

2/22/12

ALASKA MINERS

ASSOCIATION

UPDATE ON

MINING IN

ALASKA

<TARGET><BILL></BILL><SUBJECT>2-22-12 ALASKA MINERS
ASSOCIATION UPDATE ON MINING IN
ALASKA</SUBJECT><COMM>HRES27</COMM></TARGET>

Mining Industry Briefing

Alaska Miners Association
Council of Alaska Producers

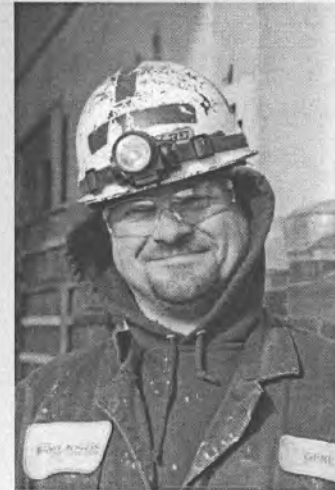
Joint House/Senate Resources Committees
February 22, 2012



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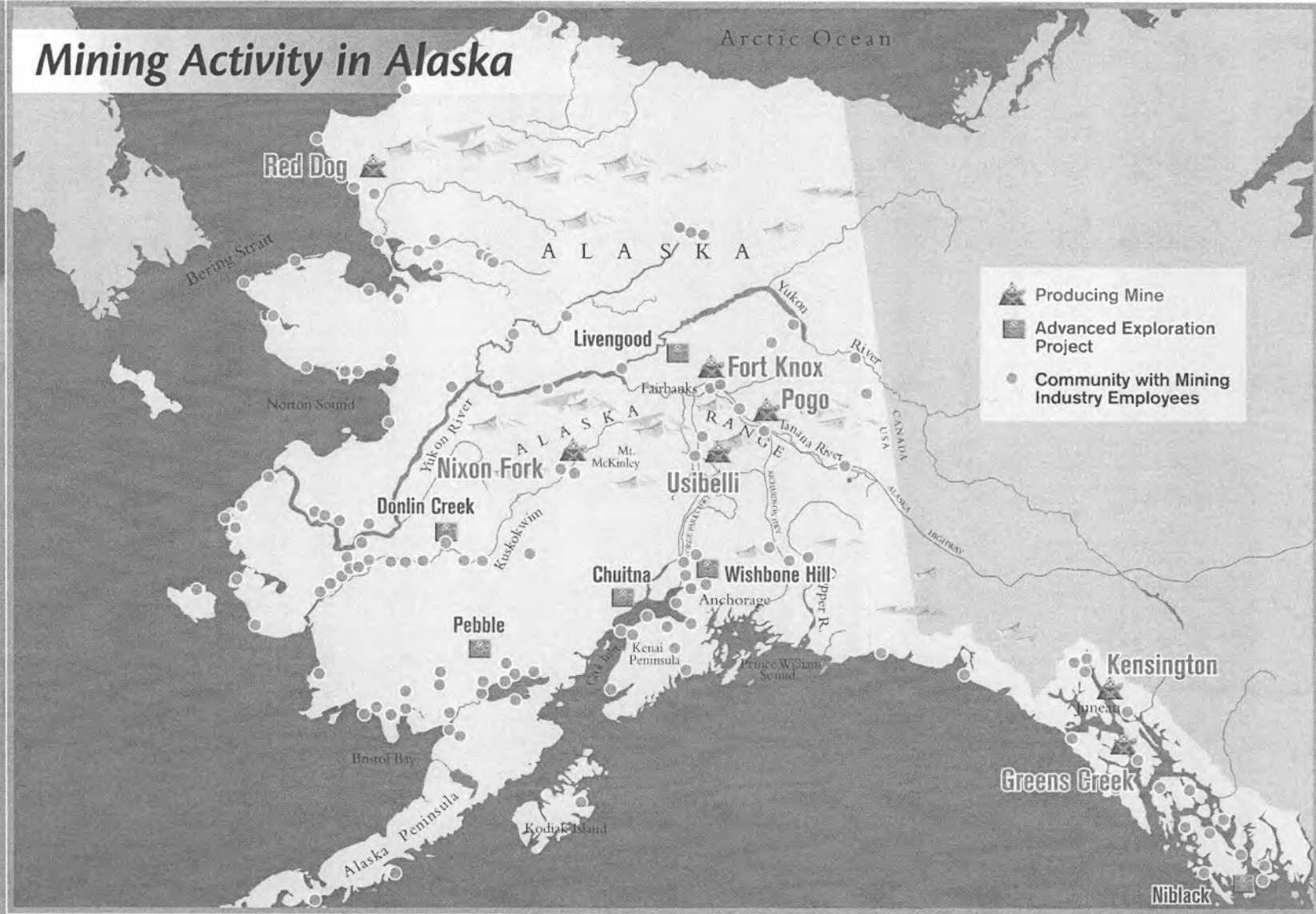
Mining Works for Alaska – 2011

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



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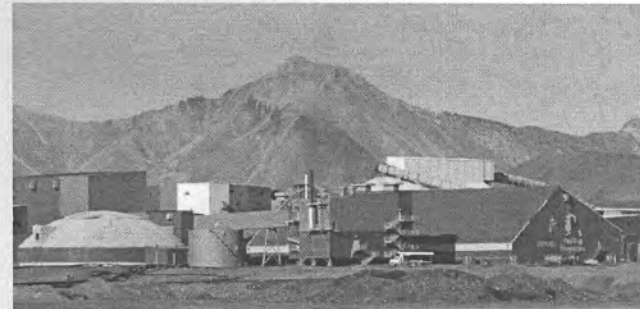
Mining Activity in Alaska



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2011 Operational Milestones

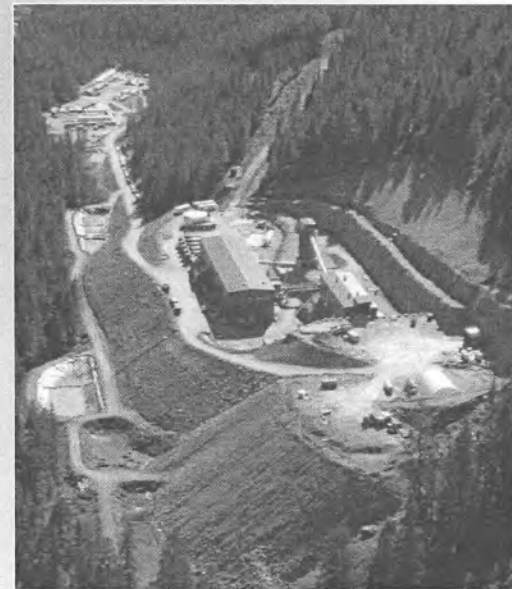
- ▶ New, more efficient mills– Red Dog
- ▶ 5 Moz Strong – Ft. Knox
- ▶ Investment in the future – Pogo
- ▶ Record exports– Usibelli



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2011 Operational Milestones

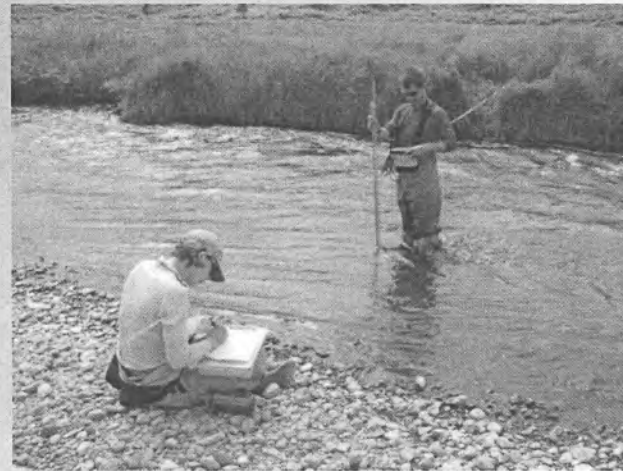
- ▶ A new beginning – Nixon Fork
- ▶ First full year – Kensington
- ▶ Tails Expansion – Greens Creek



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2011 Development Milestones

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



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2011 Development Milestones

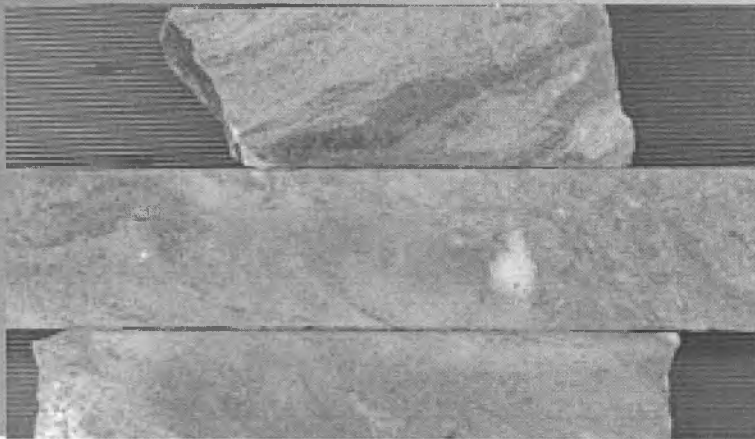
- ▶ Partnerships – NANA/Novacopper
- ▶ Increased Resources – Niblack
- ▶ SEIS work continues– Chuitna
- ▶ Feasibility + Permitting– Wishbone Hill



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2011 Exploration Milestones

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



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2011 REE/Critical Minerals



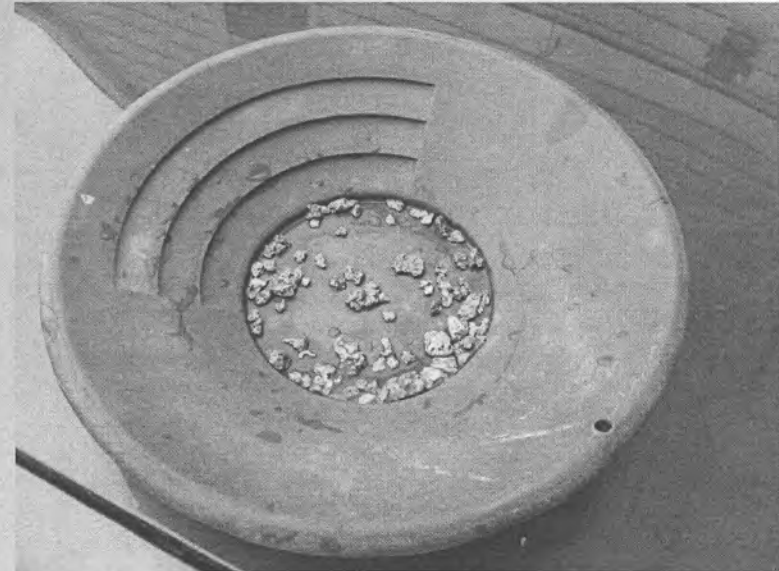
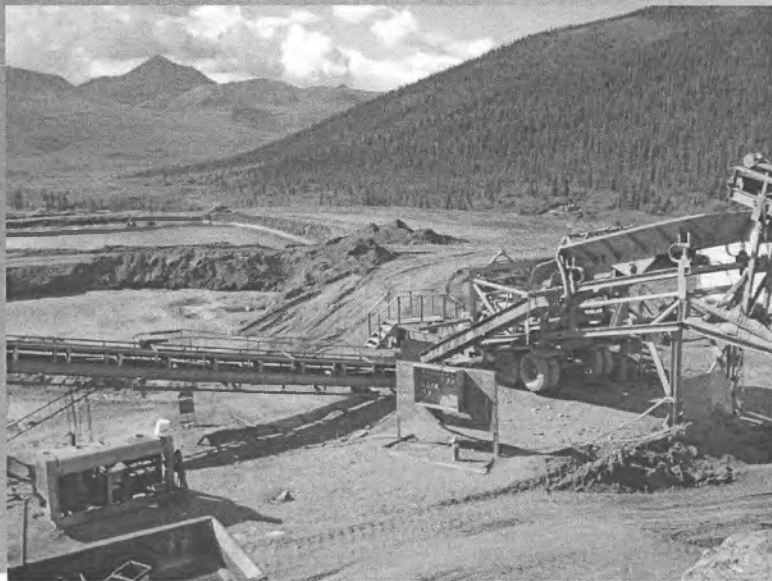
- ▶ State funding of REE Inventory
- ▶ Ucore investment at Bokan Mountain
- ▶ Alaska strategically poised to be a world leader



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2011 Placer Mining

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



Challenges

- ▶ High Risk
- ▶ Infrastructure
- ▶ Perceptions

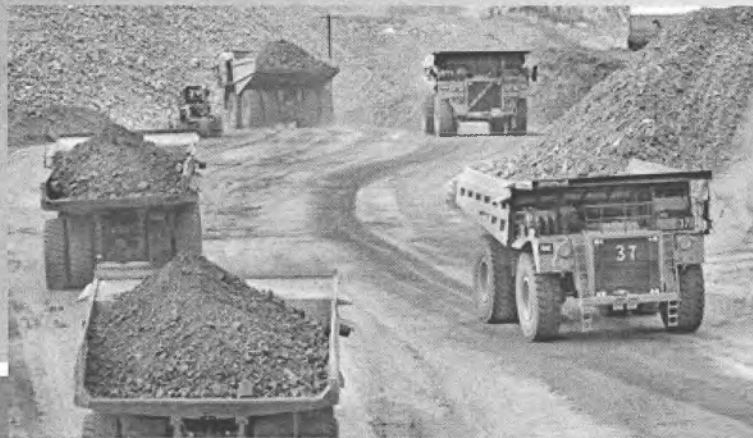


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Opportunities

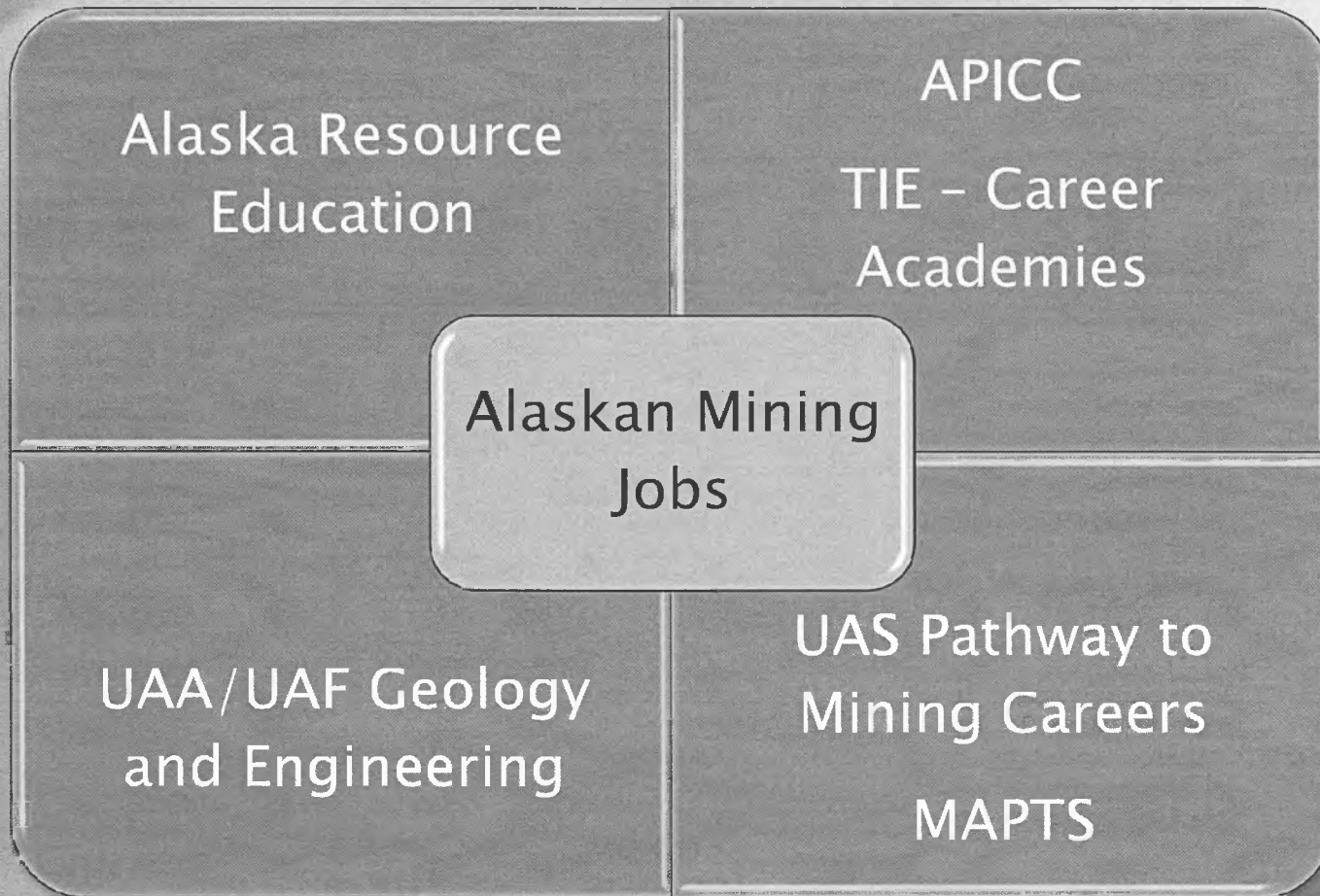


- ▶ Mineral Potential
- ▶ Rigorous Permitting
- ▶ Public Support
- ▶ Workforce Development



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Vitalizing Alaska's Workforce



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Looking to the Future:



- ▶ Alaska
 - ▶ Potential
 - ▶ Means
 - ▶ Opportunity

▶ Mining *will work* for Alaska



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AMA Issues of Concern

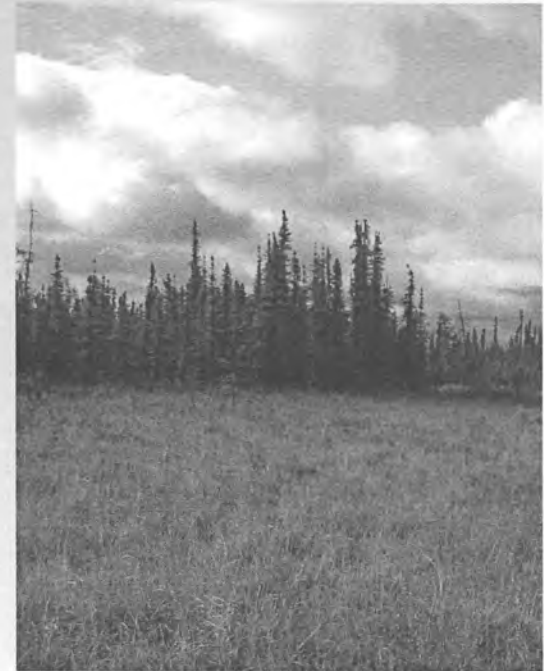
- ▶ Integrity of the Permitting System
- ▶ Increased Oil Flow in TAPS
- ▶ Litigation Reform
- ▶ Infrastructure
- ▶ Energy



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

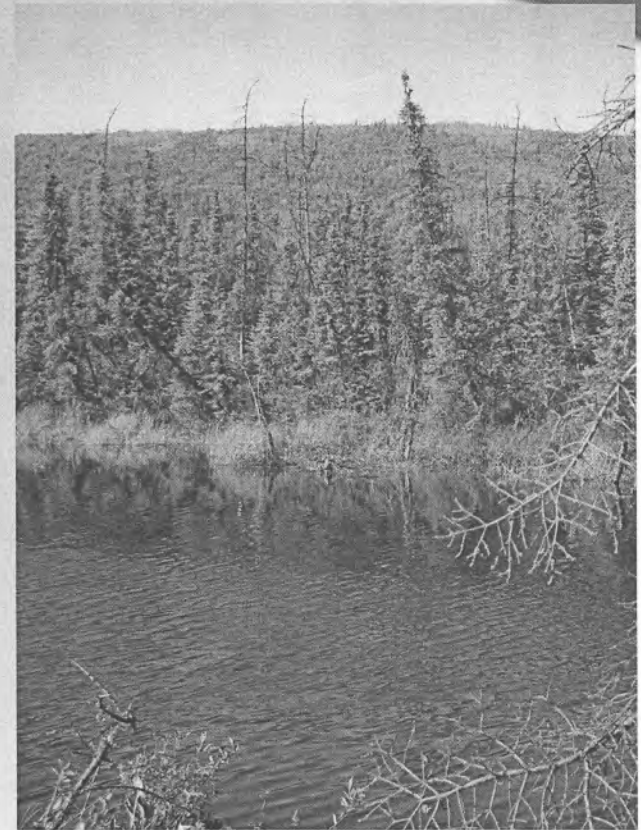
Establishing a State mitigation program

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

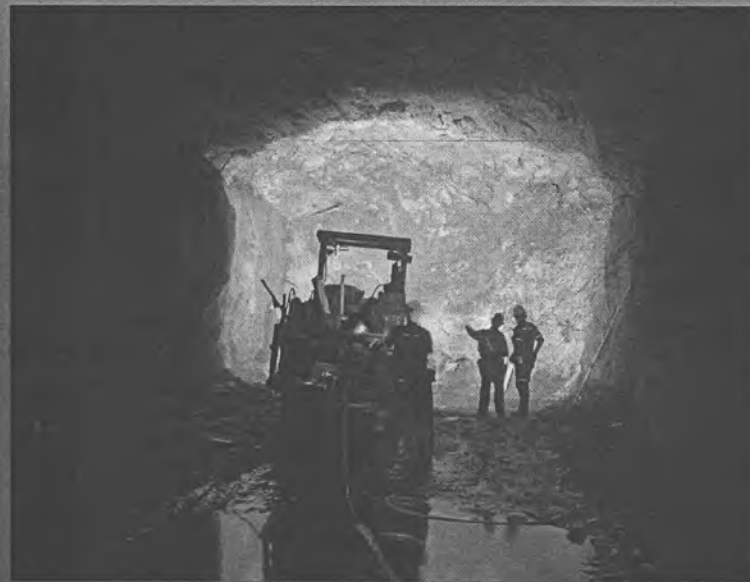
- ▶ Alaska's scale is unique
 - Access to mineral lands is vital
 - Industry is a century old but in its infancy
 - Infrastructure is key limitation
 - Roads to Resources
 - Lines to Mines
 - Uncertainty is the enemy of economic investment
 - Need to continue to strengthen the process



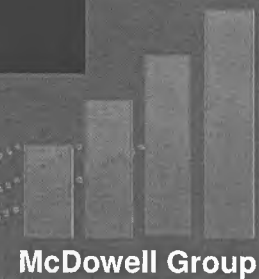
The Economic Impacts of Alaska's Mining Industry

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

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



*"Celebrating 40 years of excellence in
research & consulting."*



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

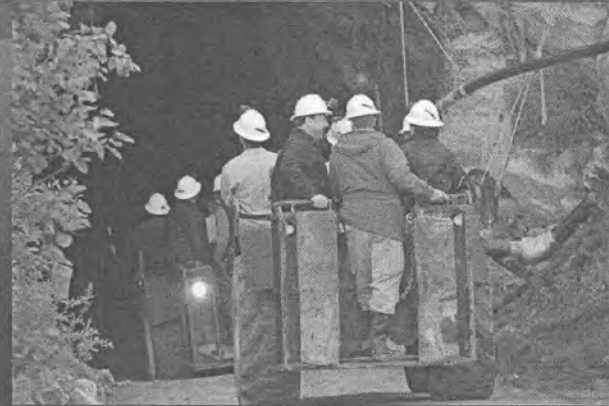
 - >200 placer mines

 - >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!



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