

02/25/15
OVERVIEW:
ALASKA
MINERS
ASSOCIATION
MINING
INDUSTRY
UPDATE

<TARGET><BILL></BILL><SUBJECT>02-25-15 OVERVIEW ALASKA
MINERS ASSOCIATION MINING INDUSTRY
UPDATE</SUBJECT><COMM>SRES29</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



Arctic Ocean

Red Dog

Upper Kobuk Mineral Projects

Kotzebue

A L A S K A

Bering Strait

Nome

Norton Sound

Livengood

Fort Knox

Fairbanks

Pogo

Usibelli

Donlin Gold

Wishbone Hill

Chuitna

Anchorage

Bethel

Pebble

Prince William Sound

CANADA
USA

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

Bristol Bay

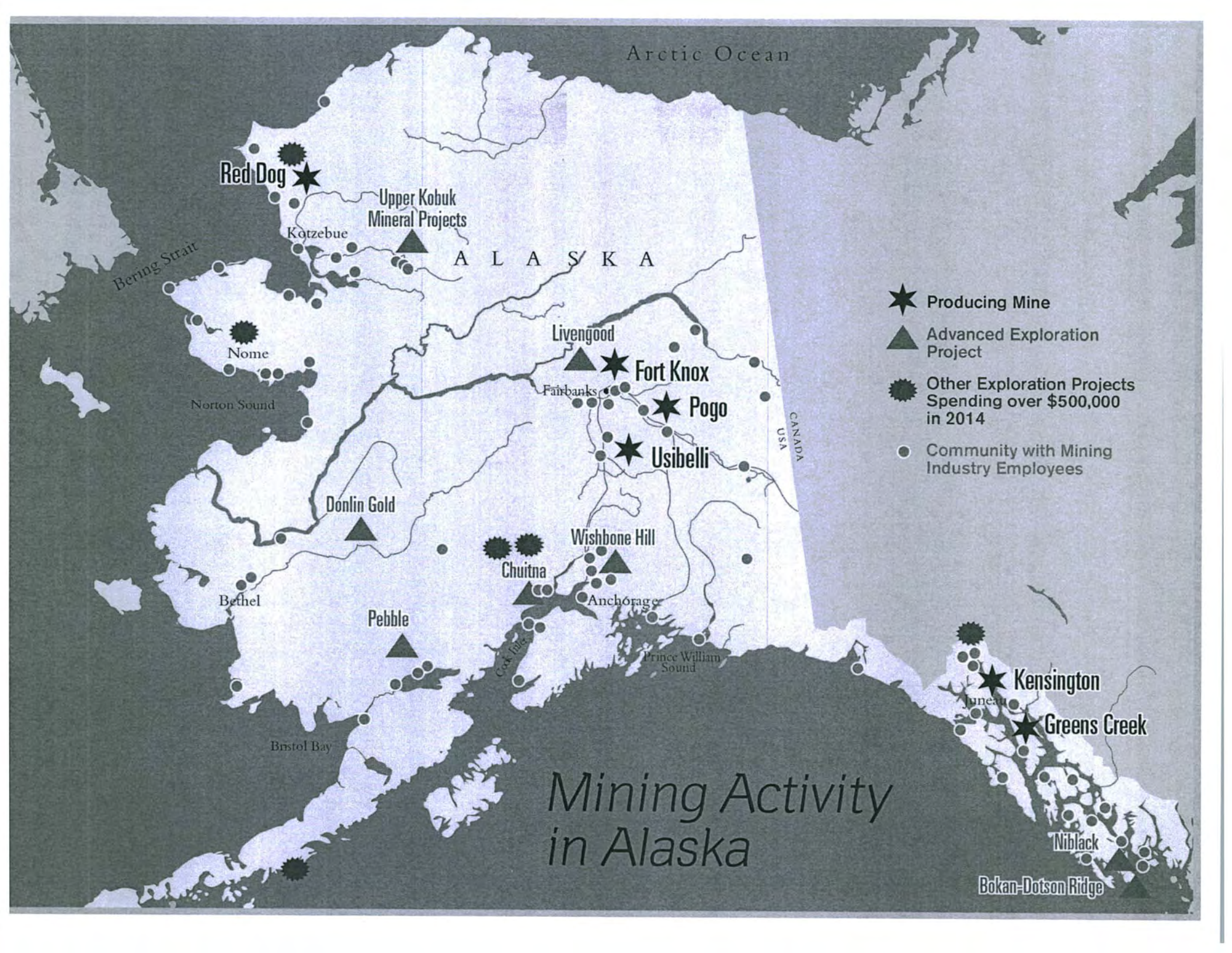
Kensington

Greens Creek

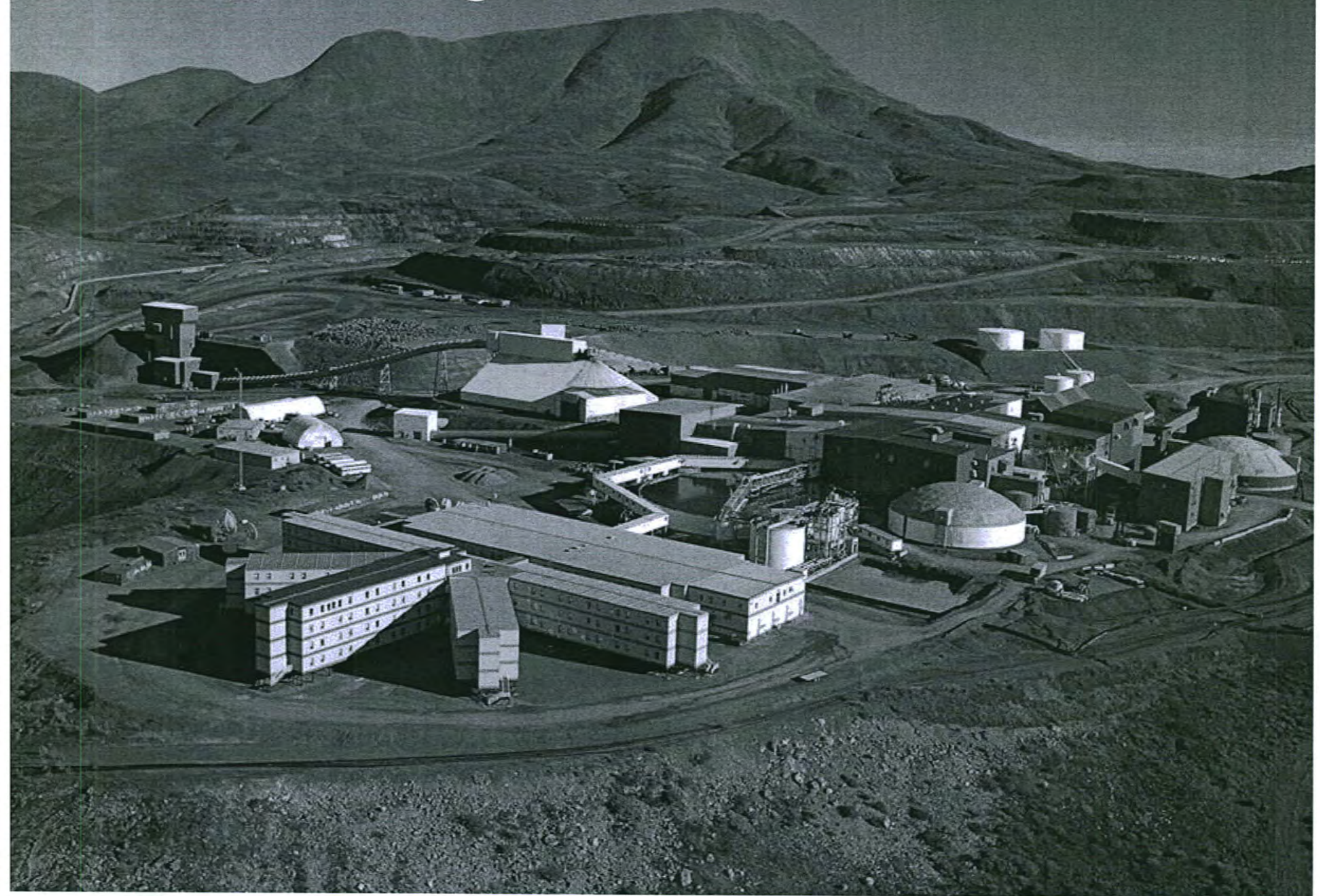
Mining Activity in Alaska

Niblack

Bokan-Dotson Ridge



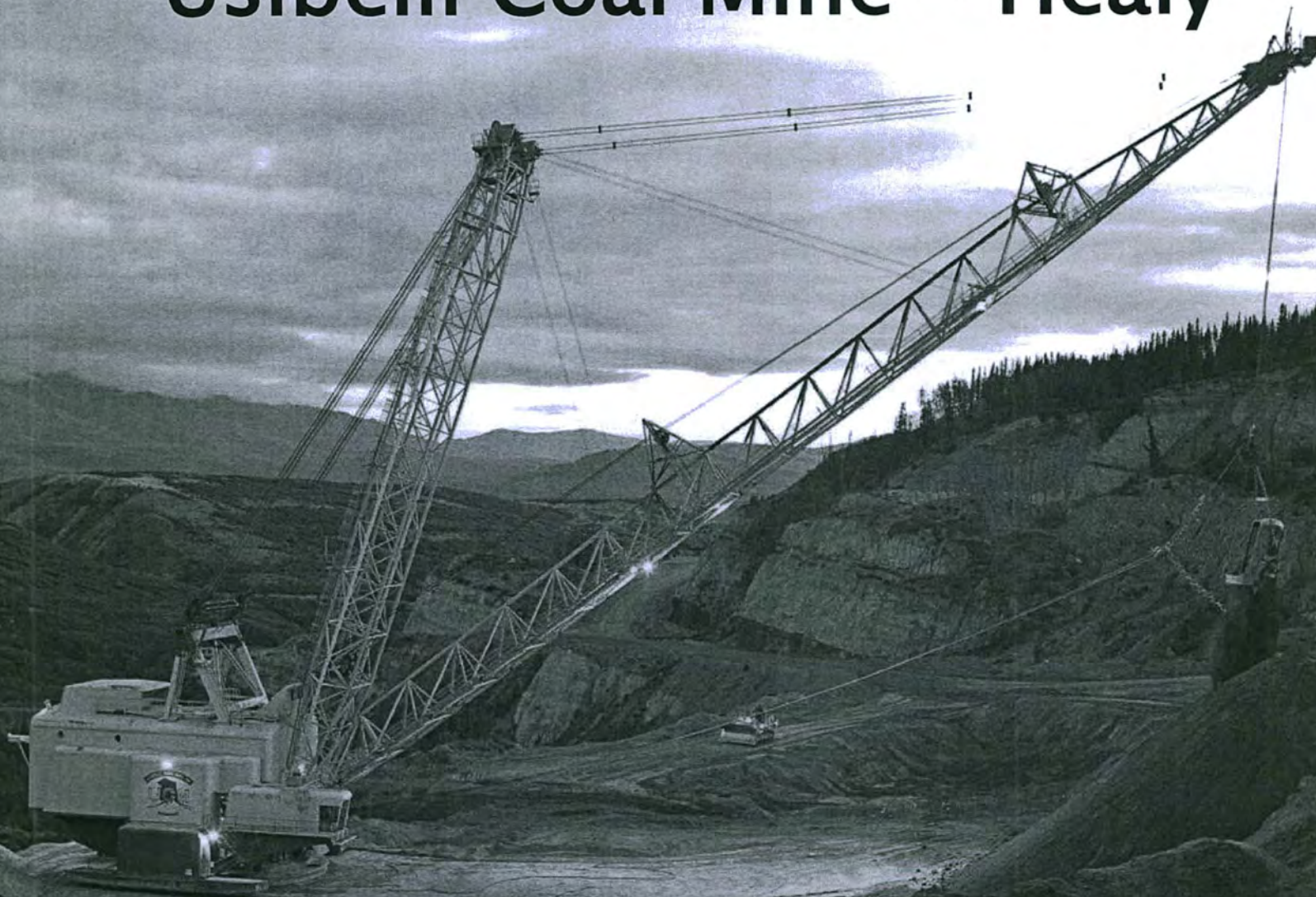
Red Dog – Northwest Alaska



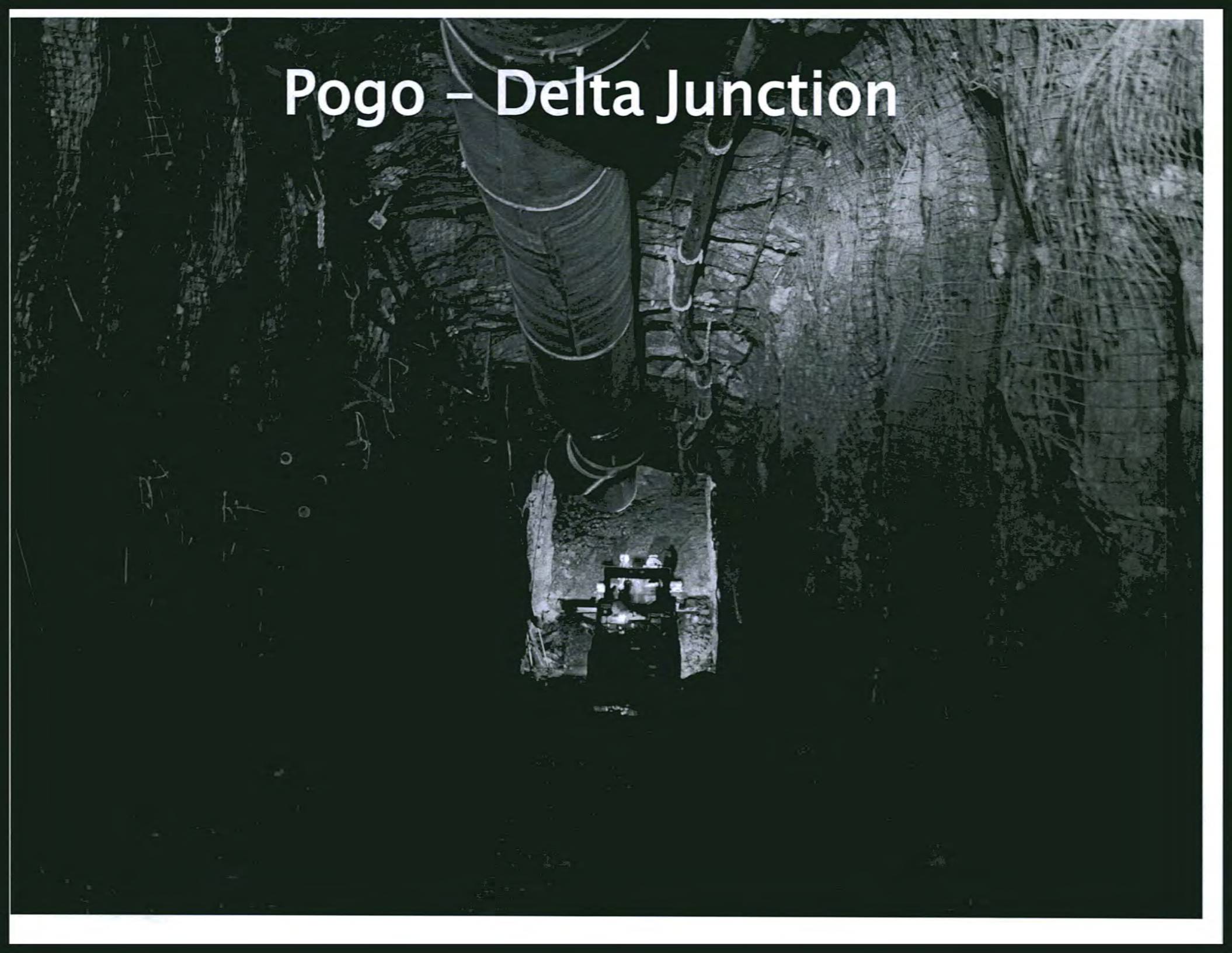
Fort Knox – Fairbanks



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

Livengood

Fort Knox

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Anchorage

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Greens Creek

2014 Exploration

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

Bering Strait

Nome

Norton Sound

Bethel

Bristol Bay

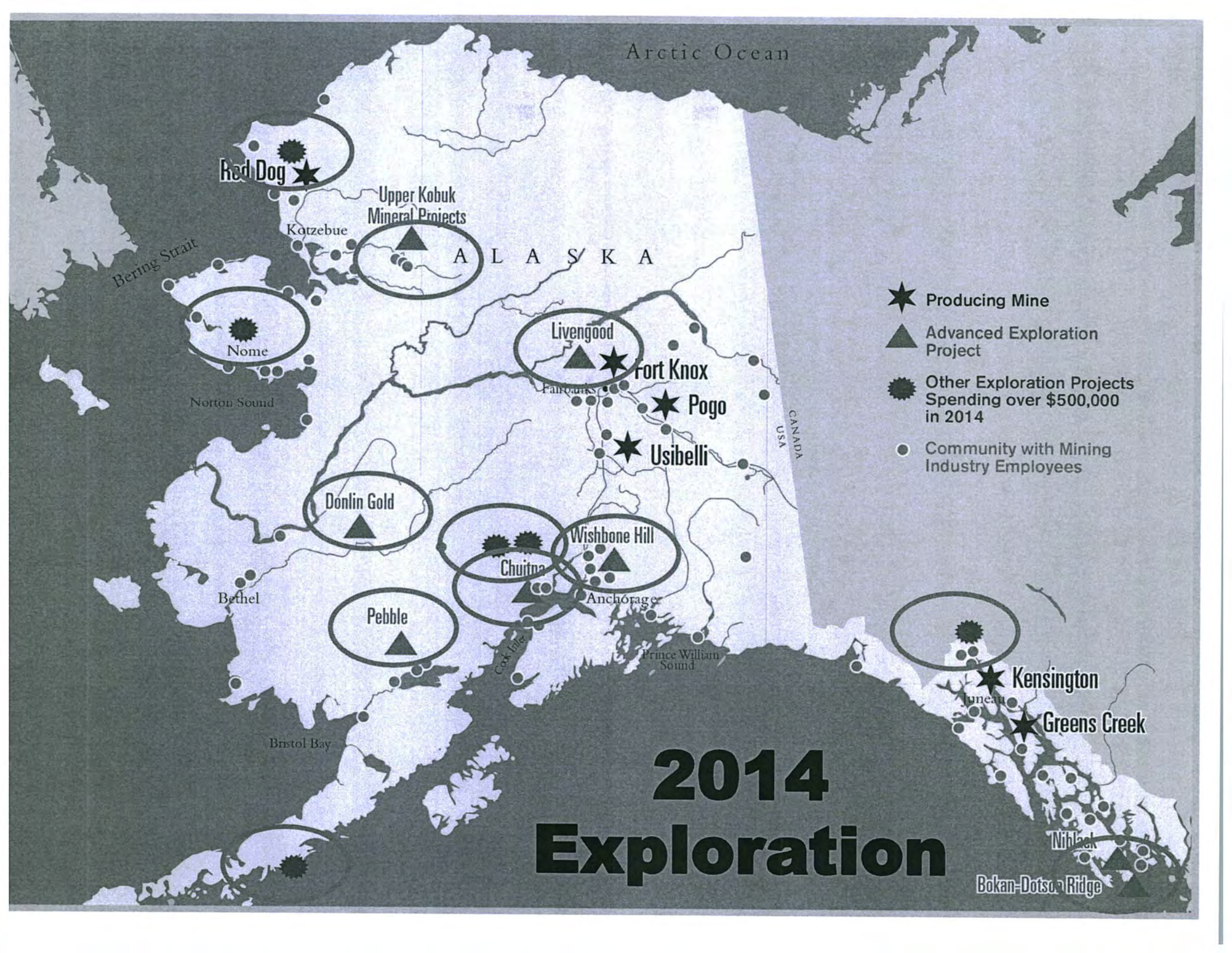
Cook Inlet

Prince William Sound

CANADA
USA

Niiskak

Bokan-Dotsu Ridge





Mining in Alaska Passes the Test

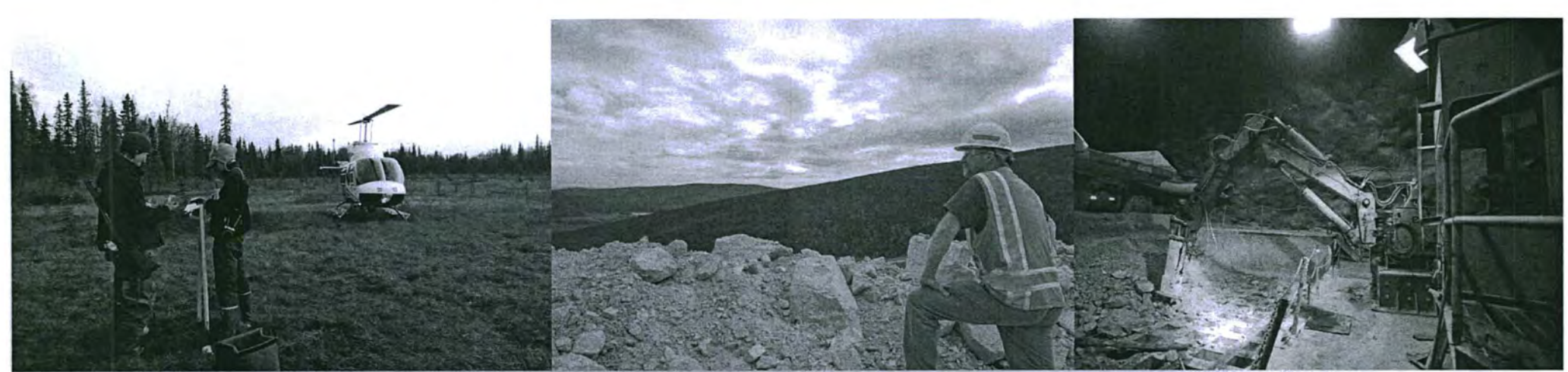
- ☑ It pays for itself
- ☑ It is environmentally sound
- ☑ It benefits Alaskans



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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





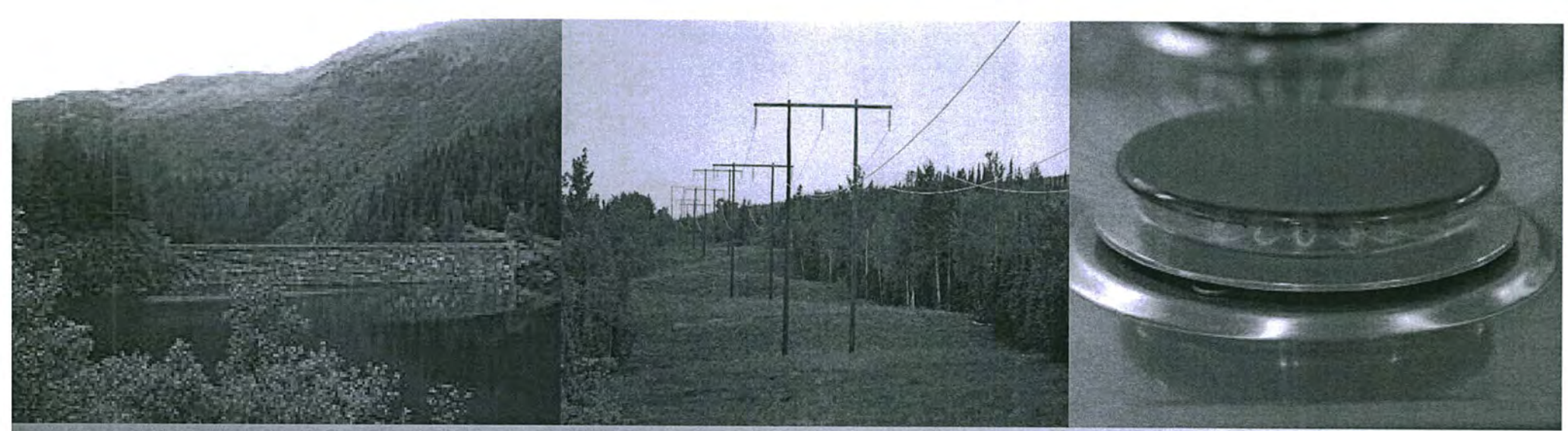
AIDEA's Return on Investment

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



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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



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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?



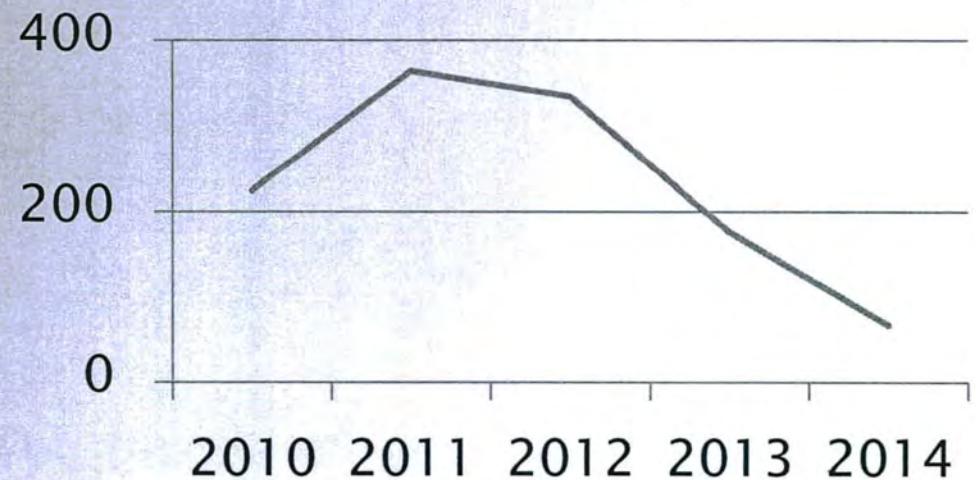


Low commodity prices impact industry

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



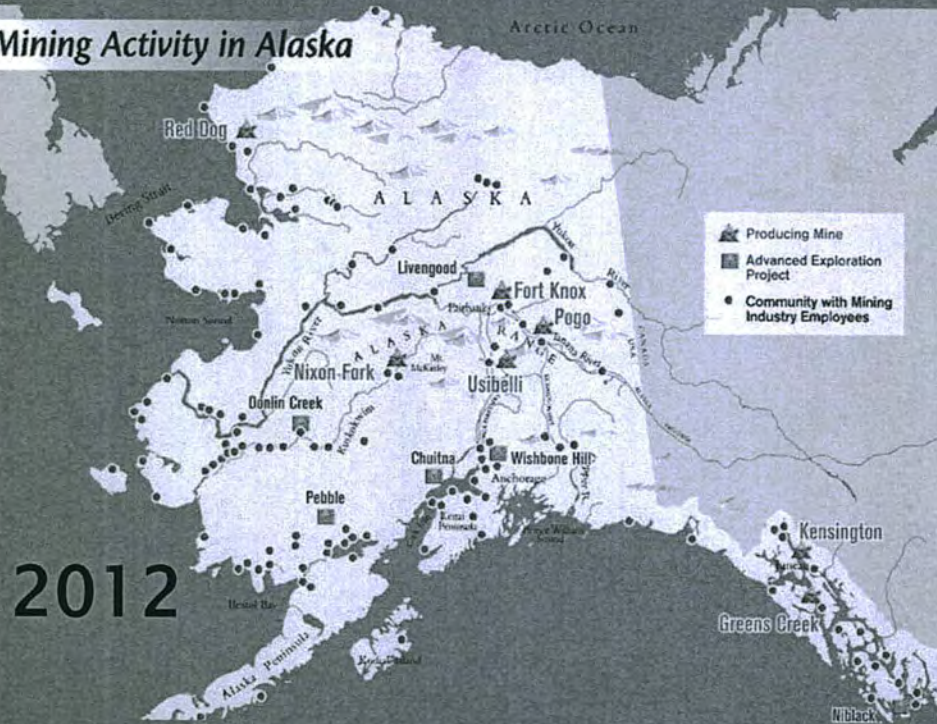
Operating Costs Keep Rising

	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

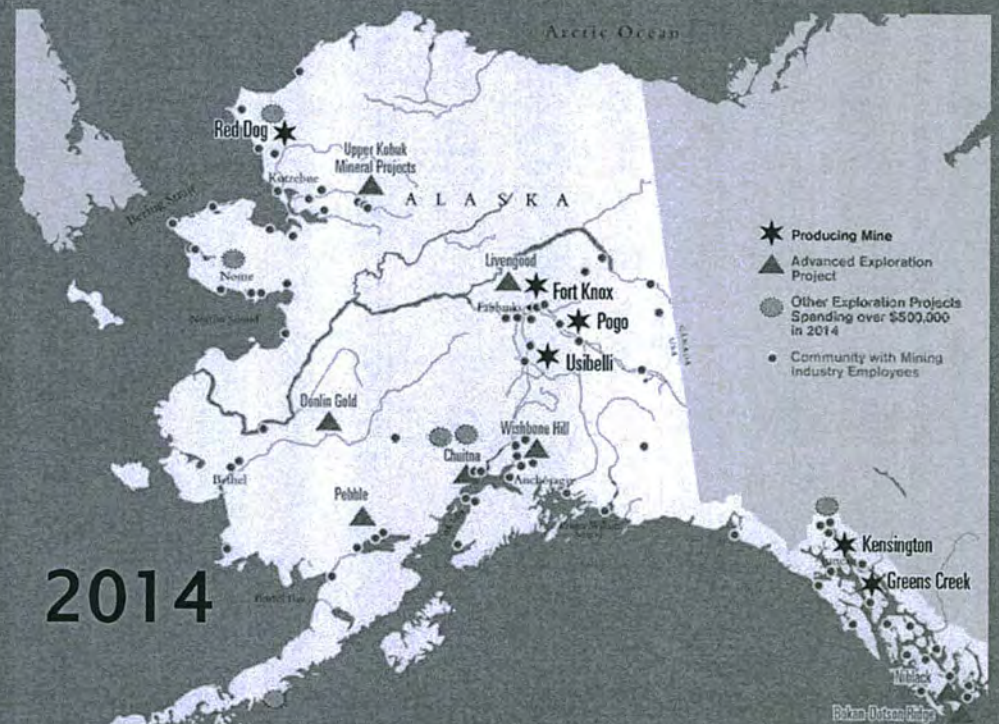
Economic realities



Mining Activity in Alaska



120+ communities with mining industry employees



50+ communities with mining industry employees

Economic realities

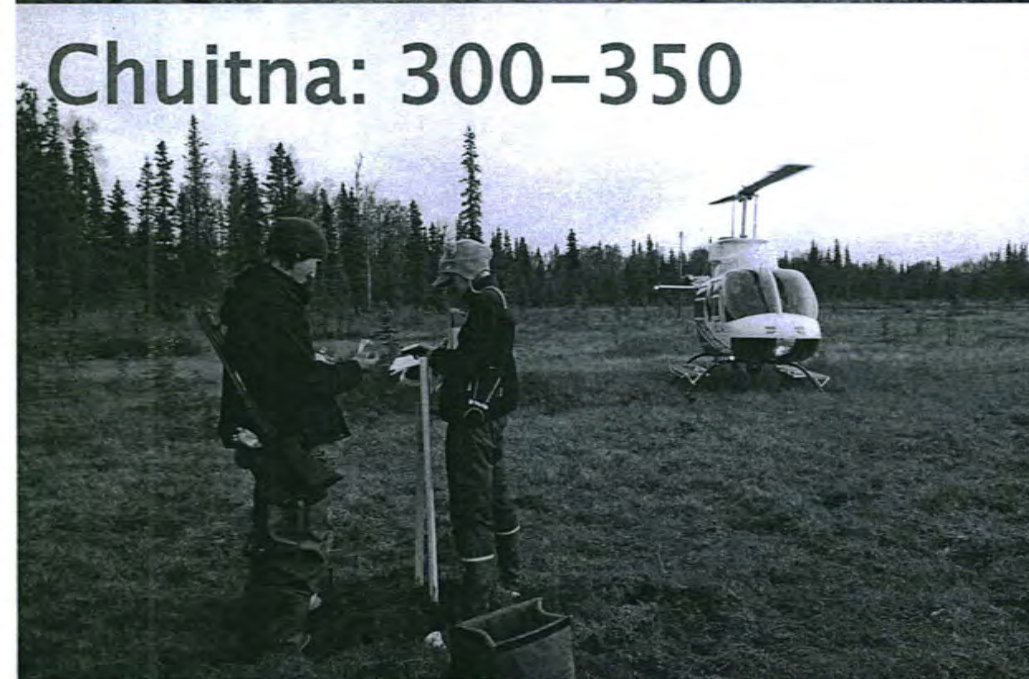




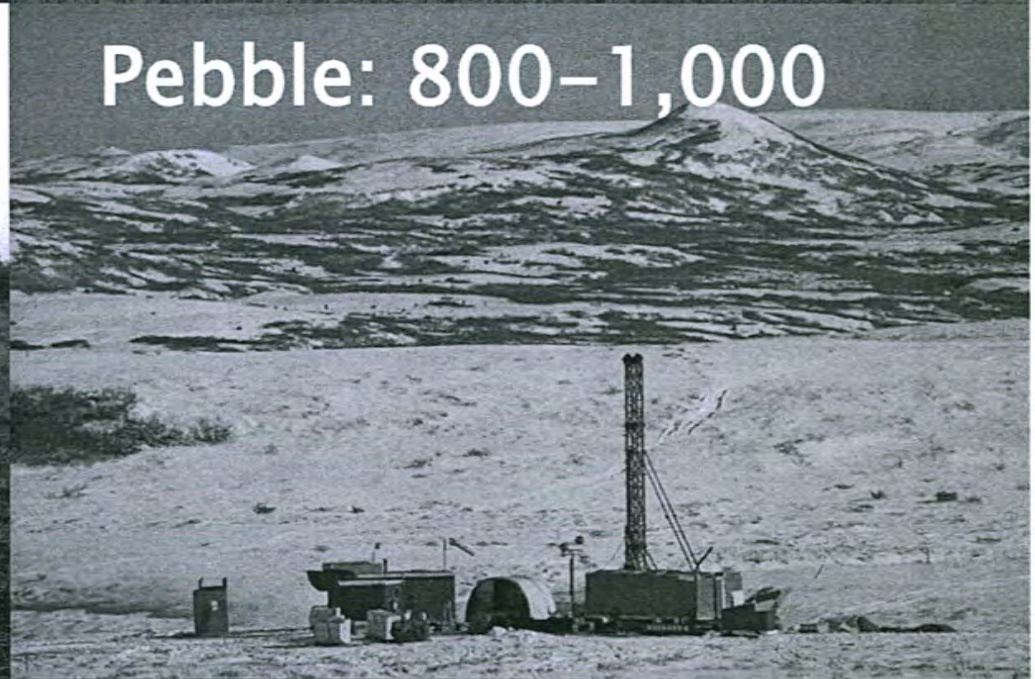
Donlin Gold: 600–1,400



Livengood: 450



Chuitna: 300–350



Pebble: 800–1,000

***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



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