



Revised November 21, 2011

## Project Fact Sheet: SKAGWAY ORE TERMINAL

**CURRENT STATUS:** Capstone Mining Corp./Minto Explorations Ltd. continues to transship ore concentrates through the Skagway Ore Terminal (“SOT”), using 40 percent of the terminal’s storage capacity.

AIDEA is working with Selwyn Chihong Mining Ltd. on developing a plan for the expansion of the terminal, subject to AIDEA due diligence and AIDEA Board approval. Selwyn plans on producing lead and zinc concentrates. Key milestones for Selwyn include: completion of a bankable feasibility study mid-summer 2011; successful mine construction starting mid-summer 2011; and a mid-2012 production decision.

AIDEA gave a presentation to the Municipal Assembly May 19, 2011 regarding: AIDEA’s expansion plans to accommodate Selwyn; Development Program processes required to fund an expansion; AIDEA’s HB 119 bonding authorization; and areas of concern (lease extension, dock access & tariffs, and dredging).

### RECENT DEVELOPMENTS:

HB 119 authorized AIDEA to bond up to \$65 million for the purpose of expanding the SOT. It is anticipated that a portion of those funds will be used to double the size of the existing Concentrate Storage Building (“CSB”) and to provide a new ship loader. The new ship loader will double the loading capacity, minimize dust emissions, and will be retractable. The retractable design will allow cruise ships to use the ore dock when ore ships aren’t being loaded.

AIDEA has participated with the Municipality on applications for TIGER grants. These grants were unsuccessful. AIDEA, along with representatives from White Pass, the Municipality and Yukon Ministry of Economic Development, visited Congressman Young last summer to brief him about the project.

The Dept. of Labor and Governor’s office have been engaged in talks with Yukon and Skagway leaders, economic development organizations, and the private sector about training and supplementing the mining labor force. AIDEA will be working with the Dept. of Labor when making presentations in the Yukon later this year.

**FACILITY DESCRIPTION:** The SOT consists of a 6.7 acre industrial waterfront lot whose primary features include: a 98,000 square foot 16-inch thick concrete floor (the concentrate storage building situated on this floor was demolished in 2003) surrounded by concrete containment walls; office; shop; laboratory; electrical and wash buildings; enclosed materials handling loadout conveyors and shiploader; and a .37 acre adjacent lot which contains a fueling facility (two 10,000 gallon day tanks) and tank farm (four 30,000 gallon storage tanks).

**PURPOSE:** In July 1990, AIDEA purchased the SOT to: bring stability to Skagway’s then major year-round industry; fund essential environmentally efficient renovations to the facility; and, open the door to additional economic growth through marketing the facility to other potential users.

**BACKGROUND:** The facility was constructed in 1968 to serve as a warehouse and shipping operation for base metal concentrates exported from the Yukon Territory to international markets. The shipping of mineral concentrates from the SOT occurred intermittently until the spring of 1998, when soft zinc prices forced the Yukon's major zinc mines to shut down.

**PARTICIPANTS:** The facility was purchased by AIDEA from White Pass Railway, with a sublease of City property approved by the City of Skagway. The current User is Minto Explorations Ltd., a subsidiary of Capstone Mining Corp. (previously Sherwood Copper Corp.). The User contracted with Mineral Services Inc. ("MSI") to operate and maintain the terminal in April 2008. Construction of the SOT Reactivation Improvements began in February 2007. The building "In Service" date was October 1, 2007. The first ship was loaded with ore concentrates October 24, 2007. Substantial completion was achieved January 18, 2008. AIDEA's Board approved negotiation of an amendment to the User Agreement with Minto/Capstone (previously Minto/Sherwood) to provide additional storage capacity on October 7, 2008. The building extension (14,000 SF) was substantially complete mid-December 2008. Minto/Capstone shipped 28,690 dry metric tons of ore concentrate through the terminal in 2008.

Redcorp Ventures Ltd./Redfern Resources applied for use of the facility in 2007 and a Reimbursement Agreement for due diligence was approved by AIDEA's Board in October 2008. *Redcorp/Redfern never executed the agreement.* AIDEA has provided information about the terminal to other interested parties.

**ECONOMIC/SOCIAL EFFECTS:** When operating, the SOT creates up to 10 jobs at the terminal, plus additional jobs associated with the trucking of the concentrates from the Northern Canadian mines to Skagway. Mineral concentrate shipping operations normally occur on a year-round basis, enhancing employment in a community otherwise heavily dependent on the summer tourist season. Additionally, all Skagway residents benefit from the enhanced winter road maintenance to Whitehorse, the closest service center that is accessible by road to Skagway.

**POTENTIAL USERS:** AIDEA continues to communicate with the Yukon Territory government and potential mining clients on the status and availability of the SOT. Seventy-five percent of the concrete pad remains available for development and use. In addition to Sherwood, other potential users have indicated their preference for shipping mineral concentrates through Skagway. Another possible use is as a staging area for pipeline materials used in the construction of natural gas pipelines running through Canada.

**ORIGINAL BUDGET:** Original acquisition budget was \$25 million: Tax-exempt bonds sold by AIDEA, to be repaid with Terminal user fees. AIDEA financed the Minto/Capstone upgrades for a total of \$14 million (AIDEA funds on hand) to be reimbursed by tenant fees over a seven (7) year period. Minto/Capstone pre-paid the outstanding balance of \$8.5 million (plus a pre-payment fee) in December 2010.