Trust Land Office

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To: Corri Feige, Chair
Resource Management Committee
From: Jusdi Warner, Karsten Eden
Date: 10/14/2026
Re: FY26 Icy Cape Gold and Industrial Heavy Minerals Project – Dr. Rock prospect
Fiscal Year: 2027

Approval

Proposed RMC Motion:

Motion 1: *"The Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees approve the proposed action Option 1 to fund the Icy Cape Gold and Industrial Heavy Minerals Project for exploration work at the Dr. Rock Prospect and for marketing the Grinder deposit from the Trust Land Office Development Account with $9M. These funds do not lapse. This approval includes the associated development and cost recovery plans for Option 1 included in these presented materials."*

Background:

Transaction/Resource: Two options are presented for consideration on advancing the **Dr. Rock gold garnet,** and **critical minerals** prospect and marketing the **Grinder deposit**, both part of the **Icy Cape Gold and Industrial Heavy Minerals Project (Project)**, with the primary objective to maximize the return for the Trust. A secondary objective is to maximize returns as soon as reasonable. A third objective is to identify a company with the necessary experience and available capital or access to financing to succeed in creating and operating a successful mining operation that fully utilizes the resource.

The Icy Cape district of coastal Alaska which contains the Project (see Exhibit A) has emerged as the largest known placer gold and garnet sand accumulation in the State and one of the most substantial heavy-mineral placer systems recognized along the eastern Pacific Ocean margin. This is the result of a decade-long, systematic exploration carried out by the TLO. For detailed information on history of the Project see Exhibit B.

The Project encompasses several placer gold, garnet and industrial heavy minerals prospects, which include the critical minerals zircon (zirconium ore) and rutile (titanium ore), as well as rare earth elements. Based on expert consultants' data review of the 2017-2018 drill results and their

recommendations, TLO selected one prospect, Grinder, for resource definition with the goal of maximizing future revenues to the Trust. Resource definition drilling at Grinder in 2022 and 2023 was a tremendous success and resulted in the completion of the NI43-101 technical report on the deposit (April 30. 2025). This report provides a certified resource statement, a roadmap for planning and strategic decision-making, assists with assessing project risks and opportunities, and importantly, provides a well understood format to gauge potential partner interest.

Grinder holds an indicated resource of 1.126 million troy ounces of gold and 350,950 metric tons of garnet contained within 34.1 million metric tons of marine sediment. Moreover, Grinder shows significant upside potential for resource expansion. Anticipated revenue to the Trust from Grinder alone is expected to be in the $400 million range at conservative gold and industrial mineral prices. Expected returns on investment are based upon conservative projections from the data the TLO's consultants have developed.

Since inception, the Project has attracted strong industry interest, drawing attention from large domestic and international gold placer mining companies as well as established garnet mining firms and garnet product manufacturers serving the abrasives and water-purification markets. While the Project is predominantly a placer gold project, the industrial heavy minerals will play a significant role as co- or by-products in the Project's economics, securing additional future revenue streams for the Trust.

Grinder is now positioned for strategic partnerships and leasing. With the current high commodity prices, especially gold, it is the right time to market Grinder to the industry. Upon selecting a suitable industry partner for development, the capital, technical, and operational risks will shift to industry.

TLO's marketing strategy for Grinder to key industry consists of the following components:

- Performing direct outreach.
- Presenting at domestic mining conventions and international events.
- Creating booth displays and promotional materials for trade shows to ensure the Project is visible.
- Advertising in domestic and international mining journals and magazines.
- Teaming up with expert marketing consulting group with well-established track record in the placer gold and industrial heavy minerals industry to get maximum exposure.
- Creating industry standard data-room including technical documents and GIS datasets.
- Providing raw mineral concentrates to industry for mineral separation testing.
- Providing refined individual mineral concentrates to abrasives producers, water purification sand producers, titanium and zirconium producers for product testing.
- Providing access to TLO's technical expert team

Executing the strategic and aggressive Grinder marketing campaign requires further funding. The current funds will be depleted in February 2027. Without further funding from the Trust, the TLO would not only be unable to market Grinder, but would also face the risk of losing its team of technical experts, which is critical to market the Project and for further exploration work. The TLO has spent several years acquiring this expertise and losing it during a period of high demand for gold and critical minerals would be fatal to the project.

TLO's mandate is to maximize revenue. To achieve this goal, the TLO consulted with several expert consultants over the years on how best to proceed with the Project in the District. In 2020, Hatch, a leading international consulting firm, advised to further develop at least two of the four currently delineated prospects to compliant resource status to maximize future revenue generation. The TLO selected Grinder as the first prospect for resource definition drilling and successfully upgraded it to a deposit stage. With Grinder ready for marketing, the TLO plans to conduct resource definition drilling and metallurgical test work at the Dr. Rock prospect, upgrading it to NI43-101-compliant inferred resources status and marking the beginning of a broader effort to assess the district's full multi-commodity potential. Dr. Rock is by far the largest gold and garnet target in the district and has the potential to outshine revenue generation from Grinder. Drill results from the stratigraphic framework drilling campaign in 2017/2018 indicate substantially larger gold and garnet resources than Grinder.

With Grinder being in an advanced stage with indicated gold and garnet resources, TLO is confident that upgrading Dr. Rock to the inferred resource stage will suffice for marketing the prospect and maximizing revenue. A 2024 marketing options study by John Elder Consulting recommended that, to maximize the value of the Grinder opportunity, TLO should include an active drilling program to expand the resource base in deposits like Dr. Rock in its plans. By strategically sequencing Grinder and Dr. Rock, Hammersmith and Tailgunner the Trust will maximize asset value, reduce risk, maintain control over development pace, and position the district for multi-decadal production.

Third-party expert consultants (Qualified Persons per NI43-101 definition) responsible for Grinder NI43-101 technical report strongly recommended identifying the Dr. Rock prospect for drill testing and bulk sampling. According to their review, Dr. Rock is the most prospective gold and garnet prospect after Grinder. An active drilling program at Dr. Rock will have significant marketing benefits for Grinder as well as for the entire District.

The TLO proposes option one to advance the Dr. Rock prospect to its recommended stage and continue the Grinder marketing campaign. This option requires further funding from the Trust for marketing and to perform resource definition drilling to delineate a NI43-101-compliant inferred resource and conduct metallurgical test work. TLO recommends this option because it is cost effective, offers the fastest potential returns, and may yield the highest return on investment.

Option 1 - is the best economic and expedient solution to achieve the Project's goal. The TLO estimates $9M is required over four years for marketing Grinder and to bring the Dr. Rock prospect to the compliant inferred resource stage and to conduct metallurgical test work.

Although the funding request is for four years, the Board of Trustees will be given the opportunity at the end of the second year to decide whether to continue or modify the Project objectives. If exploration results are discouraging or if there is no serious interest in Grinder from industry, TLO may make the recommendation to discontinue with the Project. However, if exploration results are positive and there is serious interest for Grinder by industry, TLO may recommend continuing work to achieve the goal of establishing compliant inferred resources and metallurgical test work. At the end of the fourth year, TLO would offer Dr. Rock to industry either for lease or on a farm-in agreement basis where the Trust and industry would share exploration costs and risk.

See Exhibit C - *Advancing the Icy Cape Gold and Industrial Heavy Minerals Project – Dr. Rock* Prospect for more details.

Property Description/Acreage/MH Parcel(s): All MHT parcels no. CRM-0001, CRM-0002, CRM-0003, CRM-0004, CRM-0005, CRM-0006, CRM-0007A, CRM-0008 and CRM-0009 of the Icy Cape Block, located in CO22S019E, CO22S020E, CO22S021E and CO22S022E and subtends about 48,000 acres.

General Background: The background history of the Icy Cape Gold and Industrial Heavy Minerals Project is presented in Exhibit B - *Background History of the Icy Cape Gold and Industrial Heavy Minerals Project.*

It is important to differentiate the Project from hardrock mining projects. Grinder, as well as the other prospects on the property, are unconsolidated placer deposits. That means that particles from an ore body have been eroded, moved or transported to an area of deposition. Extraction techniques for this type of placer deposit do not require chemicals for extraction and onsite processing; therefore, there is no need for tailings dams and other advanced storage facilities for toxic chemicals or waste. The potential extraction of this type of resource can be seen similar as to a large material site excavation. There are no tunnels or underground structures. Therefore, permitting for a placer operation is far less complex than permitting large hard rock mines like Fort Knox, Red Dog, Pogo, or Kensington.

Anticipated Revenues/Benefits: The Property contains the Grinder gold and garnet deposit, as well as the Dr. Rock, Hammersmith, Tailgunner and other unique mineral prospects. It has the potential to become the Trust's flagship property and to outperform any other mineral property the Trust owns in revenue generation over decades to come.

As with all resource development projects, there is some risk involved with investing more funds in this project. The Icy Cape district's resources potential is enormous, but not fully explored and definition of the potential resources comes with an associated cost. By systematic exploration, metallurgical test work, and working with expert consultants the TLO has achieved incrementally positive results at each stage of exploration including the Grinder indicated gold resource of 1.126 million troy ounces.
Dr. Rock is by far the largest gold and garnet target in the district and has the potential to outshine revenue projections from Grinder. Drill results from the stratigraphic framework drilling campaign in 2017/2018 indicate substantially larger gold and garnet resources than Grinder. Systematic exploration

and drilling are required to delineate compliant inferred resource estimates to support or exceed current projections.

When royalties from a producing mine are discussed, it is an assumption that the TLO will be able to lease or obtain a partner on a farm-in basis willing and capable of developing Dr. Rock to a producing mine. Exhibit E discusses de-risking the Dr. Rock prospect. The TLO is confident that it is appropriate to progress to inferred resources by further exploration to maximize the potential revenue from this mineral-rich property.

One Option for development is envisioned:

> ***Option 1*** is the best option to achieve Project objectives efficiently. The TLO estimates $9 million is required over four years to bring Dr. Rock to the compliant resources stage. The optimized work plan and budget share resources and workflow among drilling and support work.
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> It is plausible that the TLO can generate revenue through royalties well in excess of $500 million (based on 10% gross royalty for placer resources) for the Dr. Rock prospect during its mine life. However, this can likely only be achieved if Dr. Rock is developed to compliant inferred resources including metallurgical test work, followed by a NI43-101 technical report. At this status, and with Grinder being in an advanced stage, it will attract interest from suitable partners, likely major or mid-tier mining companies, that can provide support of resources (capital and experience) for exploitation adding a degree of de-risking to the Project. The Project could be offered to mineral industry as early as 2030. The royalty revenues would be produced over the life of the mine.
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> If Option 1 is approved, the TLO will offer at its completion this opportunity to the mineral industry with a requirement of an up-front bonus bid payment requirement prior to any future mine development and production (see Exhibit F). This would be structured to recover the Trust's full investment.
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> The opportunity will be offered through a competitive lease using regular TLO operational funding, while advertising costs will come from the Icy Cape budget.

Anticipated Risks/Concerns: Expenditures for mineral resource exploration and development activities at Icy Cape are investments for the Trust. These resources are indicated to be rewarding for the Trust and for the mining companies that develop the deposits/prospects on the Property. While mineral resource development can involve risk, return on investment on successful exploration and development can be very large. Potential investors and/or mining companies look for high returns on investments, and in order to attract and retain risk-averse investors, TLO is actively working on de-risking the Project's potential to external parties. This means that the Trust will carry the risk of not getting a return on the investment if the offering does not produce developers willing to invest. However, TLO is actively marketing the Grinder gold and garnet deposit and in discussions with industry. Evaluating other projects with similar grade-tonnage to Grinder or Dr. Rock, the TLO believes that it is highly likely to attract a mine developer if the Dr. Rock Prospect is advanced to compliant inferred resources. The discussion of risk will be explained for both external parties as well as for the Trust.

The TLO's risk reduction for the Project's potential external parties and for the Trust will take place on two fronts, 1) on a technical basis and 2) based on a cost recovery plan.

1) *Risk Reduction on a Technical Basis:* TLO's detailed risk reduction plan for the Dr. Rock Prospect on a technical basis is outlined in Exhibit E.

   TLO has been very successful in de-risking the Project through systematic exploration, metallurgical test work and mineral product development. A major milestone in de-risking the Project was advancing Grinder by producing an independent NI43-101 compliant technical report on Grinder including indicated gold and garnet resource estimates. With this report, TLO has significantly raised the confidence level and therefore, significantly de-risked the Grinder project with in-house financing. The report provides the TLO with a technical audit of the Project and a signed-off resource statement, and also provides a road map for planning and strategic decision-making, as well as assists the TLO with assessing project risks and opportunities. Importantly, it also provides a well understood format to gauge potential partner interest. The report satisfies many of the needs of a potential investor in the project and it is the right time to market the Grinder project to key industry.

   Marketing Grinder is the fastest path to revenue as it is the most advanced deposit on the Trust's Icy Cape land block. With Grinder handed off to industry, the risk also transfers to industry as capital, technical, and operational risks will shift.

   Critically, TLO is also de-risking the Project (and by extension, the District) by investigating and assessing the natural gas potential in the Icy Cape district for power generation to support future mining operations. This will enhance the overall project's marketability, especially the Grinder Project and in the future, the Dr. Rock Prospect. A low-cost power source will improve the project economics and will generate additional revenue for the Trust.

   The Dr. Rock prospect will be de-risked technically by exploration and development work with in-house financing in the short- to medium-terms and by producing a NI43-101 report including inferred resources estimates for gold, garnet and of critical minerals (zircon and rutile). With this, the intrinsic value of the asset can be more accurately established, and a better return can be achieved. By effectively delineating the Dr. Rock resource and showing how it can be fully developed with all mineral resources considered, the Trust has a much better chance to see the Project developed into mines and the District's resources fully developed.

   The Dr. Rock Project will be incrementally de-risked as it progresses through stages. The TLO has found increasingly positive results at each stage of exploration which bodes well for continued refinement of the Dr. Rock resource. Appropriate evaluation of potential environmental concerns will be conducted. Community engagement will continue.

   TLO has an experienced expert team that will need to be augmented as the scope of the Icy Cape Project grows.

2) *Risk Reduction based on Cost Recovery:* To acquire the Project, the lessee or partner will be required to make a one-time cash payment in excess of the Trust's investment costs to the TLO, due on the day the lease agreement or Joint Venture (JV) contract gets signed. This practice can be seen in the mining industry and allows exploration companies to recoup investment costs. This can range from straight cash payments to future investment guarantees, depending on the nature of the deal. Straight buy out is more common as a purchase of a project from a junior mining company, whereas joint ventures may spend toward advancing the project. The advantage of using a "bonus bid" mechanism is that it allows the Trust to recover its investment prior to any development and/or production. Exhibit F outlines the various cost recovery scenarios for the Option.

The primary risk to the Trust is whether it will recover the amount it invested in the Project as well as whether the Trust will receive the maximum returns possible from developing the resource. TLO seeks to de-risk the Project for the Trust on both fronts.

Investment Recovery: The TLO is unlikely to be able to maximize the return on the Dr. Rock prospect resource at this point of exploration. The Prospect is not well enough defined to be able to obtain high value returns that will outperform the investment to date (see Option 2 in Exhibit C). However, preliminary results from reconnaissance studies indicate a high probability of success to bring the resource definition to compliant inferred resources with additional exploration. As discussed in Exhibit F, with further successful resource delineation and metallurgical test work, TLO believes it can fully recover the Trust investments though a bonus bid process. This is contingent on the TLO seeing positive results while moving to compliant resources.

Maximizing Returns: Another risk in not continuing this Project as proposed is the Trust not receiving maximum returns for the resources. When leasing a project, the TLO loses operational control over the course of development or where funds are expended by the private company. Once leased, the TLO loses the ability to control how fully the resources are extracted. Not advancing to a producing mine prevents the Trust from receiving royalty from the Project. Further advancing the exploration reduces both of these concerns. By effectively delineating the Dr. Rock resource and showing how it can be fully developed with all mineral resources considered, the Trust has a much better chance to see the prospect developed into a mine and the resources fully developed. If the Trust can ensure that the resource development utilizes both the gold and heavy minerals, the Trust will receive a much greater long-term revenue from royalties. This is the reason why Hatch recommended using internal investment to advance the Project.

Project Costs: All aspects of Option 1 are estimated at $9M.

Other Considerations: The District is within the Yakutat gold Province. In this Province, active placer gold mining on State-owned beaches bordering the District demonstrates and underscores the resource-fertile characteristics of this Property.

Due Diligence: The TLO Chief Geologist and other staff are familiar with the resource potential of the District. They have researched, inspected, and sampled the Property repeatedly, and conducted stratigraphic framework, resource assessment, and resource definition drilling programs that included participation in laboratory analyses and metallurgical test work. The importance of following the expert

advice and recommendations to advance Dr. Rock to the compliant inferred resource status were determined by lengthy internal analysis and review of published and internally produced exploration data and technical reports. Market analyses, consultation with industry-expert consultants and resource assessment firms were conducted as well.

Alternatives: As long as there is exploration success, it is important to move forward with the Project. One alternative, although not recommended based on current analyses, is Option 2 to discontinue exploration drilling at the Dr. Rock Prospect and conduct a competitive lease offering (see Exhibit C). The Project will have depleted its funding by February 2027. Currently the Dr. Rock prospect is in an early stage of development where the perceived level of risk for interested mining companies appears to be high. The TLO believes that there are no junior mining companies with significant enough experience with both gold and heavy mineral placers and sufficient financial backing to advance to an operating mine that fully exploits the resource and maximizes returns to the Trust. The probability of the Dr. Rock prospect not becoming a mine that fully exploits the resource is significantly increased by leasing the area at this stage of exploration.

TLO has offered the Property through a competitive leasing process for mineral exploration in the past but has received no interest. With a report that includes a resource estimate, we have enough evidence to market Grinder. However, to attract more interest, we need additional information about the Dr. Rock resource. It is perceivable that interest may come from small-scale placer miners interested in the gold only, however, the estimated $30K annual revenue, if that, is insignificant of what TLO could get if the Project advanced to compliant resource stage with a large-scale mining company as partner in development. It is unlikely that any interest from small companies at this point will focus on the full suite of resources, potentially leaving the heavy minerals undeveloped and the Trust foregoing those revenues.

The best option for the Project is to continue exploration at Dr. Rock and to engage with the industry to find suitable partners for the Project. The HM and abrasives industry have already expressed interest in Grinder and as the Project keeps moving forward with positive results industry interest in Dr. Rock will increase and likely lead to development.

Consistency with the Resource Management Strategy: It is an organizational mandate for the TLO to maximize its income base by developing its natural resources. The “Resource Management Strategy for Trust Land” (RMS) clearly states that the TLO needs to adapt to new commodity market and industry situations, and therefore, develop business opportunities. This proposal aligns with the RMS adopted in 2021, which directs TLO to prioritize land or resources with the highest market values (“best markets”). Gold is among these top markets.

Trust Land Office Recommendation: As long as there is exploration success, it is important to move forward with the Project exploration for the Trust to eventually receive the highest returns. In agreement with the recommendations from the expert consultants the TLO recommends the best option is to advance the Dr. Rock Prospect to compliant inferred resource status, to conduct metallurgical test work, and to continue communication with the industry to find suitable partners for the Project.

Option 1 is the best economic and timely option to achieve the Project's goal. TLO recommends the allocation of funds from the TLODA to advance this Project through Option 1 at the Icy Cape Property.

TLO does not recommend Option 2 as it is most likely to fail to return to the Trust sufficient revenues warranted by such a mineral-rich District.

Applicable Authority: Alaska Statutes 36.30.850(b)15(B), 37.14.009(a), 38.05.801, and regulations 11 AAC 99, 20 AAC 40.700 (key statutes and regulations applicable to Trust land management and disposal.

Trust Authority Approval: The motion presented in this briefing document fulfills the approval requirements that are applicable to the transaction.

Exhibit(s):

Exhibit A	-	Icy Cape Property map
Exhibit B	-	Background History of the Icy Cape Gold and Industrial Heavy Minerals Project
Exhibit C	-	Advancing the Icy Cape Gold and Industrial Heavy Minerals Project – Dr. Rock prospect
Exhibit D	-	Timeline for Options 1 and 2
Exhibit E	-	De-risking the Icy Cape Gold and Industrial Heavy Minerals Project – Dr. Rock prospect
Exhibit F	-	Cost Recovery Plan