

US EPA ARCHIVE DOCUMENT

Appendix C

State Surface Use Lease

**METALLIC MINERAL MINING OPERATIONS
SURFACE USE LEASE**

No. L-9742

**MICHIGAN DEPARTMENT OF NATURAL RESOURCES
FOREST, MINERAL, AND FIRE MANAGEMENT**

By authority of Part 5, Act 451 of 1994, as amended.

This Lease, made and entered into this 8th day of July in the year 2008,

By and Between the DIRECTOR OF THE DEPARTMENT OF NATURAL RESOURCES (Lessor) for the STATE OF MICHIGAN, hereafter called "Lessor," whose address is P. O. Box 30452, Lansing, Michigan 48909-7952 and KENNECOTT EAGLE MINERALS COMPANY, whose address is 1004 Harbor Hill Drive, Suite 103, Marquette, Michigan 49855, hereafter called "Lessee."

Whereas, pursuant to Section 503(1), Part 5 of the Natural Resources and Environmental Protection Act, 1994 PA 451 (NREPA), as amended, MCL 324.503(1), the Lessor shall: protect and conserve the natural resources of the State; provide and develop facilities for outdoor recreation; prevent the destruction of timber and other forest growth by fire or otherwise; promote the reforestation of forest lands belonging to the State; prevent and guard against the pollution of lakes and streams within the State and enforce all laws provided for that purpose with all authority granted by law; and foster and encourage the protecting and propagation of game and fish.

Whereas, pursuant to Section 503(2) of NREPA, MCL 324.503(2), the Lessor may lease lands owned or controlled by the department to any person and for any purpose that the department determines to be necessary to implement Part 5 of NREPA.

Whereas, the Lessee has previously obtained the right to mine metallic minerals under State Metallic Mineral Leases No. M-00602 and No. M-00603 pursuant to MCL 324.502(3). The purpose of this Lease is to provide for the development, operation, and maintenance of a surface site for a metallic mineral mining operation located upon the property that is the subject of Lease No. M-00603; and to provide for the associated development, operation, and maintenance of an underground site for the extraction of metallic minerals pursuant to Lease No. M-00602.

Whereas, the Lessor has determined that the purpose of this Lease is necessary to implement the NREPA because the utilization of the State's surface for the stated purpose will protect and conserve the natural resources of the State and allow for development of the State's mineral resources. The mining operation location will protect other surface resources within the mining operation area and the revenue derived from the State-owned minerals within the mining unit will benefit the Lessor through the Michigan Natural Resources Trust Fund programs.

Therefore, Lessor and Lessee, for the valuable consideration specified in this Lease, agree to the following:

Stipulations and Conditions

1. DESCRIPTION OF PREMISES:

Lessor leases to Lessee the described Parcels (the Premises), as shown in **Exhibit A**, and as described as follows:

**MARQUETTE COUNTY
Michigamme Township
T50N, R29W**

N1/2 of NW1/4 and SW1/4 of NW1/4 of Section 12

2. TITLE:

Lessee acknowledges that (a) Lessor makes no warranty of title with respect to the Premises; (b) Lessee has had the opportunity to make its own assessment to such title; and (c) Lessee waives any claim against Lessor for inadequate or defective title to the Premises.

3. LEASE ADMINISTRATION:

Lessor's Unit Manager, **William Brondyke**, or his successor, Gwinn Management Unit, 410 West M-35, Gwinn, MI 49841 is the Lease Administrator (Lessor's Representative) as pertains to the terms and conditions of the Lease as well as compliance with the terms and conditions of the Lease.

Lessee designates **Jon Cherry** as Lessee's Representative, and designates **Bill Henry** as alternate Lessee's Representative as responsible to be the contacts for Lessee regarding operations under the Lease. These contacts shall be authorized to make decisions regarding the maintenance and operation of the Premises for the Lessee.

Each party will notify the other in case of a change in their respective representatives.

4. USE OF PREMISES:

- A. Lessee hereby acknowledges that the use and occupancy of the Premises shall be subject to the provisions of the NREPA, and confined to the following specific uses:
1. To construct, install, operate, and maintain a metallic mineral mining facilities site for a metallic mineral mine operated by the Lessee. This includes installations necessary for operation of the mine, as shown in the Metallic Mineral Mining and Reclamation Plan **Exhibit F** approved by the Director and in the Department of Environmental Quality (DEQ) approved Mining Permit issued under Part 632 of the NREPA. A depiction of the facilities is contained in the attached Metallic Minerals Mining Operation Facilities Site Plan, **Exhibit B**.
 2. Clearing of the Premises for the uses specified in subparagraph (1) above except for vegetation along and outside the location of the fence line shown on the Site Plan and except for clearing on the rock outcrop as shown on **Exhibit G**.
 3. To restore the Premises and surface to the specifications set forth in **Exhibit C** and Paragraph 14.
 4. Prior to constructing the mining surface facility on the Premises, Lessee shall acquire all permits necessary for the implementation of this Lease, the Mining and Reclamation Plan, and the Part 632 Mining Permit. Pursuant to this requirement, any such permit must be the final agency action by the permitting agency and Lessee must provide written certification to and receive written acknowledgement from the Lessor that all necessary permits have been obtained.

Lessee shall obtain Lessor's prior consent, in writing signed by the Lessor's Representative, to use the Premises for any purpose not listed above in A. 1 through 4. Lessor may terminate this Lease if, at any time, Lessee uses the Premises, without express written permission by Lessor, for purposes other than those enumerated in A. 1 through 4. This paragraph is cross-referenced in Paragraph 24. The following activities are specifically prohibited:

B. PROHIBITED ACTIVITIES:

1. Blocking of access roads outside the Premises unless such blockage is further approved in writing by the Lessor's Representative.
2. Any clearing activity on State land outside the Premises.
3. Any damage to archaeological sites.
4. Dumping or disposal of garbage, trash, spare parts, scrap metal, and other debris onto the Premises or other State land.
5. Disposal of trees, treetops, branches, roots, stumps, and other vegetation debris onto the Premises or other State land.
6. Clearing of, or mining operation activities on the rock outcrop **Exhibit G**.

Lessor may terminate this Lease if, at any time during the term of this Lease, prohibited activities occur on the Premises. Lessor, at its option, may provide lessee an opportunity and time frame to cure violations resulting from prohibited activities. This Paragraph is cross-referenced in Paragraph 24.

5. WASTE/NUISANCE:

Lessee agrees not to commit, or allow to be committed, waste or nuisance on the Premises and will not use, or permit to be used, the Premises for an unlawful purpose.

6. LESSOR'S OPERATIONS:

Lessee covenants that its use of the Premises shall, at no time, interfere with the operations of Lessor or its use, or the Public's use, of State land adjacent to the Premises.

7. CONDITION OF PREMISES:

Lessee stipulates, represents and warrants that Lessee has examined the Premises, and that they are at the time of this Lease in good order, repair, and in a safe, clean, and tenable condition. Lessee represents that it is taking possession of the Premises in "as is" condition. Lessee has made an independent environmental assessment of the Premises and has provided a copy of the environmental assessment to the Lessor's Representative. Lessee agrees to maintain the Premises in good order, repair, and in a safe and clean condition throughout the life of the Lease.

8. TERM:

Lessor shall furnish the Premises to Lessee for an initial term equal to that of Metallic Minerals Lease Number M-00602 and M-00603. If those leases are terminated or expire prior to completion of the mining operation and reclamation activities as provided for under the approved Mining and Reclamation Plan **Exhibit F**, this surface use lease shall continue in force to the end date of the mine closure and reclamation activities. The Lessor will determine the date when such mine closure and reclamation work has been successfully completed by the Lessee.

9. TIMBER CONSIDERATION FEE AND MONITORING FEE:

Lessee shall pay prior to commencement of clearing operations, the standard timber consideration fee for the area to be cleared and utilized on the Premises. The standard timber consideration fee rate for the Upper Peninsula is \$1722.00 per acre. The timber consideration fee for the premises equals \$1722.00 times 120 acres, which totals **\$206,640.00**. The timber consideration fee shall be paid in two equal installments of **\$103,320.00** due upon certification that all permits have been received pursuant to Paragraph 4.A.4. and on the first anniversary of certification.

Lessee shall pay a yearly lease monitoring fee to the Lessor to cover Lessor's costs of monitoring the mining operation to insure terms and conditions of the Lease are met. The lease monitoring fee will be **\$4,000.00** per year, payable upon execution of this lease and upon each anniversary.

10. RENT/USE FEE:

Lessee shall pay the sum of **\$241,300.00** in two equal installments of **\$120,650.00** as initial payment for use of the Premises. Payments are due upon execution of the lease and upon its first anniversary. Lessee shall pay the sum of **\$50,000.00** for continued use of the Premises during years three through ten of the lease. Payment is due upon the second through ninth anniversaries of the lease. The lease fee for years eleven through the termination of this lease will be based at **\$50,000.00** and escalated annually by the Consumer Price Index. The annual use fee payments will be payable whether the mine is actively producing minerals or not. If the Lessee cancels the lease per Paragraph 24.B., prior to certification under Paragraph 4.A.4., Lessor shall refund use fee payment(s) it has received.

11. LESSEE SERVICES AND REQUIREMENTS:

Lessee shall furnish the following services and abide by these conditions at its own expense:

- A. Lessee shall replace to the satisfaction of Lessor, State snowmobile trails that will be closed or affected by development and use of the premises.
- B. Lessee shall meet or exceed the groundwater, surface water and air quality monitoring requirements of State and Federal Permits.
- C. Lessee's clearing and use of the Premises near the rock outcrop shall be restricted to the approved use contained in the DEQ Mining Permit and the DNR Mining and Reclamation Plan.
- D. Lessee will secure, maintain and keep the Premises in good repair.
- E. Lessee will pay for all public utilities used including, but not limited to, electric and telecommunications service. Utility service may require separate easement approval by the Lessor.
- F. Lessee is responsible for snow removal on the Premises as well as maintenance of the designated access road.
- G. Lessee shall dispose of all garbage and debris from the Premises in conformity with applicable rules and law. Lessee shall at all times keep the Premises in a clean and sanitary condition and in conformity with standards, rules and law for sanitation and public health.
- H. Lessee is responsible for all costs and expenses that may be payable or incurred in the use of the Premises in compliance with this Lease.
- I. The Lessee will provide the Lessor with 'as built' utility and flowline specifications and routes contained within the Premises upon completion of the facility or following any modification.

- J. Reports, Records and Notifications required under the DEQ Mining Permit that are sent or provided to the Supervisor of the Mineral and Mapping Unit, Office of Geological Survey (OGS), DEQ, shall also be sent or provided to the Supervisor of the Metallic, Nonmetallic and Underground Gas Storage Leasing Unit, Forest Mineral and Fire Management, DNR, within the same timeframes. Reports, Records and Notifications required under the DEQ Mining Permit that are sent or provided to the OGS Area Geologist shall also be sent or provided to the DNR Lease Administrator within the same timeframes.
- K. In addition to legal requirements, Lessee shall maintain standards of cleanliness that reflect favorable public opinion on the Lessee and the DNR. If the Lessor's Representative determines that Lessee has failed to maintain an acceptable standard of cleanliness and if after 5 working days, following verbal and written notification by Lessor, the problem is not cured to the satisfaction of Lessor, Lessor may perform or have the duties of Lessee performed by others. Lessee shall pay 120 percent of the cost of such work, whether performed by the Lessor or by others at the discretion of Lessor. Emergency situations that prevent Lessee from correction within 5 working days shall be reported to the Lessor's Representative and appropriate regulatory agencies, and another cure period will be established.

12. ASSIGNMENT:

Lessee may not assign this Lease without Lessor's prior written consent, which consent shall not be unreasonably withheld, delayed or denied. Lessee shall request Lessor's prior written consent at least 60 days in advance of such an assignment. With Lessor's prior written consent, an assignment shall be effective to transfer the following: (1) Lessee's rights under the lease; (2) Lessee's obligations under the lease only insofar as such obligations relate to use of the premises after the effective date of assignment; and (3) any risk of loss associated with use of the premises after the effective date of assignment. The request for Lessor's consent shall include the assignee's bond in place of the bond required under Paragraph 21 of this lease. An assignment granted without the written consent required by this paragraph shall be null and void.

13. MINING OPERATIONS FACILITIES SITE PLAN:

The attached **Exhibit B** is the Mining Operations Facilities Site Plan (Site Plan) as of Lease inception date. A new Site Plan showing any proposed improvements must be submitted to the Lessor's Representative at least 30 days prior to the expected installation date. Lessee shall provide to the Lessor's Representative a detailed final Site Plan showing the location of all installations and structures placed on the Premises upon completion of construction and installation activities.

14. COMPLETION/ABANDONMENT:

Within 90 days after expiration of the lease term, completion of the mining operation, abandonment by Lessee, or upon Lease cancellation, Lessee shall begin removal of all installations on the Premises according to the approved Mining and Reclamation Plan, **Exhibit F**. This shall include removal and proper disposal of all buildings, waste, waste rock, contaminated soils, groundwater or other materials, buildings and equipment and restore the Premises according to the approved Mining and Reclamation Plan. Lessee shall then grade the site to its approximate original contour, seed, mulch and fertilize exposed soil areas as specified in **Exhibit C**.

15. LAWS, CODES AND PERMITS:

All applicable laws and related government-issued permits are made a part and condition of this Lease. Violations of any of the applicable laws and related permits shall be considered a violation of the terms and conditions of this Lease and Lessor, at its sole discretion, may seek any available legal remedy to cure the violation. No administrative rules made after the approval of this Lease shall operate to affect the term of the Lease or rental rate unless agreed to by both Lessor and Lessee.

16. DAMAGE AND REPAIRS:

Lessee shall reimburse Lessor for any repairs, response activity or remediation work on the Premises performed by the Lessor resulting from damage to the Premises caused by Lessee including but not limited to damages to the environment or natural resources as defined in Section 20101 (1) (k) of 1994 PA 451, as amended, MCL 324.20101 (k). Nothing in this Lease is intended to, nor shall it, either: (a) obligate the Lessor to perform any such repairs, response activity or remediation work; or (b) relieve the Lessee of any obligation it may have under applicable law to perform such repairs, response activity or remediation work.

17. INSPECTION OF PREMISES:

Lessor and Lessor's agents and employees shall have the right at all reasonable times, to enter the Premises for the purpose of making any inspections or repairs, as deemed appropriate by Lessor for the preservation of the Premises.

18. INDEMNIFICATION:

Lessee expressly agrees to hold harmless, defend, and indemnify Lessor, its agents and employees, from and against any and all claims, costs, losses, suits, demands, actions, liabilities, damages, causes of action or judgments, including, but not limited to, alleged violations of environmental laws, that may in any manner be imposed on or incurred by the Lessor, its agents and employees, for any bodily injury, loss of life, and/or damage to property, resulting from, arising out of, or in any way connected with Lessee's use of the Premises. This indemnification and hold harmless provision shall survive the termination of the leasehold interest and the sale of the Premises by Lessor.

19. INSURANCE:

Lessee shall provide to Lessor certificates of insurance listing the State of Michigan, its several departments, boards, agencies, commissions, officers, and employees as additional insured's, within 30 calendar days following the execution and delivery of this Lease to Lessee, and every year thereafter, for the following insurance coverage. Insurance coverage shall be effective as of the effective date of this Lease. The insurance policies shall provide that they will not be modified, canceled, or allowed to expire without 30 days prior written notice given to Lessor.

- A. Lessee shall obtain commercial general liability insurance, protecting against all claims, demands, suits, actions or causes of action and judgments, settlements or recoveries, for bodily injury or property damage arising out of a condition of the Premises, or arising in connection with or as a direct or indirect result of the Lessee's use and occupancy of the Premises or its exercise of the right and privileges granted in the Lease. Lessee agrees to maintain a minimum policy limit, in the amount of **\$5,000,000.00** per occurrence for property damage, **\$2,000,000.00** per occurrence for bodily injury, and **\$10,000,000.00** aggregate.
- B. Lessee shall obtain workers' compensation insurance under the Michigan Workers' Compensation Act or similar employee benefit act or any other State act applicable to an employee, along with Employer's Liability Insurance for claims for damages because of bodily injury, occupational sickness or disease or death of an employee when workers' compensation may not be an exclusive remedy, subject to a limit of liability of not less than **\$500,000.00** each accident.
- C. Lessee shall maintain automobile no-fault coverage as required by law.
- D. Lessee shall maintain Pollution Liability insurance covering pollution incidents that result in bodily injury or property damage, subject to a limit of liability of not less than **\$5,000,000.00**.

20. ACCIDENTS OR PROPERTY DAMAGE:

Lessee shall report verbally and in writing to the Lessor's Representative, all accidents resulting in serious personal injury or death. Notification shall be by telephone or in person within 72 hours with a written report to follow within seven business days. Lessee shall report verbally and in writing to the

Lessor's Representative any damage to the Premises or adjacent State-owned land. Notification shall be by telephone or in person within 72 hours with a written report to follow within seven business days. Lessee shall report verbally and in writing to the Lessor's Representative any serious damage to the Premises or adjacent State-owned land, such as but not limited to, fire or releases of regulated substances. Notification shall be immediately by telephone or in person with a written report to follow within seven business days. Lessee shall also provide to the Lessor all reports regarding damage to the Premises or adjacent land required by the Michigan Department of Environmental Quality.

21. PERFORMANCE BOND:

As a guarantee of faithful performance of the conditions of this Lease, Lessee delivers herewith a new cash or surety bond or letter of credit in the sum of \$1,000,000.00. When security for the performance of the terms of this Lease or the settlement of associated claims is no longer necessary, any bond deposited will be returned to Lessee, and any letter of credit will be released. Lessee agrees that, upon Lessee's failure to fulfill any requirement of this Lease, the security deposited will be retained by the State of Michigan and applied to satisfy Lessee's obligations, without prejudice to any other rights and remedies of the State of Michigan.

22. NONDISCRIMINATION:

Lessee shall comply with the Elliott-Larsen Civil Rights Act, 1976 PA 453 as amended, MCL 37.2101 et seq.; the Persons with Disabilities Civil Rights Act, 1976 PA 220, as amended, MCL 37.1101 et seq.; and all other Federal, State and Local fair employment practices and equal opportunity laws. Lessee covenants that it will not discriminate against any employee or applicant for employment with respect to his or her hire, tenure, terms, conditions, or privileges of employment, or any matter directly or indirectly related to employment, because of his or her race, religion, color, national origin, age, sex, height, weight, marital status, or physical or mental disability that is unrelated to the individual's ability to perform the duties of a particular job or position. Lessee agrees to include in every subcontract entered into for the performance of this Lease this covenant not to discriminate in employment. A breach of this covenant is a material breach of this Lease.

23. UNFAIR LABOR PRACTICES:

Lessee shall comply with the Employers Engaging in Unfair Labor Practices Act, 1980 PA 278, as amended, MCL 423.321 et seq.

24. CANCELLATION:

- A. Lessor may cancel this Lease provided Lessee is notified in writing at least 30 days prior to the effective date of cancellation and any one of the following occur:
1. Lessor determines that the Premises are no longer being used for the Purposes identified in this Lease.
 2. Lessor determines that Lessee provided Lessor with information in its application for this Lease, or at any time during the Lease term, that was false or fraudulent.
 3. Lessee fails to perform any of its obligations under this Lease, and such failure is not cured within 30 days or greater time frame as determined by the Lessor, after written notice of default to Lessee.
 4. Lessee or any subcontractor, manufacturer, or supplier, of Lessee appears in the register compiled by the Michigan Department of Labor and Economic Growth 1980 PA 278, as amended, MCL 423.321 et seq. (Employers Engaging in Unfair Labor Practices Act).

5. Lessee or any subcontractor, manufacturer or supplier of Lessee is found guilty of discrimination under 1976 PA 453, as amended, MCL 37.2101 et seq. (Elliott-Larsen Civil Rights Act); or 1976 PA 220, as amended, MCL 37.1101 et seq. (Persons with Disabilities Civil Rights Act).

B. Lessee may cancel this lease if it does not provide certification of receiving all necessary permits under Paragraph 4.A.4.

25. LESSEE RIGHTS:

Upon payment of the rent and the performance of the conditions outlined herein, Lessee may use the Premises as provided in Paragraph 4, provided that the use of the Premises by Lessee shall at no time unreasonably interfere with the operations or use of the Lessor or the Public on the State lands adjoining the Premises.

26. RESERVATION:

Lessor reserves the right to grant rights-of-way and easements of any kind and nature over and across the Premises and to grant or exercise all other rights and privileges of every kind and nature not specifically granted in this Lease, as long as the exercise of this right does not interfere with Lessee's use of the Premises as allowed in Paragraph 4.

28. TAXES:

If Lessee is a nongovernmental entity, it may be subject to taxation for the Premises as provided in 1953 PA 189, as amended, MCL 211.181 et seq.

Lessee's failure to notify the taxing authority of this Lease or its failure to pay its pro rata share of real property taxes by the first due date shall be a breach of the Lease. Lessee shall have 90 days to cure any failure to pay property taxes before being in default of this lease. Lessee shall, upon request, provide Lessor with paid receipts for any real property taxes.

NOTICE AND APPROVALS

29. NOTICES:

Any notices to Lessor or to Lessee required by this Lease shall be complete if submitted in writing and transmitted by personal delivery (with signed delivery receipt); or certified or registered mail return receipt requested. Unless either party notifies the other in writing of a different mailing address, notices to Lessor and Lessee shall be sent to the addresses listed below:

To Lessor:

State of Michigan
Department of Natural Resources
Forest, Mineral and Fire Management
P.O. Box 30452
Lansing, Michigan 48909-7952

To Lessee:

Mr. Jonathan Cherry, P.E.
General Manager
Kennecott Eagle Minerals Company
1004 Harbor Hills Drive, Suite 103
Marquette, Michigan 49855

30. NOTICE EFFECTIVE TIME AND DATE:

Notices shall be deemed effective as of 12:00 noon Eastern Standard Time on the fourth business day following the date of mailing, if sent by mail. Business day is defined as any day other than a Saturday, Sunday, legal holiday or day preceding a legal holiday. A receipt from a U.S. Postal Service, or comparable agency performing such function, shall be conclusive evidence of the date of mailing.

31. INTERPRETATION:

This Lease shall be interpreted in accordance with the laws of the State of Michigan. Nothing in the Lease is intended to, nor shall it, modify or amend in any manner Metallic Mineral Leases M-00602 and M-00603.

32. NO UNNAMED PARTNERS:

Lessee covenants that there are no unnamed partners having authority over the operation or management of the Premises and further represents that Lessee is the only entity responsible for carrying out Lessee's responsibilities.

33. LESSEE'S INDEPENDENT STATUS:

Lessee covenants that its officers, employees or agents, are not employees of the State of Michigan. Lessor and Lessee agree that the Lessee shall have a leasehold interest only on the Premises and that Lessee will have no title lien or any reversionary interest in the Premises or in any property belonging to Lessor surrounding or adjacent to the Premises.

34. CONTRACTS:

Lessee may execute contracts or agreements as the operator of the business authorized under the terms of this Lease. The contracts or agreements must not obligate Lessor or conflict with the terms of the Lease. Lessee shall indemnify, defend, and exculpate Lessor from any liability that may accrue or be asserted against the Department or the State of Michigan under such contracts or agreements.

35. REQUIRED APPROVALS:

This Lease shall not be binding or effective until signed and notarized by both parties.

36. SEVERABILITY:

If any provision or addendum of this Lease is found to be illegal or otherwise unenforceable by a court of law, it shall be severed from the remainder of the Lease, and will not affect the enforceability of the remaining provisions and addenda.

37. NON-ENFORCEMENT:

The decision of Lessor not to enforce the performance of any provision or addendum of this Lease may not be construed as a waiver or relinquishment of Lessor's right to performance of it. Lessee's obligation to comply with the Lease remains in full force and effect.

38. ENTIRE AGREEMENT AND EXHIBITS:

This Lease, with the Exhibits listed below, constitutes the entire agreement between Lessor and Lessee with regard to this transaction and may be amended only in writing and executed in the same manner as this Lease was originally executed.

Exhibit A – Survey of Premises

Exhibit B – Metallic Minerals Operation Facilities Site Development Plan

Exhibit C – Vegetation Restoration Requirements

Exhibit D – Metallic Lease M-00602

Exhibit E – Metallic Lease M-00603

Exhibit F – Mining and Reclamation Plan

Exhibit G – Outline of Rock Outcrop

The undersigned certify that they have authority to bind the parties to this Lease.

MICHIGAN DEPARTMENT OF NATURAL RESOURCES, LESSOR

By: Rebecca A. Humphries
Rebecca A. Humphries, Director

STATE OF MICHIGAN)
)§.
County of Ingham)

The foregoing instrument was acknowledged before me this 8 day of July, 2008, by Rebecca A. Humphries, Director, Department of Natural Resources.

Terrri K. Gravenor, Notary Public
State of Michigan, County of Eaton
My Commission Expires: October 2, 2012

PREPARED BY:
Forest, Mineral and Fire Management
MICHIGAN DEPARTMENT
OF NATURAL RESOURCES
PO BOX 30452
LANSING, MI 48909-7952



KENNECOTT EAGLE MINERALS COMPANY,
LESSEE

By: Jonathan Cherry
Jonathan Cherry, P.E., General Manager

STATE OF Michigan)
)§.
County of Marquette)

The foregoing instrument was acknowledged before me this 28 day of March, 2008, by Jonathan Cherry, General Manager, Kenec.

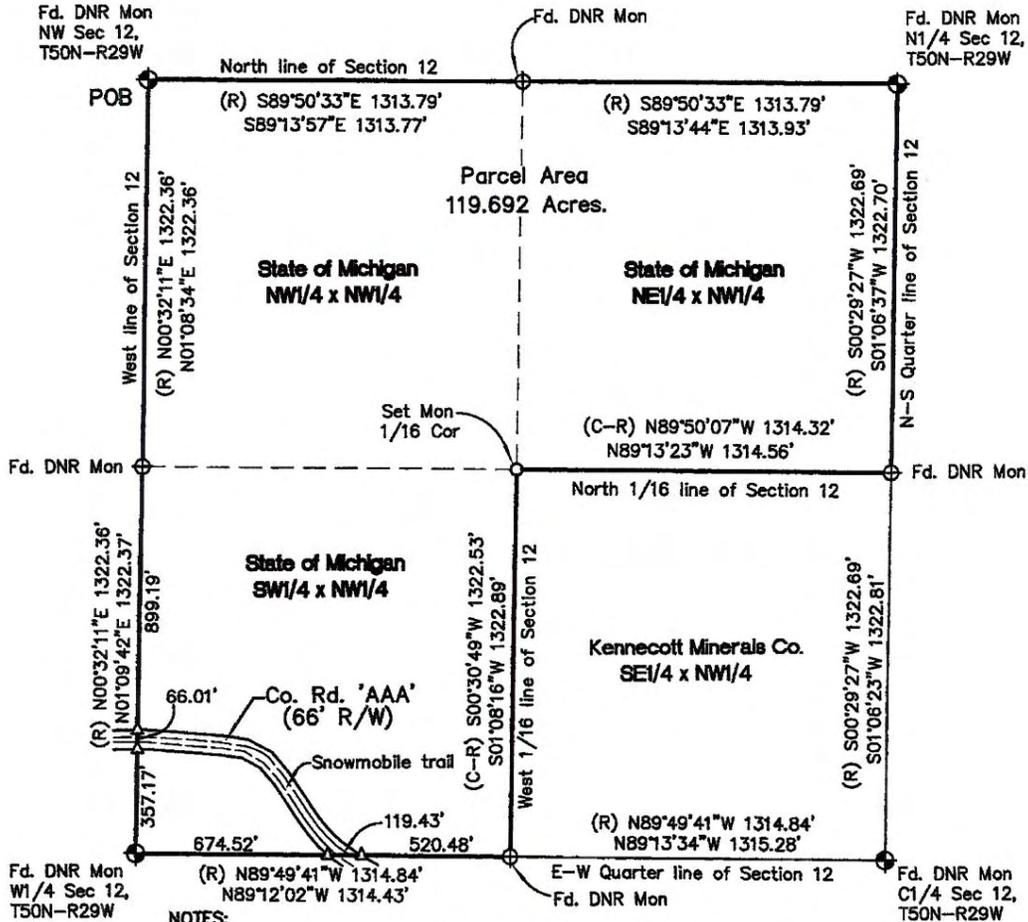
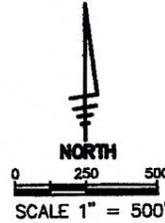
Stacey Kangas
Stacey Kangas, Notary Public
State of MI, County of Marquette
My Commission Expires: 4/16/2013

CERTIFICATE OF SURVEY

PART OF THE NW1/4 OF SECTION 12, T50N-R29W,
MICHIGAMME TOWNSHIP, MARQUETTE COUNTY, MICHIGAN

PREPARED FOR:

Jon Cherry, P. E. - Project Manager
Kennecott Eagle Project
1004 Harbor Hills Drive
Marquette, Michigan 49855



NOTES:

Record dimensions are derived from coordinate data provided by the Michigan DNR Survey office in Baraga, Michigan.

The location of County Road 'AAA' is approximate. At the time of this survey the roadway is in use as a snowmobile trail and an accurate location of the as-built dirt roadway is difficult to perform. Since a survey performed at any other time of year would likely result in a different location of the right-of-way, monuments set now would be difficult for other surveys to match into, so no monuments were placed along the road.

LEGEND:

- Bearing Basis:
Michigan State Plane Coordinate System
- Dimensions shown are measured unless otherwise indicated.
Distances shown are Horizontal Ground not State Plane Grid.
- = Set a 5/8" Rebar w/cap No. 43069
 - = Found iron as indicated
 - = Set Concrete Monument
 - (R) = Record Dimension
 - = Line not to scale
 - ⊕ = Section Corner
 - ⊗ = Sixteenth Corner
 - = Found concrete monument
 - (C) = Calculated Dimension
 - △ = Calculated corner position

SURVEYOR'S CERTIFICATE:

I hereby certify that I have surveyed and mapped the hereon described parcel of land; that the ratio of closure of the unadjusted field observations is less than 1 in 20,000 and within the accepted limits; and that I have fully complied with the requirements of Section No. 3, Act No. 132, P.A. 1970 as amended.

Robert R. Spear Jr. 2/26/07
Robert R. Spear Jr., P.S. No. 43069 Date:



SPEAR LAND SURVEYING, INC.

215 E. Case Street, Negaunee, MI 49866
(906) 475-8149

JOB No. 2003-100 DATE: 02/26/07
DRAWN BY: RRS SHEET 1 OF 3

CERTIFICATE OF SURVEY

Prepared For:

Jon Cherry, P.E. – Project Manager
Kennecott Eagle Project
1004 Harbor Hills Drive
Marquette, Michigan 49855

February 26, 2007
Job No. 2003-100
Sheet 2 of 3

Suggested Legal Description:

A Parcel of land being the Northwest Quarter, the Northeast Quarter and the Southwest Quarter of the Northwest Quarter of Section 12, Township 50 North – Range 29 West, Michigamme Township, Marquette County, Michigan described as:

Commencing at the Northwest corner of Section 12, T50N-R29W and being the Point-of-Beginning; thence S89°13'57"E, 1313.77' along the North line of Section 12 to the Sixteenth Corner; thence continuing along the North line of Section 12 S89°13'44"E, 1313.93' to the North Quarter Corner of Section 12; thence S01°06'37"W, 1322.70' along the North-South Quarter line to the North Sixteenth line; thence N89°13'23"W, 1314.56' along the North Sixteenth line to the West Sixteenth line; thence S01°08'16"W, 1322.89' along the West Sixteenth line to the East-West Quarter line; thence N89°12'02"W, 1314.43' to the West Quarter Corner of Section 12; thence N01°09'42"E, 1322.37' along the West line of Section 12 to the Sixteenth Corner; thence continuing along the West line of Section 12, N01°08'34"E, 1322.36' to the Point-of-Beginning containing 119.692 Acres, SUBJECT to a 66 foot wide County Road right-of-way, being County Road 'AAA', through the Southwest Quarter of the Northwest Quarter of Section 12 and subject to restrictions, reservations, rights-of-way and easements of record.

SPEAR LAND SURVEYING, INC.
Robert R. Spear Jr., PS
215 East Case Street
Negaunee, Michigan 49866



CERTIFICATE OF SURVEY

Prepared For:

Jon Cherry, P.E. – Project Manager
 Kennecott Eagle Project
 1004 Harbor Hills Drive
 Marquette, Michigan 49855

February 26, 2007
 Job No. 2003-100
 Sheet 3 of 3

Corner Witness List:

Northwest Corner
 Section 12, T50N-R29W
 Fd. Mich. DNR Monument
 Witnessed by:
 J. Pine 10" S71E, 67.35'
 J. Pine 13" S02W, 50.10'
 J. Pine 20" S77W, 61.00'
 J. Pine 17" N66W, 47.64'

West Quarter Corner
 Section 12, T50N-R29W
 Fd. 2" Angle Iron
 Witnessed by:
 J. Pine 13" N05E, 43.15'
 J. Pine 9" S02E, 4.76'
 J. Pine 7" S48W, 53.14'
 J. Pine 8" N80W, 12.27'

North Quarter Corner
 Section 12, T50N-R29W
 Fd. Mich. DNR Monument
 Witnessed by:
 J. Pine 4" N06E, 9.44'
 J. Pine 6" S54E, 63.68'
 J. Pine 7" (stub) S24E, 17.77'
 J. Pine 8" (stub) S30W, 17.58'
 J. Pine 8" (stub) N83W, 20.62'

Center Quarter Corner
 Section 12, T50N-R29W
 Fd. Mich. DNR monument
 Witnessed by:
 J. Pine 15" N56E, 33.40'
 J. Pine 13" S60E, 18.29'
 W. Pine 17" S14W, 43.32'
 wood post 4" S49W, 0.85'

West Sixteenth Corner to
 Sections 1 and 12, T50N-R29W
 Fd. Mich. DNR Monument
 Witnessed by:
 J. Pine 4" N16E, 27.04'
 J. Pine 6" (stub) N85E, 14.23'
 J. Pine 3" S00E, 16.05'
 J. Pine 4" N62W, 23.33'

North Sixteenth Corner to
 Sections 11 and 12, T50N-R29W
 Fd. Mich. DNR Monument
 Witnessed by:
 J. Pine 10" N60W, 4.50'
 J. Pine 13" N50E, 5.35'
 J. Pine 12" S55E, 32.88'
 J. Pine 13" S15W, 33.00'
 Twin J. Pine 10" S20W, 29.00'

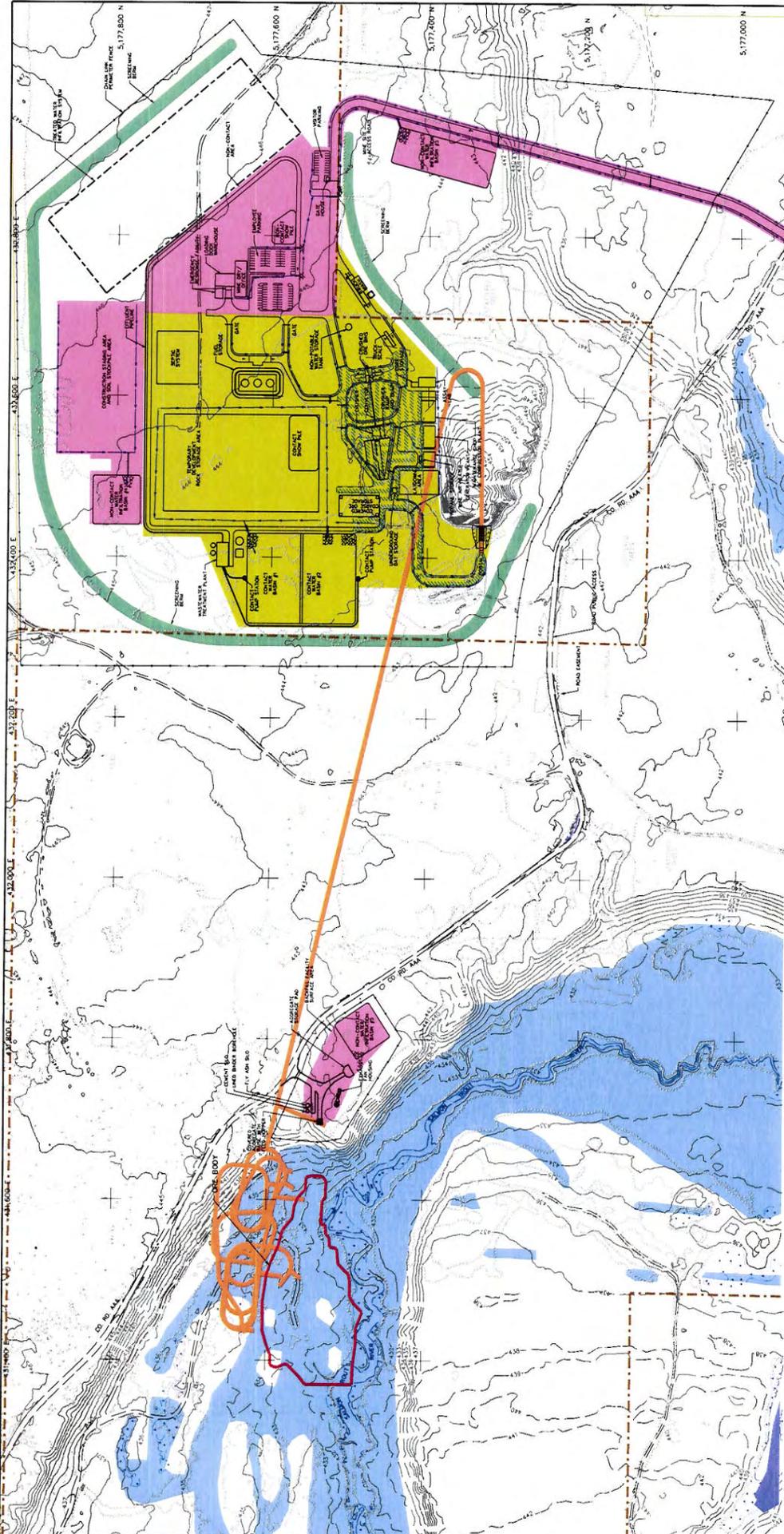
Northwest Sixteenth Corner
 Section 12, T50N-R29W
 Set 2-3/8" x 30" pipe w/3 1/4" cap
 Witnessed by:
 W. Pine 13" N42W, 20.74'
 J. Pine 10" (stub) S73E, 27.56'
 J. Pine 12" S18W, 68.25'
 J. Pine 15" S74W, 38.59'

Center-North Sixteenth Corner
 Section 12, T50N-R29W
 Fd. Mich. DNR Monument
 Witnessed by:
 J. Pine 6" (stump) S20W, 3.54'
 J. Pine 10" N75W, 16.48'
 J. Pine 12" N33E, 4.45'

Center-West Sixteenth Corner
 Section 12, T50N-R29W
 Fd. Mich. DNR Monument
 Witnessed by:
 J. Pine 12" N10E, 18.59'
 J. Pine 8" (stub) S70E, 10.03'
 J. Pine 10" S04E, 30.14'
 J. Pine 9" (stub) S44W, 7.74'
 Maple 6" S60W, 22.53'

SPEAR LAND SURVEYING, INC.
 Robert R. Spear Jr., PS
 215 East Case Street
 Negaunee, Michigan 49866





NOTES:

1. TOPOGRAPHIC AND PLANNING DATA SUPPLIED BY AEGIS-METRIC ENGINEERING, TULSA, ARIZONA.
2. SITE PLAN DATA ADAPTED FROM MICHIGAN ENGINEERING, INC.
3. SUPPLIED BY AEGIS-METRIC AS OF NOVEMBER 18, 2004.
4. HORIZONTAL DATA BASED ON THE NORTH AMERICAN VERTICAL DATUM OF 1988.
5. ORF BODY, WETLAND BOUNDARY, AND PERIMETER FENCE AND ACCESS ROAD LOCATIONS AS SHOWN ON THE JUNE 16, 2005, PLAN.
6. SITE LOCATION, PROJECT SITE WITH SECTIONS 11 & 12 FROM 1836, TOWNSHIP OF WICHAMIE, MARQUETTE COUNTY, MICHIGAN.

LEGEND:

- EXISTING ELEV. CONTOUR
- UNPAVED ROAD
- TREE LINE
- NOT MAPPED WETLAND
- WETLANDS ADAPTED FROM US FISH AND WILDLIFE WETLAND INVENTORY MAP
- BEUTANOUS LINED OPERATIONS AREA
- WETLANDS ADAPTED FROM US FISH AND WILDLIFE WETLAND INVENTORY MAP
- PERIMETER FENCE
- AND ACCESS ROAD
- DECLINE
- ORE BODY
- OUTLETT
- EROSION MAT OR RIPRAP
- DRAINAGE DITCH AND FLOW DIRECTION
- EXCESS SOIL BERM (FINAL LOCATION AND SITE BASED UPON ACTUAL EXCAVATED SOIL QUANTITIES)
- NON-CONTACT AREA
- MAIN OPERATIONS AREA
- BEUTANOUS LINED OPERATIONS AREA
- WETLANDS ADAPTED FROM US FISH AND WILDLIFE WETLAND INVENTORY MAP

FIGURE 4-2
SITE DEVELOPMENT PLAN AND TOPOGRAPHIC MAP

Foth & Van Dyke
Kennecott Eagle Minerals

| REVISED | DATE | BY | DESCRIPTION |
|---------|------|----|-------------|
| | | | |
| | | | |
| | | | |

CHECKED BY: JDS; DATE: FEB. '06
APPROVED BY: SVDI; DATE: FEB. '06

Prepared By: Foth & Van Dyke | By: CJB | 04#018

2/17/2006



EXHIBIT C VEGETATION RESTORATION REQUIREMENTS

The vegetation on all cleared areas must be satisfactorily restored by the Lessee as specified in these requirements except for areas that are required to be kept cleared of vegetation under the Mining and Reclamation Plan.

All topsoil must be saved as the first action in development in order to provide the best guarantee of success for future site restoration. The saving and stockpiling of topsoil, however thin the layer may be, contains the nutrients, organic matter, and other elements that favor germination and growth of vegetative cover. Throughout the mining and restoration phases, topsoil shall be handled according to Kennecott's Topsoil Management Plan (attached).

The Premises and utility rights-of-way must be re-vegetated and restored by the Lessee as detailed below to the satisfaction of the Lessor's representative:

1) Upon completion of the mining facilities and utilities installation, initial vegetation restoration shall include:

- a) The spreading of a proportional amount of the saved topsoil on those unused, bare areas on the Premises, to achieve a thickness commensurate with pre-mining conditions.
- b) Adding and tilling in amendments to the soil on those bare areas in the quantities determined necessary based on soil testing for the species to be planted.
- c) A temporary cover crop to be supplemented with plantings of other native grasses or cover which Lessor's representative determines acceptable. The Lessee will reseed as directed by the Lessor's representative to establish permanent cover on those unused bare areas on the Premises. Most of these plantings shall occur during the spring planting season or as approved by the Lessor's representative.

2) During the mining operations phase, additional plantings on the Premises may be required by the Lessor's representative and may include:

- a) Tree and shrub plantings especially to enhance the visual buffer along the fence line.
- b) Grass and cover plantings as specified in 1.c.
- c) Plantings requested by the Lessee as approved by the Lessor's representative.

3) Throughout the abandonment and reclamation phase vegetation restoration shall include:

- a) The entire Premises site must be returned to original contours as much as possible.
- b) The spreading of all remaining, saved topsoil evenly over the entire cleared site. If topsoil cannot be respread to a thickness commensurate with pre-mining conditions, then additional similar topsoil from an outside source shall be brought in to achieve a thickness commensurate with pre-mining conditions.
- c) Adding amendments to the soil in quantities determined necessary by soil testing for the species to be planted.
- d) Ground cover and stands of jack pine seedlings reestablished. Areas should be restored and planted as they are abandoned.

The jack pine seedlings should be containerized stock grown from a local seed source.

The jack pine and ground cover should be established concurrently as early in the spring as soil conditions allow.

The jack pine stock must be hand planted in rows. No disk trenching will be needed or allowed.

e) Jack pine and other cover shall be replanted until a successful plantation and cover is established.

Throughout the life of the lease, the entire Premises and access road must be inspected yearly by the Lessee and any erosion or bare area repaired, re-seeded and fertilized immediately.

STATE OF MICHIGAN
DEPARTMENT OF NATURAL RESOURCES
METALLIC MINERALS LEASE

NO. M-00602

By authority of Act 280, Public Acts of 1909, as amended,
and Act 17, Public Acts of 1921, as amended.

THIS AGREEMENT is entered on July 8, 1992, BETWEEN the NATURAL RESOURCES COMMISSION on behalf of the STATE OF MICHIGAN, Lansing, Michigan, hereafter called "LESSOR", and TERENCE W. QUIGLEY, 1122 Dousman Street, Green Bay, Wisconsin 54303

hereafter called "LESSEE".

The State of Michigan is the owner of rights to any minerals and/or mineral products lying on, in or under the lands described below and has the authority to lease the lands for exploration, mining and taking away of the minerals and/or mineral products under Act 280 of the Public Acts of 1909, as amended and Act 17 of the Public acts of 1921 as amended.

NOW, THEREFORE, the LESSOR for and in consideration of a cash bonus in hand paid, and of the covenants and agreements hereinafter contained on the part of the LESSEE to be paid, kept and performed, has granted, demised, leased, and let, and by these presents does grant, demise, lease and let without warranty, express or implied, unto the said LESSEE all of those certain tracts of land situated in the State of Michigan, and more particularly described below for the sole and only purpose of exploring, mining and producing minerals and/or mineral products therefrom, for selling the same, and with the reasonable right to ingress and egress, the right to construct buildings, make excavations, stockpiles, impoundments, tailings basins, roads, railroads, powerlines and other improvements as maybe necessary to produce, save and take care of such minerals and/or mineral products on or from the leased premises, subject to all highways, surface conveyances, leases, licenses or easements of public record, to wit:

MARQUETTE COUNTY
Michigamme Township
T50N, R29W

| | Sec- tion | Acres | |
|-------------------------------------|--------------|-------|---------|
| | | Fee | Mineral |
| NW $\frac{1}{4}$ | 11 | | 160.00 |
| E $\frac{1}{2}$ of SW $\frac{1}{4}$ | 11 | 80.00 | |
| W $\frac{1}{2}$ of SW $\frac{1}{4}$ | 11 | | 80.00 |

containing 320.00 acres.

PR-6509
Rev. 6/87

A. GENERAL

1. Addresses

The address of the LESSOR is the Michigan Natural Resources Commission Department of Natural Resources, Real Estate Division, Box 30028, Lansing, Michigan 48909, and the address of the LESSEE is:

or other address designated in writing by either party. Periodical reports, statements and payments under this lease may be sent to the designated addresses by regular mail. Any formal notices required under this lease, including notices of surrender, cancellation, default or termination, shall be complete upon mailing by certified or registered mail, return receipt requested, addressed to the last designated address of the party being given such notice.

2. Insurance

a. LESSEE shall obtain and maintain all worker's compensation insurance as required by state law in accordance with P.A. 317 1969 as amended, as well as liability insurance and policies of insurance against fire and other risks in amounts customarily obtained in similar mining operations and shall furnish LESSOR proof of insurance prior to the commencement of any operations.

b. All insurance shall be maintained by LESSEE at its own expense. The companies issuing such policies shall also be required to furnish the LESSOR written notice thirty (30) days prior to cancellation, termination, or material change of any insurance.

3. Indemnification

a. In connection with all of its operations under this lease, the LESSEE will save, protect and hold harmless the LESSOR against any and all claims, demands, or judgments for loss, damage, death or injury to persons or property arising out of the LESSEE's activities or operations on the leased premises, except with respect to claims of the LESSOR, its assigns, contractors, employees, successors or agents unless the claims arise as a result of negligence or other tortious conduct of the LESSEE or violations of the terms of this lease by LESSEE. This provision shall not be applicable to liability for damages arising out of bodily injury, death or damage to property of others not resulting from the negligence of the LESSEE, its officers, employees, agents or contractors.

b. The LESSEE shall, at LESSEE's expense, during the term of the lease and any extensions thereof, obtain and maintain insurance which insures the premises for public liability in amounts not less than those set forth below naming the State of Michigan, its several departments, commissions, boards, officers and employees as an additional insured and protecting against all claims, demands, actions, suites or causes of action, and judgments, settlements or recoveries, for bodily injury, death or property damage arising out of LESSEE's use or occupancy of or operations conducted upon the leased premises. LESSEE agrees to maintain minimum policy limits in the amount of \$1,000,000.00 per occurrence for property damage and \$1,000,000.00 per occurrence for bodily injury or death, and to provide the State with a certificate of insurance, within thirty (30) days following final execution and delivery of this lease to LESSEE. The companies issuing such policies shall also be required to furnish the LESSOR written notice thirty (30) days prior to cancellation, termination, or material change of any such insurance. The LESSOR shall periodically review the level of the indemnification insurance and may require the amount of such insurance to be increased or decreased to reflect changes in risk exposure.

4. Assignments and Contracts

a. No assignments of this lease, or any rights hereunder, shall be valid except upon written approval of the LESSOR, and upon payment of an administrative fee as established by the LESSOR in a published schedule. The LESSOR will approve or deny requested assignments with reasons stated within 90 days receipt of written request by LESSEE.

b. Assignments by LESSEE of any portion of the leased premises shall be construed as creating a separate lease agreement as to the acreage or portions assigned. Development on the assigned acreage, after the assignment has been made, shall not affect the rate of rental or term of the lease on the unassigned acreage; and, conversely, development on the unassigned acreage, after the assignment has been made, shall not affect the rate of rental or term of the lease on the assigned acreage.

- c. If the LESSEE's interest or any part thereof is assigned, each and every clause and covenant hereof shall extend to the assignee, its or their heirs, executors, administrators, successors, or assigns.

5. Taxes

- a. LESSEE shall pay all taxes and assessments, whether general special or specific, levied upon the leased premises, on any part thereof, on any minerals and/or mineral products, or any property or improvements on the leased premises.
- b. Upon the termination of this lease for any cause and with respect to any of the leased premises LESSEE shall pay the taxes and assessments whether general, special or specific assessed or levied on all of the leased premises for the entire calendar year.
- c. LESSEE shall have the right consistent with statutes in such cases made and provided to contest the validity of any tax and assessment whether general, special or specific and may seek its cancellation, reduction, readjustment or equalization.
- d. LESSEE shall not permit the leased premises, any part thereof, any minerals and/or mineral products, or any improvements or personal property thereon, to be sold at any time for any taxes or assessments whether general, special or specific.

6. Protection of Property, Fencing Safeguards

- a. LESSEE shall not alter, or authorize others to alter, the leased premises except as authorized by the lease.
- b. LESSEE shall maintain for the term of this lease, proper fences or other protective barriers around any open pits, shafts or other openings on the leased premises created by LESSEE. LESSEE shall further employ all reasonable and practical safeguards for the protection of all persons entering in or upon such leased premises used or occupied by LESSEE in conjunction with operations under this lease.
- c. At the termination of this lease, in whole or in part, for whatever reason, LESSEE shall surrender the leased premises to LESSOR in a safe condition. All caves, openings, stopes, shafts, underground openings and other dangerous conditions created by LESSEE shall be fenced, filled or protected so as to leave a condition which will adequately protect public safety.

7. Laws, Rules and Regulations

- a. Any operations under this lease shall be subject to all applicable Federal and State laws and rules now or hereafter in force. This lease is not in itself an authorization to explore or mine. In addition to compliance with the provisions of this lease, and particularly Sections I and J thereof, LESSEE must obtain all permits which may be or are required under Federal and State law or any rules or ordinances adopted thereunder.
- b. No rules adopted by the State of Michigan or any agency thereof after the approval of this lease shall operate to affect the term of lease, rate of production royalty, rental, payments in lieu of production royalties, minimum royalties or acreage, unless agree to by both parties.
- c. Prior to the mining of mineral and/or mineral products containing fissionable materials LESSEE shall secure all require authorizations from any applicable federal and state regulatory agencies. LESSEE shall conduct all mining operations, processing or transportation of minerals and/or mineral products containing fissionable materials or radioactive source materials in accordance with all applicable federal and state laws and rules of the Department of Public Health now or hereafter in force.

B. TERM OF LEASE

1. This lease shall remain in force for a primary term of twenty (20) years from this date and as to those portions of the leased premises included within a mining operation area, so long thereafter as there is production of minerals and/or mineral products in paying quantities by LESSEE from lands within such mining operation area.

2. LESSOR may, at its sole discretion, upon written application of LESSEE, agree to an extension of the primary term of this lease.

C. ECONOMIC TERMS

1. Rentals

LESSEE shall pay to LESSOR rental as follows:

- a. Rental for the first (1) through fifth (5) year shall be paid at the rate of \$3.00 per acre per year, and for the sixth (6) through tenth (10) year at the rate of \$6.00 per acre per year.
- b. Rental for the first year shall be paid upon execution of the lease, and thereafter rental shall be paid annually in advance of the lease anniversary date. Lease rights shall terminate and the LESSEE shall be required to file a release with the LESSOR as hereinafter provided whenever any rentals coming due under the lease remain unpaid for a period of ten (10) days after the rental becomes due. LESSOR may, at its sole discretion, in writing, waive termination of the lease for unpaid rental upon LESSEE's submission in writing of proper and satisfactory proof as to cause, along with payments due. Any payments by LESSEE after the due date shall include interest at the rate of 1.5% per month or at the maximum legal rate, whichever is less, on the amount unpaid.
- c. Payment of either production royalties or minimum royalties from a mining operation area shall abate the rental on that part of the leased premises contained in that mining operation area. The abatement shall be effective on the rental due date following the rental period in which the abatement is granted.

2. Minimum Royalties

- a. LESSEE shall pay to LESSOR a minimum royalty of \$10.00 per acre for the eleventh (11) year of the lease, and for each year thereafter the payment shall increase an additional \$5.00 per acre through the twentieth (20) year. For the twentieth (20) year of the lease and thereafter for the life of the lease, the minimum royalty shall be \$55.00 per acre per year.
- b. These payments shall be paid annually in advance of the lease anniversary date. Lease rights shall terminate and the LESSEE shall be required to file a release with the LESSOR as hereinafter provided whenever these payments remain unpaid for a period of ten (10) days after the anniversary date. LESSOR may, at its sole discretion, waive in writing termination of the lease for unpaid minimum royalties upon LESSEE's submittal in writing of proper and satisfactory proof as to cause, along with payments due. Any payments by LESSEE after the due date shall include interest at the rate of 1.5% per month or at the maximum legal rate, whichever is less, on the amount unpaid.
- c. Establishment of a mining operation area shall abate all increases in the minimum royalty on that portion of the leased premises contained in the mining operation area. The abatement shall be effective on the next annual minimum royalty due date. Thereafter, minimum royalties shall be paid at that constant rate until production of minerals and/or mineral products in paying quantities begins on that portion of the leased premises included in the mining operation area. If production of minerals and/or mineral products commences prior to the eleventh (11) year of the lease, rental shall be abated and minimum royalties shall be paid at the rate of \$10 per year for each acre in the mining operation area.
- d. Should the production of minerals and/or mineral products in paying quantities commence on the leased premises, the minimum royalties paid for that lease year and for all previous lease years that those lands were included in the mining operation area shall be credited against the production royalties payable hereunder to the LESSOR.
- e. In the absence of production of minerals and/or mineral products in paying quantities before the expiration of the primary term of this lease, all minimum royalties paid shall be forfeited to the LESSOR.

3. Production Royalties

LESSEE shall pay to the LESSOR a production royalty calculated as follows:

- a. Determine the gross sales value of all minerals and/or mineral products from this lease sold during the past calendar quarter. Such sales value shall be based on the actual sales value on the open market as shown by sales receipts. If mineral or mineral products are not sold to an independent consumer on the open market at fair market value, but are processed further by a plant which is operated by

the LESSEE, or in which the LESSEE has an interest, the gross sales value shall be determined using prices for the metallic form or for normally accepted forms as published by the Engineering and Mining Journal in the "E and MJ Markets" section, or other mutually agreed upon forms and prices. The gross sales value shall then be divided by the tons of ore processed in that production of minerals and/or mineral products sold to determine the gross sales value per ton.

- b. Determine the price index factor by dividing the constant price index by the current price index. Both price indices shall be obtained from the producer price index for all commodities, or its successor index, as published monthly by the U.S. Department of Labor, Bureau of Labor Statistics. The constant price index shall be the index for February (month) of 1983 (year), quoted as being 301.2. The current price index shall be the index for the middle month for that quarter.
 - c. Determine the adjusted sales value per ton by multiplying the gross sales value per ton by the price index factor.
 - d. The production royalty rate shall be not less than 2% nor more than 7%, and shall vary with the Adjusted Sales Value per ton of ore. For every dry short ton of ores containing minerals and/or mineral products other than iron ores that is mined from the leased premises and sold, and for every dry long ton of ores containing minerals and/or mineral products mined principally for iron content that is mined from the leased premises and sold, the royalty rate shall be two (2) percent when the adjusted sales value of the minerals and/or mineral products is twelve dollars (\$12.00) or less. The royalty rate shall be increased by one-half (1/2) percent for each six dollar (\$6.00) increase in the adjusted sales value per ton of minerals and/or mineral products above twelve dollars (\$12.00) per ton, fractions prorated to three decimal places, with a maximum royalty rate limit of seven (7) percent, which limit will be reached when the adjusted sales value per ton of minerals and/or mineral products is seventy-two dollars (\$72.00) per ton.
 - e. The amount of production royalty is then the product of the royalty rate expressed in decimals to five places and the gross sales value.
 - f. Production royalties shall be paid on a quarterly basis. If payments specified are not made on or before the twenty-fifth (25th) day of April, July, October and January of every year during the term of this lease for all minerals and/or mineral products sold during the preceding calendar quarter, LESSOR may claim default under the provisions of Section H herein. In addition to any remedies available to LESSOR under the lease, payments made after the due date shall include interest at the rate of 1.5% per month, or at the maximum legal rate, whichever is less, on the amount of royalty unpaid.
 - g. LESSEE shall secure written authorization of the LESSOR in order to delay any royalty payments beyond the date specified. If such authorization is not secured and royalty payments are delayed LESSOR may, at its sole discretion, declare the lease defaulted.
 - h. LESSEE agrees that all royalties accruing to the LESSOR herein shall be without deduction of any costs incurred by the LESSEE unless agreed to in writing by the LESSOR.
 - i. The LESSOR is not liable for any taxes incurred by the LESSEE and no tax deductions may be taken in computing the royalty.
 - j. Production royalties may, by mutual agreement of the LESSEE and LESSOR, be negotiated at any time during the term of this lease and may include consideration of rate and method of calculation, including but not limited to net smelter returns.
 - (a) Notwithstanding any other provision in this lease, if copper, lead, zinc, gold and/or silver and their byproducts are produced from the leased premises and are processed at a smelter and/or refinery owned, operated or controlled by the lessee, or where they are treated on a toll basis for the lessee, the net smelter returns method shall be used to calculate gross sales value.
4. **In Lieu of Production Royalties**
- a. LESSEE may, during the term of this lease, and at its sole discretion, suspend production of minerals and/or mineral products from a mining operation area established under the terms of this lease for up to four (4) cumulative years or longer at the discretion of LESSOR and may in such case maintain this

lease as to those portions of the leased premises contained in a mining operation area by the payment of minimum royalties in lieu of production royalties. During such periods of suspended production, this lease shall not, as to those portions of the leased premises included in a mining operation area, be subject to expiration under the provisions of Section B of this lease. LESSEE shall notify LESSOR of each cessation of production:

- b. The amount of the minimum royalties in lieu of production royalties shall be determined according to the schedule in part C2a of this lease, and shall be on a per acre basis prorated for the period of suspended production.
- c. Minimum royalties in lieu of production royalties shall be paid within 30 days of notice to LESSOR of suspension of production and annually thereafter. Lease rights shall terminate and the LESSEE shall be required to file a release with LESSOR as hereinafter provided whenever these payments shall be and remain unpaid for a period of ten (10) days after the payment is due. LESSOR may at its sole discretion waive in writing termination of the lease for unpaid in lieu of production royalty payments upon LESSEE's submittal in writing of proper and satisfactory proof as to cause, along with payments due. Any payments by LESSEE after the due date shall include interest at the rate of 1.5% per month or at the maximum legal rate, whichever is less, on the amount unpaid.
- d. When LESSEE resumes the production of minerals and/or mineral products in paying quantities on the leased premises, the minimum royalties paid in lieu of production royalties for those lands included in the mining operation area, shall be credited against future production royalties payable under this lease to the LESSOR.
- e. Payment of minimum royalties in lieu of production royalties shall not serve to abate or affect any other minimum royalties which may be assessed for portions of the leased premises where a mining operation area has not been established.
- f. LESSEE's tax obligations, if any, continue as if production were underway.

D. SURFACE DAMAGE PAYMENTS

1. LESSEE shall pay or agree upon payment to the surface owner, or any person holding under the owner, for all damages or losses (including any loss of the use of all or part of the surface), caused directly or indirectly by operations hereunder, whether to growing crops or buildings, to any person or property, or to other operations.
2. Before mining operations may be commenced on the land in which the State of Michigan owns mineral rights only, and as described in this lease, proof shall be submitted to the LESSOR, in writing, that either voluntary agreement or stipulated settlement relative to surface use and damages has been reached between the LESSEE or LESSEE's authorized agent and the surface owner or D (3) is invoked.
3. When a mutually satisfactory agreement relative to surface use and damages cannot be reached, either party can inform the LESSOR, in writing, that a dispute exists and LESSOR will grant a negotiation period of thirty (30) days in which no mining operations may be conducted by the LESSEE. This time period is to allow for the resolution of the dispute. If, at the end of this period proof of the agreement is not submitted in writing to the LESSOR, mining operations will not be prohibited by the LESSOR and resolution of the dispute rests solely with the LESSEE and the surface owner independent of the LESSOR.

E. BONDING

1. Before a lease will be executed for any state lands, unless waived by the LESSOR, the LESSEE shall file a performance bond, acceptable to the LESSOR, conditioned that LESSEE, its heirs, executors, administrators, successors, and assigns, shall faithfully perform the covenants, conditions, and agreements specified in the lease, and the laws and rules of the State of Michigan which apply.
2. The LESSOR shall determine, and set forth in a published schedule, the initial acceptable amount required for the performance bond. The LESSOR shall annually review the level of the performance bond and shall require the amount of the bond to be increased or decreased to reflect changes in the cost of future reclamation of the leased premises. A review of the performance bond shall be made within thirty (30) days of receipt of LESSOR of written notice of termination by the LESSEE and shall consider adequacy of bond for removal of personal property not desired by either LESSEE or LESSOR.

3. LESSEE shall keep in full force and effect a sufficient performance bond to cover the acreage held under lease as heretofore specified. If the amount of performance bond in effect becomes depleted or partially depleted because of any claim or claims, LESSEE shall file a new performance bond as required by the LESSOR.
4. Liability under the bond shall be for the duration of exploration, mining and reclamation operations and for a period coincident with LESSEE's responsibility under the approved reclamation plan.
5. LESSOR may invoke part or all of the performance bond when it determines that part or all of the covenants, conditions or agreements specified in the lease are not being fulfilled and shall so notify LESSEE. Invoking the performance bond is not necessarily related to any action taken by LESSOR under part H of this lease.

F. LESSOR RIGHTS

1. LESSOR retains all of its timber, sand and gravel and other non-metallic mineral interests in the leased premises and reserves the rights to make any use of the leased premises which may be undertaken without detriment to the rights and privileges herein specifically granted.
2. LESSOR shall not be liable for any damages resulting from failure of its title to rights included herein; provided, however, that if the LESSOR's title fails as to any or all of the rights covered by this lease, the LESSOR shall refund to the LESSEE all bonus, rental, minimum royalties, production royalties, or payments in lieu of production royalties made by the LESSEE attributable to that part or portion of, or interest in, the title which has failed.
3. Should LESSOR be prevented from complying with any express or implied covenant of this lease because of a force majeure (i.e., for any cause beyond the reasonable control of the LESSOR such as, but not limited to, acts of God, legislation, rules of any other governmental body, budgeting constraints, any judgment or injunctive order entered by a court of competent jurisdiction, acts of the public enemy, riots, strikes, labor disputes, labor or material shortages, fire or flood) then such covenant shall be suspended to the extent made necessary by the aforesaid force majeure.
4. LESSOR, and any of its authorized employees, may at all times enter upon the leased premises and ascertain compliance with any condition of this lease and the kind, qualities and quantities of minerals and/or mineral products on the leased premises or removed therefrom. LESSOR shall also have the right to check the movement of minerals and/or mineral products from the workings of the leased premises to storage and to the mill; to be present at all weighing and sampling stations; and to take samples and to observe the flow of minerals and/or mineral products from the leased premises through the mill. The LESSOR shall have the right upon reasonable notice to examine the books, records and supporting documents of the LESSEE insofar as they relate to the amount of production and sale of minerals and/or mineral products derived from the premises herein leased.
5. LESSOR reserves the right to deny the LESSEE from operations on the leased premises in connection with LESSEE's operations on any adjoining or nearby property or properties except if the leased premises and the adjoining or nearby properties are within a common mining operation area. LESSOR may, at its sole discretion, and after payment of surface use fees by LESSEE as determined by LESSOR, allow LESSEE to use the premises hereby leased and any part thereof, and any shafts, openings, pits and stockpile grounds sunk or made thereon, for the mining, removal and stockpiling of any ores from any such adjoining or nearby premises, or for any purpose or purposes connected therewith, not however, preventing or interfering with the mining or removal of ore from the leased premises. LESSOR recognizes the interest of LESSEE and/or other owners of any nearby or adjacent premises in any ores mined therefrom and stockpiled upon the leased premises.
6. LESSOR may require LESSEE to barricade entrance to the roadway(s) on surrendered leased premises, to seal the roadway(s) or leave the roadway(s) as constructed.

G. LESSEE RIGHTS

1. LESSEE may from time to time surrender all or any part of the premises herein leased by giving notice in writing to the LESSOR. LESSEE shall not escape any prior obligation of the lease by filing a release. Upon surrender, LESSEE shall execute and deliver to the Register of Deeds in the county wherein the land is situated, for recording, a proper and sufficient instrument of release of all of LESSEE's rights and interest

under this lease, insofar as they apply to the premises surrendered, and shall have said instrument delivered to the LESSOR within thirty (30) days after recording with Register of Deeds.

2. LESSEE may at any time remove all machinery and fixtures placed on the leased premises, provided, however, that said LESSEE has complied with and fulfilled all other provisions of the lease as herein provided.
3. At the termination of the lease by any means, and with LESSEE's fulfillment of all lease obligations, covenants, agreements and context of this lease, LESSEE shall have one hundred eighty (180) days, or longer at the discretion of LESSOR, after termination in which to remove all tools, machinery, railway tracks, structures and all other property situated on the leased premises as to which this lease is being terminated, except any supports placed in shafts, drifts or openings or any timber, framework or fences necessary to the use and maintenance of shafts or approaches to mines or tramways within mines. If LESSEE fails to remove its property within the specified period, the property shall become the property of LESSOR and may be removed by LESSOR with expenses recovered from the performance bond. By agreement of the parties, any of LESSEE's property on the leased premises may become the property of LESSOR.
4. In the conduct of approved mining operations on the leased premises, the LESSEE is hereby granted the right, if it so desires, to mine and remove any ores existing thereon, or on any part or parts thereof, through, or by means of, shafts, openings or pits which may be sunk or made upon adjoining or nearby premises owned or controlled by the LESSEE, and may stockpile any ores from the leased premises or any part thereof upon stockpile ground situated upon any such adjoining or nearby premises.
5. LESSEE may maintain and use roads, pipelines, electric transmission lines and other facilities which are located on surrendered portions of the leased premises, with written consent of LESSOR, and payment of surface use fees as determined by the LESSOR so long as they are reasonably necessary to LESSEE's operations on leased premises remaining under this agreement.
6. LESSEE may mix minerals and/or mineral products taken from the leased premises with any other minerals and/or mineral products from other premises after the minerals and/or mineral products from the leased premises have been measured and sampled to determine and preserve the rights and liens of the LESSOR therein.

H. DEFAULT OF LEASE

1. In the event LESSOR shall determine a default in the performance by LESSEE of any express or implied covenant of the lease, LESSOR shall give notice in writing by certified mail, addressed to LESSEE's last address filed with LESSOR, specifying the facts by which default is claimed. Except as to rental, minimum royalty, and payments in lieu of production royalty requirements as heretofore provided, LESSEE shall have thirty (30) days from date of receipt of notice to satisfy the obligation of LESSEE, if any, with respect to LESSOR's notice, or provide LESSOR satisfactory proof that LESSEE is not in default or if in default and LESSEE is not able to cure within thirty (30) days, LESSEE shall submit for LESSOR's approval a performance schedule with a date certain to satisfy or cure default of LESSEE.
2. When a mutually satisfactory agreement cannot be reached as to whether or not a default exists in LESSEE's performance under the lease, the LESSEE may request, in writing, within thirty (30) days of receipt of LESSOR's notice of intent to commence an action in a court of competent jurisdiction for forfeiture of lease, that, prior to LESSOR filing for forfeiture under H-5 below, the factual issues to the existence of a default be reviewed through non-binding mediation. Any such requests shall be granted.
3. Mediation shall address only factual matters and not matters of law. LESSEE and LESSOR shall agree to mutually select a mediator to hear any dispute. If LESSEE and LESSOR cannot agree on a mediator, each may designate a mediator who will in turn together select a third mediator, and all three mediators shall hear the dispute. LESSOR and LESSEE agree to share the expenses of the mutually agreed to mediator and/or the third appointed mediator, if that be the case, as well as all the expenses arising out of the conduct of any hearing. Each shall bear the cost of their own attorney and witnesses on their behalf.
4. The findings of fact and mediator's recommendation shall be presented to the LESSOR for a determination. The LESSOR may consider public comment before determination is made on the mediator's recommendation.

Within forty-five (45) days of receipt of mediator's recommendation by LESSOR, LESSOR shall notify LESSEE of concurrence or nonconcurrence with the mediator's recommendation.

5. If LESSEE fails to voluntarily satisfy the claim of default concerning rental, minimum royalty, production royalty and/or any other expressed or implied covenant of this lease, and after the mediation period, if any, has passed and LESSOR has made a determination on the basis of the mediator's findings, the LESSOR may proceed, at its sole discretion, with forfeiture of all or part of said leased premises in accordance with 1929 P.A. 81, MCL 554-281, et seq.
6. If the default is not cured, as provided above, LESSOR may take possession of the leased premises or any part thereof, and all minerals and/or mineral products, machinery, fixtures, improvements and personal property on the leased premises. LESSOR may then exclude LESSEE from the leased premises and declare this lease terminated and LESSEE's rights forfeited. Re-entry by LESSOR does not eliminate any other legal remedy for LESSOR. No tools, fixtures, machinery or other property of the LESSEE shall be removed from said premises, if any royalties, damages, or other payments are due to the LESSOR, and all sums due on royalties, damages, or other payments, shall be a lien on all implements, tools, movable machinery, and all other chattels used in operating said property, and also upon all of the unsold mineral and/or mineral products obtained from the land herein leased, as security for the payment of royalties, damages, or other payments. This lien may be foreclosed in the same manner as chattel mortgages are foreclosed.
7. Should LESSEE be prevented from complying with any express or implied covenant of this lease, after effort made in good faith, for any cause beyond the reasonable control of the LESSEE, such as, but not limited to war, rebellion, riots, strikes, acts of God or an order or rule of governmental authority, and not including economic budgetary or financial constraints or conditions, then while so prevented, LESSEE's obligation to comply with such covenant shall be suspended upon proper and satisfactory proof presented to the LESSOR in writing in support of LESSEE's contention but LESSEE is not excused from payment according to provisions of the lease for all rentals, minimum royalty, production royalty or in lieu of production royalty reserved and payable to the LESSOR.
8. Should LESSEE be prevented from conducting exploration or mining operations or from mining minerals and/or mineral products under this lease, after effort made in good faith, for any reason beyond the reasonable control of LESSEE (not including economic, budgetary or financial constraints or conditions), this lease will be extended as to portions of the leased premises affected by such force majeure so long as LESSEE is prevented from exploration, conducting mining operations or from mining minerals and/or mineral products therefrom.

I. EXPLORATION OPERATIONS

1. Exploration Plan

- a. No exploration activity shall take place on leased premises without an exploration plan developed by LESSEE and approved by LESSOR.
- b. Prior to commencement of exploration and annually thereafter on the lease anniversary, the LESSEE shall submit to the LESSOR for approval a plan outlining LESSEE's proposed exploration activities on the leased premises during the ensuing year and exploration conducted to date, if any.
- c. The exploration plan shall contain the following:
 - (1) A description of proposed exploration activities and locations of sites where such exploration activities were, or are proposed to be conducted; and
 - (2) locations and depths of any known existing exploration holes, trenches or pits; and
 - (3) locations of roads which were, or are proposed to be, constructed to carry forth exploration activities.
- d. LESSOR shall approve or reject the plan, for reasons stated, within 45 days of receipt of a complete exploration plan from LESSEE. If LESSOR rejects this plan, LESSEE may resubmit a plan(s) without prejudice.

- e. Any change in the approved plan during any year which is likely to result in substantial disruption of the surface shall be submitted and confirmed in writing to the Director of the Department of Natural Resources for approval. The Director may authorize named officers or individuals on the Department staff to receive, review and either approve or reject changes to the exploration plan, which staff shall act to approve or reject changes within five (5) working days after they have been notified of the request for change. Notification shall be made to the LESSEE of such approval or rejected and confirmed in writing with representatives of both parties conferring promptly, if rejected, to resolve differences in the plan.
- f. Upon the conclusion of exploration activities at a site, LESSEE shall leave the site in a condition satisfactory to the LESSOR.

2. Exploration Reports

- a. For the exploration conducted under this lease, the LESSEE shall retain and store all factual exploration data and records at a location(s) mutually agreeable with LESSOR and LESSEE. The LESSOR retains the right to examine all such data and records, including cores.
- b. Upon termination of this lease or surrender of any part of the leased premises, LESSEE shall furnish to LESSOR any cores requested by LESSOR, and an up-to-date report of all exploration conducted by LESSEE on that part of the leased premises. Final reports shall contain copies of all factual data generated from exploration activities on the leased premises as of the date of surrender.

J. MINING AND RECLAMATION OPERATIONS

1. Mining and Reclamation Plan

- a. No mining shall take place on leased premises without a mining and reclamation plan developed by LESSEE and approved by LESSOR.
- b. LESSEE shall reclaim the surface of the leased premises in accord with the approved mining and reclamation plan. The reclamation shall proceed concurrently with mine production to the extent practical and shall be completed following termination of mine operation.
- c. A mining and reclamation plan for the leased premises shall be developed to insure to the maximum extent practicable that: waste areas and lean ore are located, designed and utilized to minimize aesthetic unattractiveness and promote reclamation; mining is conducted in a manner which will prevent or mitigate hazardous conditions which result from slumping, heaving and subsidence; and that post mining uses of the premises are as or more valuable than the uses prior to mining. The mining and reclamation plan shall include the following:

(1) Accurate plan maps, with appropriate scale, and other supporting data showing:

- (a) Location of the proposed mining operation area.
- (b) Lands proposed to be affected throughout the mining phase, including existing streams, lakes, wetlands and impoundments.
- (c) Description of proposed development of open pit(s) and/or underground workings including materials handling and overburden stripping plans on the leased premises.
- (d) Product and raw materials storage areas and loading facilities.
- (e) Proposed and alternative locations where feasible, and designs of waste and lean ore piles, and tailings basins.
- (f) Existing and proposed buildings, utility corridors, railroads, roads and auxiliary facilities to be used and/or constructed on leased lands.

(2) A description of proposed reclamation of the mining operation area on the leased premises including:

- (a) A description of the capacity of the land to support its anticipated use or uses following reclamation, including a discussion of the capacity of the reclaimed land to support alternative uses.
 - (b) Provisions for grading, establishing self-sustaining revegetation and stabilization that will minimize erosion and sedimentation and public health and safety problems of pit banks, waste and lean ore piles, roads and tailings basins during and upon completion of the mining phase.
 - (c) Provisions for buffer areas, landscaping and screening.
- (3) Estimated timetables necessary for accomplishing the events contained in the mining and reclamation plan.
- d. The LESSOR shall approve or reject the plan within one hundred twenty (120) days of receipt of a complete mining and reclamation plan from the LESSEE. If the LESSOR rejects the plan, LESSOR shall identify those elements of the plan involving activities on the leased premises which are likely to pollute, impair or destroy the air, water or other natural resources or the public trust therein. The LESSOR shall also identify those alternatives or mitigating measures (if any) which could make the plan acceptable. A meeting shall be held between the LESSEE and the LESSOR within sixty (60) days of the rejection of the plan in an attempt to resolve differences in the plan, should either party request it. If LESSOR denies the plan, LESSEE may resubmit a plan(s) without prejudice.
 - e. Any change in the approved plan which is likely to result in substantial disruption of the surface shall be submitted in writing to the Director of the Department of Natural Resources for approval. The Director may authorize named officers or individuals on the Department staff to receive, review and either approve or reject changes within thirty (30) days after they have been notified of the request for change. Notification shall be made to the LESSEE of such approval or rejection with representatives of both parties conferring promptly, if rejected, to resolve differences in the plan.

2. Production Reports

- a. LESSEE shall keep an accurate account of all mining operations under this lease, including production, sales, prices and dates of same, and shall submit to LESSOR at the time of each quarterly payment of production royalties, a certified statement in duplicate, showing the quantities of minerals and/or mineral products produced in the past quarter, the quantities sold and quantities otherwise disposed of from the leased premises and methods used to determine same. LESSEE's certified statement shall include the following:
 - (1) The tonnage and average grade of all crude ore mined from the leased premises, calculated from mine measurements.
 - (2) The tonnage of all commingled crude ores as determined at the first point at which an actual weight measurement is taken.
 - (3) The tonnage of crude ore from all premises, including the leased premises, treated in the mill, less losses which can be accounted for by LESSEE.
 - (4) The tonnage and average grade of mill concentrates, dry basis, derived from the leased premises and all commingled ore.
 - (5) Amount of refined metals produced in tons, pounds or ounces.
 - (6) Tonnage of ore from which refined metals was produced.
 - (7) Copies of receipts from sales of minerals and/or mineral products.
 - (8) Such additional data on production and sales as may be necessary to determine royalty.
 - (9) Current mine maps of the leased premises and premises from which commingled ores are mined, showing the area mined.

- b. If any minerals and/or mineral products produced from the leased premises are transported to a point outside of the mining operation area before being weighed, LESSEE will have all the material weighed by the transporting firm and will furnish LESSOR with the transporter's statements of the weights of all shipments during the preceding quarter. Any written certificate or statement of any transporter concerning any shipment from the leased premises and its weight and any copies of transcripts from the books of any transporter concerning shipments or their weights shall be prima facie evidence of those facts in any suit or controversy between LESSEE and LESSOR.
 - c. Upon termination of this lease or surrender of any part of the leased premises, LESSEE shall furnish to LESSOR an up-to-date report of all mining development and reclamation efforts conducted by LESSEE on that part of the leased premises. This report shall contain suitable maps and information on the location and extent of surface and underground workings, and other pertinent information.
 - d. LESSEE shall also furnish LESSOR with annual reports on the anniversary date of the lease of the status of mining development and reclamation efforts to date.
3. **Mill Waste Rejects Reports**
- a. LESSEE shall keep an accurate and cumulative record of the operation of the mill producing the mill waste rejects, and LESSEE shall annually before the sixtieth (60) day following the anniversary date of this lease, furnish LESSOR a mill waste reject report for the preceding calendar year.
 - b. Any proportioning of the commingled mill waste rejects shall be made on the following terms:
 - (1) The proportioning shall be based upon dry short ton units of mineral values as determined by assay, tonnage measurement and/or metallurgical balances.
 - (2) The total units of mineral values in the commingled mill waste rejects shall be determined by subtracting the total units of mineral values in the concentrate produced from the total units of mineral values in the crude ore entering the mill.
 - (3) The units of mineral values in the mill waste rejects from this lease shall belong to the LESSOR.
4. **Mining-Milling Tailings Disposal**
- a. Waste materials resulting from the mining or concentration operations shall be deposited by the LESSEE in accordance with the approved mining and reclamation plan. Waste materials shall not be deposited on other premises without a mutually agreeable methods of accounting for the LESSOR's interest.
 - b. If mill waste rejects from minerals and/or mineral products mined from the leased premises are deposited or commingled with other mill waste rejects off the leased premises, LESSEE will upon termination of this lease deliver to LESSOR a document recognizing the interest of LESSOR in the mill waste rejects.
5. **Stockpiling**
- a. Minerals and/or mineral products taken from the leased premises, whether stockpiled or other wise, shall at all times be kept separate and distinct from any other mineral and/or mineral products until measured and sampled to determine and preserve the rights and liens of the LESSOR therein.
- K. **DEFINITIONS**
- 1. **Commingled Mill Waste Rejects** means mill waste rejects from property of the LESSEE mixed in conjunction with mill waste rejects from other property of the LESSOR.
 - 2. **Constant Price Index** means a rate published by the Bureau of Labor Statistics, established as of the date of the lease, and used as a reference point.
 - 3. **Current Price Index** means a rate published monthly by the Bureau of Labor Statistics, reflecting up-to-date trends in producer prices.
 - 4. **E & MJ Markets** means a section of the monthly published *Engineering and Mining Journal*.

5. **Exploration** means the processes involved in the search for and delineation of a mineral deposit.
6. **Exploration Activities** means those actions conducted upon the leased premises as a necessary part of exploration including geological, geochemical and geophysical surveys, preparation of necessary roads and drill sites, drilling, sampling, assaying, test pitting, trenching, metallurgical testing, feasibility and environmental studies or other approved activities.
7. **Gross Sales Value** means the value of all marketable products f.o.b. the point of sale, and after which sale the LESSEE no longer holds an economic interest in the marketable products. For purposes of this lease, the sale of minerals and/or mineral products in-place, or without extraction, is not considered production, and any sales value at that point shall not be used as the basis for calculation of production royalties.
8. **LESSOR** means the Natural Resources Commission of the State of Michigan.
9. **Lean Ore** means rock containing minerals which are not economically recoverable under existing market or technologic conditions.
10. **Leased Premises** means the land, property and/or mineral rights of the LESSOR herein leased to the LESSEE.
11. **Long Ton** means 2,240 pounds avoirdupois.
12. **Mill Waste Rejects** means materials having no present mineral value, separated from the concentrate of minerals and/or mineral products as the result of processing of ore in a mill concentration plant.
13. **Minerals and/or Mineral Products** means all metallic minerals, metallic mineral products, ores and concentrates including, but not limited to, the following metallic elements: Aluminum, Antimony, Arsenic, Beryllium, Bismuth, Cadmium, Cesium, Chromium, Cobalt, Columbium, Copper, Diamonds, Gallium, Germanium, Gold, Indium, Iron, Lead, Lithium, Magnesium, Manganese, Mercury, Molybdenum, Nickel, Osmium, Palladium, Platinum, Radium, Rare Earth Elements, Rhenium, Rhodium, Rubidium, Ruthenium, Selenium, Silicon, Silver, Strontium, Tantalum, Tellurium, Thallium, Thorium, Tin, Titanium, Tungsten, Uranium, Vanadium, Yttrium, Zinc, Zirconium.
14. **Mining** means part or all of the process involved in the removal of minerals and/or mineral products including development, extraction, beneficiation, water storage, agglomeration and production of waste.
15. **Mining Operation Area** means the land area where active mining operations are, have been, or are projected to take place, and as delineated in the mining and reclamation plan. Areas include, but are not limited to, pits, stockpiles, shafts, roads, processing facilities, water and tailings basins and shipping facilities.
16. **Net Smelter Returns** means the proceeds received from the sale of mineral and/or mineral products after deducting the actual cost of (1) transportation and handling; (2) smelting and/or refining; (3) sampling and/or assay charges.
17. **Paying Quantity** means production in the preceding twelve months sufficient to return royalties to the LESSOR equal to or exceeding the minimum royalty.
18. **Production** means the extraction, processing, stockpiling and/or sales of minerals and/or mineral products from the leased premises. For purposes of this lease, the sale of minerals and/or mineral products in place of/or without extraction is not considered production, and shall not be used to calculate production royalties.
19. **Reclamation** means reconditioning or rehabilitation of the affected leased premises as delineated in the mining and reclamation plan or portions thereof by the LESSEE for useful purposes and the protection of the natural resources, including the control of erosion and the prevention of land or rock slides and air and water pollution.
20. **Short Ton** = 2,000 pounds avoirdupois.

21. **Tailings** means mill waste rejects that have been placed in a confined waste or storage basin.
22. **Tailings Basin** means land on which tailings are deposited including surrounding dikes constructed to contain the tailings.
23. **Waste** means soil and vegetation, overburden, waste rock, mill waste rejects directly resulting from, or displaced by, mining and deposited on the surface (of the leased premises and other property under control of the LESSEE). "Waste" shall not include lean ore.

L. NON-DISCRIMINATION

The LESSEE covenants and agrees for and on behalf of said LESSEE, its successors or assigns that it will not discriminate against an employee or applicant for employment with respect to hire, tenure, terms, conditions or privileges of employment or a matter directly or indirectly related to employment because of race, color, religion, national origin, age, sex, height, weight, marital status, or a handicap that is unrelated to the individual's ability to perform the duties of a particular job or position. The LESSEE further covenants and agrees that it shall cause the foregoing covenant as to nondiscrimination to be inserted and made part of each contract or subcontract into which the LESSEE enters, binding upon its contractors and subcontractors. A breach of these covenants shall be considered a material breach of the lease.

LESSOR, by its Division Chief has affixed its name and the seal of the said Department, by virtue of a resolution passed by the LESSOR on June 11, 1992 and the name and seal of LESSEE has been affixed as of July 27, 1992.

Witnesses to the Signature of Division Chief:

Ruth Edmondson
Ruth Edmondson

Leonard Espinosa
Leonard Espinosa

NATURAL RESOURCES COMMISSION ^{RHC}
for the State of Michigan

Rodney A. Stokes
Rodney A. Stokes, Chief
Real Estate Division

Witnesses to the signature of LESSEE:

Lynn Noel
Lynn Noel

Wendi Barinotti
Wendi Barinotti

Terence W. Quigley
Terence W. Quigley

I HEREBY CERTIFY that the within lease was approved at a meeting of the State Administrative Board held on July 7, 1992.

AUG 17 1992

Thomas F. Saxton
Thomas F. Saxton
Secretary, Administrative Board

STATE OF MICHIGAN

County of Ingham } ss

On this 6th day of August, 1992, personally appeared before me, a Notary Public, Real Estate Division Chief of the Department of Natural Resources, personally known to me to be the same person who executed the foregoing instrument, and who acknowledged the same to be his free act and deed, and the free act and deed of the Natural Resources Commission, in whose behalf he acts, and for the purpose in instrument set forth.

My Commission Expires:
January 31, 1994

Doris Marie Smith
Doris Marie Smith,
Clinton County, Acting in
Ingham County

Prepared by: Ruth Edmondson
Department of Natural Resources
Real Estate Division
P.O. Box 30028
Lansing, Michigan 48909

(CORPORATION)

STATE OF
County of } ss

On this _____ day of _____, _____ personally appeared before me, _____ Notary Public in and for said County and State.

to me personally known, who being duly sworn, did say that he/she is

of the corporation named in the foregoing instrument and who acknowledged to me that his/her executed the same as free and voluntary act and deed and as the free and voluntary act and deed of such corporation, for the purposes therein mentioned and set forth, and that the seal affixed to said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors.

My Commission Expires:

Notary Public

(INDIVIDUAL)

STATE OF *Wisconsin*
County of *Brown* } ss

On this *27th* day of *July*, *Terence W. Quigley* personally appeared before me, _____ Notary Public in and for said County and State.

to me personally known, to me to be the same person who executed the foregoing instrument, and who acknowledged the same to be a free act and deed, for the purposes therein mentioned and set forth.

My Commission Expires: *November 27, 1994*

Vicky Braun
Vicky Braun Notary Public

STATE OF MICHIGAN
DEPARTMENT OF NATURAL RESOURCES
METALLIC MINERALS LEASE

NO. M-00603

By authority of Act 280, Public Acts of 1909, as amended,
and Act 17, Public Acts of 1921, as amended.

THIS AGREEMENT is entered on July 8, 1992, BETWEEN the NATURAL RESOURCES COMMISSION on behalf of the STATE OF MICHIGAN, Lansing, Michigan, hereafter called "LESSOR", and TERENCE W. QUIGLEY, 1122 Dousman Street, Green Bay, Wisconsin 54303

hereafter called "LESSEE".

The State of Michigan is the owner of rights to any minerals and/or mineral products lying on, in or under the lands described below and has the authority to lease the lands for exploration, mining and taking away of the minerals and/or mineral products under Act 280 of the Public Acts of 1909, as amended and Act 17 of the Public acts of 1921 as amended.

NOW, THEREFORE, the LESSOR for and in consideration of a cash bonus in hand paid, and of the covenants and agreements hereinafter contained on the part of the LESSEE to be paid, kept and performed, has granted, demised, leased, and let, and by these presents does grant, demise, lease and let without warranty, express or implied, unto the said LESSEE all of those certain tracts of land situated in the State of Michigan, and more particularly described below for the sole and only purpose of exploring, mining and producing minerals and/or mineral products therefrom, for selling the same, and with the reasonable right to ingress and egress, the right to construct buildings, make excavations, stockpiles, impoundments, tailings basins, roads, railroads, powerlines and other improvements as maybe necessary to produce, save and take care of such minerals and/or mineral products on or from the leased premises, subject to all highways, surface conveyances, leases, licenses or easements of public record, to wit:

MARQUETTE COUNTY
Michigamme Township
T50N, R29W

| | Sec- tion | Acres | |
|--|--------------|--------|---------|
| | | Fee | Mineral |
| N $\frac{1}{2}$ of NE $\frac{1}{4}$ | 12 | 80.00 | |
| NW $\frac{1}{4}$ except SE $\frac{1}{4}$ of NW $\frac{1}{4}$ | 12 | 120.00 | |
| SW $\frac{1}{4}$ of SW $\frac{1}{4}$ | 12 | 40.00 | |

containing 240.00 acres.

PR-6509
Rev. 6/87

A. GENERAL

1. Addresses

The address of the LESSOR is the Michigan Natural Resources Commission Department of Natural Resources, Real Estate Division, Box 30028, Lansing, Michigan 48909, and the address of the LESSEE is:

or other address designated in writing by either party. Periodical reports, statements and payments under this lease may be sent to the designated addresses by regular mail. Any formal notices required under this lease, including notices of surrender, cancellation, default or termination, shall be complete upon mailing by certified or registered mail, return receipt requested, addressed to the last designated address of the party being given such notice.

2. Insurance

a. LESSEE shall obtain and maintain all worker's compensation insurance as required by state law in accordance with P.A. 317 1969 as amended, as well as liability insurance and policies of insurance against fire and other risks in amounts customarily obtained in similar mining operations and shall furnish LESSOR proof of insurance prior to the commencement of any operations.

b. All insurance shall be maintained by LESSEE at its own expense. The companies issuing such policies shall also be required to furnish the LESSOR written notice thirty (30) days prior to cancellation, termination, or material change of any insurance.

3. Indemnification

a. In connection with all of its operations under this lease, the LESSEE will save, protect and hold harmless the LESSOR against any and all claims, demands, or judgments for loss, damage, death or injury to persons or property arising out of the LESSEE's activities or operations on the leased premises, except with respect to claims of the LESSOR, its assigns, contractors, employees, successors or agents unless the claims arise as a result of negligence or other tortious conduct of the LESSEE or violations of the terms of this lease by LESSEE. This provision shall not be applicable to liability for damages arising out of bodily injury, death or damage to property of others not resulting from the negligence of the LESSEE, its officers, employees, agents or contractors.

b. The LESSEE shall, at LESSEE's expense, during the term of the lease and any extensions thereof, obtain and maintain insurance which insures the premises for public liability in amounts not less than those set forth below naming the State of Michigan, its several departments, commissions, boards, officers and employees as an additional insured and protecting against all claims, demands, actions, suites or causes of action, and judgments, settlements or recoveries, for bodily injury, death or property damage arising out of LESSEE's use or occupancy of or operations conducted upon the leased premises. LESSEE agrees to maintain minimum policy limits in the amount of \$1,000,000.00 per occurrence for property damage and \$1,000,000.00 per occurrence for bodily injury or death, and to provide the State with a certificate of insurance, within thirty (30) days following final execution and delivery of this lease to LESSEE. The companies issuing such policies shall also be required to furnish the LESSOR written notice thirty (30) days prior to cancellation, termination, or material change of any such insurance. The LESSOR shall periodically review the level of the indemnification insurance and may require the amount of such insurance to be increased or decreased to reflect changes in risk exposure.

4. Assignments and Contracts

a. No assignments of this lease, or any rights hereunder, shall be valid except upon written approval of the LESSOR, and upon payment of an administrative fee as established by the LESSOR in a published schedule. The LESSOR will approve or deny requested assignments with reasons stated within 90 days receipt of written request by LESSEE.

b. Assignments by LESSEE of any portion of the leased premises shall be construed as creating a separate lease agreement as to the acreage or portions assigned. Development on the assigned acreage, after the assignment has been made, shall not affect the rate of rental or term of the lease on the unassigned acreage; and, conversely, development on the unassigned acreage, after the assignment has been made, shall not affect the rate of rental or term of the lease on the assigned acreage.

- c. If the LESSEE's interest or any part thereof is assigned, each and every clause and covenant hereof shall extend to the assignee, its or their heirs, executors, administrators, successors, or assigns.

5. Taxes

- a. LESSEE shall pay all taxes and assessments, whether general special or specific, levied upon the leased premises, on any part thereof, on any minerals and/or mineral products, or any property or improvements on the leased premises.
- b. Upon the termination of this lease for any cause and with respect to any of the leased premises LESSEE shall pay the taxes and assessments whether general, special or specific assessed or levied on all of the leased premises for the entire calendar year.
- c. LESSEE shall have the right consistent with statutes in such cases made and provided to contest the validity of any tax and assessment whether general, special or specific and may seek its cancellation, reduction, readjustment or equalization.
- d. LESSEE shall not permit the leased premises, any part thereof, any minerals and/or mineral products, or any improvements or personal property thereon, to be sold at any time for any taxes or assessments whether general, special or specific.

6. Protection of Property, Fencing Safeguards

- a. LESSEE shall not alter, or authorize others to alter, the leased premises except as authorized by the lease.
- b. LESSEE shall maintain for the term of this lease, proper fences or other protective barriers around any open pits, shafts or other openings on the leased premises created by LESSEE. LESSEE shall further employ all reasonable and practical safeguards for the protection of all persons entering in or upon such leased premises used or occupied by LESSEE in conjunction with operations under this lease.
- c. At the termination of this lease, in whole or in part, for whatever reason, LESSEE shall surrender the leased premises to LESSOR in a safe condition. All caves, openings, stopes, shafts, underground openings and other dangerous conditions created by LESSEE shall be fenced, filled or protected so as to leave a condition which will adequately protect public safety.

7. Laws, Rules and Regulations

- a. Any operations under this lease shall be subject to all applicable Federal and State laws and rules now or hereafter in force. This lease is not in itself an authorization to explore or mine. In addition to compliance with the provisions of this lease, and particularly Sections I and J thereof, LESSEE must obtain all permits which may be or are required under Federal and State law or any rules or ordinances adopted thereunder.
- b. No rules adopted by the State of Michigan or any agency thereof after the approval of this lease shall operate to affect the term of lease, rate of production royalty, rental, payments in lieu of production royalties, minimum royalties or acreage, unless agree to by both parties.
- c. Prior to the mining of mineral and/or mineral products containing fissionable materials LESSEE shall secure all require authorizations from any applicable federal and state regulatory agencies. LESSEE shall conduct all mining operations, processing or transportation of minerals and/or mineral products containing fissionable materials or radioactive source materials in accordance with all applicable federal and state laws and rules of the Department of Public Health now or hereafter in force.

B. TERM OF LEASE

1. This lease shall remain in force for a primary term of twenty (20) years from this date and as to those portions of the leased premises included within a mining operation area, so long thereafter as there is production of minerals and/or mineral products in paying quantities by LESSEE from lands within such mining operation area.

2. LESSOR may, at its sole discretion, upon written application of LESSEE, agree to an extension of the primary term of this lease.

C. ECONOMIC TERMS

1. Rentals

LESSEE shall pay to LESSOR rental as follows:

- a. Rental for the first (1) through fifth (5) year shall be paid at the rate of \$3.00 per acre per year, and for the sixth (6) through tenth (10) year at the rate of \$6.00 per acre per year.
- b. Rental for the first year shall be paid upon execution of the lease, and thereafter rental shall be paid annually in advance of the lease anniversary date. Lease rights shall terminate and the LESSEE shall be required to file a release with the LESSOR as hereinafter provided whenever any rentals coming due under the lease remain unpaid for a period of ten (10) days after the rental becomes due. LESSOR may, at its sole discretion, in writing, waive termination of the lease for unpaid rental upon LESSEE's submission in writing of proper and satisfactory proof as to cause, along with payments due. Any payments by LESSEE after the due date shall include interest at the rate of 1.5% per month or at the maximum legal rate, whichever is less, on the amount unpaid.
- c. Payment of either production royalties or minimum royalties from a mining operation area shall abate the rental on that part of the leased premises contained in that mining operation area. The abatement shall be effective on the rental due date following the rental period in which the abatement is granted.

2. Minimum Royalties

- a. LESSEE shall pay to LESSOR a minimum royalty of \$10.00 per acre for the eleventh (11) year of the lease, and for each year thereafter the payment shall increase an additional \$5.00 per acre through the twentieth (20) year. For the twentieth (20) year of the lease and thereafter for the life of the lease, the minimum royalty shall be \$55.00 per acre per year.
- b. These payments shall be paid annually in advance of the lease anniversary date. Lease rights shall terminate and the LESSEE shall be required to file a release with the LESSOR as hereinafter provided whenever these payments remain unpaid for a period of ten (10) days after the anniversary date. LESSOR may, at its sole discretion, waive in writing termination of the lease for unpaid minimum royalties upon LESSEE's submittal in writing of proper and satisfactory proof as to cause, along with payments due. Any payments by LESSEE after the due date shall include interest at the rate of 1.5% per month or at the maximum legal rate, whichever is less, on the amount unpaid.
- c. Establishment of a mining operation area shall abate all increases in the minimum royalty on that portion of the leased premises contained in the mining operation area. The abatement shall be effective on the next annual minimum royalty due date. Thereafter, minimum royalties shall be paid at that constant rate until production of minerals and/or mineral products in paying quantities begins on that portion of the leased premises included in the mining operation area. If production of minerals and/or mineral products commences prior to the eleventh (11) year of the lease, rental shall be abated and minimum royalties shall be paid at the rate of \$10 per year for each acre in the mining operation area.
- d. Should the production of minerals and/or mineral products in paying quantities commence on the leased premises, the minimum royalties paid for that lease year and for all previous lease years that those lands were included in the mining operation area shall be credited against the production royalties payable hereunder to the LESSOR.
- e. In the absence of production of minerals and/or mineral products in paying quantities before the expiration of the primary term of this lease, all minimum royalties paid shall be forfeited to the LESSOR.

3. Production Royalties

LESSEE shall pay to the LESSOR a production royalty calculated as follows:

- a. Determine the gross sales value of all minerals and/or mineral products from this lease sold during the past calendar quarter. Such sales value shall be based on the actual sales value on the open market as shown by sales receipts. If mineral or mineral products are not sold to an independent consumer on the open market at fair market value, but are processed further by a plant which is operated by

the LESSEE, or in which the LESSEE has an interest, the gross sales value shall be determined using prices for the metallic form or for normally accepted forms as published by the Engineering and Mining Journal in the "E and MJ Markets" section, or other mutually agreed upon forms and prices. The gross sales value shall then be divided by the tons of ore processed in that production of minerals and/or mineral products sold to determine the gross sales value per ton.

- b. Determine the price index factor by dividing the constant price index by the current price index. Both price indices shall be obtained from the producer price index for all commodities, or its successor index, as published monthly by the U.S. Department of Labor, Bureau of Labor Statistics. The constant price index shall be the index for February (month) of 1983 (year), quoted as being 301.2. The current price index shall be the index for the middle month for that quarter.
 - c. Determine the adjusted sales value per ton by multiplying the gross sales value per ton by the price index factor.
 - d. The production royalty rate shall be not less than 2% nor more than 7%, and shall vary with the Adjusted Sales Value per ton of ore. For every dry short ton of ores containing minerals and/or mineral products other than iron ores that is mined from the leased premises and sold, and for every dry long ton of ores containing minerals and/or mineral products mined principally for iron content that is mined from the leased premises and sold, the royalty rate shall be two (2) percent when the adjusted sales value of the minerals and/or mineral products is twelve dollars (\$12.00) or less. The royalty rate shall be increased by one-half (1/2) percent for each six dollar (\$6.00) increase in the adjusted sales value per ton of minerals and/or mineral products above twelve dollars (\$12.00) per ton, fractions prorated to three decimal places, with a maximum royalty rate limit of seven (7) percent, which limit will be reached when the adjusted sales value per ton of minerals and/or mineral products is seventy-two dollars (\$72.00) per ton.
 - e. The amount of production royalty is then the product of the royalty rate expressed in decimals to five places and the gross sales value.
 - f. Production royalties shall be paid on a quarterly basis. If payments specified are not made on or before the twenty-fifth (25th) day of April, July, October and January of every year during the term of this lease for all minerals and/or mineral products sold during the preceding calendar quarter, LESSOR may claim default under the provisions of Section H herein. In addition to any remedies available to LESSOR under the lease, payments made after the due date shall include interest at the rate of 1.5% per month, or at the maximum legal rate, whichever is less, on the amount of royalty unpaid.
 - g. LESSEE shall secure written authorization of the LESSOR in order to delay any royalty payments beyond the date specified. If such authorization is not secured and royalty payments are delayed LESSOR may, at its sole discretion, declare the lease defaulted.
 - h. LESSEE agrees that all royalties accruing to the LESSOR herein shall be without deduction of any costs incurred by the LESSEE unless agreed to in writing by the LESSOR.
 - i. The LESSOR is not liable for any taxes incurred by the LESSEE and no tax deductions may be taken in computing the royalty.
 - j. Production royalties may, by mutual agreement of the LESSEE and LESSOR, be negotiated at any time during the term of this lease and may include consideration of rate and method of calculation, including but not limited to net smelter returns.
 - (a) Notwithstanding any other provision in this lease, if copper, lead, zinc, gold and/or silver and their byproducts are produced from the leased premises and are processed at a smelter and/or refinery owned, operated or controlled by the lessee, or where they are treated on a toll basis for the lessee, the net smelter returns method shall be used to calculate gross sales value.
4. **In Lieu of Production Royalties**
- a. LESSEE may, during the term of this lease, and at its sole discretion, suspend production of minerals and/or mineral products from a mining operation area established under the terms of this lease for up to four (4) cumulative years or longer at the discretion of LESSOR and may in such case maintain this

lease as to those portions of the leased premises contained in a mining operation area by the payment of minimum royalties in lieu of production royalties. During such periods of suspension of production, this lease shall not, as to those portions of the leased premises included in a mining operation area, be subject to expiration under the provisions of Section B of this lease. LESSEE shall notify LESSOR of each cessation of production:

- b. The amount of the minimum royalties in lieu of production royalties shall be determined according to the schedule in part C2a of this lease, and shall be on a per acre basis prorated for the period of suspended production.
- c. Minimum royalties in lieu of production royalties shall be paid within 30 days of notice to LESSOR of suspension of production and annually thereafter. Lease rights shall terminate and the LESSEE shall be required to file a release with LESSOR as hereinafter provided whenever these payments shall be and remain unpaid for a period of ten (10) days after the payment is due. LESSOR may at its sole discretion waive in writing termination of the lease for unpaid in lieu of production royalty payments upon LESSEE's submittal in writing of proper and satisfactory proof as to cause, along with payments due. Any payments by LESSEE after the due date shall include interest at the rate of 1.5% per month or at the maximum legal rate, whichever is less, on the amount unpaid.
- d. When LESSEE resumes the production of minerals and/or mineral products in paying quantities on the leased premises, the minimum royalties paid in lieu of production royalties for those lands included in the mining operation area, shall be credited against future production royalties payable under this lease to the LESSOR.
- e. Payment of minimum royalties in lieu of production royalties shall not serve to abate or affect any other minimum royalties which may be assessed for portions of the leased premises where a mining operation area has not been established.
- f. LESSEE's tax obligations, if any, continue as if production were underway.

D. SURFACE DAMAGE PAYMENTS

1. LESSEE shall pay or agree upon payment to the surface owner, or any person holding under the owner, for all damages or losses (including any loss of the use of all or part of the surface), caused directly or indirectly by operations hereunder, whether to growing crops or buildings, to any person or property, or to other operations.
2. Before mining operations may be commenced on the land in which the State of Michigan owns mineral rights only, and as described in this lease, proof shall be submitted to the LESSOR, in writing, that either voluntary agreement or stipulated settlement relative to surface use and damages has been reached between the LESSEE or LESSEE's authorized agent and the surface owner or D (3) is invoked.
3. When a mutually satisfactory agreement relative to surface use and damages cannot be reached, either party can inform the LESSOR, in writing, that a dispute exists and LESSOR will grant a negotiation period of thirty (30) days in which no mining operations may be conducted by the LESSEE. This time period is to allow for the resolution of the dispute. If, at the end of this period proof of the agreement is not submitted in writing to the LESSOR, mining operations will not be prohibited by the LESSOR and resolution of the dispute rests solely with the LESSEE and the surface owner independent of the LESSOR.

E. BONDING

1. Before a lease will be executed for any state lands, unless waived by the LESSOR, the LESSEE shall file a performance bond, acceptable to the LESSOR, conditioned that LESSEE, its heirs, executors, administrators, successors, and assigns, shall faithfully perform the covenants, conditions, and agreements specified in the lease, and the laws and rules of the State of Michigan which apply.
2. The LESSOR shall determine, and set forth in a published schedule, the initial acceptable amount required for the performance bond. The LESSOR shall annually review the level of the performance bond and shall require the amount of the bond to be increased or decreased to reflect changes in the cost of future reclamation of the leased premises. A review of the performance bond shall be made within thirty (30) days of receipt of LESSOR of written notice of termination by the LESSEE and shall consider adequacy of bond for removal of personal property not desired by either LESSEE or LESSOR.

3. LESSEE shall keep in full force and effect a sufficient performance bond to cover the acreage held under lease as heretofore specified. If the amount of performance bond in effect becomes depleted or partially depleted because of any claim or claims, LESSEE shall file a new performance bond as required by the LESSOR.
4. Liability under the bond shall be for the duration of exploration, mining and reclamation operations and for a period coincident with LESSEE's responsibility under the approved reclamation plan.
5. LESSOR may invoke part or all of the performance bond when it determines that part or all of the covenants, conditions or agreements specified in the lease are not being fulfilled and shall so notify LESSEE. Invoking the performance bond is not necessarily related to any action taken by LESSOR under part H of this lease.

F. LESSOR RIGHTS

1. LESSOR retains all of its timber, sand and gravel and other non-metallic mineral interests in the leased premises and reserves the rights to make any use of the leased premises which may be undertaken without detriment to the rights and privileges herein specifically granted.
2. LESSOR shall not be liable for any damages resulting from failure of its title to rights included herein; provided, however, that if the LESSOR's title fails as to any or all of the rights covered by this lease, the LESSOR shall refund to the LESSEE all bonus, rental, minimum royalties, production royalties, or payments in lieu of production royalties made by the LESSEE attributable to that part or portion of, or interest in, the title which has failed.
3. Should LESSOR be prevented from complying with any express or implied covenant of this lease because of a force majeure (i.e., for any cause beyond the reasonable control of the LESSOR such as, but not limited to, acts of God, legislation, rules of any other governmental body, budgeting constraints, any judgment or injunctive order entered by a court of competent jurisdiction, acts of the public enemy, riots, strikes, labor disputes, labor or material shortages, fire or flood) then such covenant shall be suspended to the extent made necessary by the aforesaid force majeure.
4. LESSOR, and any of its authorized employees, may at all times enter upon the leased premises and ascertain compliance with any condition of this lease and the kind, qualities and quantities of minerals and/or mineral products on the leased premises or removed therefrom. LESSOR shall also have the right to check the movement of minerals and/or mineral products from the workings of the leased premises to storage and to the mill; to be present at all weighing and sampling stations; and to take samples and to observe the flow of minerals and/or mineral products from the leased premises through the mill. The LESSOR shall have the right upon reasonable notice to examine the books, records and supporting documents of the LESSEE insofar as they relate to the amount of production and sale of minerals and/or mineral products derived from the premises herein leased.
5. LESSOR reserves the right to deny the LESSEE from operations on the leased premises in connection with LESSEE's operations on any adjoining or nearby property or properties except if the leased premises and the adjoining or nearby properties are within a common mining operation area. LESSOR may, at its sole discretion, and after payment of surface use fees by LESSEE as determined by LESSOR, allow LESSEE to use the premises hereby leased and any part thereof, and any shafts, openings, pits and stockpile grounds sunk or made thereon, for the mining, removal and stockpiling of any ores from any such adjoining or nearby premises, or for any purpose or purposes connected therewith, not however, preventing or interfering with the mining or removal of ore from the leased premises. LESSOR recognizes the interest of LESSEE and/or other owners of any nearby or adjacent premises in any ores mined therefrom and stockpiled upon the leased premises.
6. LESSOR may require LESSEE to barricade entrance to the roadway(s) on surrendered leased premises, to seal the roadway(s) or leave the roadway(s) as constructed.

G. LESSEE RIGHTS

1. LESSEE may from time to time surrender all or any part of the premises herein leased by giving notice in writing to the LESSOR. LESSEE shall not escape any prior obligation of the lease by filing a release. Upon surrender, LESSEE shall execute and deliver to the Register of Deeds in the county wherein the land is situated, for recording, a proper and sufficient instrument of release of all of LESSEE's rights and interest

under this lease, insofar as they apply to the premises surrendered, and shall have said instrument delivered to the LESSOR within thirty (30) days after recording with Register of Deeds.

2. LESSEE may at any time remove all machinery and fixtures placed on the leased premises, provided, however, that said LESSEE has complied with and fulfilled all other provisions of the lease as herein provided.
3. At the termination of the lease by any means, and with LESSEE's fulfillment of all lease obligations, covenants, agreements and context of this lease, LESSEE shall have one hundred eighty (180) days, or longer at the discretion of LESSOR, after termination in which to remove all tools, machinery, railway tracks, structures and all other property situated on the leased premises as to which this lease is being terminated, except any supports placed in shafts, drifts or openings or any timber, framework or fences necessary to the use and maintenance of shafts or approaches to mines or tramways within mines. If LESSEE fails to remove its property within the specified period, the property shall become the property of LESSOR and may be removed by LESSOR with expenses recovered from the performance bond. By agreement of the parties, any of LESSEE's property on the leased premises may become the property of LESSOR.
4. In the conduct of approved mining operations on the leased premises, the LESSEE is hereby granted the right, if it so desires, to mine and remove any ores existing thereon, or on any part or parts thereof, through, or by means of, shafts, openings or pits which may be sunk or made upon adjoining or nearby premises owned or controlled by the LESSEE, and may stockpile any ores from the leased premises or any part thereof upon stockpile ground situated upon any such adjoining or nearby premises.
5. LESSEE may maintain and use roads, pipelines, electric transmission lines and other facilities which are located on surrendered portions of the leased premises, with written consent of LESSOR, and payment of surface use fees as determined by the LESSOR so long as they are reasonably necessary to LESSEE's operations on leased premises remaining under this agreement.
6. LESSEE may mix minerals and/or mineral products taken from the leased premises with any other minerals and/or mineral products from other premises after the minerals and/or mineral products from the leased premises have been measured and sampled to determine and preserve the rights and liens of the LESSOR therein.

H. DEFAULT OF LEASE

1. In the event LESSOR shall determine a default in the performance by LESSEE of any express or implied covenant of the lease, LESSOR shall give notice in writing by certified mail, addressed to LESSEE's last address filed with LESSOR, specifying the facts by which default is claimed. Except as to rental, minimum royalty, and payments in lieu of production royalty requirements as heretofore provided, LESSEE shall have thirty (30) days from date of receipt of notice to satisfy the obligation of LESSEE, if any, with respect to LESSOR's notice, or provide LESSOR satisfactory proof that LESSEE is not in default or if in default and LESSEE is not able to cure within thirty (30) days, LESSEE shall submit for LESSOR's approval a performance schedule with a date certain to satisfy or cure default of LESSEE.
2. When a mutually satisfactory agreement cannot be reached as to whether or not a default exists in LESSEE's performance under the lease, the LESSEE may request, in writing, within thirty (30) days of receipt of LESSOR's notice of intent to commence an action in a court of competent jurisdiction for forfeiture of lease, that, prior to LESSOR filing for forfeiture under H-5 below, the factual issues to the existence of a default be reviewed through non-binding mediation. Any such requests shall be granted.
3. Mediation shall address only factual matters and not matters of law. LESSEE and LESSOR shall agree to mutually select a mediator to hear any dispute. If LESSEE and LESSOR cannot agree on a mediator, each may designate a mediator who will in turn together select a third mediator, and all three mediators shall hear the dispute. LESSOR and LESSEE agree to share the expenses of the mutually agreed to mediator and/or the third appointed mediator, if that be the case, as well as all the expenses arising out of the conduct of any hearing. Each shall bear the cost of their own attorney and witnesses on their behalf.
4. The findings of fact and mediator's recommendation shall be presented to the LESSOR for a determination. The LESSOR may consider public comment before determination is made on the mediator's recommendation.

Within forty-five (45) days of receipt of mediator's recommendation by LESSOR, LESSOR shall notify LESSEE of concurrence or nonconcurrence with the mediator's recommendation.

5. If LESSEE fails to voluntarily satisfy the claim of default concerning rental, minimum royalty, production royalty and/or any other expressed or implied covenant of this lease, and after the mediation period, if any, has passed and LESSOR has made a determination on the basis of the mediator's findings, the LESSOR may proceed, at its sole discretion, with forfeiture of all or part of said leased premises in accordance with 1929 P.A. 81, MCL 554-281, et seq.
6. If the default is not cured, as provided above, LESSOR may take possession of the leased premises or any part thereof, and all minerals and/or mineral products, machinery, fixtures, improvements and personal property on the leased premises. LESSOR may then exclude LESSEE from the leased premises and declare this lease terminated and LESSEE's rights forfeited. Re-entry by LESSOR does not eliminate any other legal remedy for LESSOR. No tools, fixtures, machinery or other property of the LESSEE shall be removed from said premises, if any royalties, damages, or other payments are due to the LESSOR, and all sums due on royalties, damages, or other payments, shall be a lien on all implements, tools, movable machinery, and all other chattels used in operating said property, and also upon all of the unsold mineral and/or mineral products obtained from the land herein leased, as security for the payment of royalties, damages, or other payments. This lien may be foreclosed in the same manner as chattel mortgages are foreclosed.
7. Should LESSEE be prevented from complying with any express or implied covenant of this lease, after effort made in good faith, for any cause beyond the reasonable control of the LESSEE, such as, but not limited to war, rebellion, riots, strikes, acts of God or an order or rule of governmental authority, and not including economic budgetary or financial constraints or conditions, then while so prevented, LESSEE's obligation to comply with such covenant shall be suspended upon proper and satisfactory proof presented to the LESSOR in writing in support of LESSEE's contention but LESSEE is not excused from payment according to provisions of the lease for all rentals, minimum royalty, production royalty or in lieu of production royalty reserved and payable to the LESSOR.
8. Should LESSEE be prevented from conducting exploration or mining operations or from mining minerals and/or mineral products under this lease, after effort made in good faith, for any reason beyond the reasonable control of LESSEE (not including economic, budgetary or financial constraints or conditions), this lease will be extended as to portions of the leased premises affected by such force majeure so long as LESSEE is prevented from exploration, conducting mining operations or from mining minerals and/or mineral products therefrom.

I. EXPLORATION OPERATIONS

1. Exploration Plan

- a. No exploration activity shall take place on leased premises without an exploration plan developed by LESSEE and approved by LESSOR.
- b. Prior to commencement of exploration and annually thereafter on the lease anniversary, the LESSEE shall submit to the LESSOR for approval a plan outlining LESSEE's proposed exploration activities on the leased premises during the ensuing year and exploration conducted to date, if any.
- c. The exploration plan shall contain the following:
 - (1) A description of proposed exploration activities and locations of sites where such exploration activities were, or are proposed to be conducted; and
 - (2) locations and depths of any known existing exploration holes, trenches or pits; and
 - (3) locations of roads which were, or are proposed to be, constructed to carry forth exploration activities.
- d. LESSOR shall approve or reject the plan, for reasons stated, within 45 days of receipt of a complete exploration plan from LESSEE. If LESSOR rejects this plan, LESSEE may resubmit a plan(s) without prejudice.

- e. Any change in the approved plan during any year which is likely to result in substantial disruption of the surface shall be submitted and confirmed in writing to the Director of the Department of Natural Resources for approval. The Director may authorize named officers or individuals on the Department staff to receive, review and either approve or reject changes to the exploration plan, which staff shall act to approve or reject changes within five (5) working days after they have been notified of the request for change. Notification shall be made to the LESSEE of such approval or rejected and confirmed in writing with representatives of both parties conferring promptly, if rejected, to resolve differences in the plan.
- f. Upon the conclusion of exploration activities at a site, LESSEE shall leave the site in a condition satisfactory to the LESSOR.

2. Exploration Reports

- a. For the exploration conducted under this lease, the LESSEE shall retain and store all factual exploration data and records at a location(s) mutually agreeable with LESSOR and LESSEE. The LESSOR retains the right to examine all such data and records, including cores.
- b. Upon termination of this lease or surrender of any part of the leased premises, LESSEE shall furnish to LESSOR any cores requested by LESSOR, and an up-to-date report of all exploration conducted by LESSEE on that part of the leased premises. Final reports shall contain copies of all factual data generated from exploration activities on the leased premises as of the date of surrender.

J. MINING AND RECLAMATION OPERATIONS

1. Mining and Reclamation Plan

- a. No mining shall take place on leased premises without a mining and reclamation plan developed by LESSEE and approved by LESSOR.
- b. LESSEE shall reclaim the surface of the leased premises in accord with the approved mining and reclamation plan. The reclamation shall proceed concurrently with mine production to the extent practical and shall be completed following termination of mine operation.
- c. A mining and reclamation plan for the leased premises shall be developed to insure to the maximum extent practicable that: waste areas and lean ore are located, designed and utilized to minimize aesthetic unattractiveness and promote reclamation; mining is conducted in a manner which will prevent or mitigate hazardous conditions which result from slumping, heaving and subsidence; and that post mining uses of the premises are as or more valuable than the uses prior to mining. The mining and reclamation plan shall include the following:

(1) Accurate plan maps, with appropriate scale, and other supporting data showing:

- (a) Location of the proposed mining operation area.
- (b) Lands proposed to be affected throughout the mining phase, including existing streams, lakes, wetlands and impoundments.
- (c) Description of proposed development of open pit(s) and/or underground workings including materials handling and overburden stripping plans on the leased premises.
- (d) Product and raw materials storage areas and loading facilities.
- (e) Proposed and alternative locations where feasible, and designs of waste and lean ore piles, and tailings basins.
- (f) Existing and proposed buildings, utility corridors, railroads, roads and auxiliary facilities to be used and/or constructed on leased lands.

(2) A description of proposed reclamation of the mining operation area on the leased premises including:

- (a) A description of the capacity of the land to support its anticipated use or uses following reclamation, including a discussion of the capacity of the reclaimed land to support alternative uses.
 - (b) Provisions for grading, establishing self-sustaining revegetation and stabilization that will minimize erosion and sedimentation and public health and safety problems of pit banks, waste and lean ore piles, roads and tailings basins during and upon completion of the mining phase.
 - (c) Provisions for buffer areas, landscaping and screening.
- (3) Estimated timetables necessary for accomplishing the events contained in the mining and reclamation plan.
- d. The LESSOR shall approve or reject the plan within one hundred twenty (120) days of receipt of a complete mining and reclamation plan from the LESSEE. If the LESSOR rejects the plan, LESSOR shall identify those elements of the plan involving activities on the leased premises which are likely to pollute, impair or destroy the air, water or other natural resources or the public trust therein. The LESSOR shall also identify those alternatives or mitigating measures (if any) which could make the plan acceptable. A meeting shall be held between the LESSEE and the LESSOR within sixty (60) days of the rejection of the plan in an attempt to resolve differences in the plan, should either party request it. If LESSOR denies the plan, LESSEE may resubmit a plan(s) without prejudice.
 - e. Any change in the approved plan which is likely to result in substantial disruption of the surface shall be submitted in writing to the Director of the Department of Natural Resources for approval. The Director may authorize named officers or individuals on the Department staff to receive, review and either approve or reject changes within thirty (30) days after they have been notified of the request for change. Notification shall be made to the LESSEE of such approval or rejection with representatives of both parties conferring promptly, if rejected, to resolve differences in the plan.
2. **Production Reports**
- a. LESSEE shall keep an accurate account of all mining operations under this lease, including production, sales, prices and dates of same, and shall submit to LESSOR at the time of each quarterly payment of production royalties, a certified statement in duplicate, showing the quantities of minerals and/or mineral products produced in the past quarter, the quantities sold and quantities otherwise disposed of from the leased premises and methods used to determine same. LESSEE's certified statement shall include the following:
 - (1) The tonnage and average grade of all crude ore mined from the leased premises, calculated from mine measurements.
 - (2) The tonnage of all commingled crude ores as determined at the first point at which an actual weight measurement is taken.
 - (3) The tonnage of crude ore from all premises, including the leased premises, treated in the mill, less losses which can be accounted for by LESSEE.
 - (4) The tonnage and average grade of mill concentrates, dry basis, derived from the leased premises and all commingled ore.
 - (5) Amount of refined metals produced in tons, pounds or ounces.
 - (6) Tonnage of ore from which refined metals was produced.
 - (7) Copies of receipts from sales of minerals and/or mineral products.
 - (8) Such additional data on production and sales as may be necessary to determine royalty.
 - (9) Current mine maps of the leased premises and premises from which commingled ores are mined, showing the area mined.

- b. If any minerals and/or mineral products produced from the leased premises are transported to a point outside of the mining operation area before being weighed, LESSEE will have all the material weighed by the transporting firm and will furnish LESSOR with the transporter's statements of the weights of all shipments during the preceding quarter. Any written certificate or statement of any transporter concerning any shipment from the leased premises and its weight and any copies of transcripts from the books of any transporter concerning shipments or their weights shall be prima facie evidence of those facts in any suit or controversy between LESSEE and LESSOR.
 - c. Upon termination of this lease or surrender of any part of the leased premises, LESSEE shall furnish to LESSOR an up-to-date report of all mining development and reclamation efforts conducted by LESSEE on that part of the leased premises. This report shall contain suitable maps and information on the location and extent of surface and underground workings, and other pertinent information.
 - d. LESSEE shall also furnish LESSOR with annual reports on the anniversary date of the lease of the status of mining development and reclamation efforts to date.
3. **Mill Waste Rejects Reports**
- a. LESSEE shall keep an accurate and cumulative record of the operation of the mill producing the mill waste rejects, and LESSEE shall annually before the sixtieth (60) day following the anniversary date of this lease, furnish LESSOR a mill waste reject report for the preceding calendar year.
 - b. Any proportioning of the commingled mill waste rejects shall be made on the following terms:
 - (1) The proportioning shall be based upon dry short ton units of mineral values as determined by assay, tonnage measurement and/or metallurgical balances.
 - (2) The total units of mineral values in the commingled mill waste rejects shall be determined by subtracting the total units of mineral values in the concentrate produced from the total units of mineral values in the crude ore entering the mill.
 - (3) The units of mineral values in the mill waste rejects from this lease shall belong to the LESSOR.
4. **Mining-Milling Tailings Disposal**
- a. Waste materials resulting from the mining or concentration operations shall be deposited by the LESSEE in accordance with the approved mining and reclamation plan. Waste materials shall not be deposited on other premises without a mutually agreeable methods of accounting for the LESSOR's interest.
 - b. If mill waste rejects from minerals and/or mineral products mined from the leased premises are deposited or commingled with other mill waste rejects off the leased premises, LESSEE will upon termination of this lease deliver to LESSOR a document recognizing the interest of LESSOR in the mill waste rejects.
5. **Stockpiling**
- a. Minerals and/or mineral products taken from the leased premises, whether stockpiled or other wise, shall at all times be kept separate and distinct from any other mineral and/or mineral products until measured and sampled to determine and preserve the rights and liens of the LESSOR therein.

K. **DEFINITIONS**

- 1. **Commingled Mill Waste Rejects** means mill waste rejects from property of the LESSEE mixed in conjunction with mill waste rejects from other property of the LESSOR.
- 2. **Constant Price Index** means a rate published by the Bureau of Labor Statistics, established as of the date of the lease, and used as a reference point.
- 3. **Current Price Index** means a rate published monthly by the Bureau of Labor Statistics, reflecting up-to-date trends in producer prices.
- 4. **E & MJ Markets** means a section of the monthly published Engineering and Mining Journal.

5. **Exploration** means the processes involved in the search for and delineation of a mineral deposit.
6. **Exploration Activities** means those actions conducted upon the leased premises as a necessary part of exploration including geological, geochemical and geophysical surveys, preparation of necessary roads and drill sites, drilling, sampling, assaying, test pitting, trenching, metallurgical testing, feasibility and environmental studies or other approved activities.
7. **Gross Sales Value** means the value of all marketable products f.o.b. the point of sale, and after which sale the LESSEE no longer holds an economic interest in the marketable products. For purposes of this lease, the sale of minerals and/or mineral products in-place, or without extraction, is not considered production, and any sales value at that point shall not be used as the basis for calculation of production royalties.
8. **LESSOR** means the Natural Resources Commission of the State of Michigan.
9. **Lean Ore** means rock containing minerals which are not economically recoverable under existing market or technologic conditions.
10. **Leased Premises** means the land, property and/or mineral rights of the LESSOR herein leased to the LESSEE.
11. **Long Ton** means 2,240 pounds avoirdupois.
12. **Mill Waste Rejects** means materials having no present mineral value, separated from the concentrate of minerals and/or mineral products as the result of processing of ore in a mill concentration plant.
13. **Minerals and/or Mineral Products** means all metallic minerals, metallic mineral products, ores and concentrates including, but not limited to, the following metallic elements: Aluminum, Antimony, Arsenic, Beryllium, Bismuth, Cadmium, Cesium, Chromium, Cobalt, Columbium, Copper, Diamonds, Gallium, Germanium, Gold, Indium, Iron, Lead, Lithium, Magnesium, Manganese, Mercury, Molybdenum, Nickel, Osmium, Palladium, Platinum, Radium, Rare Earth Elements, Rhenium, Rhodium, Rubidium, Ruthenium, Selenium, Silicon, Silver, Strontium, Tantalum, Tellurium, Thallium, Thorium, Tin, Titanium, Tungsten, Uranium, Vanadium, Yttrium, Zinc, Zirconium.
14. **Mining** means part or all of the process involved in the removal of minerals and/or mineral products including development, extraction, beneficiation, water storage, agglomeration and production of waste.
15. **Mining Operation Area** means the land area where active mining operations are, have been, or are projected to take place, and as delineated in the mining and reclamation plan. Areas include, but are not limited to, pits, stockpiles, shafts, roads, processing facilities, water and tailings basins and shipping facilities.
16. **Net Smelter Returns** means the proceeds received from the sale of mineral and/or mineral products after deducting the actual cost of (1) transportation and handling; (2) smelting and/or refining; (3) sampling and/or assay charges.
17. **Paying Quantity** means production in the preceding twelve months sufficient to return royalties to the LESSOR equal to or exceeding the minimum royalty.
18. **Production** means the extraction, processing, stockpiling and/or sales of minerals and/or mineral products from the leased premises. For purposes of this lease, the sale of minerals and/or mineral products in place of/or without extraction is not considered production, and shall not be used to calculate production royalties.
19. **Reclamation** means reconditioning or rehabilitation of the affected leased premises as delineated in the mining and reclamation plan or portions thereof by the LESSEE for useful purposes and the protection of the natural resources, including the control of erosion and the prevention of land or rock slides and air and water pollution.
20. **Short Ton** = 2,000 pounds avoirdupois.

21. **Tailings** means mill waste rejects that have been placed in a confined waste or storage basin.
22. **Tailings Basin** means land on which tailings are deposited including surrounding dikes constructed to contain the tailings.
23. **Waste** means soil and vegetation, overburden, waste rock, mill waste rejects directly resulting from, or displaced by, mining and deposited on the surface (of the leased premises and other property under control of the LESSEE). "Waste" shall not include lean ore.

L. NON-DISCRIMINATION

The LESSEE covenants and agrees for and on behalf of said LESSEE, its successors or assigns that it will not discriminate against an employee or applicant for employment with respect to hire, tenure, terms, conditions or privileges of employment or a matter directly or indirectly related to employment because of race, color, religion, national origin, age, sex, height, weight, marital status, or a handicap that is unrelated to the individual's ability to perform the duties of a particular job or position. The LESSEE further covenants and agrees that it shall cause the foregoing covenant as to nondiscrimination to be inserted and made part of each contract or subcontract into which the LESSEE enters, binding upon its contractors and subcontractors. A breach of these covenants shall be considered a material breach of the lease.

LESSOR, by its Division Chief has affixed its name and the seal of the said Department, by virtue of a resolution passed by the LESSOR on June 11, 1992 and the name and seal of LESSEE has been affixed as of July 27, 1992.

Witnesses to the Signature of Division Chief:

NATURAL RESOURCES COMMISSION
for the State of Michigan

Ruth Edmondson
Ruth Edmondson

[Signature]
Rodney A. Stokes, Chief
Real Estate Division

[Signature]
Leonard Espinosa

Witnesses to the signature of LESSEE:

[Signature]
Lynn Noel

[Signature]
Terence W. Quigley

[Signature]
Wendi Barinotti

I HEREBY CERTIFY that the within lease was approved at a meeting of the State Administrative Board held on July 7, 1992.

AUG 17 1992

[Signature]
Thomas F. Saxton
Secretary, Administrative Board

STATE OF MICHIGAN

County of Ingham

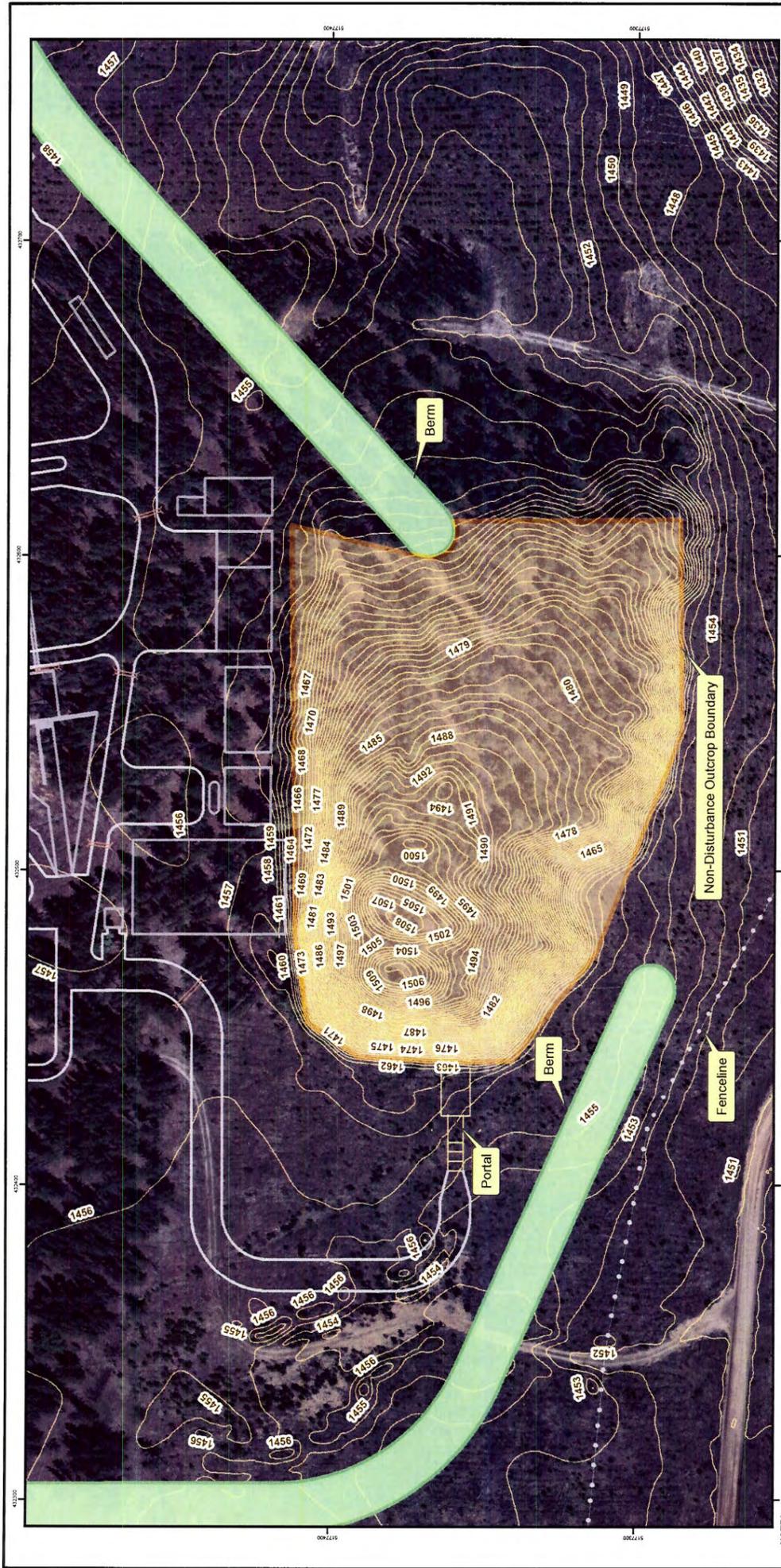
} ss

On this 6th day of August, 1992, personally appeared before me, a Notary Public, Real Estate Division Chief of the Department of Natural Resources, personally known to me to be the same person who executed the foregoing instrument, and who acknowledged the same to be his free act and deed, and the free act and deed of the Natural Resources Commission, in whose behalf he acts, and for the purpose in instrument set forth.

My Commission Expires:
January 31, 1994

[Signature]
Doris Marie Smith,
Clinton County, Acting in
Ingham County

Prepared by: Ruth Edmondson
Department of Natural Resources
Real Estate Division
P.O. Box 30028
Lansing, Michigan 48909



NOTES

- Date of photography June 2, 2004, supplied by Aero-metric Engineering, Sheboygan, Wisconsin.
- Mine plan data adapted from McIntosh Engineering, Inc., Tempe, Arizona.
- Surface property boundary as of November 18, 2004 supplied by Kennecott via Golder & Associates Inc., August, 2005.
- Contour interval based on NAVD 1988. Horizontal datum based on NAD 83/94.
- One body, welland boundary (Welland and Coastal Resources) and topography supplied by Golder & Associates, Inc., August, 2005.
- US Fish and Wildlife Service Wellands downloaded from USFWS website.
- Site Location - Project Site within Sections 11 & 12, T50N, R23W, Michigan.
- Michigan Mine Reclamation Act, 1977, as amended January 21, 2008.

LEGEND

- Non-Disturbance Outcrop Boundary
- Facility
- 1ft Contours

Foth
Foth Infrastructure & Environment, LLC

| REVISION | DATE | BY | DESCRIPTION |
|----------|------|----|-------------|
| | | | |
| | | | |
| | | | |

CHECKED BY: AKM DATE: JAN. 08
 APPROVED BY: SVDI DATE: JAN. 08
 APPROVED BY: DATE

Foth Infrastructure & Environment, LLC
 Eagle Minerals

FIGURE 1
 NON-DISTURBANCE OUTCROP BOUNDARY MAP

Scale: 1" = 50' DAT
 Date: JANUARY, 2008
 Project No.: 04W018