

1/31/12
Presenta-
tion:
Canada-
Alaska
Relations
Update

<TARGET><BILL></BILL><SUBJECT>1-31-12 Presentation Canada-
Alaska Relations Update</SUBJECT><COMM>HEDT27</COMM></TARGET>



Action Items:

The final day of the Forum centered around the development of new, and the review of previous, action items. The following table includes the new action items, with the second table giving a brief overview of the status of the action items from Barrow.

Table 1 - New Action Items

#	Action Item	Status
1	Develop joint resource inventory, infrastructure, and opportunity map of the Arctic Caucus Region (Alaska, Yukon, and NWT). This map should be interactive, shared, with multiple GIS layers for infrastructure, resources, with links to contacts and more detailed information. [Suggest each jurisdiction identify a lead person to develop mapping data in their own jurisdiction, with one person to lead the joint effort.]	In progress - the Northwest Territories is the lead and will populate the map. Technical leads from Yukon and Alaska are involved.
2	Bring a report on prospective models for an Arctic Infrastructure Development Authority, and establish a subcommittee to bring a proposal to the next Arctic Caucus Forum.	In Progress - Jim Hemsath at (AIDEA) is working with Harvey Brooks (Yukon) on prospective models for an Arctic Infrastructure Development Authority. Rep. Herron is the Lead for this action item
3	Facilitate the development of a pilot AIS station in the Western Canadian Arctic.	In Progress – Mike Pawlowski is working with Captain Ed Page, Marine Security Exchange of Alaska
4	Facilitate the development of a public common operating picture for Vessel Tracking and Search and Rescue, along with operational capabilities in the US-Canadian Arctic. Encourage cooperation and coordination protocols to share information across the border and between jurisdictions.	In Progress - Mike Pawlowski is working with Captain Ed Page, Marine Security Exchange of Alaska is the lead
5	Yukon will coordinate a report back from the Arctic Council Tabletop in Whitehorse (October 2011) results and recommendations for next steps to the Arctic Caucus Search and Rescue initiative. [Post Whitehorse, consider forming a State/Territory Search and Rescue Working	In Progress - Awaiting Final report from Canadian Federal Government - Carl Burgess Yukon Lead



	Group to develop information sharing protocols and guidelines for future initiatives in our region]	
6	Facilitate Arctic state/territorial collaboration for information sharing and coordination on oil spill planning, preparedness and response in the Arctic.	In Progress - Larry Dietrick, head of Alaska's oil spill response section, is the lead and has been engaged with Yukon and NWT on Emergency Management and Oil Spill Response Coordination.
7	Ask PNWER to suggest to the appropriate US and Canadian Federal government Officials that they: A) coordinate their chairmanships of the Arctic Council (2013-2017). [Alaska will request to the US, identifying key issues, and the Territories will make the request to Ottawa, and B) include economic and infrastructure development for the benefit and sustainability of northern people and their arctic communities in their objectives	In Progress - PNWER has a draft Arctic Council Letter and will have Rep. Schaufler and Arctic Caucus Leads sign and submit it to the U.S. and Canadian Federal Government.
8	Develop a PNWER Arctic Caucus strategy to strengthen the voice of our arctic communities for the 2013-2017 Canada and US Chairmanships of the Arctic Council, in addition to other organizations the group recognizes. This should be a multifaceted strategy engaging the entire PNWER region.	In Progress – Mike Pawlowski is the lead
9	Craft a resolution for presentation to the PNWER executive in November supporting the commercialization of Arctic Gas.	On hold until Strategy is Determined
10	Develop and create alignment on a common vision to forward the northern regions telecom infrastructure to support economic development; including Alaska, NWT and Yukon in a cross jurisdictional view. This vision should specifically provide northern business and residents with higher speed and greater capacity data networks, and bring greater diversity and survivability to these networks in all jurisdictions. The vision should also look to capitalize on existing infrastructure already in place and leverage cross jurisdictional opportunities.	In Progress - Don Pumphrey of NorthwesTel gave a presentation to the Alaska Broadband Task Force on November 17th.
11	Review the map of sub-national and regional actors and develop recommendations for areas of action for the Arctic Caucus.	In Progress the Institute of the North is the lead
12	Facilitate a meeting with Fran Ulmer, Director of the Arctic Research Commission on ways to support development of Northern Research and a potential	In Progress - Fran Ulmer participated at Sept. 28 th , 2011 meeting -



	collaboration with the territories on further development of post-secondary education, training, and research opportunities across the North.	recommended engaging USARC before the April 22-25 IPY Conference in Montreal
13	Send a letter of support to the Governor and Lt. Governor of Alaska supporting US ratification of UNCLOS, and work on joint communication from PNWER member jurisdictions to their federal congressional delegations for the capital visit to Washington, DC. Have a model letter, speaking points and develop a presentation for delegates at the PNWER Winter meeting to encourage US signing of UNCLOS.	In Progress – ION is the lead and PNWER is working with Sen. Ranker on a drafting the letter
14	Draft Arctic Caucus Organizing Committee, each jurisdiction lead should submit potential delegates to PNWER by November 15, 2011 for PNWER Executive Committee meeting in Victoria	Completed
15	Establish an Arctic State/Territorial working group to identify and share jurisdictional best practices on resource development regulatory systems.	In Progress – Suggested as a topic for discussion at the Whitehorse Forum
16	Recommend that the PNWER Workforce Development Working Group include topics related to training for Northern Industries and peoples	In Progress –

Table 2- Action Items from Barrow with Status

Action Item	Status
Map out sub-national and regional actors so that it is relevant and non-duplicative (identify niches).	In Progress
Advocate for cabinet-level (US) participation in the Arctic Council	Completed
Convene in May/June in Northwest Territories prior to the annual meeting, which will take place in Portland.	Completed (Held meeting in August)
Promote a pan-Northern approach to federal governments. (Including Legislative concurrent resolution)	In Progress (Alaska passed <u>House Joint Resolution 15</u>)
Provide a platform for connecting science and policy in order	Will be referred to President



<p>to meet its mission of economic development. Suggest to University Presidents Round Table</p>	<p>Round Table and an academic liaison will be requested.</p>
<p>Explore means to support the expansion of the Marine Exchange of Alaska's AIS System in Alaska as well as Northwest Territories (NWT), Yukon and BC. Support current efforts to increase Search and Rescue response capacity and infrastructure on both sides of the border including joint training/exercises</p>	<p>In-progress</p>
<p>Promote federal support of the Alaska/Canada highway and Shakwak funding.</p>	<p>On-going. PNWER has sent a letter, and will again when Alaska and/or Yukon request.</p>
<p>Support Broadband infrastructure development Interconnectivity (Wide Area Network)</p>	<p>Ongoing. See this meetings action items.</p>
<p>(Support Development of Northern University in Canada) Invite Yukon College, Ilisagvik, Aurora Colleges to University Presidents' Round table</p>	<p>This has been referred to both the University Presidents' Round table and the Workforce Development Working Group.</p>
<p>Communicate proceedings and conclusions of Northern Waters task Force to regional members.</p>	<p>Completed.</p>
<p>Have Arctic Caucus keynote panel at the Summit</p>	<p>Likely to be included in the 2012 Summit</p>
<p>Suggest content to the Legislative Energy Horizon's Institute (LEHI) and Transportation Institute on issues in the north.</p>	<p>Partially completed (Alaska specific content was included in the Transportation Institute and LEHI leadership will look at it and how to include content.)</p>
<p>Identified Issue:</p> <ol style="list-style-type: none"> 1. Gas Pipeline development (Reshare Pipeline study) 2. UNCLOS 3. Transmission/Local Energy Development 4. Joint Tourism/Marketing 5. Training/Workforce Development 6. Support development of youth exchange programs (Ian) 7. Conduct an infrastructure gap analysis and provide a justification for investment in cross-border infrastructure. 	<p>These items are not action items, but rather potential areas of interest, but some work has been done on items 1 and 6, with most other items included in action items from this meeting (Table 1)</p>



Denis Stevens

Denis Stevens (BA Honours, Harvard University, 1988; LLB, MBA, McGill University, 1992) was called to the Ontario bar in 1994. He joined the Department of Foreign Affairs and International Trade in 1996, where he served as policy adviser to the minister of foreign affairs, deputy director in the Human Rights Division and director of policy in the Secretariat on War-Affected Children. A graduate of the Accelerated Executive Development Program, he has, since 2001, served in management positions at the departments of Justice, Indian and Northern Affairs, Public Safety, and at the Privy Council Office. Since 2007, he has been the director general of intergovernmental relations and public outreach at Foreign Affairs and International Trade Canada. He is married to Geneviève Chanteloup, and they have two daughters.

M. Denis Stevens (B.A. avec spécialisation, Université Harvard, 1988; LL.B. et M.B.A., Université McGill, 1992) est devenu membre du Barreau de l'Ontario en 1994. Il est entré au ministère des Affaires étrangères et du Commerce international en 1996, où il a occupé les postes de conseiller en politique auprès du ministre des Affaires étrangères, de directeur adjoint de la Direction des droits de la personne et de directeur de la politique au Secrétariat pour les enfants touchés par la guerre. Diplômé du Programme de perfectionnement accéléré des cadres supérieurs, il a occupé depuis 2001 des postes de direction au sein de divers ministères (Justice, Affaires indiennes et du Nord, Sécurité publique), ainsi qu'au Bureau du Conseil privé. Depuis 2007, il est directeur général, Relations intergouvernementales et relations auprès du public, à Affaires étrangères et Commerce international Canada. Il est marié à Geneviève Chanteloup, et le couple a deux filles.

Peter Taylor
Consul, Political/Economic Relations and Public Affairs
Consulate General of Canada, Anchorage, Alaska

Peter Taylor was born in Fredericton, New Brunswick in 1949. He earned his B.A. and M.A. in history from the University of New Brunswick and undertook doctoral studies at the University of London. After teaching history at UNB and the University of Prince Edward Island, he joined the Canadian Foreign Service in 1983. Mr. Taylor has served abroad in the Canadian Embassies in Bogota, Warsaw and Guatemala and in the Permanent Mission of Canada to the United Nations in New York. From 1993 to 1995, he was seconded to the Department of Political Affairs of the United Nations Secretariat in New York, as desk officer for Greece, Turkey and Cyprus. In this capacity, he supported the Cyprus good offices mission when Joe Clark was Special Representative of the Secretary-General and the mediation efforts of Cyrus Vance in the dispute between Greece and Macedonia. He was Deputy Director in Foreign Affairs' UN Division from August 2001 to September 2005, at which time he joined the Mine Action and Small Arms Team, also as Deputy Director. Mr. Taylor served as Consul, Political/Economic Relations and Public Affairs at the Consulate General of Canada in Miami from August 2007 to July 2011. He took up his duties as Consul of Canada in Anchorage on August 8, 2011.



Foreign Affairs and
International Trade Canada

Affaires étrangères et
Commerce international Canada

Canada



Relations with Canada
A Time of Opportunity

**A presentation to the Alaska House Committee on
Economic Development, Trade and Tourism**

January 31, 2012

Consul General Denis Stevens



OVERVIEW

- **Canada is still the US's largest economic partner, your largest supplier of energy and a very close security ally.**
- **Today - update on developments and opportunities of interest:**
 - Current situation in Canada
 - State of the Canada-US economic relationship
 - New initiatives on borders and regulatory cooperation
 - Canada-Alaska economic relations
 - Canadian mining in Alaska
 - Canada and Alaska's partnerships in the Arctic



Current situation in Canada

- **2011 Canadian federal general election yields majority government**
- **Good news for Alaskans - resource development and the Arctic remain among our highest priorities**


	2011 GDP Growth (Est.)	2011 Deficit	Unemployment as of Jan. 2012
United States	1.7%	- 8.7%	8.5%
Canada	2.3%	- 4%	7.4%

- **Forbes magazine ranks Canada as the best place for business to grow and create jobs**
- **OECD and IMF predict Canadian economy will be among world leaders for the next two years**
- **Canadian banks are considered the soundest in the world**



Canada transforms

- **Return to balanced budgets**
- **S&T investments for a competitive economy**
- **Immigration reform to supply economy & labour force**
- **FTAs with EU (2012) and India (2013) plus Trans-Pacific Partnership**
- **Energy sales to Asia as well as the US**
- **Implement Beyond the Border initiative with the US**



The Canada-US economic relationship: working together

- **Total Canada–US goods and services trade \$627 billion – about \$1million per minute**
- **Total Canada–US merchandise trade in 2010: \$481 billion**
- **More than 8 million US jobs depend on Canada–US trade**
- **Canada is the top export destination for 36 states**
- **US exports more to Canada than to China, Japan and the UK combined**
- **Canada is the United States’ largest and most secure supplier of energy: oil, natural gas, electricity and nuclear fuel**
- **About 400,000 people cross the Canada–US border daily**



Canada's border with Alaska

- **Canada and Alaska have partnered on the border since the Klondike Gold Rush**
- **6 border crossings – Skagway and Beaver Creek are particularly important to Alaska and the Yukon**
- **Skagway is Yukon's port – mineral exports**
- **AlCan highway - a vital link for Alaska**
- **The measures in the *Beyond the Border* Action Plans on Perimeter Security, Competitiveness and Regulatory Cooperation will have an impact on Alaska**



Beyond the Border

Beyond the Border - Action Plans on Borders and Regulatory Cooperation

Action Plan on Perimeter Security and Economic Competitiveness

- addressing threats early
- facilitating trade
- economic growth and jobs
- integrating cross-border law enforcement
- improving critical infrastructure and cyber-security.



Beyond the Border

The Action Plan on Regulatory Cooperation

- reduce barriers to trade
- lower costs for consumers and business
- create economic opportunities on both sides of the border.

29 initiatives where Canada and the US will align their regulatory approaches

- agriculture and food
- transportation
- health and personal care products
- chemical management
- the environment, and other cross-sectoral areas

**While not compromising our health, safety
or environmental protection standards.**



Effects on Alaska?

- **Increased mutual security and a better business environment**
- **Potential benefits (illustrative)**
- **A common approach to screening travelers**
- **Preclearance of cruise ship passengers bound for AK in Vancouver, BC**
- **Infrastructure: coordination of infrastructure upgrades at small and remote ports of entry**




What's new in the Canada-Alaska economic relationship?

- **Positive trend in two-way trade: from \$866 million in 2009 to \$948 million in 2010**
- **AK exports to Canada: from \$314 million in 2009 to \$385 million in 2010 to *\$571 million from January to November 2011***
- **Canada's exports to AK also up - \$552 million in 2009 to \$563 million in 2010**
- **Alaska employment attributed to Canada-US trade estimated at 20,400**
- **Canadian investment – mostly mining – supports approximately 3,000 AK jobs and \$198 million in payroll**



Canadian mining companies and Alaska

- **“Canadian” label on approximately 70% of mining investment in AK**
- **Need to support companies and protect Canada “brand”**
- **Canadian expertise in mining and the Canadian mining finance system**



Canadian mining companies and Alaska, cont'd

- **Canadian AK production – Red Dog (Teck/NANA) and Fort Knox (Kinross)**
- **Big Canadian AK development projects: Donlin Gold (Barrick Gold and NovaGold) and Pebble (Northern Dynasty 50%)**
- **26 of 30 exploration companies active in AK as of 2010 are Canadian. E.g., exciting new play by U-Core in rare earth elements in Southeast**
- **Economic benefits to AK in terms of well-paid employment, taxes, contracts for local businesses and infrastructure**



Social license to operate/corporate social responsibility (CSR)

- **Canadians expect Canadian companies to operate as responsibly abroad as in Canada**
- **AK and Canada both have high standards**
- **Government of Canada encourages companies to support CSR principles - 2009 initiative**
- **Canadian companies also participate in industry-led initiatives for sustainable mining**
- **Canadian Consulate in Anchorage works with industry to improve understanding of the benefits of Canadian investment in AK mining and that Canadian companies operate responsibly**



Canada US Collaboration in the Arctic

- **Back-to-back Arctic Council Chairships, starting with Canada in 2013**
- **Numerous security and environmental protection partnerships**
- **Sharing of science to advance understanding of this unique region**
- **Common interest to create sustainable, dynamic northern economies**



Thank you

QUESTIONS?



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No Better Partner: Canada and Alaska's Mining Sector

Prepared by
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July, 2011

Executive Summary

As stewards of resource-rich land and sensitive northern environments, Alaskans and Canadians want their natural resources to be developed responsibly and they demand rigorous, fair, and efficient regulatory oversight by their governments. Canadians also expect that Canadian companies operate with the same degree of responsibility no matter where they work in the world. These values have evolved and strengthened over the last few decades.

Canadian companies operating in Alaska know that responsible behavior is a prerequisite for community support of mining activity, and their codes of conduct and involvement in various national and international sustainable development mechanisms reflect that commitment.

Anti-foreign, and specifically anti-Canada, rhetoric has been a feature of advertising, social media, and public presentations by mine critics in Alaska. With roughly 70 percent of the mining exploration and development expenditures in the state coming from Canadian companies, this has a deep impact on Canada's reputation in Alaska and beyond, given the national attention these campaigns have generated.

At a time when mining projects need a social license to operate as much as they need the required permits and financing, companies and governments are looking at ways to raise public awareness of the value of responsible resource development, the positive impact of outside investment, and the mechanisms to encourage corporate social responsibility at home and abroad.

For most of Alaska's history, local businesses did not have the capital, access to financing, or technical expertise to take on the high risk and capital intensive investments to develop the state's energy and mining resources. The benefits of attracting outside investment to the state have been significant: providing employment, contracts for Alaska businesses, local and state tax revenues, technical expertise, and infrastructure.

It is easy to measure employment numbers, taxes, and direct or indirect spending. It is much more difficult to measure the impact of role models and opportunity on an individual's life. By working closely with stakeholders and listening to community input, Canadian mining companies have provided many rural and Native Alaskans an opportunity to participate in the modern economy while maintaining a traditional lifestyle.

Corporate social responsibility practices make good business sense. By balancing economic, environmental, and social objectives, mining companies build trust and support in the communities in which they operate. They also strengthen their competitive advantage by improving their corporate reputation which increasingly impacts investor decisions and employee recruitment and retention.

The Government of Canada launched a Corporate Social Responsibility Strategy (CSR) for the International Extractive Sector in 2009. In addition to encouraging Canadian companies to act responsibly abroad, it provides concrete tools and mechanisms to assist their efforts and to promote dialogue among stakeholders. Greater awareness of the companies' activities, the Government's commitment to CSR, and Canada's leadership role in global mining will strengthen Canada's reputation in Alaska and the recognition that Canada is an excellent partner for responsible resource development.

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Note: Unless otherwise indicated, all dollar amounts are in U.S. dollars. Canadian dollar amounts are shown as C\$.

Introduction

Mining has connected Alaska and Canada since the Klondike Gold Rush brought thousands of people through Alaska to the Yukon in the 1890s. Today, Canadian companies are active in mining exploration, development, and production in Alaska and their dominant role brings heightened visibility and scrutiny to their activities in the state.

The challenges for mining in Alaska are well known. The Arctic climate, lack of power and transportation infrastructure, distance from suppliers and markets, limited exploration and construction seasons, rugged terrain, and high exploration costs demand significant commitments of time, expertise, and financing. However, many major mineral deposits throughout the world carry some or all of the above challenges. Alaska's comparative advantage is political stability, rigorous but fair and transparent regulatory processes, relative fiscal certainty in the U.S. dollar and the state's taxation regime, due process, and the rule of law.

In 1959, Alaska became the 49th state to join the union and the delegates to its Constitutional Convention had the advantage of reviewing the other state constitutions and considering their impact. As a result, the Alaska Constitution strikes a fine balance between development and conservation of the state's resources. Article 8, section 2 gives general authority to the legislature to "provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people." A major argument for statehood was that Alaska could contribute to the nation and be largely self-sustaining if given the opportunity to develop its natural resources. To do this, Alaskans needed to reach beyond the state for the financial resources and technical expertise.

All of the major industries in Alaska, from mining and oil and gas to seafood processing and tourism, have grown as a result of outside investment, but the value of attracting investment to the state is not always well understood. Anti-development groups have taken advantage of this in their campaigns, warning Alaskans that foreign companies will exploit Alaska's resources. Mining companies have been a primary target. For example, a recent television ad opposing the Pebble project says its foreign developers "get the gold, Alaskans get the toxic waste."¹

This anti-foreign, and specifically anti-Canada, rhetoric has been a common feature of advertising, social media, and public presentations by mine critics in Alaska. With roughly 70 percent of the mining exploration and development expenditures in the state coming from Canadian companies², this has a deep impact on Canada's reputation in Alaska and beyond, given the national attention these campaigns have generated.

A company cannot deliver one message to residents of an Alaska village and another to potential investors in Vancouver. This information is so easily accessible online and through social media that discrepancies can and will be easily seen. Once damaged, that trust can be very difficult to rebuild.

¹ www.youtube.com/watch?v=E8s5AEsaY-c&NR=1. October 21, 2009

² *Canada's Impact on Alaska*, report by the McDowell Group for the Consulate of Canada, September 2011

At a time when mining projects need a social license to operate as much as they need the required permits and financing, it is critical to raise public awareness of the value of responsible resource development, the positive impact of outside investment, and the mechanisms to encourage corporate social responsibility no matter where a company operates.

This paper, *No Better Partner: Canada and Alaska's Mining Sector*, explores the context of Canada's role by first examining the extent of involvement and the impact of Canadian mining companies in Alaska. In the second part, it analyzes the factors that make Canada and Canadian companies such ideal partners for Alaska. This includes the Government of Canada's efforts to encourage Canadian companies to meet high standards in corporate social responsibility and Canada's leadership role in the global mining sector.

Part 1: Positive Impact of the Canadian Mining Industry in Alaska

Overview of Canadian company projects

Canadian mining companies are active in all aspects of the mining industry in Alaska from development and production to exploration and services. This section provides general information about the companies and their work in Alaska.

Production

Despite scores of exploration projects in recent decades, there are only five large hard rock mines in production in Alaska. Two, both located in Juneau in Southeast Alaska, are operated by U.S. companies: Greens Creek (silver) operated by Hecla Mining Co., and Alaska's newest mine, Kensington (gold), operated by Coeur d'Alene Mining Corp. Pogo, a gold mine in Interior Alaska, is owned and managed by the Japanese company Sumitomo Metal Mining, although it was developed and brought into production by Sumitomo's then partner, Teck Resources Ltd. The Canadian companies, Teck and Kinross, each operate a mine: the Red Dog zinc/lead mine in Northwest Alaska and the Fort Knox gold mine in Fairbanks.

Teck Resources Ltd.

Vancouver-based Teck Resources Ltd. operates the Red Dog mine near Kotzebue in Northwest Alaska. One of world's largest producers of zinc concentrate, Red Dog was first discovered in 1968 although it did not go into production until 1989. The land is owned by the NANA regional corporation, one of thirteen Alaska Native regional corporations established by the federal Alaska Native Land Claims Settlement Act of 1971.

The Red Dog agreement was an innovative development agreement at the time because it provided not only royalty payments to NANA, but also employment and contracting opportunities. Today NANA

shareholders make up 57 percent of the workforce at the mine³ and NANA has grown into a multinational corporation with \$1.2 billion in revenue (2008) and 9,000 employees worldwide.⁴ Red Dog's impact on the Northwest Arctic Borough and Alaska will be explored further in the economic and social impact sections on pages 10-13.

The Red Dog port is located on the Chukchi Sea, 46 miles from the mine. As this Arctic port is only ice-free from July to October each year, the concentrate is stored throughout the winter in large buildings at the port. In 2010, Red Dog produced 538,000 tonnes of zinc and 109,900 tonnes of lead which was shipped to Teck's facilities in British Columbia and to customers in Asia and Europe. Red Dog's operating profit before depreciation, amortization, and price adjustments was C\$548 million.⁵

With the main pit nearing an end after two decades of production, Teck expanded last year into the adjacent Aqqaluk deposit which should extend production at the mine to 2030. Aqqaluk contains 51.6 million tons of reserves with an average of 16.7 percent zinc and 4.4 percent lead.⁶

Kinross

The Fort Knox gold mine, 26 miles northeast of Fairbanks, is in a historic placer mining district in Interior Alaska. The mine is located on lands owned by the State of Alaska and the state's Mental Health Trust. The first modern deposit discovery was in 1984, with production beginning in 1996. Two years later, Toronto-based Kinross acquired 100 percent interest in the mine.

Fort Knox, the largest surface gold mine in Alaska, is a conventional open-pit mine with high grade ore processed on site in the carbon-in-pulp mill and, beginning in 2009, a heap leach operation for low grade ore stockpiles.

In 2010, Fort Knox's gold equivalent production was 348,729 ounces and the mine's proven and probable reserves was 3.6 million ounces.⁷ The mine operates year round with 400-425 employees.

Development

Alaska has two large development projects. Donlin Gold, a joint venture between two Canadian companies, Barrick Gold Corporation and NovaGold, is located in Western Alaska. Pebble, a copper/gold/molybdenum deposit, is being developed by Pebble Partnership, a joint venture between the British multinational AngloAmerican and Northern Dynasty, a Vancouver-based junior.

Two other projects have attracted significant investment: Livengood, a gold lode deposit discovered in 2007, which is under development by International Tower Hill's subsidiary, Talon Gold, and Niblack, a gold/silver/copper/zinc deposit explored by Niblack Mineral Resources which agreed to a joint venture with the Hunter Dickinson subsidiary, Heatherdale Resources, in 2009.

3 <http://www.reddogalaska.com>

4 http://nana-dev.com/about/fact_sheet/

5 <http://www.teck.com/Generic.aspx?PAGE=Teck%20Site/Investors%20Pages/Financial%20Reporting%20Pages/Quarterly%20Reports&portalName=tc>

6 <http://www.reddogalaska.com/Generic.aspx?PAGE=Red+Dog+Site%2fAqqaluk&portalName=tc>

7 <http://www.kinross.com/operations/operation-fort-knox-alaska-usa.aspx>

There are also two recently operating intermediate sized mines. Nixon Fork, a copper/gold mine in Interior Alaska, was bought by a new Vancouver-based junior, Fire River Gold Corp., in 2009. Fire River completed its Preliminary Economic Assessment in February 2011 and began mining in March (permits and facilities were already in place when Fire River Gold purchased the mine in 2009). Rock Creek, a gold mine near Nome, started and suspended operations in 2008. NovaGold announced in October 2010⁸ that it was seeking offers on the property.

Barrick/NovaGold

Donlin Gold is a 50/50 joint venture formed in 2007 between Barrick Gold Resources and NovaGold to develop a gold mine in the Yukon Kuskokwim region of Western Alaska. With probable reserves estimated at 33.6 million ounces of gold, Donlin is one of the world's largest known undeveloped gold deposits.⁹

Donlin is on land mostly owned by the Kuskokwim Corporation (TKC), a consortium of ten villages upriver from Donlin, and the subsurface rights are owned by the Calista Corporation, the Alaska Native regional corporation for Western Alaska.

An April 2009 feasibility study estimated that constructing the mine would cost \$4.48 billion¹⁰ with a combination of diesel and wind power providing the necessary 157 megawatts of electricity to run the mine¹¹. Since then, the companies have been evaluating the possibility of building a small 12-inch natural gas pipeline that would run 312 miles from Cook Inlet to the site. The company plans to complete this evaluation by the end of 2011 and then start the permitting process. If the pipeline is feasible, there will be significant benefit for communities along the route to access natural gas and reduce their dependence on diesel which is barged up the Kuskokwim River from Bethel at great cost.

During the construction period, Donlin would employ up to 3,000 people. Some 600-1,000 full time positions would be needed to operate the mine. To date, Donlin has achieved an impressive record of local hire. Currently, almost 90 percent of the workers at the Donlin camp, including nine of the ten supervisors, are Calista Corporation shareholders.¹²

Northern Dynasty

The Vancouver-based junior, Northern Dynasty, acquired the Pebble Project in 2001 and partnered with the British company AngloAmerican in 2007 to develop and operate the mine. With one of the world's largest concentrations of copper, gold, and molybdenum,¹³ the mine's potential size and its location at the headwaters of Bristol Bay, a world-class salmon fishery, have ignited passionate debate. Opponents of the project have waged an intense multi-year advertising campaign through traditional and social media and also put forward an ultimately unsuccessful ballot initiative¹⁴ to block the project.

8 www.mineweb.com/mineweb/view/mineweb/en/page34?oid=113029&sn=Detail

9 www.donlingold.com/our-plan

10 *Mining Explorers 2010*, Petroleum News, p. 75

11 www.donlingold.com/our-plan

12 www.donlingold.com/employees

13 80.6 billion lbs. of copper, 5.6 billion lbs. of molybdenum, 107.4 million oz. of gold (measured, indicated and inferred). <http://www.pebblepartnership.com/project/designation>

14 August 2008, 56.4% voted against the ballot initiative, 43.6% voted for it.

The Pebble Partnership counters that Pebble is situated on state land designated for mining, the mine can be developed in a safe and environmentally responsible manner, and the U.S. federal government and the State of Alaska have a very rigorous regulatory process that will not approve the mine unless it meets their high standards. That process, which involves dozens of permits and opportunities for public input, is explored further on page 14. The Pebble Partnership has compiled comprehensive environmental baseline studies and their 2011 work plan focuses on a prefeasibility study that could be completed in 2012.¹⁵

The Pebble Partnership anticipates that the mine would employ approximately 2,000 workers during the construction phase and 1,000 high-wage, year round jobs for 25-35 years of production. It would represent a multi-billion dollar capital investment in a region with grave economic challenges stemming from the lack of employment opportunities, limited infrastructure, and a very high cost of living.

Exploration

Stronger commodity prices in 2009 resulted in a 25 percent jump in exploration spending in Alaska between 2009 and 2010. A total of \$225 million was spent on exploration last year, with 50 projects spending more than \$100,000, of which 24 projects spent more than \$1 million.¹⁶ The map on page 9 illustrates the range of exploration activity in the state.

A 2009 McDowell Group report for the Canadian Consulate found that Canadian companies were responsible for 70 percent of the exploration and development dollars spent in Alaska.¹⁷ Of the 30 exploration companies listed in *Mining Explorers 2010*¹⁸, 26 are headquartered in Canada. Instead of profiling all 26 companies in this paper, their websites are listed on page 21. *Mining Explorers 2010* also provides an excellent snapshot of each company and their projects in Alaska. Most of these companies are seeking gold and copper, but some are looking for zinc, lead, silver, and even rare earth elements.

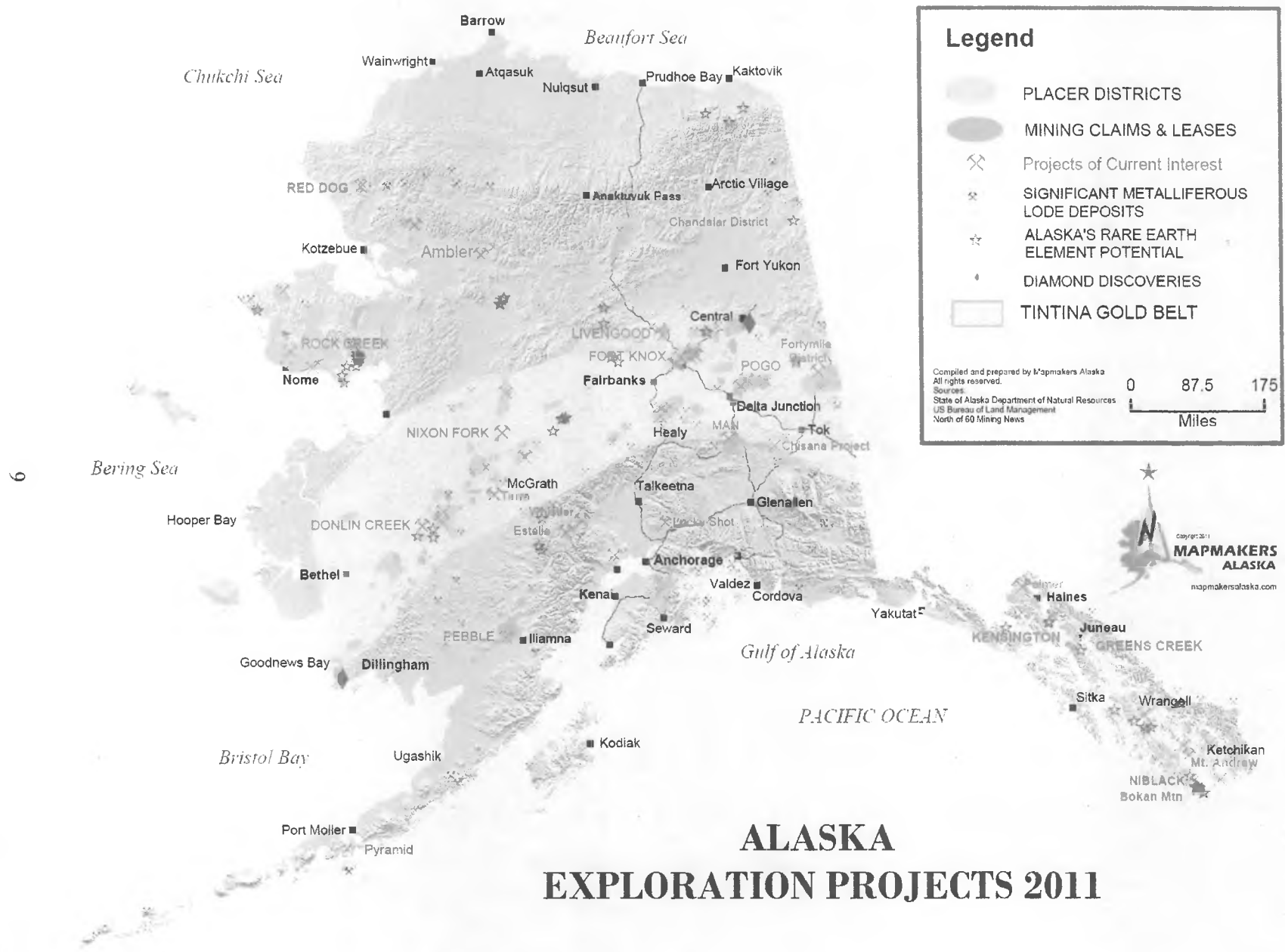
Very few junior companies end up developing or operating a large mine on their own. The juniors usually sell a promising project for reimbursement of expenses, a subsequent royalty interest, or a joint venture opportunity. Two recent examples of the latter are Northern Dynasty in the Pebble Project and NovaGold in Donlin.

¹⁵ <http://www.pebblepartnership.com/home>, press release 4/29/2011: *Pebble Partnership Outlines 2011 Work Program*.





¹⁶ *The Economic Benefits of Alaska's Mining Industry*, a report prepared for the Alaska Miners Association by the McDowell Group, Inc. January 2011

¹⁷ *Canada's Impact on Alaska*, McDowell Group, Inc. September 2011.

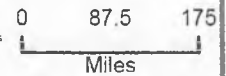
¹⁸ An annual publication of Petroleum News/North of 60 Mining News, www.petroleumnews.com



Legend

-  PLACER DISTRICTS
-  MINING CLAIMS & LEASES
-  Projects of Current Interest
-  SIGNIFICANT METALLIFEROUS LODE DEPOSITS
-  ALASKA'S RARE EARTH ELEMENT POTENTIAL
-  DIAMOND DISCOVERIES
-  TINTINA GOLD BELT

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**ALASKA
 EXPLORATION PROJECTS 2011**

Economic Impact

For most of Alaska's history, local businesses did not have the capital, access to financing, or technical expertise to take on the capital intensive and high risk investments needed to develop the state's energy and mining resources. To date, there are only three publicly traded companies headquartered in Alaska.¹⁹ The benefits of attracting outside investment to the state have been significant: providing employment, contracts for Alaska businesses, local and state tax revenues, technical expertise, and infrastructure. Yet it is not unusual to hear Alaskans say that foreign companies take profits out of the state and give nothing in return. In order to counter that statement, the next two sections will examine the economic and social impact of Canadian mining companies in Alaska.

Between 1981 and 2010, Canadian mining companies spent \$4.6 billion in the state.²⁰ The high risk of exploration and development and the impact of the volatility of commodity prices are illustrated by the fact that for all the dozens of mining exploration projects in that time, there are only five large hard rock mines operating in Alaska. Given the high degree of risk, it is not surprising that the Native regional corporations, NANA and Calista, turned to Canadian mining companies with northern expertise to explore and develop the mining potential on their lands.

Jobs for Alaskans

Canadian mining companies provide high paying jobs in Alaska, often in remote and rural areas where the unemployment rate is significantly higher than the state and national averages. In 2010, 1,000 Alaskans were working in Alaska for Canadian mining companies.²¹ The producing mines, which operate year-round, employ the most people: 500 employees plus 350 contractors at Fort Knox²² and 550 full-time jobs (including contractors) at Red Dog with additional construction employment in the summer.²³ Employment numbers fluctuate more for the explorers and developers because of the seasonal nature of these activities.

According to the Alaska Department of Labor and Workforce Development, metal ore mining is one of the top industries for hiring Alaska residents. In 2009, 73 percent of metal ore mining workers were Alaska residents. By comparison, only 25 percent of seafood processing workers were Alaska residents. The resident mining worker's average annual wage of \$85,000 is significantly greater than the state average of \$34,000.²⁴ This impact is felt all around the state. A recent study showed that the mining industry employs workers from more than 120 Alaska communities.²⁵ Hundreds of Alaska business benefit by supplying the mining industry. Red Dog alone purchased \$217 million in goods and services from 242 Alaska businesses in 2009.²⁶

19 Northrim Bank and two telecommunication companies: Alaska Communications and GCI. The twelve Alaska Native Regional Corporations are not publicly traded.

20 *Canada's Impact on Alaska*, McDowell Group, Inc. September 2011.

21 *Canada's Impact on Alaska*, McDowell Group, Inc. September 2011.

22 *The Economic Benefits of Alaska's Mining Industry*, McDowell Group, Inc. January 2011

23 www.reddogalaska.com/Generic.aspx?PAGE=Red+Dog+Site%2fEconomic+Benefits&portalName=tc

24 <http://labor.alaska.gov/research/reshire/reshire.htm>

25 *The Economic Benefits of Alaska's Mining Industry*, McDowell Group, Inc. January 2011

26 Presentation by Wayne Hall, Manager, Community and Public Relations, Teck to Anchorage Chamber, May 2, 2011.

Stable Source of Tax Revenue

In addition to strengthening local economies through employment and procurement, Canadian mining companies are also a stable source of revenue for local governments. Red Dog mine is the only taxpayer in the Northwest Arctic Borough and provides 60 percent of the borough's revenue.²⁷ In 2010, its payment in lieu of taxes was \$6.7 million. The borough has received a total of \$64 million from Red Dog since 1990.²⁸ Fort Knox is the largest property taxpayer in the Fairbanks Northstar Borough, paying \$4.6 million in property taxes last year.²⁹ Revenues to the state government include royalties, rents, fees and taxes. In 2009, Red Dog paid \$116 million in federal and state taxes.³⁰

Diversifying Alaska's Economy

With up to 90 percent of Alaska's general revenue funds coming from oil and gas taxes and royalties, it is important to encourage diversity. The export of mineral ores in 2010 was valued at \$1.339 billion and accounted for 32 percent of Alaska's total exports.³¹ \$210.5 million of that amount was exported to Canada, mostly concentrate from Red Dog to Teck's smelter in British Columbia. Canada is a distant third to Japan and China as a destination for Alaska exports, but that fact misses the importance of Canadian mining companies to Alaska's mineral exports to Asia. In 2008, Canadian mining companies were responsible for \$398 million of Alaska's exports to countries other than Canada.³²

Building Needed Infrastructure

Historically, mining has either brought electrical power infrastructure to the state or provided the economy of scale to reduce power costs to residents. Three out of the five hydroelectric power plants operating today in Juneau were built by the mining industry and for years residential electrical bills in Fairbanks noted the reductions provided as a result of the Fort Knox mine. Barrick and NovaGold, the Canadian companies developing Donlin Gold, may be a contemporary example. If they decide to pursue their 12" natural gas pipeline option, the villages along the route would have an opportunity to access the gas and significantly reduce their reliance on very high cost barged diesel.

Another infrastructure example is the construction of the DeLong Mountains Transportation System by the Alaska Industrial Development and Energy Authority (AIDEA). This state agency built the port and the 52 mile road between the Red Dog mine and the Chukchi Sea in 1990 under its authority to build and own infrastructure that provides jobs for Alaskans and helps diversify Alaska's economy. The initial construction cost \$180 million and a subsequent upgrade brought the investment to \$267 million.³³ Red Dog operates and maintains the system under a 50 year exclusive use agreement and pays a toll based on throughput of concentrates with a guaranteed minimum amount. According to the Alaska Miners Association, by 2010, the state had received \$312 million on its investment.³⁴

27 www.reddogalaska.com/Generic.aspx?PAGE=Red+Dog+Site%2fEconomic+Benefits&portalName=tc

28 Information provided in April 2011 by Wayne Hall, Manager, Community and Public Relations, Teck.

29 *The Economic Benefits of Alaska's Mining Industry*, McDowell Group, Inc. January 2011

30 <http://www.reddogalaska.com/Generic.aspx?PAGE=Red+Dog+Site%2fEconomic+Benefits&portalName=tc>

31 <http://gov.alaska.gov/parnell/governors-office/international-trade/international-trade-home.html> 2010 Export update.

32 *Canada's Impact on Alaska*, McDowell Group, Inc. July 2009.

33 www.aidea.org/projects.html

34 *Infrastructure for Mines*, Steve Borell, Alaska Miners Association, September 2010

AIDEA also owns the Skagway Ore Terminal. Built in 1968, the terminal was used to store and transport ore from the Yukon to international markets. AIDEA bought the facility in 1990, but the low price of zinc in the 1990s eventually led to the closure of the Yukon mines and the last shipment of zinc concentrate through the terminal was in 1998. In 2007, AIDEA refurbished the terminal and Capstone Mining/Minto Explorations currently uses about 40 percent of the capacity to ship ore from the Yukon. According to AIDEA, the terminal is responsible for ten jobs plus additional opportunities provided by the trucking of the concentrates. These year-round positions are important for a local economy that is heavily reliant on the seasonal tourism industry.³⁵

Partnering with Alaska Natives

One large operating mine, Red Dog, and one advanced development project, Donlin, are located on land owned by Alaska Native regional corporations. Through a unique aspect of the 1971 Alaska Native Land Claims Settlement Act (ANCSA), referred to as 7(i) and 7(j), a portion of the royalties paid to a native corporation is distributed to the other Alaska native regional and village corporations. Between 2005 and 2009, Red Dog paid NANA \$373 million in royalty payments, 62 percent of that amount was shared with the other native corporations.³⁶

The impact of Red Dog on the Northwest Arctic Borough goes far beyond royalty payments, local taxes, and jobs provided to NANA shareholders (57 percent of the jobs at Red Dog are filled by NANA shareholders). The mine provided an opportunity for NANA to establish camp services, catering, and management companies. Today NANA employs 9,000 workers around the world in construction, engineering, real estate, and hotel development. Some of those 9,000 jobs are filled by 1,315 NANA shareholders and 5,000 Alaskans. In Alaska, NANA companies or its affiliates employ 2,800 people.³⁷

Social Impact

A quote on NANA's web site: "Red Dog is more than just a mine developing essential minerals; it is a mechanism for hope and catalyst for the northwest Alaska and statewide economy."³⁸ It is easy to measure employment numbers, taxes, and direct or indirect spending. It is much more difficult to measure the impact of role models and opportunity on an individual's life. By working closely with stakeholders and listening to community input, Canadian mining companies have given many rural and Native Alaskans an opportunity to participate in the modern economy while maintaining a traditional lifestyle.

Community Investment

The Canadian mining community supports a number of education, training, and scholarship programs to benefit Alaskans and to encourage students' interest in science, engineering, and technology. Red Dog, Teck, Pebble, and Northern Dynasty are sponsors of the Alaska Native Science and Engineering Program, a successful University of Alaska Anchorage (UAA) initiative that works with Alaska Native

35 www.aidea.org/PDF%20files/PFS_Skagway.pdf

36 <http://www.reddogalaska.com/Generic.aspx?PAGE=Red+Dog+Site%2fEconomic+Benefits&portalName=tc>

37 Presentation by Wayne Hall, Manager, Community and Public Relations, Teck to Anchorage Chamber, May 2, 2011.

38 www.nana.com/regional/resources/red-dog-mine/

students from middle school through to graduate studies. By providing bridge support, mentors, community-based learning, and internships, it is increasing the number of Alaska Natives in science, technology, engineering, and mathematics.

The Canadian mining companies also actively support regional education and training. In 2009, Red Dog provided almost 17,000 hours of on-the-job training to NANA shareholders, development programs in operations, trade apprenticeships, advanced technical training, and a job-share program for employees to further their education while maintaining their eligibility for work at the mine.³⁹ Red Dog also provided \$416,000 to community programs, including \$100,000 to the local school district.⁴⁰ Red Dog, Donlin, and the Pebble Partnership are all investing in regional education and opportunities for local students to pursue higher education and vocational training through direct scholarships or contributions to regional scholarship funds.

The Pebble Partnership has also established the Pebble Fund to support infrastructure and community development in Southwest Alaska. To date, the fund has supported a variety of projects including renewable energy, school programs, and a food bank. The fund has a \$5 million endowment and its decisions are made by a board of directors made up of local leaders. The Pebble Partnership is not a voting member of the board.

Disaster Relief

Red Dog and Donlin have also recently shown that they are very good neighbors. In September, 2007, the City of Kivalina was threatened by a severe storm that seemed likely to inundate the community. Elderly residents and children were evacuated by air to Kotzebue, but over 100 people travelled almost 20 miles at night by four-wheeler and boat to the Red Dog port. The company sent buses to transport them to the mine where they were housed and fed despite limited facilities at this remote 24/7 operation.

In May 2011, Donlin sent four employees including a paramedic and its helicopter contractors to evacuate 53 villagers from Crooked Creek after an ice dam on the river caused flooding and destroyed a bridge. The company provided warm food and shelter to the evacuees while taking additional supplies by helicopter to the village. The Crooked Creek Traditional Council President Evelyn Thomas wrote that no other agency could have responded as quickly and efficiently as Donlin.⁴¹

Sustainability Practices

Canadian companies operating in Alaska know that responsible behavior is a pre-requisite for community support of mining activity and their codes of conduct and involvement in various national and international sustainable development mechanisms reflect that commitment. Alaskans have also supported a thorough permitting process to ensure that experienced and knowledgeable regulators will analyze the permit applications and make decisions that will ensure responsible development of the natural resources, strong health and safety rules, and protection of the environment.

39 www.reddogalaska.com/Generic.aspx?PAGE=Red+Dog+Site%2fSkills+and+Training&portalName=tc

40 www.reddogalaska.com/Generic.aspx?PAGE=Red+Dog+Site%2fCommunity&portalName=tc

41 <http://www.adn.com/2011/05/11/1858013/good-folks-at-donlin-creek-mine.html>

A Rigorous Regulatory Process

The planning and environmental review, testing, and approval process to permit a large mine in Alaska takes many years from start to finish, with dozens of local, state, and federal government agencies involved in the process. A recent example is the Pogo gold mine near Delta Junction that was developed by Teck in partnership with Sumitomo.⁴² The deposit was discovered in 1994 and agency discussions and baseline studies began in 1997. The permits were issued in 2003 and production began in 2006. That is a six year permitting process and 12 years from discovery to production. Beginning the permitting process is no guarantee that the mine will be approved as each project requires a tailored approach that assesses each aspect and its potential impact. Throughout the process there are opportunities for public input and engagement.

When a mine is permitted and begins production, the federal and state oversight continues to ensure the operation adheres to the safety and environmental requirements. This monitoring and enforcement endures through closure and beyond. There is a common misconception in Alaska that a foreign company can just walk away from its obligations. This is not accurate. Alaska law (AS 27.19) requires that a mine site must be returned to stable condition compatible with post-mining land use. Long before starting operations, mining companies must submit a reclamation plan for approval by the Commissioner of Natural Resources, as well as financial assurance to ensure that the state can reclaim the land if the company cannot. The financial assurance is then audited and recalculated every five years or when a significant change occurs. This law applies equally to U.S. and non-U.S. companies.

Part 2: Canadian Leadership in the International Extractive Sector

Sustainable Mining and Corporate Social Responsibility

As stewards of resource-rich land and sensitive northern environments, Alaskans and Canadians want their natural resources to be developed responsibly and they demand rigorous, fair, and efficient regulatory oversight by their governments. Canadians also expect that Canadian companies operate with the same degree of responsibility no matter where they work in the world. These values have evolved and strengthened over the last few decades.

Emerging Context of Sustainable Development

The Brundtland Report (United Nations World Commission on Environment and Development) of 1987 marked the beginning of a new era in recognizing the importance of sustainable development. It concluded that "sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."⁴³ As public awareness increased so did the expectation of greater accountability and engagement by industry and governments to ensure responsible behavior.

⁴² Pogo is now owned by Sumitomo.

⁴³ www.un-documents.net/ocf-02.htm#I

In Canada, this led to a national discussion in the early 1990s and the establishment of the Whitehorse Mining Initiative (WMI), a forum for the mining industry, Canadian federal, provincial, and territorial governments, First Nations representatives, and environmental groups to discuss issues in a non-adversarial environment. The mining industry came to the table recognizing that it needed to align its work with Canadians' values.

In 1994, the WMI released an accord which called for “improving the investment climate for investors; streamlining and harmonizing regulatory and tax regimes; ensuring the participation of Aboriginal peoples in all aspects of mining; adopting sound environmental practices; establishing an ecologically based system of protected areas; providing workers with healthy and safe environments and a continued high standard of living; recognition and respect for Aboriginal treaty rights; settling Aboriginal land claims; guaranteeing stakeholder participation where the public interest is affected; and creating a climate for innovative and effective responses to change.”⁴⁴

Two years later, the Government of Canada released its Minerals and Metals Policy: Partnerships for Sustainable Development. This policy called for all aspects of mining and mineral use to be as efficient, competitive, and environmentally responsible as possible. It also promoted advancing the concept of sustainable development of mineral and metals at the international level by working with stakeholders in other countries and through international organizations.⁴⁵

The Government of Canada's Commitment to International Corporate Social Responsibility

As one of the world's largest exporters of minerals and a strong supporter of a rules-based international trade and investment framework, Canada played a lead role in promoting sustainable development and championing initiatives to improve the performance of mining and energy companies internationally. These included co-hosting a conference on mining and sustainable development in Lima, Peru, in 1998, co-sponsoring a global dialogue on mining and sustainable development in the early 2000s, leading the 2003 Kimberly Process certification for conflict diamonds, and launching the National Roundtables on Corporate Social Responsibility and the Canadian Extractive Industry in Developing Countries in 2006. The Roundtables concluded that more could be done to encourage companies to support corporate social responsibility (CSR) principles and that success also depended on supporting countries to develop effective regulatory regimes.

In 2009, the Government of Canada launched a Corporate Social Responsibility Strategy for the International Extractive Sector. The strategy has four pillars:

- The first pillar supports initiatives to enhance the governance capacities of host countries to manage the development of minerals and oil and gas and improve opportunities for economic development.
- The second pillar promotes three widely-recognized international CSR performance guidelines: the International Finance Corporation's Performance Standards on Social and Environmental Sustainability; the Voluntary Principles on Security and Human Rights; and the Global

⁴⁴ www.nrcan.gc.ca/mms-smm/poli-poli/gov-gov/wmi-imw-eng.htm

⁴⁵ www.nrcan.gc.ca/mms-smm/poli-poli/htm/mmp-pmm/con-con-eng.htm

Reporting Initiative. Canada also adheres to the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

- The third pillar supports the develop of a Centre for Excellence in CSR, a web-based resource hosted by the Canadian Institute of Mining, Metallurgy and Petroleum to develop and disseminate CSR best practices, information, training, and tools to a variety of stakeholders.
- The fourth pillar called for an Office of the Extractive Sector CSR Counsellor which was established in 2010 to provide a review process to help resolve issues connected to the activities of Canadian extractive sector companies operating outside of Canada.⁴⁶

While much of the CSR focus has been on developing countries, the principles and values that underlie the strategy are appropriate for mining activity in any part of the world, including Alaska.

Fundamentally, CSR practices make good business sense. By engaging early and working together to balance economic, environmental, and social objectives, mining companies build trust and support in the communities in which they operate. They also strengthen their competitive advantage by improving their corporate reputation which impacts investor decisions as well as employee recruitment and retention.

The Canadian CSR Counsellor's dispute resolution process is a tool that can be added to options available to Alaskans concerned about activities of a Canadian mining company. The process is voluntary, transparent, and non-judicial. It uses a consensual, dialogue-based approach to seek practical solutions to resolve conflicts and ultimately strengthen relationships.

Industry Initiatives Towards Sustainable Mining

This evolution in thinking about sustainable development in the 1990s, greater dissemination of information through the internet, and some negative media coverage and criticism of Canadian mining operations abroad pushed the mining industry to do more.

The Mining Association of Canada (MAC) launched a multi-year effort to develop a voluntary initiative with performance standards to gain trust and improve its reputation. This effort resulted in "Towards Sustainable Mining" (TSM), an initiative to improve the mining industry's performance by providing specific performance indicators that are reported annually. TSM is mandatory for all members of the association and it is the first national mining association to require external evaluations of its members' results.

Initially, the evaluations examined performance in four areas: tailings management, energy use and green house gas emissions, Aboriginal and community outreach, and crisis management planning. TSM recently added two new protocols: safety and health and biodiversity conservation management. A new protocol on mine closure and one on water and mining are under development and an international application is being considered.

At the international level, nine major global mining companies created the Global Mining Initiative in 1999 to improve sustainable development performance in the mining industry. It broadened its

⁴⁶ www.international.gc.ca/csr_counsellor-conseiller_rse/About_us-A_propos_du_bureau.aspx

membership and became the International Council on Mining and Metals (ICMM) two years later. Its membership currently consists of 20 mining companies and 31 national and regional mining associations. The company members are required to implement the ICMM's sustainable development framework which includes public reporting of performance results and third party verification.⁴⁷ Of the Canadian companies working in Alaska, Barrick and Teck are members of the ICMM. Both the Mining Association of Canada and the Prospectors and Developers Association of Canada are mining association members.

The Prospectors and Developers Association of Canada has also developed a voluntary CSR program called E3Plus specifically for exploration companies. The first phase was launched in 2009 and provided governing principles for environmental stewardship, social responsibility, and health and safety. They have also developed toolkits to help the companies integrate these principles into their operations in Canada and internationally. A second phase under development will look at performance measurements, reporting, and verification.⁴⁸

Canada, a Global Leader in Mining

To understand why Canadian companies dominate mining activities in Alaska, it is useful to examine the factors that encouraged the development of the industry in Canada and led to Canada becoming a global leader in the industry. First, Canada is a mining country. Its rich mineral deposits have attracted miners since the 19th century and it remains a top world producer of many minerals, including uranium, nickel, aluminum, molybdenum, and diamonds.

Over time, the federal and provincial governments put in place policies to encourage investment, increase regulatory oversight, and invest in infrastructure. In the Canadian federal system, the provinces own and manage their natural resources. All aspects of mining, from exploration through development and production to reclamation, come under the authority of the provincial governments and each have their own policies of taxation, regulation, and incentives for mining.⁴⁹ The federal government retains responsibility for financial regulation, taxation, international trade, environmental regulation, fisheries and fish habitat, and navigable waters.

Economic Impact in Canada

Mining makes a significant contribution to the Canadian economy. In 2009, 306,000 workers were employed in mineral extraction, processing, and manufacturing in Canada⁵⁰ and the industry was responsible for a C\$32 billion share of Canada's gross domestic product.⁵¹

47 www.icmm.com

48 [/www.pdac.ca/e3plus/index.aspx](http://www.pdac.ca/e3plus/index.aspx)

49 The federal government is responsible for mining in the territories, generally north of 60 degrees latitude, although it is in the process of devolving greater responsibility to the territorial governments.

50 www.mining.ca Facts and Figures 2010, p.46

51 www.mining.ca Facts and Figures 2010, p.6

Last year, Canada exported C\$49 billion in metals, ores, and alloys, which constituted 12 percent of Canada's overall exports.⁵² Not surprisingly, more than half of these mineral exports go to the United States, mostly iron and steel, aluminum, copper, gold, and nickel.⁵³ In fact, proximity to the U.S. market was a major factor in the growth of the Canadian mining industry.

As mining companies grew and prospered, Canadians were attracted to these opportunities and Canadian education institutions responded by growing their geology and mine engineering departments to world class standards. Canadian miners, geologists, and metallurgists have earned a reputation as skilled professionals and are sought for projects all over the world.

Specialization in mining supplies and services, from legal, financial, and environmental services to transportation and drilling, was a natural result of the growing importance of the industry. This growth also had benefits south of the border. The United States has the largest mining supply sector in the world and its top destination for sales is Canada.

Canadian Financing Expertise for Mining

Mining is an inherently risky investment. Explorers spend millions of dollars looking for a discovery, hundreds of millions of dollars can be needed over many years to develop the prospect, and volatile commodity prices can derail the process or significantly impact production revenue at any time. While the U.S. Securities and Exchange Commission tightened rules to discourage high risk financing, the Canadian financial sector began to specialize in equity financing for mining projects.

Today, mining companies from around the world list their shares on Canadian stock exchanges. In 2009, 1,434 companies, 59 percent of the world's public mining companies, were listed on the Toronto Stock Exchange (TSX) and its Venture Capital Exchange, which attracts the junior exploration companies that are too small to be listed on the TSX.

Of the 133 mining companies listed on the TSX in 2009, 22 had a market capitalization of more than C\$1 billion and seven were greater than C\$10 billion,⁵⁴ including Barrick, Teck and Kinross, which are active in Alaska. The TSX and Venture Exchange listed companies had just under 9,000 mineral projects in process in 2010, 52 percent were in Canada and 13 percent were in the United States.

Whether raising money for international or domestic projects, all Canadian and foreign-owned companies listed in Canada must meet strong Canadian disclosure standards called National Instrument 43-101.⁵⁵ This strict set of rules governing the public reporting of exploration results and estimations of resources and reserves was designed to protect investors from unsubstantiated, erroneous, or fraudulent reports.

National Instrument 43-101 requires that a qualified person confirm the information is accurate and there are professional and legal ramifications for the qualified person if this is not done correctly. The

52 <http://www40.statcan.gc.ca/l01/cst01/gblec04-eng.htm>

53 58% of Canada's mineral exports went to the U.S. in 2009. www.mining.ca Facts and Figures 2010, p.70

54 www.mining.ca Facts and Figures 2010, p.35

55 www.mining.ca Facts and Figures 2010, p.36 (source: Infomine, compiled by TSX, July 2010)

repercussions can be fines as well as prohibitions on certain activities, including being barred from disseminating mining disclosures or acting as a director or officer of any issuer. The Canadian securities commissions can also issue warnings and require that companies release clarifications or, for more serious breaches, they can order the company to cease trading until they are satisfied the disclosure is compliant.

Government of Canada Taxation Incentives Attract Investment

In addition to financial specialization, taxation incentives have also encouraged mining companies to establish their corporate headquarters in Canada. The Government of Canada recognized that a positive investment climate would help Canada compete for global investment dollars. In January, 2011, Canada lowered its corporate tax to 16.5 percent making it one of the lowest in the OECD countries.

Canada also supports mining exploration and development through a 15 percent mineral exploration federal tax credit, also known as flow-through shares. Junior companies need to raise capital by selling shares in order to finance their exploration and development activities, but they cannot deduct their expenses because they have no revenue from production. Flow-through shares allow a junior company to transfer its deductible resource expenses to the investor.⁵⁶

Responsibility at Home and Around the World

Canada's rich resources and encouragement of Canadian mining companies both in Canada and internationally has resulted in a robust industry. As of 2009, Canadian mining companies have C\$56 billion invested abroad and there was C\$74 billion in foreign investment in the mining industry in Canada.⁵⁷

Resource development helped Canada to become a nation and to prosper. Over time, the imperative to develop those resources in a responsible, sustainable manner became part of Canadian's view of themselves and their country. These values transcend borders and Canadians expect Canadian companies to meet the highest standards of corporate behavior wherever they operate.

The Canadian companies investing abroad have brought expertise and employment opportunities to countries around the world and they remain excellent partners for Alaska.

⁵⁶ www.cra-arc.gc.ca/tx/bsnss/tpcs/fts-paa/menu-eng.html

⁵⁷ Mining Association of Canada background paper, *Canada's Mining Industry – Contributions, Challenges and Recommendations*, April 14, 2011 www.mining.ca

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Non-Governmental Organizations

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The Canadian Institute of Mining, Metallurgy and Petroleum: www.cim.org

The Mining Association of Canada: www.mining.ca

International Council on Mining and Metals: www.icmm.com

Prospectors and Developers Association of Canada: www.pdac.ca

Canadian Mining Companies Active in Alaska

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www.northerndynastyminerals.com

www.novagold.com

www.oceanparkventures.ca

www.purenickel.com

www.teck.com

www.tervlresources.com

www.tintinagold.com

www.ucoreraremetals.com

www.valdezugold.ca

www.zazumetals.com

Mines and Projects in Alaska

www.donlingold.com

www.pebblepartnership.com

www.reddogalaska.com

Media, Blogs and Other Resources

www.mineweb.com

www.petroleumnews.com (North of 60 Mining News, and annual publication Mining Explorers)

www.adn.com

www.alaskajournal.com

www.infomine.com

No Better Partner: Canada and Alaska's Mining Sector

This paper, *No Better Partner: Canada and Alaska's Mining Sector*, was written for the Consulate of Canada, Anchorage in July 2011, using information gathered from a variety of sources including websites and print media; public presentations by mining company representatives; visits since 2004 to Fort Knox, Red Dog, Pogo, and Pebble; and interviews with Canadian government officials, Canadian mining company executives, the Alaska Miners Association, and the Council of Alaska Producers. The paper was slightly changed in November 2011 to update the figures from *Canada's Impact on Alaska*, McDowell Group, Inc. July 2009 with information from *Canada's Impact on Alaska*, McDowell Group, Inc. September 2011.

The exploration map on page 9 is the property of Mapmakers Alaska and was licensed only for use in this paper. Contact: www.mapmakersalaska.com.

Matthias Consulting was established in Anchorage, Alaska in 2010 to provide clients with strategic analysis of Alaska's economic and political landscapes and to add value to their advocacy and business development efforts in the state.

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Canada's Impact on Alaska

Shared Commerce, Investment, and Partnerships

Canadian investment plays a significant role in Alaska's economy,

directly accounting for approximately 3,000 jobs and \$198 million in payroll annually.

Including direct and indirect impacts, Canadian economic activity resulted in more than 7,100 jobs and \$395 million in payroll in Alaska in 2010.

Canada is Alaska's fourth largest export market. In 2010, products and services worth \$385 million were exported to Canada.

Canada's economic influence on Alaska is diverse and far-reaching, touching industries from mining, to energy, to the visitor industry.

By the numbers

- ◆ **\$948 million:** Total Canada-related trade value, 2010
- ◆ **\$385 million:** Alaska's exports to Canada, 2010
- ◆ **\$563 million:** Alaska's imports from Canada, 2010
- ◆ **#4:** Rank of Canada among Alaska's export markets, 2010
- ◆ **\$4.6 billion:** Total investment in mining exploration and development by Canadian companies, 1981-2010
- ◆ **70%:** Canada's approximate share of total mining industry exploration and development expenditures, 1981-2010
- ◆ **42:** Number of Canadian mining exploration and mining companies investing in Alaska, 2010
- ◆ **\$793 million:** Estimated spending in Alaska by 112,800 Canadian visitors, 2010
- ◆ **20,400:** Total Alaska employment attributable to Canadian-U.S. trading relationship, 2008 (Baughman/François study)

Canada — the Keystone of Alaska's Mining Sector

The Alaska and Canadian mining industries have been linked since the Gold Rush days of 1898. Today, mining represents the most significant economic connection between Alaska and Canada.

Investing in Alaska

Between 1981 and 2010, Canadian companies spent \$4.6 billion on mineral exploration and development in Alaska. In 2010 alone, they spent \$207 million on exploration and \$129.6 million in development. A total of 42 Canadian exploration and mining companies operated in Alaska in 2010. Canadian companies account for approximately 70 percent of exploration and development expenditures in Alaska's mineral industry.

Providing good jobs for Alaskans

In 2010, Canadian mining companies employed approximately 1,000 Alaskans. Mining industry workers in Alaska earned an average of \$97,000 per year in 2010, double the statewide average annual wage.

Alaska's largest surface gold mine, the Fort Knox Mine near Fairbanks, is owned by Toronto-based Kinross Gold. The mine employs 500 people, generating \$45 million in wages and benefits annually. It is the second-largest private sector employer in the Fairbanks North Star Borough.

Red Dog Mine, located in Northwest Alaska, is one of the world's largest producers of zinc concentrates. Owned and operated by Vancouver-based Teck Resources Limited, Red Dog Mine employs 550 year-round workers and generates \$52 million in total wages annually. Red Dog is the largest employer in the Northwest Arctic Borough in terms of annual payroll, and second-largest in terms of employment.

In July 2011, Vancouver-based Fire River Gold Corporation started operation of Nixon Fork Gold Mine, Alaska's newest gold producer. Located near McGrath, the mine employs 45 workers.



Anglo American and Vancouver-based Northern Dynasty Minerals have created the Pebble Partnership, which is assessing the potential for developing the Pebble Project, a copper, gold, and molybdenum deposit in Southwestern Alaska. Between 2001 and 2010, Pebble Partnership invested more than \$400 million in engineering, exploration and environmental studies. If developed, the project may create 800-1,000 production jobs.

Vancouver-based Heatherdale Resources Limited is assessing the feasibility to develop its Niblack Project, a polymetallic deposit on Prince of Wales Island. Since 1995, approximately \$50 million has been invested in exploration.

Vancouver-based International Tower Hills Mines Limited is assessing the feasibility to develop Livengood Project, a gold deposit northwest of Fairbanks. Since 2007, approximately \$58 million has been invested in exploration. The project may create 450-500 production jobs.

Hammonds Plains, Nova Scotia-based Ucore Rare Metals owns Bokan Mountain Project on the southern tip of Prince of Wales Island, the site of a former high-grade producing uranium mine and a Rare Earth Elements (REE) resource. This prospect is the largest combined heavy and light REE deposit in the U.S. In 2010, the company spent approximately \$2.4 million exploring the property.

Partnering with Alaska Native corporations

In partnership with Alaska Native Claims Settlement Act (ANCSA) corporations, Canadian

exploration and mining companies create employment, income, and business opportunities for thousands of Alaska Natives.

Between 1989 and 2010, Teck Resources Limited paid \$596 million in royalties to NANA Regional Corporation, of which \$341 million was redistributed to all Alaska Native corporations.

Two Canadian companies, NovaGold and Barrick Gold Corporation, are partners in the Donlin Creek gold project in Western Alaska. The property is under lease from Calista Corporation and The Kuskokwim Corporation. In 2010, 83 percent of its on-site jobs were held by Calista shareholders or their descendants. If developed, the project may create 600 – 1,000 production jobs.

Supporting local governments and services

Canadian-owned mines are major sources of revenue for local governments in Alaska. Fort Knox paid \$4.6 million in property taxes to the Fairbanks North Star Borough in 2010, making it the largest property tax payer in the Borough. Teck Resource's Red Dog Mine is the single largest source of revenue for the Northwest Arctic Borough, with a payment in lieu of taxes of \$6.7 million in 2010.

Canadian-owned mines also help support public services. Because Fort Knox is a very large purchaser of electric power (\$36 million in 2010), other consumers of power in the Fairbanks area enjoy lower rates.



Canada Strengthens Alaska's Economy



Resource development

Technical expertise and logistics

A variety of Canadian companies, employing more than 150 Alaskans, support Alaska's main industries through technical expertise and logistical services.

Oilfield service companies like Nordic-Calista Services provide a wide range of services such as engineering, construction management, and fabrication.

ATCO Structures & Logistics, part of the Calgary-based ATCO Group, provides modular buildings and structures for use in Alaska's remote locations and extreme climate. ATCO mobile site offices and remote work force housing are used in the mining and oil and gas industries, including camp housing for more than 15,000 workers on the Alyeska Pipeline. The company also provides radar and site communications equipment at numerous sites in Alaska.

Golder Associates Inc., headquartered in Mississauga, Ontario, provides consulting services for sustainable Arctic development, design, and construction related to the earth, environment and energy. Golder has broad expertise in the mining, oil and gas, and transportation industries, and specialist capabilities in permafrost and rock engineering that have been applied to the development of North Slope facilities, onshore and offshore pipelines, and most major mines in Alaska, including Red Dog, Fort Knox, Nixon Fork, and Kensington. Public and private infrastructure is another area where Golder has considerable experience, including work on bridges and highways, railways, telecommunication and wind towers, and transmission lines.

ALS Minerals, a subsidiary of Vancouver-based ALS Canada Ltd., provides assays and analytical work through a sample preparation laboratory in Fairbanks, and opened an additional sample preparation lab in Anchorage during 2011. The company provides assaying and analytical testing services for mining and mineral exploration companies, and also offers on-site mine lab design and operations.

Pipeline development

The potential natural gas pipeline from Alaska to Alberta would ship Alaska's gas to the North American market, delivering clean energy while providing jobs and contracting opportunities in both countries.

Transportation

Canadian transportation companies are represented in Alaska from the North Slope to Southeast.



Arrow Transportation assists Red Dog Mine in Kotzebue through specially designed trucks that haul up to 85 tons of ore bodies at a time 52 miles (83 km) to port facilities at the Chukchi Sea.

Several air transportation companies provide seasonal flights between Alaska and Canada. Yukon-based Air North provides charter and cargo services as well as seasonal scheduled service between Fairbanks and western Canada. Air Canada offers seasonal service between Anchorage and Vancouver, B.C.

Skagway – Yukon's port

In a partnership promoting northern economic development, the Skagway Ore Terminal in Southeast Alaska ships mineral concentrates from northern Canada, creating up to ten jobs in Skagway plus trucking jobs. This year-round operation enhances employment in a community otherwise heavily dependent on the summer visitor industry. In addition, all Skagway residents benefit from the enhanced road maintenance to Whitehorse that accompanies the movement of the ore concentrates. Movement of copper ore from Capstone Mining Corporation's Minto Mine in Yukon Territory utilizes 40 percent of the terminal's storage capacity. In 2010, approximately \$88 million worth of copper passed through the Skagway Ore Terminal heading for export markets. The State of Alaska continues to seek opportunities with the Yukon mining industry to expand the terminal.

Canadian-owned White Pass operates three deepwater docks in Skagway, the main port for moving products to and from the Yukon.

Building connections

Northern Transportation Company Limited (NTCL), a NorTerra Inc. company, provides on-demand shipping up the Mackenzie River to coastal villages and Alaska's North Slope oilfield. NTCL has hauled drilling rigs and oilfield modules north, along with dry cargo and fuel. The company is 100 percent Inuit owned.

To the south, CN AquaTrain provides a marine/rail link from Prince Rupert, B.C. to Whittier, Alaska via ocean tug. The AquaTrain ships materials that support Alaska's mining, oil and gas, and construction industries including lumber, specialty chemicals, machinery, and equipment.

Manufacturing

Cold-weather know-how

Capitol Glass Northern Windows, whose Yukon First Nation-owned parent company is based in Whitehorse, has been manufacturing and distributing window products in Alaska since 1989, including work with the Cold Climate Housing Research Center. The company has a staff of 42 and an annual business volume of nearly \$8.5 million.

Seafood

Approximately \$100 million worth of Alaska seafood was exported to Canada in 2010. One of the state's larger processing firms, Alaska General Seafoods, is the U.S. affiliate for British Columbia's Canadian Fishing Company. It operates processing plants in Ketchikan and Naknek, and support facilities in Egegik. Peak employment is estimated at approximately 800 workers.

Retail

Employing rural Alaskans

The North West Company International (NWCi) owns and operates 35 retail outlets across rural Alaska, operating under the banner name Alaska Commercial Company. The stores serve populations of 400 to 9,000 located in communities from the North Slope through the Aleutians, and into the Southeast region. Since 1993, NWCi has spent more than \$65 million building and renovating stores throughout the state. The company added an additional store in 2011 and plans to add five additional stores over the next five years. With more than 900 employees and an annual payroll of \$22 million, NWCi is one of the largest private sector employers in rural Alaska.

Want to know more?

For further information, please contact
the Consulate of Canada, Anchorage.

907.264.6734 • ancor@international.gc.ca • www.anchorage.gc.ca



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Trade between neighbors

Canada's trade relationship with Alaska is vital to Alaska's economy. With \$385 million in exports in 2010, Canada is ranked as Alaska's fourth largest export market.

According to the U.S. Census, metal commodities dominate Alaska's exports to Canada, representing 54 percent of total 2010 exports (or \$210 million), followed by unprocessed fish (24 percent or \$93 million).

Alaska imported \$563 million worth of Canadian products in 2010, for a combined trade impact of \$948 million. The largest import was refined petroleum (\$197 million).

Visitor industry

The Alaska and Canada visitor industries are inextricably linked, primarily because of two travel markets: cruise passengers and highway travelers.

Canadians traveling to Alaska also provide a boost to the economy. Regional visitors in the Yukon and B.C. make frequent, short trips for business, recreation, festivals, and events. In total, 112,800 Canadian visitors spent an estimated \$93 million in Alaska in 2010.

Cruise ship

Of Alaska's 835,000 cruise passengers in 2010, virtually all passed through Canada at some point on their journey. Nearly half of all cruise passengers begin or end their cruise in Vancouver. Many passengers also call in Victoria or Prince Rupert on their way to or from Alaska.

Cruise passengers also visit Canada by taking day tours into the Yukon from Skagway, by taking overnight tours through the Yukon on land tour packages, and by purchasing overnight tour packages to Vancouver, Victoria, and the Canadian Rockies.

In 2007, the Alaska cruise industry accounted for \$565 million in total payroll and an annual equivalent of 14,500 Alaskan jobs. Canadian ports and tours facilitate and strengthen this significant industry.

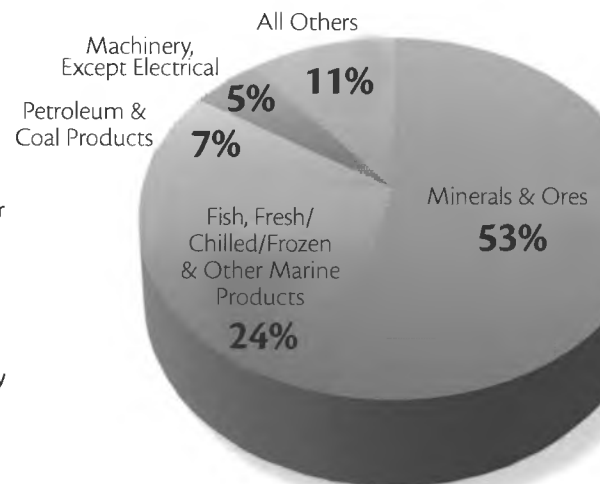
Highway

Nearly all of Alaska's highway visitors pass through Canada. For many visitors, the Yukon and B.C. are essential elements of their trip. Between October 2009 and September 2010, approximately 321,000 people crossed an Alaska/Canada highway border.

Railroad

The White Pass & Yukon Route Railway is the most prominent Canadian-owned company in Alaska's visitor industry. In 2010, the railway carried 368,000 passengers from Skagway into Canada. Nearly 700,000 cruise passengers transit its docks in Skagway every year. In 2010, the company employed 168 unionized, seasonal and year-round employees in Alaska.

Alaska Exports to Canada by Product, 2010



This handout was prepared for the Consulate of Canada by McDowell Group, Inc. ©2011. Sources for the data in this brochure include the Alaska Department of Labor and Workforce Development, Alaska Department of Commerce, Community & Economic Development, Industry Canada, Statistics Canada, U.S. Department of Census Foreign Trade Division, Alaska Industrial Development and Export Authority, and private businesses.



Photo by John Hagen