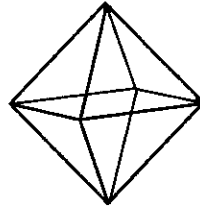


Jonathan C. Cherry, P.E.
General Manager
Kennecott Eagle Minerals Company
1004 Harbor Hill Drive
Suite 103
Marquette, Michigan 49855
Phone: 906-225-5791
Email: Cherryj@Kennecott.com



Kennecott

Eagle Minerals

June 3, 2008

Mr. Thomas Wellman, Manager
Mineral and Land Management Section
Forest, Mineral and Fire Management
Michigan Department of Natural Resources
P.O. Box 30452
Lansing, MI 48909-7952

Dear Mr. Wellman:

Re: Updated Surety Bond for Kennecott Eagle Minerals Company Surface Use Lease L9742

In a letter dated March 28, 2008 Kennecott Eagle Mineral Company (KEMC) provided all the documents requested in your February 25, 2008 letter including the initial surface use lease payment and annual monitoring fee, proof of liability insurance, proof of workers compensation insurance, no fault automobile insurance, a signed original copy of the L9742 surface use lease and a performance bond in the amount of \$1,000,000 (#104991470).

Based on an April 28, 2008 e-mail communication from you, the performance bond was not on the latest Michigan Department of Natural Resources (MDNR) bond document form. The bond form was recently updated by MDNR and a revised copy was received by KEMC in an e-mail on May 12, 2008. As such, please find enclosed a copy of KEMC's surety bond #104991470 in the amount of \$1,000,000 for surface use lease L9742 on the updated MDNR form.

KEMC thanks the MDNR for their assistance with this matter. Please contact me at (906) 225-5791 if you have any questions regarding these documents.

Sincerely,

Jonathan C. Cherry, P.E.
General Manager

Attachments: KEMC Surety Bond #104991470 for a Surface Use Lease L9742

Mr. Thomas Wellman
June 3, 2008

cc: Ms. Lynn Boyd, MDNR
Mr. William Brondyke, MDNR
Mr. Peter Manning, Michigan AG Office
Mr. Gene Smary, Warner, Norcross & Judd, LLP
Mr. Dennis Donohue, Warner, Norcross & Judd, LLP
Mr. Steve Donohue, Foth Infrastructure & Environment, LLC
Ms. Vicky Peacey, Kennecott Eagle Minerals Company
Ms. Alicia Duex, Kennecott Eagle Minerals Company



**MICHIGAN DEPARTMENT OF NATURAL RESOURCES
FOREST, MINERAL AND FIRE MANAGEMENT DIVISION**

SURETY BOND FOR A SURFACE USE LEASE

By authority of Part 5, 1994 PA 451, as amended.

Principal (Lessee) Name: Kennecott Eagle Minerals Company		Bond Number: 104991470	
Principal (Lessee) Address: 1004 Harbor Hills Dr. Suite 103		Bond Issuance Date: January 14, 2008	
City: Marquette		Surety: Travelers Casualty and Surety Company of America	
State: MI		Surety Address: One Tower Square	
Zip Code: 49855	Phone No. (906) 225-5791	City: Hartford	State: CT
		Zip Code: 06183-9062	Phone No. (860) 277-3920

Kennecott Eagle Minerals Company, as Principal, and Travelers Casualty and Surety Company of America, an insurer licensed to do business in the State of Michigan (the "Surety"), are firmly bound unto the Michigan Department of Natural Resources (DNR) for the sum of **\$1,000,000.00**, lawful money of the United States of America, for the payment of which we bind ourselves, our executors, administrators and heirs, successors and assigns, jointly and severally.

Sealed with our seals, dated the 14th day of May, 2008.

WHEREAS, the Principal has entered into DNR Surface Use Lease number L-9742 (Lease) and, the Principal is required under the terms and provisions of the Lease to provide a Surety Bond to guarantee compliance with all obligations and requirements of the Lease.

NOW, THEREFORE, the conditions of this obligation are such that in the event that the Director of the DNR (Director), or authorized representative(s), in accordance with the provisions of the Lease, issues a notice of violation or non-compliance or other order indicating that the Principal has failed to comply with the requirements of the Lease, the Director shall have recourse to the rights created under this Surety Bond. The Principal shall take timely corrective actions in accordance with a notice of violation or notice of lease non-compliance by the DNR, or the Surety shall make payment guaranteed by this Surety Bond to the Director.

The liability of the Surety shall not be discharged by any payment or succession of payments hereunder, unless and until such payment or payments shall amount in the aggregate to the penal sum of the Surety Bond, but in no event shall the obligation of the Surety hereunder exceed the amount of said penal sum.

The Surety Bond shall be, and continue to be, in full force and effect without limit in time until the bond is duly canceled. The surety may cancel this bond and be relieved of further liability by delivering not less than one hundred and twenty (120) days notice to DNR, Forest, Mineral and Fire Management Division and the Principal, provided however, such cancellation shall not affect any liability incurred or accrued prior to the termination of this bond.


If the Principal does not replace this Surety Bond or establish alternate financial assurance within 60 days of notice of cancellation by the Surety, the DNR may draw on the Surety Bond for the full amount, minus any previous payments, prior to the effective date of cancellation.

We certify that we, the Surety company issuing the Bond, at a minimum, are among those listed as acceptable sureties on federal bonds in Circular 570 of the U.S. Department of Treasury.

The following signatures certify that we are authorized to execute this Surety Bond on behalf of the Principal and the Surety and that the wording of this Surety Bond is identical to the wording provided by the Director, or authorized representative, as of the date shown immediately below.

IN WITNESS WHEREOF, we, the Principal and the Surety, have executed this Surety Bond, affixed our seals, and attached the justification or power of attorney as of the day and date first above written.

KENNECOTT EAGLE MINERALS COMPANY

ATTEST:

SECRETARY

Principal (Name and Title)

A.F. JACKMAN
PRESIDENT AND CEO

JR. WELCH

TREASURER

15 MAY 2008

Principal (Signature)

Date

Corporate Seal

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA

Tara W. Mealer

Surety (Authorized Agent and Attorney in Fact)

TARA W. MEALER

5/14/2008

Surety (Signature)

Date

Corporate Seal

When completed, send the original bond to:
State of Michigan
Director, Michigan Department of Natural Resources
c/o: Forest, Mineral and Fire Management Division
Mineral and Land Management Section
P.O. Box 30452
Lansing, Michigan 48909-7952

(DNR, 5-6-2008)



POWER OF ATTORNEY

Farmington Casualty Company
Fidelity and Guaranty Insurance Company
Fidelity and Guaranty Insurance Underwriters, Inc.
Seaboard Surety Company
St. Paul Fire and Marine Insurance Company

St. Paul Guardian Insurance Company
St. Paul Mercury Insurance Company
Travelers Casualty and Surety Company
Travelers Casualty and Surety Company of America
United States Fidelity and Guaranty Company

Attorney-In Fact No. 218196

Certificate No. 002290539

KNOW ALL MEN BY THESE PRESENTS: That Seaboard Surety Company is a corporation duly organized under the laws of the State of New York, that St. Paul Fire and Marine Insurance Company, St. Paul Guardian Insurance Company and St. Paul Mercury Insurance Company are corporations duly organized under the laws of the State of Minnesota, that Farmington Casualty Company, Travelers Casualty and Surety Company, and Travelers Casualty and Surety Company of America are corporations duly organized under the laws of the State of Connecticut, that United States Fidelity and Guaranty Company is a corporation duly organized under the laws of the State of Iowa, and that Fidelity and Guaranty Insurance Company is a corporation duly organized under the laws of the State of Maryland, that Fidelity and Guaranty Insurance Company is a corporation duly organized under the laws of the State of Wisconsin (herein collectively called the "Companies"), and that the Companies do hereby make, constitute and appoint

Debra Elaine Clark-Kinhead, Joseph R. Poplawski, Tara W. Mealer, and Mary Y. Volmar

of the City of Knoxville, State of Tennessee, their true and lawful Attorney(s)-in-Fact, each in their separate capacity if more than one is named above, to sign, execute, seal and acknowledge any and all bonds, recognizances, conditional undertakings and other writings obligatory in the nature thereof on behalf of the Companies in their business of guaranteeing the fidelity of persons, guaranteeing the performance of contracts and executing or guaranteeing bonds and undertakings required or permitted in any actions or proceedings allowed by law.

IN WITNESS WHEREOF, the Companies have caused this instrument to be signed and their corporate seals to be hereto affixed, this 18th day of January, 2007.

Farmington Casualty Company
Fidelity and Guaranty Insurance Company
Fidelity and Guaranty Insurance Underwriters, Inc.
Seaboard Surety Company
St. Paul Fire and Marine Insurance Company

St. Paul Guardian Insurance Company
St. Paul Mercury Insurance Company
Travelers Casualty and Surety Company
Travelers Casualty and Surety Company of America
United States Fidelity and Guaranty Company



State of Connecticut
City of Hartford ss.

By: George W. Thompson, Senior Vice President

On this the 18th day of January, 2007, before me personally appeared George W. Thompson, who acknowledged himself to be the Senior Vice President of Farmington Casualty Company, Fidelity and Guaranty Insurance Company, Fidelity and Guaranty Insurance Underwriters, Inc., Seaboard Surety Company, St. Paul Fire and Marine Insurance Company, St. Paul Guardian Insurance Company, St. Paul Mercury Insurance Company, Travelers Casualty and Surety Company, Travelers Casualty and Surety Company of America, and United States Fidelity and Guaranty Company, and that he, as such, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing on behalf of the corporations by himself as a duly authorized officer.

In Witness Whereof, I hereunto set my hand and official seal. My Commission expires the 30th day of June, 2011.



Marie C. Tetreault
Marie C. Tetreault, Notary Public

KENNECOTT EAGLE MINERALS COMPANY

SECRETARY'S CERTIFICATE

As Secretary of Kennecott Eagle Minerals Company, a Delaware corporation (the "Corporation"), I certify the following is a true copy of resolutions adopted by the Board of Directors on 6 March 2006, which resolutions have not been amended and remain effective on this date:

ADOPTION OF RESTATED BANKING RESOLUTIONS:

IT IS RESOLVED that either the President and Chief Executive Officer or the Chief Financial Officer **together with** the Treasurer or the Assistant Treasurer of the Corporation are authorized to:

- (i) establish and close bank accounts, brokerage accounts and lines of credit in the name of the Corporation;
- (ii) designate the officers, employees or agents of the Corporation (including themselves) who are authorized to sign checks, drafts or transfers drawn on any accounts opened in the name of the Corporation and to revoke such authority, which authorized signatures may be affixed to any check or other instrument for the payment of money by printing, facsimile stamp or any other mechanical device, and the bank is hereby authorized to rely upon and accept as genuine any such printed, facsimile stamp or mechanical signature without any duty to determine the genuineness thereof or whether the affixing thereof has been authorized by the Corporation or the officer, employee or agent whose name is affixed;
- (iii) make and direct investments of funds including specifically, but not limited to, the establishment and maintenance of accounts for the purchase and sale of commodity futures, commodity options (on futures or physicals), foreign futures and options, commodity forward contracts and physical commodities (including currencies) and the closure of such accounts;
- (iv) designate the officers, employees or agents of the Corporation (including themselves) who are authorized to




transact business, enter buy or sell orders, trade and invest or sell investments with respect to any accounts opened in the name of the Corporation and to revoke such authority; and

- (v) execute, in the name of the Corporation, such bonds, guarantees, letters of credit and other types of indemnification agreements as they deem advisable.

and it is further

RESOLVED that the above banking resolutions shall supersede all other banking resolutions previously adopted by the Corporation.

I further certify that (1) each of the persons listed below has been appointed and is presently serving in the position set forth to the right of his or her name; and (2) to the right of such position is his or her genuine specimen signature.

<u>NAME OF OFFICER</u>	<u>POSITION</u>	<u>SIGNATURE</u>
A. F. Jackman	President and Chief Executive Officer	
M. T. Sadler	Chief Financial Officer	
J. R. Welch	Treasurer	
C. J. Wykstra	Assistant Treasurer	C. J. Wykstra

DATED AND SEALED this 15TH day of MAY 20 08.


SHANNON S. CROMPTON

