

Attachment 3

Fort Knox Mine Royalty Audit Points for Consideration

The following is a non-inclusive set of points/questions to be considered in the audit of the Alaska Mental Health Trust's net income royalty interest in the Fort Knox mine.

Points are NOT listed in any particular order.

- What gold price is used for royalty calculations? Are hedged or forward sales positions utilized? If not, is there a conflict with Alaska state statutes or regulations. NOTE: See 15 AAC 065 Mining License Tax. 15 AAC 065.110 (a) (1) states that gross income from mining in the state involves the, "sale price or value actually received, including cash, credits, in-kind exchanges, and other valuable consideration for the mined materials"
- How are depletion deductions affected by changes, either positive or negative, in the Fort Knox ore reserve base?
- How are mill modification and other capital costs like heap leach construction and the Gilmore Project treated in regard to allowable DDA deductions? NOTE: the July 1998 Behre Dolbear audit report suggests raising the question of whether future sustaining capital expenditures should be included in DDA deductions.
- Questions have arisen in the past regarding the consistency of the accounting methodology used to determine revenue and net income. Particular attention should be given to this issue with regard to depletion and depreciation.
- Have the accounting practices that have been agreed to as a result of the previous audits been consistently applied for the years 2020 and 2021.