

LETTER OF INTENT – CONSERVATION EASEMENT

THIS LETTER OF INTENT (the “Letter”) made as of this day December 19, 2017 (the “Execution Date”) supersedes the LETTER OF INTENT entered into on November 30, 2017,

BETWEEN:

Donlin Gold (the “Purchaser”)

-AND-

The Trust Land Office (the “Seller”)

BACKGROUND:

A. The Seller is the manager of certain undeveloped property that may be suited for wetland conservation purposes.

B. The Purchaser wishes to purchase an interest in said property as compensatory mitigation for impacts arising from certain permits or other authorizations issued by the U.S. Army Corps of Engineers (“Corps.”).

This Letter will establish the basic terms to be used in a future purchase agreement between the Seller and the Purchaser. The terms contained in the Letter are not comprehensive and it is expected that additional terms may be added, and existing terms may be changed or deleted, and additional documentation may need to be negotiated and drafted. The basic terms are based upon the attached map (Exhibit A), and the following:

Non-Binding

This Letter does not create a binding agreement between the Purchaser and the Seller and will not be enforceable. Only the future conservation easement purchase agreement, duly executed by the Seller and the Purchaser, and subject to terms and conditions acceptable to both parties, will be enforceable. The terms and conditions of any future agreement will supersede any terms and conditions contained in this Letter and will be subject to successful compliance with all applicable statutes and regulations governing the disposal of Trust property including, but not limited to, consultation with the Alaska Mental Health Trust Board of Trustees, a Best Interest Decision, and a public notice process.

Property Description

The property (the “Property”) that is the subject of this Letter is approximately 1933 acres located in an area on the west side of Cook Inlet north of the community of Tyonek, and could include portions of the following:

- Chuitna River – Sections 8, 9, 13, 14, 15, 16, 17, 22, 23, and 24, Township 12 North, Range 12 West, Seward Meridian
- Lone Creek Wetlands – Sections 19, 20, 29, 30, 31, and 32, Township 13 North, Range 11 West, Seward Meridian

- Chuitna River/Chuit Creek Headwaters – 1-22, and 29-32, Township 13 North, Range 13 West, Seward Meridian

Property

The Purchaser wishes to purchase an interest in the Property to use as compensatory mitigation for impacts arising from the Corps' issuance of a permit or other authorization pursuant to Section 404 of the Clean Water Act (33 U.S.C. §1344). The Seller is willing to grant, for consideration, a conservation easement, lease, deed restriction, restrictive covenant, or other conveyance or instrument restricting certain surface use activities for purposes of retaining or protecting the wetland values of the Property. The Purchaser shall be solely responsible for ensuring any such conveyance or instrument is of a type and in a form, satisfactory to the Corps for compensatory mitigation purposes. The Seller shall be responsible for recording and maintaining the proper documentation. The conveyance or other instrument will include only those terms and conditions agreed upon by the Seller and the Purchaser including, but not necessarily limited to, terms preserving Sellers' rights to access and develop its subsurface oil and gas resources on the Property.

Consideration

The consideration (the "Purchase Price") will be established pursuant to reasonable negotiations with the Purchaser. Additionally, all costs required for the conservation area and conservation agreement, including but not limited to, surveys, mapping, fees, plans, long term monitoring, etc. will be the responsibility of the purchaser.

Purchase Agreement

The transaction will be subject to the negotiation and executions of a definitive purchase agreement and associated documentation including, but not necessarily limited to, a conveyance or other instrument restricting certain surface use activities on the Property. The purchase agreement and all related documentation will contain only those terms, conditions, representations, warranties, and covenants agreed upon by the parties including, but not necessarily limited to, the following:

- a. The Seller may continue to generate revenue on the Property through activities such as subsurface development of oil and gas resources, and surface activities associated with recreation permits and activities;
- b. The Purchaser will develop a master plan that will include area layout and design, conservation area boundaries, planning for environmental constraints, and any plan approvals if necessary.
- c. Seller will agree to allow Purchaser reasonable access to the Property for the purpose of surveying, planning, reconnaissance, long term monitoring etc.
- d. The Purchaser will agree to work with the Seller during all planning and implantation phases to ensure all terms and conditions of the agreement are being adhered to.

Monetary Offer

The Purchaser's total monetary offer for the purchase of the 1933 acres conservation easement for the Property is \$1,500,000 (US Dollars). This amount would be paid in three installments:

- First Installment - \$40,000, or approximately 3 percent (%) of the total amount, paid within 30 days after the execution of the binding legal agreement to terms between the Purchaser and the Seller, anticipated by late January 2018 following initial board approval.
- Second Installment - \$160,000, approximately 10 % of the total amount, paid within 30 days after the US Army Corps of Engineers' (USACE) issuance of the Clean Water Act Section 404 and River and Harbors Act Section 10 permit for the Donlin Gold Project. Assuming the USACE decides to issue the permit, it is estimated to occur on or about July, 2018.
- Third Installment – The remaining \$1,200,000, to be paid within 90 days after the decision to construct the Donlin Gold Project is made by the Purchaser.

In the interim between issuance of the Corp's permit and a construction decision, the Purchaser will pay an annual option fee of \$20,000 per annum on or about the anniversary date of the DA permit issuance. The Monetary Offer would expire in 10 years or other mutually agreeable time period if a construction decision is not made.

Conditions to Closing

The closing of the transaction will be subject to completion of the Seller's administrative process that includes consultation with the Alaska Mental Health Trust Board of Trustees, a Best Interest Decision, and public notice of the proposed transaction.

Termination of Negotiations

This Letter may be terminated at any time by either party giving written notice to the other.

If this Letter sets forth your intent to proceed in good faith in the manner outlined in this Letter, please sign two copies of the signature page and provide one copy to the Seller and one copy to the Purchaser. This Letter shall be of no further effect if it is not signed by the Seller and the Purchaser.

Accepted and agreed to:

Seller: Wyn Menefee Date: 12/21/2017
Wyn Menefee, Executive Director *Witnessed by Rishal Chandel*
Trust Land Office

Buyer: Andy Cole Date: 12/20/17
Andy Cole, General Manager
Donlin Gold, LLC

Exhibit A

