

SB

394

SENATOR
JOHN J. COWDERY

Anchorage

Committees

Chair: Rules
Chair: Transportation
Chair: World Trade &
State-Federal Relations
Legislative Council
State Affairs

Alaska State Legislature

Senate

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SPONSOR STATEMENT FOR SB 394

(Senate Rules Committee by request of Sen. Therriault)

"An Act relating to a port development project on Lynn Canal, providing legislative approval for the Alaska Industrial Development and Export Authority to issue bonds for the project"

Senate Bill 394 authorizes the Alaska Industrial Development and Export Authority (AIDEA) to issue tax-exempt bonds to finance port and port related projects on the Lynn Canal in Southeast Alaska. This authorization is required of AIDEA bonds for any project over \$10 million per AS 44.88.095(g). SB 394 grants AIDEA the authority to bond for the project, however; does not require them to fund the project. They will still have to go through their normal evaluation process that includes the requirements that:

- (1) The project and its development under this chapter will be economically advantageous to the state and the general public welfare and will contribute to the economic growth of the state;
- (2) The project applicant is financially responsible;
- (3) Provisions to meet increased demand upon public facilities that might result from the project; and
- (4) The project will provide, or retain, employment reasonably related to the amount of the financing by the authority, considering the amount of investment per employee for comparable facilities and other relevant factors.

This tax-exempt bonding authority is an integral part of the redesign of the Kensington gold project. The new design is meant to utilize less land, have less environmental impact, create less conflict with other industry groups and focus on a higher-grade ore area of the mine.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB 394
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
Title AIDEA Bonds For Lynn Canal Port RDU AIDEA (125)
Component AIDEA
Sponsor Senate Rules
Requester Senate Transportation Component No. 1234

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill provides \$20 million in bonding authorization to finance the acquisition, development, improvement, and construction of port and related facilities located on Lynn Canal in Southeast Alaska. Prior to issuing bonds, AIDEA will be required to conduct a feasibility, market and risk analysis of the project as outlined in AS 44.88.095(c).

Bonds sold to finance the project will have no impact on the General Fund.

Prepared by: Sara Fisher-Goad, Financial Analyst Phone 907-269-4623
Division: Alaska Industrial Development & Export Authority Date/Time 4/26/04 4:19 PM
Approved by: Edgar Blatchford, Commissioner Date 4/26/2004
Agency: Department of Community and Economic Development

Kensington (Alaska)

In 2004, Coeur's major gold project – Kensington in Alaska – neared completion of permitting and an updated feasibility study, with a construction decision expected by mid-year. Given an 18-month construction timeframe, Kensington could begin production as soon as 2006, increasing current company-wide gold production levels by 90%.

New optimization of the project, located 45 miles north of Juneau, enables the mine to be up and running more quickly, with a focus on the highest-grade material. Initial production is expected at 100,000 ounces of gold a year at an average cash cost of \$195 per ounce. Current reserves stand at 1.0 million ounces of gold, with an initial 10-year mine life and significant exploration upside. There are an additional 7.2 million tons of mineralized material measuring 0.12 ounces per ton of gold. Not all Kensington ore zones have been fully delineated at depth and several peripheral zones and veins remain to be explored. Coeur still views its interests in the district as holding up to five million ounces of gold.

Kensington is expected to cost approximately \$75 million to build. The updated feasibility study reduces the size of the mill facilities and has the potential to significantly reduce capital and operating costs while allowing for future expansion of production as market conditions warrant.

Early this year, the major Draft Supplemental Environmental Impact Statement was Issued for Kensington, and all necessary remaining permits expected to be in place by the second quarter.

The Kensington ore deposit consists of multiple, precious metals bearing, mesothermal, quartz, carbonate, pyrite vein swarms and discrete quartz-pyrite veins hosted in the Cretaceous age Jualin diorite. The gold-telluride-mineral calaverite is associated with the pyrite mineralization.

Year-end Proven and Probable Ore Reserves - Kensington Property

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Tons (000's)	4,113	10,946	10,946
Ounces of gold per ton	0.24	0.16	0.16
Contained ounces of gold	1,003,000	1,751,000	1,751,000

Year-end Mineralized Material

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Tons (000's)	7,262	12,014	12,014
Ounces of gold per ton	0.12	0.12	0.12

The reduction in the proven and probable reserves estimate in 2003, compared to 2002, is the result of the revised mine plan which focuses on higher-grade areas of the mine.

Not all Kensington ore zones have been fully delineated at depth and several peripheral zones and veins remain to be explored. In addition, the Company possesses the right to develop the Jualin property, an exploratory property located adjacent to the Kensington Property. The Jualin property consists of approximately 9,400 acres, of which approximately 345 acres are patented claims. The Company's rights to develop the Jualin property are subject to an agreement which must be renewed in May 2008.

THE
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DOCUMENT(S)
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COPIES



KENSINGTON GOLD PROJECT

Project Summary and Overview of Partnership Opportunities

April 2004





KENSINGTON

GOLD PROJECT

Project Overview

Summary

- Technically feasible, environmentally friendly, and economically viable
- Located 45 miles North of Juneau
- One million ounces of gold reserves: total potential of five million ounces
- Annual production of 100,000 ounces at cash costs under \$200 per ounce
- Capital costs expected to be \$90 million
- Owned by Coeur since 1987; over \$150 million invested in project to date
- Over 900 studies conducted; Over 50 permit applications
- Permitting expected to be completed in June; Construction to begin in July
- Current gold price, Coeur's renewed financial strength, and re-engineered project have created opportunity to rapidly develop project

Significant Employment Impact in SE Alaska

- 250-300 well-paying construction jobs over 18 month construction window
- 110-225 well-paying operating jobs over 10-20 year expected mine life
- Nearly 500 jobs expected to be created beyond direct mine employment (transportation, supplies, services)

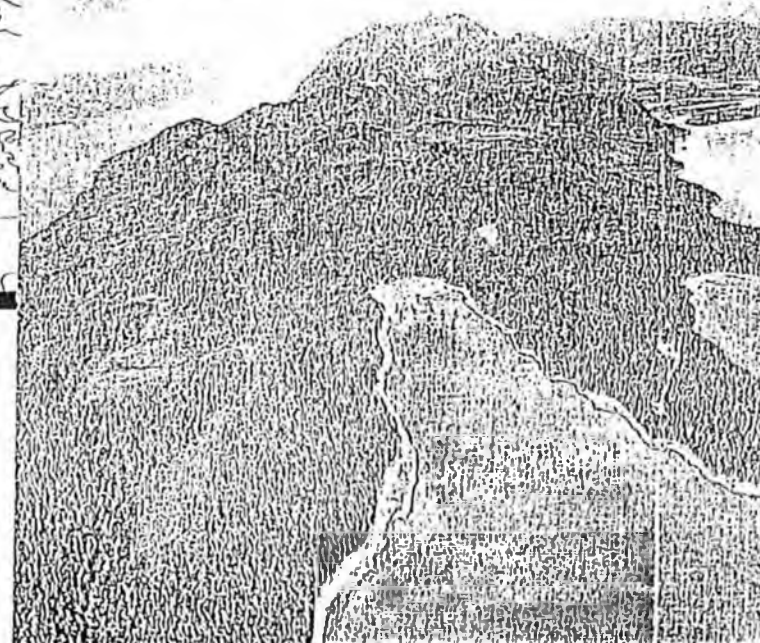
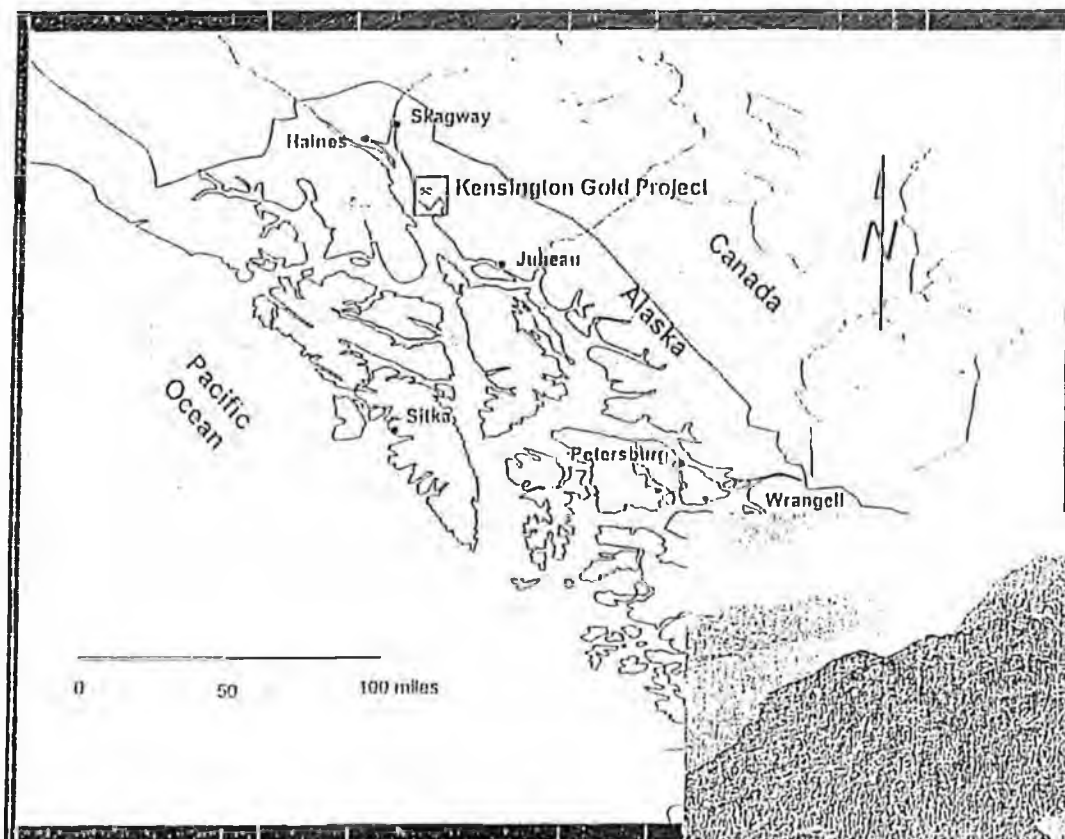




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KENSINGTON GOLD PROJECT

Location





KENSINGTON GOLD PROJECT

Summary of Potential Partnership Opportunities

- Training of Workforce
- Bus Transportation for Workers
- ✓• Cascade Point Dock Facilities
- Passenger Ferry Service Across Berners Bay
- ✓• Slate Creek Cove Dock Facilities
- ✓• 5.5 mile Slate Creek Road
- ✓• On-Site Power Plant
- ✓• 8,000ft Tunnel Connecting Kensington and Jualin
- ✓• Tailings Management Facility

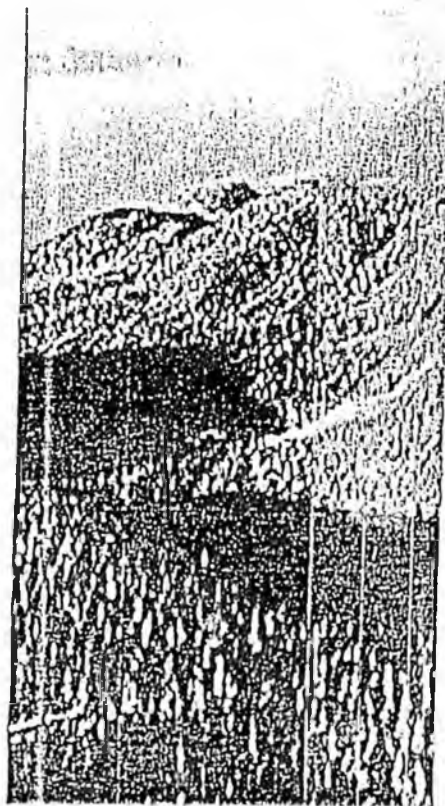




KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

Training of Workforce





KENSINGTON

GOLD PROJECT

Training of Workforce

Description

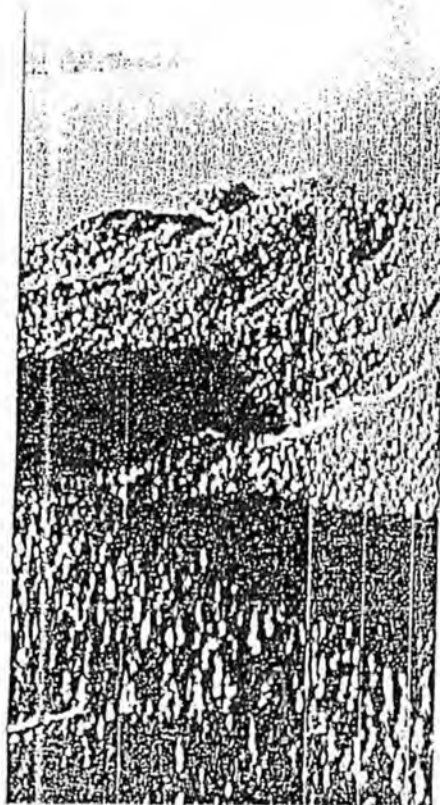
- Construction phase will employ a minimum of 300 people both in Coeur employees and contract employees
- Development on the Jualin tunnel and pre-mining development on the Kensington ore faces will coincide with construction. Required manpower will be approximately 25 people.
- Operational manpower will range from 125 to 230 people depending on production levels.

Request

- Funding assistance with the following training requirements:
 - New Miner Training required by MSHA is expected to cost \$500,000
 - Alaska Cultural training for employees is expected to cost \$200,000
 - Skill-based training is estimated to cost \$750,000

Contact

Gary W. Banbury
Sr. Vice President of Human Resources, Safety, and Administration
Coeur d'Alene Mines Corporation
(800) 624-2824
gbanbury@coeur.com

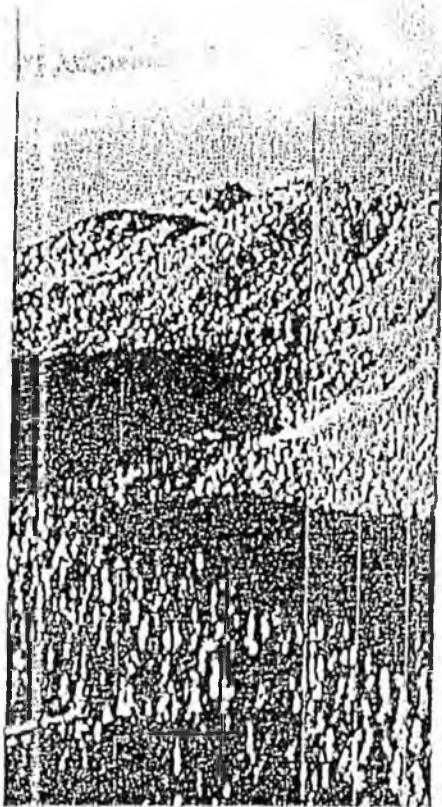




KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

Bus Transportation for Employees





KENSINGTON GOLD PROJECT

Bus Transportation for Workers

Description

- 2-3 busses will be required to transport workers from the Slate Creek marine terminal to the mine site on a 5.5 mile road
- Loading and trip from dock is assumed to take 30 minutes one way

Request

- Third party to supply and operate busses
- User fee charged to Coeur for this service





KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

Cascade Point Dock Facilities





KENSINGTON GOLD PROJECT

Cascade Point Dock Facilities

Description

- The project requires a marine terminal at Cascade Point
- Kensington currently has no facilities to transfer freight, supplies, and personnel to and from the mine
- This marine terminal would be constructed on state tidelands.
- Goldbelt Inc. owns the surrounding uplands
- See following page for detailed design drawings. A detailed study was completed by Peratrovich, Nottingham and Drage, Inc. outlining the required construction and , which is available upon request.

Cost of Facilities

- \$2,900,000

Request

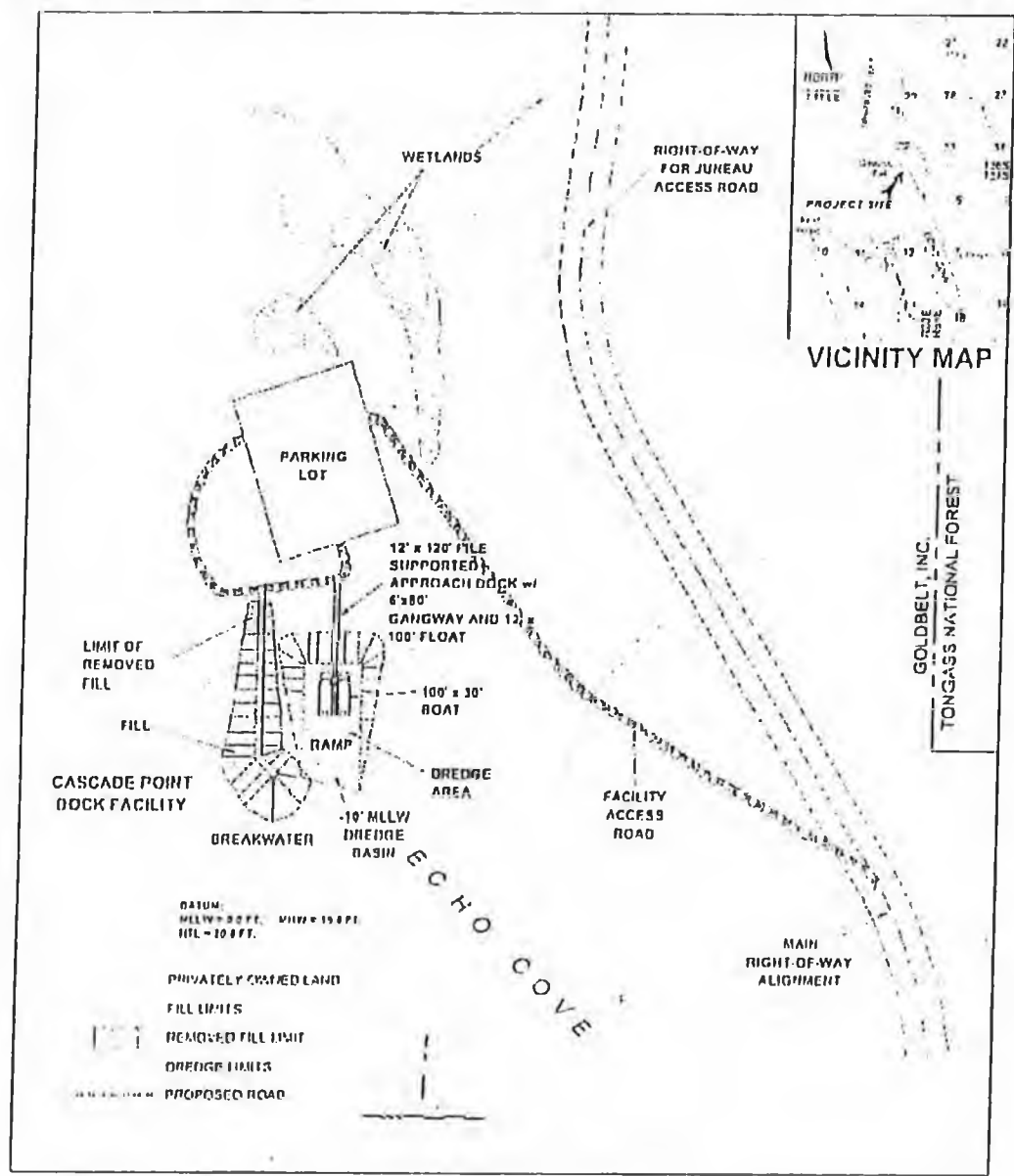
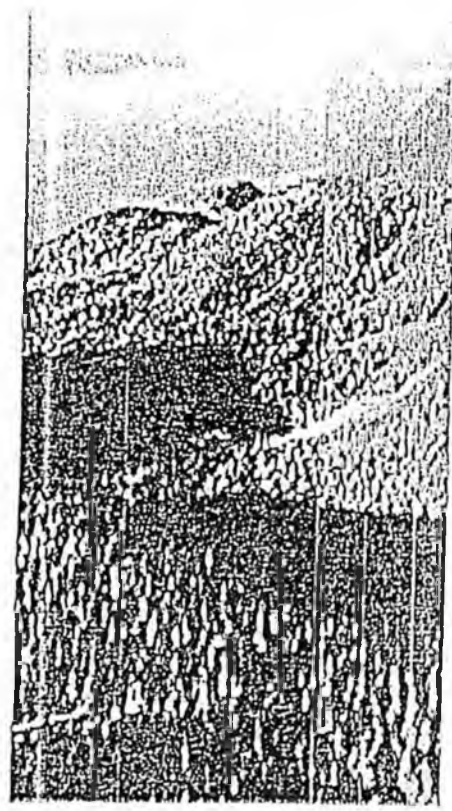
- Grants or financing to fund the construction and operation of this facility
- Outsource ownership and operation of facility to a third party





KENSINGTON GOLD PROJECT

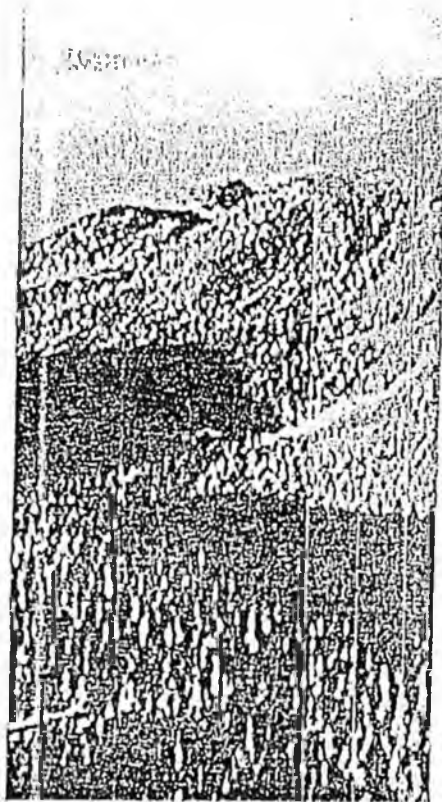
Cascade Point Dock Facilities





KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities



Passenger Ferry Service Across Berners Bay



KENSINGTON GOLD PROJECT

Passenger Ferry Service

Description

- Kensington requires a ferry capable of transporting one full shift of workers (+/- 60 people plus freight) three times per day from a marine facility at Cascade Point to Slate Creek Cove
- Trip across Berners Bay is estimated to take fifteen minutes
- 365 days per year; 7 days per week

Cost

- Adequate vessel estimated to cost approximately \$1.0 - \$1.5 million

Request

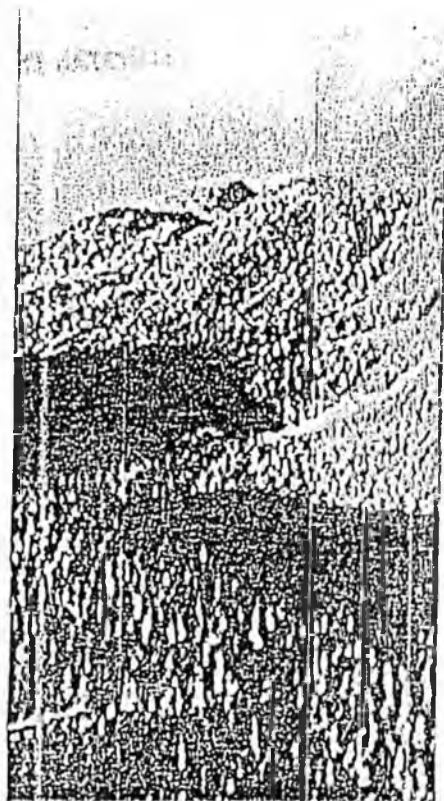
- Third party to supply and operate ferry
- User fee charged to Coeur for this service
- During time not in use for transporting workers, vessel may be used for other activities





KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities



Slate Creek Cove Dock Facilities



KENSINGTON

GOLD PROJECT

Slate Creek Cove Dock Facilities

Description

- It is necessary to construct a port facility at Slate Creek Cove in order to transfer freight, supplies, and personnel to and from Cascade Point
- The concentrate handling, storage, and load-out facility will also be located at this dock

Cost

- \$4,400,000 million
 - \$3.3 million for dock facilities
 - \$1.1 million for concentrate handling facilities

Request

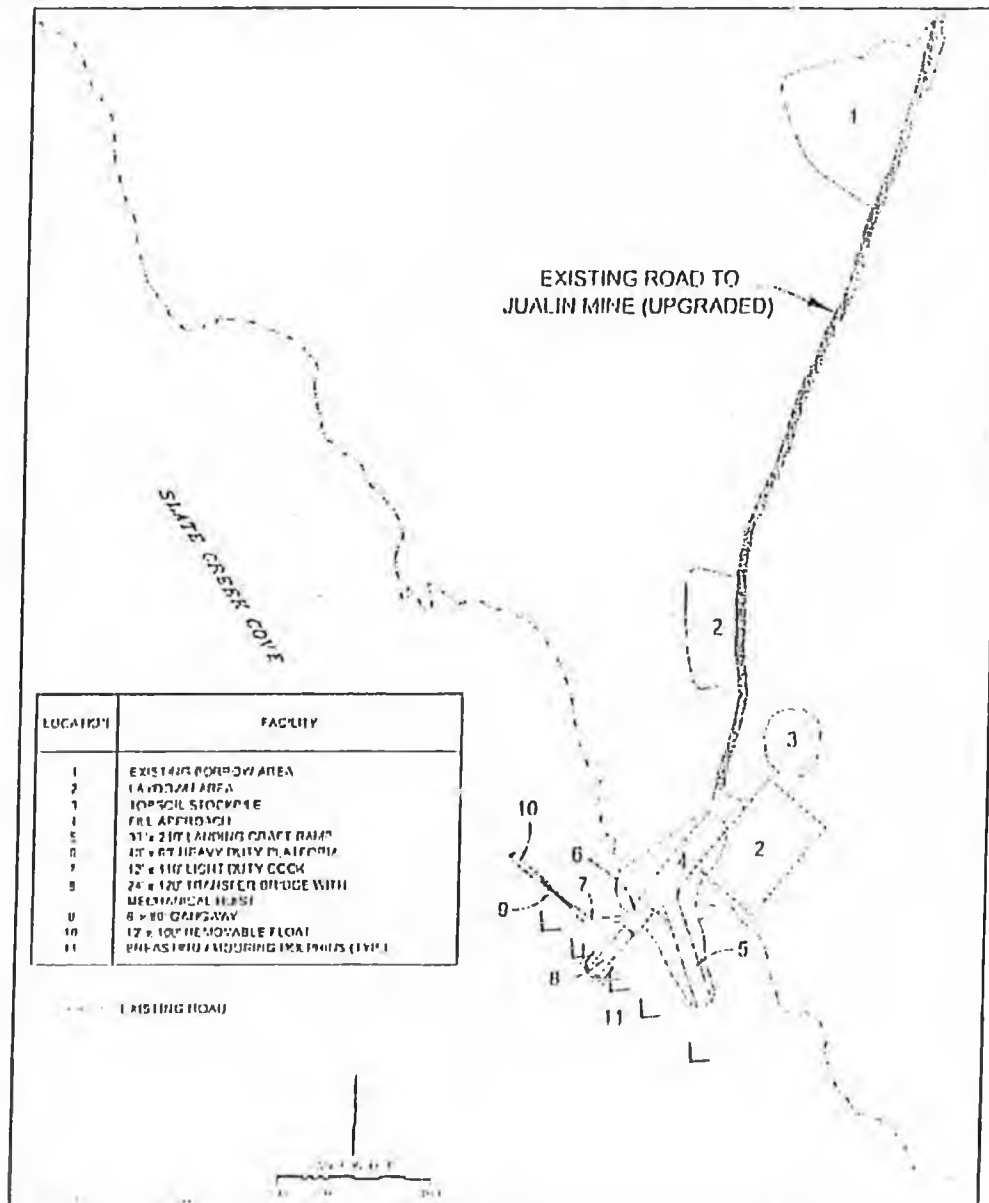
- Grants or financing to fund the construction and operation of this facility
- Outsource ownership and operation of facility to a third party



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KENSINGTON GOLD PROJECT

Slate Creek Cove Dock Facilities





KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

Slate Creek Road





KENSINGTON GOLD PROJECT

Slate Creek Road

Description

- In order to access the mill site and nearby ore body, Coeur needs to construct/improve the 5.5 mile road from Slate Creek Cove.

Cost

- Road: \$2,028,000

Request

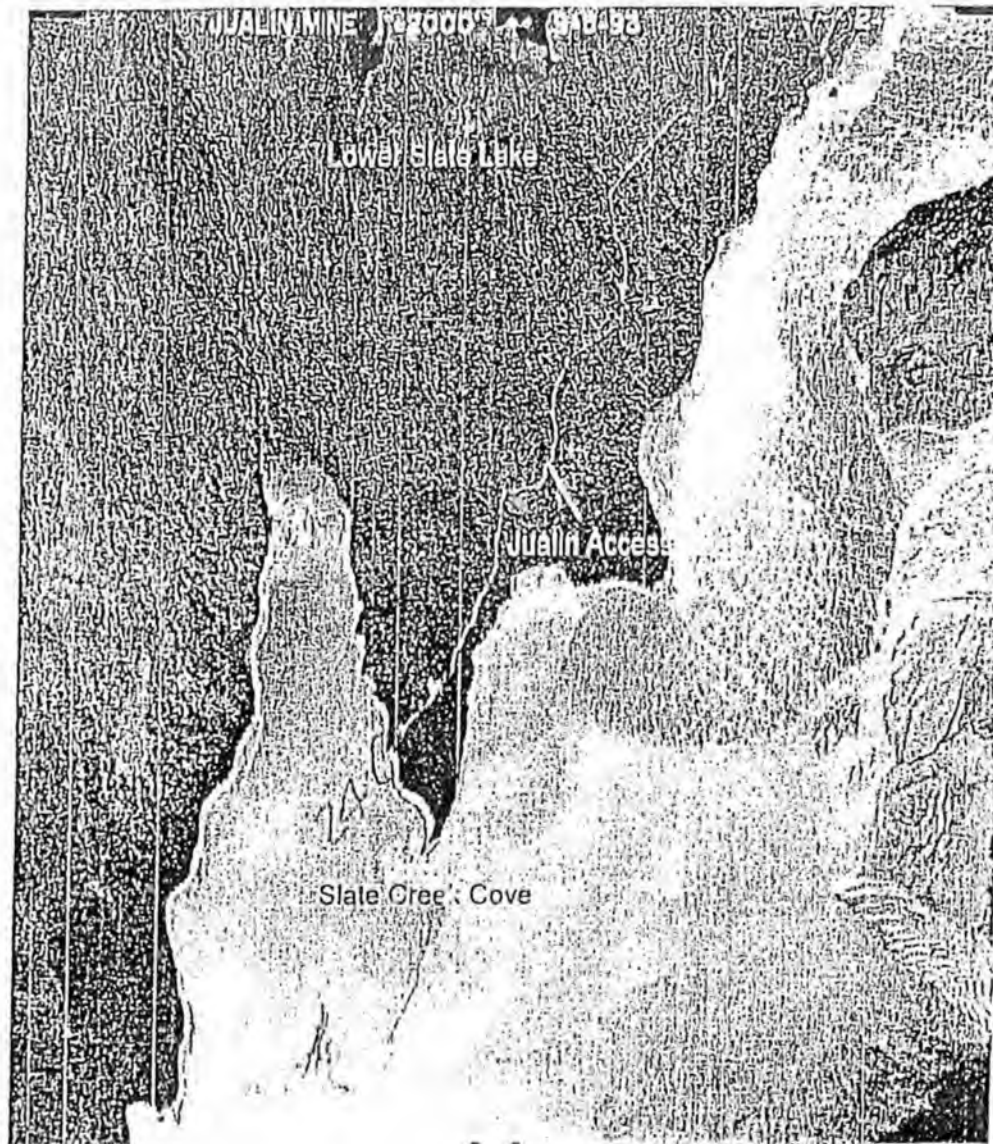
- Funding from ADOT under its "Roads to Resources" initiative to upgrade this road





KENSINGTON GOLD PROJECT

Slate Creek Road





KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

On-Site Power Plant





KENSINGTON

GOLD PROJECT

On-Site Power Plant

Description

- Power will be generated on site that will require a generating plant and stand-by generating capability
- The normal power demands for the mine, process plant and ancillary facilities are estimated to be 3.8 MW
- A 20% allowance for intermittent peak load is designed into the generation facility
- Four medium speed 1.5 MW diesel generator sets (three operating, one stand-by) are designed to satisfy Kensington's total requirements

Cost

- \$6,100,000

Request

- Grant money or alternative financing to purchase generators
- Outsourcing this component of the project to a third party to own and operate in exchange for a user fee





KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

Tunnel Connecting Jualin and Kensington





KENSINGTON GOLD PROJECT

Tunnel

Description

- In order to access the ore body, Coeur needs to construct an 8,000 foot tunnel connecting the Jualin and Kensington areas of the mine
- Integral component to minimizing surface disturbance and allowing Coeur to re-locate processing facilities to Jualin side from the Kensington side
- Also makes commuting from other regions feasible for workers
- Necessary to access ore body

Cost

- \$5,363,000

Request

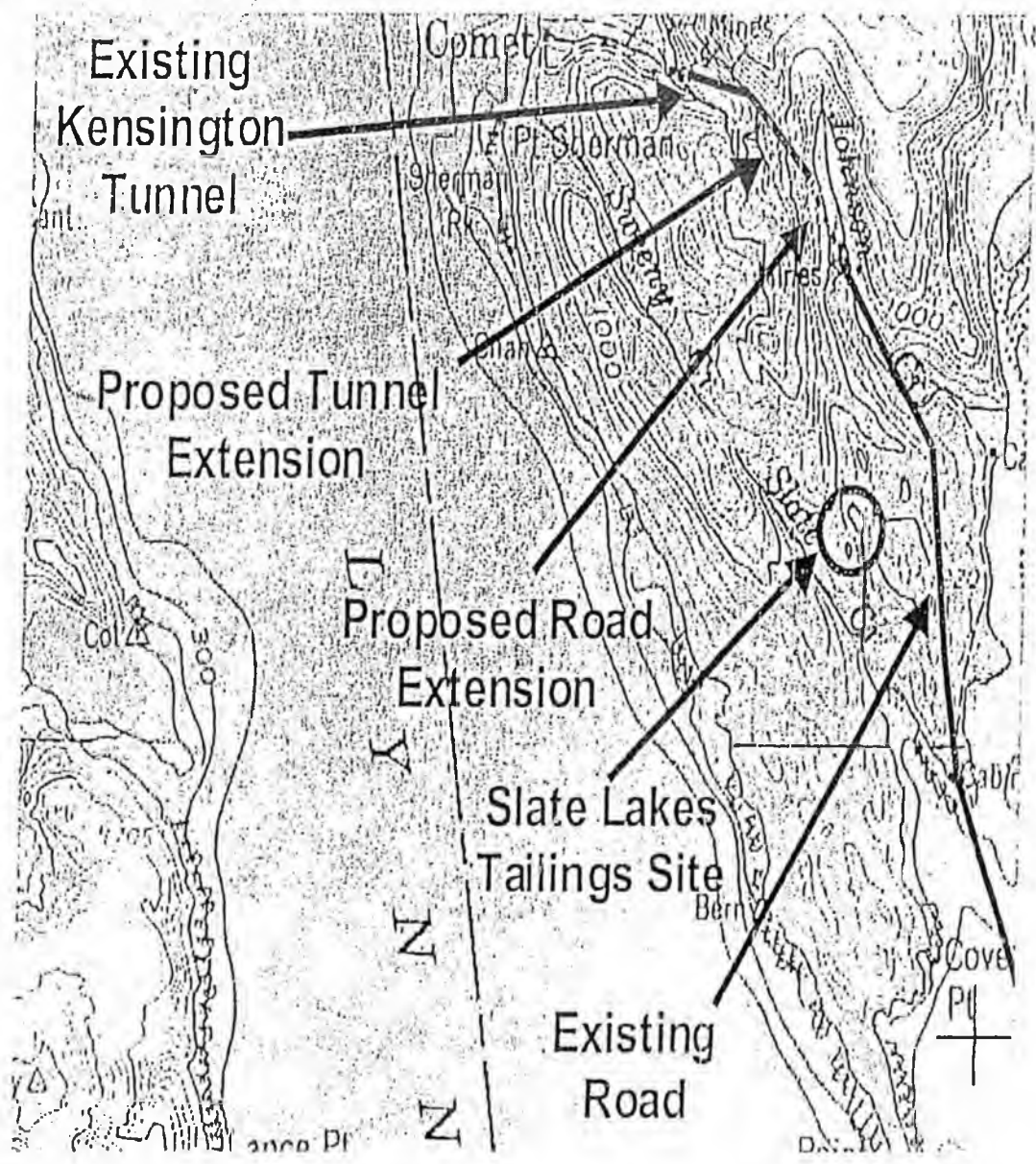
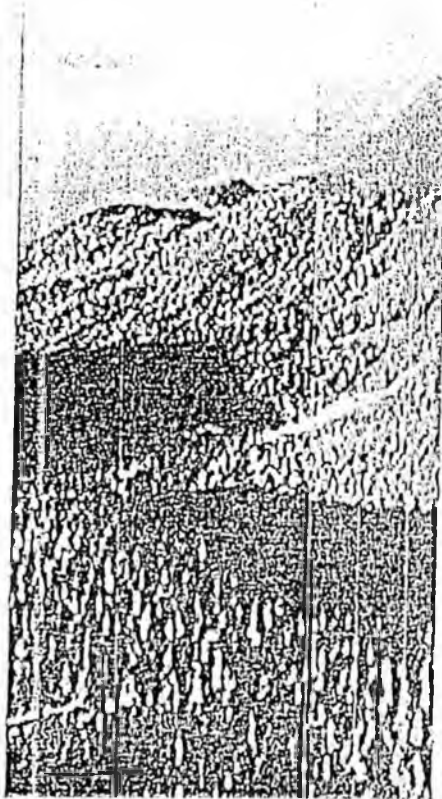
- Grant money or alternative financing to fund the development of this underground road to the ore body





KENSINGTON GOLD PROJECT

Tunnel

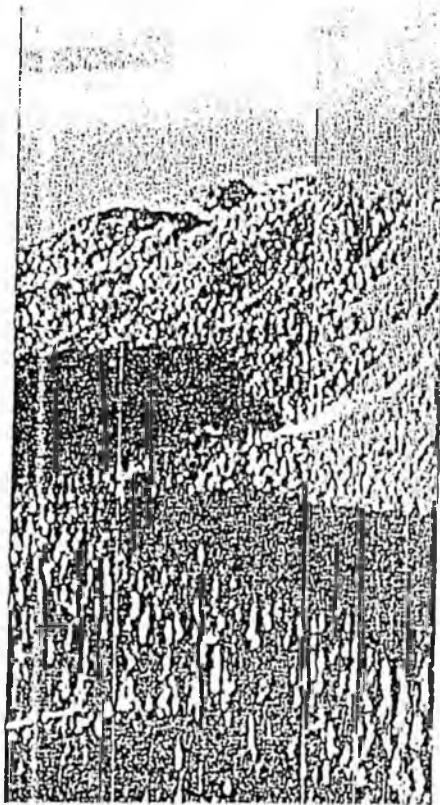




KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

Tailings Management Facility





KENSINGTON GOLD PROJECT

Tailings Management Facility

Description

- Construction of an environmentally sound tailings impoundment area that will be reclaimed to a natural state upon cessation of mining
- This facility will utilize new, environmentally friendly technology that will establish and confirm new restoration techniques that can be utilized at other tailings facilities.

Cost

- Total capital costs: \$8,737,250
- Ongoing monitoring costs: \$1,365,000 (\$130,000 annually over 10.5 yrs)

Request

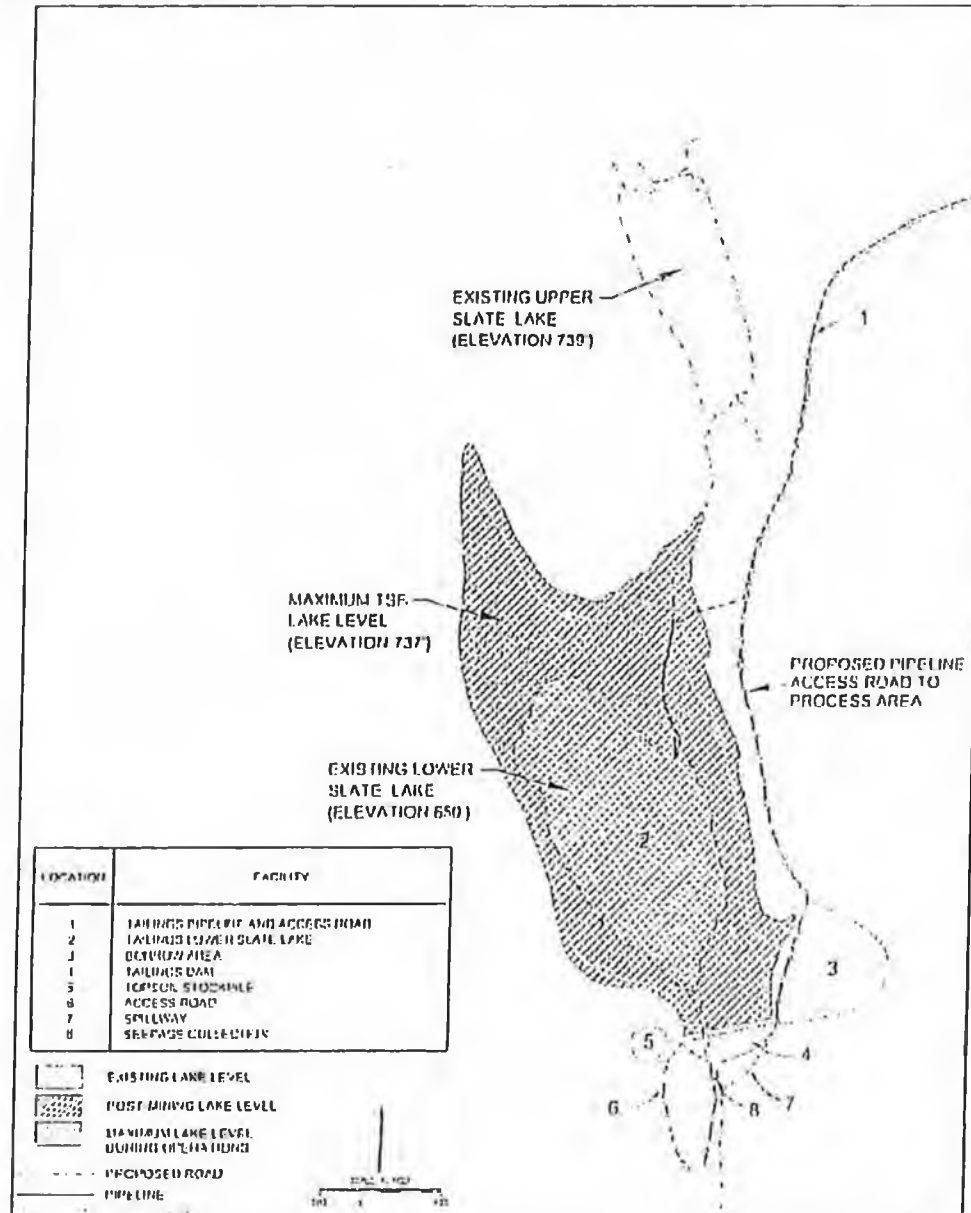
- Grant money or alternative financing to fund the development and operation of this facility
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KENSINGTON GOLD PROJECT

Tailings Management Facility

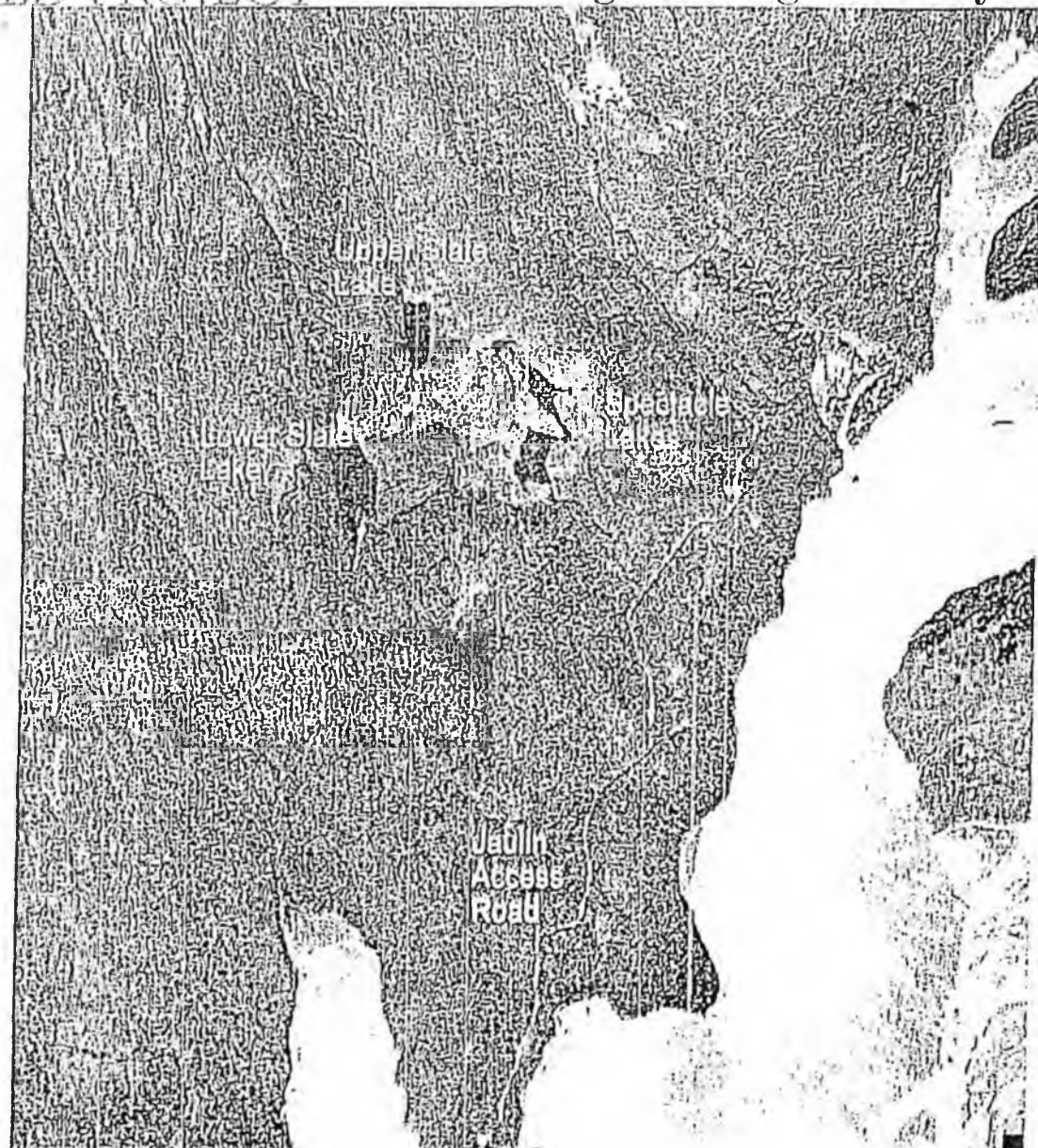
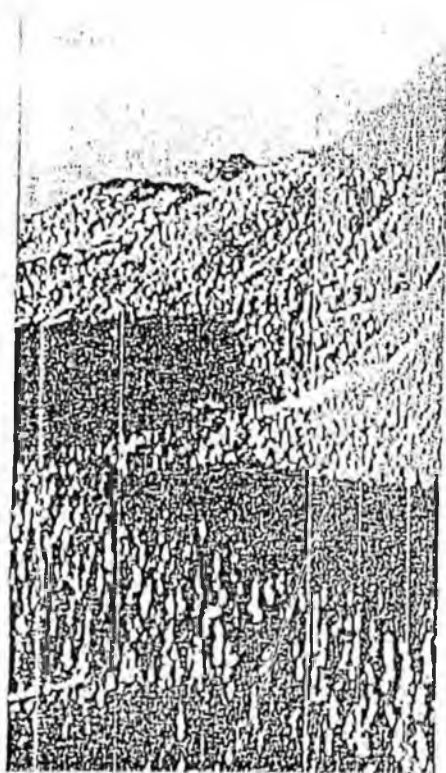




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KENSINGTON GOLD PROJECT

Tailings Management System





KENSINGTON GOLD PROJECT

Summary of Potential Partnership Opportunities

For Additional Information, Please Contact:

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Kensington (Alaska)

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