



Revised November 29, 2011

Information: LIK Deposit Transportation System (LDTs) - Due Diligence

CURRENT STATUS: This effort is currently in the Due Diligence for Phase 1 of the design (mine and port feasibility). Behre Dolbear, Inc., an experienced mining engineering company, is preparing this analysis for AIDEA. Their draft report was delivered in August and is under review by AIDEA staff.

SCOPE OF PROJECT: The Lik Deposit, in the DeLong Mountains, is a shallow zinc, lead, and silver deposit located approximately 11 miles northwest of Red Dog Mine. The project sponsor is Zazu Metals Corporation (Zazu). Zazu intends to develop the deposit into a mine and use the AIDEA-owned LDTs and DeLong Mountain Transportation System (DMTS) to convey the concentrate produced from the mine to commodity vessels offshore for export to world markets.

DESCRIPTION: The LDTs will be a haul road approximately 20-mile long connecting the Lik Deposit to the DMTS haul road system. The LDTs will be constructed on land owned by the state of Alaska and NANA. Zazu will use approximately 40 miles of the existing DMTS roadway. However, the port site will require modifications for additional concentrate throughput. Port site modifications would include an additional concentrate storage building, fuel storage, a camp extension, upgraded generation capacity, an expanded shallow water dock, and modifications to the existing ship loader, or if necessary, a new ship loader.

PURPOSE: To provide employment opportunities in rural Alaska and increase economic benefits to Northwest Alaska.

PARTICIPANTS: Infrastructure located at the Lik Deposit would be owned by Zazu. Zazu would develop the Lik Deposit and be the mine operator and operator of the LDTs. AIDEA would own the LDTs, charging a toll to Zazu for use of the facility, in addition to a pro-rata toll for use of the DMTS road. Teck Alaska would participate in its capacity as a Joint Venture partner in the Lik Deposit. The Northwest Arctic Borough (NWAB) and/or NANA may participate, should they have a role in the projects funding, development or operation.

ECONOMIC/SOCIAL EFFECTS: The Lik Deposit will support between 250 and 350 employees over an 8 to 10 year period with a high proportion of employees being Northwest Arctic Borough's (NWAB) residents. The successful development of the Lik Deposit will increase the State of Alaska tax base through royalties and corporate income taxes, and will increase NWAB revenues through arrangements possibly similar to the NWAB-TECK Payment in-lieu of Taxes (PILT) Agreement. More specific financial information will be forthcoming from an economic impact study to be conducted in a subsequent the due diligence phase.

PROJECT COST and SOURCE OF FUNDS: Preliminary estimate for the development of the Lik Deposit (excluding the LDTs) is between \$300 and \$400 million. The preliminary estimate of LDTs is dependent on the route chosen for the haul road and type of improvements undertaken at the port site. Currently, the haul road cost is estimated between \$55 and \$75 million. Depending on the port modifications chosen, the cost would range from \$100 to \$200 million. Financing options will be determined in consultation with AIDEA's financial analysts during the due diligence phase.

ONGOING WORK: Preliminary assessment studies, environmental studies including air and water baseline, and preliminary engineering for the port site and haul road.