




**MEMORANDUM**

**To:** Board Members  
Alaska Industrial Development and Export Authority

**From:** Ted Leonard  
Executive Director 

**Date:** April 3, 2014

**Subject:** Project Finance Loan Summary – Ucore Rare Metals (U.S.), Inc. Alaska (Ucore)  
Resolution No. G14-08

Loan Request Ucore requests from AIDEA’s a development project loan in the amount of \$2,868,341.

Term

Source	Amount	Term	Structure
AIDEA Development Project Financing	2,868,341	6 years	No Payments and Capitalized interest during the line (1 year) and first 3 years of term note. Final 2 years of quarterly payments. Interest rate based on 7 Year Treasury + 450 basis points.
Total	\$2,868,341		

Borrower Ucore Rare Metals (U.S.), Inc. Alaska – Domiciled in the United States

Guarantor Ucore Rare Metals Inc. – Domiciled in Canada

Use of Proceeds Purchase and installation of capital items required to complete Environmental Impact Statement (EIS) and Feasibility Study (FS).

Project Build infrastructure and develop an exploration camp based in Kendrick Bay, Prince of Wales Island in Southeast Alaska in order to complete permitting and feasibility for a major Rare Earth Mine.

Economic Development/  
Job Creation

Ucore’s projected expenditures for 2014 not including AIDEA’s loan funded expenditure is projected to be \$8.9 million. AIDEA loan will leverage investment into the State by a multiple of three times. Also, Ucore is in the process of going to the market for an additional \$25 million capital raise for the development of the mine. Ucore’s management

believes that the Board's approval of the loan will support the ability for the Company to meet their goal for their capital raise.

The exploration camp construction will create 15 construction jobs and 5 full time positions including construction manager. An additional 12 full time research jobs will be created to complete the Environmental Impact Study and Final Feasibility Study.

**Estimated Economic Impact of Construction and Operations of Mine**

Summary of Bokan Mountain REE Mine Economic Impacts

Economic Activity	Impacts
<b>Construction Phase</b>	
Estimated years of construction	2 Years
<i>Direct Impacts</i>	
Annual average employment	200
Peak employment	300
Annual payroll	\$20 million
Total Construction phase payroll	\$40 million
<i>Multiplier Effects</i>	
Indirect and induced statewide employment	125
Indirect and induced statewide payroll	\$7 million
<i>Total Impacts (direct, indirect, and induced)</i>	
Total employment	325
Total annual payroll	\$27 million
Total construction phase payroll (direct and indirect)	\$54 million
<b>Operations Phase</b>	
Current life of mine projection	11 Years
<i>Direct Impacts</i>	
Annual average statewide employment	190
Annual statewide payroll	\$20 million
<i>Multiplier Effects</i>	
Indirect and induced statewide employment	150
Indirect and induced statewide payroll	\$8 million
<i>Total Impacts (direct, indirect, and induced)</i>	
Total employment	340
Total annual payroll	\$28 million

Source: McDowell Group estimates.

In addition to the statewide and community economic impacts, it is estimated that the State of Alaska will collect over \$164.8 million in taxes over the estimated life of the mine.

**Company**

Ucore Rare Metals Inc. ("Ucore" or the "Company") is a publicly traded developed-phase mining company domiciled in Canada. Trading under the following exchanges and tickers: TSX-V: UCU and OTCQX: UURAF

Ucore is a development-phase mining company focused on establishing rare metal resources with near term production potential. With multiple projects across North America, Ucore's primary focus is the 100% owned Bokan – Dotson Ridge REE property in Alaska. The Bokan – Dotson ridge REE project is located 60 km southwest of Ketchikan, Alaska and 140 km northwest of Prince Rupert, British Columbia and has direct ocean access to the western seaboard and the Pacific Rim, a significant advantage in developing near term production facilities and limiting the capital costs associated with mine construction. As of September 30, 2013 Ucore has funded and expensed approximately \$24.5 million (Canadian Dollars) into the Bokan project. Currently Ucore is focusing 100% of their efforts on the Bokan/Dotson Ridge project.

### **Key Officers of Company**

#### **Jim McKenzie (President/CEO)**

Mr. McKenzie is an entrepreneur with over 25 years' experience managing, owning and operating companies within the Canadian private and public equity sectors. From 2002-2006, he was the President of Worldmax Inc., Canada's largest independent partner of MTS Allstream Corp. Between 1999-2002 he variously served as Vice President, President and CEO of a wholly owned subsidiary of AT&T Canada and US-based AT&T Corp, helming a voice and data network spanning from Vancouver to Halifax

#### **Ken Collison (COO)**

Mr. Collison holds a B.Sc. in Mining Engineering from the University of Saskatchewan and a Masters of Engineering in Mining from the University of Saskatchewan. He was the Chief Operating Officer of Blue Pearl Mining/Thompson Creek Metals from 2005 to 2009, and was part of the team that purchased Thompson Creek Metals and built it into one of North America's premier molybdenum producers. He has previously held the positions of Vice President at Crandon Mining Corporation and Coeur Alaska, the Alaskan subsidiary of Coeur d'Alene Mines. He has extensive experience in mining operations, permitting and preparation of mining feasibility studies.

#### **Peter Manuel (CFO)**

Peter Manuel is a Chartered Accountant with more than 17 years' experience providing consulting services to companies in a range of sectors, with a focus on the financial services and resource sectors. He joins Ucore having spent the last 10 years in England and The Republic of Ireland providing assurance, strategic planning, corporate finance and other consulting services to a portfolio of both public and private entities

including licensed banks, proprietary trading operations, and international corporate treasuries. Mr. Manuel holds a Bachelor of Commerce Degree from Dalhousie University.

Collateral and Value

Collateral for the development project loan will be the temporary infrastructure camp that will support the balance of the pre-development research and feasibility efforts along with the assignment of 17,500,000 shares of Ucore Stock (current market value of \$6 million as of March 13<sup>th</sup>). This includes all fixed assets related to the camp, along with an assignment of 17,500,000 shares of Ucore Stock (current market value of \$6 Million). Since the camp is being located in a remote part of Prince of Wales Island, its value is tied directly to the completion of the permanent camp and commencement of mining. The camp itself is considered to have a high value of no more than \$1.0 million and a low value of \$783,900 (see schedule below). This range estimated relates to value of fixed assets that can be removed from the project should mining operations not commence and/or fail to produce the quantities of materials inferred in the various current technical reports.

AIDEA is requiring Ucore to pledge up to 17,500,000 shares to cover any short fall from the sale of temporary camp assets. The current market value of the shares as of March 13<sup>th</sup> was approximately \$6 million. AIDEA has discounted that value by 50% in its calculation of loan to value. The discount represents the approximate 3 year low price of Ucore's shares.

<b>Collateral Requirement 75% LTV</b>			<b>\$ 3,824,455</b>
<b>Loan Amount</b>			<b>\$ 2,868,341.00</b>
Description of Collateral	Estimated Cost	Discount	Collateral Value
Accommodation and Office Facilities	\$ 1,201,300	40%	\$ 480,520
Power Generation	\$ 120,000	50%	\$ 60,000
Diesel supply	\$ 185,000	20%	\$ 37,000
Wastewater Treatment Plant	\$ 103,500	20%	\$ 20,700
Potable Water Treatment Plant	\$ 122,500	20%	\$ 24,500
Incinerator	\$ 35,000	20%	\$ 7,000
Weather station	\$ 80,000	20%	\$ 16,000
Float Plan Dock	\$ 195,000	60%	\$ 117,000
Incinerator Outhouse	\$ 10,000	20%	\$ 2,000
Kubotas	\$ 32,000	60%	\$ 19,200
<b>Total Project Assets</b>			<b>\$ 783,920</b>
<b>Collateral Shortfall</b>			<b>\$ 3,040,535</b>
<b>Market Value of Shares as of March 13, 2014</b>	<b>0.345</b>		
<b>Other Collateral</b>	<b>Shares</b>	<b>Market Value</b>	<b>Discount</b>
Ucore Shares	17,500,000	\$ 6,037,500	50%
<b>Total Collateral</b>			<b>\$ 3,802,670.00</b>
<b>Loan To Value</b>			<b>75%</b>

Financial Information

Specific confidential financial information will be provided to Board members under separate cover.

Environmental

All environmental issues have been resolved to the satisfaction of the lender.

Related Debt

None

Risk

- The project is a pre-development, non-revenue generating mining project. The biggest risk is the failure advance from pre-development to construction and operation.
- Permitting and Feasibility Studies are delayed and/or denied for the Construction of the mine.

Mitigation

- Ucore's management has shown the ability to raise capital to continue funding pre-development with share offerings.
- The Loan will have covenant requiring Ucore to continue a certain level of investment in the development of the mine.
- Ucore's has excellent political support on all levels of government (local, state and federal) for development of the Bokan Mine.
  - SB 99 was presented adding an amendment of financing up to \$145 million for this project.
  - FY 13 State of Alaska Legislative Resolution 13 supporting the continued and increased exploration, extraction, processing, and production of rare earth elements in the State of Alaska.
  - The Critical Mineral Policy Act was submitted by 17 Senators including Senator Lisa Murkowski.

Portfolio Diversification

It was identified in AIDEA's strategic plan, that AIDEA total portfolio could support up to \$50 million of investments for higher risk financings that could drive larger economic development opportunities. As of March 30, 2014, AIDEA has identified project investments of \$23.5 million that would meet that definition. This develop finance loan would increase the amount of this type of financing to \$26.4 million.

### Loan Covenants

Significant loan covenants include:

- Audited financial statements are to be provided annually by the borrower and guarantor.
- Limitation on any dividends until such a time as the loan is fully amortizing
- Assignment of all research material related to project, along with the cash deposits, or equivalent, required under the development permits.
- Assignment of permits for development of the camp.
- Assignment of “Reclamation Bond” for removal of camp.
- Ucore will provide proof of insurance for temporary camp assets. If Ucore can’t get insurance for the temporary camp, it will provide assignment of the Dodson claims in lieu of insurance.
- A minimum of \$3 million in expenditures annually to progress the development of Bokan mountain rare earth mine.

### AIDEA’s Capacity

AIDEA’s FY 2014 project year end unrestricted cash target is \$350 million. As of 2/28/2014, AIDEA’s unrestricted cash and securities is approximately \$439.3 million. Based on the management’s projection of potential development project financings and projected loan fundings, AIDEA management believes that AIDEA has the capacity to finance this predevelopment loan of \$2.8 million and still meet the \$350 million cash target for FY 14 year end.

### Recommendation

The staff recommends approval of this development project loan. AIDEA’s staff believes that the significant potential economic impact of the Mine development for the State of Alaska justifies the higher risk profile of the loan. Also, AIDEA has the capacity in its portfolio for this type of development project loan.



# AIDEA Energy Development Finance Presentation

<b>BORROWER:</b> Interior Alaska Natural Gas Utility DBA Interior Gas Utility (IGU)	Date: March 21, 2014
<b>CO-BORROWER:</b> N/A	Finance Officer: Jeff San Juan
<b>ADDRESS:</b> PO Box 70200 Fairbanks, AK 99707	

C-Corp  
 S-Corp  
 LLC  
 General Partnership  
 Ltd Partnership  
 Sole Prop  
 Individual  
 Government Entity

<b>BUSINESS:</b> Public Utility	NAICS: 221210
---------------------------------	---------------

**GUARANTORS:**

**LOAN PURPOSES:**  
 New Construction  
 Acquisition  
 Expansion  
 Rehabilitation

**LOAN PROGRAM:**  
 Project Financing Direct  
 Energy Finance Development  
 Infrastructure Development  
 NMTC

<b>COMMITMENT TERM:</b> 20 month Line of Credit Converting into a 40 Year Term Note	<b>ANTICIPATED FUNDING DATE:</b> May 1, 2014
---	--

**JOBS CREATED/RETAINED:** 35 – 40 professional jobs created during the design and engineering of IGU’s distribution system.

Source	Financed Amount	Term	Rate	Monthly	Annual	Term
AIDEAs SETS Program Under Senate Bill 23	\$8,100,000	20 months	0% for 20 months. Interest rate to be negotiated when the line credit is converted into term note.	\$0.00 for 20 months. Monthly payments will be negotiated when line of credit converts into a term note.	\$0.00 for 1.66 years. Annual payments will be negotiated when line of credit converts into a term note.	No payments for 20 month. When line of credit converts to term note, the term will be 40 years.
<b>TOTAL</b>	<b>\$8,100,000</b>					

Related debt: N/A


Related Debt	Loan Amount	Participation Percentage	Participation Amount	Rate	Payment Monthly	Term
N/A						


COLLATERAL DESCRIPTION AND VALUE	Loan to Value
Description	
1. Blanket UCC on all property constructed and equipment purchased in whole or in part with loan proceeds 2. Security interest in bank deposit accounts. 3. Assignment of all rights of way, easements, all certificates and permits.	N/A Startup loan

## APPROVALS/DECLINES

DATE: 3/21/14

APPROVED

  
Executive Director

  
Deputy Director – Infrastructure Development

For  
Mark  
Davis

  
Deputy Director – Project Development and Asset Management

DECLINED

Executive Director

Deputy Director – Finance & Operations

Deputy Director – Project Development and Asset Management

## CONDITIONS OF APPROVAL

Term Sheet March 2014  
Bokan Rare Earth Elements Project (UCORE)

Loan Purpose:

To purchase Pre-Production Assets, in the amount of \$2.8M which consist a Field Camp, Infrastructure, Weather Station and Float Dock. All items have been permitted by USFS.

Terms and Conditions:

1. Borrower:	Ucore Rare Metals Inc. (parent to guarantee all obligations of the borrower)
2. Project Location:	Bokan Mine Camp, Kendrick Bay, Prince of Wales Island, Alaska
3. Loan Amount:	\$ 2,836,590 (subject to confirmation) (not to exceed)
4. Financing Terms:	Fixed Line of Credit up to \$2,836,590 450 Basis points + 7 Year US Treasury Interest Rate 1 Year Term Fixed Line of Credit 5 year Term Note First 3 Years Capitalized Interest/ No Payments 8 Quarterly Payments starting January 1 <sup>st</sup> , 2018 15% of loan amount will be withheld and not released until 45 days after an approved completion of construction is verified.
5. Collateral:	A) Blanket UCC on all property constructed and equipment purchased in whole or in part with loan proceeds B) 17,500,000 Shares in Capital Stock C) Security Interest in deposit accounts.
6. Financing Details:	A) Site Preparation \$292,300 B) Construction of Camp \$1,201,300 C) Construction of Dock \$195,000 D) Construction of Plant \$565,000 E) Other \$582,990
7. Funding	A) Draws based on invoices for equipment purchases; construction payments B) Certified draws to be paid not more frequently than monthly during the construction period (twelve months after closing)
8. Conditions:	A) Permitting B) Guarantee from parent company C) Contingent full underwriting D) Ucore will continue to invest at least \$ 3 million annual to develop the Bokan Rare Earth Element mine. E) Insurance Requirement: Proof of insurance on all assets being financed, including camp. If Ucore is unable to provide insurance, AIDEA will take an assignment for security purposes on the Dotson Ridge Mining Claims.
9 Disclosures:	This is not an offer, approval or commitment to lend.



**ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY**

**RESOLUTION NO. G14-08**

**RESOLUTION OF THE ALASKA INDUSTRIAL  
DEVELOPMENT AND EXPORT AUTHORITY  
AUTHORIZING THE FINANCING OF PRE-PRODUCTION  
ASSETS FOR THE BOKAN-DOTSON RIDGE RARE EARTH  
ELEMENTS PROJECT UNDER THE DEVELOPMENT  
FINANCE PROGRAM (AS 44.88.172)**

---

**WHEREAS**, UCore Rare Metals (U.S.), Inc. is an Alaska corporation that is wholly owned subsidiary of UCore Rare Metals, Inc., a Canadian corporation that is publicly traded on the Toronto stock exchange;

**WHEREAS**, UCore Rare Metals (U.S.), Inc. holds or controls mining claims located on Prince of Wales Island in Southeast Alaska that are collectively known as the Bokan-Dotson Ridge rare earth elements project (“Bokan REE Project”);

**WHEREAS**, the Bokan REE Project contains the largest known deposit of heavy rare earth elements in the United States and heavy rare earth elements are needed to manufacture magnets and electric motors and are critical to other important technologies;

**WHEREAS**, UCore Rare Metals (U.S.), Inc. has requested that the Alaska Industrial Development and Export Authority (the “Authority”) finance the purchase, construction and installation of a field camp, float dock, weather station, and other related infrastructure (the “Pre-Production Assets”) for the Bokan REE Project, which will enable pre-production work to proceed, including fieldwork to obtain baseline data to be used in preparing a bankable feasibility study;

**WHEREAS**, the Staff of the Authority and UCore Rare Metals (U.S.), Inc. have negotiated the terms and conditions for the Authority to provide financing for the Pre-Production Assets, up

to a maximum amount of \$2,868,341, and the essential terms for the financing are set out in the term sheet provided to the Board;

**WHEREAS**, the Staff of the Authority has provided the Board with a finance plan that is consistent with AS 44.88.173;

**WHEREAS**, the Board finds that, because the Pre-Production Assets meet the definition of a “development project” under AS 44.88.900(10)(A), the financing of the Pre-Production Assets for the Bokan REE Project is appropriate under the Authority’s Development Finance Program (AS 44.88.172) as “development project financing” for a development project that the Authority does not intend to own and operate; and

**WHEREAS**, the Board finds the financing of the Pre-Production Assets is in furtherance of the Authority’s statutory purpose of promoting, developing and advancing the general prosperity and economic welfare of the people of Alaska, to relieve problems of unemployment, and to create additional employment.

**NOW, THEREFORE, BE IT RESOLVED BY THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY AS FOLLOWS:**

Section 1. The Authority shall proceed with financing the Pre-Production Assets under AS 44.88.172 on the terms and conditions stated in the term sheet provided to the Board. The finance plan for the Project submitted to the Board is approved.

Section 2. The Executive Director is authorized to execute and deliver on behalf of the Authority loan and finance documents that embody the terms and conditions stated in the term sheet provided to the Board, with such modifications as the Executive Director, in his discretion, may deem appropriate.

Section 3. Subject to the execution of the loan and finance documents by UCore Rare Metals (U.S.), Inc. and the satisfaction of all conditions, the Authority may advance up to \$2,868,341 from the Economic Development Account for the Pre-Production Assets of the Bokan REE Project.

Section 4. The Executive Director is further authorized to take any actions and sign any other documents that he, in his discretion, deems appropriate to carry the intent and purposes of this Resolution.

DATED at Anchorage, Alaska on this 3rd day of April, 2014.

ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY

---

Chair

SEAL  
ATTEST:

---

Secretary

# STATE OF ALASKA THE LEGISLATURE

## 2013

### Source

HCS CSSJR 8(RES)

Legislative  
Resolve No.

13



Supporting the continued and increased exploration, extraction, processing, and production of rare earth elements in the state; and urging the United States Congress to support efforts of the state to develop rare earth elements in the state for the benefit of the economic and national security of the United States.

---

### BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

**WHEREAS** rare earth elements, those elements consisting of lanthanum through lutetium on the periodic table, plus scandium and yttrium, possess unique chemical, electrical, and physical properties that make them indispensable for a wide variety of emerging critical technologies needed for defense, clean energy, and other consumer and industrial uses; and

**WHEREAS** dysprosium and terbium are among the scarcest, most valuable, and most sought-after rare earth metals needed for green technology and military applications; and

**WHEREAS**, in the past, the United States was largely self-sufficient in rare earth elements but today has become almost entirely dependent on foreign sources of yttrium, niobium, tantalum, zirconium, and other rare earth elements; and

**WHEREAS** the value-added technology and skill to allow both the recovery of rare earth elements from mineral forms in ore and the manufacture of finished products, including

powerful magnets, from rare earth elements has almost entirely migrated to China along with the actual mining of rare earth element ores; and

**WHEREAS** China currently produces 95 percent of the world's rare earth elements but reduced the export of rare earth elements by 54 percent from 2005 to 2010 and by nearly 50 percent from 2010 to 2011; and

**WHEREAS** a future in which manufacturing of high-tech military equipment takes place only outside of the United States poses a risk to national security, and the manufacturing of wind turbines, solar panels, advanced batteries, and geothermal steam turbines produced only outside of the United States poses a risk to energy security; and

**WHEREAS** the development and expansion of extraction, processing, refining, and production are needed to provide the United States with self-reliance in technologies that depend on rare earth elements; and

**WHEREAS** mineral resources make up a major portion of the state's economic assets, and the deposits discovered at Bokan Mountain on the southern end of Prince of Wales Island are rich in the heavy rare earth elements of europium, gadolinium, terbium, dysprosium, thulium, holmium, erbium, ytterbium, lutetium, and yttrium; and

**WHEREAS** the Bokan Mountain deposits are the only known deposits in the world that have deep water access, accessible labor, and prospective power sources; and

**WHEREAS** the Tongass National Forest Land and Resource Management Plan designates the Bokan Mountain area for mineral development, and the state's Prince of Wales Island Area Plan classifies the Kendrick Bay area for mineral and forestry access and development; and

**WHEREAS** economic opportunities on Prince of Wales Island and throughout the state have significantly decreased; and

**WHEREAS** increased exploration for rare earth elements along with the establishment of secondary processing and research facilities related to rare earth elements in the state will create new career opportunities for Alaskans; and

**WHEREAS** development of rare earth element deposits in the state is critical to the economic and military security of the state and the nation;

**BE IT RESOLVED** that the Alaska State Legislature supports the continued and increased exploration, extraction, processing, and production of rare earth elements in the

state; and be it

**FURTHER RESOLVED** that the Alaska State Legislature urges agencies that administer permits required for the development of the rare earth elements in the state to expedite consideration and issuance of permits required for the development of rare earth element deposits in the state; and be it

**FURTHER RESOLVED** that the Alaska State Legislature urges the United States Geological Survey, the United States Department of Commerce, and the United States Department of Defense to work closely with the governor and the director of the division of geological and geophysical surveys in the Department of Natural Resources to explore for and identify deposits of rare earth elements in the state, develop an information database on rare earth elements in the state, and promote the development of the rare earth elements extraction, processing, and production industry in the state; and be it

**FURTHER RESOLVED** that the Alaska State Legislature urges the United States Congress to support the efforts of the state to develop rare earth elements in the state for the benefit of the economic and national security of the United States.

**COPIES** of this resolution shall be sent to the Honorable Barack Obama, President of the United States; the Honorable Joseph R. Biden, Jr., Vice-President of the United States and President of the U.S. Senate; the Honorable Sally Jewell, United States Secretary of the Interior; the Honorable Chuck Hagel, United States Secretary of Defense; the Honorable John Boehner, Speaker of the U.S. House of Representatives; the Honorable Nancy Pelosi, Minority Leader of the U.S. House of Representatives; the Honorable Harry Reid, Majority Leader of the U.S. Senate; the Honorable Mitch McConnell, Minority Leader of the U.S. Senate; the Honorable Ron Wyden, Chair of the Energy and Natural Resources Committee of the U.S. Senate; the Honorable Lisa Murkowski and the Honorable Mark Begich, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress; and all other members of the 113th United States Congress.