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To: Leff, Craig S
Cc: Lyon, John G; Denny, Larry R; Gillcash, Robert S
Subject: Twin Metals Information
Date: Wednesday, June 20, 2012 12:36:25 PM
Attachments: Leasing Minerals SNF Briefing Paper 6 20 12.docx
Duluth Twin Metals Briefing 6 2011.doc

Craig

I understand that there have been some questions regarding the hard rock exploration activities that are ongoing in northern Minnesota and one of the major companies (Twin Metals) has recently been back and met with a number of folks in both Agriculture and Interior.

To give you a little background on the situation, I have attached an information memo and a briefing document.

Please let me know if you have any questions or need further information.

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BLM-004070

Internal Working Document

INFORMATION MEMORANDUM FOR THE SECRETARY

FROM: John Lyon, BLM Eastern States State Director, 703-440-1600

CC:

SUBJECT: EXPLORATION, LEASES AND PROPOSED LEASING FOR HARDROCK MINERALS ON THE SUPERIOR NATIONAL FOREST IN NORTHERN MINNESOTA

I. INTRODUCTION

Hardrock mineral exploration has occurred on the Superior National Forest (SNF) for more than 50 years. The principal geologic target has been the Duluth Complex, which contains copper, nickel, platinum group metals (PGM) and other metallic resources. A joint review by BLM and Forest Service personnel in 2006 revealed that the SNF's 2004 Forest Plan failed to provide adequate National Environmental Policy Act (NEPA) analysis for solid minerals exploration activities. As a result of the NEPA inadequacy, the SNF withdrew or withheld consent for all prospecting permit applications until an Environmental Impact Statement (EIS) could be completed. However, the SNF and the BLM prepared an Environmental Assessment (EA) for 3 exploration plans for prospecting permits issued prior to the revision of the SNF's 2004 Forest Plan. The EA was released for public review in January, 2008, and four appeals were filed but the decisions were affirmed and the three exploration plans were approved.

In order to address the NEPA inadequacy, the SNF and the BLM, as a cooperating agency, are preparing a minerals exploration EIS. Of the SNF's 3 million acres, approximately 2.7 million acres are open to mining and being analyzed. The plan is to address the 29 existing prospecting permits and future prospecting permit applications. Public scoping of the EIS indicated that the only significant issue is the noise generated by the exploration activities, especially in the vicinity of the Boundary Waters Canoe Area Wilderness (BWCAW), campgrounds and other recreational sites, and private residences within the forest boundaries. The Draft EIS was released on March 28, 2011, and was open for public comment until June 30, 2011 and the public submitted approximately 1600 comments. The Forest Service Record of Decision (ROD) was issued on Friday, June 1, 2012 and the BLM ROD will be issued at the conclusion of the Forest Service appeal process.

II. BACKGROUND

In 2008, three companies [Lehmann Exploration Management (LEM), Encampment Minerals (EMI) and Duluth Metals (DMC)] significantly increased their exploration activities of the Duluth Complex. However, in 2009, DMC announced the discovery of a new prospect called the "Nokomis deposit." Shortly thereafter, DMC formed a joint venture with a major Chilean mining company, Antofagasta PLC that has committed \$227 million to advance one of the world's largest copper-nickel-PGM development projects. The joint venture company, known as Twin Metals Minnesota (TMM), is now actively pursuing the development of the Nokomis deposit. At the same time, TMM and several other companies continue to conduct further Duluth Complex exploration.

In 2010, DMC announced its acquisition of Franconia Minerals Corporation, which held a 70% stake in two Federal leases. The acquisition gives TMM, thru their joint venture with DMC, access to the two Federal leases adjacent to the Nokomis deposit that will be further explored and possibly extend the deposit. TMM is currently drilling to confirm the continuity of the deposit into the leasehold.

In addition to all of the exploration activity, both TMM and EMI have indicated to BLM that they intend to submit lease applications in the near future.

III. POSITIONS of INTERESTED PARTIES

Mineral exploration has occurred on the SNF for over 50 years but recently, due to the discovery of significant prospects and historically high prices for metals, the level of activity has markedly increased. Geologic models, based on existing mining areas including the Bushveld Complex of South Africa and the Nor'ilsk of Siberia, indicate that the Duluth Complex may contain some of the most important metallic deposits known anywhere in the world. The prospects currently being evaluated contain metals critical to our economy, including nickel, PGM, and smaller concentrations of titanium and cobalt. The United States currently depends on imports for all of its nickel and cobalt, and most of the PGM and titanium concentrates.

BLM has not yet evaluated these prospects to officially determine if they are deposits, which implies economic and technical feasibility for development. Nonetheless, the importance of the prospects cannot be understated as significant amounts of royalties would be paid to the Federal government. If leasing and subsequent development occurs, this region will become one of the major mining areas of the world and likely the largest hardrock mining center in the United States.

As the prospecting activity increases and develops into leasing/mining, the SNF and the BLM must cooperate and work in tandem. The SNF, as the surface managing agency, is responsible for preparing the NEPA documentation. The BLM, as a cooperating agency, provides technical expertise regarding permitting and down-hole activities and, based on SNF consent, ultimately authorizes all exploration activities and leasing.

To date, the exploration activities have not been extremely controversial but as leasing/mining increases, the level of controversy will rise as is typical with mining activities.