



STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY
LANSING



JENNIFER M. GRANHOLM
GOVERNOR

STEVEN E. CHESTER
DIRECTOR

March 8, 2006

VIA EMAIL

Mr. Jonathan C. Cherry
Kennecott Eagle Minerals Company
1004 Harbor Hill Drive, Suite 103
Marquette, MI 49855

Dear Mr. Cherry:

The Department of Environmental Quality (DEQ) has conducted an initial review of the Eagle Project Mining Permit Application submitted under the requirements of Part 632, Nonferrous Metallic Mineral Mining, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA). The DEQ has determined that the Application is not administratively complete: The calculation of the required financial assurance purports to cover the costs associated with the reclamation plans but fails to include estimated costs that would be incurred if Kennecott ceased operations in the middle of executing the mining plan.

The applicable rules under Part 632 are as follows:

R 425.201. (1) ... A person requesting a mining permit shall submit all of the following to the department: ...

(f) A description of the type or types and amount of financial assurance to be provided that will satisfy the requirements of R 425.301. ...

R 425.301. ...

(2) The financial assurance shall apply to *all mining and reclamation operations subject to the mining permit* and shall be sufficient to cover the cost to administer, and to hire a third party to implement the reclamation, remediation, and postclosure monitoring required under part 632 of the act, these rules, a mining permit, or orders of the department under part 632 of the act The amount of financial assurance shall be determined as follows:

(a) The operator shall provide an itemized list of reclamation, remediation, and postclosure monitoring activities and costs associated with all of the following:

(i) *Mining activities* subject to the mining permit where reclamation has not yet been completed.

(ii) *Mining activities* that are anticipated to occur under the mining permit. ... [*emphasis added*].

To make the Application administratively complete, the Application needs to be revised to address the costs that would be incurred through each year of operation for taking the proposed Eagle Project mine from full scale operation to closure.

Please be advised that a determination of administrative completeness is not a determination concerning the *adequacy* of information, data, or documentation that has been submitted in support of the application.

Mr. Jonathan C. Cherry
Page 2
March 8, 2006

The time for processing the Application is tolled until Kennecott Eagle Minerals Company submits the specified information to the DEQ.

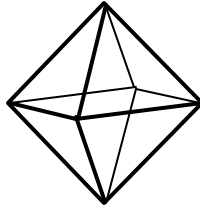
Sincerely,

A handwritten signature in black ink, appearing to read "Harold R. Fitch", written in a cursive style.

Harold R. Fitch
State Geologist and Director
Office of Geological Survey
517-241-1548

cc: Mr. Steven E. Chester, Director, DEQ
Mr. Stanley F. Pruss, Deputy Director, DEQ
Mr. Steven Wilson, DEQ
Mr. Joe Maki, DEQ

Jonathan C. Cherry, P.E.
Manager Environment and Governmental Affairs
Kennecott Eagle Minerals Company
1004 Harbor Hill Drive
Suite 103
Marquette, Michigan 49855
Phone: 906-225-5791
Email: Cherryj@Kennecott.com



Kennecott Eagle Minerals

March 9, 2006

VIA EMAIL

Mr. Harold R. Fitch, Chief
Office of Geological Survey
Michigan Department of Environmental Quality
Post Office Box 30473
Lansing, Michigan 48909

Re: Kennecott Eagle Minerals Company Response to Completeness Determination

Dear Mr. Fitch:

Kennecott Eagle Minerals Company (“Kennecott”) is in receipt of the Department’s letter dated March 8, 2006, stating the Department of Environmental Quality’s (Department) determination that Kennecott’s mine permit application is not administratively complete. Specifically, the Department believes that the application lacks information addressing the reclamation “costs that would be incurred if Kennecott ceased operations in the middle of executing the mining plan.” The Department states that to make the application administratively complete, Kennecott needs to revise the application to address the costs that would be incurred through each year of operation for taking the proposed Eagle mine from full scale operation to closure.

As a threshold matter, Kennecott believes that the Department’s letter raises issues potentially relevant to substantive review of the application, as opposed to administrative completeness issues (see Rule 425.201(1)). That said, however, Kennecott believes the application already contains the requested information, although the pertinent table and text may not have conveyed the information as clearly as Kennecott intended. Accordingly, this response clarifies the information already provided in the application so that the Department can proceed to substantive review. You may consider this clarification as the “revision” of the permit application requested in your letter.

Section 7 and Table 7-6 on page 83 of the application and Section 9 on page 103 together already address the issue of reclamation costs for each year of operation, including the costs of taking the mine from full scale operation in any given year to closure. Specifically, Table 7-6 delineates the costs of closure in years one and two (i.e. the costs of reclaiming the disturbance caused by mine construction), and then delineates the cost of closure beginning in year eight (i.e. the costs of reclaiming the disturbance associated with the fully constructed mine and ancillary facilities once active mining ceases). The reason why the Table delineates the post-operation

reclamation costs beginning in year eight (as opposed to year three, four, five six or seven) is simply because that is the year that Kennecott anticipates that major reclamation costs associated with mine closure will begin, as documented in the mining plan. The reclamation costs depicted in year eight onward in Table 7-6 are equally valid and applicable to a scenario where closure begins in year three, four, five, six or seven. Indeed, the reclamation costs depicted in year eight onward overestimate the costs if closure began in years three, four, five, six or seven because premature cessation of mining would result in smaller below ground and above ground disturbance than is presumed in the closure cost estimates beginning in year eight. Nonetheless, for purposes of responding to your letter, the information in the application and, as clarified here, fully comports with Rule 425.301 cited in your letter. Kennecott reiterates that it intends to utilize an irrevocable letter of credit meeting the requirements of Rule 305 to assure these costs.

As an example then, if the mine were to close in year four of operations, the reclamation schedule shown in Table 7-6 would accelerate and begin at the point in time currently designated as year eight for the normal mine plan. If the mine should close unexpectedly or earlier than the currently described mine plan, those reclamation activities and associated costs shown in table 7-6 that begin in year eight will be initiated within six months of that time. The potential costs to take the mine from an active mine to closure reclamation (e.g., power, water treatment, DEQ oversight costs, etc) are described in Section 9.4. Section 9.4 of Volume I of the permit application accounts for the costs (e.g., power, water treatment, DEQ oversight costs, etc) that would be required to bridge the gap between active mining operations and the start of closure reclamation activities.

This information addresses the Department's request and should render the application administratively complete. Please call me or email if you have any questions.

Sincerely,



Jonathan C. Cherry, P.E.
Manager Environment and
Governmental Affairs

Cc: Mr. Steven E. Chester - MDEQ
Mr. Skip Pruss - MDEQ
Mr. Steve Wilson - MDEQ
Mr. Joe Maki - MDEQ



STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY
LANSING



JENNIFER M. GRANHOLM
GOVERNOR

STEVEN E. CHESTER
DIRECTOR

March 10, 2006

VIA EMAIL

Mr. Jonathan C. Cherry
Kennecott Eagle Minerals Company
1004 Harbor Hill Drive, Suite 103
Marquette, Michigan 49855

Dear Mr. Cherry:

The Department of Environmental Quality (DEQ) has reviewed your March 9, 2006, letter setting forth an explanation intended to supplement the application for a mining permit for the Eagle Project. In light of the explanation, the DEQ has determined that the information is sufficient to make the application administratively complete. As with other information submitted in support of the application, our review is limited to a determination that information has been submitted responsive to the requirements of Part 632, Nonferrous Metallic Mineral Mining, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA), and its rules. This determination is not a finding concerning the adequacy or accuracy of the information submitted.

The 14-day period for determination as to administrative completeness is concluded as of today, and the DEQ will proceed with reviewing the application as to adequacy and accuracy.

Sincerely,

Harold R. Fitch
State Geologist and Director
Office of Geological Survey
517-241-1548

cc: Mr. Steven E. Chester, Director, DEQ
Mr. Stanley F. Pruss, Deputy Director, DEQ
Mr. Steven Wilson, DEQ
Mr. Joe Maki, DEQ