

**The Alaska Mental Health Trust Authority  
Trust Land Office  
BEST INTEREST DECISION  
Negotiated Surface Lease – Pedro Waste Rock Dump – Fairbanks**

MHT: 9400917  
MH Parcel(s): Portion of 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 the purpose of developing a waste rock dump in support of the Fort Knox Mine.
- II. Applicant/File #.** Fairbanks Gold Mining, Inc. / MHT 9400917
- III. Subject Property.**
- A. Legal Description.** A 440-acre portion of Parcel F70015 within Township 2 North, Range 2 East, Sections 5, 6, and 8, Fairbanks Meridian, more or less.
  - B. Settlement Parcel Number(s).** F70015 (a portion of)
  - 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 Clear Summit. Trust Parcel F70015, within which the property is located, was selected for the Trust 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 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 mineral exploration and development, public recreation, and wildlife habitat. The applicant leases a block of adjacent State of Alaska Mining Claims and Upland Mining Leases.

**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. While mineral extraction within this portion of the parcel is not planned, future mineral recovery is not anticipated due to the low grade of material found in this area.

**IV. Proposal Background.** The applicant proposes to execute a surface lease to authorize the deposition of waste rock material removed from the Fort Knox Mine open-pit as a result of the Gilmore Pushback and with the nearby Manh Choh Gold Mine, near Tok, which sends its ore to Fort Knox. Waste rock storage will occur over several years to allow for continued production and then the project area will be reclaimed to State of Alaska Reclamation Standards described in AS 27.19 and monitored to ensure reclamation is successful.

**V. Terms and Conditions.** The proposed action includes leasing surface use to the aforementioned portion of F70015 for a primary term of 10 years, with one additional term of 10 years to accommodate the potential for additional pit expansion and successful reclamation.

**A. Annual Rent.** The rent will be 12% of the land appraisal value, paid annually.

**B. Bonding/Insurance.** This lease will be required to be a part of the suite of bonding and insurance that the mine is required to have in place with the State of Alaska and the Trust.

**VI. Resource Management Considerations.** The proposal is consistent with the "Resource Management Strategy for Trust Land" (RMS), which was adopted 2021 in consultation with the Trust and provides for the TLO to maximize return at prudent levels of risk, prevent liabilities, and convert nonperforming assets into performing assets. This proposal will generate revenue on an otherwise non-performing parcel in a manner that is consistent with adjacent land use activities on both Trust land and non-Trust land.

**VII. Alternatives.**

- A. Do Nothing:** The TLO could refuse the offer to lease the subject lands and discourage further development. This is not a preferred option because it would limit the royalty received off Trust lands in a market of high gold prices.
- B. Alternate Option:** The TLO could offer the lands for competitive leasing. This is not a preferred option because it would prevent the applicant from reaching additional ore reserves in the Fort Knox Pit. Further, the applicant owns State of Alaska Mining Claims encumbering the subject lands' mineral rights. To competitively lease the lands would be contrary to the Trust's interest.
- C. Proceed as Proposed:** The TLO would receive revenues from lease rentals and continue to receive royalty revenues from the development of the Fort Knox pit.

**VIII. Risk Management Considerations.**

- A. Performance Risks.** Performance risks will be minimized through enforcement of the terms and conditions of the lease, including but not limited to those provisions that address development plan approval, diligent resource development over time and reclamation activities.
- B. Environmental Risks.** The development 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.** TLO staff inspected the Fort Knox Mine on May 22, 2025, and periodic site visits would occur throughout the development stages of the site.
- 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 and were guided by fair market value for the region, at 12% of the land appraisal value.
- C. Terms and Conditions Review.** Terms and conditions of this agreement are consistent with the TLO's standard negotiated ground leases, which best serve the interest of the Trust. Additionally, a similar ground lease agreement is in effect between the Trust and FGMI for the Victoria Creek Waste Rock Site, most terms here mirror that agreement already in place.

**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 land 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 April 23<sup>rd</sup>, 2025. The Committee recommended that the proposed transaction be forwarded to the Alaska Mental Health Trust board of trustees. On May 21<sup>st</sup>, 2025, the board of trustees adopted the motion stating:

*"The Alaska Mental Health Trust Authority board of trustees concur with the decision to issue a negotiated surface lease for waste rock storage of a portion of MH Parcel F70015 to facilitate the continued operations at the Fort Knox Mine."*

**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. This non-competitive disposal is in the Trust's best interest because this authorization is essential to FGMI's operational plans to realize the benefits of new Fort Knox mine development, Phase 11, which has already been determined to be in the best interest of the Trust and its beneficiaries. 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. 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:  
 **Jeffrey Green**  
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Jusdi Warner  
Executive Director  
Alaska Mental Health Trust Land Office

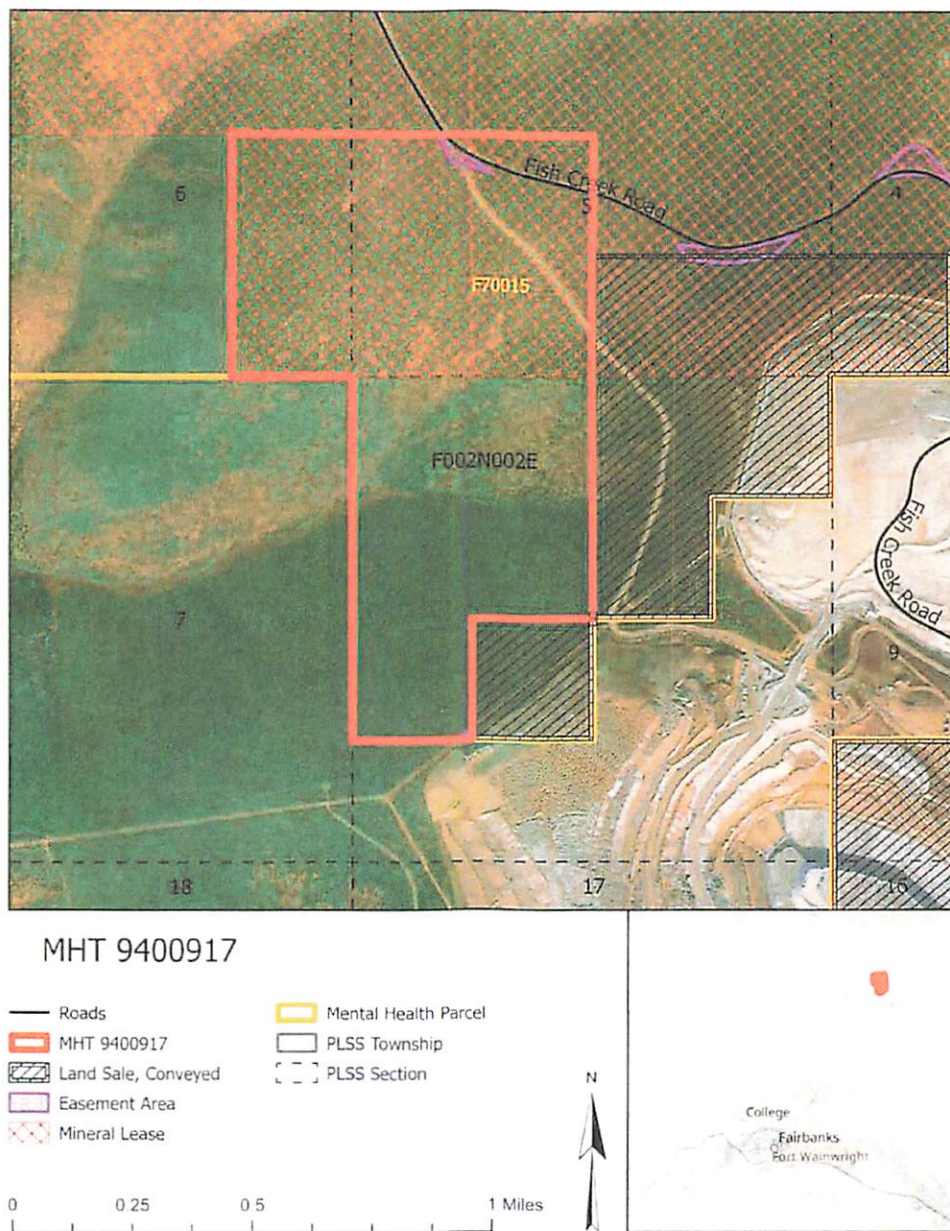
6/11/2025

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Date

Attachments:  
Exhibit A – Area Map  
Exhibit B – Legal Description



# Exhibit A Area Map



## **Exhibit B Legal Description**

### **MH Parcel F70015 (a portion of)**

**Township 2 North, Range 2 East, Fairbanks Meridian, Alaska**

**Those portions of Tract C, located within:**

**Section 5: SW1/4;**

**Section 6: E1/2SE1/4;**

**Section 8: NW1/4, NW1/4SW1/4**

**Containing 440.00 acres, more or less, according to the Supplemental Survey Plat accepted by the United States Department of the Interior, Bureau of Land Management, in Anchorage, Alaska on June 25, 1990, and the Alaska State Cadastral Survey No. 93-8 filed in the Fairbanks Recording District on June 21, 1994, as Plat 94-72.**



**Alaska Mental Health Trust Authority**  
**Trust Land Office**  
**Notice under 11 AAC 99.050 of**  
**Decision to Issue a Negotiated Surface Lease – Fairbanks**  
**MHT 9400917**

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 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 5, 6, and 8, Township 2 North, Range 2 East, Fairbanks Meridian, containing approximately 440 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 18, 2025**. 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:

**Jeffrey Green**

6/11/2025

Judi Warner

Executive Director

Date

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