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SUMMARY

MANH CHOH PROJECT

A Regional Socioeconomic Profile and Assessment of Potential Economic Impacts

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PREPARED FOR:
Peak Gold, LLC
Owner of Kinross Manh Choh
(a Joint Venture with Contango ORE)

Summary

The purpose of this profile is to evaluate the potential economic benefits related to construction and operation of the Manh Choh Project (Manh Choh), a proposed gold mine near Tetlin, Alaska. Peak Gold, LLC (Peak Gold) is the entity that owns Manh Choh, a joint venture between Kinross Gold Corporation (70%) and Contango ORE, Inc (30%). KG Mining (Alaska) is the manager of Peak Gold. As the project is still in the study phase, all data presented are preliminary.

Project Description

Manh Choh is located about 10 miles south of Tok and 12 miles west of the traditional Alaska Native village of Tetlin. The project is accessed from a 7-mile road off the Tetlin Village Road, which connects to the Alaska (Alcan) Highway. The project is entirely on land owned and controlled by the Native Village of Tetlin tribal organization, which owns the fee-simple surface and sub-surface mineral rights.

The Manh Choh project plan includes open pit mining near Tetlin from which ore will be trucked about 250 miles one-way for processing at the existing Kinross Fort Knox Mine located about 25 road miles northeast of Fairbanks. Ore processing will occur within existing permitted facilities at Fort Knox; no mill or tailings facilities are needed at Manh Choh.

The proposed mine's access road construction, Twin Road and Site Road, and site preparation are scheduled to start in 2022 with completion by the end of 2023. With pre-stripping starting in the 3rd quarter of 2023, the mine is estimated to start production in the 1st quarter of 2024 and continue for 4.5 years.

Economic benefits from operation of the Manh Choh Project will accrue to communities in the Southeast Fairbanks Census Area including Tok (2020 population 1,187) and Tetlin (106), in addition to the Native Village of Tetlin, the Fairbanks North Star Borough, and the state overall. The expected benefits are summarized below.

Employment and Payroll Benefits

Construction Phase

- Development of the \$150 million capex mine project is expected to directly generate \$50 million in labor income and about 280 new jobs over the construction period.

- Based on Alaska Department of Labor and Workforce Development average nonresident hire data for the construction and mining sectors, it is assumed about 70% of the Manh Choh construction labor force will be Alaska residents.
- Including multiplier effects from in-state spending in support of mine construction (indirect impacts) and spending by construction workers (induced impacts) in the Alaska economy, employment will total about 485 direct, indirect, and induced jobs with a total labor income of about \$75 million statewide.

Mine Operations Phase

- The mine operations labor force is expected to average approximately 500 workers annually over the estimated 4.5-year life of mine, with an estimated annual direct payroll of \$75 million and an estimated total of \$376 million over the estimated life of mine. The average annual wage is estimated to be about \$128,230 (not including benefits), exceeding the average 2020 wage for residents of the Southeast Fairbanks Census Bureau (\$75,085) by 70% and the Fairbanks North Star Borough (\$56,916) by 125%.
- While in production, Manh Choh will be the second largest private employer and source of income in the Southeast Fairbanks Census Areas after Northern Star Pogo mine located near Delta Junction.
- An accommodation-camp will be constructed to house rotation-schedule workers. Workers who live in nearby communities, such as Tok or Tetlin will likely commute daily.
- Several employees at Fort Knox who will share job responsibilities with Manh Choh operations (such as mill operations, government relations and other managerial and administrative positions).
- Total annual direct, indirect, and induced employment while the project is fully operational is expected to be about 950 jobs statewide with annual average payroll of \$120 million.
- Over the course of an estimated 4.5 years of production, Manh Choh expenditures on goods and services in support of operations will total an estimated \$425 million. Vendors supplying goods and services will be a combination of local businesses in Tok, Delta Junction, and other proximal communities and expanded relationships with existing Kinross vendors in Fairbanks and other locations.
- Over the estimated 4.5-year mine-life, Manh Choh is expected to dedicate several millions of dollars to local community benefits, such as investment in training, education, scholarships, or sponsorships.

Other Mine-Related Socioeconomic Benefits

Government Taxes and Fees

- After 3.5 years of production, Manh Choh will start paying a mining license tax.
- Kinross and Contango ORE will be subject to state and federal corporate net income tax.
- For fuel purchased for ore-hauling and other mining operations, several hundreds of thousands of dollars in state fuel tax and motor fuel surcharge will be paid over the estimated 4.5-year life of mine. The state fuel tax is used to maintain state roads. The surcharge is appropriated to the Alaska Department of Environmental Conservation Spill Prevention and Response Division.
- The mine site is in an unincorporated borough and no local taxes apply. Kinross already pays property tax for its existing operations at Fort Knox Mine site and office headquarters in the Fairbanks North Star Borough.
- Manh Choh will provide reclamation financial assurance (bond) to Alaska upon an agreed amount between Peak Gold and Alaska regulatory agencies.
- Manh Choh is also expected to enter into a service agreement with the Large Mine Permit Team to reimburse state costs for the large mine permitting process. These agreements are renewed annually.
- Because Manh Choh is not on state lands, no state production royalties or claims rental revenue will be paid.

Royalty Payments

- As owners of the surface and sub-surface rights, the Native Village of Tetlin will earn royalties once the mine is in operation. The value of the royalties will depend on ore grades, recovery rates, gold prices, operating costs, and the specific terms of the royalty agreement.
- As the royalty payments flow through the Alaska economy, additional income will be created. The precise nature of these multiplier effects depend on where and how the royalty payments are actually spent by the Native Village of Tetlin.

Regional Infrastructure Development

- About 3,500 MWh of power will be purchased annually from the local utility (Alaska Power & Telephone), increasing the industrial customer base.
- Manh Choh will continue to support the Tetlin Village Road maintenance fund. Additionally, the existing exploration road and a new portion of road (Twin Road)

running parallel to the existing Tetlin Village Road will be built or upgraded to handle heavier vehicle use and increased traffic.

- Construction of a new cellular tower to support mine operations may have additional benefits to local area residents.

Population-Related Impacts

- While the economic impacts of Manh Choh will be significant, the population-related impacts will be short-term and likely will not result in significant population changes in the nearby communities. The employment and income opportunities offered by Manh Choh are not expected to attract new permanent residents to the area, but rather provide employment and income opportunities to existing residents.

Reclamation and Legacy Impact

- Manh Choh expects reclamation work following the estimated 4.5 years of production will cost between \$40-\$60 million. It will consist of demolishing infrastructure facilities and returning disturbed ground as close to natural contours as to be conducive to natural revegetation.
- Manh Choh will offer workforce skills development. After work at Manh Choh, many of these skill sets can be applied to new employment opportunities in the construction, utility, and oil and gas sectors, and other mining projects in Alaska or elsewhere.

Summary of Manh Choh Project Potential Annual Economic Benefits

Economic Activity	Annual Impacts
Construction Phase Impacts (2022-2023)	
Average monthly employment	280
Indirect and induced employment in Alaska	205
Total Alaska employment (direct, indirect, and induced)	485
Total direct payroll (all employees)	\$50 million
Indirect and induced payroll in Alaska	\$25 million
Total annual resident and nonresident payroll (direct, indirect, and induced)	\$75 million
Mine Operations Phase Impacts (2024-2028)	
Annual average direct employment	500
Indirect and induced employment in Alaska	450
Total Alaska employment (direct, indirect, and induced)	950
Annual direct payroll	\$75 million
Indirect and induced payroll in Alaska	\$45 million
Total Alaska payroll (direct, indirect, and induced)	\$120 million
Estimated mine life (years)	4.5

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