

**02-25-15  
MINING INDUSTRY  
UPDATE BY  
ALASKA MINERS  
ASSOCIATION**

<TARGET><BILL></BILL><SUBJECT>02-25-15 MINING INDUSTRY  
UPDATE BY ALASKA MINERS  
ASSOCIATION</SUBJECT><COMM>HRES29</COMM></TARGET>





# Mining Industry Update

Alaska Miners Association  
Council of Alaska Producers

Joint House/Senate Resources Committee  
February 25, 2015



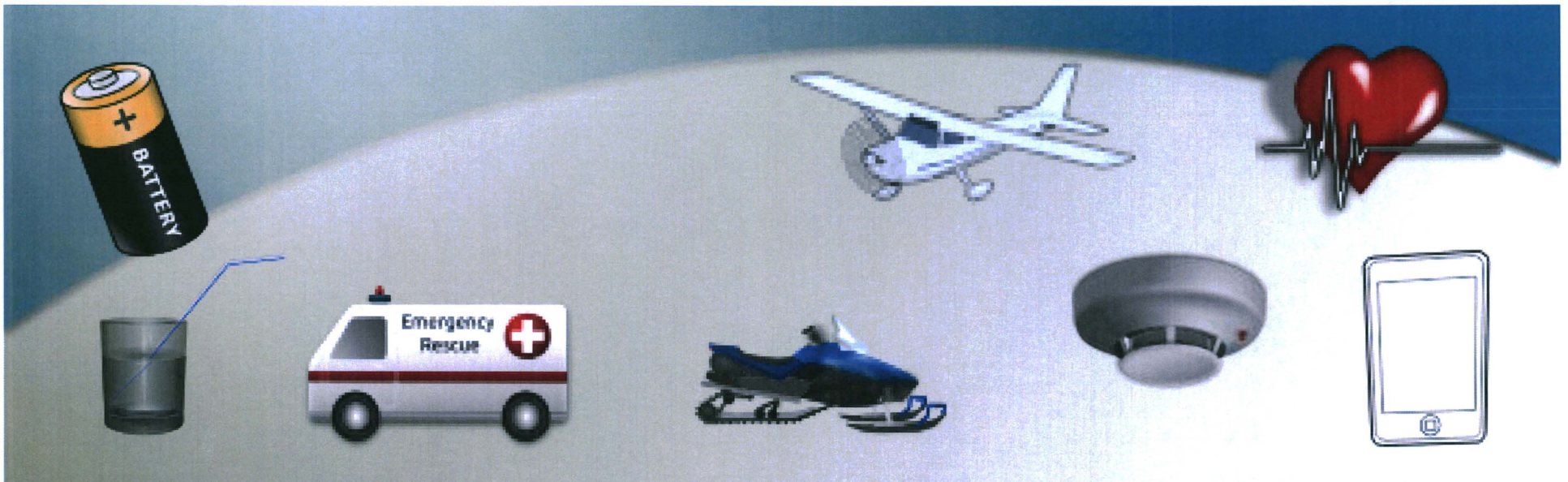




- ✓ Overview of mining industry
- ✓ Mining in Alaska passes the test
- ✓ Economic realities
- ✓ Great potential
- ✓ Questions



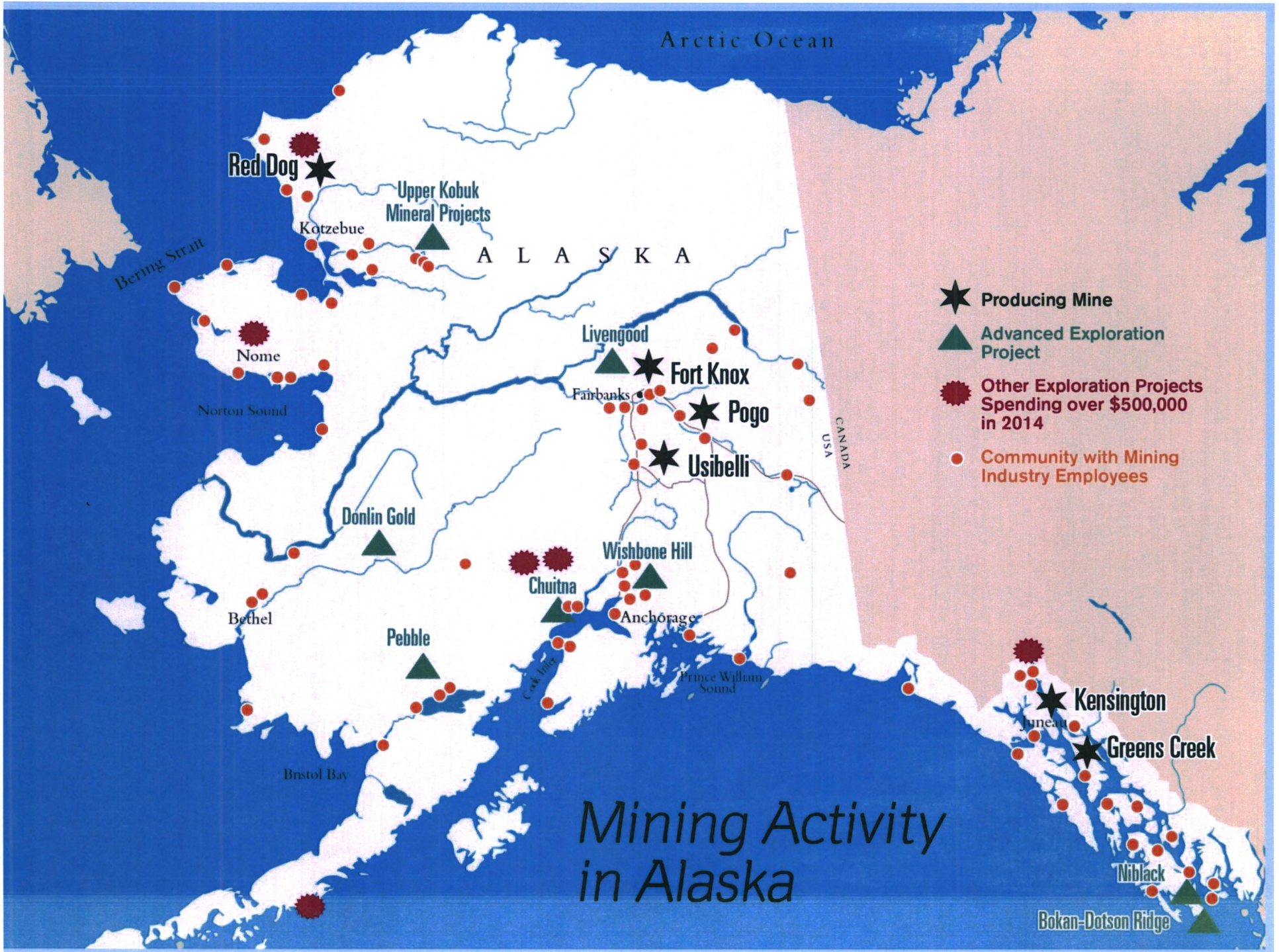




# Importance of minerals in our lives





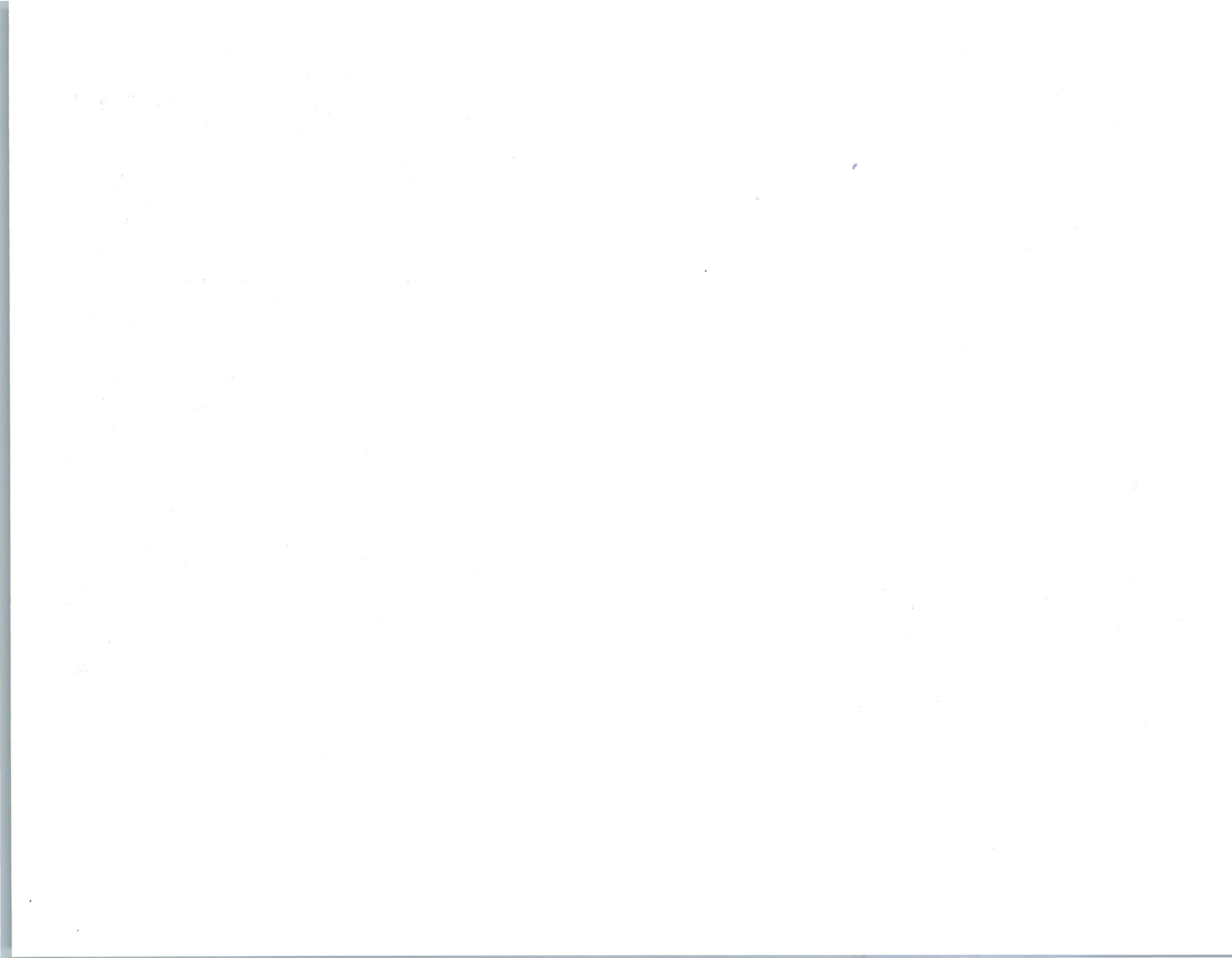


# Mining Activity in Alaska





Red Dog – Northwest Alaska





**Fort Knox - Fairbanks**



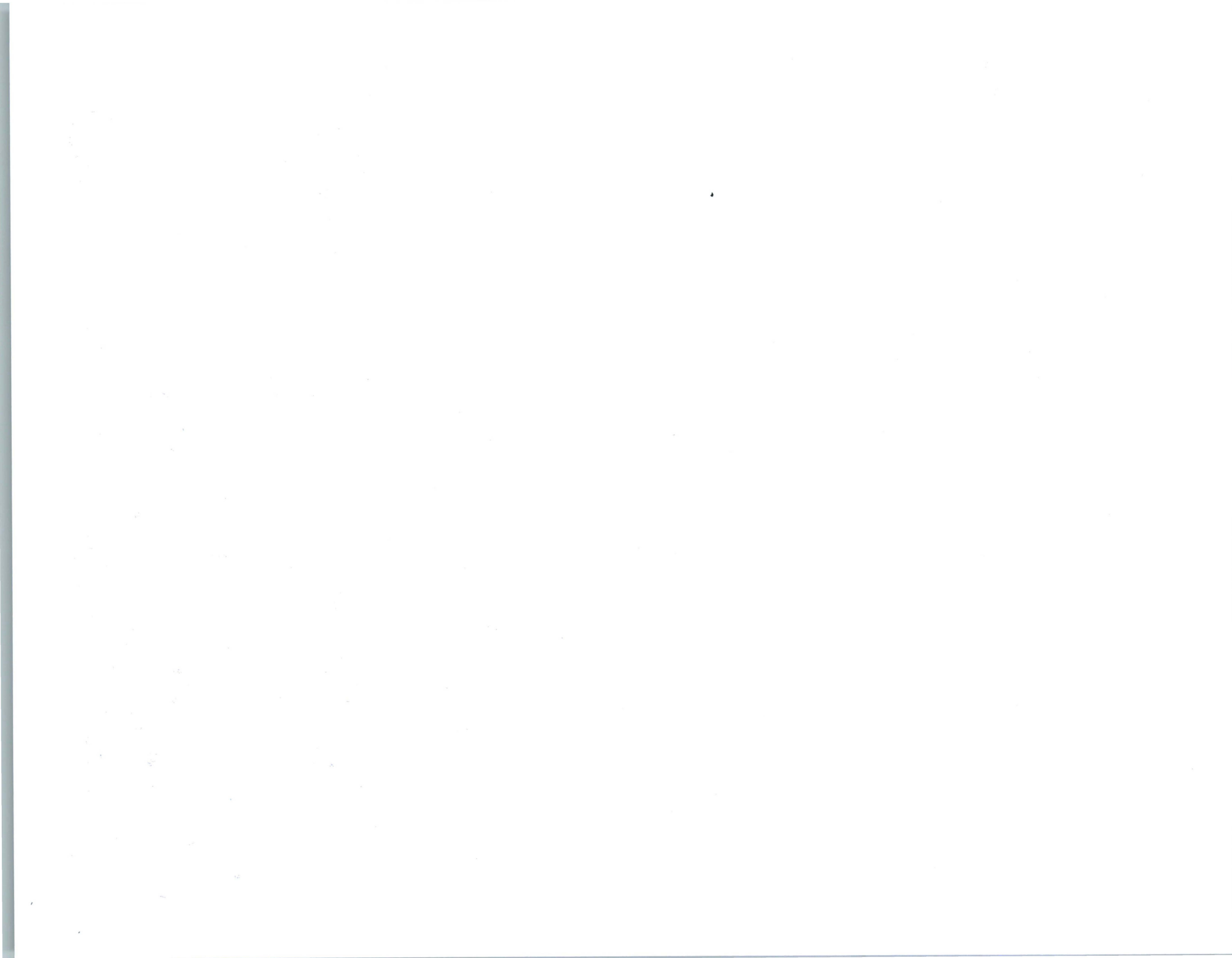
# Usibelli Coal Mine – Healy



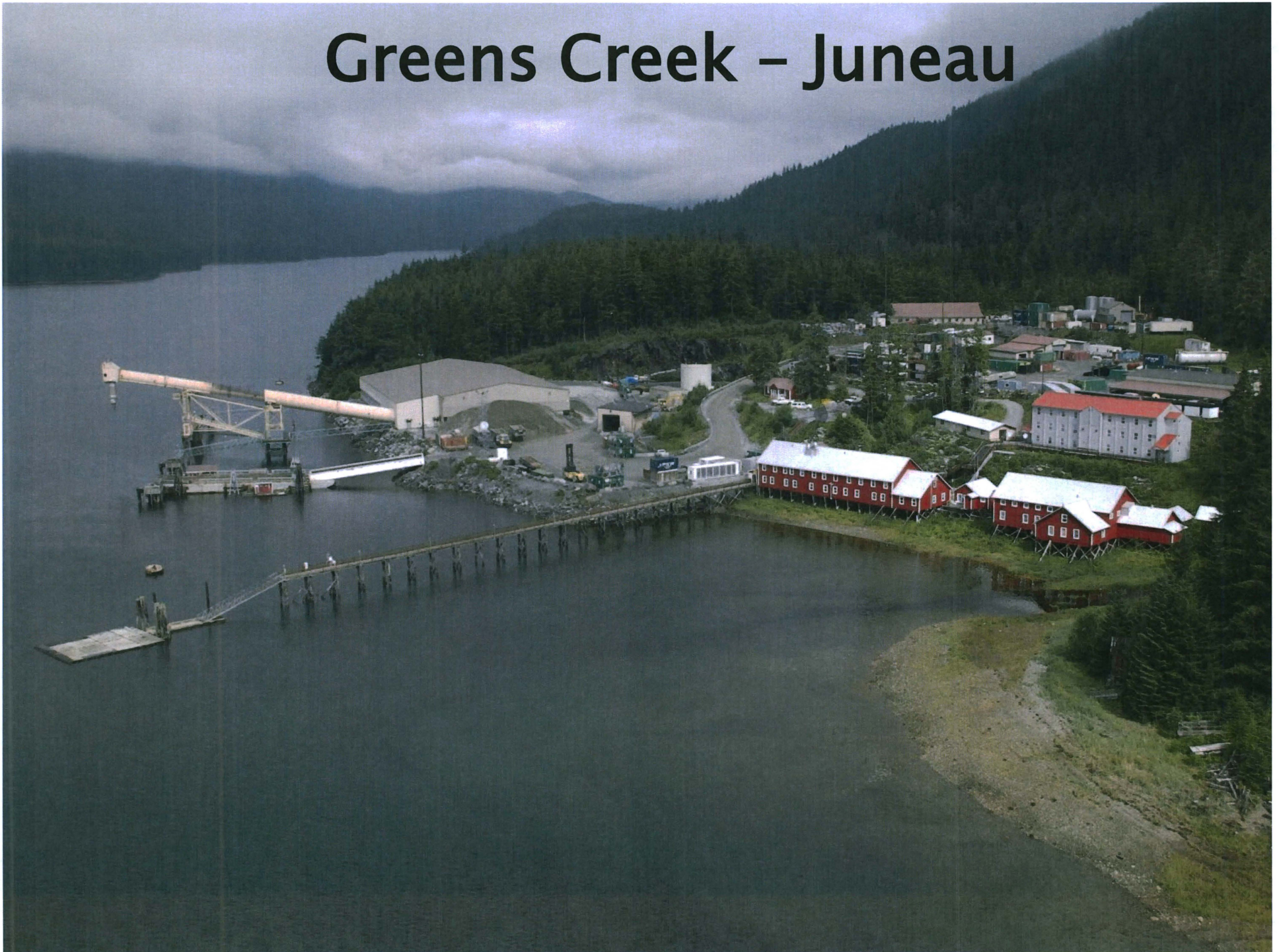




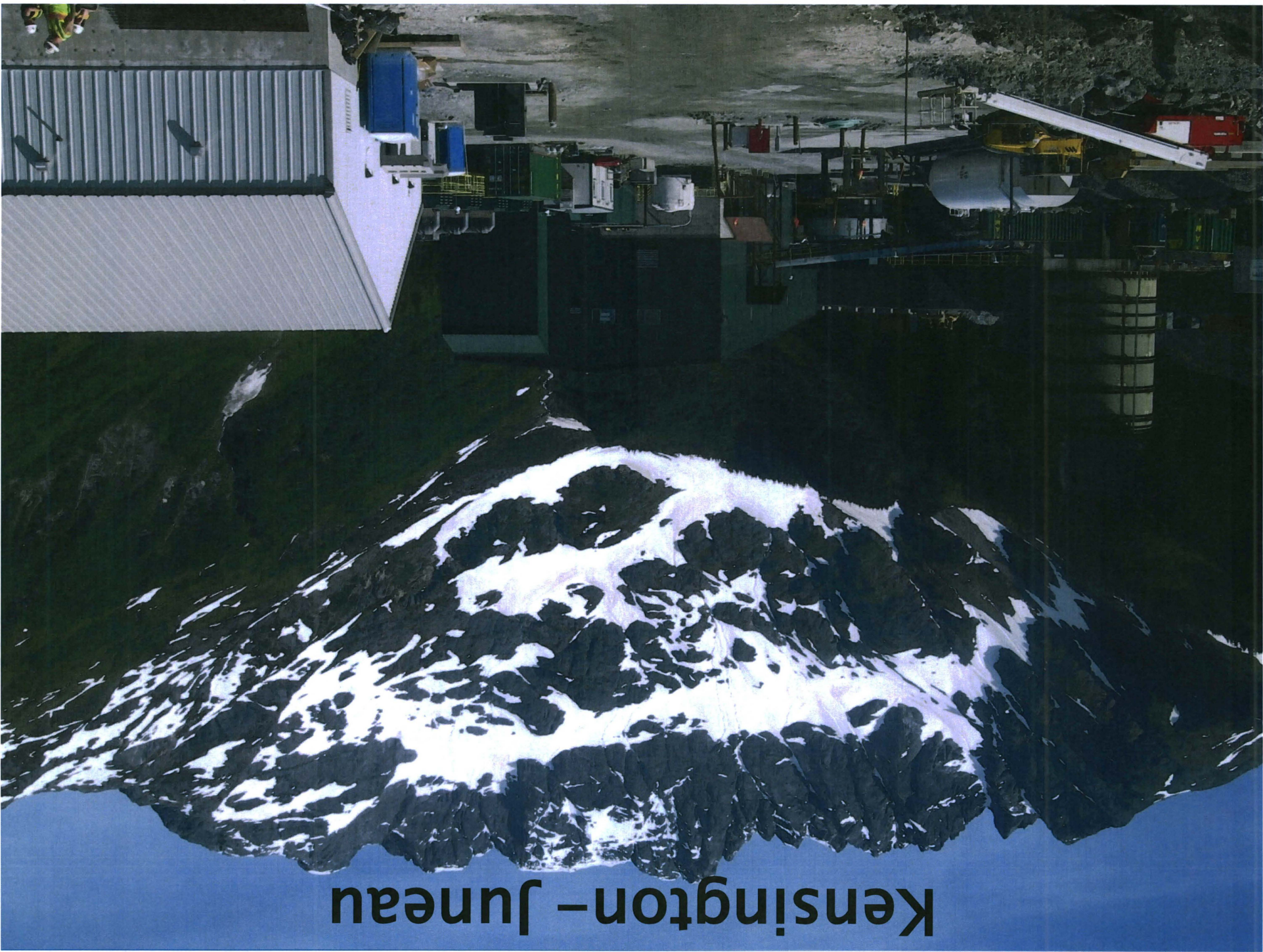
Pogo – Delta Junction



# Greens Creek – Juneau







**Kensington - Juneau**



Arctic Ocean

Red Dog

Upper Kobuk Mineral Projects

A L A S K A

Nome

Livengood

Fort Knox

Pogo

Usibelli

Donlin Gold

Wishbone Hill

Chuitna

Anchorage

Pebble

Bethel

Prince William Sound

Bristol Bay

Kensington

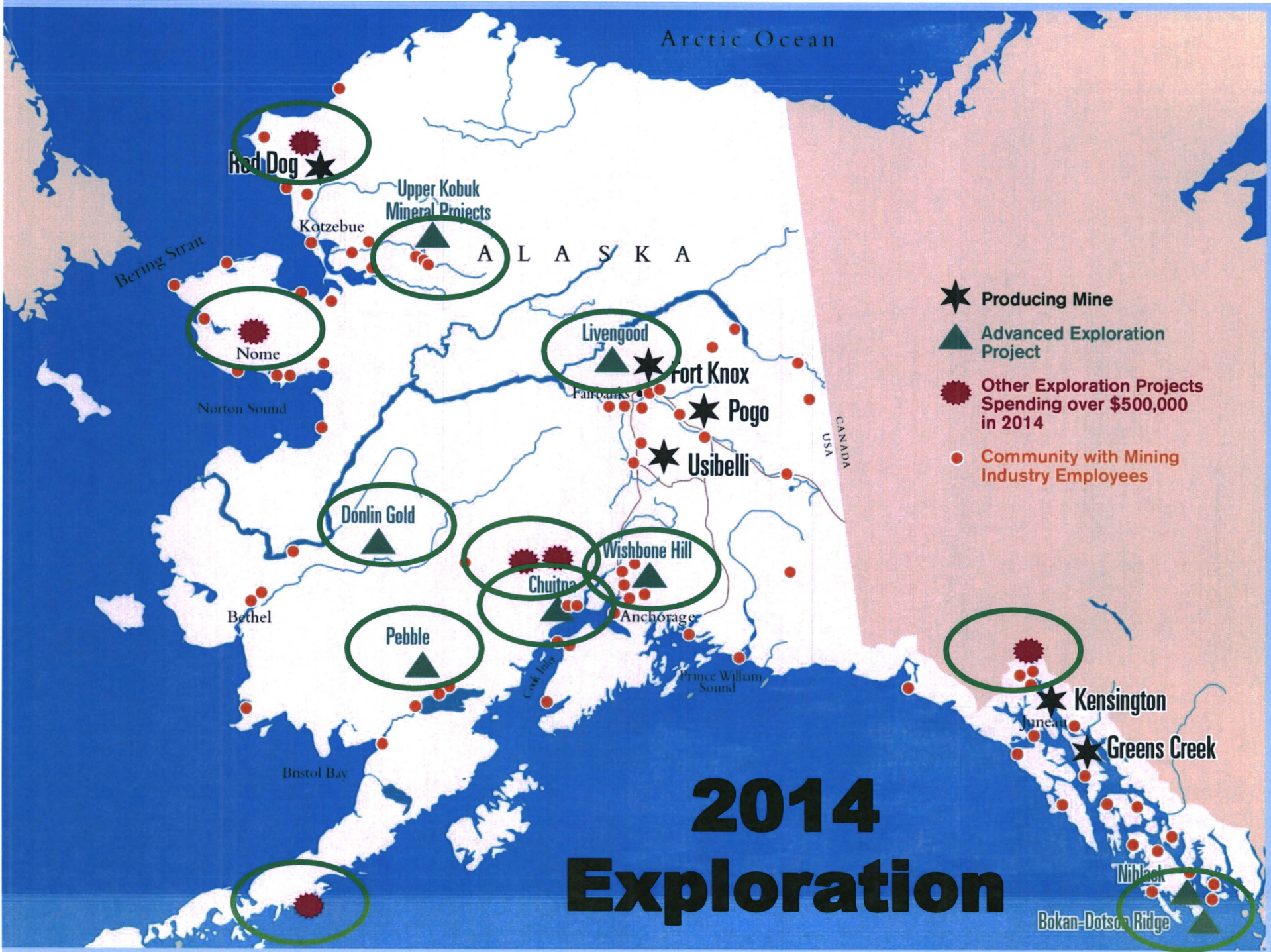
Greens Creek

Niilack

Bokan-Dotson Ridge

- ★ Producing Mine
- ▲ Advanced Exploration Project
- Other Exploration Projects Spending over \$500,000 in 2014
- Community with Mining Industry Employees

# 2014 Exploration







# Mining in Alaska Passes the Test

- ☑ It pays for itself
- ☑ It is environmentally sound
- ☑ It benefits Alaskans







## ☑ Mining pays for itself

- Companies pay exploration, development and construction costs
- This often includes access and infrastructure
- Reimbursable Service Agreements
- Financial assurance for reclamation and closure





# Capital intensive, long timelines

Mine	Discovered	First Production	Development Period
Greens Creek	1975	1989	14 years
Red Dog	1968	1989	21 years
Pogo	1994	2006	12 years
Fort Knox	1984*	1996	12 years
Kensington	1983*	2010	27 years

\*Historic district, first modern deposit discovery

Mining pays for itself







## AIDEA's Return on Investment

Mission: encourage Alaska's economic growth

AIDEA has already received \$355 million in payments from its \$265 million investment in the Red Dog port and road and will continue to receive payments until 2034

Mining pays for itself







## Infrastructure

- Mining resulted in lower cost electricity to Juneau and Fairbanks.
- Donlin Gold's proposed natural gas pipeline could bring access to cheaper and cleaner energy in Western Alaska.

Mining pays for itself







## Mining is environmentally sound

- Permitting
- Operational oversight
- Closure/Reclamation
- Financial Assurance





# No Single Permit to Mine: there are many permits & authorizations

Mine permitting is a mixture of State, Federal and local permitting requirements. Each project is unique.

## STATE

- Plan of Operations (DNR)
- Reclamation and Bonding (DNR)
- Waste Management Permits and Bonding (ADEC)
- CWA Section 402 APDES Water Discharge Permit
- Certification of ACOE Permits (ADEC)
- Sewage Treatment System Approval (ADEC)
- Air Quality Permits (ADEC)
- Fish Habitat and Fishway Permits (ADF&G)
- Water Rights (DNR)
- Right of Way/Access (DNR/DOT)
- Tidelands Leases (DNR)
- Dam Safety Certification (DNR)
- Cultural Resource Protection (DNR)
- Monitoring Plan (Surface/Groundwater/Wildlife) (DNR/DEC/DFG)

## FEDERAL

- US EPA Air Quality Permit review
- US EPA Safe Drinking Water Act (UIC Permit)
- US ACOE Section 404 Dredge and Fill Permit
- US ACOE Section 10 Rivers and Harbors Act
- US ACOE Section 106 Historical and Cultural Resources Protection
- NMFS Threatened and Endangered Species Act Consultation
- NMFS Marine Mammal Protection Act
- NMFS Essential Fish Habitat
- NMFS Fish and Wildlife Coordination Act
- USFWS Threatened and Endangered Species Act Consultation
- USFWS Bald Eagle Protection Act Clearance
- USFWS Migratory Bird Protection
- USFWS Fish and Wildlife Coordination Act

These are only some of the permits required!

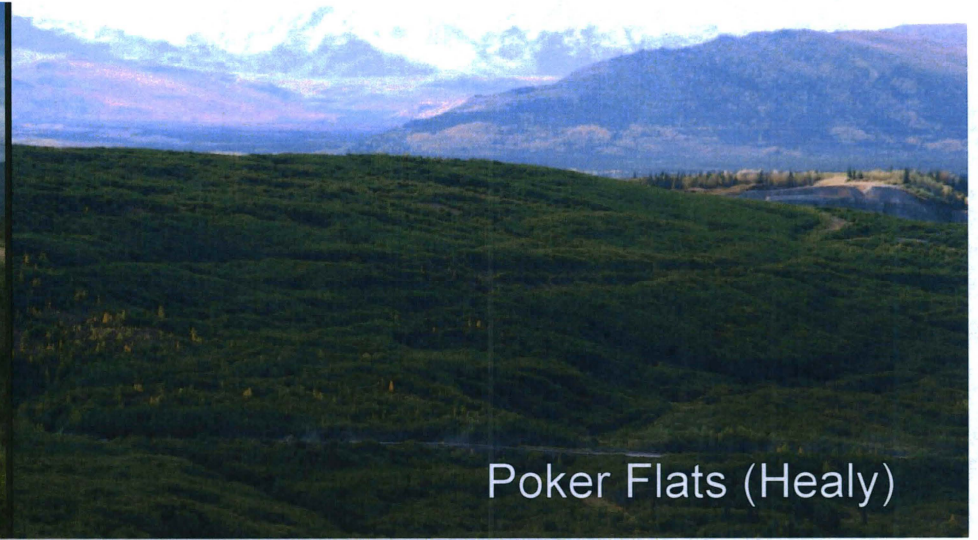
Environmentally sound







True North (Fairbanks)



Poker Flats (Healy)

## Reclamation and Closure

- Alaska law (AS 27.19) requires that a mine site must be returned to a stable condition compatible with the post-mining land use
- Financial assurance

Environmentally sound





# ALASKA BENEFITS\*

**\$1.6 BILLION**

\$620 MILLION DIRECT & INDIRECT PAYROLL

\$167 MILLION ANCSA REVENUE SHARING

\$167 MILLION LOCAL/STATE REVENUE

\$169 MILLION EXPLORATION/DEVELOPMENT

\$500 MILLION LOCAL PROCUREMENT

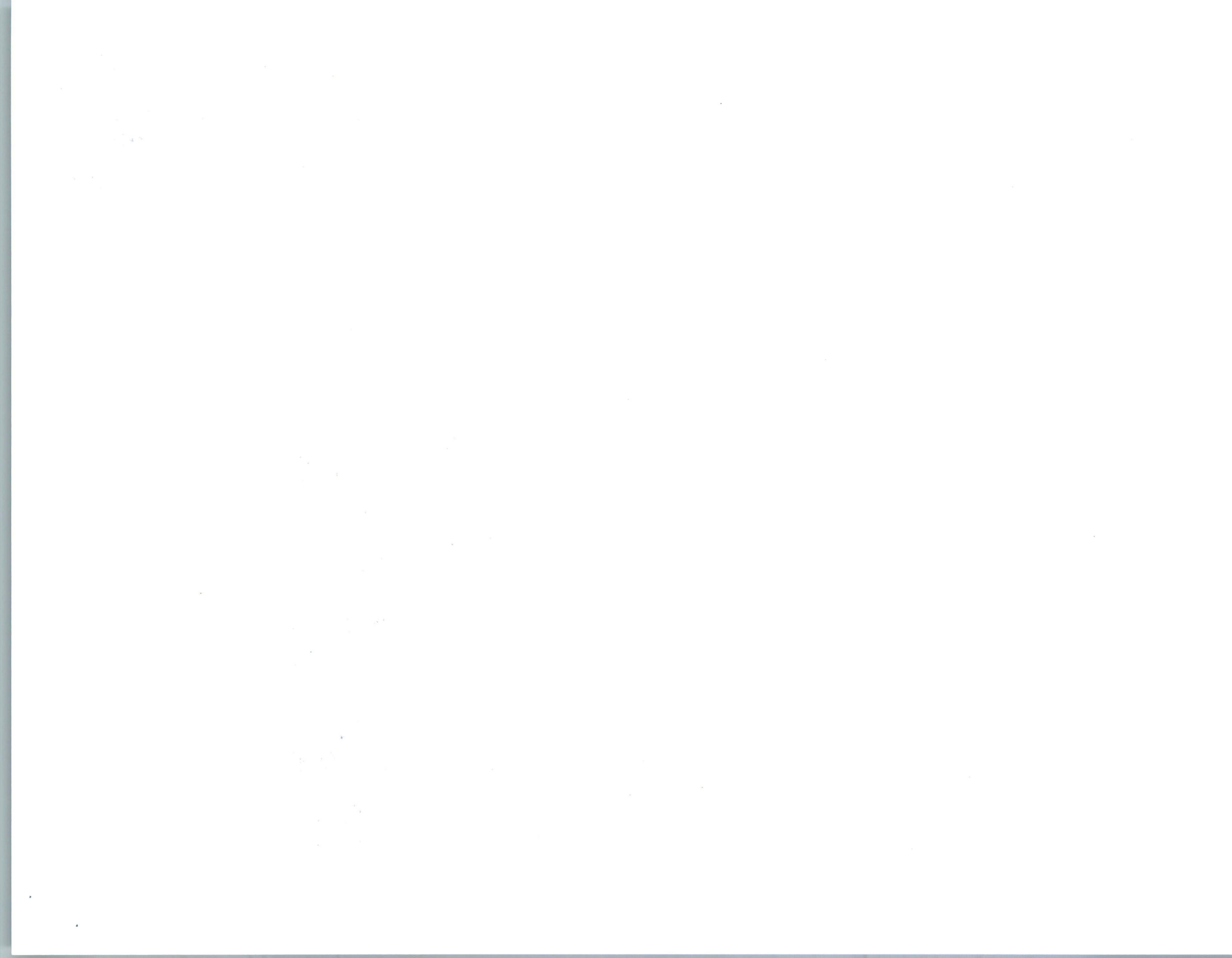
\$3 MILLION CHARITABLE DONATIONS & SCHOLARSHIPS

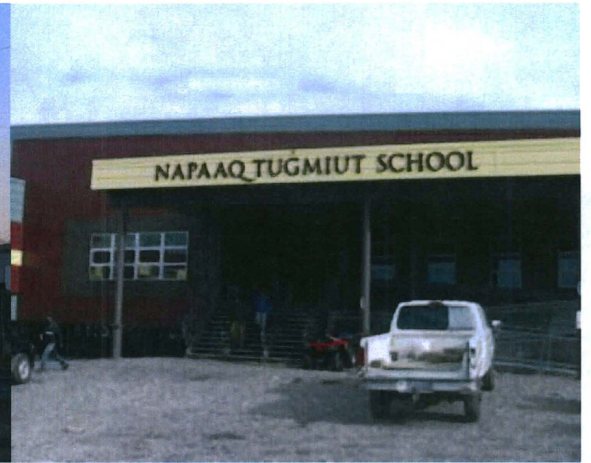
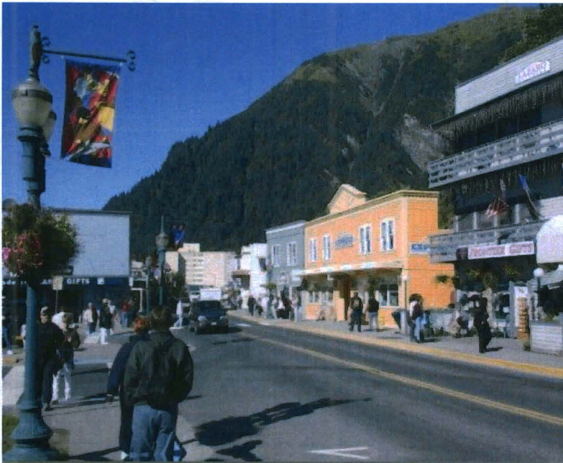
\* Annual figures based on most recent available data



Benefits Alaskans







## Local Government Revenue

- \$5.2 million to Fairbanks North Star Borough
- \$8.8 million to Northwest Arctic Borough (PILT)
- \$3.3 million to City and Borough of Juneau
- Also important for Healy, Nome and others







# Placer Mining in Alaska

- 300 placer operations actively mining
- 82,600 ounces of gold produced
- Direct correlation between increase in gold prices and number of mines

Benefits Alaskans







## Economic impact of placer mining in Alaska

- Approximately 1,200 direct jobs
- Of the 1,200 workers: 73% live in Alaska full-time; majority of these outside Anchorage, Mat-Su, and Fairbanks
- Average of 4 workers at each mine
- Direct income of \$40 million
- “Family Farm of the North”

Benefits Alaskans







## Economic impact of placer mining in Alaska

- \$65 million on goods and services: 88%, or \$57 million, spent in Alaska
- \$32.4 million Fairbanks, \$16.2 million in Anchorage, \$8.5 million rural
- Placer mines also contribute to State of Alaska revenues: production royalties, Alaska Permanent Fund, Mining License Tax, Corporate Income tax, State Fuels Tax, other mining fees

Benefits Alaskans





# Placer mining reclamation



Environmentally sound







- ✓ Mining pays for itself
- ✓ Mining is environmentally sound
- ✓ Mining benefits Alaskans
- ✓ Mining provides economic diversity

Why isn't there more mining in Alaska?





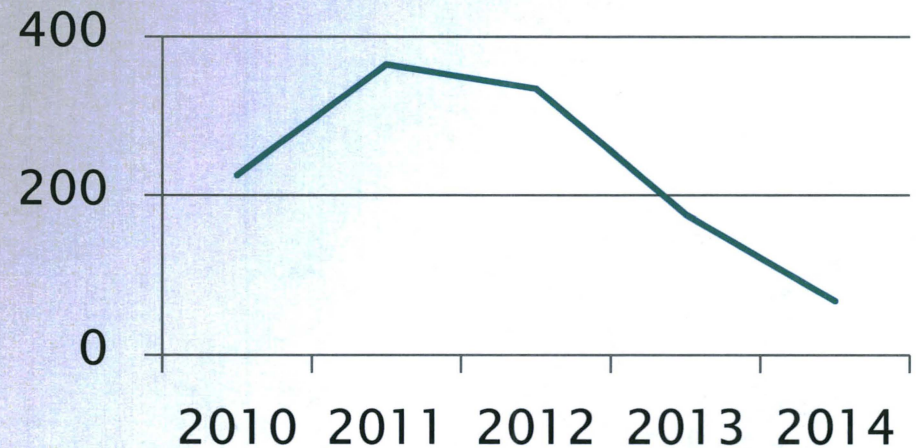


# Low commodity prices impact industry

01/2011-01/2015

- S&P/TSX Global Mining Index *dropped 50%*
- 5 global mining companies active in Alaska saw an average 75% drop in their share price

Exploration spending in Alaska (\$ millions)



Economic realities





# Operating Costs Keep Rising

	2003	2013
Average mining salary	\$70,750	\$100,000
CAT haul trucks	(789) \$2,000,000	(793F) \$4,100,000
Average diesel price per gallon	\$1.11	\$3.66
6 yard underground loader	\$570,000	\$1,100,000
40 ton underground haul truck	\$560,000	\$1,300,000

Economic realities

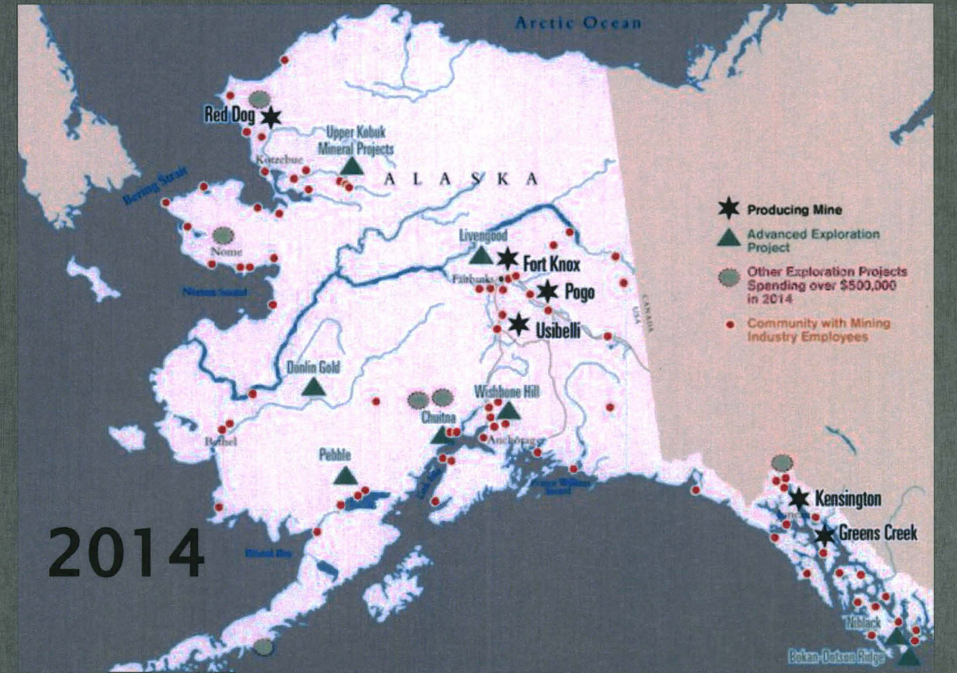




## Mining Activity in Alaska



120+ communities with mining industry employees



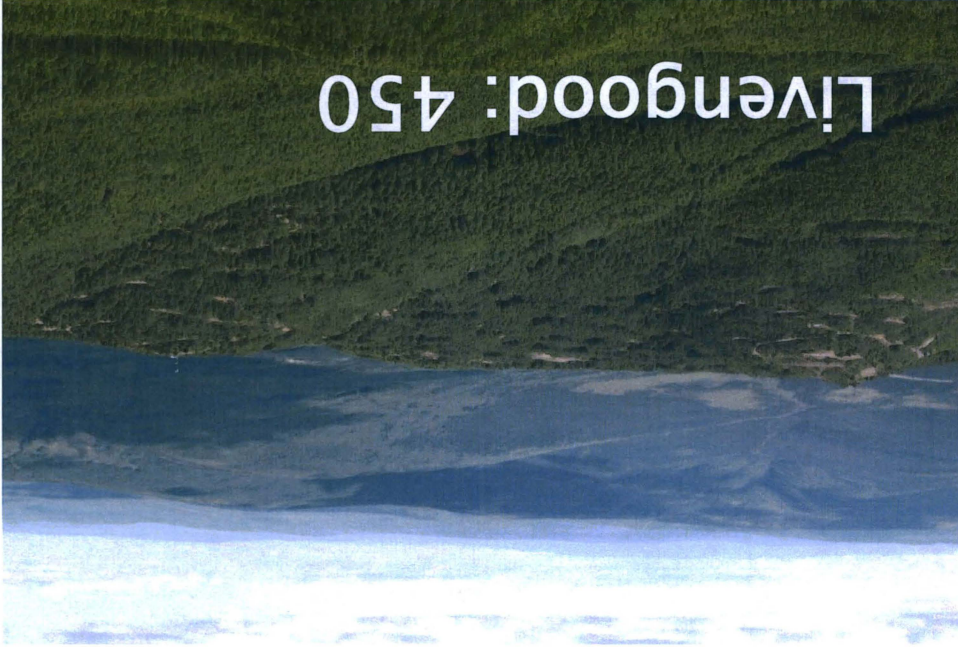
50+ communities with mining industry employees

Economic realities





# Potential new mining jobs





# Mining Will Work for Alaska

- 6 producing mines  
...with more to come
- Excellent environment/safety record
- Economic diversity for Alaska
- Local jobs, regional benefits
- Significant mineral resources
- Global potential



