

SB

203

<TARGET><BILL>SB 203</BILL><SUBJECT>SB
203</SUBJECT><COMM>SCRA30</COMM></TARGET>

ALASKA STATE LEGISLATURE

SENATOR DONALD C. OLSON
SENATE DISTRICT T

*-360 mil -
Total Cost
Project*

Session

Alaska State Capitol
Juneau, AK 99801
(907) 465-3707
Fax (907) 465-4821
Sen.Donny.Olson@akleg.gov



Interim

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1. largest deposit in U.S.

*III - 2
III*

Sponsor Statement

Senate Bill 203

AIDEA Bonds for Graphite Creek Project

Senate Bill 203 authorizes the Alaska Industrial Development and Export Authority to issue bonds to finance the infrastructure and construction costs of the Graphite Creek Project on the Seward Peninsula. The principle amount of the bonds may not exceed **\$80,000,000.**

Graphite is among 23 metals and minerals the United States Geological Survey has deemed critical to the national economy and national security of the United States. Graphite is of utmost importance as an anode material in lithium batteries powering electric vehicles and a rapidly expanding number of electronic devices.

Currently the US is totally reliant on foreign countries for a supply of this critical battery ingredient. On the Seward peninsula, the Kigluaik Mountains' vast flake graphite deposits represent the largest known graphite resource in the US.

In 2016 the US needed 39,500 metric tons of natural graphite. Significantly, Tesla's new lithium battery Giga-factory, located in Nevada, is scheduled for production in late 2018 or early 2019. This factory alone will require 93,000 tons per year of flake graphite.

A proposed processing plant at Graphite Creek would annually produce 60,000 metric tons of graphite concentrates. A 2017 study shows that the Graphite Creek Project has the potential to produce a significant portion of projected domestic demand for graphite in the US for decades.

I ask for your support of Senate Bill 203.

SENATE BILL NO. 203

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTIETH LEGISLATURE - SECOND SESSION

BY SENATOR OLSON

Introduced: 2/19/18

Referred:

A BILL

FOR AN ACT ENTITLED

1 **"An Act authorizing the Alaska Industrial Development and Export Authority to issue**
2 **bonds to finance the infrastructure and construction costs of the Graphite Creek**
3 **graphite project."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 LEGISLATIVE APPROVAL; GRAPHITE CREEK GRAPHITE PROJECT. (a) The
8 Alaska Industrial Development and Export Authority may issue bonds to finance the
9 infrastructure and construction costs of the Graphite Creek graphite project. The Graphite
10 Creek graphite project includes an access road and related infrastructure, port improvements,
11 and power generation and related infrastructure for the Graphite Creek project site. **The access**
12 **road and related infrastructure, port improvements, and power generation and related**
13 **infrastructure shall be owned and operated by the Alaska Industrial Development and Export**
14 **Authority or financed under AS 44.88.172. The principal amount of the bonds provided by the**

similar
to
Red
Dog

1 Alaska Industrial Development and Export Authority for the Graphite Creek graphite project
2 may not exceed \$80,000,000 and may include the costs of issuing bonds considered
3 reasonable and appropriate by the Alaska Industrial Development and Export Authority.

4 (b) This section constitutes legislative approval required by AS 44.88.095(g).

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version: SB 203
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB203-DCCED-AIDEA-02-23-18
Title: AIDEA: BONDS FOR GRAPHITE CREEK
PROJECT
Sponsor: OLSON
Requester: (S) Community and Regional Affairs

Department: Department of Commerce, Community and
Economic Development
Appropriation: Alaska Industrial Development and Export
Authority
Allocation: Alaska Industrial Development and Export
Authority
OMB Component Number: 1234

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2019	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2019 Request	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
OPERATING EXPENDITURES	FY 2019	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2018) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2019) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed? N/A

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

Prepared By: <u>John Springsteen, Executive Director</u>	Phone: <u>(907)771-3000</u>
Division: <u>Alaska Industrial Development and Export Authority</u>	Date: <u>02/23/2018</u>
Approved By: <u>Catherine Reardon, Director</u>	Date: <u>02/23/18</u>
Agency: <u>Division of Administrative Services, DCCED</u>	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2018 LEGISLATIVE SESSION

BILL NO. SB 203

Analysis

SB 203 would authorize AIDEA to issue bonds to finance the infrastructure and construction costs of the Graphite Creek graphite project. The principal amount of the bonds provided may not exceed \$80,000,000 and may include the costs of issuing the bonds. The access road and related infrastructure, port improvements, and power generation and related infrastructure shall be owned and operated by AIDEA or financed under AS 44.88.172.

The Alaska Industrial Development and Export Authority (AIDEA) does not anticipate fiscal impact from this legislation.

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HOME / NEWS / SENATOR DONNY OLSON DISCUSSES SB 203 AND GRAPHITE ONE

Senator Donny Olson Discusses SB 203 And Graphite One

FRI, 04/06/2018 - 4:51PM admin

BY: JAMES MASON

Alaska Senator Donny Olson of Golovin was in Nome for a town meeting last Friday and made himself available for an interview with The Nome Nugget. As representatives of Canadian mining concern Graphite One had just visited Brevig Mission and Teller the interview focused on Graphite One and the company's plans to mine the graphite near Imuruk Basin.

"Graphite One is a company I didn't become really aware of until fairly recently when they approached me about some of the graphite deposits that are up here northwest of Nome, southeast of Teller," said Senator Olson. "They said they were interested in seeing if it's economically possible for them to extract that resource and put it on the market. There are no graphite reserves here in the USA and all the graphite that's being used industrially and militarily has to come in from other overseas deposits. Mainly in China."

Graphite is a crystalline allotrope of carbon. It is a semimetal and a form of coal. As it is the most stable form of carbon under standard conditions it is used in thermochemistry as the standard state for defining the heat of formation of carbon compounds.

Graphite occurs in metamorphic rock, igneous rock and meteorites. Quartz, calcite, micas, and tourmaline are associated with graphite.

World production of natural graphite in 2016 was 1,200,000 tons. Major exporters were China, India, Brazil, Turkey, and North Korea. At this time it is not mined in the USA.

"They hired a lobbyist down in Juneau so they could get some money from AIDEA, which gives out loans to corporate interests, which are interested in developing some kind of business model here," said Senator Olson. "They do not loan money to any kind of enterprise that does not have local affirmation, participation, or some type of local support. Which is one of those things, which is very important because the people who are affected are the people I represent. They are the people who put me into office. Up until I was asked to put Senate Bill 203 on the docket I'd not heard anything negative about it and everything seem to be positive and that's why I put that bill as a way for them to get funding from AIDEA."

Senator Olson's SB 203 would authorize AIDEA, Alaska Industrial Development and Export Authority, to issue bonds to finance the infrastructure and construction costs of the Graphite Creek Project on the Seward Peninsula. The principle amount of the bonds may not exceed \$80 million.

"In 2016 the US needed 39,500 metric tons of natural graphite," reads the bill. "Significantly, Tesla's new lithium battery Giga-factory, located in Nevada, is scheduled for production in late 2018 or early 2019. This factory alone will require 93,000 tons per year of flake graphite."

"A proposed processing plant at Graphite Creek would annually produce 60,000 metric tons of graphite concentrates. A 2017 study shows that the Graphite Creek Project has the

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April 26, 2018



The Nome Nugget



potential to produce a significant portion of projected domestic demand for graphite in the US for decades."

According to Senator Olson the failed Rock Creek mine was brought up at Friday's constituent meeting.

"They were decrying the bad management, the bad progress, the whole idea was it was a venture that was ill-advised even at the time and certainly it's played out as not the best thing for the local area," said Senator Olson.

Senator Olson reports Graphite One has been getting a less than enthusiastic reception in Brevig Mission and Teller. While some people support the proposed mine there are others who are adamantly opposed.

Port Clarence is a possible site for shipping the graphite concentrate out. But now they are looking at Nome as well said Senator Olson.

"There would have to be some improvements in the Nome-Teller Highway," he said.

Section: NEWS

Nome, AK			
Weather	Wind	Sun	
23 °F Cloudy		WNW Wind 4.6mph	
22 °F		25 °F	
20 28 THU	20 34 FRI	25 34 SAT	27 36 SUN
10:31 AM Wed May 2			WillyWeather



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Background to AIDEA's \$80 Million Bond Authorization Limit

SB 203 -2- SB0203A: "The principal amount of the bonds provided by the Alaska Industrial Development and Export Authority for the Graphite 1 Creek graphite project may not exceed \$80,000,000 and may include the costs of issuing bonds considered reasonable and appropriate by the Alaska Industrial Development and Export Authority."

1. Construction of a **mine access road** and related infrastructure: **\$42 million**
 - a. No existing road access. Project has helicoptered-in to date.
 - b. Initial option examined connects Nome-Teller Highway to the mine site (22 mile). Bridges required in some areas to avoid impacting water areas. Other route options to be examined in feasibility.
 - c. Road would be all weather operating 12 months of the year. Expected to be gated, restricted access. Discussion with villages regarding allowing their use on authorized basis.
 - d. Cost allocation assumes unit costs similar to those reviewed by AIDEA for Ambler Road project (detailed design completed, all weather). Detailed engineering estimate will be in the FS.
 2. Construction & commissioning of **Site Power Generation** and related infrastructure (main switch yard, distribution): **\$20 million**
 - a. Option examined to date is diesel generation, 6 megawatts capacity.
 - b. Provides projected load for mine, processing plant and related infrastructure.
 3. Construction & Commissioning of **Port Improvements**: **\$ 5 million**
 - a. Concentrate expected to be loaded in closed containers at the processing plant adjacent to the mine, then containers trucked to the port, containers stored and loaded to barges during shipping season.
 - b. Cost is for infrastructure at the port (Nome or Port Clarence) to unload & store containers and then load containers to barges.
 4. Revenue Bond Contingency (20%): **\$13 million**
 - a. Standard AIDEA contingency
- TOTAL: \$80 million**

Final engineering and design will establish the estimated costs of the infrastructure elements that AIDEA will complete its diligence on and provide the basis for its decision on the ultimate funding for the project within the authorization limits of the proposed legislation.

February 20, 2018



April 9, 2018

Senator Click Bishop, Chair
Senate Community and Regional Affairs Committee
The Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

SB 203: AIDEA – Bonds for Graphite Creek Project

Dear Senator Bishop & Committee Members:

On behalf of Graphite One Resources, thank you for considering SB 203 during your hearing on February 27th. We appreciated the opportunity to attend by conference call and after reviewing the hearing's minutes, feel it important to provide the attached appendix responding to some of the statements to avoid possible inaccuracies or misunderstandings. We request that this letter and appendix be entered into the committee hearing record.

We are midway through the exploration program and have completed a Preliminary Economic Assessment. Our intent is to continue our exploration program this summer, and to continue collecting baseline environmental data that will be used in the permitting and environmental analysis of the project. We are committed to ensuring that our project will have minimal impacts on the environment and local communities, and our goal is to maximize the benefits of this project to the residents of the area.

We recognize this session of the 30th Legislature is quickly coming to its statutory close and members are concentrating on passing the necessary state budgets and priority legislation. We also realize that SB 203 is unlikely to advance in this schedule and are hopeful that we might have the opportunity to bring forward similar legislation in a future session.

Yours truly,

A handwritten signature in black ink that reads 'Doug Smith'.

Doug Smith
Executive Chairman
604-240-6016
DougS@GraphiteOneResources.com

cc: Senator Pete Kelly, President of the Senate
Representative Bryce Edgmon, Speaker of the House
Senator Donny Olson
Representative Neal Foster

APPENDIXⁱ

Letter to Senate Community and Regional Affairs Committee

April 9, 2018

1. Concerns of Impacts to Subsistence Resources

- Graphite One is committed to understanding the concerns of local subsistence users, and to ensure that the project will have minimal impacts on subsistence resources.
- All stakeholders and Graphite One seek to understand the potential impacts, both positive and negative, of the project.
- We have not completed the necessary studies and analyses to identify potential negative impacts, and how to minimize them; or, potential positive impacts, and how to maximize them.
- Information is not expected to be available to share with the communities until at least the Pre-feasibility is completed.
- Details such as size and location of facilities, types and quantities of any chemicals used in the flotation circuits, etc. will also not be known until the studies are completed.
- These studies will be made available with the Pre-feasibility and Feasibility reports and will be reviewed as part of the public review in the permitting process.

2. Subsistence Advisory Council's have not been Active

- Graphite One requested Teller, Mary's Igloo and Brevig Mission nominate Subsistence Advisory Councils and received names of those appointed. Our intent is to continue the exploration program this summer and activate the councils.
- We have invited Kawerak's Subsistence Program Director to attend Subsistence Advisory Council meetings as an observer.
- We have met regularly since 2014 with the communities and leadership of Brevig Mission, Teller, Mary's Igloo and Nome.
- We have committed in writing to:
 - Work with community leadership to address subsistence resources; environmental protection and mitigation, and workforce hiring and development.
 - Hire locally to the maximum extent possible and invest in the training necessary to build strong workforces from each community.
 - Maintain the Subsistence Advisory Councils to work closely with their communities.

3. Requirements for Environmental Analysis and Community Review

There will be a rigorous permitting and environmental analysis process that will evaluate the potential impacts of the project to the environment, communities, and subsistence resources, so that appropriate mitigation measures can be implemented.

Approximately 40 authorizations and permits will be required for the construction and operation of the mine. These authorizations and permits must be issued by numerous federal and state agencies and will include requirements to ensure protection of air and water quality, wetlands, cultural resources, subsistence resources, fish and wildlife, and other resources.

As part of the permitting process, the federal agencies will need to conduct an analysis of the environmental impacts in accordance with the National Environmental Policy Act. This analysis will require public involvement and comment, and will also require baseline environmental information, including:

- Air: baseline meteorological data
- Cultural resources analysis
- Geochemistry baseline analysis
- Hydrology: baseline on surface water, groundwater and water quality
- Fish and fish habitat
- Wildlife
- Birds
- Wetlands
- Subsistence
- Recreation: access
- Land Use
- Socioeconomic profile

The environmental analysis will allow the state and federal agencies to make appropriate decisions on each of their permits and will guide the development of mitigation measures that will address the potential impacts from the project on the environment and the communities.



4. Who Owns Graphite One?

- A wide range of shareholders from Canada, U.S and Europe. Several are Alaskans.
- Traded on the Canadian TSX-V stock exchange and the OTCQB exchange under the symbols "GPH" and "GPHOF" respectively.
- The TSX and TSX-V exchanges list 57% of the world's publicly traded mining companies.
- TSX-V gives emerging companies, like GPH, efficient access to capital and investors a regulated market for investing in them.

5. No Revenue in Financial Statements

- As an exploration company, all financing comes from equity investments by individual investors. No operating revenue is realized until there are sales from an approved, operating mine.
- The financial statements show investments directly from investors through periodic stock purchases (equity funding) which are closely regulated by security commissions and the TSX-V.
- Investors can buy and sell shares on the TSX-V. The ability to freely trade stocks in a well-regulated market attracts global mining investment to Canadian listed companies and has evolved Vancouver and Toronto into global mining centers.

6. Graphite One is Still Early in the Process

- We are midway through the exploration program and have completed the Preliminary Economic Assessment (PEA).
- Our intent is to continue the exploration program and baseline data collection this summer.
- Projects of Canadian public companies must progress through a series of technical reports complying with the "National Instrument 43-101 Standards of Disclosure for Mineral Projects". NI 43-101's required content and preparation standards are developed by the Canadian Institute of Mining and endorsed and monitored by the securities commissions and the TSX/TSX-V.
- An exploration project first conducts exploration to establish a resource with sufficient quality and quantity data (Indicated & Inferred Resources) to support a decision to continue development. Then a Preliminary Economic Assessment (PEA), is completed to determine if the resource has the potential to be economically viable assuming production methods, costs and selling prices. Additional drilling and evaluation is required to convert the



Indicated and Inferred Resources to Measured reserves (by completing infill drilling). A Pre-feasibility Study then narrows the assumptions and options using more precise engineering, costing and pricing. Finally, a Feasibility Study examines the chosen options with greater engineering, economic and marketing precision. Feasibility Studies are used to design, finance and construct the mine.

- Once a Feasibility Study, all permits and approvals and agreements for product sales are secured, the project proponent then seeks the necessary capital from the financial community to construct and operate the mine.

7. SB 203 Would Authorize Change in Possible AIDEA Financing for Project Infrastructure from \$25M to \$80M

- AIDEA has authority to lend in the form of bonds up to \$25 million.
- SB203 seeks increasing this limit to \$80 million for the project should AIDEA's board approve a future request from Graphite One to assist in financing the project infrastructure.
- For AIDEA to loan up to \$80 million for the project's infrastructure requires:
 - o Legislative authorization to increase loan capacity from \$25M to \$80M;
 - o Graphite One's application accompanied by a Feasibility Study, project permits and possibly customer agreements;
 - o Recommendation by AIDEA's staff, following diligent review, to loan to the project;
 - o Approval of local authorities, in this case, a 5-member Regional Resource Advisory Council appointed by the Governor to review the project; and,
 - o AIDEA board approval.

8. The Graphite One Project

- Proposed as a vertically integrated enterprise to:
 - o Mine and process 60,000 tonnes per year of graphite concentrate from the property on the Seward Peninsula about 37 miles north of Nome.
 - o Manufacture about 55,350 tonnes per year of graphite products, mainly for the electric vehicle and energy storage lithium-ion battery markets, at a facility whose location is being determined (not on the Seward Peninsula as low cost electricity is needed for high temperature electric furnaces to purify the graphite).
- The mine and processing plant are forecast to cost \$233M and employ 269. The manufacturing plant is forecast to cost \$130M and employ 102.



- The Property consists of 176 state and 24 federal mining claims. The federal claims are in the final stages of being conveyed to the state.
- The federal claims and their successor state claims are leased from Kougarok LLC, a Tweet family company. The Tweet family mined graphite from the claims beginning in the early 1900s and remain active in the region.

9. The Project PEA

The project's PEA was completed in June 2017. Based on its assumptions, it concluded that:

- Sufficient resources are estimated to exist for a project life of 40 years;
- Full production would be 60,000 tonnes per year of graphite concentrate and 55,350 tonnes per year of manufactured graphite products;
- The project's resources have the potential to be economically viable with a projected after tax net present value of \$616 million (10% discount rate), internal rate of return of 22% and payback in the fourth year of production;
- Resource estimates include over 10 million tonnes of Indicated Resources grading 7.2 % graphitic carbon and 71 million tonnes of Inferred Resources at 7.0% Cg, using a 6% Cg mining cut-off grade.

The next steps are to conduct additional drilling to improve the accuracy of the resource calculation; begin the baseline environmental and other permit related studies; begin the detailed mine design, plant design, cost analysis and market review; and, summarize the findings in a Pre-Feasibility Report.

ⁱ This Appendix contains Forward Looking Statements. Readers are cautioned not to place undue reliance on it for investment purposes. The Company's financial statements and other filings are available at:

<https://www.sedar.com/DisplayCompanyDocuments.do?lang=EN&issuerNo=00025247>



121 W. FIREWEED SUITE 120 | ANCHORAGE, ALASKA | 99503 | 907.563.9229 | ALASKAMINERS.ORG

April 5, 2018

Senator Donny Olson
Alaska State Legislature
Submitted via email

Re: AMA Comments on SB203, AIDEA Bonds for Graphite Creek Project

Dear Senator Olson:

The Alaska Miners Association (AMA) writes to thank you for the introduction of SB203, an Act authorizing the Alaska Industrial Development and Export Authority (AIDEA) to issue bonds to finance the infrastructure and construction costs of the Graphite Creek Project, and express our support for the bill.

AMA is a professional membership trade organization established in 1939 to represent the mining industry in Alaska. We are composed of more than 1,400 members that come from eight statewide branches: Anchorage, Denali, Fairbanks, Haines, Juneau, Kenai, Ketchikan/Prince of Wales, and Nome. Our members include individual prospectors, geologists, engineers, suction dredge miners, small family mines, junior mining companies, and major mining companies, Alaska Native Corporations, and the contracting sector that supports Alaska's mining industry.

Economic prosperity and the responsible development of Alaska's resources are a priority for AMA, and we are grateful for the role of AIDEA, whose mission is to provide various means of financing to promote economic growth and diversity. AIDEA financing has played a key role in many successful projects in Alaska: the DeLong Mountain Transportation System (DMTS) connecting the Red Dog mine to tidewater, the Skagway ore terminal, the Ketchikan Shipyard, and others. These projects, resulting in thousands of jobs for their surrounding communities and significant economic benefits to local and state governments, Alaska Native Corporations, and businesses, were made possible by AIDEA financing.

AMA believes that AIDEA holds a successful record of financing projects because of the structure in place at the Authority. Projects of any kind are evaluated for their viability, and all projects must meet AIDEA's financial criteria. This kind of due diligence ensures that only projects ready for development and poised for success will receive financing from the State's investment bank. Legislative approval is required for AIDEA to finance infrastructure at the Graphite Creek Project, however, SB203 does not automatically provide the financing. The project will still be required to meet AIDEA's financing standards.

The Graphite Creek Project stands to exponentially boost the economy in the area. 370 potential jobs averaging a \$108,000 annual wage will come with the operation of a mine, and the benefits to Northwest Alaska vendors, small businesses, and local governments will be significant. Every rural community in Alaska greatly needs and deserves diversification of its economy and the economic benefits that will come



from mining. Financial assistance with the infrastructure needed to operate these projects is a logical way to encourage the economic growth our communities need, and we urge the passage of SB203.

Thank you for your consideration of our comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "Deantha Crockett", written in a cursive style.

Deantha Crockett
Executive Director

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
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MEMORANDUM

February 23, 2018

SUBJECT: Definition of "finance"
(CSSB 203(CRA); Work Order No. 30-LS1473\D)

TO: Senator Click Bishop
Attn: John Manly

FROM: Linda M. Bruce 
Legislative Counsel

Attached to this memorandum is the draft you requested relating to the Graphite Creek graphite project. You requested that this draft include a definition for "finance." Section 1 of the draft provides that "[t]he access road and related infrastructure, port improvements, and power generation and related infrastructure shall be owned and operated by the Alaska Industrial Development and Export Authority *or financed under AS 44.88.172.*" (Emphasis added). Under AS 44.88.172, which describes the economic development account, money in the account may be used "to finance, acquire, manage, and operate development projects that the authority intends to own and operate or to provide development project financing for development projects the authority does not intend to own and operate." The definition provided with your request appears to repeat, and possibly confuse, what is currently authorized under AS 44.88.172 and was therefore not included in this draft.

If I may be of further assistance, please advise.

LBB:boo
18-133.boo

Attachment

Mr. Manly,

Thank you for your flexibility and availability this afternoon!

Attached for your benefit is SB 203. As I mentioned in our short conversation, AIEDA requested two minor amendments which are the following:

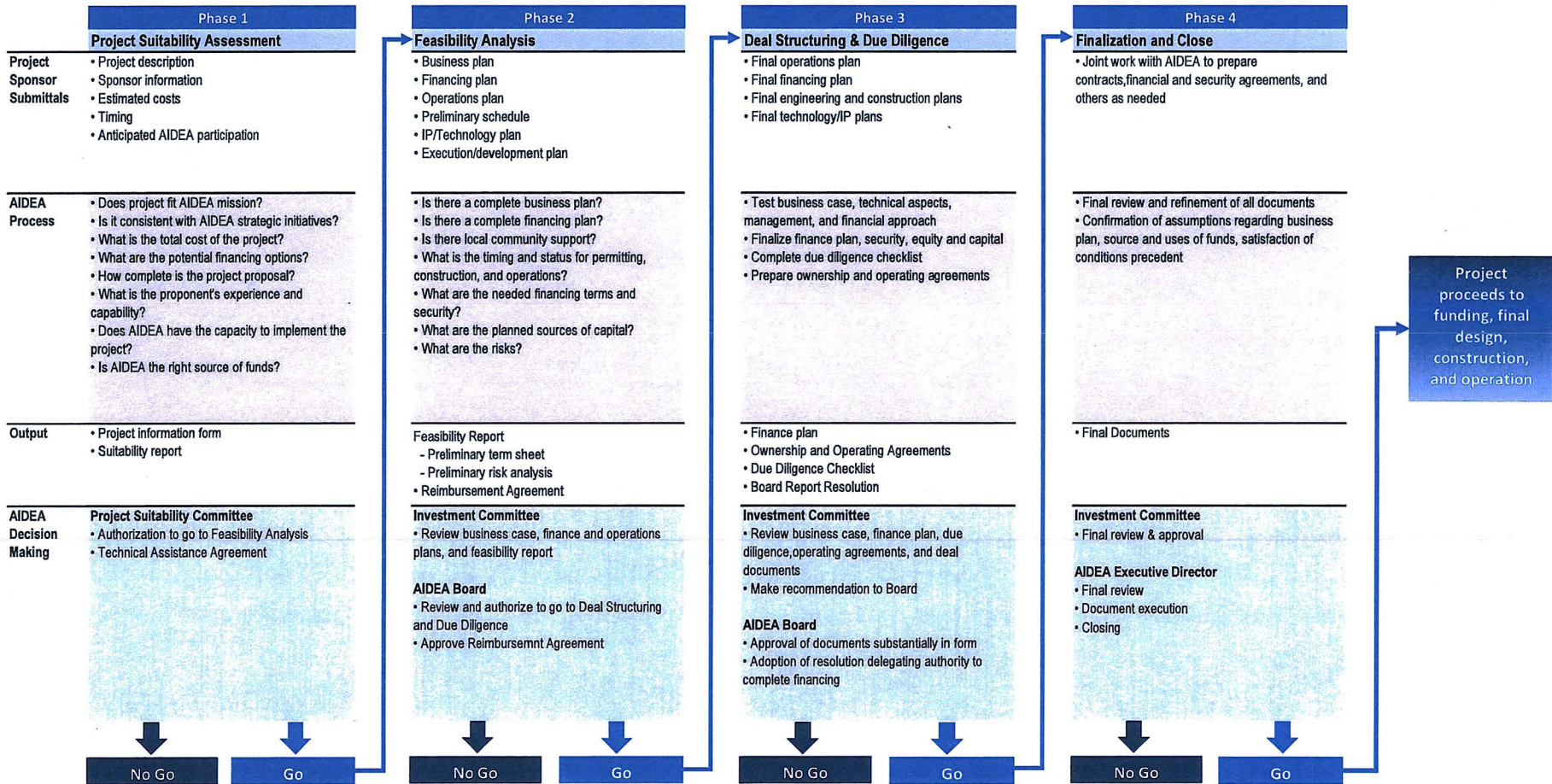
- AIDEA wants this authorization to sunset after 10 years.
- On page two add new language – “(c) In this section, “finance” means the authority using any method allowed under AS 44.88.172 to provide funds for a development project, including owning and operating the development project or providing a loan or guarantee for it.

Needless to say, let me know if you have any questions or need more information.

I will be sending my hearing request soon.

Jim Puckett
Legislative Staff
Senator Donny Olson, District T

AIDEA Project Analysis and Decision-Making Process





Northwestern Alaska Career and Technical Center

Douglas J. Walrath, Ph.D.
P.O. Box 131
Nome, AK 99762
Tel: 907-443-3507
Fax: 907-443-7076
<http://www.nacteonline.org>

2/12/18

RE: NACTEC Support Statement

The Northwestern Alaska Career and Technical Center (NACTEC) is committed to work with a growing list of industry partners, who appreciate and respect the importance of subsistence lifestyle practice and economic prosperity as supported by our local native corporations and economic development corporation. Graphite One Resources support of NACTEC training programs will contribute to a more technically trained workforce that will support Alaska priority industries in: natural resource development, construction, and transportation, across the Nome Census Area which currently has a 12.2% unemployment rate (Dec. 2017).

Graphite One Resources will bring to the Nome region the types of jobs NACTEC is already providing workforce development training, as identified by a local Advisory Board. Year in and year out Driver Education training is rated as the top priority service in the Nome Regional Training Center. In FY17 the amount of certificates doubled from the previous all time high in FY16 (see attached). Along with support from the Alaska Department of Labor and Workforce Development and local native corporations, industry partners such as Graphite One Resources annual contributions continue to provide the support needed to grow vocational training, developing a local workforce that will support industry investment in our region.

By March 2018, NACTEC's heavy equipment simulator center will be completely upgraded to motion-based training technologies. Based out of Nome we will be able to provide authentic training to support heavy equipment operators, whether it be: graphite mining, road construction and maintenance, airport maintenance, or snow removal needs with technical training on: dozers, graders, hydraulic excavators, small & large wheel loaders, mining trucks, off-road trucks, and articulated trucks alike. Just as we've succeeded in other domains such as Health Care, we anticipate working closely with Graphite One Resources as an industry partner to refine training programs, to better prepare our local workforce with pre-requisite skill sets as a win-win for all partners and for the betterment of our people and region.

From: Annie Conger [mailto:aconger@nomeschools.org]
Sent: Monday, February 26, 2018 5:28 PM
To: Sen. Donny Olson <Sen.Donny.Olson@akleg.gov>
Subject: Graphite Bay Mining Proposal

Senator Olson,

I am Annie Olanna Conger, originally from Brevig Mission and living in Nome, Alaska. I am writing to you concerning Senate House Bill 203. This bill is allowing AIDEA to finance the Graphite Bay Creek mining project to go through as planned.

I am opposed to this mining. This site is a traditional hunting, gathering, and fishing ground used by the people of Brevig Mission, Teller, and Mary's Igloo for eons. To validate the use of this land, you may reference the findings of reports for the subsistence use of this site in the Imuruk Basin area from The Harvest of Fish and Wildlife in Three Alaska Communities, Brevig Mission, Golovin, and Shishmaref, technical paper #188, a study conducted by Annie Olanna and James Magdanz, February 1990.

This proposed mining site is a great subsistence area for moose, fish, and berries. If this mining company is allowed to go through, the chemical elements used to mine will kill the vegetation, contaminate the waters, and poison the animals of which our subsistence resources come from.

This pristine location is our "grocery store" where our native food we rely on is for the picking. It is a location where part of our livelihood feed our families, families who subsist and live off of this land. I ask you to drop this bill, find it in your heart to do what is right for the people who count on you to use your voice for them!

Please, use this email I am sending to you as my testimony, to validate that the Graphite Bay Creek area has been used for immemorial as a place to gather food. This site has to be protected for the future generations as a subsistence area where they can hunt, fish, and gather. This land should not be ruin for the monies that will not last their lifetime but should be kept for its pristine, and bountiful resources it provides.

Quyanna, thank you for allowing HB 203 to not pass. We the Native people of this region count on you to keep this area free of chemicals from the mining companies! it is a precious oasis which should not be disturbed forever by mining companies!

Sincerely,

Annie Olanna Conger

30-LS1473\D
Bruce
2/23/18

CS FOR SENATE BILL NO. 203(CRA)
IN THE LEGISLATURE OF THE STATE OF ALASKA
THIRTIETH LEGISLATURE - SECOND SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered:
Referred:

Sponsor(s): SENATOR OLSON

A BILL
FOR AN ACT ENTITLED

1 **"An Act authorizing the Alaska Industrial Development and Export Authority to issue**
2 **bonds to finance the infrastructure and construction costs of the Graphite Creek**
3 **graphite project."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 LEGISLATIVE APPROVAL; GRAPHITE CREEK GRAPHITE PROJECT. (a) The
8 Alaska Industrial Development and Export Authority may issue bonds to finance the
9 infrastructure and construction costs of the Graphite Creek graphite project. The Graphite
10 Creek graphite project includes an access road and related infrastructure, port improvements,
11 and power generation and related infrastructure for the Graphite Creek project site. The access
12 road and related infrastructure, port improvements, and power generation and related
13 infrastructure shall be owned and operated by the Alaska Industrial Development and Export
14 Authority or financed under AS 44.88.172. The principal amount of the bonds provided by the

L

1 Alaska Industrial Development and Export Authority for the Graphite Creek graphite project
2 may not exceed \$80,000,000 and may include the costs of issuing bonds considered
3 reasonable and appropriate by the Alaska Industrial Development and Export Authority.

4 (b) This section constitutes legislative approval required by AS 44.88.095(g).

5 (c) The authorization to issue bonds granted under this section expires on June 30,
6 2028, if the authority does not issue bonds before that date. Expiration of the authorization to
7 issue bonds does not affect bonds that the authority issues under this section before July 1,
8 2028.



SB203 Overview
Sponsored by Senator Donny Olson

Graphite One Resources Inc. ("Company") is proposing to develop its Graphite One Project as a vertically integrated enterprise to mine graphite mineralization, process it into concentrate, and from the concentrate, manufacture high grade Coated Spherical Graphite (CSG) for the electric vehicle lithium-ion battery and energy storage markets. The graphite mineralization would be mined from the Company's Graphite Creek deposit located about 37 miles north of Nome.

SB 203 PURPOSE

This legislation would authorize, but not commit, AIDEA to provide supplemental financing for surface transportation corridor and related infrastructure that contributes to access and development of the Graphite Creek Project. The decision on whether or not to issue the authorized bonds would be made by the AIDEA Board. This type of project financing is precisely why AIDEA was formed.

The Project's Preliminary Economic Analysis, dated June 30, 2017, estimates the total Project cost at \$363 million. Our goal is to enable AIDEA to utilize their financing mechanisms to issue revenue bonds to finance the basic infrastructure that will be needed to facilitate the development of the mine. This infrastructure might include, for example, a road to the mine site that would be financed by AIDEA, in a fashion similar to the financing of the Delong Mountain Transportation System, which is the road and port that support the Red Dog Mine.

As Governor Walker noted in his recent State of the State speech, "The model today is for the state to provide the infrastructure to develop our resources. This is the customary role of government." (2018)

The proposed bill is consistent with this customary role of government to provide infrastructure, but this request uses the mechanism of revenue bonds, and not general funds, to effectuate that goal.

We are modeling this legislation after the Niblack/Bokan project financing bill (SB 99) in 2014 which authorized AIDEA to provide up to \$270 million in revenue bonds for infrastructure and construction costs. This proposed legislation will utilize revenue bonds as well.

PROPOSED BOND AUTHORIZATION

Construction of a 22-mile access road and related infrastructure

Port improvements

Power generation and related infrastructure

Revenue bond contingency

Total \$80 million

WHY SHOULD AIDEA INVEST IN THIS PROJECT?

This is not a request for a grant. AIDEA would be providing low-cost financing through use of the bond markets which will be repaid with interest over the life of the project, much like the DeLong Mountain Transportation System where AIDEA has issued over a billion dollars in revenue bonds. Another recent example is a revenue bond issuance on behalf of the expansion of the Alaska Brewing Company here in Juneau.

Direct project benefits to the state include employment, workforce development, investments in the communities and region, and infrastructure development. Graphite One Resources has already contributed directly to nearby schools as well as NACTEC in Nome.

AIDEA requested a 7-year sunset clause. There will also be a reference to AIDEA statute 44.88.095(e), which states that AIDEA must have documented local approval for the location of their projects.

www.graphiteoneresources.com

#600 777 Hornby Street • Vancouver, BC Canada • V6Z 1S4

Presented By:
Councilman M. Johnson

Action Taken:
Yes 6
No 0
Abstain 0

CITY OF NOME, ALASKA

RESOLUTION NO. R-18-04-01 (Amended)

**A RESOLUTION SUPPORTING THE GRAPHITE CREEK PROJECT ON THE SEWARD
PENINSULA IN NORTHWEST ALASKA**

WHEREAS, the City of Nome owes much of its recent history, including its incorporation as a first class city, to the success of the mining industry; and,

WHEREAS, graphite is among the 23 metals and minerals the United States Geological Survey has deemed critical to the national economy and national security; and,

WHEREAS, currently the United States is reliant on foreign countries for its graphite supplies; and,

WHEREAS, the graphite deposits in the Kigluaik Mountains on the Seward Peninsula north of Nome represent the largest yet discovered graphite resource in the United States; and,


WHEREAS, a 2017 study showed that the Graphite Creek Project has the potential to produce a significant portion of the projected domestic demand for graphite for decades; and,

WHEREAS, the Graphite Creek Project has the potential to provide economic development through increased local employment, infrastructure development, and wharfage fees; and


WHEREAS, Graphite One Resources is seeking support for its project in the critical stage of financing the development of mining and transportation infrastructure.

NOW, THEREFORE, BE IT RESOLVED that the Nome Common Council supports Graphite One Resources' Graphite Creek Project.

APPROVED and SIGNED this 23rd day of April, 2018.


RICHARD BENEVILLE, Mayor

ATTEST:


BRYANT HAMMOND, Clerk



March 9, 2018

Senator Donny Olson
Alaska State Legislature
State Capitol Room 510
Juneau AK, 99801

RE: Support for SB203

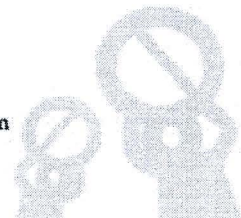
Dear Senator Olson:

On February 27th, public testimony was heard concerning SB203A, a bill that would provide a mechanism for AIEDA to support critical infrastructure for the Graphite Creek project, now being developed on the Seward Peninsula.

As you are well-aware, economic opportunities for the residents of the Bering Strait region are almost non-existent. Most employment occurs in the service and governmental sectors, but there are currently no long-term projects or developments that could significantly reduce the unemployment and poverty that plague our communities.

Bering Straits Native Corporation has been in discussions with the Graphite One team to coordinate employment opportunities for our shareholders and residents, should the Graphite Creek mine come in to production. These discussions have been positive and BSNC anticipates working with Graphite One to develop in-region training programs and workforce development. We have also emphasized the need for protecting the irreplaceable subsistence resources our people depend upon. There are a number of research and permitting hurdles to overcome before any "go, no-go" decision is reached for the construction of the mine. Environmental and economic impacts will be evaluated and addressed during this process. **Therefore, BSNC would like to take this opportunity to express support for the planning and permitting process for the Graphite One project.** Until these activities are completed, there is no certainty that the project can, or should, go into production.

SB203A would allow AIEDA to issue bonds for the construction of the infrastructure necessary to support the Graphite Creek project. The construction of an access road, port improvements, and power generation to support the mine would be funded through AIEDA and would be owned by AIEDA as well; a model similar to the one that made Red Dog Mine a reality in the late 1980's. Such infrastructure would only be constructed if the permitting (i.e. environmental requirements) are fulfilled and if Graphite One determines the project is economically feasible. A preliminary economic feasibility assessment (PEA) has already been completed, but the company needs further investment to move the program through the permitting and design phases. It is important that the Graphite Creek project continue with the pre-planning, design, and permitting, and SB203A provides critical





support by the State of Alaska in a project that could develop into a major economic engine for western Alaska. **BSNC supports SB203A as a measure that has the potential to be a catalyst for developing economies within our region's communities.**

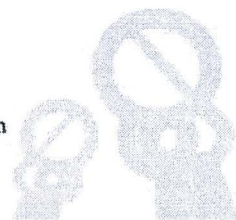
During the hearing on February 27th, a number of people voiced their opposition to the Graphite Creek project. From the testimony presented it would appear that the residents of the region oppose a mine and oppose the use of funds for such infrastructure while there are shortages of basic services in the region. People spoke of their concern for the nearby moose habitat as well as the red salmon run that annually travels the nearby waters of Imuruk Basin. Such concerns are shared by most residents of the region. However, there are many that understand the need for developing the resources of the region for local benefit and accept that the permitting process will effectively guard against significant impacts from such development. Additional meetings held in Nome and communities would provide a more balanced view of residents' support and understanding of the Graphite Creek project.

Please contact Matt Ganley, VP Media and External Affairs, at (907)632-7197 (mganley@beringstraits.com), if you have further questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "G. Schubert".

Gail R. Schubert
President & CEO



Resolution 18-04-04-01
of the
Nome Chamber of Commerce

A Resolution in support of SB203: AIDEA:Bonds for Graphite Creek Project

Whereas, SB203, “An act Authorizing the Alaska Industrial Development and Export Authority to issue bonds to finance the infrastructure and construction costs of the Graphite Creek graphite project” has been introduced in the Alaska Senate; and,

Whereas, Senate Bill 203 authorizes the Alaska Industrial Development and Export Authority to issue bonds to finance the infrastructure and construction costs of the Graphite Creek Project on the Seward Peninsula up to \$80,000,000; and,

Whereas, graphite is among 23 metals and minerals the United States Geological Survey has deemed critical to the national economy and national security of the United States; and,

Whereas, currently the US is totally reliant on foreign countries for a supply of this critical material, and,

Whereas, the Kigluaik Mountains’ vast flake graphite deposits on the Seward peninsula represent the largest known graphite resource in the US; and,

Whereas, a 2017 study shows that the Graphite Creek Project has the potential to produce a significant portion of projected domestic demand for graphite in the US for decades; and,

Whereas, Graphite One Resources (GOR) has signed a Memorandum of Understanding with the Alaska Industrial Development and Export Authority (AIDEA) reviewing

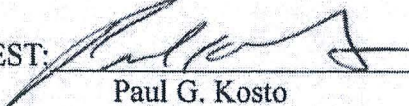
- 1) Strategies to maximize local economic benefits and job opportunities
- 2) Potential opportunities to locate the Manufacturing Plant in Alaska
- 3) Frameworks for AIDEA and GOR to engage cooperatively with stakeholders to incorporate their input via public meetings and consultations
- 4) Opportunities to work cooperatively to identify activities requiring federal, state, or local permitting
- 5) Options and opportunities for AIDEA to participate in funding some of the project facilities including the 22 mile access road and the power generating facility; and,

Whereas, the Nome Chamber of Commerce represents business organizations in the City of Nome and the surrounding Bering Straits Region many of whom may benefit from the long term development of this graphite resource.

NOW, THEREFORE, BE IT RESOLVED, that the Nome Chamber of Commerce hereby expresses it's support for SB203 and the Graphite One Resources project in the Kigluaik Mountains.

APPROVED and SIGNED this 4th day of April, 2018.

Signed: Kenneth A. Hughes III
Kenneth A. Hughes, III
President, Nome Chamber of Commerce

ATTEST: 
Paul G. Kosto
Executive Director
Nome Chamber of Commerce

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Graphite One Resources Inc.

TSX VENTURE : [GPH](#)OTCQB : [GPHOF](#)

December 05, 2017 08:00 ET

Graphite One Successfully Completes \$707,185 Financing

VANCOUVER, BRITISH COLUMBIA--(Marketwired - Dec. 5, 2017) -

NOT FOR DISSEMINATION IN THE UNITED STATES OR FOR DISTRIBUTION TO U.S. NEWSWIRE SERVICES

Graphite One Resources Inc. (TSX VENTURE:GPH)(OTCQB:GPHOF) ("Graphite One" or the "Company") is pleased to announce that it has completed a non-brokered private placement offering (the "Offering"), raising gross proceeds of CA\$707,185. A significant portion of the placement is from Taiga Mining Company, Inc, an Alaskan, privately-held mining company with decades of experience developing, permitting and operating Alaska mining projects.

The net proceeds of the Offering will be used for exploration and development of the Company's Graphite Creek Project and for general working capital purposes.

"We are pleased Taiga Mining has again supported us and its team continues to provide guidance as we move our project forward," said Anthony Huston, President and Chief Executive Officer of Graphite One. "We are also pleased to welcome new Alaskan investors to the project with this financing. The projected global demand for graphite continues to grow, as does the need for U.S. sources at a time when the U.S. is 100% import-dependent for its strategic graphite supply."

The Company has issued 14,143,709 Units (the "Units") at a price of CA\$0.05 per Unit for a total of CA\$707,185. Each Unit consists of one common share (a "Common Share") and one transferable common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one full Common Share at a purchase price of CA\$0.10 per Common Share and will expire on the earlier of: (a) five years from the date of issuance; and (b) in the event the Common Shares trade at a volume of CA\$0.21 or more on the TSXV Venture Exchange or the Toronto Stock Exchange for 10 consecutive trading days, the Company may, at its option, issue a press release and a notice to the Warrantheader for the expiry of the Warrants on the date that is 45 days from the press release and notice and the Warrantheader may exercise the Warrants during this 45 day period (but no later than five years from the date of issuance).

No new insiders were created, nor any change of control occurred, as a result of this Offering.

Final closing of the Offering is subject to receipt of final applicable regulatory approvals including approval of the TSX Venture Exchange. All securities issued in connection with the Offering will be subject to a restricted period that expires four months and a day following the date of issuance.

This press release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

ABOUT GRAPHITE ONE RESOURCES INC.

GRAPHITE ONE RESOURCES INC. (TSX VENTURE:GPH)(OTCQB:GPHOF) continues to develop its Graphite One Project (the "Project"), whereby the Company could potentially become an American producer of high grade Coated Spherical Graphite ("CSG") that is integrated with a domestic graphite resource. The Project is proposed as a vertically integrated enterprise to mine, process and manufacture high grade CSG primarily for the lithium-ion electric vehicle battery market. As set forth in the Company's Preliminary Economic Assessment, potential graphite mineralization mined from the Company's Graphite Creek Property, is expected to be processed into concentrate at a graphite processing plant. The proposed processing plant would be located on the Graphite Creek Property situated on the Seward Peninsula about 60 kilometers north of Nome, Alaska. CSG and other value-added graphite products, would likely be manufactured from the concentrate at the Company's proposed graphite product manufacturing facility, the location of which is the subject of further study and analysis. The Company intends to make a production decision on the Project once a feasibility study is completed.

ON BEHALF OF THE BOARD OF DIRECTORS

"Anthony Huston" (signed)

For more information on Graphite One Resources Inc. please visit the Company's website, www.GraphiteOneResources.com.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

This release includes certain statements that may be deemed to be forward-looking statements. All statements in this release, other than statements of historical facts, are forward-looking statements.

Generally, forward-looking information can be identified by the use of forward-looking terminology such as "proposes", "expects", or "is expected", "scheduled", "estimates", "projects", "intends", "assumes", "believes", "indicates" or variations of such words and phrases that state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking information in this release includes, but is not limited to, statements regarding the stage and progress of development of the Graphite Creek Project including the ability to actually produce spherical graphite, ultimate further and final results of additional test-work, estimated capital and sustaining costs and the availability of equipment, labour and resources required, the anticipated applications of graphite in high-tech, clean tech, energy storage and national security applications and all other anticipated applications, international demand and ability to transport and enter into such markets, the receipt of TSX Venture final approval and the actual use of proceeds from the Offering, are all forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include: (i) volatile stock price, (ii) the results of the product development test work may not be indicative of the advancement of the project as anticipated, or at all, (iii) market prices, (iv) exploitation and exploration successes, (v) continuity of mineralization, (vi) uncertainties related to the ability to obtain necessary permits, licenses and title and delays due to third party opposition, (vii) changes in government policies regarding mining and natural resource exploration and exploitation, (viii) competition faced in securing experienced personnel, access to adequate infrastructure to support mining, processing, development and exploration activities and continued availability of capital and financing, and (ix) general economic, market or business conditions. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date it is expressed in this press release, and the Company undertakes no obligation to update publicly or revise any forward-looking information, except as required by applicable securities laws. For more information on the Company, investors should review the Company's continuous disclosure filings that are available at www.sedar.com.

CONTACT INFORMATION

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