

Alaska Mental Health Trust Authority
Trust Land Office
Notice under 11 AAC 99.050 of
Decision to Issue a Negotiated Mineral Lease – Fairbanks
MHT #9400745

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 mineral lease of certain Trust land to Freegold Ventures, Ltd. 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 the community of Fairbanks, and is more particularly described as within portions of Section 13-14 and 24, Township 003 North, Range 001 East, Fairbanks Meridian and portions of Section 19, Township 003 North, Range 002 East Fairbanks Meridian, containing approximately 1,818.2 acres (MH Parcel 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, July 12, 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:
Jusdi Doucet
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Jusdi Doucet
Acting Executive Director

6/7/2021

Date
Published Fairbanks Daily News Miner: 06/09/2021

The Alaska Mental Health Trust Authority
Trust Land Office
BEST INTEREST DECISION
Golden Summit Lease Expansion
Negotiated Mineral Lease – Fairbanks

MHT: **9400745**
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. Lease approximately 1818.2 acres of unencumbered Alaska Mental Health Trust subsurface estate for mineral exploration and development.

II. Applicant/File #. Freegold Ventures Limited, USA / MHT 9400745.

III. Subject Property.

A. Legal Description. Sections 13-14 and portions of Section 24, Township 003 North, Range 001 East, Fairbanks Meridian, according to the survey map examined and approved by the U.S. Surveyor General's Office in Juneau, Alaska on December 16, 1914 and the supplemental survey plat accepted by the United States Department of the Interior, Bureau of Land Management, in Washington, D.C. on September 21, 1971 and portions of Section 19, Township 003N, Range 002E, Fairbanks Meridian, according to the survey map examined and approved by the U.S. Surveyor General's Office in Juneau, Alaska on December 16, 1914 and the supplemental survey plat accepted by the United States Department of the Interior, Bureau of Land Management, in Washington, D.C. on September 21, 1971, containing 1818.2 acres more or less.

B. Settlement Parcel Number(s). F70015

- C. Site Characteristics/Primary Resource Values.** The topography of the property consists of a ridge and a u-shaped valley with elevations ranging from approximately 1100 feet to 2000 feet. Bedrock exposures are limited. Slopes vary from gentle to moderately steep. Ruby Creek and Lulu Creek drain the property to the west and north respectively. Based on publicly available information, there are no known physical or ecological features associated with the parcel that would prevent planned mineral exploration activities or subsequent development and production activities, if any. The primary resource values are mineral in nature.
- D. Historical and Existing Uses of the Property.** The Property is located approximately 20 miles northeast of Fairbanks, in the vicinity of Cleary Summit and Pedro Dome. Trust Parcel F70015, within which the property is located, was selected for the Trust because of the potential mineral values associated with the area. The parcel is located within a mineralized belt (the Tintina Gold Belt) which extends across Alaska from beyond the Canadian border on the east, arcs northwest through the Fairbanks Mining District, and then trends southwest toward the Alaska Peninsula. Located within this belt are mineral occurrences such as the Fort Knox Gold Mine, Pogo Mine, the Livengood prospect, and the Donlin Creek prospect. The area has a long history of placer mining operations and some underground lode mining (Cleary Hill Mine). It is nearby the site of a historic gold rush in 1902, when Felix Pedro discovered gold on what is now known as Pedro Creek, and placer mining operations have continued on a steady basis to this day. The existence of lode deposits is considered probable. There are other Trust leases currently in effect for placer gold mining and lode exploration within this parcel.
- E. Adjacent Land Use Trends.** General State land in the vicinity contains a considerable number of state mining claims, federal mining claims, and patented property. Active exploration and mining continue to occur on valid state and federal claims surrounding the property. Besides mineral exploration and development, other land uses such as snow machining and skiing occur in the area.
- F. Previous State Plans/Classifications.** None.
- G. Existing Plans Affecting the Subject Parcel.** There are no federal or state management plans that would prevent the proposed action. The property is adjacent to Unit F-16 of the Eastern Tanana Area Plan, which directs that state land around Cleary Summit is to be managed primarily for mineral exploration and development and allows for public recreation to the extent that it does not interfere with mining activity. The adjacent state lands are also to be managed for habitat value for moose and caribou.
- 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 TLO proposes to lease approximately 1818.2 acres of subsurface estate to Freegold Ventures Ltd., USA for the exclusive right to explore for minerals and the right to mine, extract, remove and sell locatable minerals subject to 11 AAC 99.100. The company has been diligently conducting exploration in the area and has identified a resource consisting of approximately 6 million indicated and inferred ounces of gold. The proposed lease acreage is adjacent to land the Trust currently leases to the company and will help solidify the overall lease block to facilitate exploration and development of the resource.

V. Terms and Conditions.

- A. Lease Term:** The Initial Term will be three years with an option to renew the term for two, three-year extensions. Thereafter, the lease may only be maintained by continuous prudent development or production.
- B. Annual Rental:** Annual rentals range from \$10 per acre for the first lease term to \$15 and \$20 for lease terms two and three. The rental for each year shall be credited against the production royalty as it accrues for that year only.
- C. Production Royalty:** A sliding scale net royalty based on the price of gold, with a minimum of 1.0% ranging to 4.5%, depending on the price of gold.
- D. Work Commitment:** The Lessee work commitment starts at \$125 per acre and increase by \$125 per acre for each lease extension.
- E. Data:** The TLO will receive copies of all data and information obtained as a result of the lease operations.
- F. Allowable Deductions:** Lessee will offset rental payments by production royalties due to the Trust in the year those payments are due.
- G. Environmental Laws and Considerations:** Lessee will be required to enter into an upland mining lease with the TLO, with the lease requiring full compliance with all applicable environmental laws.
- H. Other:** In the event that significant changes occur in the marketplace or knowledge of the subject lands is 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 TLO's adopted Resource Management Strategy (RMS) (adopted March 2016), which was developed in consultation with the Trust Authority and provides for the TLO to "focus first on land or resources at the high end of their market values ("best markets")." The applicant has been diligently working to consolidate their land ownership in this area in order to facilitate development of the resource that has been identified here. Gold market prices are currently favorable and are likely to remain constant through the first term of the agreement. Therefore, the mineral resources affected by this decision are resources that should be offered now rather than later. Additionally, as noted above, the action is a required 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. Proceed As Proposed:** Make available Trust land acreage for lease as proposed in a negotiated agreement. This is the preferred option. The company currently leasing adjacent Trust lands has been diligently exploring and delineating a resource with development potential on Trust lands. Negotiating an agreement for this land will bring revenue to the Trust and will increase acreage under agreement for potential future development by the company.
- B. Do Not Proceed:** Do not lease the land and discourage further development of mineral resources on Trust land in this area. This is not a preferred option due to the best market resource and high commodity prices.

VIII. Risk Management Considerations.

- A. Performance Risks.** Performance risks will be minimized through aggressive enforcement of the terms and conditions of the mineral lease, including, but not limited to those provisions that address royalty payments, work commitments, development plan approval and diligent resource development over time.
- B. Environmental Risks.** The exploration, 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 insured.
- C. Public Concerns.** Historically, concern has been expressed about the impact of the leasing activities on public resources, such as fish and wildlife resources. Environmental laws and regulations have been promulgated over time to address these concerns. As noted above, the TLO lease will require full compliance with those laws and regulations and, additionally, may contain some operating stipulations that exceed the requirements of those laws and regulations. Further, since land in the vicinity is currently and has been previously leased, there are no known concerns that suggest that the proposed transaction is inconsistent with Trust principles or that would adversely affect adjacent landowners.

IX. Due Diligence.

- A. Site Inspection.** The site has not been inspected by TLO personnel in the last five years. Since the land is synonymous with topography of adjacent leased lands, contains considerable acreage and there are no known current uses or developments, the TLO believes a pre-lease site visit is not required. A site visit will be conducted prior to use of the property once snow cover has melted.
- B. Valuation.** The subject lands will be leased pursuant to the terms and conditions of the existing Trust Upland Mining Lease - a standard form substantially the same as has been used in previous TLO mineral lease transactions, and includes the terms and conditions outlined above.
- C. Terms and Conditions Review.** Terms and condition of this agreement are consistent with the TLO's standard mineral lease which best serves the interest of the Trust. Additional appropriate terms or conditions may be applied to the

agreement as a result of the pre-development site inspection or by modification of this Best Interest Decision.

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).

In addition to those provisions of law deemed inconsistent by 11 AAC 99, the following relevant provisions of law are deemed inconsistent with Trust management principles and will not apply to this action:

AS 27.30.010 - .070, Exploration Incentive Credits, and associated regulations. This statute was developed in order to attract the mineral industry to state and private land and provide general benefits statewide. Trust lands are managed solely for the benefit of the mental health beneficiaries. Exploration credits for mineral exploration may apply to Trust Land rents and royalties if this provision is negotiated in consultation with the Trust Authority under 11 AAC 99.100(d). Terms and conditions applicable to this transaction do not provide for application of exploration credits to Trust Land rents and royalties. Therefore, to the extent that AS 27.30.010 - .070 requires otherwise is inconsistent and not applicable to Trust lands. Further, numerous provisions of law require levels of performance that are less than those required by terms and conditions negotiated in consultation with the Trust Authority under 11 AAC 99.100(d). To allow application of those provisions of law would result in a transaction that does not comply with trust management principles provided for in 11 AAC 99.020. Therefore, provisions of law applicable to other state lands that are inconsistent with the negotiated terms of this proposed transaction are hereby deemed inconsistent with 11 AAC 99.020 and do not apply to this transaction. These provisions and their associated regulations include, but are not limited, to the following: AS 38.05.210, 215, 225, 230, 235, 240 (Annual Labor); AS 38.05.255,

265, 270, 275, (Surface Use of Land and Water); AS 38.05.135, 137, 140, 145 (Leasing of Mineral Land); and AS 38.05.285 (Multiple Use)

- XI. Trust Authority Consultation.** The Alaska Mental Health Trust Authority Resource Management Committee was consulted on April 22, 2021. The Committee recommended that the proposed transaction be forwarded to the Alaska Mental Health Trust Authority Board of Trustees. The Board of Trustees was consulted on May 26, 2021, 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. A non-competitive offering is anticipated to be in the best interest of the Trust and its beneficiaries because of the chilling effect a competitive offering would have on the company's current exploration activities on Trust lands. Additionally, potential future development would be complicated by a third-party interest in lands adjoining Freegold's Golden Summit Project.
- 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. 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:

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Jusdi Doucet
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Jusdi Doucet
Acting Executive Director
Alaska Mental Health Trust Land Office

6/7/2021

Date