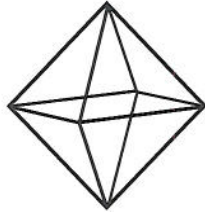


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Kennecott Eagle Minerals

January 21, 2008

Ms. Lynn Boyd , Division Chief
Forest Mineral and Fire Management Division
Michigan Department of Natural Resources
Steven T. Mason Building
Post Office Box 30028
Lansing, Michigan 48909

Re: **Requested Clarifications on Kennecott Eagle Minerals Company Mining and Reclamation Plan (MRP)**

Dear Ms. Boyd:

Kennecott Eagle Minerals Company ("Kennecott") provides this letter in response to the Michigan Department of Natural Resources ("MDNR") request for clarification of certain items in Kennecott's MRP, as set forth in Mr. Thomas Wellman's December 11, 2007 correspondence to me and in subsequent discussions between the MDNR and Kennecott. Specifically, this letter encloses Kennecott's alternatives analysis of various locations for the mine portal and surface facilities. Based on our discussions, we understand (and with this letter confirm) that the MDNR has determined that the other clarifications requested in Mr. Wellman's December 11 letter are no longer necessary and will be deferred to the Department of Environmental Quality's ("MDEQ") regulation of the mine under Part 632 and other NREPA authorities.

For a detailed narrative summary and tabular illustration of the various location alternatives considered and a description of the criteria that Kennecott used to guide its analysis, see the enclosures. The basic rationale Kennecott used to select the proposed location embodied in Kennecott's issued permits is as follows:

- **The mine portal and surface facilities should be located in close proximity to each other and in one watershed if possible.** The selected alternative (and all of the other alternatives considered) is premised on the principle that keeping the portal and surface facilities in close proximity to each other and in one watershed is preferable to moving surface facilities to a location removed from the mine site or splitting facilities at the mine site across watersheds. This decreases the

footprint of the project from an environmental and reclamation perspective and reduces truck traffic on public roads. While it might be technically feasible to transport ore to surface facilities on private land some miles away from the mine, such a plan will substantially expand and complicate the environmental impact analysis needed to support the mining permit and result in a much broader and more significant environmental impact.

- **The currently proposed alternative is the most environmentally protective alternative, particularly with respect to management of treated wastewater associated with mine operations.** As you know, mine operations will entail the discharge of treated wastewater associated with the mine to groundwater under a Part 22 groundwater discharge permit issued by MDEQ. This discharge is required by this permit to meet drinking water standards prior to discharge. The selected surface facility location offers an optimal location for the discharge of this wastewater due to an 80-100 foot zone of unsaturated soils in the area of the discharge. This is a substantially thicker unsaturated zone (up to twice as thick) than is present at alternative locations for the surface facilities. This geologic feature will help prevent mounding of the treated discharge and localized modification to natural groundwater flow contours in the area. In addition, the discharge area in the selected alternative is located farther away from surface waters (6,800 feet), than other alternative locations, providing years of transit time for any theoretical migration and "venting" of discharge constituents to surface waters from groundwater, thereby ensuring that all applicable discharge criteria will be met at the venting location. In short, the selected location for the surface facilities will help ensure that the groundwater discharge associated with the mine will have no discernable impact on groundwater in the area of the discharge or on surface water.
- **The selected portal location involves no disturbance to the facing of the outcrop, minimal disturbance of surface and less blasting for portal construction.** As to portal location, Kennecott's first priority is the structural integrity of the decline and safely accessing the ore body. All of the location alternatives meet this objective, but certain locations will require substantially more surface disturbance and blasting to do so. The selected location involves a minimal disturbance of the surface, no disturbance of the outcrop and less blasting for portal construction than the other alternatives. This, in turn, means less environmental and aesthetic impacts because of lower erosion risks associated with a higher volume of staged soils, less waste rock, leaving more existing vegetation intact, and minimizing visual impacts. Minimization of surface soil/vegetation disturbance also leaves a much smaller "footprint" in the portal area that will have to be reclaimed.

- **The selected surface facility location is located in an area that was recently clear cut and is screened from the closest public road.** Despite the fact that the entire area has been recently clearcut, the selected location for the surface facility is the only alternative that is screened from the Triple A road by the outcrop and trees on the outcrop, rendering the selected location a superior location from an aesthetic standpoint.

I hope this summary of Kennecott's selection rationale and the enclosed alternatives analysis provides the clarification requested in Mr. Wellman's December 11th letter and subsequent discussions. If you are in need of any additional clarification or wish to discuss the alternatives analysis any further, please do not hesitate to contact me.

Sincerely,



Ka
Cc: Mindy Koch
Tom Wellman
Jim Sygo
Hal Fitch