

**FRANCONIA MINERALS (US) LLC
380 ST. PETER STREET, SUITE 705
ST. PAUL, MINNESOTA 55102**

**BEAVER BAY INC
12 SOUTH SIXTH STREET, SUITE 1140
MINNEAPOLIS, MINNESOTA 55402**

October 16, 2012

Larry Denny, Deputy State Director
Eastern States Office
Bureau of Land Management
7450 Boston Boulevard
Springfield, VA 22153

**RE: Application for Renewal of Federal Mineral Leases
MNES 01352 and MNES 01353**

Dear Mr. Denny:

Beaver Bay, Inc. ("BBI") and Franconia Minerals (US) LLC ("Franconia") jointly submit this application for the renewal of federal mineral leases MNES 01352 and MNES 01353 (collectively, the "Leases") for an additional ten-year period. BBI holds the Leases and all rights thereunder for the benefit of the Birch Lake Joint Venture. Franconia Minerals (US) LLC is designated as the Operator under the Birch Lake Joint Venture and, as set forth in the enclosed letter from BBI to the Bureau of Land Management ("BLM"), is authorized to represent BBI with respect to the Leases.

This joint application for renewal of the Leases is made pursuant to 43 C.F.R. § 3511.27 and the terms and provisions of the Leases. Because the current renewal period of these leases expires on December 31, 2013, the effective date for this next renewal would be January 1, 2014 and it would expire on December 31, 2023.

As part of this application for renewal, Franconia requests that BLM agree that BBI and Franconia, in addition to the requested renewal, may obtain a subsequent ten-year renewal under the same terms and conditions as those set forth in the Leases. The companies understand that, in accordance with this agreement for an additional renewal, they will submit an application for renewal at the appropriate time.

In support of this application, please find enclosed three copies of this letter of application and the following materials:

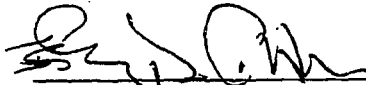
1. Correspondence from BBI authorizing Franconia, as Operator under the Birch Lake Joint Venture, to act with respect to the Leases;
2. A Designation of Operator statement for each Lease that includes the relevant bond coverage information. (BBI holds statewide bond ESB000269; Franconia is currently in the process of establishing a statewide bond and will provide a bond number when available);
3. A copy of the most recently updated Statement of Qualifications for BBI (filed March 25, 2010) Reference Number ESC 153;
4. Processing Fee of \$1000.00 (\$500.00 for each Lease) as set forth in 43 C.F.R. § 3000.12; and
5. Advance rental payment of \$4,866.00 (\$1.00/acre for both Leases).

If you have any questions with respect to any matter relating to the renewal of the Leases or need any additional information, please do not hesitate to contact our respective offices.

Sincerely,

Franconia Minerals (US), LLC

Beaver Bay, Inc.



I. Daniel Colton
Secretary and General Counsel



Ernest K. Lehmann, CPG
President

Encls.

CC: John Lyon
Mark Storzer
Theresa Bodus
Brenda Halter
Mary Shedd

Beaver Bay Inc.

C/O LEHMANN EXPLORATION MANAGEMENT, INC.
SUITE 1140, PLYMOUTH BUILDING
12 SOUTH SIXTH STREET
MINNEAPOLIS, MN 55402
Office: 612-338-5584
Cell: [REDACTED]
Fax: 612-338-5457
Email: [REDACTED]

July 6, 2012

Mr. Mark Storzer, Field Manager
USBLM, Northeastern States Field Office
6626 E. Wisconsin Ave., Suite 200
Milwaukee, WI 53202

Ms. Theresa Bodus, Assistant Field Manager
USBLM, Northeastern States Field Office
6626 E. Wisconsin Ave., Suite 200
Milwaukee, WI 53202

CERTIFIED MAIL

Re: Mineral Leases: MNES 01352 and MNES 01353 ("Mineral Leases")
Prospecting Permits: MNES 52446 and MNES 50264 ("Prospecting Permits")
Prospecting Permit Applications: MNES 53731, MNES 54387, MNES 55301
MNES 55302 and MNES 55306 ("Prospecting
Permit Applications")

All in Lake and St. Louis Counties, Minnesota

Dear Mr. Storzer and Ms. Bodus:

In this letter, we will attempt to clarify the relationship between Beaver Bay Inc. ("BBI"), which is the successor to the Beaver Bay Joint Venture; Lehmann Exploration Management, Inc. (LEM); and Franconia Minerals (US) LLC ("Franconia") (formerly Franconia Minerals (US) Inc.). This letter restates and supersedes in its entirety my letter to you of June 29, 2012.

BBI is the lessee of the two US DOI Mineral Leases, having acquired the same from American Copper Nickel Company in 2005. LEM is the holder or applicant of the Prospecting Permits and Prospecting Permit Applications.

BBI and LEM, both Minnesota corporations, are affiliated companies with common ownership and control by the writer of this letter. LEM has acted in the past as the manager of the former Beaver Bay Joint Venture.

BBI is a participant in the Birch Lake Joint Venture, which is a joint venture between it and Franconia¹. Franconia is the Operator of the Birch Lake Joint Venture.

BBI holds the two Mineral Leases in trust for the Birch Lake Joint Venture and, similarly, LEM holds the Prospecting Permits and Prospecting Permit Applications in trust for the Birch Lake Joint Venture.

As long as Franconia is acting in its capacity as Operator of the Birch Lake Joint Venture, it has the ability to represent BBI and LEM with respect to the Mineral Leases, Prospecting Permits and Prospecting Permit Applications. However, please provide me copies of any and all correspondence, notices, decision documents, and other communications related to the Mineral Leases, Prospecting Permits and Prospecting Permit Applications.

I am requesting Franconia to furnish you its contact information.

Sincerely yours,
BEAVER BAY INC. and LEHMANN EXPLORATION MANAGEMENT INC.


Ernest K. Lehmann, CPG 00583
President

Cc: Bob Johnson
M. Vaillancourt
W. Lehmann

¹ We are advised that Franconia Minerals (US) LLC is a wholly owned subsidiary of Twin Metals Minnesota LLC.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

The undersigned is, on the records of the Bureau of Land Management, holder of lease

STATE OFFICE: Minnesota/Eastern States
SERIAL NO.: MNES 1352

And, as agreed to between the parties in the Birch Lake Joint Venture Agreement, effective June 18, 2010, hereby designates

NAME: Franconia Minerals (US) LLC
ADDRESS: 380 St. Peter Street
Suite 705
Saint Paul, MN 55102

As the operator and local agent, with full authority to act in its behalf in complying with the terms of the lease and regulations applicable thereto and on whom the authorized officer may serve written or oral instructions in securing compliance with the Operating Regulations (43 CFR 3590) with respect to:

See Attachment A: MNES 1352 - Legal Description

Bond coverage under 43 CFR 3504 for lease activities conducted by the above named designated operator is under Bond Number: (in process)

It is understood that this designation of operator does not relieve the lessee of responsibility with the terms of the lease and the Operating Regulations. It is also understood that this designation of operator does not constitute an assignment of any interest in the lease.

In case of default on the part of the designated operator, the lessee will make full and prompt compliance with all regulations, lease terms, stipulations, or orders of the Secretary of the Interior or his representative.

The lessee agrees promptly to notify the authorized officer of any change in the designated operator.

Signature of lessee:

Ernest K. Lehmann
Ernest K. Lehmann, President
Beaver Bay, Inc.
12 South Sixth Street - Suite 1140
Minneapolis MN 55402

Date:

10/16/02

Attachment A

MNES 1352 – Legal Description

In Lake County, Minnesota:

T61N, R11W of the Fourth Principal Meridian

Section 3 - Lot 2

SW 1/4 of SE 1/4

S 1/2 of SE 1/4

Section 5 - Lots 1 and 2

S 1/2 of NE 1/4

Lots 6 and 7

NE 1/4 of SW 1/4

S 1/2 of SW 1/4

N 1/2 of SE 1/4

Section 6 - Lots 13, 22, 23, and 24

Section 7 - Lots 1, 2, 3, 4, 9, 10, 12, 15, 16 and 19

Section 8 - Lots 2 and 6

Section 9 - All except W 1/2 of NW 1/4

Section 18 - Lots 2, 7, 9, 12, 13, 14, 15, 16, 17, 18, 19 and 20

Section 19 - Lots 2, 3, 4, 5, 7 and 8

T62N, R11W of the Fourth Principal Meridian

Section 27 - SE 1/4 of SW 1/4

Section 32 - Lot 4

Section 33 - Lots 6 and 7

Section 34 - NW 1/4

In St. Louis County, Minnesota:

T61N, R12W of the Fourth Principal Meridian

Section 25 - Lot 2

SW 1/4 of SW 1/4

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

The undersigned is, on the records of the Bureau of Land Management, holder of lease

STATE OFFICE: Minnesota/Eastern States
SERIAL NO.: MNES 1353

And, as agreed to between the parties in the Birch Lake Joint Venture Agreement, effective June 18, 2010, hereby designates

NAME: Franconia Minerals (US) LLC
ADDRESS: 380 St. Peter Street
Suite 705
Saint Paul, MN 55102

As the operator and local agent, with full authority to act in its behalf in complying with the terms of the lease and regulations applicable thereto and on whom the authorized officer may serve written or oral instructions in securing compliance with the Operating Regulations (43 CFR 3590) with respect to (describe acreage to which this designation is applicable):

See Attachment A: MNES 1353 - Legal Description


Bond coverage under 43 CFR 3504 for lease activities conducted by the above named designated operator is under Bond Number: (in process)

It is understood that this designation of operator does not relieve the lessee of responsibility with the terms of the lease and the Operating Regulations. It is also understood that this designation of operator does not constitute and assignment of any interest in the lease.

In case of default on the part of the designated operator, the lessee will make full and prompt compliance with all regulations, lease terms, stipulations, or orders of the Secretary of the Interior or his representative.

The lessee agrees promptly to notify the authorized officer of any change in the designated operator.

Signature of lessee:


Ernest K. Lehmann, President
Beaver Bay, Inc.
12 South Sixth Street - Suite 1140
Minneapolis MN 55402

Date:

10/16/12

Attachment A

MNES 1353 – Legal Description

In Lake County, Minnesota:

T62N, R10W of the Fourth Principal Meridian

Section 19 - All

Section 20 - SW 1/4

Section 29 - N 1/2

Section 30 - N 1/2

Lot 3 (NW 1/4 of SW 1/4)

T62N, R11W of the Fourth Principal Meridian

Section 24 - Lot 7

SE 1/4 of SW 1/4

S 1/2 of SE 1/4

Section 25 - N 1/2

W 1/2 of SW 1/4 (undivided one-half mineral interest)

NE 1/4 of SE 1/4

Section 26 - S 1/2 of NE 1/4

NE 1/4 of SW 1/4

E 1/2 of SE 1/4 (undivided one-half mineral interest)

BEAVER BAY, INC.
formerly known as BEAVER BAY JOINT VENTURE
Reference Number ESC-153

Statement of Qualifications - UPDATED
Pursuant to 43 CFR 3502.26, 3502.28, 3502.30

1. State of Registration: **Minnesota**
2. Names and citizenship of partners owning or controlling more than 10% of the corporation:

North Central Mineral Ventures, Inc., a Minnesota corporation, with offices at Suite 622 Plymouth Building, 12 South 6th Street, Minneapolis, Minnesota 55402 is a 70% shareholder in the corporation.

Powell Canyon Production Company, a Nevada corporation, with offices at 1315 Red Fox Rd. Suite 200, Arden Hills, MN 55112, is a 25% shareholder in the corporation.

3. Names of those authorized to act on behalf of the corporation are:

Ernest K. Lehmann	President
Louis Hill	Vice President
Kathrine Hill	Vice President
Gordon P. Connor	Vice President
Kathrine Lehmann	Secretary & Treasurer

4. The corporation's acreage holdings and those of the shareholders identified in paragraph 2 do not exceed that allowed.
5. Percentage of the corporation owned, held or controlled by citizens of a foreign country or persons with addresses outside the United States of America: **NONE**

Prepared and submitted by:

Beaver Bay, Inc.

BY: 
Ernest K. Lehmann, President

DATE: March 25, 2010

State of Minnesota)
) ss.
County of Hennepin)

On this 25th day of March, 2010, before me personally appeared Ernest K. Lehmann, known to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.

(Seal)


James E. Kiehne, Notary Public

My commission expires January 31, 2012

