

ALASKA MENTAL HEALTH TRUST AUTHORITY
RESOURCE MANAGEMENT COMMITTEE MEETING
October 21, 2020
12:30 p.m.
WebEx Videoconference/Teleconference

Originating at:
3745 Community Park Loop, Suite 120
Anchorage, Alaska

Trustees Present:

John Sturgeon, Chair
Rhonda Boyles
Chris Cooke
Ken McCarty
Verne' Boerner
Annette Gwalthney-Jones
Anita Halterman

Trust Staff Present:

Mike Abbott
Steve Williams
Carol Howarth
Miri Smith-Coolidge
Kelda Barstad
Luke Lind
Michael Baldwin
Katie Baldwin-Johnson
Jimael Johnson
Valette Keller
Allison Biastock
Kat Roch
Katie Vachris

Trust Land Office:

Wyn Menefee
Sarah Morrison
Jusdi Doucet
David MacDonald
Karsten Eden
Hollie Chalup
Jeff Green
D. W. Griffin
Paul Slenkamp

Also participating:

Beverly Schoonover; Kristin Vandagriff; Becky Carpenter; Sheila Harris.

PROCEEDINGS

CALL TO ORDER

CHAIR STURGEON called the meeting to order and began with a roll call. With all trustees present, he asked for any announcements.

MS. HALTERMAN stated that she may drop off the call abruptly and then may drop off altogether about the time for the executive session.

CHAIR STURGEON asked for any other announcements. There being none, he moved to the approval of the agenda.

MR. MENEFEE noted that there would be a brief update on Icy Cape in the general session before going into executive session. He asked that Item 6 be changed to Icy Cape project update and executive session.

CHAIR STURGEON asked for a motion to approve the agenda with that modification.

APPROVAL OF AGENDA

MOTION: A motion to approve the amended agenda was made by TRUSTEE HALTERMAN; seconded by TRUSTEE COOKE.

ETHICS DISCLOSURES

CHAIR STURGEON asked for any ethics disclosures. Hearing none, he moved to the approval of the minutes and asked for a motion for the July 30, 2020 meeting.

APPROVAL OF MINUTES

MOTION: A motion to approve the July 30, 2020 minutes was made by TRUSTEE COOKE; seconded by TRUSTEE HALTERMAN.

After a roll-call vote, the MOTION was approved. (Trustee Boerner, yes; Trustee Boyles, yes; Trustee Gwalhney-Jones, yes; Trustee McCarty, yes; Trustee Sturgeon, yes; Trustee Halterman, yes; Trustee Cooke, yes.)

EXECUTIVE DIRECTOR'S REPORT

MR. MENEFEE began with the timber in Shelter Cove. He stated that the public notice period closed with one comment. Forthcoming will be a best-interest decision affirmed to deal with that one comment. He continued that the IFP from the last meeting is being worked on for how to capture the high end of the market. A Harvest market agreement structure was developed. All the documents to put this together are still being worked on, and the Trust Land Office is working with DOT on the road portion of it. On Icy Bay, the timber sale closed out and there was a penalty payment because of some uncut timber. The Forest Practices Act was followed and all the reports on that indicated that it was done well. He moved to Prince of Wales Island where Viking has been near Klawock harvesting Sitka spruce, hemlock, and cedar. About \$2.7 million was received so far, and that is an attribute to the land received through the land exchange. He explained that was Phase 1, and part of Phase 2 is starting. There was a timber sale in Yakutat, the Yak Timber Sale, which is progressing well, but is not complete. He added that the reports from the inspections have been very good and the harvest is going well. The community is accepting it because the local tribe has Yak Timber that is doing the harvest, which

is a good thing. A lot of folks are very excited about the resulting subdivisions sales that will come after the roads are put in. He moved to Hollis where a small timber sale will also provide some lots for subdivision. He continued with land sales and stated that there will be a consultation and noted that the fall land sale is open, out to the public and will close November 16. It is a statewide action and bids have been coming in. A good, successful auction is expected. On the land side, a memorandum of agreement with DNR, Mining, Land and Water, DOT, and the Trust Land Office is being worked on regarding dealing with section-line easements. The final draft is at DOT for final approval. He moved to the land exchange and stated that a lot of last-minute things are being taken care of. He explained the work on removing the lis pendens on No Name Bay. The work is being done with SEACC, who sued the State over No Name Bay and how it was managed. A ruling was received from the Supreme Court. The TLO is trying to get the lis pendens removed so that the land exchange with the Forest Service can continue. This is in the interest of SEACC and the TLO to get that exchange completed. He moved on to the Hollis Boatworks where the Forest Service has a trespass issue that we told them they need to vacate as part of the land exchange. Hollis Boatworks has filed a lawsuit against the US Forest Service stating they should not have been denied the permit. He added that the Trust is not named in that lawsuit. On the timber cruise, the land was completed and sent to the appraiser. The appraisers are working on the final appraisals for Phase 2(b), the last part of the land exchange. He stated that letters for the big-game guide program were sent to all the air taxi and transporters in the state to tell them about the need to get authorizations to use Trust land, and we have been getting calls and receiving interest in how to comply. He continued that the public notices on the two big material sales in Haines and Meadow Lakes closed at the end of the month, and we hope to get best-interest decision affirms done quickly and get those processes under contract. He added that, with the gold prices being up around \$1,900 an ounce, there is a lot of interest in gold, which means more gold exploration. On a sidenote, he recognized Karsten Eden who received his certificate from the governor for five years of service. He also recognized Hollie Chalup, who received a ten-year certificate for working with the State, but not all that time was with the Trust.

CHAIR STURGEON thanked Mr. Menefee for the presentation and asked for questions. After a brief question-and-answer, he moved to the consultations. He asked that the proposed motion be read into the record.

MOTION: The Resource Management Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees concur with creating a pool of approximately 194 subdivision lots and small- to medium-sized parcels that may be disposed of through the Trust's TLO's Statewide Land Sale Programs was made by TRUSTEE HALTERMAN; seconded by TRUSTEE McCARTY.

MR. MENEFEE introduced Jeff Green to walk through the consultation.

MR. GREEN stated that he is the Southcentral land manager at the TLO and one of his responsibilities is managing the statewide land sales programs which include the statewide competitive land sale program and the over-the-counter land sale program. He explained that this consultation is to create a parcel bank of 194 parcels from all three regions across the state, to authorize the disposal of them in a specific method over the next three years. He added that this year's land sale program is currently underway. If a parcel does not sell it may be rolled into the over-the-counter land sale program; then if it still has not sold and has an appropriate market exposure, has been on the OTC land sale program for a few years, it may be sold through a

negotiated sale at or above the fair-market value. He clarified the discrepancy in the years in which lease sales might take place and moved to revenue. He stated the hope is to generate \$1 million each year from the competitive land sale with about \$3 million total in principal over three years. He then briefly talked about the background of the land sale programs and the processes that are gone through in subdividing to prepare for future land sales. He explained in detail that the parcels are selected based on a number of factors and using several different sources of information. He reminded the trustees that all of this is subject to the best-interest decision and the public-notice process. That is completed as required by regulation, and the communities and the public will be noticed and have an opportunity to comment on the potential sale parcels, if they choose to participate in the process.

CHAIR STURGEON went through questions and then asked for a vote on the consultation.

After a roll-call vote, the MOTION was approved. (Trustee Boerner, yes; Trustee Boyles, yes; Trustee Gwalthney-Jones, yes; Trustee McCarty, yes; Trustee Sturgeon, yes; Trustee Halterman, yes; Trustee Cooke, yes.)

CHAIR STURGEON thanked Mr. Green for an excellent presentation and called a short break.

(Break.)

CHAIR STURGEON called the meeting back to order and continued to Item B. He asked for the motion for the record.

MOTION: The Resource Management Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees concur with the decision to issue a negotiated surface lease facilitating the development of a lode gold deposit adjacent to the Fort Knox Mine was made by TRUSTEE COOKE; seconded by TRUSTEE BOYLES.

MR. MENELEE stated that this consultation will be talking about what is going on in the Fort Knox area and the Gil project. Then another portion will discuss the Fort Knox mining. He asked Hollie Chalup to continue.

MS. CHALUP began her presentation by looking at the regional map to get an orientation of the two projects that will be discussed. She began with the Gil project, which is important for the Fort Knox Mine and the royalties that the Trust receives from Fort Knox. She explained that, in the normal mining process, extraction and development is being done, but there is also exploration being done. The exploration of the Gil project goes back to the 1990s with several other different exploration entities. The prospect is very well delineated with a good understanding of the potential resource. She stated that the Fort Knox Mine is going through Phase 9 and Phase 10 of their development plan. While that is occurring, to access new ore material in the pit, there is the need to supplement which will hopefully be by developing the Gil prospect. She continued that a negotiation of a surface lease of the Gil prospect area on Trust land is anticipated. The land is encumbered by preexisting state mining claims. The subsurface mineral rights are managed through the DNR mining section under statutes and regulations that preexisted on this land. The anticipation that, under current gold prices, the royalty production supplementing the mill at Fort Knox will be about \$4.5 million. This would supplement the royalty income streams through the Fort Knox Mine considerably. She continued that the appraiser is currently working on the appraisals for both the Gil prospect and for Victoria Creek.

She added that the lease would be about ten years and will include three to four years of development, and then a buffer for reclamation. Post-approval of reclamation, the Trust could terminate the lease. She went through the details of the area and the project in greater detail. The successful funding of the project is a contingency of this proposal. She also explained the royalty rate, which is 3 percent.

CHAIR STURGEON asked for any further questions or comments. There being none, he called the vote.

After a roll-call vote, the MOTION was approved. (Trustee Boerner, yes; Trustee Boyles, yes; Trustee Gwalthney-Jones, yes; Trustee McCarty, yes; Trustee Sturgeon, yes; Trustee Halterman, yes; Trustee Cooke, yes.)

CHAIR STURGEON moved to Item C and asked for the motion.

MOTION: The Resource Management Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees concur with the decision to issue a negotiated surface lease to facilitate the expansion of the Fort Knox Mine pit and Gilmore project was made by TRUSTEE COOKE; seconded by TRUSTEE BOYLES.

MR. MENELEE stated that there are two major things that large mines have to deal with: water management and rock management. He continued that this consultation is the rock management portion. He asked Hollie Chalup to continue.

MS. CHALUP stated that this project is very important to the royalty revenue streams. The Pushback project at the Fort Knox pit is moving a 770-foot tall wall of rock out of the pit in order to expose additional ore resources to mill. She continued that it needs to be put someplace and there is a substantial amount of Trust land that surrounds the existing Yellow Pup Waste Dam, which is usually used for the deposit of waste rock. She added that this is a simple and straightforward proposal. It would be a surface land lease where 12 percent appraised land value annually for the term would be received. It is anticipated that the term of the lease would be ten years and accommodates through the end of mine life for the Fort Knox Mine. By facilitating the Victoria Creek waste dump, the Gilmore Pushback is being supported. The Gilmore Pushback extends the mine life of the Fort Knox Mine out to 2027, with additional material to the Barnes Creek Heap Leach which pushes total mine life out to Year 2030. In order to continue receiving royalties off the Fort Knox operation, there is a need to facilitate for them to be able to extract additional millable ore. The lease area would be about 235 acres total, and the deposit of waste rock would occur in three different phases over a three- to four-year period. She continued that, as the plan of operations is developed and the development plan is fleshed out, staff will be looking to ensure that any potential revenue streams for the Trust are protected.

CHAIR STURGEON asked for any questions or comments. There being none, he called the vote.

After a roll-call vote, the MOTION was approved. (Trustee Boerner, yes; Trustee Boyles, yes; Trustee Gwalthney-Jones, yes; Trustee McCarty, yes; Trustee Sturgeon, yes; Trustee Halterman, yes; Trustee Cooke, yes.)

CHAIR STURGEON moved to the Item D consultation and asked for the motion to be read into the record.

MOTION: The Resource Management Committee recommends that the Alaska Mental Health Board of Trustees concur with the issuance of a negotiated lease for the exploration and development of natural gas resources on Trust lands was made by TRUSTEE COOKE; seconded by TRUSTEE McCARTY.

MR. MENEFEE recognized Hollie Chalup to brief this consultation.

MS. CHALUP stated that this is from Gardes Holdings and they are requesting to lease approximately 4200 acres of Trust subsurface and surface estate in the Mat-Su, specifically the Big Lake and Houston areas. She continued that this would be a relatively short-term proposal for gas exploration. It would be a five-year lease with an option to extend, which would depend on the results from exploration. This would be a negotiated lease of the oil and gas resources. She explained that there is really no market in this area to facilitate doing a competitive lease at this time, but we can do a negotiated lease by accepting a one-time bonus bid fee. That would cushion and ensure that the Trust is receiving an adequate revenue resource for the negotiated lease, as opposed to doing it by a competitive lease. She continued that the applicants have offered a \$25-per-acre annual rent, which is a great rate for this area. If the exploration is successful, there will be a 12.5 percent production royalty, per industry standard. She added that these parcels have been offered in the past through the competitive lease program in the early 2000s. She stated that the intention of the applicant is to re-evaluate that well in the area by conducting additional resource evaluation and exploration methodologies specifically developed by Gardes. She continued that they are in the business of developing new technologies and exploring their patented technologies in specifically coalbed methane. They also work in traditional gas resources, as well. The intention is to re-enter the Northern Dancer No. 1 well, re-evaluate, compare the new data to the old, and make a determination by doing tests on each formation layer to see whether that could be turned into production using the new technology. The anticipated revenue is primarily income through annual rent and work commitments. If the exploration proves successful, then this well, or any additional wells on-line, would get a principal royalty of 12.5 percent production. She added that this is a new proposal and is relatively straightforward; an exciting opportunity.

CHAIR STURGEON asked for any questions or comments. After discussion, he called the roll-call vote.

After a roll-call vote, the MOTION was approved. (Trustee Boerner, yes; Trustee Boyles, yes; Trustee Gwalthney-Jones, yes; Trustee McCarty, yes; Trustee Sturgeon, yes; Trustee Halterman, yes; Trustee Cooke, yes.)

MR. MENEFEE gave an update of the Icy Cape project. He continued that Karsten Eden will do the update up to the point when there is the need to go into executive session.

DR. EDEN stated that he is a geologist with 25 years of experience in mineral exploration, mining development. He continued that the majority of his career was spent on placer deposits, and Icy Cape is right up his alley. He added that he is the exploration manager for the project. He stated that Icy Cape is located near Icy Bay and he went through the history of the project, the background research and how the concept of defining this property and the project developed.

He continued that, so far, a total of 13,000 feet was drilled; 190 bore holes, and a total of over 12,000 samples. It was a huge task, and the results are extremely encouraging, so far. He added that the total budget was \$5.2 million; \$4.9 million has been spent, with a balance of \$300,000 that will be spent on assaying. He shared and explained the pictures of the site and the progress of the facility and the drill rig, and how the drilling was done and worked. He stated that two distinct sedimentary units were defined; the garnet and epidote minerals were high quality. Icy Cape sediments are a viable source of income. He then talked about the resources and reserves. The pre-feasibility study and indicated resource status will help the Trust secure the higher ultimate returns for the Icy Cape mineral resources. He asked for any questions.

CHAIR STURGEON stated that since there were no questions, a motion was needed for executive session.

MOTION: Per Alaska Statute 44.62.310(b) and Alaska Statute 44.62.310(c), TRUSTEE BOYLES proposed that the Resource Management Committee move into an executive session to discuss confidential financial matters pertaining to the Icy Cape Mineral Exploration Project. No decisions will be made in the executive session; seconded by TRUSTEE COOKE.

MR. ABBOTT recommended that he, Wyn Menefee, Jusdi Doucet, Hollie Chalup, Karsten Eden, Steve Williams, Carol Howarth, and Miri Smith-Coolidge join the executive session.

After a roll-call vote, the MOTION was approved. (Trustee Boerner, yes; Trustee Boyles, yes; Trustee Gwalthney-Jones, yes; Trustee McCarty, yes; Trustee Sturgeon, yes; Trustee Halterman, not present; Trustee Cooke, yes.)

(Executive Session from 2:56 p.m. until 3:42 p.m.)

CHAIR STURGEON stated, for the record, that he, his fellow trustees, and members of the Trust Authority and Land Office returned to the Resource Management Committee from the executive session. No decisions were made during the executive session. He asked if anyone had anything to talk about as far as the Resource Committee.

TRUSTEE BOERNER congratulated Dr. Eden and Ms. Chalup on their presentations.

CHAIR STURGEON stated that went for the whole board on an excellent job. He asked for a motion to adjourn.

MOTION: A motion to adjourn the meeting was made by TRUSTEE McCARTY; seconded by TRUSTEE GWALTHNEY-JONES.

After a roll-call vote, the MOTION was approved. (Trustee Boerner, yes; Trustee Boyles, yes; Trustee Gwalthney-Jones, yes; Trustee McCarty, yes; Trustee Sturgeon, yes; Trustee Halterman, yes; Trustee Cooke, yes.)

(Resource Management Committee adjourned at 3:54 p.m.)