Memorandum

To: Chris Cooke, Chair of the Board of Trustees
Through: Mike Abbott, Chief Executive Officer
From: Wyn Menefee, Executive Director
Date: January 20, 2021
Subject: January 7, 2021 – Resource Management Committee Meeting

The Resource Management Committee met on January 7th, 2021, received a brief update of key TLO activities from the Executive Director Report. The committee was scheduled to receive one (1) Approval and one (1) Consultation presented by TLO staff. Ultimately, due to lack of time, the consultation was not presented and pushed to the April RMC.

Board Action Requested:

**MOTION 1:** “The Alaska Mental Health Trust Authority board of Trustees approve the proposed action Option 1 to fund the 2021 Icy Cape Gold and Industrial Heavy Minerals Project from the Trust Land Office Development Account (TLODA) with $10M. These funds do not lapse. This approval includes the associated development and cost recovery plans for Option 1 included in the materials presented at the January 7, 2021 Resource Management Committee.”

**MOTION 2:** “The Alaska Mental Health Trust Authority board of trustees authorize the CFO to transfer funds from the budget reserves to the TLODA as required to fund this approved 2021 Icy Cape Gold and Industrial Heavy Minerals exploration budget and distribute to the TLO as required.”

Meeting Summary:

Approval Item 1 – 2021 Icy Cape Gold & Industrial Heavy Minerals Project

The RMC received a presentation on this approval item and the board approved the recommended motion for funding Option 1 as described in the RMC packet from January 7th. This approves $10 million to further exploration efforts on the Icy Cape Gold and Industrial Heavy Minerals Project to advance it to a pre-feasibility study with indicated resources. The intention is to thereafter offer the project to a company to further explore and develop a mine.

The RMC recognized that the board members will still take time to consider this information and had the opportunity to ask further questions by email to Wyn and Mike before the board meeting. As requested, Wyn also distributed to the Trustees the confidential Hatch report that was referenced during the RMC meeting. The Board Motion 1 is made with recognition that there may be additional discussion during the board meeting. The public information supporting this motion is contained in the RMC packet from January 7th which has been posted online and is in the board packet today. This includes the approval memo, the development plan for various options, the cost recovery plan, and a memo from the CEO. The cost recovery plan addresses how revenues from this project will be allocated between principal and income. The potential financial advantage to the Trust and the risk of investment was also presented in these materials.

Motion 1 specifically approves the cost recovery plan to recover development costs to the Mental Health Trust Settlement Income Fund from future revenues realized by advancing this project which is allowed by board approval of a development plan according to 20 AAC 40.610. By board approval, the cost recovery plan allows future revenues that come from royalties or sale or other revenues which normally would be allocated as principal under
20 AAC 40.610 to be used to replenish the Mental Health Trust Settlement Income Fund with amounts equal to the
development costs attributable to management of Trust land in preparation of future mine development
transactions before revenues are allocated to principal. Specifically, the cost recovery plan indicates that the value
of the land is significantly improved from the current typical valuation of lands containing near shore marine
sediments of interest at $23,000 to a potential value of at least $15.2M at the pre-feasibility stage derived from a
cost approach valuation method used in mineral appraisal valuations. This valuation does not indicate the potential
future value to the trust from mine development that could well exceed $100M. The potential risk of not recovering
the value of the improvement to the land has been discussed in the materials presented to the board, recognizing
that a mine may never be developed, that compliant resource estimates never reach the indicated resource level,
or that pre-feasibility studies do not show the potential for economical resource extraction through mine
operations. The duration of the recovery of the development costs are shown under Option 1 to begin as soon as
2026 but could take some years after that depending how the transaction is made with various financial
renumeration conditions with a future entity to further explore and develop a mine. Motion 1 is inclusive of the
approval to recover the development costs to the Mental Health Trust Settlement Income Fund before allocating
any of the future revenues to principal using the process prescribed under 20 AAC 40.610.

Although not shared during the RMC nor discussed at the RMC, there is a second motion included here that
authorizes the administrative transfer of sufficient funds from reserves to the TLODA to cover the expenditures
approved through Motion 1. This is the administrative function of authorizing the CFO to put funds in the right
accounts to enact Motion 1.

cc: Board of Trustees  
Mike Abbott, CEO Alaska Mental Health Trust Authority  
Wyn Menefee, Executive Director, Trust Land Office