



NEWS NUGGETS

Compiled by Shane Lasley

Strong zinc output, prices boost Red Dog; PILT settlement pending

Teck Resources Ltd. Feb. 15 reported a strong finish to the year at Red Dog, resulting in the Northwest Alaska mine producing 583,000 metric tons (1.29 billion pounds) of zinc and 122,300 metric tons (269.6 million lbs) of lead in 2016. Production of both metals exceeded the company's guidance for the year. Teck is forecasting Red Dog to produce 545,000 to 565,000 metric tons of zinc and 110,000 to 115,000 metric tons of lead. The mine was also bolstered by significantly higher zinc prices. During the fourth quarter, zinc prices averaged US\$1.14/lb, a 56 percent increase over the final three months of 2015.

Teck is forecasting Red Dog to produce 545,000 to 565,000 metric tons of zinc and 110,000 to 115,000 metric tons of lead.

Over the full year of 2016, zinc prices averaged US\$95 cents/lb, a 9 percent increase over 2015. Zinc prices are currently around US\$1.30/lb. Teck also said it has reached an agreement to settle a payment in lieu of taxes dispute with Northwest Arctic Borough, a regional municipality that covers 40,750 square miles of Northwest Alaska, including Red Dog. The previous PILT agreement between Teck and the borough expired at the end of 2015. Prior to its expiry, the borough enacted a new tax ordinance, imposing a severance tax that would have significantly increased local taxes paid by Teck. With the hopes of negotiating a new contract with borough, Teck filed a legal complaint challenging the legality of the severance tax. Early this year, the two sides agreed to the terms of a new 10-year PILT that would result in a roughly 30 percent increase in the payment Teck will pay to the borough. Additionally, Teck has agreed to make annual payments based on mine profitability to a separate fund aimed at social investment in villages in the region. This agreement will go into effect upon final approvals by both parties.

More than \$40M of development, exploration at Kensington in 2017

Coeur Mining Inc. Feb. 8 said it plans to begin processing ore from the Jualin deposit at Kensington towards the end of this year. To bring this higher grade deposit online while maintaining production from the Kensington side of the project, Coeur invested roughly US\$36.8 million in capital expenditures at the Southeast Alaska operation in 2016, a figure that is expected to be above US\$40 million this year. The company invested roughly US\$6.2 million on exploration in 2016, roughly US\$3.5 million of which is included in the capital expenditures, and plans to spend another US\$7 million on exploring the high-grade gold property this year. Both years' exploration is focused primarily on expanding and upgrading the Kensington Main, Jualin and Raven deposits. At the end of 2016, Kensington hosted 2.62 million short tons of proven and probable reserves averaging 0.19 ounce per ton (497,000 oz) gold. According to a 2015 technical report, the No. 4 Vein on the Jualin side of the project contains 289,000 tons of inferred resource averaging 0.619 oz/t (179,000 oz) gold, or roughly triple the grades currently being mined at Kensington. In 2016, the Kensington Mine produced 124,331 oz of gold from 620,209 tons of ore averaging 0.21 oz/t. The company expects gold production at the Southeast Alaska operation to be about the same this year. The 2015 technical report forecasts gold output to climb to 149,000 oz in 2018, the first full year of production from Jualin. Development of high-grade Jualin deposit was about 64 percent complete at the end of 2016 and the company said the bulk of this year's capital expenditures will be allocated to finishing this development. ●



Trucks are ready to be loaded at Fort Knox, an Interior Alaska gold mine that is a major employer and the largest taxpayer in the Fairbanks North Star Borough.

KINROSS GOLD CORP.

ECONOMY

A growing workforce

Mining's impact to the Alaska economy felt at the personal, local level

By SHANE LASLEY

Mining News

Mining's contribution to Alaska's economy starts with the hefty paychecks being issued to the some 4,350 miners that work in the state, according to recent study completed by the Alaska Miners Association and McDowell Group.

The report, "The economic benefits of Alaska's mining industry," found that the average miner working in Alaska during 2016 received a whopping US\$108,000 for the year, about double the average income across all sectors in the state. That is nearly US\$470 million worth of paychecks, most of which went to Alaskans.

In addition to providing good paying jobs, Alaska's mining sector helps bolster the bottom lines of the local governments, Alaska Native corporations and the state government.

"Gold is where you find it," is an adage oft cited by prospectors and miners of the yellow metal. This same axiom can be applied to all minerals being mined and explored for in Alaska and is a key to geographical diversity of the jobs and other economic benefits flowing from the state's mining sector.

Today, Alaska hosts six large-scale mines, hundreds of family-sized placer gold operations and more than 20 active mineral exploration projects. With the exception of the oil-rich North Slope, these mines and projects are found in every region of the state.

Due to this wide geographical range, many of Alaska's mining jobs are filled by residents of rural communities where there are few other economic opportunities. Alaska miners hail from more than 50 communities across the state, half of which are located off the state's road system.

Great assets in SE

Miners live in 17 communities along the Southeast Alaska Panhandle, many of which work at Hecla Mining's Greens Creek silver mine south of Juneau and Coeur Mining's Kensington gold mine

While Alaska's mineral exploration projects typically provide jobs and other spending into the regions where they are being carried out, the real economic impact is realized when the project is developed into a mine – and the next one up is exceptional.

north of the capital city. These mines are the top two property taxpayers and for-profit employers in the city and borough of Juneau, where they are located.

Greens Creek, which holds the No. 1 position in both categories, had 420 workers on its payroll and paid US\$1.7 million in borough taxes in 2016, according to the mining benefits report.

Kensington paid US\$1.4 million in property taxes last year and doled out more than US\$44 million in wages and benefits to 325 employees during 2015, the most current year available. That comes to an average of more than US\$135,000 per employee that year.

Palmer, a copper-zinc-gold-silver exploration project being advanced by a partnership between Constantine Metal Resources and Dow Metals & Mining, provides a number of jobs to residents in the nearby town of Haines at the north end of the panhandle.

"Constantine Metal Resources has been a great asset to our community. They want to develop a project that protects the surrounding environment, while also providing jobs to Haines," one Haines resident wrote in support of plans to build a road for further exploration at Palmer.

Bokan Mountain and Niblack, both located on Prince of Wales Island, have the potential to bring high paying mining jobs to the southern end of the panhandle. Both projects were advanced nearly to the permitting stage by 2014, but have been largely dormant in recent years.

A 2012 preliminary economic assessment for