



Cleveland-Cliffs Inc

March 7, 2005



Via Courier

William C. Brice
Director
Division of Lands and Minerals
Minnesota Department of Natural Resources
500 Lafayette Road
St. Paul, MN 55155



Re: Permit to Mine Assignment, Milepost 7 Five-Year Operating Plan Approval and Milepost 7 Master Permit Renewal

Dear Mr. Brice:

Enclosed is the approval for the Permit to Mine assignment which has been acknowledged on behalf of Cleveland-Cliffs Inc and Northshore Mining Company.

Very truly yours,

T. L. Forrester /s/

T. L. Forrester
Corporate Attorney

Enclosure

*Arlo - Here's the
orig^s! copy for
you / Habling*

*Kathy Lewis has a
copy & so does
M. Katsoulis.*

Bill has seen this

Jeanne 3/8/05

STATE OF MINNESOTA
DEPARTMENT OF NATURAL RESOURCES

In the Matter of the Application for
Permits for the Mile Post 7 On-Land Tailings
Disposal Plan at Silver Bay, Minnesota, and
Assignment of the Permit to Mine

**MILE POST 7 MASTER
PERMIT AMENDMENT
AND ASSIGNMENT OF
THE PERMIT TO MINE**

The Mile Post 7 Master Permit and Permit to Mine, Reserve Mining Company #1, as amended, are hereby assigned to Cleveland Cliffs, Inc., to continue to operate the Peter Mitchell Mine and Mile Post 7 On-Land Tailings Disposal System consistent with prior permit authorizations, subject to the following conditions and modifications.

I. GENERAL PERMIT ACTIVITIES, MILE POST 7

The Mile Post 7 Master Permit is a combination of a number of water appropriation permits and works in the beds of public waters permits that are necessary for the operation of the Mile Post 7 on-land, closed-circuit, taconite tailings disposal system, located near the shore of Lake Superior west of Silver Bay, Minnesota, and the operation and maintenance of the delta, located off-shore in Lake Superior. The Mile Post 7 Master Permit functions as the primary authorization of the Department of Natural Resources for engineering and operational activities conducted at the Mile Post 7 tailings basin.

The Mile Post 7 Master Permit was originally issued on July 27, 1977, to Reserve Mining Company, Armco Steel Corporation and Republic Steel Corporation. An amended permit was issued on August 23, 1977, which superseded the original permit. The permit authorized construction of a taconite tailings disposal basin and associated tailings containment dams, seepage recovery dams, diversion dikes and facilities, splitter dikes, a tailings transport system, water reclamation facilities, stream crossings, and other facilities and systems. The permit requires the submission of detailed engineering plans and specifications and an operational plan for the handling and disposal of tailings that must be evaluated and approved by the Commissioner of the Department of Natural Resources. The permit further requires the permittee to assume the obligation of final closure and perpetual maintenance of the tailings

basin and all parts of the tailings disposal system and to submit plans for final closure and perpetual maintenance. The permit was amended August 2, 1982; July 1, 1984; July 31, 1984 and August 3, 1987.

On August 17, 1989, the permit was further amended and transferred to Cyprus Minerals Company and Cyprus Northshore Mining Company as joint co-permittees. The 1989 amendment authorized Cyprus to operate the basin in accordance with the engineering plan entitled, "Tailings Basin Closure Consensus Plan for Reserve Mining Company, Silver Bay, Minnesota," prepared by Klohn Leonoff engineering consultants (referred to as the "Klohn Consensus Plan"). Under the Klohn Consensus Plan, it was estimated that the production of fifteen million long tons of taconite pellets would create tailings to fill cells #1 and #4 of the tailings basin, while cells #2-3 would contain a pond. Filling cells #1 and #4 with tailings is consistent with the goals of reducing the potential for dam failure and improving manageability and ultimately reclamation of the basin, thereby resolving significant environmental concerns.

The permit was further modified on October 24, 1991, in relation to the use of tailings for road construction at the Peter Mitchell Mine; on February 20, 1992, in relation to the delay of a planned expansion of the water treatment facility; and on March 13, 1992, in relation to further use of tailings for the stemming of blast holes at the Peter Mitchell Mine. On May 27, 1994, the permit was renewed for a term of five years, until June 1, 1999, or upon the production of fifteen million long tons of taconite pellets, whichever occurred earlier. The 1994 renewal was based upon continued operations pursuant to the Klohn Consensus Plan. On or about August 30, 1995, as fifteen million tons of taconite tailings were about to be produced, the Department of Natural Resources renewed the Mile Post 7 Master Permit until January 15, 1996. On January 15, 1996, the permit was again renewed until July 15, 1996.

On September 30, 1994, the stock of Cyprus Northshore Mining Corporation was purchased from Cyprus Amax Minerals Company, fka Cyprus Minerals Company, by Cliffs Minnesota Minerals Company, a wholly-owned subsidiary of Cleveland-Cliffs, Inc. Cyprus Northshore Mining Company was renamed Northshore Mining Company. Cyprus Minerals Company was deleted as a permittee on the Mile Post 7 Master Permit and the name of Cyprus Northshore Mining Company was changed to Northshore Mining Company.

Northshore Mining Company submitted a proposed operating plan which contemplated continued operation pursuant to the Klohn Consensus Plan, until such time as engineering data gathered at the site is analyzed to develop new detailed designs, specifications and operating

procedures. Although the Klohn Consensus Plan production mark of fifteen million tons had been met, cells #1 and #4 of the tailings basin were not yet completely filled. Hence, continued operation as contemplated by the Klohn Consensus Plan remained a feasible and reasonable option.

On August 12, 1997 the permit was again renewed until June 30, 2002 and subsequently extended until June 30, 2004. All of the above permits, amendments and renewals are a part of, and are referred to hereafter as, "the Mile Post 7 Master Permit."

II. MILE POST 7 TAILING BASIN 5 YEAR OPERATING PLAN APPROVAL AND MASTER PERMIT RENEWAL AND TRANSFER TO CLEVELAND-CLIFFS, INC.

The Mile Post 7 Master Permit is hereby amended to replace Northshore Mining Company with Cleveland Cliffs, Inc. as permittee.

A. The Mile Post 7 Master Permit is updated in the "Milepost 7 Tailings Basin Five-Year Operations Plan" with Appendices A-H, dated December 2003, and is supplemented by information supplied by Northshore Mining Company as follows:

- 1) in a memorandum from Barr Engineering dated June 17, 2004 addressing comments from the DNR on the Mile Post 7 water balance,
- 2) in a letter of response to comments from the MPCA dated August 13, 2004, and
- 3) in revisions to Table E-4 and Appendix F also dated August 13, 2004.

The Mile Post 7 Tailing Basin Five Year Operations Plan, dated December 2003 with appendices and supplements is hereby approved as specified below.

B. Conditions of Operation

No additional construction or significant alteration, modification or addition to the approved Mile Post 7 Five-Year Operations Plan, dated December 2003, shall be undertaken by Cleveland-Cliffs, Inc., without prior written approval of the Commissioner.

Prior to December 31, 2008, Cleveland-Cliffs, Inc. shall present a schedule of the activities required to complete a detailed design and operating plan for continuation of tailings disposal through the life of the mine, as described generally in the "Mile Post 7 Tailings Basin Five-Year Operations Plan," dated December 2003, and shall provide a proposed date for the submittal of such design and plan.

All other obligations and requirements of the Mile Post 7 Master Permit remain in effect, are binding upon Cleveland-Cliffs, Inc., and shall be subject to such necessary and reasonable financial assurance as the Commissioner requires.

C. Term of Amended Permit

The permit expiration date shall be June 30, 2009.

III. ASSIGNMENT OF THE PERMIT TO MINE

The Permit to Mine was originally issued to Reserve Mining Company on March 1, 1985. On August 9, 1989 the Permit to Mine was assigned to Cyprus Northshore Mining Company. On September 30, 1994 Cyprus Northshore Mining Company was acquired by Cliffs Minnesota Minerals Company, a wholly-owned subsidiary of Cleveland-Cliffs, Inc., and renamed Northshore Mining Company and assigned the Permit to Mine.

I hereby assign to Cleveland-Cliffs, Inc. the Permit, entitled **PERMIT TO MINE RESERVE MINING COMPANY #1**, as amended.

IV. PERMIT TO MINE RESPONSIBILITIES AND PAST ACTIVITIES OF RESERVE AT THE PETER MITCHELL MINE

Cleveland-Cliffs' responsibility for past activities of Reserve Mining Company at the Peter Mitchell Mine are as specified in a letter to Cyprus Minerals Company and Cyprus Northshore Mining Corporation, dated August 17, 1989, regarding the assignment of the Permit to Mine to Cyprus Minerals Company and Cyprus Northshore Mining Corporation. Responsibilities for past activities of Reserve and Cyprus Northshore Mining Corporation at the Peter Mitchell Mine are also addressed in the Stipulation Agreement, dated August 17, 1989, among the State of Minnesota, Minnesota Pollution Control Agency, Minnesota Department of Natural Resources, Reserve Mining Company, Armco Inc., First Taconite Company, Inc., Cyprus Minerals Company, and Cyprus Northshore Mining Corporation.

Dated this 21 day of October, 2004


William C. Brice, Director

Division of Lands and Minerals

Acknowledged this 7th day of MARCH, ~~2004~~: 2005

CLEVELAND-CLIFFS, INC.

NORTHSHORE MINING COMPANY

[Signature]
Name
Title Acting Vice President
Operations

[Signature]
Name
Title Donald R. Prah
General Manager and Vice President