



## CURRENT STATUS

QUARTER 2 - 2020

Teck Alaska Inc. ("Teck") completed the 2019 shipping season at the Red Dog mine on November 4, 2019. The 2019 shipping season was 122 days with a total of 23 ships loaded out. A total of 1,348,149 wmt of concentrate was shipped to Teck's customers through the DMTS this season. The concentrate shipped comprised of 1,159,806 wmt of zinc and 188,343 wmt of lead. AKDOT has contacted AIDEA to discuss the potential of building a road to Noatak and utilizing existing DMTS infrastructure during construction and post-construction. Discussions centered around temporary use (during construction) and non-exempt/exempt users after completion.

## PROJECT DESCRIPTION

As one of AIDEA's original projects, the Delong Mountain Transportation System (DMTS) was opened in 1989 to support the development of the Red Dog mine in northwest Alaska. The Red Dog mine, operated by Teck Alaska, Inc. on behalf of the local native regional corporation (NANA Regional Corporation, Inc.), is one of the world's largest producing zinc mines. The DMTS provides the necessary infrastructure for the transport of the ore from the mine site to the ore export barges. Expansion of the DMTS port facilities in 1999 enabled Teck to increase mine and port throughput, improving the overall project economics.

The full system includes the following infrastructure:

- A 52-mile, 30-foot all-weather gravel industrial haul road from the mine site to the port facility
- A shallow water dock to receive supplies, fuel, equipment, and personnel
- An offshore conveyor system to load ore concentrate to lightering vessels that can convey the concentrate to larger ships further offshore
- A fuel distribution facility including 6 bulk tanks capable of storing approximately 15 million gallons of fuel for port and mine use
- Storage facilities, including 2 buildings with approximately 1.2 million tons of ore storage capacity
- On-site power, other utilities and residential quarters for up to 96 workers





*Photo of the shiploader and conveyor with incoming supplies and container barge*

## BUDGET/FINANCE

Construction of the DMTS facilities was executed via an initial \$180 million in AIDEA cash and bonding; the 1997 expansion involved approximately \$85 million of additional bonding. Repayment of these bonds is achieved through a “toll” structure for use of the system by mine company customers. Presently, the Red Dog mine operated by Teck and owned by NANA, is the only user. The toll mechanism provides for a minimum annual assessment (aka payment) and additional payments based on escalated zinc prices and higher throughputs. The additional throughput payments are deposited to a reserve account that is used for any potential unpaid system operation costs or capital improvements. Excess reserve account balances are then periodically distributed to AIDEA and Teck according to the provisions of the AIDEA-Teck agreement.

## PROJECT/ ECONOMIC BENEFITS

The DMTS provides the only means for large-scale shipments of mined ores from the Northwest Arctic Borough (NWAB) and is integral to the operations of the Red Dog mine, the only significant private industry in the borough. Some of the direct and indirect benefits provided through the continued operation of the mine and DMTS include the following:

- More than 500 regular and 100 seasonal jobs are provided through the mine and DMTS operations, with the majority staffed by NWAB residents or NANA shareholders.

- Direct and indirect jobs from the mine provide more than \$65 million of annual income to local residents.
- Royalty payments to NANA, the mine landowner, average greater than \$130 million annually. These payments are then shared with other regional and village Alaska Native corporations according to sections 7 (i) and (j) of the Alaska Native Claims Settlement Act (ANSCA).
- Payments in lieu of taxes from the mine (Teck) to NWAB will be more than \$20 million in 2017 based on the new PILT agreement.

In addition to these economic benefits, Teck has helped facilitate the purchase of lower cost heating oil for local villages and residents over several of the past years. Teck is also a large supporter of local non-profit organizations.

## PARTNERS

*Owner:* AIDEA

*Operator:* Teck Alaska, Inc.

*Landowner:* NANA Regional Corporation, Inc.