

Alaska Mental Health Trust Authority
Trust Land Office
Notice under 11 AAC 99.050 of
Decision to Issue a Negotiated Mineral Lease – Amanita Project – Fairbanks
MHT #9400743

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 mineral lease of certain Trust land to Avidian Gold Alaska, 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 portions of Section 11-12, Township 001 North, Range 001 East, Fairbanks Meridian, containing approximately 680 acres (MH Parcel(s) FM-0036, FM-0037, and FM-0047).

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 25, 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.** 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:



Wyn Menefee

Executive Director

12/18/2020

Date

Published Fairbanks Daily News Miner: 12/22/2020

The Alaska Mental Health Trust Authority
Trust Land Office
BEST INTEREST DECISION
Negotiated Mineral Lease - Amanita Project - Fairbanks

MHT: #9400743

MH Parcel(s): FM-0036, FM-0037, FM-0047

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 three parcels of Trust land in a negotiated mineral lease. The parcels will be subject to mineral reconnaissance and exploration drilling.

II. Applicant/File #. Avidian Gold Alaska, Inc. / MHT 9400743

III. Subject Property.

A. Legal Description. Parcel FM-0036 is located within Township 001 North, Range 001 East, in the Northeastern quarter section of Section 11, containing 160 acres more or less. Parcel FM-0037 is located within Township 001 North, Range 001 East, within the E1/2SE1/4 of Section 11, containing 80 acres more or less. Four hundred-forty acres of 520 total acres of Parcel FM-0047 are located within Township 001 North, Range 001 East, and within the SE1/4 of Section 12 and the E1/2 and SE1/4SW1/4 of Section 13, more or less according to the survey plat approved by the U.S. Surveyor General’s Office in Juneau, Alaska on January 16, 1914. The combined acreage totals 680 acres.

B. Settlement Parcel Number(s). FM-0036, FM-0037, and FM-0047

C. Site Characteristics/Primary Resource Values. The parcels are located within the Tintina Gold Belt and Fairbanks Mining District approximately 25 km north

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. Steele Creek drains the terrain to the southwest. The primary resource value is mineral in nature. Portions of the land estate are owned by the Fairbanks North Star Borough.

- D. Historical and Existing Uses of the Property.** The parcels have no known historical or existing uses beyond minimal recreational use as 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 14.6 km block of State of Alaska Mining Claims and an Upland Mining Lease. Beyond Avidian's share, the Fort Knox Mine is located contiguously just to the north.
- 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.** The highest and best use is anticipated to be mineral exploration and development. This is consistent with adjacent Trust lands at Fort Knox.

IV. Proposal Background. The applicant proposes to execute a mineral lease to conduct mineral exploration and development. A three-phase exploration plan will include an airborne geophysical survey, a soil and mapping program and a core drilling program. The drilling program will be contingent on positive results from the airborne magnetics survey and the sampling program. The TLO will receive copies of all data and information obtained as a result of the lease operations.

V. Terms and Conditions. The proposed action includes leasing mineral rights to the unencumbered portion of FM-0036, FM-0037, and FM-0047 for a primary term of three years, with two additional terms of three years each, and then extendable by production.

- A. Annual Rent.** The annual rent would be graduated at \$15 per acres per year for the first term, \$18 per acre per year for the second term and \$21 per acre per year for the third term.
- B. Annual Work Commitment.** An annual work commitment will also be required at \$50 per acre per year for the first year and increasing incrementally to \$150 per acre per year for the third year.
- C. Production Royalty.** If production occurs, a royalty will be assessed based on the Trust's standard sliding scale ranging from 1% - 4.5% for gold.
- D. Data.** The TLO will receive copies of all data and information obtained as a result of the lease operations.
- E. Allowable deductions.** Lessee will offset rental payments by production royalties due the Trust in the year those payments are due.
- F. Other.** In the event that significant changes occur in the marketplace 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 the offer to lease its mineral rights. This is not a preferred option because of the current high price in gold and the limited demand to explore and develop lands surrounded by an existing, well established mineral exploration venture.
- B. Alternate Option:** The TLO could offer the lands for competitive leasing. This is not a preferred option because of the limited interest.
- C. Proceed as Proposed:** The TLO would receive revenues from lease rentals, obtain data on the mineral endowment of its lands and potentially receive royalty revenues from development.

VIII. Risk Management Considerations.

- A. Performance Risks.** Performance risks for the proposed action is *di minimus*. Performance risks will be further managed by appropriate levels of reclamation bonding and insurance.
- B. Environmental Risks.** Environmental risks for the proposed action are *di minimus*. There will be minimal to no ground disturbance for the first and second phases of the development plan, and very little temporary disturbance from the third phase. The applicant will be required to obtain all necessary state and local permits to conduct planned activities. The Alaska Department of Environmental Conservation and the Alaska Department of Fish and Game will be consulted in the Reclamation Approval process pursuant to AS 27.19.050.
- C. Public Concerns.** Avidian is a well establish exploration company with a robust history of conducting work at the adjacent Amanita Project. Potential public concern may be interruption to existing public recreation trails, however, these uses also require a permit from the TLO and can be managed concurrently.

IX. Due Diligence.

- A. Site Inspection.** A site inspection has not been conducted due to anticipated snow cover and COVID-19 travel advisories. However, the TLO staff have made both on-ground and aerial inspections of the adjacent Amanita Project and are

therefore familiar with the potential benefits and challenges of the proposed action.

- 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 mineral agreements in the region.
- C. Terms and Conditions Review.** No independent review of the proposed terms and conditions was required because they are standard to the mineral 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. TLO consultation is defined in statute and regulation under AS 37.14.009(a)(2)(C) and 11 AAC 99.050 and clarified under 11 AAC 99.030(d) which requires the executive director to consult before issuing a public notice of a written decision of best interest.

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 lease under the authority of this decision. The applicant is a well established mineral exploration company with adjacent properties and an ongoing significant exploration project on State lands. The relatively small size of the parcels to lease and their location surrounding the applicant's existing mineral lease does not warrant conducting a competitive offering due to diminished interest.

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. Other persons who may be interested in leasing the Property must submit their proposals during the 30-day public 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 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.

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:



Wyn Menefee
Executive Director
Alaska Mental Health Trust Land Office

12/18/2020

Date

XVII. CONSULTATION CONCURRENCE:

In accordance with 11 AAC 99.030(d) and the policies of the Alaska Mental Health Trust Authority, the Trust Land Office has consulted with me, and received concurrence to proceed with the above transaction.

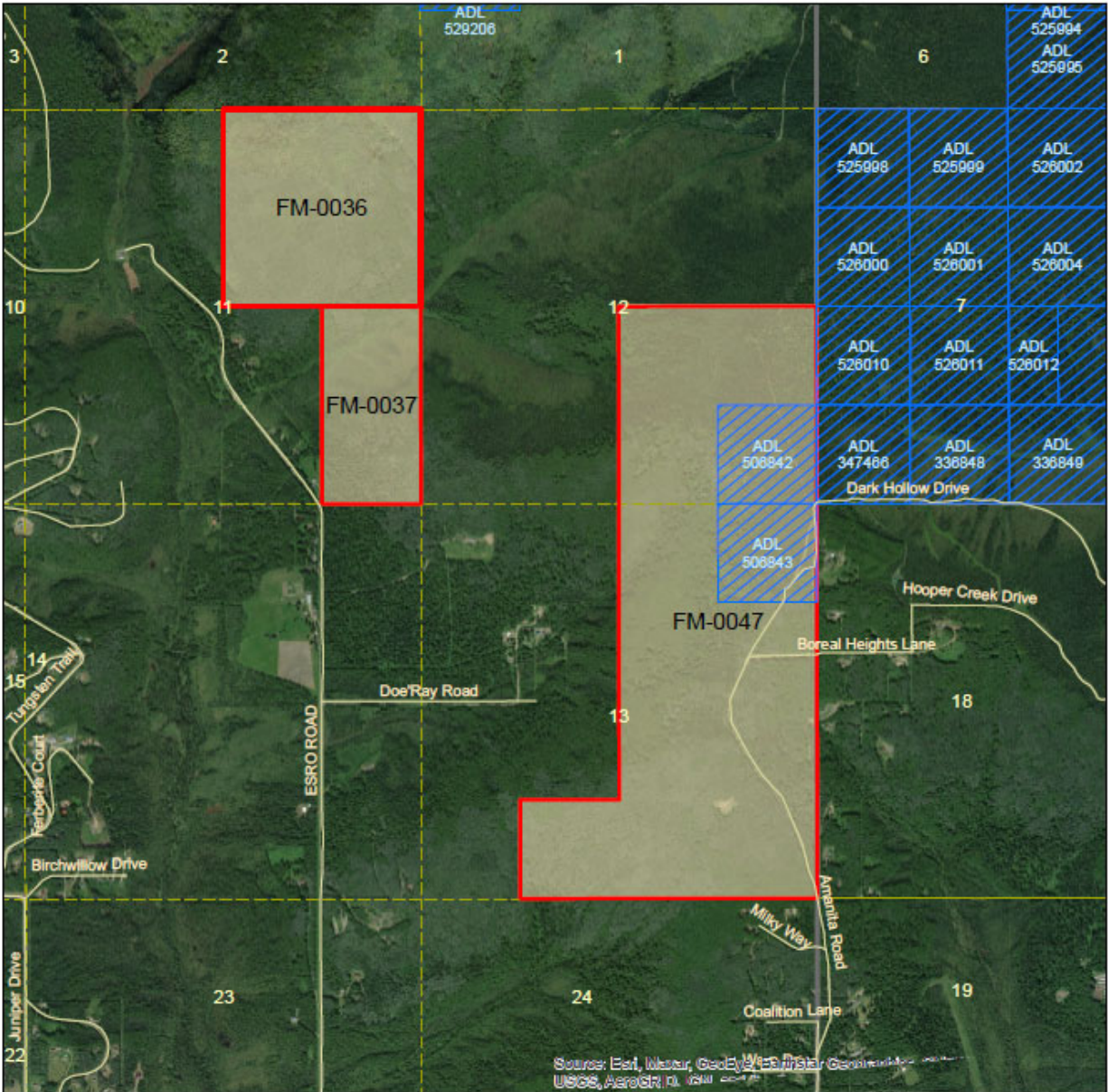
DocuSigned by:


Michael K. Abbott
Chief Executive Officer (CEO)
Alaska Mental Health Trust Authority

12/18/2020

Date

ATTACHMENT A



MHT 9400743 - Avidian Gold Alaska, Inc.

- Roads
- State Mining Claim
- MHT 9400743
- Township
- Section

