

From: Kornze, Neil G
Sent: Wednesday, June 13, 2012 9:11 PM
To: Lyon, John G
Cc: Leff, Craig S; Nedd, Michael D
Subject: Re: Minnesota minerals

John: Thank you for this note. I appreciate the follow-up and am hoping that we can drill down one more layer. I'm looping Craig here to see if his staff can work with Mark and his team (and maybe 300) to get this off your plate. Some of the questions I'm interested in are:

Why isn't this area under the 1872 mining law? If it's because it's all acquired land, when and how did it come to the US and how much land fits in this category? Exactly how broad is our latitude on royalties...is there a ceiling, a floor? How and when do we negotiate the royalty rate? Does it differ by mineral? Lease by lease? By state or region? What existing operations (where, how big, and how old) do we have on our lands/minerals that are operating with a royalty?

I appreciate folks working on this. The Ely area mines are going to be a big deal. I'd like to have a good foundation before we get much further into that process.

If I could have this memo by the end of next week, that'd be quite helpful.

Neil

From: Lyon, John G
Sent: Wednesday, June 13, 2012 01:40 PM
To: Kornze, Neil G
Subject: Minnesota minerals

Dear Neil:

I have Mark Storzer here, and we went over your Twin Metals/Minnesota question about royalties.

The minerals in the Ely, Minnesota area are leasable under the Minerals Leasing Act of 1920 and the Mineral Leasing Act for Acquired Lands of 1947. Because there are public domain lands in Minnesota they are excepted from the Mining Law of 1872. These lands are acquired lands and therefore leasable with a royalty. The royalty is negotiable, it is variable, but the tradition is 5%.

Best wishes, John