

**Alaska Mental Health Trust Authority**  
**Trust Land Office**  
**Notice under 11 AAC 99.050 of**  
**Decision to Issue a Negotiated Surface Lease – Gil Project - Fairbanks**  
**MHT #9400735**

Notice is hereby given that, pursuant to the provisions of AS 38.05.801 and 11 AAC 99, the Executive Director of the Alaska Mental Health Trust Land Office (TLO) has determined that it is in the best interest of the Alaska Mental Health Trust and its beneficiaries to complete a negotiated surface lease of certain Trust land to Fairbanks Gold Mining, Inc. The basis for this determination is explained in a written best interest decision prepared by the Executive Director pursuant to 11 AAC 99.040.

The Trust land affected by the decision is adjacent to Fairbanks, and is more particularly described as: a portion of trust land located within Section 2-3 and 10, Township 002 North, Range 003 East, Fairbanks Meridian containing approximately 438 acres (MH Parcel(s) F70015).

Persons who believe that the written decision should be altered because it is not in the best interest of the Trust or its beneficiaries, or because the decision is inconsistent with Trust management principles set out in 11 AAC 99.020, or any other provision of 11 AAC 99, must provide written comments on or before **4:30 PM, January 11, 2021. Comments should be submitted to the TLO at 2600 Cordova Street, Suite 201, Anchorage, AK 99503, or by fax (907) 269-8905 or email [mhtlo@alaska.gov](mailto:mhtlo@alaska.gov).** Following the comment deadline, the Executive Director will consider timely comments that question the decision on the basis of the best interest of the Alaska Mental Health Trust and its beneficiaries or inconsistency with 11 AAC 99, and the best interest decision may be changed in response to such written comments or other information. Commenting parties will be provided a copy of the final best interest decision after the end of the notice period.

To be eligible to file for reconsideration of the best interest decision, or to file a subsequent appeal to the Superior Court, a person must have submitted written comments during the notice period. Eligible persons will have twenty (20) calendar days after published notice of or receipt of the final written decision to request that the Executive Director reconsider the decision under 11 AAC 99.060(b).

Copies of the written decision are available at the Trust Land Office, or at <https://alaskamentalhealthtrust.org/trust-land-office/>. If you have any questions concerning this action, please contact the Trust Land Office at (907) 269-8658.

In compliance with the Americans with Disabilities Act, the Alaska Mental Health Trust is prepared to accommodate individuals with disabilities. Please contact the Trust Land Office at (907) 269-8658 for assistance. Requests for assistance must be received at least 96 hours prior to the comment deadline in order to ensure that any necessary accommodations can be provided.

The Executive Director of the TLO reserves the right to waive technical defects in this notice or to amend, postpone, or vacate the best interest decision.

DocuSigned by:  
  
6D5A4CD87542416...  
Wyn Menefee  
Executive Director

12/4/2020

Date

Published Fairbanks Daily News Miner: 12/09/2020

**The Alaska Mental Health Trust Authority**  
**Trust Land Office**  
**BEST INTEREST DECISION**  
**Gil Project - Negotiated Surface Lease – Fairbanks**

MHT: #9400735  
MH Parcel(s): F70015

In accordance with AS 38.05.801 et seq. and the implementing regulations governing Alaska Mental Health Trust (“Trust”) land management (11 AAC 99), Trust land shall be managed consistently with the responsibilities accepted by the State under the Alaska Mental Health Enabling Act (P.L. 84-830, 70 Stat. 709 (1956)). This means that management shall be conducted solely in the best interest of the Trust and its beneficiaries.

In determining the best interest of the Trust and its beneficiaries, and in determining consistency between state law and the Alaska Mental Health Enabling Act, the Executive Director of the Alaska Mental Health Trust Land Office (“TLO”) shall, at a minimum, consider the following interactive Trust management principles in accordance with 11 AAC 99.020:

- Maximization of long-term revenue from Trust land;
- Protection of the corpus;
- Protection and enhancement of the long-term productivity of Trust land;
- Encouragement of a diversity of revenue-producing uses of Trust land; and
- Management of Trust land prudently, efficiently, and with accountability to the Trust and its beneficiaries.

**I. Proposed Use of Trust Land.** The applicant proposes to lease a portion of parcel F70015 for purposes of developing the Gil Project, an open-pit hard rock gold satellite project to the Fort Knox Mine.

**II. Applicant/File #.** Fairbanks Gold Mining, Inc. / MHT 9400735

**III. Subject Property.**

**A. Legal Description.** A 438 acre portion of Parcel F70015 within Township 002 North, Range 003 East, Sections 2-3 and 10, Fairbanks Meridian, more or less according to the survey plat approved by the U.S. Surveyor General’s Office in Juneau, Alaska on January 16, 1914.

**B. Settlement Parcel Number(s).** F70015

**C. Site Characteristics/Primary Resource Values.** The parcel is located within the Tintina Gold Belt and Fairbanks Mining District approximately 25 miles northeast of Fairbanks. The site is primarily covered in low alpine boreal shrubbery, primarily mixed black/white spruce and willow with limited areas of shrub wetland. The primary resource value is mineral in nature.

**D. Historical and Existing Uses of the Property.** The property is located approximately 25 miles northeast of Fairbanks, in the vicinity of Cleary Summit. Trust Parcel F70015, within which the property is located, was selected because of

the potential mineral values associated with the area. It occurs along the mineralized Tintina Gold Belt which extends in an arc-like fashion across Alaska and beyond the Canadian border to the east. Mineral occurrences within the province include Pogo, Livengood, Donlin and of course, Fort Knox. The parcel has experienced significant exploration and development for locatable minerals since gold was first discovered on the nearby Pedro Creek in 1902. Some recreational use is evidenced by existing trails on satellite imagery.

**E. Adjacent Land Use Trends.** Adjacent land use trends are almost exclusively mineral exploration and development, and public recreation. The applicant leases a block of State of Alaska Mining Claims and an Upland Mining Lease.

**F. Previous State Plans/Classifications.** None.

**G. Existing Plans Affecting the Subject Parcel.** Eastern Tanana Area Plan – Management for adjacent State Lands is Mineral and Dispersed Public Recreation.

**H. Apparent Highest and Best Use.** Parties to the Mental Health Trust Settlement assumed mineral development to be the highest and best use of lands in the area when they agreed to include acreage in this area in the reconstituted trust. The proposed use corresponds with this assumption of land use, and therefore, appears to be the highest and best use of the subject lands from the Trust’s perspective.

**IV. Proposal Background.** The applicant proposes to execute a surface lease to develop an open-pit mine at the Gil Project located adjacent to the Fort Knox Mine. A surface lease encumbering approximately 438 acres of Trust lands will accommodate the excavation, vegetative and overburden stockpiles, waste rock and water management system for the Gil Project. Ore recovered from the Gil Project will be trucked overland to the mill facility at the Fort Knox Mine for processing. The mineral estate included in this proposal is encumbered by pre-existing State of Alaska Mining Claims managed under AS 38.05.195 and its corresponding regulations. Should the applicant abandon the claims giving right to the mineral estate, either by accident or with intent, the Trust will reserve the ability to convert this agreement to a mineral lease by amendment.

**V. Terms and Conditions.** The proposed action includes leasing surface use to the aforementioned portion of F70015 for a primary term of five years, with one additional term of five years to accommodate additional mining opportunity and successful reclamation. The rent will be set at \$47,400 paid annually.

**A. Conversion to Mineral Lease.** Should the mineral estate encumbrances become abandoned while this agreement is in effect, an amendment request to convert the surface lease agreement to a mineral lease shall be filed by the applicant. The amendment will include the following additional terms:

- i. **Annual Rent.** The rent will be \$47,400 (12% of the land appraisal value), paid annually.
- ii. **Annual Work Commitment.** An annual work commitment will also be required at \$150 per acre per year.
- iii. **Production Royalty.** A royalty will be assessed based on the Trust’s standard sliding scale ranging from 3% to 4.5% for gold.
- iv. **Data.** The TLO will receive copies of all data and information obtained as a result of the lease operations.

- v. **Allowable deductions.** Lessee will offset rental payments by production royalties due to the Trust in the year those payments are due.
- vi. **Other.** In the event that significant changes occur in the market place or knowledge of the subject lands significantly improved, the TLO, after consultation with the Trust Authority and public notice, may alter the terms and conditions of subsequent offerings in this area.

**VI. Resource Management Considerations.** The proposal is consistent with the “Resource Management Strategy for Trust Lands” (RMS), which was adopted in March 2016 in consultation with The Trust and provides for the TLO to “focus first on land or resources at the high end of their market values (“best markets”).” Given the currently increasing values of base and precious metals, the mineral resources affected by this decision are “best market” resources that should be offered now rather than later. Additionally, the action is a required “first step” towards generating potentially significant revenues from Trust mineral resources, consistent with a key trust land management principle of encouraging a diversity of revenue generating uses of Trust land.

**VII. Alternatives.**

- A. Do Nothing:** The TLO could refuse to lease the subject lands and discourage further development of mineral resources on Trust lands in this area. This is not in the interest of the Trust as it would prevent the Trust from receiving royalty revenue from the deposit being mined.
- B. Alternate Option:** The TLO could offer the lands for competitive leasing. This is not a preferred option because the mineral estate is encumbered by the applicant.
- C. Proceed as Proposed:** The TLO would receive revenues from lease rentals, obtain data on the mineral endowment of its lands and receive royalty revenues from development.

**VIII. Risk Management Considerations.**

- A. Performance Risks.** Performance risks will be minimized through aggressive enforcement of the terms and conditions of the lease, including by not limited to those provisions that address development plan approval, diligent resource development over time and reclamation activities.
- B. Environmental Risks.** The development and mining activities performed under the lease will be done within the parameters of local, state and federal environmental protection laws that generally apply to private lands. Lease stipulations require compliance with CERCLA, RCRA, as well as state reclamation requirements. The Lessee will be adequately bonded and ensured.
- C. Public Concerns.** Historically, significant concern has been expressed about the impact of the leasing activities on public resources such as fish and wildlife. Environmental laws, regulations, and specialized operating guidelines have been developed to mitigate potential impacts to public resources. As noted above, the TLO lease will require full compliance with those laws and regulations.

**IX. Due Diligence.**

- A. Site Inspection.** A pre-development site inspection was conducted on September 10, 2020 by Trust personnel.
- B. Valuation.** Lease rental rates were established in consideration with the anticipated uses of Trust lands and restrictions to the surface estate. Lease rates are consistent with similar agreements in the region and are fair market for the region
- C. Terms and Conditions Review.** No independent review of the proposed terms and conditions was required because they are standard to the leases already reviewed by a contracted private law firm and other public and private land managers to best serve the interests of the Trust.

**X. Authorities.**

- A. Applicable Authority.** AS 37.14.009(a), AS 38.05.801, and 11 AAC 99 (key statutes and regulations applicable to Trust land management and disposal).
- B. Inconsistency Determination.** As the proposed negotiated lease is specifically authorized under 11 AAC 99, any relevant provision of law applicable to other state lands is inapplicable to this action if it is inconsistent with Trust responsibilities accepted by the State under the Alaska Mental Health Enabling Act (P.L. 84-830, 70 Stat. 709 (1956)) as clarified by AS 38.05.801 and Alaska Mental Health Trust land regulations (11 AAC 99). 11 AAC 99 includes determinations that certain State statutes applicable to other State land do not apply to Trust land unless determined by the Executive Director, on a case-by-case basis, to be consistent with 11 AAC 99.020. The State Statutes deemed inconsistent with Trust management principles and inapplicable to Trust land by these regulations have not been applied to this decision or this action, including, but not limited to, AS 38.04 (Policy for Use and Classification of State Land Surface), AS 38.05.035 (Powers and Duties of the Director), AS 38.05.300 (Classification of Land), AS 38.05.945 (Notice), AS 38.05.946 (Hearings), and 11 AAC 02 (Appeals).

**XI. Trust Authority Consultation.** The Alaska Mental Health Trust Resource Management Committee was consulted on October 21, 2020. The Committee recommended that the proposed transaction be forwarded to the Alaska Mental Health Trust Board of Trustees. The Board of Trustees was consulted on November 18, 2020, and the Board of Trustees concurred with the proposed lease.

**XII. Best Interest Decision.** Given the information above and the information contained in the complete record, the Executive Director finds that the proposed transaction is in the best interest of the Trust, subject to the terms and conditions addressed in this decision. The decision is based upon the consideration of the five Trust management principles set out in 11 AAC 99.020 and is in full compliance with 11 AAC 99. This decision does not preclude the TLO from determining that an alternative proposal will serve the best interest of the Trust. A future determination of that nature will require a best interest decision specific to the proposal.

- A. Non-competitive Disposal Determination.** 11 AAC 99.020 (d) allows for the disposal of Trust land through a competitive basis, unless the Executive Director in consultation with the Trust Authority, determines in a written decision required by 11 AAC 99.040 that a non-competitive disposal is in the best interest of the Trust

and its beneficiaries. If another party submits a qualified offer as explained in Section XIII, the Executive Director may consider a competitive sale under the authority of this decision. The applicant owns the mineral estate corresponding the with surface lands under this proposal. Conducting a competitive disposal would be contrary to the applicant successfully developing the lands herein and would prevent the Trust from receiving royalty on production.

**XIII. Opportunity for Comment.** Notice of this Best Interest Decision will take place as provided under 11 AAC 99.050. Persons who believe that the decision should be altered because it is not in the best interest of the Trust or its beneficiaries, or because the decision is inconsistent with Trust management principles set out in 11 AAC 99.020 or any other provision of 11 AAC 99, must provide written comments to the TLO during the notice period. Instructions to apply can be found online at <https://alaskamentalhealthtrust.org/trust-land-office/land-sales/land-use-application/>.

To be considered a qualified competing interest, applications must include the application fee, a formal Letter of Intent to include an offer price that matches or exceeds the current offer lease rate for the parcels, a deposit of 10% of the offered price in certified funds. In the event that there is competing interest, all qualified interested parties will be notified by phone, fax, or e-mail how they may participate in the alternative sale process. Following the comment deadline, the Executive Director will consider timely written comments that question the decision on the basis of the best interest of the Trust and its beneficiaries or inconsistency with 11 AAC 99. The Executive Director may then, in his or her discretion, modify the decision in whole or in part in response to such comments or other pertinent information, or affirm the Best Interest Decision without changes. The Best Interest Decision as modified or affirmed will become the final agency action, subject to reconsideration procedures under 11 AAC 99.060. Additional notice will be provided for a substantially modified decision. If no comments are received by the end of the notice period, this Best Interest Decision will be affirmed, and the proposed action taken. (See notice for specific dates.)


**XIV. Reconsideration.** To be eligible to file for reconsideration of this Best Interest Decision, or to file a subsequent appeal to the Superior Court, a person must submit written comments during the notice period.

Persons who submit timely written comments will be provided with a copy of the final written decision and will be eligible to request reconsideration within 20 calendar days after publication of the notice or receipt of the decision, whichever is earlier under 11 AAC 99.060(b). This request must be accompanied by the fee established by the Executive Director under 11 AAC 99.130, which has been set at \$500, to be eligible for reconsideration. The Executive Director shall order or deny reconsideration within 20 calendar days after receiving the request for reconsideration. If the Executive Director takes no action during the 20-day period following the request for reconsideration, the request is considered denied. Denial of a request for reconsideration is the final administrative decision for purposes of appeal to the superior court under AS 44.62.560.

**XV. Available Documents.** Background documents and information cited herein is on file and available for review at the TLO, located at 2600 Cordova Street, Suite 201, Anchorage, Alaska 99503. Phone: (907) 269-8658. Email: [mhtlo@alaska.gov](mailto:mhtlo@alaska.gov).

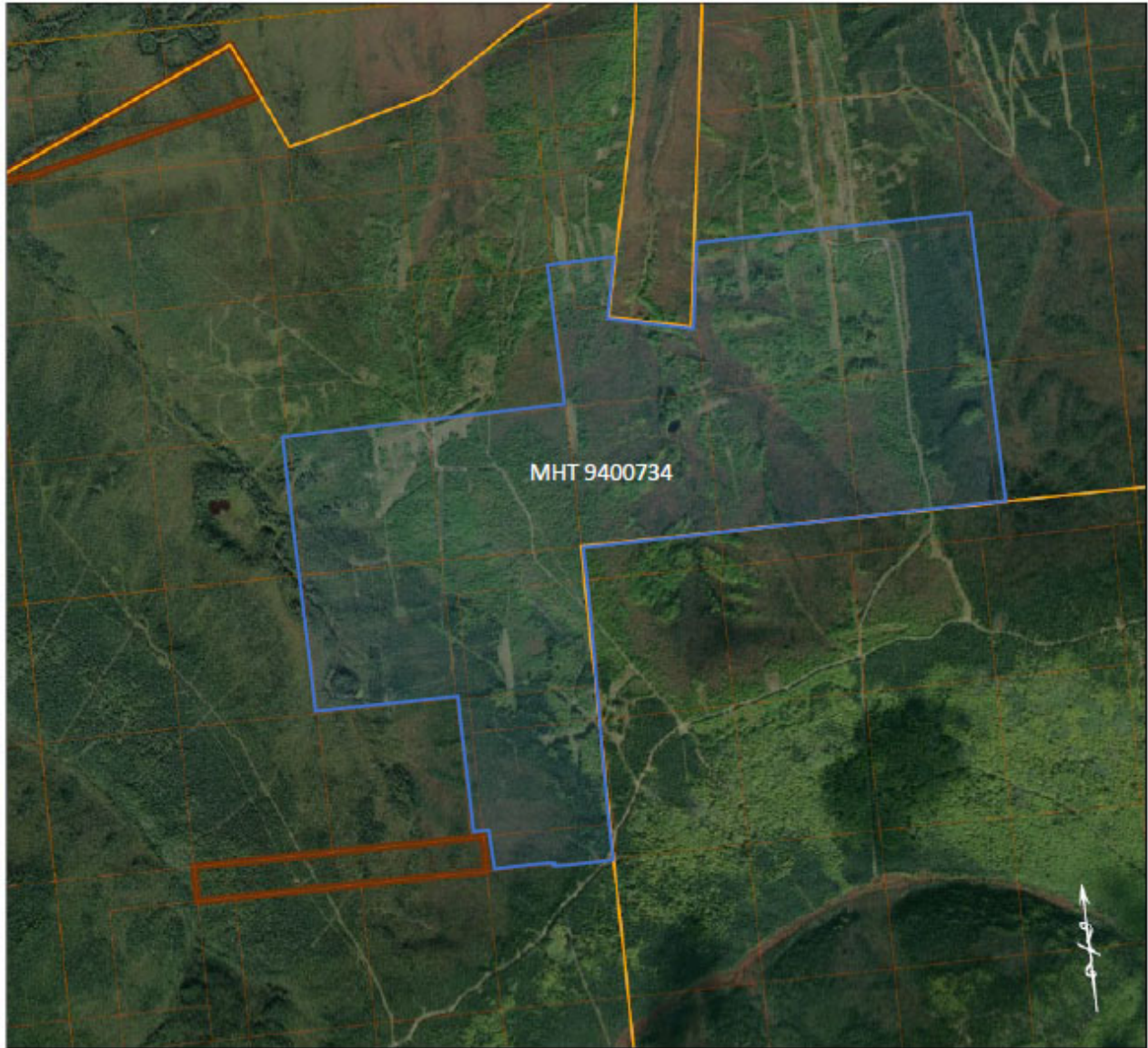
The disposal action proposed by this decision will occur no less than 30 days after the first publication date of this decision, and after the conclusion of the TLO administrative process. For specific dates or further information about the disposal, interested parties should contact the TLO at the above address, or visit the website at: <https://alaskamentalhealthtrust.org/trust-land-office/>.

**XVI. APPROVED:**

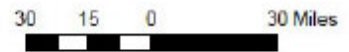
DocuSigned by:  
  
6D5A4GD87542416...  
Wyn Menefee  
Executive Director  
Alaska Mental Health Trust Land Office

12/4/2020  
Date

# ATTACHMENT A



## MHT 9400735 Gil Project



### Legend

- MHT 9400735 Gil Project
- MHT Settlement Parcel F70015
- State of Alaska Mining Claims
- Existing Mineral Leases
- Section Grid



Service Layer Credits: Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community  
Sources: Esri, HERE, Garmin, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), (c) OpenStreetMap contributors, and the GIS User Community