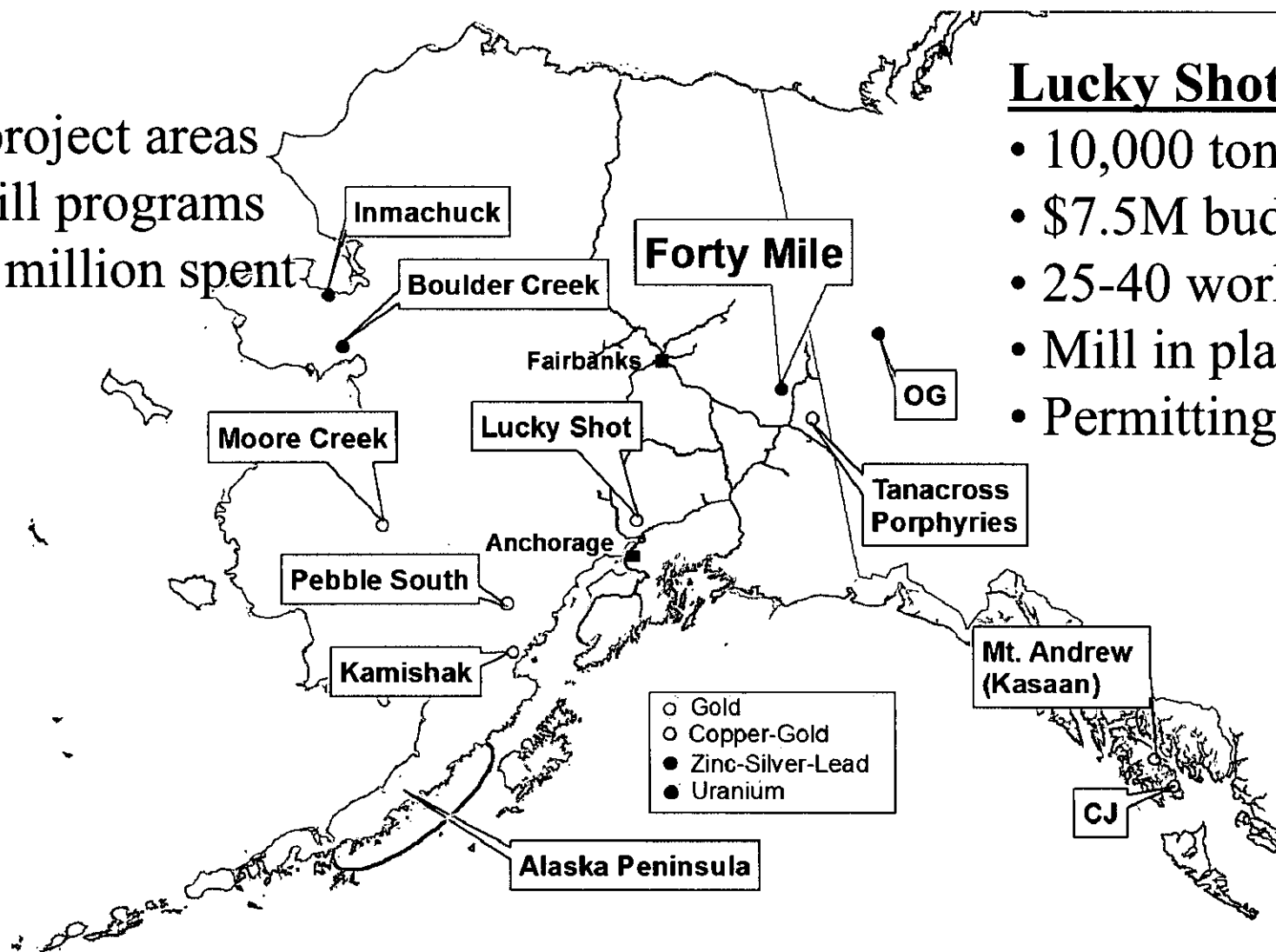
- Now on care and maintenance
- Budget C\$3.6 million
- 7,500m drilling
- Continued environmental studies



Full Metal Minerals

2008

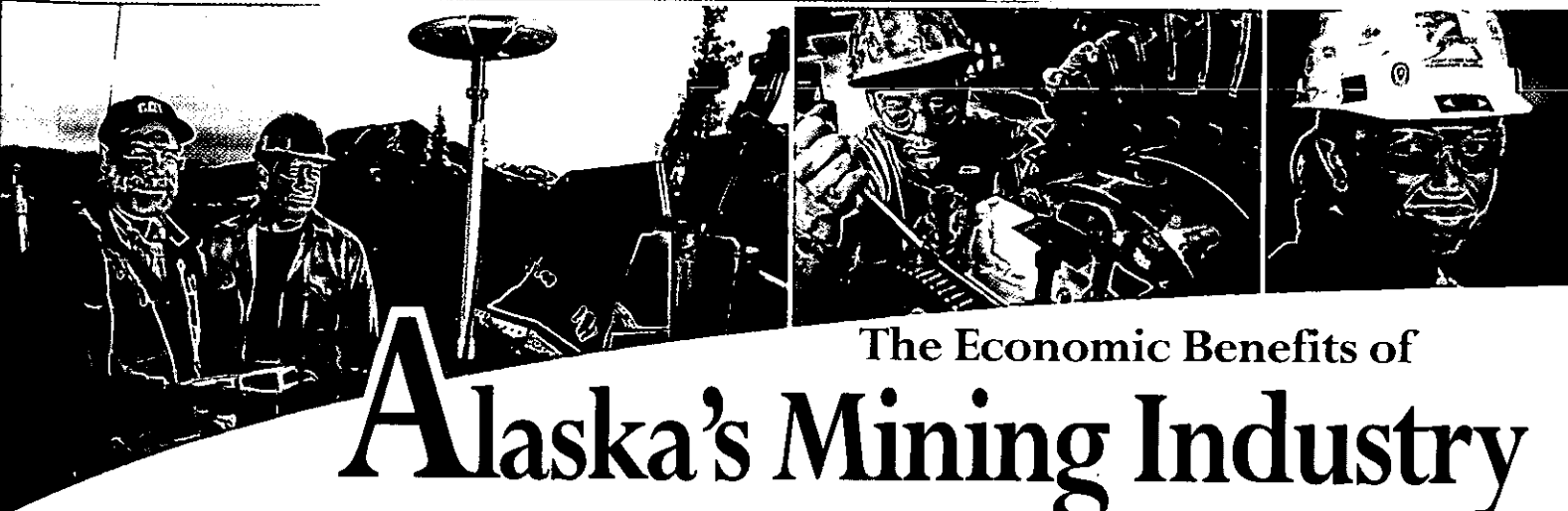
- 11 project areas
- 5 drill programs
- \$21 million spent



Lucky Shot in 2009

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





The Economic Benefits of Alaska's Mining Industry

Mining is a growing force in Alaska's economy, providing jobs for thousands of Alaskans and millions of dollars of personal income throughout Alaska.

Alaska's mining industry includes exploration, mine development, and mineral production. Alaska's mines produce zinc, lead, gold, silver, coal, as well as construction materials, such as sand, gravel, and rock.



In 2008, Alaska's mining industry provided:

- ◆ 3,500 direct mining jobs in Alaska.
- ◆ 5,500 total direct and indirect jobs attributed to Alaska mining industry.
- ◆ \$350 million in direct and indirect payroll.
- ◆ Some of Alaska's highest paying jobs with an estimated average annual wage of \$82,600, 90% higher than the state average for all sectors of the economy, second highest after oil and gas sector wages.
- ◆ \$15.6 million in local government revenue through property taxes and payments in lieu of taxes, down 1% from 2007.
- ◆ \$105 million to the state government through rents, royalties, fees, and taxes, down 17% from 2007.
- ◆ \$212 million in payments to Alaska Native corporations (FY08) up 266% from FY07.
- ◆ Jobs for residents of more than 120 communities throughout Alaska— mostly year-round, and often in rural areas, where few other jobs are available.

Exploration

- ◆ \$293 million spent on exploration, down 8% from 2007.
- ◆ 59 exploration projects spending more than \$100,000, of which 30 exploration projects spent more than \$1 million.

Development

- ◆ \$331 million spent on mine construction, up 7% from 2007, on at least 7 developing and existing mines.

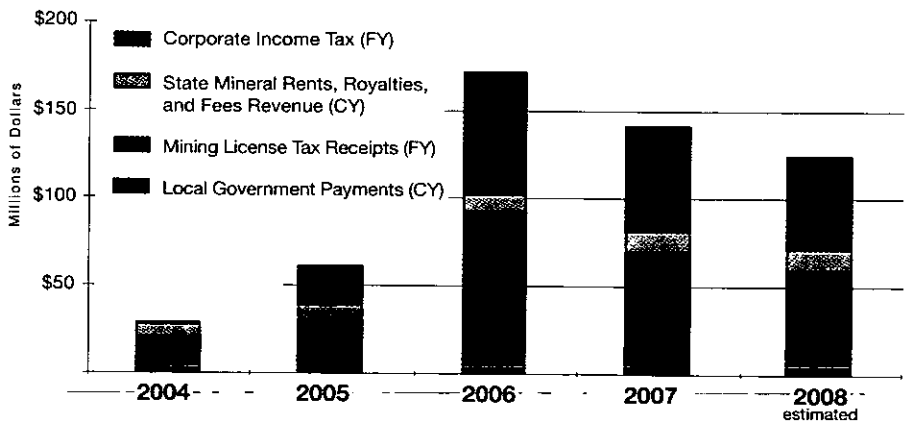
Production

- ◆ \$2.4 billion in gross mineral production value from Usibelli Coal, Greens Creek, Red Dog, Fort Knox, and Pogo mines, placer mines, and rock, sand, and gravel operations, down 27% from 2007.
- ◆ More than 175 placer mines produced 54,000 ounces of gold.
- ◆ \$102 million in production value from more than 117 active rock quarries, and sand and gravel operations.

Exports (2007)

- ◆ \$1.3 billion in mining exports, or 34% of Alaska's total exports.

State and Local Government Revenue Impact





Usibelli Coal Mine

Coal

- Alaska's only operating coal mine, exporting a third of its production in 2008
- Fuels 40% of Interior Alaska's electricity
- Founded in 1943
- 110 employees

Greens Creek Mine

Silver, zinc, gold, and lead

- One of the largest silver producers in North America
- Largest taxpayer in the City & Borough of Juneau
- Discovered in 1979, producing from 1989 to 1993, and since 1996
- 320 employees

Red Dog Mine

Zinc, lead, and silver

- World's largest zinc concentrate producer
- Largest taxpayer in the Northwest Arctic Borough
- Discovered in 1968, producing since 1989
- 390 employees, plus 95 full-time contractors in 2008

Fort Knox Mine

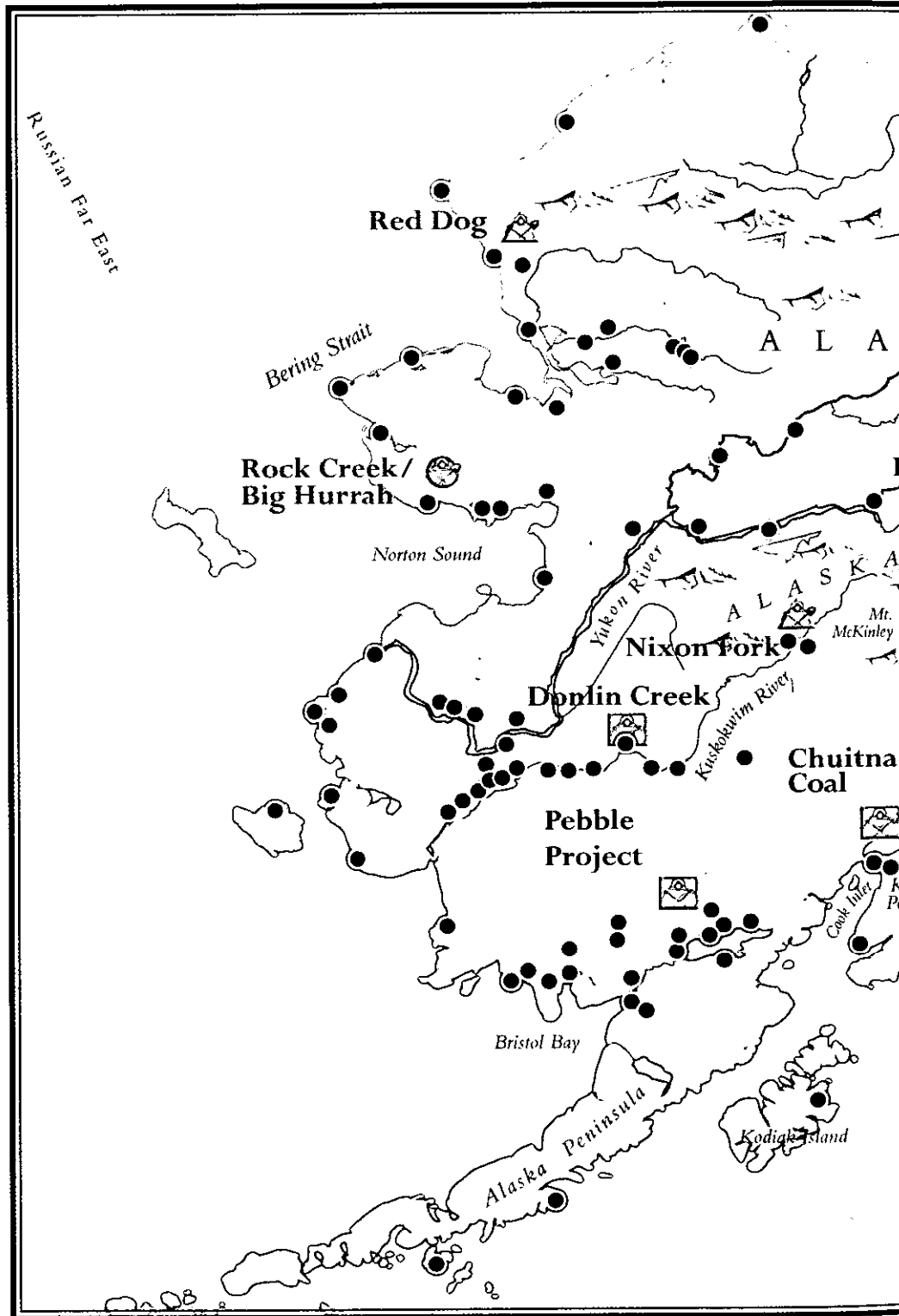
Gold

- Alaska's largest surface gold mine
- Largest single property taxpayer in the Fairbanks North Star Borough
- Discovered in 1984, producing since 1996
- 450 employees, plus 30 full-time contractors in 2008

Pogo Mine

Gold

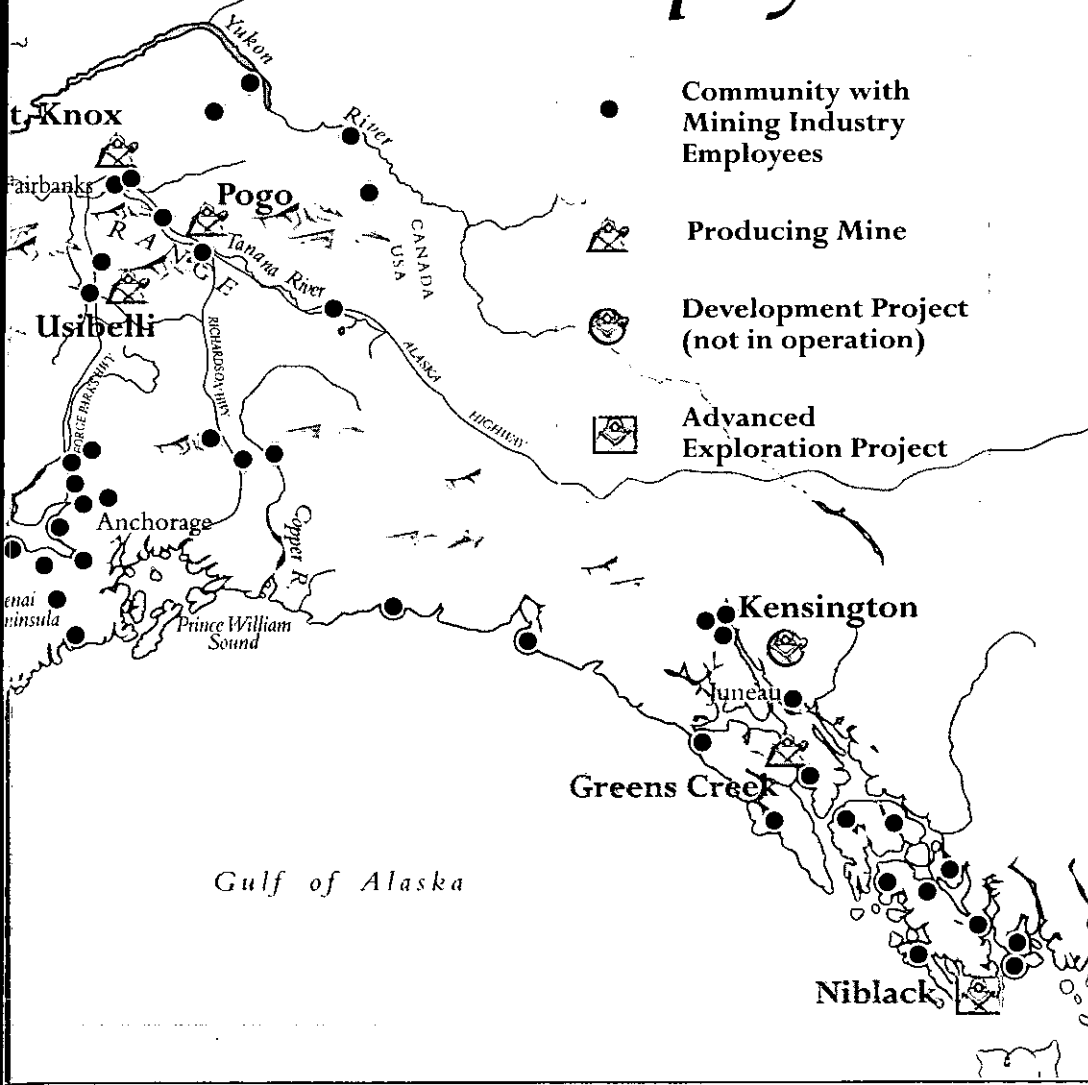
- Approximately 700,000 ounces produced 2006 through 2008
- Significant private sector payments to the City of Delta Junction
- Discovered in 1994, producing since 2006
- 280 employees, plus 60 full-time contractors in 2008





Arctic Ocean

Alaska Communities with Mining Employees



Nixon Fork

Gold and copper

- Discovered in 1917, intermittent exploration since 1920s
- Production suspended in 2007 for additional drilling
- 75 potential production jobs

Rock Creek/Big Hurrah

Gold

- Started and suspended production in 2008
- \$156 million invested through 2008
- 135 potential production jobs

Kensington

Gold

- \$238 million invested through 2008
- 200 potential production jobs

Chuitna Coal

Coal

- Currently in the permitting process
- 300-350 potential production jobs

Donlin Creek

Gold

- Discovered in 1988, ongoing exploration since 1995
- 210 exploration jobs in 2008, 86% Calista shareholder hire
- 500-600 potential production jobs

Niblack

Gold, silver, copper, and zinc

- Ongoing exploration for more than 10 years
- Over \$20 million invested through 2008

Pebble Project

Copper, gold, and molybdenum

- Discovered in 1987, ongoing exploration and environmental studies since 2002
- Over \$300 million invested through 2008
- Over 1,000 potential production jobs



Strengthening Government and Communities

Mining companies strengthen Alaska's local economies by employing Alaska residents from more than 120 Alaska communities, and purchasing supplies and services from hundreds of Alaska businesses.

These mining companies are also an important source of stable revenue for local governments, as well as significant state government revenue. In 2008, Alaska's mining industry paid:

An estimated total of **\$15.6 million** to local governments, including:

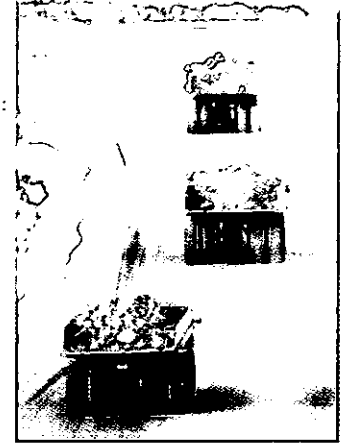
- ◆ **\$11 million** in payment in lieu of taxes (PILT) by Red Dog to the Northwest Arctic Borough.
- ◆ **\$2.8 million** in property taxes paid by Fort Knox to the Fairbanks North Star Borough.
- ◆ Over **\$1 million** in property taxes paid by Greens Creek to the City and Borough of Juneau.
- ◆ **\$500,000** in PILT paid by Pogo to the City of Delta Junction (FY08).
- ◆ **\$295,400** in property taxes paid by Kensington to the City and Borough of Juneau. Once in production, the mine will be the largest taxpayer in Juneau.
- ◆ Tax payments to other local governments, including Denali Borough, City of Nome, and others.
- ◆ Mining industry employees also pay local property and sales taxes.

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	✓	✓	✓

An estimated **\$105 million** to state government in rents, royalties, fees, and taxes, including:

- ◆ **\$55 million** in mining license tax, rents, royalties, fees, and other payments.
- ◆ **\$50 million** in corporate income tax, making mining Alaska's **second highest corporate income tax paying sector** after the petroleum sector.



Over **\$42.1 million** in other state government-related revenues, including:

- ◆ **\$18.5 million** to the Alaska Railroad Corporation – \$11.2 million for moving coal and \$7.3 million for moving sand and gravel.
- ◆ **\$22.0 million** to Alaska Industrial Development & Export Authority for the use of state-owned facilities.
- ◆ **\$1.6 million** to the Alaska Mental Health Trust for rents and royalty payments, and construction material sales.

Partnering with Alaska Native Corporations

All Alaska Native corporations benefit from mining industry activity – in 7(i) and (j) **royalty sharing payments**, in **jobs** for shareholders, or through **business partnerships**.

- ◆ **\$212 million** in royalties paid by Red Dog to NANA; of which \$122 million was redistributed to other Alaska Native regional and village corporations
- ◆ 56% of the 485 year-round jobs at Red Dog are filled by NANA shareholders, including Teck Cominco, NANA Lynden and NANA Management Services jobs.
- ◆ Calista Corporation anticipates \$700,000 in royalties for mineral agreements, including lode exploration, placer gold production, and construction material sales.
- ◆ 86% of the 210 jobs at Donlin Creek Project filled by Calista shareholders.

Projects with near-term potential will directly benefit Bering Straits Native Corporation and Sitnasuak Native Corporation (Rock Creek), as well as Goldbelt, Inc., Klukwan, Inc., and Kake Tribal Corporation (Kensington).