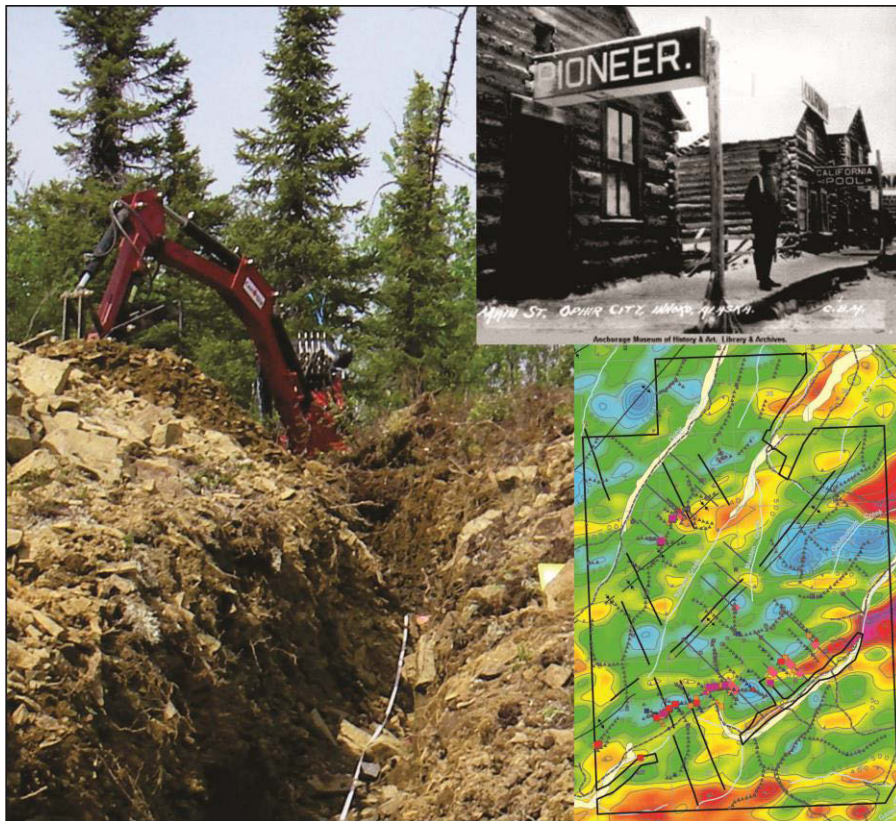


**A PROSPECTUS FOR THE MINERALS EXPLORATION AND  
DEVELOPMENT OF ALASKA MENTAL HEALTH TRUST LAND**

**OPHIR BLOCK**

**OPHIR QUADRANGLE**

**ALASKA**



**Prepared by  
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**November 2015**

## EXECUTIVE SUMMARY

The Trust Land Office (TLO) is offering to lease the mineral estate to the entire ALASKA MENTAL HEALTH TRUST (The Trust) land parcel known as the Ophir Block, an area of approximately 13,300 acres, for minerals exploration and development. The Ophir Block is located in the prolific Tintina Gold Province in the interior of Alaska approximately 36 miles west northwest of McGrath and south of the Innoko River in the Innoko Mining District.

The Ophir-Tolstoi-Innoko area has produced more than 500,000 ounces of placer gold since gold was discovered in the late 1800s. The placer gold deposits in the district are spatially related to porphyritic intrusive dikes and sills. Most auriferous hard rock occurrences discovered to date in the Ophir Block consist of quartz veins and veinlets with various combinations of arsenopyrite, stibnite and other sulfide minerals. These associations are similar to intrusive-related gold mineralization elsewhere in the Tintina Gold Province. However, the prospect geology, age of intrusive rocks, and geologic setting at Ophir is most similar in many respects to the Donlin Creek gold deposit (33.6 million ounces of gold); restoration of movement on the Iditarod Nixon Fork Fault indicates the Ophir Block and Donlin were near neighbors 70 million years ago near the time of deposit formation.

The Ophir Block represents a prime exploration target for intrusion-related gold deposits. Exploration to date by USMX and Kinross Gold has delineated highly mineralized zones that warrant further investigation to determine if an economic near-surface deposit of sufficient grade is present on the Ophir Block.

Trust Management Principles require that disposals of interest in Trust land be conducted on a competitive basis, unless it can be demonstrated that to do otherwise would be in the best interest of the The Trust. Therefore, lease applications are to be submitted and evaluated on a competitive basis as specified in Appendix B.

The Trust is a royalty owner at the Fort Knox gold mine northeast of Fairbanks, and is the major land owner for the Livengood gold prospect at Livengood, Alaska. Consequently, the TLO and The Trust are familiar with mining and are supportive of the development of mineral resources on Trust lands.

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# 1. INTRODUCTION

The Trust Land Office (TLO) manages nearly one million acres of land for the Alaska Mental Health Trust (The Trust), and is currently offering to lease all of the Ophir Block mineral estate, an area of approximately 13,300 acres, for minerals exploration and development.

The Ophir Block is located within the historic Ophir District, well known for its placer gold production. Placer gold mining in the district has been carried out on a steady basis since the start of the twentieth century with a reported production of more than 500,000 ounces of gold. The placer gold deposits in the district are spatially related to porphyritic intrusive dikes and sills. Most auriferous hard rock occurrences discovered to date in the Ophir Block consist of quartz veins and veinlets with various combinations of arsenopyrite, stibnite and other sulfide minerals. These associations are similar to intrusive-related gold mineralization elsewhere in the Tintina Gold Province. The Ophir Block is considered favorable for intrusive-related gold mineralization of the Donlin Creek type and therefore, represents a prime exploration target for this deposit type.

This prospectus describes and summarizes historical placer mining and exploration from mining companies that explored the Ophir Block, and also summarizes mineral investigation campaigns and geophysical surveys conducted by government agencies.

Data and information on which this prospectus is based comes from published works by the U. S. Geological Survey, the Alaska Division of Geological and Geophysical Surveys, the Trust Land Office and exploration data generated by mining companies that operated on the Ophir Block between 1996 and 2014. The first geologic reports and production data from the Ophir District were published over 100 years ago. It is believed that the information, conclusions, and recommendations contained in these reports are reliable, but subject to the conditions set forth herein, the TLO cannot guarantee their accuracy.

The TLO has developed a comprehensive GIS database for the Ophir Block comprised of geological, structural geological, geochemical and geophysical datasets that allows for quick access and easy comparison of complex datasets, and aids the stimulation of mineral exploration concepts. Data may be viewed at the TLO offices after signing a confidentiality agreement.

Deadline for receipt of proposals is December 29, 2015. Interested, capable parties should contact Dr. Karsten Eden, Minerals and Energy Section Chief, (907) 269-8656; email: karsten.eden@@alaska.gov; 2600 Cordova St., Suite 100, Anchorage, AK 99503 with questions or clarification of procedures.

## 2. LOCATION AND SETTING

The Ophir Block is located in the Kuskokwim Mountains in the eastern portion of the historic Innoko Mining District. The land block consists of approximately 13,300 acres and is situated in the central interior of Alaska (Figure 1), Ophir Quadrangle Map, within Sec. 34 and 35, Township 27 South, Range 12 East, and within Sec. 1-4, 9-16, and 21-28, Township 28 South, Range 12 East, Kateel River Meridian (Figure 2). The Ophir Block is located approximately 30 miles (48 km) west of McGrath, 300 miles (482 km) southwest of Fairbanks, and 240 miles (386 km) northwest of Anchorage (Figure 1).

Principal access is available by air to public and private landing strips in the Ophir Block area. A private well maintained 5,000 foot gravel airstrip exists at Ganes Creek (Figure 2) and is capable of handling C-130 Hercules or DC-6 cargo aircraft which supports bulk-fuel and freight shipments. McGrath (population of 346) is the closest commercial air transportation hub to Ganes Creek. Penn Air has a daily scheduled flight from Anchorage on Tuesday through Saturday. Tanana Air Services provides passenger and freight charter service to Ganes Creek. Northern Air Cargo provides freight services from McGrath to Fairbanks and Anchorage.

Ground access to the property is along a state maintained road from the barge staging area at Sterling Landing, on the Kuskokwim River, 20 miles downstream from McGrath. Bulk fuel and heavy equipment required for mineral exploration and mining can be transported to Sterling Landing by barge from the mouth of the Kuskokwim River at Bethel during the spring and summer months and then transported along the road system to the Ophir Block.

The Ophir Block has a limited road and trail system used by previous placer mining operations. Figures 3 to 5 show the location of the road system and past placer mining activity.

The topography varies from low to moderate relief with elevations ranging from 800 feet (245 m) in valley floors to 1,800 feet (549 m) on hill tops. Bed rock exposures are limited. Slopes vary from gentle to moderately steep. There are multiple small drainages dispersed within the Block.

Vegetation is typically open tundra and brush at higher elevations; with black spruce and muskeg on north facing slopes; birch, poplar and willows on south facing slopes; and thick willow and alder are found in the valley bottoms.

The climate of the region is subarctic with cold winters with moderate snowfall lasting from October to early May, and warm, dry summers. Winter daily minimum temperatures can be -30° F (-35 ° C) and range into the 70's (22 ° C) during the summer.

Precipitation averages around 16 inches (41 cm) annually with roughly 60 inches (152 cm) of annual snowfall. Daylight varies from approximately 20 hours to 4 hours.

### **3. LAND STATUS**

The Ophir Block mineral estate is owned by the Alaska Mental Health Trust Authority (The Trust) and managed by the Trust Land Office. The Block (approximately 13,300 acres) is located in the central interior of Alaska, Ophir Quadrangle Map, within Sec. 34 and 35, Township 27 South, Range 12 East, and within Sec. 1-4, 9-16, and 21-28, Township 28 South, Range 12 East, Kateel Meridian.

There are valid existing Alaska State mining claims within the Ophir Block which are not part of this lease offering. This lease will not convey any mineral entry rights to the existing claims. Figure 2 shows the external boundaries of the Ophir Block and existing valid Alaska State mining claims.

### **4. GEOLOGY AND MINERALIZATION**

From a geological perspective, the Ophir Block is part of the Tintina Gold Province, a 200 kilometers wide and 1,200 kilometers long arc extending from northern British Columbia into southwest Alaska (Figure 1). Within the Tintina Gold Province, large gold deposits such as Donlin Creek, Fort Knox and Pogo clearly demonstrate the fertile characteristics of this geologic environment. The unifying theme of the Tintina Gold Province (TGP) is that all gold deposits are spatially or genetically related to plutonic rocks of Cretaceous and Early Tertiary age.

The geology of the Ophir Block is dominated by Upper Cretaceous sedimentary rocks of the Kuskokwim Group (Figure 3). The Kuskokwim Group consists of flysch sequence rocks that have been intruded by NE-SW trending gold-mineralized, hydrothermally altered, granite porphyry dikes and sills.

Bundtzen and Miller (1996) describe the granite-porphyry dikes and sills that occur in elongated belts controlled by north-east trending, high-angle, regional faults. Mineralized granite-porphyry from the Ophir-Little Creek dike swarm yielded a K-Ar sericite age of 71.2 Ma (Bundtzen and Laird, 1980), the same mineralization age as the giant Donlin Creek deposit which is host to a 33.6 million ounce proven & probable gold reserve (Donlin Gold, 2012).

Kinross Gold (2014) reports that virtually all intrusive rocks encountered on the Ophir Block are intermediate composition or a quartz-feldspar porphyry and parallel to the

flysch bedding. Igneous rocks are generally highly weathered on the surface and variable altered. According to Kinross (2014), quartz-feldspar porphyry typically exhibit sericitic alteration.

Dikes and sills follow the major ridge systems; trending between N30°E and N50°E (Figure 3). The lack of deflection of dikes and shears across topography indicates that the shear and intrusions are near vertical. Review of the 2011 State of Alaska DGGs apparent resistivity data by Kinross indicated that there may be a large structure in the valley bottom of Spruce Creek trending roughly N30°E. Kinross interprets that the Spruce Creek structure could be the feeder for emplacement of the intrusions within the Ophir Block.

According to Bundtzen and Miller (1996), auriferous mineralization in the Ophir region occurs as 1) finely disseminated gold-bearing arsenopyrite and arsenate minerals in granite-porphyry, including gold-quartz replacements of primary igneous phenocrysts, 2) free gold in quartz veins in dike-country rock contact zones, and 3) stockwork-type sulfide-quartz veinlets in silicified country rocks – usually altered sandstone of the Kuskokwim Group.

Ore minerals include arsenopyrite, pyrite, complex arsenates, arsenic pyrite, stibnite and, locally, cinnabar (Bundtzen and Miller, 1996). Bundtzen and Miller (1996) and Bundtzen and Laird (1980) report that two gold arsenic-enriched prospects in a large granite-porphyry dike near the head of Ester Creek had been prospected with surface trenching and sampling. Mineralized samples contained anomalous gold, arsenic, antimony, vanadium and tungsten.

Bundtzen and Miller (1996) interpret the gold-arsenic-antimony-bearing dikes in the Ophir area to be the probable source of the placer gold mined in Ophir, Spruce, Little, and Ester Creeks, which are downslope or downstream from the mineralized dike swarms.

Modern stream and older bench placer gold deposits in the Ophir area have had a complex history. Bench gravels have been worked on Ophir, Spruce, Little and Ganes Creeks. On these creeks the benches constituted some of the richest ground, and modern stream gravels were not worked until later years (Bundtzen and Laird, 1980).

#### **4. PREVIOUS EXPLORATION**

The Ophir region has had a substantial history of placer gold production from modern stream and older bench gravels. Earlier mining activities have been discussed by Eakin (1913), Maddren (1909, 1910, 1911), Mertie (1922, 1936), Mertie and Harrington (1924), and Wimmeler (1922, 1926, 1929) and will only be summarized in a general way.

Gold was first discovered in 1906 by a party of prospectors under the direction of Thomas Ganes, below the mouth of what became known as Ganes Creek (Figure 3). Rich placers were later discovered on Ophir Creek in 1908 and by 1910 discoveries had been made on Little, Ester, Yankee, Spruce, and Dodge Creeks (Figure 3). Gold in Anvil Creek remained untouched until 1917. Total production for the area is unknown but believed to have been at least 500,000 ounces (Bundtzen and Laird, 1980).

Initially, placer deposits were mined by small-scale hydraulic operations and scraper plants (Mertie, 1936), but by 1920 a number of floating bucket-line dredges were brought into the district (Bundtzen and Laird, 1980). Reports by Roehm (1938, 1940) mention drift mining on Anvil creek.

Mining declined in the 1950s and 1960s as a result of the fixed price of gold, but the industry regained some of its former importance in the 1970s because of rising gold prices. Although gold production has fluctuated over the years, placer mining continues today on Anvil, Ophir, Spruce, Little, and Ganes Creeks, where modern mechanized placer miners use modern equipment to remove overburden and process gold-bearing gravels.

Reconnaissance geologic mapping and sampling in the Ophir area was conducted from the mid-1970s to the mid-1990s by the Alaska Division of Geological and Geophysical Surveys (ADGGS). The most notable work was carried out by Bundtzen and Laird (1980) and Bundtzen and Miller (1996).

With the discovery of the Fort Knox gold deposit near Fairbanks in the mid-1980s and especially with the discovery of the giant Donlin Creek gold deposit near Aniak in southwestern Alaska, 130 kilometers (80 miles) southwest of the Ophir Block, in the late 1980s, intrusion-related gold deposits have become an important exploration target in Alaska.

The first exploration campaign on the Ophir Block for intrusion-related gold deposits of the Donlin Creek type began in 1996. During that year, USMX, Inc. conducted geologic mapping and sampled outcrops and rubblecrops of granite porphyry sills and established and sampled 11 soil sample lines normal to the apparent trend of the igneous rocks (Thurow, 1996). A total of 900 soil samples, 36 rock samples, and 25 pan concentrate samples were collected (Thurow, 1996). A magnetometer survey was completed at 25 foot intervals on several of the soil lines, but because the work was done without a base station and daily diurnal variations were on the same magnitude as the anomalies, the results were inconclusive (Thurow, 1996).

Soil and rock samples collected by USMX were assayed for gold, silver, arsenic, antimony, and mercury and 28 other elements using ICP analysis to determine which elements would be most effective as pathfinders to mineralized intrusive rocks under the extensive cover. In rock samples, silver and arsenic showed a positive correlation



with gold values, but in soil samples only arsenic consistently correlated positively. According to Thurow (1996), gold in soil values greater than 5 ppb and arsenic values greater than 15 ppm appeared to correspond with mineralized intrusive sills where exposed, and indicated that additional sills may exist under cover trending subparallel to exposed sills in the Ester Creek – Little Creek trend.

Rock and soil sampling conducted by USMX in 1996 indicated that that gold mineralized granite porphyry sills and dikes trend across the Ophir Block, with an apparent strike length of greater than five miles.

In 2010, the Anchorage Field Office of the Bureau of Land Management (Kurtak et al., 2010) prepared the Bering Sea-Western Interior (BSWI) Resource Management Plan to provide a comprehensive framework for managing and allocating uses of public lands and resources in the southwestern portion of the State of Alaska. Kurtak et al. (2010) described the known, existing mineral resources and current resource management and identified areas of High, Medium, and Low mineral development potential in the BSWI Planning Area. Their work placed the Ophir Block in the high LMP (Locatable Mineral Potential) area.

In 2011, the State of Alaska DGGs conducted an airborne geophysical survey of the Innoko, Iditarod and McGrath Mining Districts. Interpretation of the aeromagnetic data suggests that the Ophir Block is located on the edge of the broad Beaver Creek magnetic anomaly (Figure 4). Apparent resistivity data indicates that there may be a large structure in the valley bottom of Spruce Creek trending roughly N30°E (Figure 5). The Spruce Creek structure could be the feeder for emplacements of the intrusions within the Ophir Block.

In 2013, Kinross Gold Corp conducted helicopter-supported ridge and spur soil sampling on the Ophir Block with select rock sampling of igneous rocks when present. Follow-up Can Dig CD21 mining excavator (CanDig) trenching was carried out where signs of mineralization were found. During the 2013 season, a total of 127 rock samples, 656 soil samples, and 158 samples of trenching (486 feet) were collected (Kinross Gold, 2014).

Kinross collected soil samples at roughly 300-foot (91 m) spacing along the tops of ridges. Sample lines followed the main northeast trending ridges, cross-lines were run along minor northwest trending spur ridges. The spacing of cross-lines varied from one-quarter to one-half miles, depending on topography (Kinross Gold, 2014).

In addition, igneous dikes and sills were mapped using a handheld GPS to establish the trend and extent of float. Structural measurements were taken at the few outcrops present on the block.

Follow-up trenching with a CanDig was conducted in mineralized areas. The trenches were excavated to the top of competent bedrock, in most cases, and sampled on three-

foot intervals. Rock sample results from trenching indicated that the entire width of intrusive material shows elevated gold grades across the roughly 30 foot width. Composite trench results over the entire sill width ranged from 600 ppb gold to 2.1 ppm gold (Kinross Gold, 2014). The highest individual trench sample was 15.3 ppm gold over 3 feet (Trench MHT13-11).

CanDig trench results show that two ridge systems are mineralized over significant strike lengths. Trenching intercepted mineralization of over 3,000 feet (914 m) of strike on the ridge northwest of Spruce Creek. Mineralization was encountered over a 5,300 foot (1,615 m) strike length on the ridge northwest of Little Creek. All of the mineralization encountered so far is open along strike and has the potential for the discovery of additional sub-parallel sills.

Interpretation by Kinross of the multi-element geochemical results from mineralized zones exhibited elevated Ag, Sc, and Ti. Elevated Ti and Sc values seem to be indicative of the presence of intrusive rocks.

## **6. PROPOSED EXPLORATION**

The geology, mineralization and age of intrusive rocks (+/- 70 Ma) in the Ophir region show strong similarities to the giant Donlin Creek gold deposit. Restoration of movement on the Iditarod Nixon Fork Fault indicates the Ophir Block and Donlin were near neighbors 70 million years ago near the time of deposit formation. Therefore, the Ophir Block is considered to be a prime exploration target for intrusive-related gold mineralization of the Donlin Creek type, but should not be entirely limited to this deposit type.

Exploration work for intrusive-related gold mineralization on the Ophir Block should focus on the northeast-trending fault systems that control the distribution of many of the mineralized veins and igneous rocks in the area. More trenching is recommended to primarily focus on expanding the known extent of mineralized igneous rocks and follow-up on multi-element geochemical anomalies (Ag-Ti-Sc).

The TLO has developed a comprehensive GIS database for the Ophir Block comprised of geological, structural geological, geochemical and geophysical exploration datasets that would enable an aggressive mining/exploration company to quickly progress to a drilling program.

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## 8. Illustrations

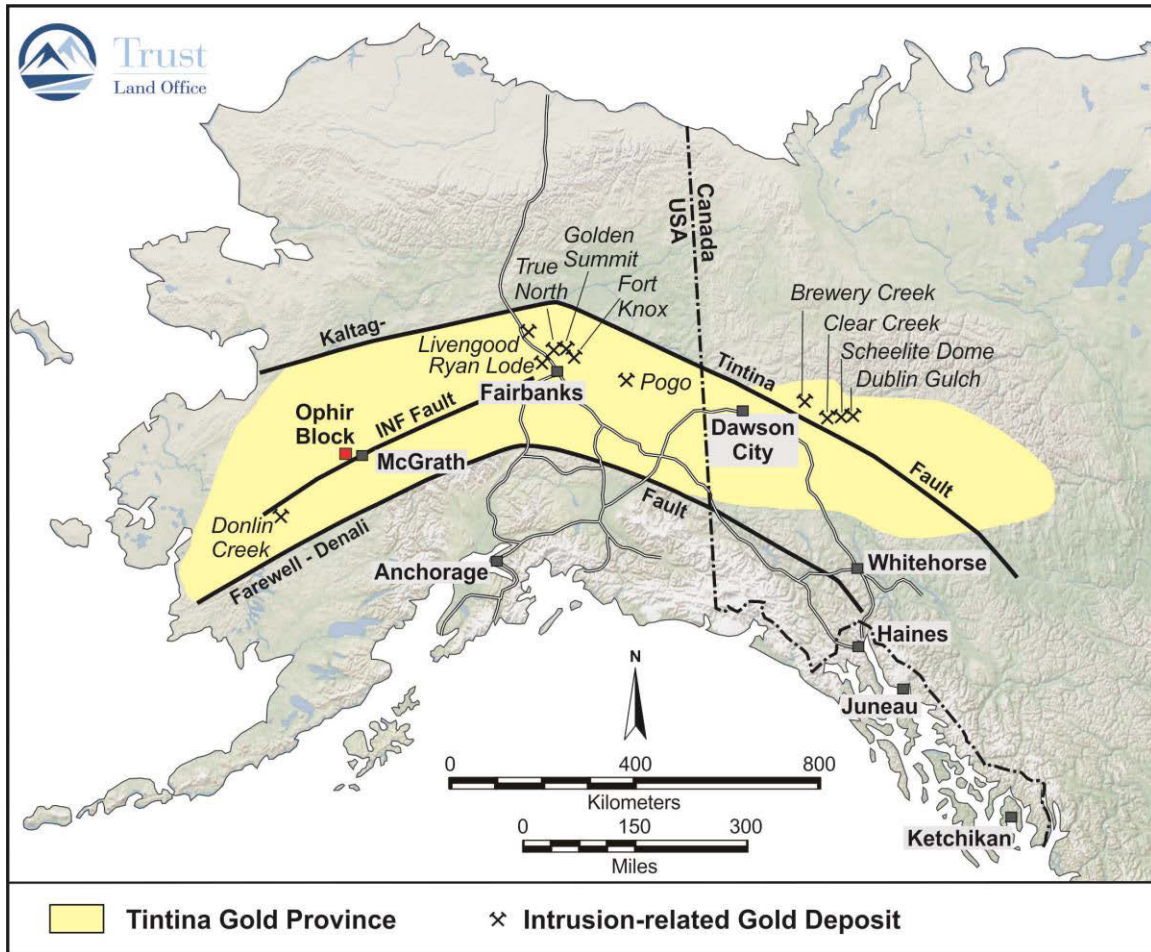


Figure 1: Location of the Ophir Block, Alaska, showing intrusion-related gold deposits in the Tintina Gold Province (TGP).

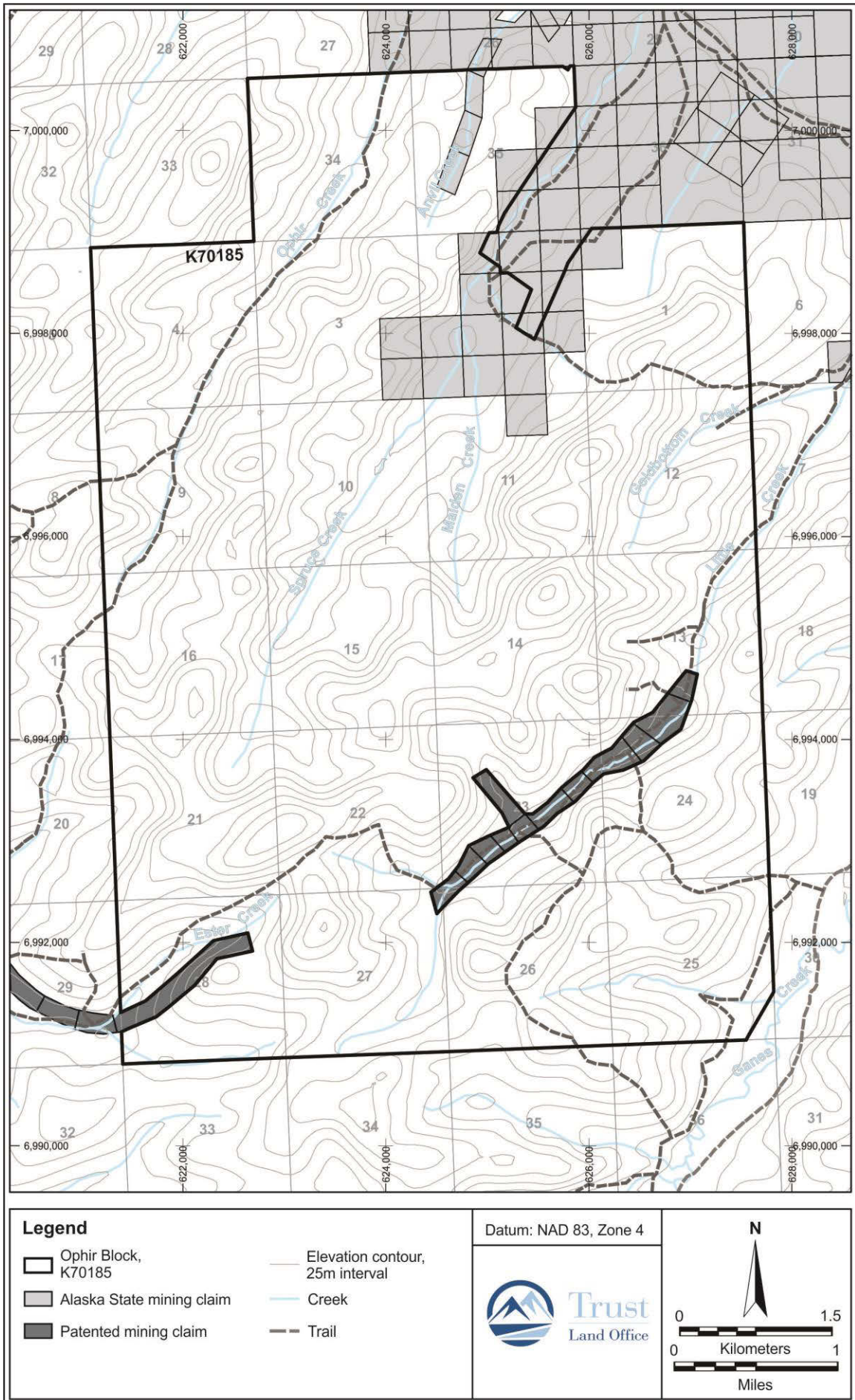


Figure 2: Existing State mining claims and patented claims within and around the Ophir Block.

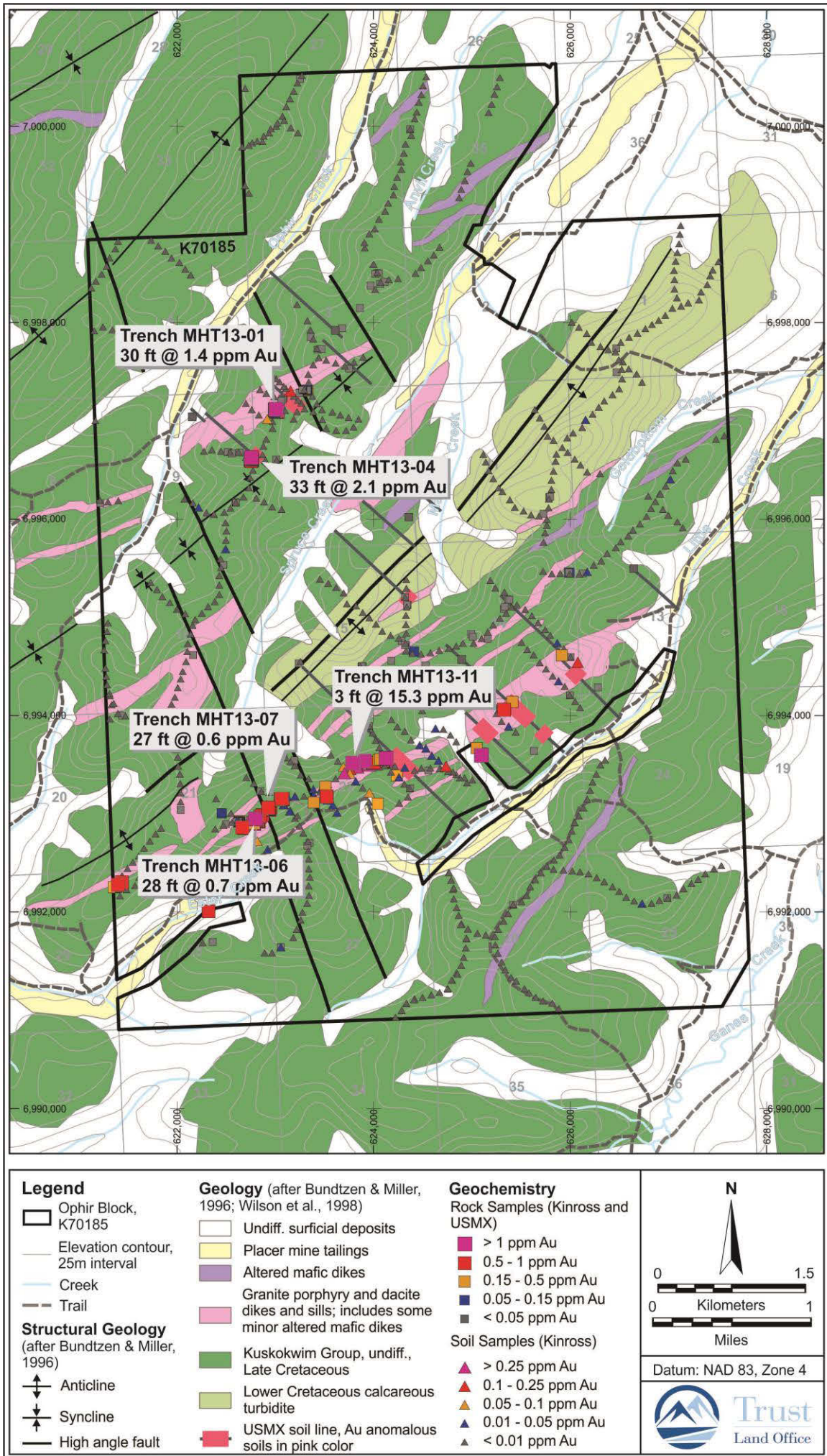


Figure 3: Geology and surface gold rock and soil geochemistry of the Ophir Block.

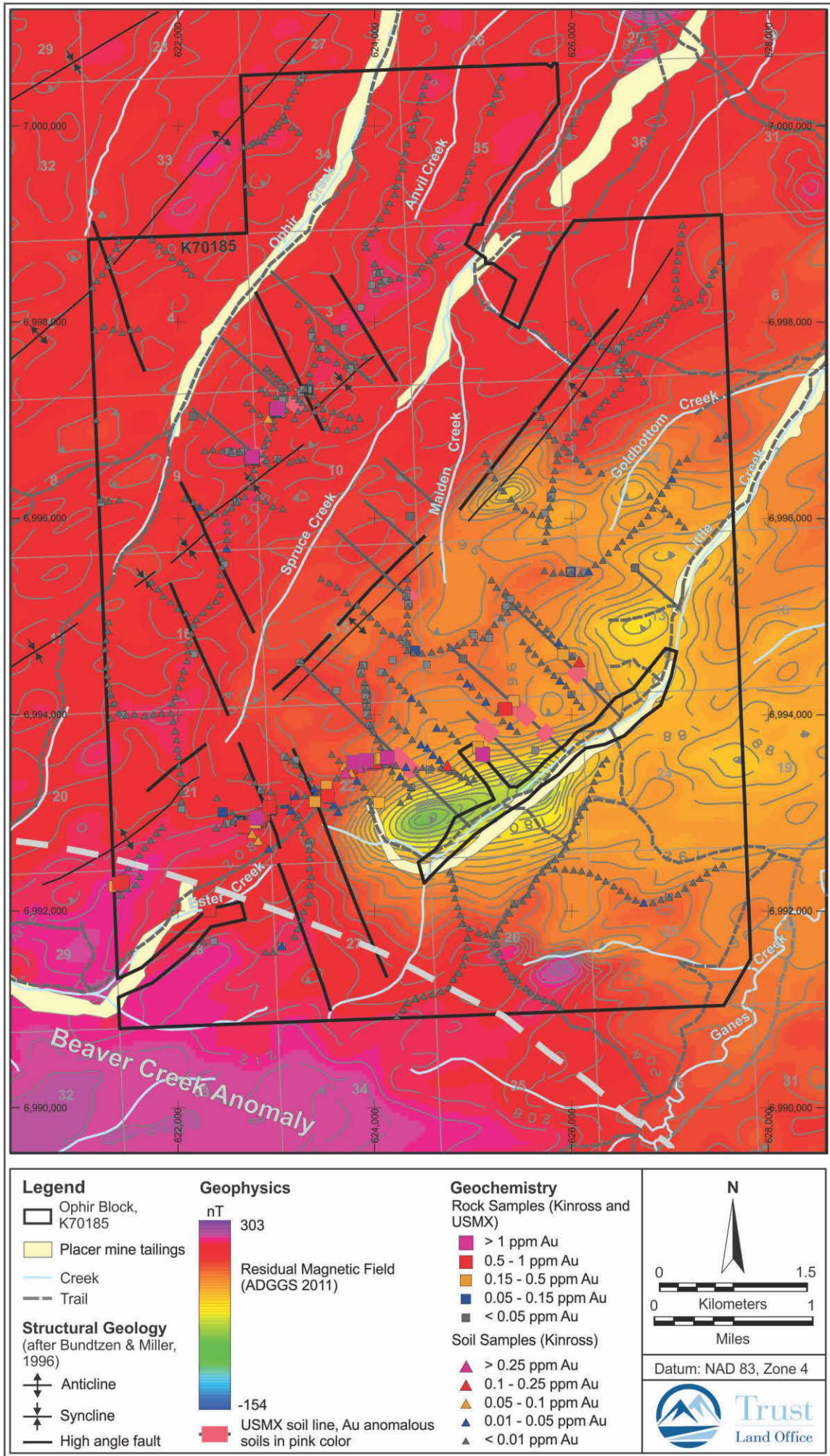


Figure 4: Residual Magnetic Field and surface gold rock and soil geochemistry of the Ophir Block.



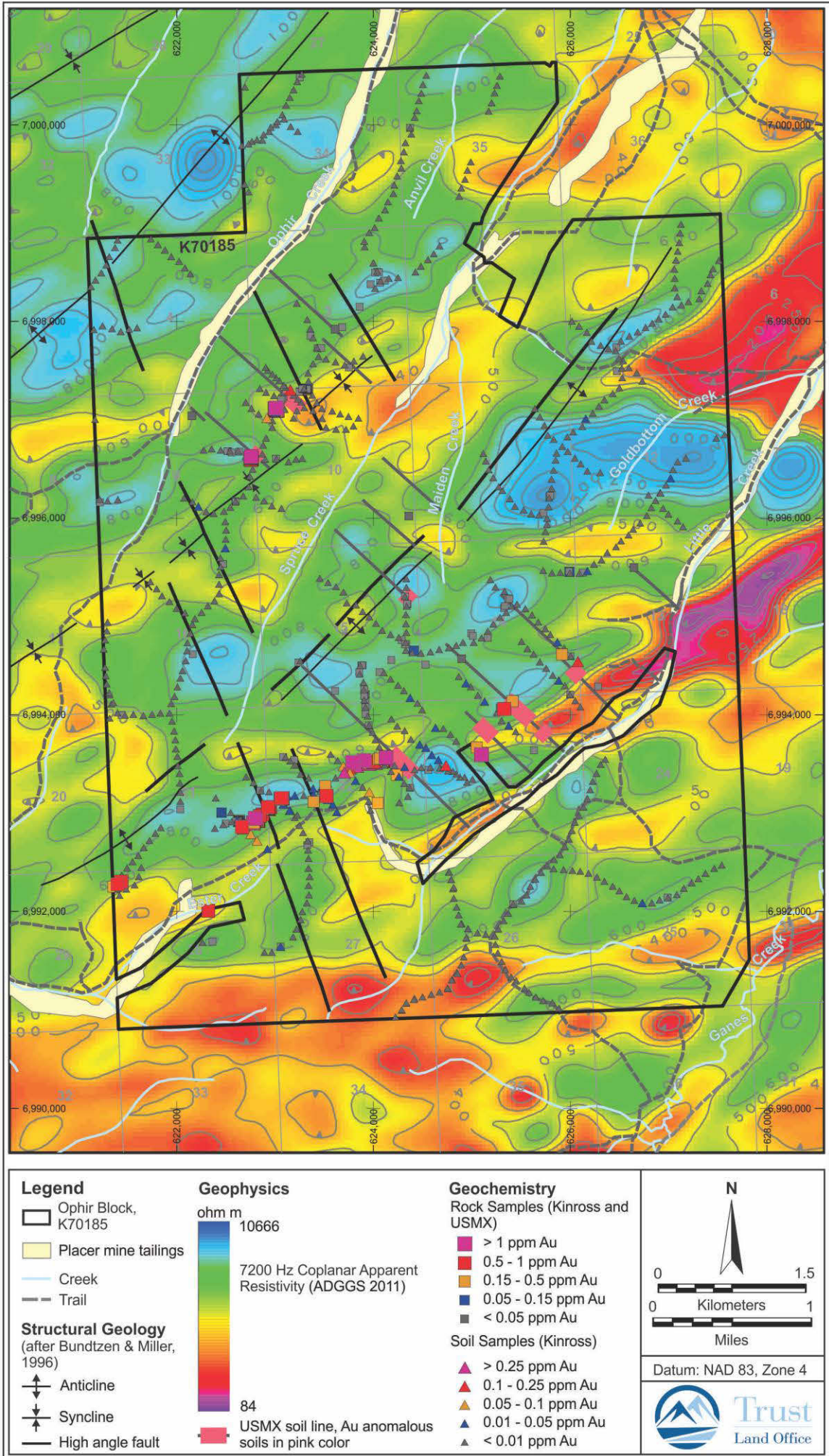


Figure 5: 7200 Hz Coplanar Apparent Resistivity and surface gold rock and soil geochemistry of the Ophir Block.

## APPENDIX A

### Background Information on the Alaska Mental Health Trust and the Trust Land Office

The Alaska Mental Health Trust<sup>1</sup> was reconstituted in 1994 through a court settlement and associated State of Alaska legislation. The Alaska Mental Health Trust Authority (The Trust), a public corporation, was established at that time and is responsible for the ongoing management of The Trust. As required by the settlement and legislation, The Trust contracts with the Alaska Permanent Fund Corporation to manage the cash corpus of The Trust and with the Department of Natural Resources (DNR) to manage the land corpus of the Trust. The Trust Land Office (TLO)<sup>2</sup> was established within DNR for this purpose and manages about one million acres of Trust land throughout the state on behalf of the Trust Authority.

It is important to understand that Trust Lands are managed separately from other State of Alaska lands, in accordance with regulations adopted in 1997. The regulations provide that Trust Lands are managed solely in the best interest of the Alaska Mental Health Trust and its beneficiaries and among other things, require that the TLO:

- Protect and enhance the long-term productivity of Trust Land;
- Maximize long-term revenue from Trust Land;
- Encourage a diversity of revenue-producing uses of Trust Land; and
- Manage Trust Land prudently, efficiently and with accountability to the Trust and its beneficiaries.

In addition to the adopted regulations, the TLO manages Trust Land in accordance with a long-term asset management strategy, which was adopted by the TLO in 2003 and made part of the Trust's overall Asset Management Policy Statement that same year.

Resource categories managed by the TLO include coal, gas, materials, minerals, oil, real estate and timber. The TLO generates revenues from Trust land through a variety of methods including sales, long-term leases and short-term land use licenses. Trust land transactions are competitive, unless it is clearly in the best interest of The Trust to engage in negotiated transactions. Revenues generated from Trust land management are used by the Trust Authority to improve the lives and circumstance of Trust beneficiaries throughout the state of Alaska. Contact information for the TLO is:

**Dr. Karsten Eden** – Minerals & Energy Section Chief  
**Trust Land Office**                      **Tel:** 907-269-8658  
2600 Cordova St., Suite 100          **Fax:** 907-269-8905  
Anchorage, AK 99501                  **Email:** karsten.eden@alaska.gov

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<sup>1</sup> <http://www.mhtust.org>

<sup>2</sup> <http://www.mhtrustland.org>

## **APPENDIX B**

### **TLO Associated Lease Documents**

**The Alaska Mental Health Trust Authority**  
**Trust Land Office**  
2600 Cordova Street, Suite 100  
Anchorage, Alaska 99503

**LEASE BROCHURE**  
**Ophir Competitive Lease Offering**

**Item for Lease:** A three year renewable mineral lease is being offered for mineral estate owned by the Alaska Mental Health Trust Authority (The Trust) and managed by the Trust Land Office (TLO). The Area of Interest is referred to as the Ophir Block<sup>3</sup>. The Block (approximately 13,300 acres) is located in the central interior of Alaska, Ophir Quadrangle Map, within Sec. 34 and 35, Township 27 South, Range 12 East, and within Sec. 1-4, 9-16, and 21-28, Township 28 South, Range 12 East, Kateel Meridian. The mineral ownership is more thoroughly described in Appendix C.

The term of the lease will be three (3) years and may be renewed for up to two (2) consecutive terms and then held by production. It will be issued following the completion of the procedures outlined herein.

**Purpose:** The purpose of this lease offering is to secure binding commitments to explore all of the offered area and provide for certain terms and conditions for development in the event that economically viable mineral deposits are discovered.

**Desired Result:** The long term economic benefits of entering into this lease for The Trust include increased mineral exploration, decreased speculation, increased potential for development of Trust mineral resources, agreements consistent with current industry standards and Trust management principles, agreements with viable business partners, and the collection of mineral data on Trust lands.

**General Lease Terms:** Substantially the same as described in the General Lease Terms-Ophir Block.

**Format of Lease Process:** Prospective lessees must submit a completed Lease Application for all of the available acreage in the Ophir Block. The TLO will open the application packages on the date designated in this brochure. If there is only one applicant a lease will be issued pursuant to the General Lease Terms-Ophir Block, provided all other requirements are met by the prospective applicant. In the event there is more than one applicant, the TLO will notify each of the applicants within 2 days of opening of the application packages. Those applicants will be given the opportunity to offer bonus bids for all the acreage. Bids will be on a per acre basis and will be due within 7 days of notification by the TLO. The lease will be awarded to the highest qualified bidder.

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<sup>3</sup> MHT Parcel K70185

**Lease Applications Due By: 4:30 pm on December 29, 2015**

**Lease Requirements:** The lease will be offered by sealed lease application. All participants must submit the following items:

- A completed Application for Mineral Lease with \$500.00 application fee (check payable to the Alaska Mental Health Trust Land Office)
- A completed Business Questionnaire.
- The documentation requested in the Qualification of Applicants.
- A **separate certified check or money order** for \$13,300 -- deposit to be applied toward first year's Annual Rental of \$26,600. The check or money order should be made payable to the Alaska Mental Health Trust Land Office.

Enclose the completed forms along with a **certified check or money order for \$13,300** in a sealed envelope. On the outside of the sealed envelope clearly print or type the name, address and telephone number of the applicant. Label the envelope: "Ophir Block Competitive Mineral Lease, 2015".

Completed lease applications may be delivered or mailed to the Mental Health Trust Land Office, 2600 Cordova Street, Suite 100, Anchorage, AK 99503. The application packages must be received by **4:30 pm December 29, 2015**. **Packages received after the deadline will be rejected and returned unopened. Incomplete packages will be rejected.**

**Opening of Sealed Applications:** Lease packages will be opened at **9:00 am January 4, 2016**, at the Trust Land Office located at 2600 Cordova Street, Suite 100, Anchorage, Alaska 99503.

**Questions:** Questions regarding information contained in this package can be directed to Dr. Karsten Eden at (907)-269-8656 or e-mail [karsten.eden@alaska.gov](mailto:karsten.eden@alaska.gov).

**Awarding and Issuance of the Lease:** The lease will be awarded according to the process described above to the applicant (if only one application was received) or the successful bidder (where multiple applications were received) as soon as the general conditions referenced below are met. The lease award will be subject to cancellation if the general conditions have not been met within 14 days of notification from the TLO of intent to award a lease. In the event of cancellation for this reason, if more than one application was received, the lease will be awarded to the bidder with the next highest bonus bid until the lease is awarded. The next highest bidder will be given two weeks from date of notification to meet the general conditions to the satisfaction of the TLO.

## **IMPORTANT NOTICE**

ANY APPLICANT AWARDED A LEASE AUTOMATICALLY SURRENDERS THEIR DEPOSIT AND ENTIRE BID AMOUNT (IF APPLICABLE) TO THE TRUST.

**General Conditions:** The successful applicant must provide: (1) a certified check for the remainder of the first year's annual rental, (2) a performance guarantee in the amount of \$25,000 (which is subject to adjustment depending on the proposed activities for the site) and (3) a Certificate of Insurance from a carrier that is on the state's admitted list or surplus lines list verifying that the required insurance coverage is in place.

### **Right to Cancel:**

The TLO reserves the right to reject any and all applications and/or bids, and to cancel this lease offering at any time. In the event that this lease offering is cancelled for any reason, including public comments, all lease applications will be returned.

The Alaska Mental Health Trust Authority

**Trust Land Office**

2600 Cordova St., Suite 100  
Anchorage, Alaska 99503

**GENERAL LEASE TERMS**

The TLO will lease to LESSEE the lands as described under **Item for Lease** in the Lease Brochure. The following paragraphs generally outline the terms of a proposed lease:

1. Acreage will include the entire 13,300 acres. LESSEE, subject to approval by the TLO [which will not be unreasonably withheld] may relinquish up to 20% of the acreage annually by providing the TLO with written notice of, and justification for, the proposed relinquishment sixty (60) days prior to the lease anniversary date, or by December 15 of each year, whichever is earlier. The TLO will review the request and respond in writing within forty-five (45) days as to whether the request will be granted and if not, what modifications will need to be made to the request for it to be acceptable to the TLO. The lease can be reduced in size through relinquishments to a minimum of 2,560 acres.
2. The lease will grant LESSEE the right to explore for and mine locatable minerals on the described Trust Land. Any land used for mineral recovery processes, overburden storage, and tailings deposition will be negotiated under a separate Mill Site Lease.
3. The Initial Term of the lease will be for three years with an option to renew the term for two, three year extensions. Thereafter, the lease may only be maintained by continuous production, unless extended as provided for in Paragraph 3.
4. LESSEE agrees to pay annually, commencing on the execution of the lease to the TLO, the following Annual Rental (initial per acre charges are based upon the full 13,300 acres:
  - a) Annual Rental shall be established at \$2.00/acre for years 1-3, \$6.00/acre for years 4-6, and \$10.00/acre for years 7-10. The rental for each year shall be credited against the production royalty as it accrues for that year.

The obligation of LESSEE to make the Annual Rental payments shall cease upon the termination or expiration of the lease.

In the event that commercial production begins but is later suspended, Lessee may extend the Lease by paying 50% of the previous year's production royalty, or the Annual Rental, whichever is greater.

In the event that production is not occurring by the end of the third term, the lease may be extended by paying a flat annual fee of 125% of the last rate paid for Annual Rental, unless LESSEE is not diligently pursuing development of the lease, in which case the lease can be terminated at the TLO's discretion.

5. As additional consideration for the lease, LESSEE will make certain annual exploration and/or development expenditures on, or directly related and beneficial to, the land subject to this lease during its term which shall not extend past nine (9) years except as provided for herein. The work commitment schedule is as follows:

- a) Years 1-3           \$ 20.00 per acre per year
- b) Years 4-6           \$ 50.00 per acre per year
- c) Years 7-9           \$ 100.00 per acre per year

If the lease is extended beyond Year 9, further work commitment requirements will be negotiated. The requirement for incurring annual exploration and/or development expenditures will terminate once commercial production is achieved.

If LESSEE incurs work expenditures in excess of the amount required for any lease year, the excess shall be carried forward and applied against future work expenditure requirements. Within 90 days after the end of each lease year, LESSEE shall deliver an itemized report to the TLO detailing the total expenditures incurred by LESSEE during that lease year. If LESSEE fails to incur expenditures in a timely manner in the amount required for any lease year, LESSEE may deliver to the TLO, simultaneously with the itemized report which establishes that LESSEE so failed or within fifteen (15) days after it is later established that LESSEE so failed, a payment equal to the difference between the amount of expenditures required to have been incurred in order to keep this lease in full force and effect and the amount of expenditures actually incurred. If such payment is timely made, LESSEE shall be deemed to have satisfied the particular expenditure requirement for which such payment was made and this lease shall continue in full force and effect; if such payment is not timely made, this lease shall terminate effective the day after such payment was due.

6. Unless otherwise agreed, and upon commencement of production, LESSEE shall pay to TLO a production royalty for lode gold substantially the same as the schedule outlined below. Net royalty terms for placer gold and all other commodities such as copper, zinc, and silver will be negotiated prior to issuance of a lease.

Royalty is payable quarterly, with payment for all lots settled due by the 15<sup>th</sup> day of the first month of the following calendar quarter, ie. April 15<sup>th</sup> for the months of January, February, and March.

Net Royalty (NR) on lode gold smelter lots settled during the first sixty months of production, shall be indexed to the price of gold according to the following gold price ranges:

<u>Price of Gold (per ounce)</u>	<u>Net Royalty</u>
Below \$300.00	1.0%
\$300.01 – 500.00	1.5%
\$500.01 - 700.00	2.0%
\$700.01 - 1000.00	2.5%
above \$1000.00	3.0%



Net Royalty (NR) due for lode gold smelter lots settled after the first sixty months of production, shall be indexed to the price of gold according to the following gold price ranges:

<u>Price of Gold (per ounce)</u>	<u>Net Royalty</u>
\$300.00 and below	1.0%
\$300.01—500.00	2.0%
\$500.01—700.00	3.0%
\$700.01—1000.00	3.5%
Over \$1000.00	4.5%

Placer gold deposit royalties will be negotiated separately.

“Start of Production” is defined as the month in which the first gold doré is produced.

- a) Net Royalty shall be determined in the following manner:
- i) In the case of gold processed by a refinery, an amount equal to a percentage determined from the table above, multiplied by the number of ounces credited to LESSEE by the refinery on the Final Settlement Date (as defined below) multiplied by the price per ounce as given in the London P.M. fixing as published in The Wall Street Journal for the first business day following the Final Settlement Date (which amount shall be deemed to have been received by LESSEE), less Allowable Deductions (as defined below).
  - ii) In all other cases, the percentage referenced above of the actual amount received by LESSEE from the purchaser of the ores, minerals, or other products; or, if such ores, minerals, or other products are deemed to be sold, an amount equal to the market value thereof f.o.b. the plant producing the same (which amount shall be deemed to have been received by LESSEE), less Allowable Deductions (as defined below).
- b) “Allowable Deductions” means, to the extent borne or to be borne by LESSEE:
- i) charges for transportation of doré to the place of sale,
  - ii) insurance and security costs during transportation, smelting, refining and final settlement of the shipment,
  - iii) Lessee’s refining and treatment charges, and
  - iv) Lessee’s representation, assaying, and umpire costs and fees.

If doré is deemed to have been sold, Allowable Deductions shall include amounts representing the items enumerated above to the extent that they would have been borne by LESSEE had the doré actually been sold.

“Allowable Deductions” for mineral products other than doré will be negotiated separately.

- c) "Final Settlement Date" means the date on which refined gold is out-turned to LESSEE's account at the refinery.
7. LESSEE cannot apply exploration incentive credits, as defined in AS 27.30.010, to production royalties from Alaska Mental Health Trust Lands.
8. LESSEE is encouraged to practice concurrent reclamation to the maximum extent practicable. Within one year after it has ceased all activities and operations under the lease or after the termination or expiration of the lease, LESSEE shall have commenced reclamation as required by existing federal, state and local laws and agreed to by LESSEE and the TLO.
9. LESSEE shall submit an annual plan of operations for the upcoming season by April 1 of each year for review and approval by the TLO. The TLO's approval will not be unreasonably withheld, nor will it be construed to have satisfied any regulatory or other requirements that may be associated with the proposed operations. By January 31 of each year, LESSEE will submit an annual report which describes activities of the recently completed field season, and which shall contain at a minimum the following:
- a) Maps showing all leased land subject to field investigation, all land survey data, all geological, geophysical and geochemical survey data, drill hole locations and all other sample sites. These maps will be of appropriate scales sufficient to accurately locate all sites and show all details relevant to the interpretation and evaluation of the information presented.
  - b) Actual routes of overland vehicular travel and location of all camps depicted on a USGS topographic map, scale of 1:63,360 (1 inch = 1 mile) or larger.
  - c) A description of all clean-up activities and methods and location of debris disposal.
  - d) A report covering any known incidents of damage to the vegetative cover and follow-up corrective actions that may have taken place while operating under this Lease.
  - e) Copies of all geological, geochemical and geophysical data and information collected as a result of the Lease operations together with any written reports, compilations, descriptions of said data and information prepared in the normal course of the Lessee's evaluation of the data and information collected. LESSEE shall also provide to the TLO the results of any interpretations that LESSEE has developed based on the information collected as a result of the permitted operations; provided that LESSEE shall not be obligated to provide the details of any proprietary or confidential interpretive methods; and further provided that the LESSEE makes no representations and shall have no liability for the accuracy of such interpretations nor any reliance thereon by the TLO.
  - f) All data obtained from any non-public source regarding the lands, provided LESSEE is not precluded by agreements, law or regulation from conveying such data.
  - g) All data will be kept strictly confidential by the TLO during the term of this Lease (including any extensions) as provided in AS 38.05.035 unless otherwise specified, in writing, by the Lessee.
  - h) In addition to the above information, the Lessee will make available for copying at the TLO's request all raw geological, geochemical, and geophysical data, including but not limited to, field notes, observations, drill hole logs, geochemical analyses and assays, and geophysical data developed by the Lessee under this Lease. This raw data may be provided

- in such paper or digital formats as may be reasonably requested by the TLO. The Lessee will also make available, at the TLO's request and at the TLO's expense, access to all samples, including but not limited to drill core and/or cuttings which resulted from any activities performed under this Lease. All splits of drill core requested by the TLO will be provided by the Lessee from portions previously collected and stored and not required for further analysis. The TLO will be responsible for the shipping, handling and TLO storage costs of splits. Upon termination of the lease, all core samples will be made available by LESSEE.
- i) Information regarding exploration activities conducted within 2,640 feet of the leased lands, information attributable to lands that are used to satisfy work commitment obligations under Section #4 above, and non-interpretive data associated with said exploration, providing the LESSEE is not precluded by agreements, law or regulation from conveying such data.
10. LESSEE shall keep the TLO apprised when field operations are taking place and shall provide TLO staff with reasonable opportunities to observe field operations. LESSEE shall be charged a fee (11 AAC 05.010(7)(m)) for an inspection of the lease area once per year. Fees charged by the TLO will not exceed \$500.00 and may include time, travel and per diem expenses incurred by a TLO staff member or TLO contractor. When practical, LESSEE will make space available, on LESSEE or LESSEE contracted transportation services to the site, to a TLO staff member or TLO contractor.
  11. LESSEE will not be permitted to assign its interest in the lease, in whole or in part, or form a joint venture or other business arrangement with another party, or otherwise encumber the lease without the prior written permission of the TLO, which will not be unreasonably withheld. At a minimum the TLO will require the following before approving any assignment or other business arrangement:
    - a) The assignee is technically and financially qualified to assume full responsibility for the lease;
    - b) In the event that Lessee desires to assign its interest in the lease, LESSEE will pay an assignment fee to the TLO based on the royalty percentage (see table in Section 5) in effect at the time of the assignment approval. For example, if LESSEE assigns its interest in the lease (pre payback) for \$100,000 in value or "in kind", and the price of gold at the time is \$425/oz., then the TLO will receive \$1,500 or 1.5% of the value received by LESSEE.
    - c) In the event that LESSEE assigns a portion of its interest or forms a joint venture or other business arrangement with another party, the LESSEE will not be granted permission to encumber the lease with any additional royalty interests of any type.
    - d) LESSEE will remain responsible for lessee actions prior to the effective date of the assignment.
  12. To the extent owned by The Trust, materials, including rock, stone, gravel, sand, and other similar materials, but excluding locatable minerals, that are situated within the lease area and are used for mine development on the Leased Area (such as in the construction of roads, building pads, etc.) may be used without charge.

13. LESSEE will represent and warrant at a minimum that:
  - a) The completed business questionnaire (attached) is a true and accurate effective as of the date of the lease;
  - b) It has the capacity to enter into and perform the obligations under the lease and all transactions contemplated therein, and all corporate and other actions required to authorize it to enter into and perform the lease have been properly taken;
  - c) It will not breach any other agreement or violate any law or regulations by entering into or performing under the terms of the lease; and
  - d) The lease has been properly authorized and duly executed and delivered by it and is valid and binding upon it in accordance with the terms, including the representations and warranties set forth therein.
  
14. LESSEE will have the duty to defend and indemnify both the TLO and Alaska Mental Health Trust Authority, and hold them harmless against all liability for any and all injury to or death of person or damage or loss of property, resulting or arising out of LESSEE's operations under the lease. Standard insurance limits mandated by the State of Alaska will be required to be in place at the time of lease signing.
  
15. Termination, revocation, or expiration of the lease shall not affect the liability assumed or the indemnity given by LESSEE with respect to acts taken pursuant to the lease.
  
16. LESSEE shall have in place at all times during the term of the lease a bond that (1) meets the requirements of AS 27.19.010 - 29.19.100, 11 AAC 97, and the Reclamation Plan, (2) is for an amount, as determined and adjusted from time to time under the Reclamation Plan, equal to the estimated cost of performing all accrued but not yet satisfied obligations under the Reclamation Plan, and (3) secures Lessee's performance of such accrued but not yet satisfied obligations under the Reclamation Plan.
  
17. An Area of Mutual Interest (AMI) will extend two miles from the exterior boundary of the Ophir Block (parcel K70185). Production from any claims staked within this AMI will be subject to a 2% NR.



**Trust**  
**Land Office**

**2600 Cordova St., Suite 100  
Anchorage, AK 99503**

Phone: (907) 269-8658

FAX: (907) 269-8905

**APPLICATION FOR MINERAL LEASE**

Under the provisions of AS 38.05.801 and 11 AAC 99.100, the undersigned applicant(s) apply for a Mineral Lease of the land described in Section 2 below. The undersigned applicant(s) certify that the information provided in this application is true, accurate and complete, and that the applicant(s) listed in Section 3 of this application are qualified to hold an interest in a lease to the same extent required under 11 AAC 82.200 and 11 AAC 82.205, or have included the required documents and information for qualification with this application, and have signed this application. The undersigned applicant(s) hereby: (1) authorize the person identified in Section 1 below to act as their designated agent for receipt of all notices and all communication with the Trust Land Office concerning this application; (2) acknowledge that in the event of overlapping applications, the successful applicant will be determined through a competitive bid process; and (3) acknowledge that the TLO can reject any and all applications in the event that it is determined to be in the best interest of the Trust to do so.

**SECTION 1: Applicant(s)**

**Name:** \_\_\_\_\_ **Designated Agent:** \_\_\_\_\_

Physical Address \_\_\_\_\_ Mailing Address \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Telephone: \_\_\_\_\_ Fax(optional): \_\_\_\_\_

E-mail (optional): \_\_\_\_\_

*The designated agent will be the only point of contact for official correspondence between the state and the applicants during the application process.*

**SECTION 2: Land requested in the Application (describe by section, township, range, and meridian – insert “All Available Acreage” for this application)**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**This application must be typewritten or printed in ink and be accompanied by the \$500.00 filing fee, payable to Alaska Mental Health Trust Land Office.**

**MINERAL LEASE APPLICATION FORM (continued)**  
**SECTION 3: Applicant(s)**

<b>% of Lease Interest</b>	<b>Name of Applicant</b>	<b>Authorized Signature</b>	<b>Date</b>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

*All persons (including corporations and associations) who will receive an interest, by virtue of any agreement or understanding, oral or written, in a Mineral Lease issued on the basis of this application, must be identified as an applicant in this section and provide an authorized signature. Each applicant must be qualified to hold an interest in a lease to the extent required under 11 AAC 82.200 and 11 AAC 82.205, or have included the required documents and information for qualification with this application. The lease-interest percentages listed in this section must be represented by numbers with the fractional interest carried out to no more than five decimal places. The total of all lease-interest must equal 100.00000percent.*

Shaded Area is for Official Use Only

(1) Application received:

Date: \_\_\_\_\_

Time: \_\_\_\_\_

By: \_\_\_\_\_

MHT \_\_\_\_\_

Title: \_\_\_\_\_

(2) When General Conditions for Lease Issuance were met:

Date: \_\_\_\_\_

Time: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

**The Alaska Mental Health Trust Authority**  
**Trust Land Office**  
2600 Cordova St., Suite 100  
Anchorage, Alaska 99503

**BUSINESS QUESTIONNAIRE**

This form is to be completed by individuals and organizations submitting a proposal to the Mental Health Trust Land Office. It is to be completed to the full knowledge of the authorized representative of the applicant.

Please explain any omissions and use additional pages where appropriate.

1. Name of individual completing proposal form:

Name \_\_\_\_\_

Title \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

Telephone Number \_\_\_\_\_

2. Entity submitting proposal:

Entity Name \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

Telephone Number \_\_\_\_\_

3. Type of Organization:

Individual \_\_\_\_\_ Business \_\_\_\_\_

Tax Exempt Corporation \_\_\_\_\_ General Partnership \_\_\_\_\_

Limited Partnership \_\_\_\_\_ Other (explain) \_\_\_\_\_

4. Place of incorporation

\_\_\_\_\_

How long has it been in business? \_\_\_\_\_

Was it ever organized under another name? Yes \_\_\_\_\_ No \_\_\_\_\_. If yes, please explain: \_\_\_\_\_

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5. List major stockholders and affiliated entities. An entity shall be considered affiliated with another if it controls, is controlled by or is under common control with the corporation.

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6. List present business activities:

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7. List three credit references:

Name/address	telephone #	contact person
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_____	_____	_____
_____	_____	_____
_____	_____	_____

8. List three business references with which entity has done business in the last three years. (References may be contacted by the MHTLO).

Name/address	telephone #	contact person
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_____	_____	_____
_____	_____	_____
_____	_____	_____



9. Specify sources of capital for this project:

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10. List and describe your previous projects that are similar in nature and scope to the proposed use of this property:

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11. Has entity submitting proposal or any affiliated entity ever filed a petition for bankruptcy, been adjudicated bankrupt or made an assignment for the benefit of creditors?

Yes \_\_\_\_\_ No \_\_\_\_\_

If Yes, please explain, including dates:

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12. Is entity submitting proposal or any affiliated entity now in default on any obligation, or subject to any unsatisfied judgment or lien? Yes \_\_\_ No \_\_\_ If Yes, please explain:

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13. Has entity submitting proposal or its contractors ever been served with a notice of violation of laws or regulations applicable to the proposed business activity?

Yes \_\_\_\_\_ No \_\_\_\_\_. If yes, please explain:

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Please submit the following items as part of this questionnaire

1. Copy of current Alaska business license.
2. Designation of signatory authority for this contract or assignment. Include corporate resolution (or appropriate documents) authorizing signatory authority.
3. Most recent corporate annual financial report.

NOTE: IF REQUESTED, FINANCIAL INFORMATION OF UNSUCCESSFUL APPLICANTS THAT IS SO MARKED WILL BE KEPT CONFIDENTIAL AND RETURNED.

I HEREBY CERTIFY that the information contained herein is true to the best of my knowledge.

Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ACKNOWLEDGMENT**

STATE OF ALASKA )  
 ) ss.  
\_\_\_\_ JUDICIAL DISTRICT )

THIS IS TO CERTIFY that on this \_\_\_\_ day of \_\_\_\_\_, 201\_\_\_\_ before me, the undersigned Notary Public, in and for the State of Alaska, duly commissioned and sworn as such, personally appeared \_\_\_\_\_

as the \_\_\_\_\_

of \_\_\_\_\_

a (corporation, general partnership, etc.) \_\_\_\_\_ organized and existing under the laws of the State of Alaska, and who acknowledged to me that he/she executed the within and foregoing Agreement on behalf of said, as the voluntary act and deed of said \_\_\_\_\_ for the uses and purposes therein mentioned.

WITNESS my hand and official seal the day and year herein and above written.

\_\_\_\_\_  
Notary Public in and for Alaska  
My Commission Expires:

## QUALIFICATION OF APPLICANTS

In addition to completion of the business questionnaire, all applicants must submit the following:

### 1. Individual

- a. In the case of a person, an original, signed and dated statement including the bidder's name, current address, telephone number, e-mail address (if used) and a certification that the bidder is of the age of majority; or
- b. In the case of a guardian, trustee, or other legal representative of a person, a certified copy of the court order authorizing the representative to act in that capacity and to fulfill on behalf of the person all obligations arising under the lease and the representative's certification of the age of the person and the representative;

or

- c. In the case of an agent acting on behalf of an individual, an original or certified copy of a notarized power of attorney authorizing the agent to act on behalf of the individual.

### 2. Corporation

- a. The current name, address, phone and fax number of the corporation. Bidders are also asked to provide e-mail addresses;
- b. A list of the individuals authorized to act on its behalf with respect to the bid;
- c. An original or certified copy of a notarized power of attorney authorizing any agent who is not a current officer but who has been authorized by the corporation to act on its behalf with respect to the bid;
- d. A current Certificate of Compliance for a corporation qualified to do business in Alaska or, if qualifying to do business in Alaska and qualifying for a lease sale for the first time, either:
  - (1). A Certificate of Authority for a foreign corporation qualified to do business in Alaska (a foreign corporation is a corporation incorporated outside Alaska), or
  - (2). A Certificate of Incorporation for a domestic corporation qualified to do business in Alaska.

The Alaska Certificate of Compliance provides written proof that the corporation has paid all taxes, complied with all applicable laws and thus remains qualified to do business in the state. It remains the bidders responsibility to assure that the required certificate is filed with the TLO.

The required Alaska Certificate of Compliance, Certificate of Authority, or Certificate of Incorporation, must be requested from the Alaska Department of Commerce, Community and Economic Development, (DCC&ED). For information on obtaining a certificate, write the Division

of Corporations, Business and Professional Licensing<sup>4</sup>, 550 W. 7th Avenue, Suite 1940, Anchorage, Alaska 99501 or call (907) 269-8140. Upon proper application, the DCC&ED will issue the requested certificate. Please allow 3 weeks for the processing of the certificate.

**3. Partnership, joint venture, or other unincorporated association**

- a. A statement describing the business relationship between the members of the association, joint venture or partnership; and
- b. The documents required for individuals or corporations for each participant as appropriate.

To qualify, the appropriate information and documents must be submitted to or on file at the TLO. It remains the applicant's responsibility to assure that all qualification requirements are fulfilled. Failure to provide the TLO with any of the above required documents or information may result in disqualification and the rejection of any applications or bids submitted.

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<sup>4</sup> <http://www.commerce.state.ak.us/occ/>