

Hardrock Mineral Development Contract

This Hardrock Mineral Development Contract is made and entered into this 8th day of February, 2012, by and between Duluth Metals Limited, all its affiliates and subsidiaries, including DMC (USA) Corporation and DMC (USA) LLC (hereafter collectively called "Duluth Metals") and Idea Drilling LLC (hereafter called "Idea Drilling") and approved, as provided in 43 C.F.R. §§ 3517.11 and 3517.15 by the United States of America acting through the Secretary of the Interior or his authorized Representative. Duluth Metals and Idea Drilling are collectively referred to herein as the "Parties."

RECITALS

Policy Rationale

1. WHEREAS, the availability of minerals, including strategic hardrock minerals, is essential for economic growth, national security, technological innovation, and the manufacturing supply chain;
2. WHEREAS, the exploration, production, processing, and use of minerals, including strategic hardrock minerals, contribute significantly to the economic well-being, security, and general welfare of the Nation;
3. WHEREAS, the United States has vast hardrock mineral resources but is becoming increasingly dependent upon foreign sources, and our dependence on foreign sources for strategic hardrock mineral components of defense and renewable energy technologies puts the U.S. at risk of shortage, should foreign policy or trade relationships change with those countries;
4. WHEREAS, the Nation's ability to compete and innovate requires proper planning and preparation today to meet tomorrow's mineral needs;
5. WHEREAS, copper, nickel, platinum, palladium and other PGM hardrock minerals found in abundance in Minnesota are essential elements in many renewable energy applications, such as wind turbines, hybrid and electric vehicles, batteries, mobile technologies and other types of renewable energy equipment;

6. WHEREAS, the development of strategic hardrock mineral mining projects in Minnesota has the potential to generate thousands of well-paying construction jobs and long-term (100+ years) mining jobs, as well as thousands of related "spin-off" jobs in the Iron Range of northern Minnesota and beyond;

Authority to Enter into this Contract

7. WHEREAS, the authority to enter into this Hardrock Mineral Development Contract arises, in part, under Section 402 of Reorganization Plan No. 3 of 1946, 5 U.S.C. Appendix, the Act of June 30, 1950, 16 U.S.C. § 508(b) (authorizing leasing of hardrock minerals on National Forest lands in Minnesota), and other acts and regulations, including Subpart 3517 of Title 43 of the Federal Regulations, which provides that the Bureau of Land Management ("BLM") may approve Development Contracts made by a lessee of certain lands with one or more persons to justify large scale operations for the discovery, development, production, or transportation of ores, provided such Development Contract will conserve natural resources and is in the best interest of the public;

The Parties' Hardrock Mineral Discovery Activities in Minnesota

8. WHEREAS, Duluth Metals has previously discovered a major, continuous strategic hardrock minerals deposit near Ely, Minnesota and has entered into a large scale joint venture mining project (the "Twin Metals Project") to develop that deposit and efficiently mine it;

9. WHEREAS, Duluth Metals believes that there are additional significant deposits in the lands near the Twin Metals Project in Northern Minnesota which may be of sufficient magnitude and value to sustain additional large scale operations;

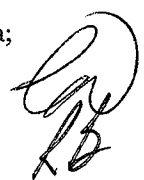
10. WHEREAS, Duluth Metals currently owns significant State and private mineral interests in Minnesota and is currently exploring and drilling on these lands;

11. WHEREAS, commencing in December 2005 and subsequently in 2006-07, Duluth Metals submitted fifteen (currently pending) applications to the BLM for federal hardrock mineral prospecting permits in Minnesota's Superior National Forest covering 22,235 acres;

12. WHEREAS, DMC (USA) LLC, in July 2011, submitted four new Federal hardrock mineral prospecting permit applications to BLM totaling approximately 5,360 acres of Federal lands adjoining or nearby its current State and private lands in Minnesota;
13. WHEREAS, Duluth Metals is currently evaluating additional BLM acreage, leases, and prospecting permits in Minnesota, which it might acquire or will, in the future, apply for additional BLM hardrock mineral prospecting permits in order to pursue and explore for strategic and valuable minerals;
14. WHEREAS, Duluth Metals seeks to implement an integrated exploration and development plan for the discovery and development of additional commercial deposits of strategic hardrock minerals in Northern Minnesota;
15. WHEREAS, Idea Drilling has been retained as an independent contractor by Duluth Metals, pursuant to Appendix A, to conduct additional large scale exploratory drilling on the land and mineral interests held by Duluth Metals and its affiliates, including certain lands in various prospecting permit applications currently pending approval by BLM;
16. WHEREAS, given the nature of strategic hardrock mineral formations in Northern Minnesota, wherein hardrock mineral deposits encompass a vast land area with areas of commercially valuable, higher mineralization interspersed amidst the larger land area, the Parties agree that they collectively require more than 20,480 acres in prospecting permits and preference right leases in order to conduct their exploration activities efficiently, to identify and define commercially valuable deposits within the mineralized area; and eventually to develop economic mining units;

The Parties' Financial Commitment to Exploration

17. WHEREAS, to date, Duluth Metals has invested in excess of \$50 million on exploration in Minnesota and reasonably believes that additional commercial, valuable strategic mineral deposits of copper, cobalt, nickel, palladium, gold and platinum exist within the Duluth Complex in Minnesota;
18. WHEREAS, Duluth Metals estimates that it will invest \$20 million in new exploration activities over the next three years;



AGREEMENT

NOW, THEREFORE, the Parties hereby agree as follows:

19. The Parties agree to work together via exploratory drilling and core sampling to explore for additional economically developable strategic hardrock minerals on Duluth Metals' private, state and federal lands in Minnesota and to subsequently develop and produce those minerals.
20. The Parties agree to utilize good mining practices with a minimum of waste and to abide by all lease and permit stipulations imposed by the United States Forest Service regarding surface use as they try to discover, develop and produce additional deposits of copper, nickel, cobalt, palladium, platinum group metals, and other hardrock minerals with significant renewable energy and defense applications.
21. This Development Contract shall encompass the land and mineral interests identified in Appendix B in which Duluth Metals owns an interest under existing prospecting permits and preference right leases and the land in the prospecting permit applications currently pending approval by BLM. Any new Lease or Prospecting Permit within the exploration area issued by the United States to Duluth Metals, whether or not addressing mineral rights subject to any current prospecting permit, requires approval by BLM to be subject to this Development Contract, and such approval shall not be unreasonably withheld.
22. Any transferee or assignee of any lease or permit identified in Appendix B who consents to all terms of this Development Contract may, with approval of the United States Department of the Interior, be added as a Party to this Development Contract.
23. Hardrock mineral prospecting permits and leases committed to this Development Contract are exempt from the acreage limitations set forth in 43 C.F.R. § 3503.37.
24. Term and Termination: This Contract shall continue in effect for twenty years from date of execution, unless terminated for cause by either Party. The Parties shall have the option to extend the term of the contract for two twenty year periods following date of termination.
25. Amendments. This Agreement may be amended only by written instrument duly executed by the Parties.

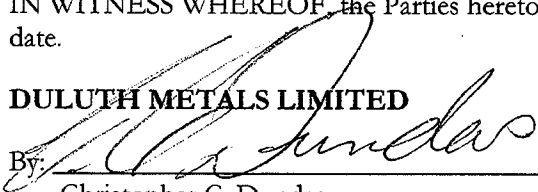


26. Assignment and Subcontractors: None of the Parties shall assign this Agreement or its rights hereunder without the prior written consent of the other Parties and approval from BLM, which consent and approval shall not be unreasonably withheld.

27. This Agreement may be executed in one or more counterparts and signatures hereon may be exchanged and transmitted by facsimile or e-mail transmission, which counterparts and signatures shall, as between the parties, be deemed to be originals constituting a single agreement and shall be deemed valid and binding.

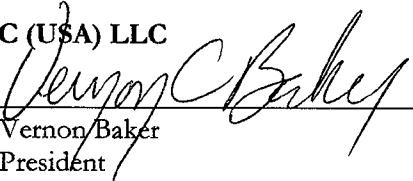
IN WITNESS WHEREOF, the Parties hereto have executed this Contract as of the above written date.

DULUTH METALS LIMITED

By: 
Christopher C. Dundas
Chairman & CEO

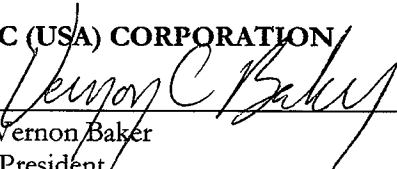
Dated: 2/8/12

DMC (USA) LLC

By: 
Vernon Baker
President


Dated: 2/8/12

DMC (USA) CORPORATION

By: 
Vernon Baker
President

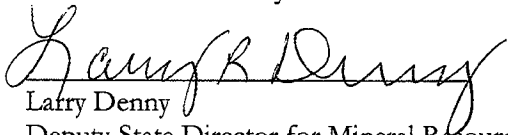
Dated: 2/8/12

IDEA DRILLING LLC

By: 
Richard Backstrom
Chairman and CEO

Dated: 2/8/12

Approval of this Contract by the Bureau of Land Management

By: 
Larry Denny
Deputy State Director for Mineral Resources
Bureau of Land Management

Dated: 2/9/12