

AN OVERVIEW OF EVENTS
BY WHICH
A MINERAL DEPOSIT
PROCEEDS FROM
THE STAGE OF EXPLORATION TO PRODUCTION

Prepared for:

KEWEENAW LAND ASSOCIATION, LIMITED
IRONWOOD, MICHIGAN

By:

RESOURCE EXPLORATION, INC.
SEMINOLE, FLORIDA

FEBRUARY 25, 2008

TABLE OF CONTENTS

INTRODUCTION	1
EXPLORATION	1
DISCOVERY	2
DELINEATION OF MINERAL DEPOSIT	3
ECONOMIC ANALYSIS	4
MINE PERMITTING	5
PRE-PRODUCTION ACTIVITIES	5
PRODUCTION	6
CLOSURE & POST-CLOSURE OBLIGATIONS	7
EXPERIENCE OF KENNECOTT EAGLE MINERALS COMPANY	8
CONCLUSIONS	12

INTRODUCTION:

The process of achieving commercial mining of a mineral deposit involves a number of major steps. The following attempts to summarize and explain the process which runs the gamut from the initial stage of exploration to obligations of the miner following cessation of mining operations. The process involves activities of geologists, engineers, legal, financial, public relations and other professionals on the part of the operator and interaction with political, regulatory, public health officials, etc., and public communities to be both positively and adversely affected by the mining enterprise. A strong commitment of patience (in terms of time) and perseverance is essential to making the mining operation become a reality.

EXPLORATION:

The intent of mineral exploration is straight forward enough; i.e., exploration would be undertaken with the objective of discovery of one or more mineral deposits. The means of achieving the objective are usually far from simple, however. Methods of exploration have changed and have generally become more sophisticated, technical and costly over time.

Prior to World War II, exploration methods were, for the most part, limited to examination of rock outcrops for evidence of minerals, test pitting and trenching to expose bedrock for examination, and drilling. Following World War II, indirect physical and chemical methods came into general use in the search for mineral deposits which were not exposed in outcrops. The concealment of mineral deposits by overburden or barren cap rock is perhaps the most difficult problem to be overcome in exploration. Obviously, a deposit which cannot be observed must be sought by some indirect method indicating its presence.

The basis of instrumental methods is generally the measurement of some natural physical property of the mineral deposit being sought. The magnetometer, for instance, measures variations in natural magnetic fields and was one of the earliest instruments applied to exploration, having particular effectiveness in the search for iron ore. Other instruments have been designed to measure natural radioactivity, electrical conductivity and gravity responses of rocks and mineral deposits. These techniques have the capability of being applied rapidly over relatively large areas when adapted as airborne systems. For this reason, airborne surveys have become widely applied in carrying out initial reconnaissance exploration surveys.

Chemical techniques are more specific in the sense that if one is interested in searching for zinc deposits, for example, samples of various media may be analyzed for zinc. Soils, stream sediments, rocks, waters and vegetation are common sampling media. While the method may be effective in detecting areas of mineralization, it is affected by the fact that relatively small, insignificant amounts of mineralization may be detected as readily as an ore deposit.

Exploration for mineral deposits has evolved into a systematic process, having its basis in geology, which takes into account the nature and likely mode of occurrence of the deposit being sought. In the typical exploration program, guiding parameters are established which are intended to maximize chances of discovery. Ideally, so-called areal or "grass roots" – type

exploration starts with a geologic evaluation indicating that a particular area exhibits characteristics favorable for occurrence of mineral deposits. Typically, certain parts of an overall area of interest may exhibit relatively more favorable features than other portions, and these are outlined for preliminary exploration of a reconnaissance nature. This initial phase is intended to outline targets or zones warranting more detailed investigation. The targets are then subjected to more detailed and comprehensive examination to refine targets sufficiently to locate specific sites for diamond drilling or other physical examination methods.

Keweenaw experienced the exploration process at work in the late 1950's with discovery of what turned out to be copper deposits on company properties in the White Pine area in Ontonagon County and the Western Syncline in Gogebic County. This occurred in the aftermath of discovery and commencement of production by Copper Range Company in the White Pine Mine in 1952.

During that period of activity, personnel of American Metals Company (predecessor of AMAX, Inc.) took note of the fact that the White Pine copper deposit occurred exclusively in a geologic formation known as the Nonesuch Shale. It was well known to geologists that the Nonesuch Shale was not confined to the White Pine Mine and thus the inference could be drawn that if this formation contained copper in the White Pine Mine, it might contain copper elsewhere throughout its extent as well. American Metals obtained leases from Keweenaw and other landowners where the formation was projected to be present in areas contiguous to the White Pine Mine, which they referred to as the "Eastern Syncline". They also obtained leases in another prospective area about 20 miles west of the White Pine Mine, called the "Western Syncline", and proceeded to conduct their exploration program in search of copper deposits.

One important consideration to realize at that point-in-time is that, although the geologic inference was reasonable that the Nonesuch Formation ought to contain copper outside the locale of the White Pine Mine, there could be no assurance (that in fact it did) and furthermore, even if it did, that the copper content would be economic to mine.

DISCOVERY:

Exploration is thus, in essence, a narrowing down process in which certain targets can be eliminated based on the data obtained from initial examination. It is implicit that, "false positives" will be encountered and that usually many targets will have to be examined before one or more worthwhile exploring more extensively come to light; leading ideally to discovery of a mineral deposit.

"Discovery" is that point when exploration produces evidence of minerals of true significance in terms of potential volume or grade or both, indicating that a mineral deposit may be present.

In earlier times, discovery typically occurred when a prospector came across minerals of significance exposed in rock outcrops or when such were found by digging pits or trenches through overburden to reveal minerals in the underlying bedrock. Some of the early major iron

ore and copper deposits of northern Michigan were discovered in this manner in the mid-1800's and a deposit is still occasionally discovered today by these methods in remote areas of the world.

Since the introduction of the diamond drill and its generally wide spread use in exploration in the 1890's, discovery has usually been made by a significant drill hole generally referred to as a "discovery hole". As an example, one of the most impressive discovery holes in recent decades was that of Texas Gulf Sulphur Company drilled in Timmins, Ontario in 1963, which revealed nearly 400 feet of zinc, copper and silver mineralization averaging 8.1% zinc, 1.18% copper and 3.8 ounces of silver per ton.

Subsequent work showed the presence of a major ore deposit which, when mining commenced in 1966 became known as the Kidd Creek Mine. The mine is still producing 42 years later, presently operated by Xstrata Canada Company and has yielded to date 124,220,000 million tons of ore averaging 6.18% zinc, 2.31% copper, 0.22% lead and 3.07 ounces of silver per ton of ore. Thus, the discovery hole of 1963 was truly prescient of the existence of what has become one of the largest zinc/copper deposits in the world. Moreover, economically mineable reserves in the deposit today stand at approximately 23,660,000 tons, sufficient to extend production until the year 2013 at current mining rates. Discovery of copper in Keweenaw's properties in the White Pine ("Eastern Syncline") and Western Syncline deposits came about in a less spectacular but nevertheless impressive fashion. The nearest Keweenaw parcels were located about 3 miles south of the White Pine Mine as it was known in 1956 when American Metals obtained leases and began its exploration program. The copper-bearing horizon in the Nonesuch Shale can be roughly likened to a coal seam in the following aspects: it is relatively flat-lying, relatively consistent in copper content over an extensive area geographically and of roughly uniform thickness in the vertical dimension.

The initial exploration holes drilled by American Metals into the Nonesuch Formation within the boundaries of Keweenaw properties in the Eastern Syncline confirmed the presence of copper in grade and content similar to that present in the White Pine Mine. In like manner, initial exploration holes drilled in the Western Syncline confirmed the presence of copper in the Nonesuch Formation and were in that sense discovery holes. At that point-in-time, the consistence of grade and tonnage of copper remained to be established.

DELINEATION OF MINERAL DEPOSIT:

Once the exploration effort has produced sufficiently encouraging results to infer that a mineral deposit may exist, additional work remains to be done to produce data upon which analysis can be performed to establish if mining is economically feasible. Thus, delineation of the deposit principally as to size, shape, extent, grade and tonnage is required. This is usually done by diamond drilling, but can also be done by removing overburden, if the deposit is near-surface to expose the deposit for sampling, or by underground workings. Depending on circumstances all three methods may be applied at various stages of the evaluation process. Diamond drilling is usually the most cost-effective and anywhere from a few dozen holes to a few hundreds of drill holes may be required.

In the case of the Western Syncline deposit, 99 holes were drilled on Keweenaw's properties and an additional 62 holes were drilled on properties of other owners for a total of 161 drill holes. The results of that drilling project, conducted mostly from 1955 – 1957, involving on the order of 100,000 thousand feet of drill core and assaying of thousands of samples, resulted in American Metals reporting in its 1957 Annual Report that it had delineated a copper deposit containing 105 million tons of ore averaging 1.27% copper. Of this, approximately 60% occurred on Keweenaw's properties. The delineation work revealed that the deposit extended over an area of approximately 11½ square miles and that ore occurred from about 200 feet below surface to about 1,100 feet below surface. An interesting sidelight of this showed that the ore extended to the shoreline of Lake Superior, and likely continues out under the lake. However, the company did not explore under Lake Superior, where the mineral rights are owned by the State of Michigan.

It should be noted that, although delineation of the mineral deposit may be essentially complete before mining begins, more often the delineation phase proceeds to the point where it is established that an economic mining operation may be feasible. The project is then taken to the mining phase and further delineation continues throughout the life of the operating mine.

ECONOMIC ANALYSIS:

With the basic parameters of the deposit in hand, the operator can then proceed with projecting the costs involved to bring the deposit to production. This involves a number of technical, financial and legal matters to be evaluated and, more to the point, the costs entailed to accomplish them.

Involved here are such factors as the configuration of the ore deposit and the most effective way of mining. There are the means of processing the ore and the facilities required to do so. A pilot plant may be built and operated to test extracting the mineral from the ore to assess the most cost-effective and practical means of doing so, and/or samples may be submitted to outside laboratories specializing in extraction methods. There is the disposition and market for the mines' product to be considered.

There are the costs of essential inputs, such as availability and cost of power, water, essential supplies and transportation to be evaluated. There is also governmental, mining, environmental, worker health and safety and other regulations to be complied with and the costs of doing so determined.

AMAX undertook two feasibility studies of the Western Syncline deposit. The first, in 1959, came to the conclusion that mining could not be done safely due to a physical weakness of the rock which did not permit holding of the roof above the mined-out workings. In 1974, AMAX performed another study which indicated that the problems of roof stability encountered earlier could be overcome by new bolting technology which had been developed

in the intervening years. However, the 1974 study was done in conjunction with an attempt by AMAX to merge with Copper Range Company, operator of the White Pine Mine. Both companies agreed to the merger, but on October 24, 1975, the merger was enjoined as being in violation of the Sherman Anti Trust Act by the Federal District Court at Hartford, Connecticut and plans for development of the Western Syncline were dropped.

AMAX did not attempt to develop its reserves in the Eastern Syncline for its own account, but later negotiated a sub-lease agreement with Copper Range Company and from 1987 – 1995 about 8 million tons of ore, yielding 196 million pounds of copper, were mined from Keweenaw properties under this arrangement.

MINE PERMITTING:

In today's business environment, obtaining permits to conduct mining operations may be the most difficult step in bringing the project to fruition. Involved here, depending on the governmental entities having jurisdiction, there may be multiple and duplicative permits to be obtained. In the United States, the various states generally carry the greatest weight in the permitting process, but Federal, local government and Indian tribal governments may have a role as well. In a few states in particular, the regulations have become so burdensome and costly to comply with as to render mining virtually impracticable.

The permits required cover many conditions from a general permit to conduct mining operations per se to permits covering a number of specific conditions. Among these are water usage by the operation, water and other liquid discharges to the environment from the operation, disposal of wastes, placement of stockpiles of ore, waste rock and overburden. Discharges of steam, gases, particulates, etc. to the atmosphere have to be permitted. These permits are required before commencing operations and have to be complied with during the life of the operation. There are also permits and requirements to be complied with upon termination of mining operations and monitoring of certain environmental conditions following termination.

In that, so far as Keweenaw is concerned, the permitting regimen in the State of Michigan is of most relevance, the recent and continuing experience of Kennecott Eagle Minerals Company in permitting its nickel/copper deposit located in Marquette County will be summarized in the last section of this report. This case is likely to set the pattern for permitting of mining operations in the State of Michigan and would likely be indicative of how an attempt at development of Keweenaw's mineral assets would go forward.

PRE-PRODUCTION ACTIVITIES:

Once the essential permits have been obtained, the process advances to the preparation and construction phase.

Involved here are final engineering planning and design of the mine and facilities related to the mining operation which may include one or more of the following: concentrator, smelter, tailings disposal basins, stockpile pads, office buildings, maintenance shops, storage buildings, parking lots. Contracts for railroad or other haulage and electric power and/or natural gas would be negotiated and let in this phase.

Construction and preparation of the mine and mills for production would be conducted during this time. If the mine is to be an underground operation, a production shaft or decline would be excavated, initial lateral drifts and tunnels would be excavated, haulage track laid and stopes or rooms opened for initial mining extraction. Likewise; power, lighting and ventilation equipment would be installed. An emergency escape shaft or safe rooms would be constructed. If the mine is to be an open pit operation, stripping of overburden and/or cap rock to expose the ore for initial mining would be undertaken and preparation of sites to receive overburden, waste rock and ore stockpiles would be prepared. An underground mine may similarly require waste and ore stockpile sites on surface.

Although the operator may staff and carry out some of the engineering and construction work, more commonly the work is contracted out to specialists in shaft sinking, building erection, electrical and mechanical installation and the like to complete the construction phase of the project.

PRODUCTION:

At commencement of commercial production of ore from the mine and product from the mill, there is usually a break-in period wherein equipment is tested and if deficiencies are found, corrections are made. There is often an initial "scaling-up" period in which mining and mill through-put are gradually brought up to designed capacity.

Assuming the break-in is satisfactory, mining and milling are then evaluated over time as to whether the actual results meet design expectations and more importantly, that all facets of the complex come together in a profitable mode. It is not unusual that modifications need to be made after full scale commercial production is reached to improve profitability. In rare cases, there may have been design flaws or other problems so intractable as to cause the operation to fail.

The length of time the operation is in commercial production varies greatly depending on circumstances related to the nature of the ore deposit and economic conditions. In the case where an orebody is rather discrete and its limits well defined, the mine-life can be planned based on a fixed rate of production over a given number of years.

In cases of large and extensive deposits where the limits of the ore are not known at the outset, it has been the experience of mining in North America that some deposits have been continuously mined for 50-100 years or longer. In the final analyses, such a mine may eventually be closed not by exhaustion of ore, but by mining conditions becoming so extreme

as to render operations unprofitable. One of the famous examples of such a mine in the lore of Michigan mining history is the Quincy copper mine in Houghton County which operated almost continuously for 97 years, closing in 1945 when mining reached depths of 9,000 feet underground and a subsidy provided by the War Department ceased at the end of World War II.

In the case of a long-lived mine, methods of mining and processing the ore may change significantly over time due to changes and improvement in technology, and upon closure, the entire complex of mine and related facilities may bear little resemblance to that existing at the outset.

CLOSURE & POST-CLOSURE OBLIGATIONS:

As alluded to in the previous section, closure may come about in accordance with a pre-production mine plan or as a result of economic conditions. In either case, a number of steps will likely be taken in the broad category of "cleaning-up" the mine, mill, tailings and waste sites; either voluntarily by the operator or in compliance with conditions set out in the various permits.

Unless certain facilities can be adapted and put to use for other purposes, most buildings and structures will be dismantled and scrapped, sold or removed from the site. Foundations and pavement will likely be removed. In the case of an underground mine, entrances to underground workings will have to be secured or the workings back filled; open pits will be either back filled or secured by fencing, especially those filled with water; to ensure public safety. Waste rock and overburden piles will have to be either removed, leveled or graded to acceptable specifications and planted with vegetation to prevent erosion.

With respect to labor, there will likely be requirements as to notification of impending closure and provision of unemployment benefits, retraining and transitional insurance coverages.

The operator will be obliged to conduct post-closure monitoring activities, which will likely include sampling of water discharges, subsidence of underground workings, stability of waste and overburden piles, and success of revegetation efforts. Monitoring of nearby lakes and streams and groundwater for evidence of contamination from the mine site may be required. These monitoring activities may be required for many years, or in perpetuity depending on provisions set out in permits. There likely will have been a bond or escrow of a substantial amount required at the outset which may be reduced or released as compliance is accepted by the regulatory authority over time. In the event of non-compliance, the bond may be forfeited.

There will likely be disputes which arise over time as to post-closure compliance and the operator should be prepared to resolve these by arbitration or litigation as part-and-parcel of the business of mining.

EXPERIENCE OF KENNECOTT EAGLE MINERALS COMPANY

In 1995, exploration drilling by Kennecott Exploration Company in the so-called Yellow Dog Plains area of northern Marquette County revealed indications of copper/nickel mineralization. The company did not immediately follow-up on this and curtailed exploration in general for the next few years. However, in 2002 the company reactivated exploration in that area and further drilling led to discovery of a mineral deposit warranting evaluation for development, referred to as the Eagle deposit.

- Kennecott is a subsidiary of Rio Tinto Corporation of London, England; one of the world's largest mining companies. Rio produces copper, lead, zinc, nickel, platinum, gold, silver, iron ore, coal, aluminum and diamonds at numerous operations worldwide. A new entity, Kennecott Eagle Minerals Company has been formed to develop and operate the mine.
- The deposit has reserves of 5 million tonnes (5.5 million short tons) averaging 3.68% nickel, 3.06% copper and 0.1% cobalt, along with minor amounts of gold, platinum and palladium and is of such high grade that plans are to mine the ore, truck to a rail head, load on rail cars and ship to Canada for processing.
- The deposit is of a compact nature, and if it were exposed at the ground surface one would see a wedge-shaped body a few hundred feet long covering 5 – 6 acres. The deposit extends downward vertically approximately 800 – 1000 feet before tapering off to smaller dimensions.
- The proposed project has met with intense opposition since its first public announcement in June, 2003. The opponents include the Sierra Club, the National Wildlife Federation, two local-based groups calling themselves the Yellow Dog Watershed Preserve and Save the Wild U.P., the Huron Mountain Club, a group of properties owners, i.e., Land Owners Opposed to Sulfide Mining; and numerous individuals including clergy, physicians, professors and students.
- The principal objections have to do with the fact that the ore is of the sulfide type which when mined and exposed to the atmosphere breaks down, releasing acidic sulfur compounds which historically have polluted ground water and surface waters to varying degrees in the vicinity of such mines. This leads to further concerns that fish and wildlife in the nearby lakes and streams will be adversely affected if pollution occurs.

Kennecott applied for permits from the Department of Environmental Quality (DEQ) and Department of Natural Resources (DNR) of the State of Michigan as well as the Federal Environmental Protection Agency (EPA). To date, the State permits have been approved while the EPA permit is still pending. The following sequence of events is instructive of what is required to advance a mining project from discovery to production.

- 1995 – Exploration drilling shows indications of nickel/copper mineralization at site which later becomes the Eagle deposit.
- 2002 – Resumed drilling discovers the Eagle deposit.
- Sept., 2002 – Kennecott geologists hold first meeting with DNR and several interest groups to explain nature of its exploration project.
- June 29, 2003 – First account of Kennecott’s Eagle Project published in Marquette Mining Journal, the local newspaper in Marquette, Michigan.
- August, 2003 – Kennecott publishes the first of a series of Update Circulars intended to inform the public of the progress of the project. Indicates that project is in the phase of resource delineation drilling, environmental baseline studies and initial community engagement.
- October 20, 2003 – The Eagle Alliance, a joint effort of the National Wildlife Federation and Yellow Dog Watershed Preserve, stage protest opposing Kennecott’s Eagle Project in Big Bay, Michigan.
- December 8, 2003 – Bill introduced in Michigan legislature to add a provision to the State’s Natural Resources and Environmental Protection Act requiring issuance of a permit to conduct underground mining operations.
- February, 2004 – Kennecott reveals in Eagle Prospect Update #3 that the resource estimate has been completed which indicates a deposit containing 5 million tonnes at 3.68% nickel, 3.06% copper and 0.1% cobalt. Mining options are being evaluated.
- April 1, 2004 – Kennecott transfers Eagle Project from exploration and delineation to a potential development project.
- August, 2004 – Kennecott proposes formation of a Community Advisory Group to facilitate communication with the public regarding its plans for development of the Eagle deposit; first meeting held on 10/19/04.
- November 11, 2004 – Proposed legislation regulating mining of sulfide ores in Michigan passed by Michigan’s Senate and House of Representatives.
- May 2, 2005 – Draft of proposed rules implementing mining law passed last November submitted to DEQ by working group composed of state, federal, tribal, industrial and environmental interests.
- October 30, 2005 – Kennecott announces that a preliminary design for the Eagle Mine has been completed and they are currently matching the plan with environmental baseline conditions at the site.

- November 29, 2005 – First public hearing on new mining rules held in Escanaba, Michigan. “These new rules provide detailed instruction criteria, and processes to implement the terms of the statute and include standards for construction, operation, closure, postclosure, monitoring and remediation of a mine.”
- December 6, 2005 – Public demonstration opposing sulfide mining held on capitol steps in Lansing. Reportedly, about 60 people participated, some holding signs. One sign read “Clean Water-Yes, Metallic Sulfide Mining-No”.
- February 2, 2006 – Rules required by new mining law regulating sulfide mining approved by Joint Rules Committee of Michigan Legislature.
- February 22, 2006 – Kennecott files permit application with DEQ for its Eagle Project. Three applications submitted; one each for mining, air quality and ground water discharge. Application contains about 7,000 pages in a stack eight inches thick.
- February 23, 2006 –The Sierra Club and Huron Mountain Club file petition under Federal Endangered Species Act with U.S. Fish and Wildlife Service to protect the coaster brook trout from adverse effects of mining. The Salmon Trout River, where coasters spawn, crosses Eagle Deposit.
- March 21, 2006 – U.S. Representative Bart Stupak introduces bill in Congress to “ ... require that no federal permit may be issued to operate a sulfide mine within 5 miles of any Great Lake unless applicant can demonstrate there will be no acid mine drainage as a result of the operation.”
- April 18, 2006 – First public hearing on Kennecott permit applications held in Marquette. Reaction is dominantly unfavorable to the DEQ approving permits.
- June 5, 2006 – Report published in Marquette Mining Journal that the Kirtland’s warbler, an endangered bird species, has been observed in Yellow Dog Plains area, where Eagle deposit is located. Could adversely affect mine development.
- June 22, 2006 – DEQ submits to Kennecott a list of 91 concerns regarding its permit application for clarification before proceeding further with consideration for approvals.
- June 23, 2006 – In ruling on a petition filed by environmental groups alleging that Kennecott’s application was “administratively incomplete” an Administrative Law Judge in Lansing ordered a new hearing be scheduled on the application, and ordered DEQ to take no further action until hearing has been held.

- July 12, 2006 – Kennecott states that its mine plan is designed to protect the Kirtland warbler and other species at its mine location.
- Sept. 16, 2006 – Michigan Court of Appeals overturned the lower court’s ruling ordering a new hearing on Kennecott’s application, stating that “... plaintiffs failed to show they’d been harmed by the DEQ’s finding that the application was complete.” However, the DEQ cannot resume its review of the application before the expiration of a 42-day period required by law.
- Sept. 24, 2006 – A citizens group supportive of mining is formed, calling itself Citizens for Responsible Mining. The group has about 50 members at present.
- October 27, 2006 – DEQ resumes its review of application.
- November 15, 2006 – DEQ announces it will accept public comment on Kennecott’s application until December 26, 2006, and will issue its proposed decision on January 9, 2007.
- January 9, 2007 – DEQ issued what is called “preliminary approval” of Kennecott’s mining applications stating that its findings conclude the project meets conditions under the law. DEQ schedules three public hearings on its preliminary decision to be held March 6-8, 2007, will accept public comment until April 5th and render a final decision by May 3rd.
- February 23, 2007 – Kennecott holds open meeting with potential contractors for work on its mine construction phase; about 100 attend.
- March 1, 2007 – DEQ withdraws its preliminary approval of Kennecott’s applications and cancels hearings scheduled for March 6-8. “The decision was made after discovering that two reports on the structural integrity of the mine were not properly made part of the public record or given a comprehensive technical review”. DEQ will review the reports and make them available to public before resuming the permitting process.
- July 31, 2007 – DEQ reinstates its preliminary approval of permits after internal review shows that issues raised in the two reports omitted from public record were satisfactorily addressed by Kennecott’s reply to the 91 issues of concern raised by DEQ on June 22, 2006.
- September 10, 2007 – DEQ holds public hearing in Marquette at which the majority of speakers opposed the project. DEQ will take public comment until October 17th and likely issue its decision by November 14th.
- December 14, 2007 – DEQ approves three permits for construction and operations of the Eagle Mine.

- December 17, 2007 – Rio Tinto, parent company of Kennecott Eagle, in a press release, announces it will spend \$300 million to develop the Eagle deposit.
- December 21, 2007 – Four groups opposed to the Eagle project filed a contested case petition and a lawsuit against the DEQ, complaining that the "... permits ... are based upon defective, inadequate and incomplete applications and are therefore illegal."
- February 7, 2008 – Michigan Department of Natural Resources approves permit applications for surface use lease and post-mining reclamation plans for the Eagle Project. Kennecott announces plans to break ground in May, 2008.
- February 19, 2008 – Kennecott announces plans to spend \$6.4 million on upgrades of electrical facilities with the Alger-Delta Cooperation Electric Association to provide power to the Eagle Mine.

CONCLUSIONS:

The foregoing chain-of-events, portrays the protracted and vexing challenges facing any company contemplating developing a mining operation in today's world. Kennecott is going forward with development plans, although the opposition's lawsuit may still delay or kill the project. There is also the remaining uncertainty of the granting of a permit by the EPA.

It would seem that future applications for mining permits ought to go to approval more expeditiously, considering that the responsible agencies have experience with the new law to fall back on. Surely, the episode of a complete redrafting of the Mining Law by the Michigan Legislature to deal with underground and sulfide mining should not be repeated. That resulted in an additional delay of 2 years in Kennecott's obtaining its permits.

To the best of our knowledge, Representative Stupak's bill which would have imposed restrictions on mining of sulfide deposits within 5 miles of the Great Lakes was not passed by Congress. If it had passed, development of the Western Syncline deposit would likely be precluded. If such a law had been in effect in 1950, the White Pine Mine might never have gone into production.

About the Author:

The foregoing report, dated February 25, 2008, was written by Willard A. Bodwell, President and Consulting Geologist of Resource Exploration, Inc., now of Seminole, Florida.

After receiving an A.B. Degree in Geology from the University of New Hampshire in 1957 and spending two years in the U.S. Army, Bodwell became a staff geologist with the consulting firm of James W. Sewall Company, Old Town, Maine. While employed there for 10 years, he worked on or supervised mineral exploration projects in Maine, New Brunswick, Ontario and Quebec. These projects included exploration for metals including copper, lead, zinc and precious metals as well as non-metallic commodities such as limestone and asbestos.

In 1970-72 he completed studies for an M.S. in Geology at Michigan Technological University, Houghton, Michigan. After graduation, he joined Longyear Realty Corporation in Marquette, Michigan where for the next 15 years he served as an executive as well as overseeing the mining and mineral related activities of the corporation. The more prominent activities involved negotiation of exploration leases affecting Longyear properties in Michigan and Minnesota. On several occasions, re-negotiation of previously existing iron ore leases on Longyear properties on the Mesabi Iron Range of Minnesota were carried out. The negotiation of a sub-lease agreement affecting properties of Longyear and Keweenaw Land Association in the White Pine Copper Mine of Michigan led to production from 1987-1995 of over 200 million pounds of copper on the companies' properties.

In 1973, Resource Exploration, Inc. was incorporated as a Longyear subsidiary to provide mineral exploration services to the mining industry, which at that time was very active in exploration for base metal and precious metal deposits in northern Michigan, Wisconsin and Minnesota. This exploration interest developed in the aftermath of discoveries during the 1950's and 1960's of base metal copper/zinc deposits in Wisconsin and nickel/copper deposits in Minnesota. Resource carried out

projects for numerous clients in the following years. Perhaps the most notable of these was its evaluation of pre-existing data of the Ropes gold deposit in Michigan and its recommendations which led to purchase of the deposit by Callahan Mining Corporation. Callahan subsequently mined the deposit from 1985-1990 producing 171,000 ounces of gold and 206,000 ounces of silver.

After leaving the Longyear organization in 1988 he continued to operate Resource Exploration, Inc. as a personal corporation until 1998, carrying out mineral exploration programs, mineral leasing, management of mineral properties and geologic and mineral consulting for a number of clients, principally in the states of Michigan, Wisconsin, Minnesota and province of Ontario, with occasional assignments in other parts of North America as well. During the foregoing 25 year period, operations were headquartered in Marquette and Negaunee, Michigan.

From 1999 to present, Bodwell has been semi-retired, but has continued to perform mineral related consulting assignments from time-to-time for a few clients of long affiliation. He moved from Michigan to Seminole, Florida in 2004.

On the personal side, he and his wife Muriel have two children; a son Steve living in Cambridge, Massachusetts and a daughter, Holly Doone, living in Tampa, Florida. They have three grandsons.

03/25/08