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BOUNDARY
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Via Electronic Mail

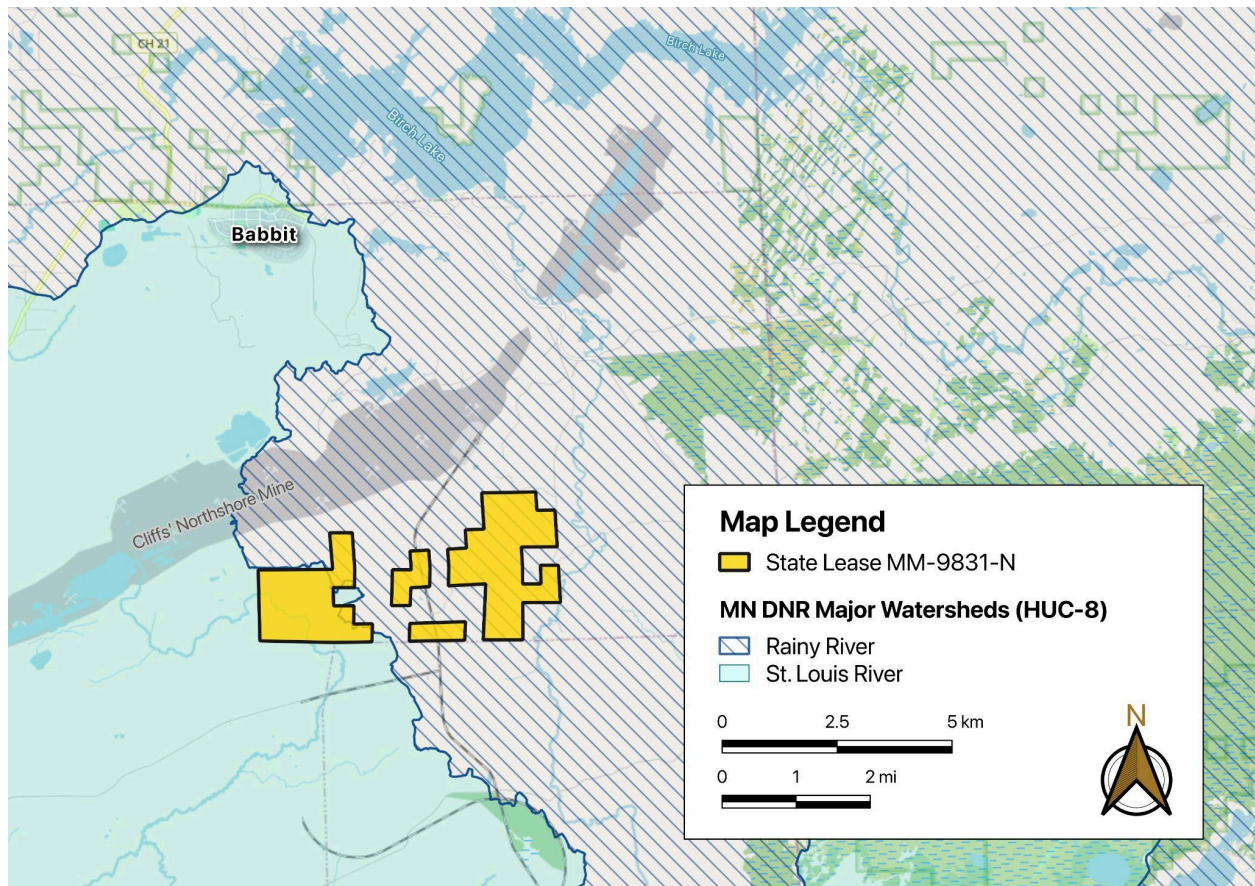
Governor Tim Walz
75 Reverend Dr. Martin Luther King Jr. Blvd., Suite 130
Saint Paul, MN 55155
tim.walz@state.mn.us

Commissioner Sarah Strommen
Minnesota Department of Natural Resources
500 Lafayette Road
St. Paul, MN 55155
Commissioner.dnr@state.mn.us

Dear Governor Walz and Commissioner Strommen:

On Monday, October 26, the Minnesota Department of Natural Resources (“DNR”) provided public notice of an exploration plan submitted by NewRange Copper Nickel LLC (“NewRange”) on October 19. NewRange seeks to explore for metallic minerals on state nonferrous metallic lease number MM-9831-N (“Lease”). *See Attachment 1.*

As is shown in the map below, the majority of the Lease is located in the Rainy River Headwaters Watershed (“RRHW”), the headwaters of the Boundary Waters Canoe Area Wilderness (“BWCAW”).



DNR should not grant NewRange’s exploration plan. Instead, DNR must cancel the Lease.

Two months ago, Governor Walz issued Executive Order 26-10, entitled “Enhancing Protection of the Boundary Waters Canoe Area Wilderness.” In issuing the Executive Order, Governor Walz noted that “[t]he RRHW is home to nonferrous mineral deposits owned by a mix of private entities, the State, and the federal government. Corporations continue to pursue the mining and development of these minerals If one or more proposals within the RRHW proceeds to development and operation, the long-term health of the BWCAW could be threatened.”

For that reason, and due to “renewed threats to Minnesota’s cherished BWCAW,” Governor Walz “implement[ed] additional measures within [his] executive authority to help protect [the BWCAW] for generations to come.” One such measure was a directive that DNR “[r]eview existing state nonferrous mineral leases located within the RRHW and strictly enforce compliance with the terms of those leases to the fullest extent of the law.”

NewRange’s Lease is “located within the RRHW” and thus DNR is obligated to look at the Lease and “strictly enforce compliance with the terms of those leases to the fullest extent of the

law.” Paragraph 39(e) of the Lease provides the DNR Commissioner with the ability to cancel the Lease upon NewRange’s failure to meet various operational commitments within a decade after the Lease’s formation in 2001.

Paragraph 39(e) of the Lease states that DNR has the authority to cancel the Lease upon NewRange’s “failure to have conducted the following activities by the tenth anniversary date of the [L]ease: developed mining and milling plans . . . and begun construction of mine and plant facilities.” Under the terms of the Lease, NewRange was required to develop mining and milling plans and start the mine and plant facility construction no later than 2011. It is now 2026 and NewRange has yet to meet these operational commitments.

NewRange has defaulted on the Lease terms; therefore, Governor Walz’s Executive Order compels DNR to cancel the Lease. This action will protect the BWCAW and its headwaters.

We are grateful that Governor Walz issued the Executive Order. We look forward to Governor Walz following through with the commitments in the Executive Order and canceling the Lease.

Sincerely,



Christopher D. Knopf, Executive Director
Friends of the Boundary Waters Wilderness
Phone: (651) 999-9565
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ATTACHMENT 1

LEASE TO EXPLORE FOR, MINE AND REMOVE METALLIC MINERALS
Lease No. MM-9831-N

STATE OF MINNESOTA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF LANDS AND MINERALS

**LEASE TO EXPLORE FOR, MINE AND REMOVE
METALLIC MINERALS**

ISSUED UNDER AUTHORITY OF
MINNESOTA STATUTES SECTIONS 93.08 TO 93.12,
INCLUSIVE, AND SECTION 93.25; AND
MINNESOTA RULES, PARTS 6125.0100-.0700, THE RULES
ADOPTED BY THE STATE EXECUTIVE COUNCIL
ON NOVEMBER 8, 1966, AMENDED EFFECTIVE
SEPTEMBER 7, 1982, AMENDED EFFECTIVE MAY 23, 1988,
AND AMENDED EFFECTIVE JUNE 26, 1995.

Lease No. MM- 9831-N

Mining Unit SL-99-60-12

This lease agreement is entered into on the 7th day of June, 2001. The parties to this lease are the State of Minnesota, called the state, and

Cominco American Incorporated
15918 East Euclid Avenue
Spokane, Washington 99216-1815, a Delaware corporation,

called the lessee.

1. **Term; description of mining unit.** The state, in consideration of the sum of Nine Thousand Forty-seven and 07/100 (9,047.07) Dollars, paid by the lessee, being the rental provided in this lease for the unexpired portion of the current calendar year and for the next succeeding two (2) calendar years, the receipt whereof is hereby acknowledged, and in further consideration of the covenants and conditions of this lease to be performed by the lessee, agrees to lease to the lessee for a term of fifty (50) years beginning the 7th day of June, 2001, the following described mining unit, situated in the county of Saint Louis, in the State of Minnesota:

West Half of Northeast Quarter (W1/2-NE1/4),
Southeast Quarter of Northeast Quarter (SE1/4-NE1/4),
West Half-section (W1/2),
North Half of Southeast Quarter (N1/2-SE1/4),

all in Section Twenty-eight (28), Township Sixty (60) North, Range Twelve (12) West; and

Southwest Quarter of Southwest Quarter (SW1/4-SW1/4),
Northeast Quarter of Southeast Quarter (NE1/4-SE1/4),
South Half of Southeast Quarter (S1/2-SE1/4),

all in Section Twenty-nine (29), Township Sixty (60) North, Range Twelve (12) West; and

Lot Three (3),
Lot Four (4),

all in Section Thirty (30), Township Sixty (60) North, Range Twelve (12) West; and

East Half of Northeast Quarter (E1/2-NE1/4),
Lot One (1),
Lot Three (3),

Lot Four (4),
Southeast Quarter of Southwest Quarter (SE1/4-SW1/4),

all in Section Thirty-one (31), Township Sixty (60) North, Range Twelve (12) West; and

North Half of Northeast Quarter (N1/2-NE1/4),
Northwest Quarter of Northwest Quarter (NW1/4-NW1/4),
South Half of Southwest Quarter (S1/2-SW1/4),
Southwest Quarter of Southeast Quarter (SW1/4-SE1/4),

all in Section Thirty-two (32), Township Sixty (60) North, Range Twelve (12) West; and

Northeast Quarter of Northeast Quarter (NE1/4-NE1/4),
South Half of Northeast Quarter (S1/2-NE1/4),
West Half-section (W1/2),

all in Section Thirty-three (33), Township Sixty (60) North, Range Twelve (12) West; and

Section Thirty-six (36), Township Sixty (60) North, Range Thirteen (13) West;

containing a total of 2,343.80 acres, more or less.

2. **Definitions.** For the purposes of this lease, the following words have the meanings given them:

a. "Associated mineral products" means those intermingled or associated materials and substances recovered from each ton of crude ore mined from the mining unit that are excluded from the definition of metallic minerals.

b. "Commissioner" means the commissioner of natural resources of the state of Minnesota, or the commissioner's designated representative.

c. "Metallic minerals," whether singular or plural, means any mineral substances of a metalliferous nature, except iron ores and taconite ores.

d. "Ton" means 2,000 pounds avoirdupois after removal of all free moisture from the material weighed, by drying at 212 degrees Fahrenheit.

e. "Troy ounce" means a unit of mass equal to 480 grains or 31.1035 grams or 1.0971 avoirdupois ounces. To convert from troy ounces to pounds, the troy ounces are multiplied by .06857, with the product carried to four decimal places and not rounded.

3. **Use of surface of lands.** The mining unit is leased to the lessee for the purpose of exploration for, mining, and removing ores primarily valuable for metallic minerals content that are found on or in the mining unit.

The lessee has the right to construct or make buildings, excavations, openings, ditches, drains, railroads, roads, and other improvements on the mining unit as necessary or suitable for those purposes. All buildings and ditches must be constructed according to applicable local ordinances. The locations of railroads, roads, and other improvements are subject to review by the commissioner. The lessee has the right to mill and concentrate the ore so mined, either upon the mining unit or elsewhere, but the right to mill and concentrate does not include the right to reduce or smelt ore upon the mining unit without an agreement between the lessee and the commissioner, authorizing that use of the surface of the land and providing for the necessary protection of life and property. The lessee may contract with others for doing any work authorized or required under this lease, or for the use of the mining unit or any part of it for the purposes of the lease, but no contract of this type relieves the lessee from any duty, obligation, or liability under the lease. No such contract providing for shipping, handling, or removal of ore-bearing material becomes effective for any purpose until three executed duplicates of the contract have been filed with the commissioner.

4. **State's right to lease iron ores, taconite ores, coal, oil, gas, and other liquid or gaseous hydrocarbon**

substances. The state reserves the right to lease or grant to other persons or corporations the right to explore for, mine, remove, and beneficiate iron ores, taconite ores, coal, oil, gas, and other liquid or gaseous hydrocarbon substances, that are located in the mining unit. The state agrees that any permit or lease granted by it to any person or corporation to explore for, develop, mine, or dispose of the iron ores, taconite ores, coal, oil, gas, and other liquid or gaseous hydrocarbon substances shall contain a provision that the permittee or lessee shall exercise those rights so as not to cause any unnecessary or unreasonable injury or hindrance to the operations of the lessee of this lease in the exploration for, or the development, mining, or removal of metallic minerals other than iron ores, taconite ores, coal, oil, gas, and other liquid or gaseous hydrocarbon substances covered by that permit or lease. The lessee of this lease agrees that it will exercise the rights granted to it by this lease in such manner as not to cause any unnecessary or unreasonable injury or hindrance to the operations of any permittee or lessee of the state in the exploration for, or the development, mining, or removal of iron ores, taconite ores, coal, oil, gas, and other liquid or gaseous hydrocarbon substances.

Written notice shall be provided by the commissioner to the lessee whenever the commissioner is planning to issue a mineral lease according to the rights reserved under this paragraph. The commissioner must meet with the lessee to obtain information for terms and conditions under which multiple mineral development could occur.

5. State's right to lease surface and sell timber. The state reserves the right to sell and dispose of all the timber upon the mining unit without hindrance from the lessee and according to the law now or hereafter governing the sale of timber on state lands, and reserves to the state and to the purchaser of the timber, and the purchaser's agents, the right at all times to enter the mining unit, and to cut and remove timber from it according to the terms of the purchaser's permit from the state. The timber purchaser shall not unduly interfere with the exploration or mining operations. The state further reserves the right to grant leases, permits, or licenses to any portion of the surface of the mining unit to any person, partnership, corporation, or other association under the authority of Minnesota Statutes, section 92.50, or other applicable laws, after consultation with lessee. The surface leases, permits, or licenses shall not unduly interfere with the exploration or mining operations conducted on the mining unit.

6. Annual rental. The lessee agrees to pay to the state rental for the mining unit at the rate of \$1.50 per acre of land and water area included in the mining unit, per calendar year, payable in advance, for the unexpired portion of the current calendar year from the effective date of this lease and for the next succeeding two calendar years; and after that time at the rate of \$5 per acre per calendar year, payable quarterly for the three succeeding calendar years; and after that time at the rate of \$15 per acre per calendar year, payable quarterly for the five succeeding calendar years; and after that time at the rate of \$30 per acre per calendar year, payable quarterly for the remainder of the term of this lease.

The mining unit may include lands where an interest in the minerals is owned by the state, including trust fund lands, land forfeited for nonpayment of taxes and held in trust by the state, lands where severed mineral interests have forfeited under Minnesota Statutes, section 93.55, lands where severed mineral interests have been otherwise acquired, lands where severed mineral interests may be leased by the commissioner under Minnesota Statutes, section 93.55, subdivisions 1a and 3, the beds of public waters, and lands otherwise acquired. Any amount paid for rental, at the time of payment, shall be allocated to the proper fund as determined by the mineral ownership.

Any amount paid and accrued for rental in excess of the rate of \$5 per acre per year for any calendar year shall be credited on any royalty that may become due for ore removed under this lease during the same calendar year in which the rental was due but no further, and only to the extent that the rental was paid or deposited into the particular fund to which the royalty for the ore is due. Any amount paid for royalty in excess of rental at the rate of \$5 per acre per year for any calendar year must be credited on rental, if any, subsequently accruing for that same calendar year but no further, and only to the extent that the royalty was paid or deposited into the particular fund to which the rental is due.

Rental payments must be made on or before May 20, August 20, November 20, and February 20 for the previous calendar quarters. The first calendar quarter is the first three calendar months of the year, and so on. Any rental payments not received by the date due are subject to interest at the rate of six percent per year from the due date.

When the lessee exercises its right under paragraph 30 of this lease to surrender any part or parts of the mining unit, the annual rental payment may be discontinued as to those parts for all subsequent calendar years; however, the rentals paid on the parts surrendered must not be credited on any royalties due for ore removed from that part of the mining unit which remains under lease.

Where the state owns only a fractional undivided interest in the minerals in any portion of the mining unit, only that fractional part of the rentals and royalties established in this lease shall be paid for that portion.

If at any time during the term of this lease it is determined in a proper proceeding that the state does not own the minerals in a part of the area included in the mining unit, the commissioner shall delete from the description of the mining unit the part not owned by the state, and only if that determination is made prior to the fifth anniversary date of this lease is the lessee entitled to a refund, or in the case of tax forfeited minerals to receive credit on future payments due the same fund, for payments made to the state on that part prior to the determination. If the commissioner deems it necessary, additional time to make the determination may be granted.

7. Tonnage for royalty purposes. Royalty must be computed on the dry weight of the crude ore. The dry weight of the crude ore shall be calculated from natural crude ore weights and moisture percentages from samples taken at the time the crude ore is weighed.

8. Royalty.

a. The royalty to be paid to the state by the lessee for the metallic minerals and associated mineral products recovered from each ton of ore mined from the mining unit is the sum of the base rate described in this paragraph and an additional bid rate of 0.55 percent multiplied by the net return value of the metallic minerals and associated mineral products recovered from each ton of dried crude ore.

b. The base rate must not be less than 3.95 percent nor more than 20 percent and varies with the net return value of the metallic minerals and associated mineral products recovered from each ton of ore mined from the mining unit. The base rate must be determined from the Base Royalty Rate Table which is found in Exhibit A and which is made a part of this lease.

c. If in any month: (1) the net return value of the metallic minerals and associated mineral products recovered from each ton of dried crude ore mined from the mining unit exceeds \$75; and (2) the unadjusted Producer Price Index for All Commodities (1982 equals 100), as originally published (unrevised) by the Bureau of Labor Statistics of the United States Department of Labor, or any succeeding federal government agency publishing the Index, in the monthly publication titled Producer Price Indexes, for the first month in the calendar quarter for which royalty payment is to be made, exceeds 121.5, which was the originally published (unrevised) level of the index for November 1994 (hereinafter called the "Base Index"), then an adjustment to the base rate must be computed in the manner hereinafter provided.

The adjustment to the base rate must be computed by multiplying \$75 by a fraction, the denominator of which is the Base Index and the numerator of which is equal to the amount by which the Producer Price Index for All Commodities for the month in question exceeds the Base Index. The resulting products must be carried to four decimal places and then rounded to the nearest one-hundredth of a dollar. The difference between this rounded product and the net return value must then be determined. The Royalty Base Rate Table must be referred to and the difference resulting from this computation must be used instead of the net return value to determine the base rate.

For example, the Base Index under this lease is 121.5 and if the Producer Price Index for All Commodities for January 1996 was 132.7, the adjustment to the base rate would be computed as follows:

$$\frac{\$75 \times (132.7 - 121.5)}{121.5} = \$6.9136, \text{ rounded to } \$6.91$$

If the net return value of the metallic minerals and associated mineral products recovered from each ton of dried crude ore equalled \$85, then the difference between the net return value and \$6.91 would be computed as follows:

$$\$85 - 6.91 = \$78.09$$

The resulting difference of \$78.09 would then be used instead of the net return value to determine the base rate.

If some period other than 1982 is used as a base of 100 in determining the Producer Price Index for All Commodities, for the purposes of this lease provision the index must be adjusted so as to be in correct relationship to

the 1982 base. In the event the index is not published by any federal agency, the index to be used as previously provided must be the index independently published, which, after necessary adjustments, if any, provides the most reasonable substitute for the Producer Price Index for All Commodities during any period after November 1994, it being intended to substitute an index that most accurately reflects fluctuations in the prices of commodities in the all commodities index in the manner presently reported by the Producer Price Index for All Commodities (1982 equals 100), published by the Bureau of Labor Statistics of the United States Department of Labor.

d. The lessee may apply to the commissioner and the commissioner may grant the lessee a partial deferral of the lessee's obligation to pay royalties under this lease. Up to 50 percent of royalties due and payable less any credits against royalties as provided in paragraph 6, may be deferred by the commissioner. Any deferral granted applies only to the royalties due and payable during the first consecutive years, up to a maximum of the first five consecutive years, beginning with the first year that any royalties are due and payable under this lease, or to royalties due and payable during the first one-half of the expected operational life of the first mine established under this lease in the mining unit, whichever is less.

The amount of royalties deferred for each calendar quarter as provided above, plus interest at the rate of six percent per year, becomes finally due and payable on the future date that is determined by adding the total number of years of deferral granted under this section to the date on which royalties would have been due and payable had there been no deferral.

The commissioner in considering the lessee's application for deferral of royalties may consider factors including, but not limited to, the expected operational life of the mine producing the royalties, the express purposes for which the money deferred is proposed to be used by the lessee, the cash flow analysis of the mine, the amount of either the capital invested or to be invested, or both, by the lessee in exploration and mining operations under this lease, and the technical and financial capabilities of the lessee.

9. Net return value of metallic minerals and associated mineral products.

a. If the final metal product is recovered in a smelter, the net return value of metallic minerals and associated mineral products recovered from each ton of dried crude ore must be determined monthly as follows: Multiply the total pounds respectively of each metal and associated mineral product recovered during the month in the mill concentrate from the mining unit, by the average market price per pound respectively for that month of each fully refined metal and of each associated mineral product. Subtract from that total, the allowable charges, as later defined in this lease, to obtain the net return value of each metallic mineral and each associated mineral product. Add the net return values thus obtained for each metallic mineral and each associated mineral product for the month, and divide the sum by the total number of tons of dried crude ore from the mining unit concentrated in the mill during the month, to obtain the net return value of the metallic minerals and associated mineral products recovered from each ton of dried crude ore. The net return value must be carried to four decimal places and rounded to the nearest one-hundredth of a dollar.

It is not the intent of the lease that a separate factor or pro-rated cost figure be applied to each metal. The total net return value is based on all metals value.

The allowable charges in determining the net return value of metallic minerals and associated mineral products recovered in a smelter from each ton of dried crude ore are limited to the following:

(1) the base smelter treatment and refinery charges assessed by the smelter for treating each ton of the mill concentrate; and

(2) the smelter losses, refinery losses, and penalties for impurities that are deducted from the assay or market values to arrive at the gross payment to the lessee for each of the metallic minerals and associated mineral products paid for by the smelter.

b. If the final metal product is recovered in a hydrometallurgical process, or in a combination hydrometallurgical and pyrometallurgical process, the net return value of metallic minerals and associated mineral products recovered from each ton of dried crude ore must be determined monthly as follows: Multiply the total pounds respectively of each metal and associated mineral product recovered from the mining unit during the month in the final metal product from a

hydrometallurgical process or a combination hydrometallurgical and pyrometallurgical process by the average market price per pound respectively for that month of each fully refined metal and of each associated mineral product. Subtract from that total, the allowable charges, as later defined in this lease, to obtain the net return value of each metallic mineral and each associated mineral product. Add the net return values thus obtained for each metallic mineral and each associated mineral product for the month, and divide the sum by the total number of tons of dried crude ore from the mining unit processed by hydrometallurgy or by a combination of hydrometallurgy and pyrometallurgy during the month, to obtain the net return value of the metallic minerals and associated mineral products recovered from each ton of dried crude ore. The net return value must be carried to four decimal places and rounded to the nearest one-hundredth of a dollar.

As used in this lease for the purpose of determining the net return value of metallic minerals, "hydrometallurgy" means that phase of metallurgy which involves the extraction and recovery of metals using aqueous or organic solutions, and "pyrometallurgy" means that phase of metallurgy which involves the extraction and recovery of metals using heat. The unit processes of hydrometallurgy include the leaching of ores or concentrate for recovery of metals, the separation of the leaching solution from the spent ore, and the recovery of the dissolved metal from the leaching solution.

The allowable charges in determining the net return value of metallic minerals and associated mineral products recovered in a hydrometallurgical process or a combination hydrometallurgical and pyrometallurgical process are limited to the following: charges attributable to recovery of dissolved metal from the leaching solution by chemical purification, pressurization, roasting of concentrate, melting of concentrate, filtration, absorption, solvent extraction, evaporation, distillation, electrolysis, ion exchange, or precipitation. The charges attributable to the direct leaching of ores for recovery of metals, or to the separation of the leaching solution from the spent ore are non-allowable charges.

c. When metallic minerals and associated mineral products recovered during the month are sold during the same month, only those metallic minerals and associated mineral products recovered that are actually paid for by the smelter, refiner, or other purchaser must be included as part of the metallic minerals and associated mineral products recovered during the month. When metallic minerals and associated mineral products recovered during the month are not sold during the same month, the net return value of the metallic minerals and associated mineral products recovered during the month must be adjusted, if necessary, at the time they are sold to reflect the market price at the time of sale, and to reflect any recovered metallic minerals and associated mineral products that are not actually paid for by a smelter, refiner, or other purchaser. Any prior payment of royalty that becomes an overpayment of royalty as a result of the adjustment of net return value under this paragraph is a credit against future royalty payments due under this lease.

d. Metallic minerals and associated mineral products sold by the lessee to a nonaffiliate shall be deemed sold at the time the metallic minerals and associated mineral products are delivered to the nonaffiliate. Metallic minerals and associated mineral products sold or transferred by lessee to an affiliate shall be deemed sold by lessee at the time of delivery to the affiliate and net return value must be calculated on the basis of the market prices at the time of the deemed sale of the metallic minerals and of the associated mineral products sold or transferred to the affiliate. Metallic minerals and associated mineral products retained by the lessee for its own internal use and consumption shall be deemed sold when they are removed from the mining unit and net return value must be calculated on the basis of the market prices at the time of the removal of the metallic minerals and of the associated mineral products retained for internal use and consumption. For the purpose of this lease "affiliate" means the lessee, or any business entity that is effectively owned or controlled directly or indirectly by the lessee or that directly or indirectly effectively owns or controls the lessee, or any business entity operated by or that operates the lessee.

e. If material is recovered and sold on a basis other than for the purpose of recovering the fully refined metals and the associated mineral products contained in the material, such as the recovery and sale of titanium dioxide for paint pigment uses, then the net return value of the material recovered and sold, for royalty calculation purposes, is subject to agreement between the commissioner and the lessee.

f. If the metallic minerals and associated mineral products are treated at a smelter or hydrometallurgical processing facility owned by, or directly or indirectly effectively controlled by, the lessee or its affiliate, or that the lessee or its affiliate operates or manages, then the allowable charges are equal to the allowable charges that the smelter or hydrometallurgical processing facility would assess or charge an unaffiliated third party desiring to have substantially similar metallic minerals and associated mineral products treated at the smelter or hydrometallurgical processing facility. If the smelter or hydrometallurgical processing facility owned by, operated by, or effectively controlled by the lessee

or its affiliate does not provide treatment services to unaffiliated third parties, then the allowable charges are equal to the mean of the allowable charges assessed and charged for substantially similar metallic minerals and associated mineral products in contracts between unaffiliated parties. The lessee shall provide to the state certified copies of all smelter contracts, settlement sheets, and other agreements, to which the lessee is a party, which detail and describe the allowable charges under this lease to arrive at the net return value as defined in this lease. For purposes of such net return value determination, the state may disapprove and reject, in whole or in part, the lessee's smelter contracts, settlement sheets, and other agreements. Should the state reject the agreements or otherwise disagree with the allowable charges, the lessee has the burden of proof of substantiating the allowable charges.

g. The average market price of copper per pound for each month is that quoted for U.S. producers, cathode, as reported in Metals Week. The average market price of nickel per pound for each month is that quoted for N.Y. merchant, spot, as reported in Metals Week. The average market price of gold per troy ounce for each month is that quoted for London, 3:00 p.m., as reported in Metals Week. The average market price of silver per troy ounce for each month is that quoted for Handy & Harman, N.Y., as reported in Metals Week. The average market price of zinc per pound for each month is that quoted for U.S. special High Grade, as reported in Metals Week. The average market price of lead per pound for each month is that quoted for U.S. and Canadian producers, as reported in Metals Week. The average market price of palladium per troy ounce for each month is that quoted for London p.m. fix, as reported in Metals Week. The average market price of platinum per troy ounce for each month is that quoted for London p.m. fix, as reported in Metals Week. The average market price of other metallic minerals and of associated mineral products per pound for each month shall be that quoted for the usual and customary shipping quantities, f.o.b. the usual and customary place of shipment, United States import duty (if any) included, as reported in Metals Week. If Metals Week does not or ceases to report an average monthly market price for any metallic mineral or associated mineral product, then the average monthly market price of that metallic mineral or associated mineral product is the arithmetic average of the daily market prices for the metallic mineral or associated mineral product for that month as reported in Metals Week. If Metals Week or its successors cease to furnish such quotations, or its quotations cease to be recognized in the trade, or a particular metallic mineral or associated mineral product is not listed, then the quotations of such other source as the parties may agree upon shall govern.

10. Commingled ores. The lessee has the right to commingle ore from the mining unit with other ore, either in the mine, in stockpile, in the mill, or in the smelter, but the ores must be kept entirely separate and distinct until their quantities and metal and mineral contents have been separately measured and determined. Ratios of concentration, percent mill recoveries, and any other factors necessary for determining the beneficiating amenability of the commingled ores, the allocation of values and the royalties, must be separately measured and determined by methods approved by the commissioner and shall be reported on a monthly basis.

"Ratio of concentration" means the dry weight of the crude ore divided by the dry weight of the concentrate derived from the crude ore. Ratios of concentration are also applied to the calculations in paragraph 9. "Percent mill recovery" means the dry weight of the metal in the concentrate divided by the dry weight of the metal in the crude ore, expressed as a percent.

11. Quarterly payment on ore removed. The lessee agrees to pay to the state, on or before May 20, August 20, November 20, and February 20 in each year during the period this lease continues in force, royalty at the rates specified in paragraph 8 for all of the ore removed from the mining unit during the previous calendar quarter. The lessee also agrees to pay to the state on or before May 20 of each year all royalty due and payable as a result of the adjustment to value of the metallic minerals and associated mineral products sold during the previous calendar year as provided for in paragraph 9c.

The lessee is liable for payment of royalty when due on all ore removed from the mining unit for concentration elsewhere or for any other purpose, from the actual time of removal; and if the royalty due on the ore is not determined and accounted for as provided by the next royalty payment date, the commissioner may determine the royalty by any method as the commissioner deems appropriate and consistent with the royalty rates set forth in this lease. Any amount paid for royalty must be allocated to the proper fund as determined by the mineral ownership. Any royalty payments not received by the date due are subject to interest at the rate of six percent per year from the due date.

12. Lessee to transmit statement of ore removed and royalty due. The lessee shall transmit to the commissioner with each royalty payment an exact and truthful statement of the tonnage and royalty value of the ore

mined and removed from the mining unit during each of the three months for which the payment is made, and the amount of royalty due on the ore, separated as to the various state fund ownerships. The lessee shall provide for all the operations required for these determinations except as otherwise specified.

13. **Weighing.** The methods of obtaining the weights used to determine tonnage for the calculation of royalty, or to determine other weights required by the state, are subject to the approval of the commissioner.

14. **Sampling.** Samples for royalty purposes must be taken of the ores and their products at places and intervals subject to the approval of the commissioner, such as blast hole sampling or other methods mutually agreed to. A portion of each sample or composite sample must be delivered to the commissioner unless, by mutual agreement, it has been decided that certain of such portions are not needed by the state. Except as otherwise permitted by the commissioner, all ore mined from this mining unit must be sampled and its weight determined before being commingled with any other ores.

Each royalty sample must be analyzed at the expense of the lessee by competent chemists or assayers approved in writing by the commissioner. The elements in the royalty sample for which analytical determinations will be made are subject to agreement between the commissioner and the lessee.

15. **Monthly reports.** Except as otherwise permitted by the commissioner, the lessee shall transmit within 20 days after the end of each calendar month, statements for that calendar month in the form the commissioner may require, covering the tonnages and analyses of the following: all material mined from the mining unit, all material milled from the mining unit, all material stockpiled from the mining unit, all concentrates produced from the mining unit, all material mined from any source and commingled with material from the mining unit, all commingled material concentrated, all commingled material stockpiled, all commingled concentrates produced during that calendar month, and such other information as may reasonably be required by the commissioner for the purpose of verifying the amount of royalty due.

The weight of ore as set forth in the monthly statements shall prima facie be binding as between the parties, but the state has the right to sample the ore, check the analyses, and inspect, review and test the correctness of the methods, books, records and accounts of the lessee in sampling, analyzing, recording, and reporting the weights, and to inspect, review, and test the correctness of the weights and scales and other equipment used in measuring the amount of ore, it being understood that any errors in these reports, when ascertained, shall be corrected.

16. **Additional monthly and annual reports to be furnished by lessee; exploration; mine samples required.** Except as otherwise permitted by the commissioner, in addition to other reports or statements required in this lease, the lessee shall furnish the following:

a. Copies of all exploration data, including, but not limited to, all logs and drill hole records; all maps and coordinates showing drill holes, geophysical grids, geochemical and geologic sampling, trenching, and survey data; all mineral analyses and assays; all chemical and analytical data and information; all laboratory test data; all geophysical, geochemical, and geologic records; all results of mine and metallurgical testings; and all periodic mine maps, analyses maps, cross-sections, and development plans. All material required under this subparagraph must be available to the commissioner, or the commissioner's representative, at all reasonable times. Copies must be submitted annually to the commissioner when the data is in the form customarily prepared for permanent record of the operations on the mining unit. Material available to and furnished to the commissioner under this subparagraph and subparagraph b. shall be considered confidential during the life of this lease or any extension of it.

b. At least a quarter-portion of all exploration samples, and when requested by the commissioner in writing, a quarter-portion of mine or mill samples. In the event that the lessee requires certain exploration samples in their entirety, the commissioner or the commissioner's representative may waive the requirement for a quarter-portion of such exploration samples, provided that the lessee grants the state an opportunity to examine and classify such samples before they are crushed or processed.

c. A monthly report showing the estimated weights and analyses of all materials stockpiled, including lean ore, waste and tailings, and divided as to property of origin and deposition.

d. Certified copies of smelter statements, schedules, agreements, and settlement sheets or receipts from sales

involving materials produced from this mining unit showing the product sold and factors relevant to the calculation of royalties.

e. Not later than March 1 of each year during the term of this lease, a summary statement of the tonnage of all ore mined and all ore milled from the premises and all ore materials placed in or removed from stockpile during the previous calendar year, divided as to the property of origin and the disposition of the ore materials and showing such analyses of them as the commissioner may require.

17. How remittances and reports are to be transmitted. All remittances by the lessee under this lease must be made payable to the Department of Natural Resources. All such remittances and all reports, notices and documents required under this lease must be transmitted to the commissioner through the director of the division of minerals at Saint Paul, Minnesota.

18. State inspection; inspectors at plants and mines. The commissioner may at all reasonable times enter the mining unit and any other premises used or operated by the lessee in connection with the operation of the mining unit, inspect the operations conducted under this lease, and conduct such engineering and sampling procedures and other investigations as the commissioner may require, not unreasonably hindering or interrupting the operations of the lessee.

The lessee shall provide, upon written request of the commissioner, a suitable room in the dry or wash house or in some other suitable place on the mining unit or elsewhere when necessary, with water, light, and heat, all without cost to the state, for the use of state inspectors. The room must be at least equal in size and equipment to that customarily furnished for the use of the mine engineer.

Whenever royalties or rentals due the state are required to be distributed to more than one fund, or when ore from the mining unit is commingled with other ore, or when ore from the mining unit is concentrated at the same plant as other ore, the commissioner may appoint special inspectors as the commissioner considers necessary to insure proper accounting and protect the interests of the state. The lessee shall reimburse the state monthly for the cost of this inspection service upon notification by the commissioner.

19. Removal of ore for experimental purposes. Notwithstanding paragraph 11, upon written application of the lessee, the commissioner may authorize the removal of ore from the mining unit for experimental purposes without payment of royalty; and it is further understood that the removal of samples obtained by drilling, trenching, or testpitting, for the purposes of exploration, is not subject to the payment of royalty.

20. Stockpiled materials. All materials mined and not shipped from the mining unit remain the property of the state and shall be stockpiled only in such manner and on such sites as may be authorized by the commissioner in writing. When, however, the commissioner agrees that substantially all minerals of value have been extracted from the mill tailings, the material may be used for stope filling on the mining unit or elsewhere, and the tailings material used shall be considered abandoned, and title to the material shall revert to the mineral owners of the property in which it is deposited.

21. Reversion of title on land conveyed to the state for stockpiling purposes. When the commissioner determines that it is necessary and that the interests of the state will be fully protected, the lessee may convey land to the state upon the condition that it be used for the storage of ore or other materials having present or potential value belonging to the state. The commissioner may accept a conveyance that provides for the state's interest in the land to terminate and title to revert to the lessee when the land is no longer needed or used for storage of ore or other materials. No consideration shall be paid for the conveyance unless authorized by law.

22. Cross-mining rights. The lessee is hereby granted the right to mine and remove any ores from the mining unit through any shafts, openings, or pits that may be made upon adjoining and nearby premises controlled by the lessee; and the lessee may, if it so desires, use the mining unit and any shafts, openings, or pits, made on it for the mining or removal of any ores from adjoining or nearby premises, not, however, preventing or interfering with the mining or removal of ore from said mining unit. The ores taken from the mining unit must at all times be kept entirely separate and distinct from any other ores until measured and sampled as provided in this lease so that the rights of the lessor are at all times preserved and protected. The lessor recognizes the rights and liens of the owners of any nearby or adjoining premises in any ores mined from them and transported through the mining unit.

23. **Lessee's obligations under state and federal laws and regulations.** The provisions of this lease are subject to all applicable state and federal statutes, orders, rules and regulations, and all operations under this lease shall be conducted in conformity with them. All activities shall be conducted in conformity with the applicable mine land reclamation statutes and rules. No interference, diversion, use or appropriation of any waters over which the commissioner or any other state agency has jurisdiction, may be undertaken unless authorized in writing by the commissioner or the state agency.

24. **Operations to be conducted in accordance with good mining, metallurgical, and environmental engineering.** The lessee shall open, use, and work the mine or mines on the mining unit and conduct metallurgical operations in such manner only as is usual and customary in skillful and proper mining and milling operations in accordance with the requirements, methods, and practices of good mining, metallurgical, and environmental engineering, and in such manner as not to cause any unnecessary loss of minerals, or unusual permanent injury to the mining unit. Surface lands owned by the state in the mining unit are not to be cleared or used for construction or stockpiling purposes until such use has been approved by the commissioner in writing. The surface use of the mining unit must be conducted in such manner as to prevent or reduce scarring and erosion of the land and pollution of air and water.

25. **Notice to owner of surface estate.** When the leased premises do not include the surface estate, the lessee shall give notice, in writing, to the owner or administrator of the surface estate at least 20 days in advance of any activities which will require use of the surface estate on the leased premises. The notice shall sufficiently describe the activities to enable the owner or administrator of the surface estate to evaluate the extent of the use of the surface estate.

26. **Review of exploration; exploration site closure and stabilization.** "Exploration" means the act of searching for or investigating a mineral deposit. Exploration includes examination of an area to determine the quality and quantity of minerals, including obtaining a bulk sample by drilling, excavating, trenching, constructing shafts, ramps, tunnels, pits, and producing refuse and other associated activities. Exploration does not include activities intended, by themselves, for commercial exploitation of the ore body.

a. The lessee shall advise the commissioner, in writing, at least 20 days in advance of any exploration on the leased premises. The lessee shall specify:

- i. the location of proposed activities depicted on a 1:24,000 scale United States Geological Survey 7-1/2 minute quadrangle map, or other map of the same scale;
- ii. the exploration activities that will be performed, including but not limited to the type of activity, method of sampling, and types and sizes of vehicles and equipment that will be used;
- iii. the approximate beginning and ending dates of the proposed activities;
- iv. for exploration activities at sites with special features or uses, methods of mitigation to be used in the exploration to minimize to the extent practicable adverse impacts on the special features or uses;
- v. the location and method of access to the exploration site, and if new roads or trails are to be constructed, the location of the proposed roads or trails; and
- vi. the proposed plan for site closure and stabilization, if needed.

The commissioner will identify special features or uses within the leased premises. Conditions identified as special features or uses may include: wildlife management areas and sites; peatland watershed areas of the peatland scientific and natural areas; the Black Bay Management Area; natural heritage sites and features; designated trout streams; state canoe and boating routes; state trails; historic and archaeological sites; rights-of-way; fire towers; campgrounds; public access sites; state highway rest areas; and other existing easements, sites, conditions and encumbrances. The commissioner may require the lessee to adjust its exploration plans or plans for construction of roads or trails due to special features or uses within the leased premises or due to other natural resource management concerns.

Unless notified to the contrary by the commissioner within 20 days after receipt of the exploration plan by the

commissioner, the lessee may proceed with exploration as described in the submitted exploration plan.

b. Upon completion of the exploration, the lessee must promptly remove all supplies and equipment and must restore the leased premises and roads to a condition satisfactory to the commissioner. The lessee must, when needed, implement and complete closure and stabilization of the exploration site to the satisfaction of the commissioner. The lessee shall be relieved of obligations imposed by the plan for exploration site closure and stabilization only when the lessee notifies the commissioner in writing that site closure and stabilization has been completed and release has been granted by the commissioner.

27. Lessee's obligation for damages. It is understood and agreed that in case any interest in the land or minerals covered by this lease is owned by anyone other than the state, this lease shall not be construed as authorizing any invasion of or trespass upon such other interest. The lessee hereby agrees and is obligated to indemnify and hold the state harmless from all damages or losses caused directly or indirectly by operations under this lease, whether to land, timber, minerals, growing crops, or buildings, or to any person or other property, including damages suffered by that other owner of the surface or mineral rights, and the state shall not be liable for them.

28. Lessee to pay all taxes. The lessee agrees to pay when due all taxes, general and specific, personal and real that may be assessed against the mining unit and the improvements made on it, and the ore materials in it or mined from it, and any personal property on the mining unit owned, used, or controlled by the lessee. This covenant does not apply to taxes assessed against any part of the mining unit as a result of any other lease granted by the state to other parties. The cancellation, termination, or expiration of this lease does not relieve the lessee of the obligation to pay taxes assessed during the continuance of the lease, even though such taxes may be due or payable after the cancellation, termination, or expiration date.

29. State lien for unpaid sums due. The state reserves and shall at all times have a lien upon all ore mined from the mining unit, all ore concentrated from it, smelter returns due the lessee for the ore, and all improvements made under this lease for any sums not paid when due.

30. Lessee's right to terminate lease. The lessee may at any time deliver to the commissioner written notice of intention to terminate this lease, and this lease shall terminate 60 days after the delivery unless the notice is revoked by the lessee by further written notice delivered to the commissioner before the expiration of 60 days. On December 31 following the tenth anniversary date of this lease, and on any succeeding December 31, the lessee may surrender its rights and privileges granted in this lease on any part or parts of the mining unit, by giving the lessor written notice of its intention so to do at least 60 days before the date of such surrender. For the purposes of this paragraph, "part of the mining unit" means a quarter section of a quarter section or a government lot as described by the public land survey, or a bed of public waters. All sums due to the state under this lease up to the effective date of termination must be paid by the lessee. Any sums not received within 20 days after the effective date of termination are subject to interest at the rate of six percent per year from the effective date of termination.

31. Lessor's right to cancel lease upon lessee's failure to meet production requirements. The state may cancel this lease as provided in paragraph 32 if the lessee has not met both of the following conditions by the end of the 20th full calendar year of this lease:

- (a) The lessee must be actively engaged in mining ore under this lease from:
 - i. the mining unit;
 - ii. a metallic mineral mine within the government township in which the mining unit is located; or
 - iii. a metallic mineral mine within a government township that has at least one point in common along its boundary line with the government township in which the mining unit is located.
- (b) The lessee must have paid to the state at least \$100,000 in earned royalty under a metallic minerals lease. This amount must be paid during a single calendar year.

The state may exercise its option to cancel the lease during the 21st calendar year of the lease. If it does not do so, and if the conditions have not been met by the end of the 35th full calendar year of this lease, it may exercise its

option to cancel during the 36th calendar year of the lease. The commissioner shall take the lessee's financing needs and the state's proportional ownership interest into consideration in determining whether the requirements of this paragraph have been met.

The lessee, at any time, may request a determination and the commissioner, at any time in response to such a request, may determine whether the state will exercise its option to cancel the lease. If the state decides in response to such a request not to exercise its option to cancel the lease, such a decision may require the lessee to meet additional conditions and may include the option to cancel at a time other than the times specified in this paragraph.

32. Lessor's right to cancel lease upon default. This lease is granted upon the express condition that, if any sum owed under it by the lessee for rental, royalty, or otherwise remains unpaid after the time when it became due, or if the lessee or its agent or servant knowingly or willfully makes any false statement in any report, account, or tabulation submitted to the state or to the commissioner, or any of the commissioner's agents pertaining to any matter under this lease, or if the lessee fails to perform any of the conditions required by this lease, the commissioner may cancel this lease by mailing or delivering to the lessee 60 days' notice of the cancellation in writing, specifying such nonpayment or other default as the case may be. This lease shall terminate at the expiration of the 60 days, and the lessee and all persons claiming under the lessee shall be wholly excluded from the mining unit except as hereinafter provided in paragraph 31. Termination does not relieve the lessee from any liability for payment or other liability incurred under this lease. If the default consists of a nonperformance of an act required under this lease other than payment of royalty or rental, the lessee may perform within the period of 60 days and the lease continues in effect. If the correction of any such default requires more time than 60 days after the notice has been received by the lessee, the commissioner, upon written request of the lessee and for good cause shown, may, at his or her discretion, grant an extension of the period of 60 days. If the default consists of a nonpayment of royalty or rental and the lessee performs within 15 days from the mailing or delivery of notice of cancellation, the lease continues in effect; and if the lessee performs at any time thereafter within the period of 60 days, the commissioner, at his or her discretion, may continue the lease in effect.

33. Rights of lessor and lessee during 180-day period following termination. Upon termination of this lease, whether by expiration of its term or by act of either party, except as necessary to comply with applicable mineland reclamation statutes and rules, the lessee has 180 days after termination in which to remove all equipment, materials, railroad tracks, structures and other property placed or erected by the lessee upon said mining unit. Property not removed within that time shall, at the discretion of the commissioner, either be removed by the state at the lessee's expense or become the property of the state. The lessee shall not remove or impair any supports placed in any mine or mines on the mining unit, or any timber or framework necessary to the use or maintenance of shafts or other approaches to such mine or mines or tramways within the mining unit, all of which become the property of the state. During the period of 180 days, the lessee shall, at its own expense, properly and adequately fence all pits, and do all other work which the commissioner deems necessary to leave the premises in a safe and orderly condition to protect against injury or damage to persons or property. Subject to the foregoing, upon the termination of this lease, whether by expiration of the term hereof or otherwise, the lessee shall quietly and peaceably surrender possession of the mining unit to the state.

34. Recovery of expenses. If it is necessary for the state to incur expenses by court action or otherwise for the ejectment of the lessee, or removal from the leased premises of the lessee's property, or recovery of rent or royalties, or for any other remedy of the state under this lease, and the state prevails in the court action or otherwise, then the lessee shall pay to the state all expenses, including attorney's fees, thus incurred by the state.

35. Mining of minerals other than metallic minerals. If any ore found on or in the mining unit is primarily valuable for other than its metallic minerals content, the terms and conditions upon which the ore may be mined or products recovered from it shall be as may be agreed upon by the lessee and the commissioner and approved by the state executive council. This provision does not apply to iron ores, taconite ores, coal, oil, gas, and other liquid or gaseous hydrocarbon substances.

36. Agreements, assignments, or contracts. All assignments, agreements, or contracts affecting this lease must be made in writing and signed by all parties thereto, witnessed by two witnesses, properly acknowledged and must contain the post office addresses of all parties thereto, and when so executed must be presented in triplicate to the commissioner for record. No such instrument is valid until approved in writing by the commissioner and approved as to form and execution by the attorney general. No assignment or other agreement relieves the lessee of any obligation

or liability imposed by this lease, and all assignees, sublessees, and subcontractors are also liable for all obligations or liabilities imposed by this lease.

The commissioner's approval of an assignment of this lease may be limited to a party that meets all of the following criteria: (a) operator of a non-ferrous metallic minerals mine with that mine producing at least 350,000 tons of ore per year; (b) successfully maintaining environmental permits for a non-ferrous metallic minerals mining operation in the United States or Canada or a country with similar environmental standards; (c) maintaining an integrated environmental management program consisting of, but not limited to: a corporate environmental protection policy, including directions for implementation and documentation on how this policy is implemented by line managers; and requirements for, and documentation of, environmental education for mine site staff, including training in the requirements of permits granted by any state or the federal government to the operator; (d) staff with demonstrated successful experience in permitting and developing a new base or precious metal mine at a greenfield site; and (e) financial statements showing a positive cash flow for at least three of the last five years, positive earnings for at least three of the last five years, and stockholder's equity equal to or greater than \$100 million.

37. Lease binding on assignees and successors. The covenants, terms, and conditions of this lease run with the land and extend to and bind all assignees and other successors in interest of the lessee.

38. Notices. For the purposes of this lease, the addresses of the parties are as follows, unless changed by written notice to all parties: For the state -- Commissioner of Natural Resources, State of Minnesota, 500 Lafayette Road, Saint Paul, Minnesota 55155-4037; for the lessee --

Cominco American Incorporated
15918 East Euclid Avenue
Spokane, Washington 99216

39. Additional Conditions. This lease is subject to the following additional conditions:

a. **Expenditure requirements.** Lessee hereby agrees to incur authorized expenditures totaling not less than \$2,000,000 on or before December 31, 2003, and additional authorized expenditures of \$3,000,000 by December 31, 2008.

For the purposes of this lease and these additional conditions, the following words have the meanings given them.

(1) "Authorized expenditures" means the following costs and other expenditures incurred by the lessee in connection with the exploration, development and mining of the Identified Resource Area, provided that such costs and expenditures are reasonable: (a) geological, geophysical and geochemical surveying activities; exploration drilling; sampling; assaying; and other evaluation and feasibility studies, including environmental studies and review; (b) material, equipment and supplies paid or incurred by the lessee in the conduct of its operations; (c) all contract services and utilities paid or incurred by the lessee in the conduct of its operations; (d) labor and employee salaries and benefits of lessee's employees directly engaged in work on, or for the benefit of the Identified Resource Area; (e) transportation costs paid or incurred by the lessee in connection with the transportation of employees and materials to the Identified Resource Area; (f) acquisitions of and cost of maintaining permits and leases required by the lessee to conduct its operations; (g) acquisition of lands for tailings basins required by the lessee to conduct its mining operations in the Identified Resource Area; and (h) acquisition of lands and mineral rights within the Identified Resource Area. Authorized expenditures also means expenditures incurred by the lessee in pilot plant and demonstration technology testing of state-owned rock stockpiles from the Dunka Mine.

(2) "Identified Resource Area" means the state and privately-owned surface and minerals interests located in Sections Twenty-eight (28), Twenty-nine (29), Thirty (30), Thirty-one (31), Thirty-two (32), Thirty-three (33), Township Sixty (60) North, Range Twelve (12) West, and Section Thirty-six (36), Township Sixty (60) North, Range Thirteen (13) West.

(3) "Dunka Mine" means the taconite mine last operated by LTV Steel Mining Company in Sections Twenty-six (26), Thirty-four (34), and Thirty-five (35), Township Sixty-one (61) North, Range Twelve (12) West, and

Sections Two (2), Three (3), and Ten (10), Township Sixty (60) North, Range Twelve (12) West.

The lessee agrees to submit reports to the commissioner detailing the authorized expenditures. The reports shall be due by March 1 of each of the years 2004 and 2009. The commissioner shall have the right to audit the lessee's accounts and records relating to said expenditures.

b. **Surface use.** The lessee's plans for surface use of the mining unit are subject to review and approval by the commissioner. The commissioner's approval may impose conditions on lessee's surface use of the mining unit.

The lessee may not disturb, without prior written authorization from the commissioner and other appropriate state officials, any of the pre-existing reclaimed mineral exploration and research sites. If the lessee is authorized by the commissioner and other appropriate state officials to disturb any of the pre-existing reclaimed mineral exploration and research sites, the lessee hereby agrees to assume all responsibility for and liability for the sites disturbed. The reclaimed sites include the exploration shaft, an encapsulated ore pile, and ground water monitoring wells. These reclaimed sites are located in the North Half of Northeast Quarter (N1/2-NE1/4) of Section Thirty-two (32), Township Sixty (60) North, Range Twelve (12) West.

c. **Reimbursement for monitoring costs.** In addition to reimbursement for inspection as provided under paragraph 18 of this lease, the lessee shall reimburse the state for all reasonable costs incurred for monitoring and inspecting lessee's construction activities. Construction activities of primary interest are those that are necessary to control and mitigate the reaction of mine wastes and include, but are not limited to, the following: synthetic or natural liners, seepage collection systems, capping materials placed to eliminate or reduce infiltration, initial placement of material on liners, and reservoirs and basins. Reimbursements will not exceed \$10,000 per year.

d. **Heap leaching.** Requests to conduct heap leaching on the surface of the mining unit or of ore mined and removed from the mining unit will require evaluation and approval by the commissioner. Proposals to conduct heap leaching will be evaluated on the heap leaching facility's ability to contain processing fluids along with a comparison of the potential for environmental impacts associated with the reclaimed leached ore to the potential for environmental impacts associated with the same material if reclaimed in an unleached condition. Heap leaching may be approved by the commissioner if the environmental impacts with reclaimed leached ore are less than or equal to the environmental impacts with ore reclaimed in an unleached condition.

Due to high groundwater levels on the mining unit, heap leaching pads, associated liners and leak detection systems for heap leach piles must be constructed in such a manner that they do not come in direct contact with the groundwater.

e. **Commissioner's right to cancel.** In addition to the rights of the commissioner to cancel this lease under paragraph 32 of this lease, the commissioner may cancel upon any of the following:

- (1) Lessee's failure to meet the authorized expenditure requirements by the applicable date or lessee's failure to submit the report detailing the amount of authorized expenditures incurred; or
- (2) Lessee's failure to have conducted the following activities by the tenth anniversary date of the lease: developed mining and milling plans, obtained necessary surface licenses and leases, obtained and maintained in effect necessary mining leases, complied with requirements of the state's environmental laws during the conduct of all its activities, and begun construction of mine and plant facilities.

40. THIS LEASE IS ISSUED UNDER ALL APPLICABLE PROVISIONS OF MINNESOTA STATUTES CHAPTER 93; AND MINNESOTA RULES, PARTS 6125.0100 THROUGH 6125.0700, THE RULES ADOPTED BY THE STATE EXECUTIVE COUNCIL ON NOVEMBER 8, 1966, AMENDED EFFECTIVE SEPTEMBER 7, 1982, AMENDED EFFECTIVE MAY 23, 1988, AND AMENDED EFFECTIVE JUNE 26, 1995.

IN TESTIMONY WHEREOF, the state, by and through its commissioner of natural resources, has caused this instrument to be executed, and the lessee has hereunto set its hand the day and year first above written.

Signed in Presence of:

Jeanne L. Mittelstadt

Catherine F. Hanson
As to State

Signed in Presence of:

Dorothy Cox
Dianna Sumter
Dorothy Cox
Dianna Sumter
As to Lessee

STATE OF MINNESOTA
DEPARTMENT OF NATURAL RESOURCES

Allen Garber
Commissioner of Natural Resources

By William C. Brice
William C. Brice, Director
Division of Lands and Minerals

COMINCO AMERICAN INCORPORATED

By [Signature]
Vice President, Exploration

ATTEST: [Signature]

STATE OF MINNESOTA)
) SS
COUNTY OF RAMSEY)

This instrument was acknowledged before me this 12th day of June, 2001, by William C. Brice, Director,
Division of Lands and Minerals, Department of Natural Resources, on behalf of the State of Minnesota.



Kathy A. Lewis
Notary Public

My Commission Expires Jan. 31, 2005

STATE OF WASHINGTON)
) SS
COUNTY OF SPOKANE)

This instrument was acknowledged before me this 21st day of May, 2001, by

George P. Cole and C. Bruce DiLuzio

of Cominco American Incorporated, a

corporation, on behalf of the corporation.



Deborah A. Frost
Notary Public Deborah A. Frost

My Commission Expires 5/11/03

This instrument was drafted by:
DEPARTMENT OF NATURAL RESOURCES
500 Lafayette Road
Saint Paul, Minnesota 55155-4045

This Mining Lease has been examined and approved as
to form and execution this 15th day of
June, 2001.

Mike Hatch
Attorney General

[Signature]

Assistant Attorney General
Agriculture and Natural Resources Division

Office of Commissioner of Natural Resources
STATE OF MINNESOTA

I hereby certify that this instrument was filed in this office
for record on June 19, 2001 in
Mineral Lease Royalty Record Book
MM on page 9831 -N.

By Nancy Rice

Exhibit A. Base Royalty Rate Table

Net return value <u>per ton</u>	Base royalty rate (%)	Net return value <u>per ton</u>	Base royalty rate (%)	Net return value <u>per ton</u>	Base royalty rate (%)
\$ 0.01- 75	3.9500	\$124.01-125	4.5592	\$174.01-175	5.6559
\$ 75.01- 76	3.9574	\$125.01-126	4.5764	\$175.01-176	5.6828
\$ 76.01- 77	3.9650	\$126.01-127	4.5938	\$176.01-177	5.7099
\$ 77.01- 78	3.9728	\$127.01-128	4.6113	\$177.01-178	5.7372
\$ 78.01- 79	3.9808	\$128.01-129	4.6290	\$178.01-179	5.7647
\$ 79.01- 80	3.9890	\$129.01-130	4.6470	\$179.01-180	5.7924
\$ 80.01- 81	3.9974	\$130.01-131	4.6651	\$180.01-181	5.8202
\$ 81.01- 82	4.0060	\$131.01-132	4.6834	\$181.01-182	5.8483
\$ 82.01- 83	4.0147	\$132.01-133	4.7020	\$182.01-183	5.8766
\$ 83.01- 84	4.0237	\$133.01-134	4.7207	\$183.01-184	5.9050
\$ 84.01- 85	4.0329	\$134.01-135	4.7396	\$184.01-185	5.9337
\$ 85.01- 86	4.0422	\$135.01-136	4.7587	\$185.01-186	5.9626
\$ 86.01- 87	4.0518	\$136.01-137	4.7780	\$186.01-187	5.9916
\$ 87.01- 88	4.0615	\$137.01-138	4.7975	\$187.01-188	6.0209
\$ 88.01- 89	4.0715	\$138.01-139	4.8172	\$188.01-189	6.0503
\$ 89.01- 90	4.0816	\$139.01-140	4.8371	\$189.01-190	6.0799
\$ 90.01- 91	4.0919	\$140.01-141	4.8571	\$190.01-191	6.1098
\$ 91.01- 92	4.1025	\$141.01-142	4.8774	\$191.01-192	6.1398
\$ 92.01- 93	4.1132	\$142.01-143	4.8979	\$192.01-193	6.1700
\$ 93.01- 94	4.1241	\$143.01-144	4.9186	\$193.01-194	6.2004
\$ 94.01- 95	4.1352	\$144.01-145	4.9394	\$194.01-195	6.2310
\$ 95.01- 96	4.1465	\$145.01-146	4.9605	\$195.01-196	6.2618
\$ 96.01- 97	4.1580	\$146.01-147	4.9817	\$196.01-197	6.2928
\$ 97.01- 98	4.1697	\$147.01-148	5.0032	\$197.01-198	6.3240
\$ 98.01- 99	4.1816	\$148.01-149	5.0248	\$198.01-199	6.3554
\$ 99.01-100	4.1937	\$149.01-150	5.0466	\$199.01-200	6.3870
\$100.01-101	4.2060	\$150.01-151	5.0687	\$200.01-201	6.4188
\$101.01-102	4.2185	\$151.01-152	5.0909	\$201.01-202	6.4507
\$102.01-103	4.2311	\$152.01-153	5.1133	\$202.01-203	6.4829
\$103.01-104	4.2440	\$153.01-154	5.1359	\$203.01-204	6.5153
\$104.01-105	4.2571	\$154.01-155	5.1587	\$204.01-205	6.5478
\$105.01-106	4.2703	\$155.01-156	5.1818	\$205.01-206	6.5806
\$106.01-107	4.2838	\$156.01-157	5.2050	\$206.01-207	6.6135
\$107.01-108	4.2974	\$157.01-158	5.2283	\$207.01-208	6.6467
\$108.01-109	4.3113	\$158.01-159	5.2519	\$208.01-209	6.6800
\$109.01-110	4.3253	\$159.01-160	5.2757	\$209.01-210	6.7135
\$110.01-111	4.3395	\$160.01-161	5.2997	\$210.01-211	6.7473
\$111.01-112	4.3540	\$161.01-162	5.3239	\$211.01-212	6.7812
\$112.01-113	4.3686	\$162.01-163	5.3482	\$212.01-213	6.8153
\$113.01-114	4.3834	\$163.01-164	5.3728	\$213.01-214	6.8496
\$114.01-115	4.3984	\$164.01-165	5.3976	\$214.01-215	6.8841
\$115.01-116	4.4136	\$165.01-166	5.4225	\$215.01-216	6.9188
\$116.01-117	4.4290	\$166.01-167	5.4477	\$216.01-217	6.9537
\$117.01-118	4.4446	\$167.01-168	5.4730	\$217.01-218	6.9888
\$118.01-119	4.4604	\$168.01-169	5.4986	\$218.01-219	7.0241
\$119.01-120	4.4764	\$169.01-170	5.5243	\$219.01-220	7.0596
\$120.01-121	4.4926	\$170.01-171	5.5502	\$220.01-221	7.0953
\$121.01-122	4.5089	\$171.01-172	5.5763	\$221.01-222	7.1311
\$122.01-123	4.5255	\$172.01-173	5.6027	\$222.01-223	7.1672
\$123.01-124	4.5423	\$173.01-174	5.6292	\$223.01-224	7.2035

Net return value <u>per ton</u>	Base royalty rate (%)	Net return value <u>per ton</u>	Base royalty rate (%)	Net return value <u>per ton</u>	Base royalty rate (%)
\$224.01-225	7.2399	\$275.01-276	9.3578	\$326.01-327	11.9827
\$225.01-226	7.2766	\$276.01-277	9.4044	\$327.01-328	12.0392
\$226.01-227	7.3134	\$277.01-278	9.4512	\$328.01-329	12.0960
\$227.01-228	7.3505	\$278.01-279	9.4981	\$329.01-330	12.1529
\$228.01-229	7.3877	\$279.01-280	9.5453	\$330.01-331	12.2100
\$229.01-230	7.4251	\$280.01-281	9.5927	\$331.01-332	12.2673
\$230.01-231	7.4628	\$281.01-282	9.6403	\$332.01-333	12.3249
\$231.01-232	7.5006	\$282.01-283	9.6880	\$333.01-334	12.3826
\$232.01-233	7.5386	\$283.01-284	9.7360	\$334.01-335	12.4405
\$233.01-234	7.5768	\$284.01-285	9.7841	\$335.01-336	12.4986
\$234.01-235	7.6152	\$285.01-286	9.8325	\$336.01-337	12.5569
\$235.01-236	7.6538	\$286.01-287	9.8810	\$337.01-338	12.6153
\$236.01-237	7.6926	\$287.01-288	9.9298	\$338.01-339	12.6740
\$237.01-238	7.7316	\$288.01-289	9.9787	\$339.01-340	12.7329
\$238.01-239	7.7708	\$289.01-290	10.0278	\$340.01-341	12.7920
\$239.01-240	7.8102	\$290.01-291	10.0772	\$341.01-342	12.8512
\$240.01-241	7.8498	\$291.01-292	10.1267	\$342.01-343	12.9107
\$241.01-242	7.8895	\$292.01-293	10.1764	\$343.01-344	12.9704
\$242.01-243	7.9295	\$293.01-294	10.2263	\$344.01-345	13.0302
\$243.01-244	7.9697	\$294.01-295	10.2764	\$345.01-346	13.0903
\$244.01-245	8.0100	\$295.01-296	10.3267	\$346.01-347	13.1505
\$245.01-246	8.0506	\$296.01-297	10.3772	\$347.01-348	13.2109
\$246.01-247	8.0913	\$297.01-298	10.4279	\$348.01-349	13.2716
\$247.01-248	8.1323	\$298.01-299	10.4788	\$349.01-350	13.3324
\$248.01-249	8.1734	\$299.01-300	10.5299	\$350.01-351	13.3934
\$249.01-250	8.2147	\$300.01-301	10.5811	\$351.01-352	13.4546
\$250.01-251	8.2563	\$301.01-302	10.6326	\$352.01-353	13.5161
\$251.01-252	8.2980	\$302.01-303	10.6843	\$353.01-354	13.5777
\$252.01-253	8.3399	\$303.01-304	10.7361	\$354.01-355	13.6395
\$253.01-254	8.3820	\$304.01-305	10.7882	\$355.01-356	13.7015
\$254.01-255	8.4243	\$305.01-306	10.8404	\$356.01-357	13.7637
\$255.01-256	8.4668	\$306.01-307	10.8929	\$357.01-358	13.8260
\$256.01-257	8.5095	\$307.01-308	10.9455	\$358.01-359	13.8886
\$257.01-258	8.5524	\$308.01-309	10.9984	\$359.01-360	13.9514
\$258.01-259	8.5955	\$309.01-310	11.0514	\$360.01-361	14.0144
\$259.01-260	8.6388	\$310.01-311	11.1046	\$361.01-362	14.0775
\$260.01-261	8.6822	\$311.01-312	11.1580	\$362.01-363	14.1409
\$261.01-262	8.7259	\$312.01-313	11.2116	\$363.01-364	14.2045
\$262.01-263	8.7698	\$313.01-314	11.2654	\$364.01-365	14.2682
\$263.01-264	8.8138	\$314.01-315	11.3195	\$365.01-366	14.3322
\$264.01-265	8.8581	\$315.01-316	11.3736	\$366.01-367	14.3963
\$265.01-266	8.9025	\$316.01-317	11.4280	\$367.01-368	14.4606
\$266.01-267	8.9472	\$317.01-318	11.4826	\$368.01-369	14.5252
\$267.01-268	8.9920	\$318.01-319	11.5374	\$369.01-370	14.5899
\$268.01-269	9.0371	\$319.01-320	11.5924	\$370.01-371	14.6548
\$269.01-270	9.0823	\$320.01-321	11.6476	\$371.01-372	14.7199
\$270.01-271	9.1277	\$321.01-322	11.7029	\$372.01-373	14.7852
\$271.01-272	9.1733	\$322.01-323	11.7585	\$373.01-374	14.8507
\$272.01-273	9.2192	\$323.01-324	11.8143	\$374.01-375	14.9164
\$273.01-274	9.2652	\$324.01-325	11.8702	\$375.01-376	14.9823
\$274.01-275	9.3114	\$325.01-326	11.9264	\$376.01-377	15.0484

Net return value <u>per ton</u>	Base royalty rate (%)	Net return value <u>per ton</u>	Base royalty rate (%)
\$377.01-378	15.1147	\$428.01-429	18.7538
\$378.01-379	15.1812	\$429.01-430	18.8302
\$379.01-380	15.2479	\$430.01-431	18.9069
\$380.01-381	15.3147	\$431.01-432	18.9837
\$381.01-382	15.3818	\$432.01-433	19.0607
\$382.01-383	15.4491	\$433.01-434	19.1379
\$383.01-384	15.5165	\$434.01-435	19.2153
\$384.01-385	15.5842	\$435.01-436	19.2929
\$385.01-386	15.6520	\$436.01-437	19.3707
\$386.01-387	15.7201	\$437.01-438	19.4487
\$387.01-388	15.7883	\$438.01-439	19.5268
\$388.01-389	15.8567	\$439.01-440	19.6052
\$389.01-390	15.9254	\$440.01-441	19.6838
\$390.01-391	15.9924	\$441.01-442	19.7625
\$391.01-392	16.0632	\$442.01-443	19.8415
\$392.01-393	16.1324	\$443.01-444	19.9207
\$393.01-394	16.2018	\$444.01 and above	20.0000
\$394.01-395	16.2714		
\$395.01-396	16.3412		
\$396.01-397	16.4112		
\$397.01-398	16.4814		
\$398.01-399	16.5518		
\$399.01-400	16.6223		
\$400.01-401	16.6931		
\$401.01-402	16.7641		
\$402.01-403	16.8352		
\$403.01-404	16.9066		
\$404.01-405	16.9781		
\$405.01-406	17.0499		
\$406.01-407	17.1218		
\$407.01-408	17.1940		
\$408.01-409	17.2663		
\$409.01-410	17.3388		
\$410.01-411	17.4115		
\$411.01-412	17.4844		
\$412.01-413	17.5576		
\$413.01-414	17.6309		
\$414.01-415	17.7044		
\$415.01-416	17.7781		
\$416.01-417	17.8519		
\$417.01-418	17.9260		
\$418.01-419	18.0003		
\$419.01-420	18.0748		
\$420.01-421	18.1494		
\$421.01-422	18.2243		
\$422.01-423	18.2994		
\$423.01-424	18.3746		
\$424.01-425	18.4501		
\$425.01-426	18.5257		
\$426.01-427	18.6016		
\$427.01-428	18.6776		