

INFORMATION MEMORANDUM FOR THE ASSISTANT SECRETARY FOR LANDS AND MINERALS AND DIRECTOR

FROM: John Lyon, BLM Eastern States State Director, 703-440-1702

SUBJECT: HARDROCK EXPLORATION ACTIVITIES IN NORTHERN MINNESOTA

I. INTRODUCTION

Duluth Metals Limited is a 60% owner with international mining partner, Antofagasta PLC (40% owner), of Twin Metals Minnesota LLC (TMM). TMM is a joint venture company formed to develop and operate the Twin Metals Project, an underground copper, nickel, cobalt, palladium, platinum, silver and gold mining project on the Superior National Forest (SNF) near Ely, Minnesota. The latest estimates indicate this area, geologically known as the Duluth Complex, contains one of the world's largest undeveloped deposits of strategic metals.

Aside from the joint venture, Duluth Metals also holds approximately 40,000 acres of mineral interests on properties adjacent to and near the Twin Metals Project. TMM is focused on development of the Twin Metals Project while Duluth Metals is currently focused on further exploration.

II. BACKGROUND

The SNF and the BLM, as a cooperating agency, completed an Environmental Impact Statement (EIS) in June, 2012 to address 29 existing prospecting permits from 5 different companies. In September 2012, the BLM completed a Record of Decision (ROD) and issued 9 prospecting permits to Duluth Metals. Since the issuance of the ROD, the BLM has approved 5 operating plans authorizing drilling at 22 sites and continues to process operating plans as they are submitted.

III. POSITIONS of INTERESTED PARTIES

The exploration and development of the Duluth Complex is an extremely large and complicated undertaking. This level of inter-agency development of leasable hardrock minerals with several companies is unusual. Issues or questions arise regarding BLM, Forest Service or joint responsibilities and present unique challenges that require the BLM and the Forest Service to work in a very cooperative manner.

In June 2011, Duluth Metals met with the BLM Washington Office and raised concerns regarding the maximum acreage limitations as outlined in 43 C.F.R. 3503.37. At the time, the acreage contained in leases, prospecting permits and prospecting permit applications by Duluth Metals exceeded the 20,480 maximum acreage limits. To resolve this issue, the Northeastern States Field Office (NSFO) worked with the Regional Solicitors Office in Pittsburgh and had Duluth Metals and Idea drilling enter a development contract as provided in 43 C.F.R. 3517.11 and 3517.15 that was approved by the BLM in February 2012. It should be noted, it is not

unusual for the ownership of permits and/or leases to change and this could require amending the existing development contract.

Another challenge before the BLM and the Forest Service is determining the most efficient and reasonable way to conduct the required NEPA analysis. Subsequent to the completion of the EIS, the BLM has received 22 new prospecting permit applications, 6 of which are from Duluth Metals. It is apparent in a project of this magnitude, that conducting NEPA analysis is not a simple, straightforward task. The BLM and the Forest Service are currently working to determine the best NEPA path forward to address the outstanding prospecting permit applications and exploring the possibility of also assessing preference right lease applications.

The importance of this exploration cannot be understated as significant amounts of royalties would be paid to the Federal government and the State of Minnesota (typically 5% royalty but it is negotiable and 25% of that goes back to the state) since these are leasable minerals developed under the Minerals Leasing Acts and not mining claims. This region will likely become one of the major mining areas of the world and the largest hardrock mining center in the United States.

The BLM and the Forest Service will continue to work closely with Duluth Metals and the other companies to keep this critical project moving forward.

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In October 2012, the BLM and the Forest Service met with Duluth Metals to discuss the operating plan approval process, implementation of certain stipulations and to ensure that Duluth Metals would be able to obtain approval to operate throughout the winter.