

**PROPOSED DECISION
APPLICATION FOR MINING PERMIT
KENNECOTT EAGLE MINERALS COMPANY
PROPOSED HUMBOLDT MILL PROJECT
Michigan Department of Environmental Quality
October 7, 2009**

Proposed Decision

The Michigan Department of Environmental Quality (DEQ) is issuing a proposed decision to grant a Mining Permit to Kennecott Eagle Minerals Company (KEMC) for the proposed Humboldt Mill Project in Humboldt Township, Marquette County. This proposed decision is issued under the provisions of Section 63205 (MCL 324.63205) of Part 632, Nonferrous Metallic Mineral Mining, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA).

The DEQ has conducted a detailed and comprehensive review and evaluation of the permit application and supplemental information submitted by KEMC, and of all public comments it has received thus far. Based on all information available at this time, the DEQ has determined that the application appears to meet the requirements for approval under Part 632.

This is a preliminary decision. The DEQ will hold a public hearing at Westwood High School Auditorium, 300 Westwood Drive, Ishpeming, Michigan 49849, on December 1, 2009, from 4:00 p.m. to 10:00 p.m. to accept public comment on the proposed decision.

In addition to the Mining Permit under Part 632, the public hearing will also cover KEMC's draft National Pollutant Discharge Elimination System (NPDES) Permit, Air Use Permit, and Inland Lakes and Streams permit application. The consolidated public hearing process is specifically provided for in Section 63205 of Part 632 (MCL 324.63205(15)).

Following the hearing, the DEQ will accept written comments on the proposed decision to grant a Mining Permit until 5:00 p.m. on December 29, 2009. Part 632 requires the DEQ to then issue a final decision on the Mining Permit on or before January 26, 2010; however, the final decision date may be extended if the DEQ requires additional information from KEMC based on questions raised by public comments. Final decisions on the NPDES, Air Use, and Inland Lakes and Streams permits will also be made subsequent to the hearing.

Application Review Process

KEMC submitted an application for a Mining Permit on December 26, 2008. The DEQ determined the application was administratively complete (i.e., all required documents were submitted) on January 9, 2009.

The DEQ formed a Mining Application Review Team (the "Mining Team") to review the application. The Mining Team consisted of technical experts from the DEQ and Department of Natural Resources, and one outside contractor. Collectively, the Mining

Team members have the requisite background and expertise in geochemistry of ores and sulfide minerals, limnology, water chemistry, containment and monitoring of waste materials, air and water monitoring, financial assurance, soil erosion, mine reclamation, fish and wildlife habitat and protection, endangered species, and other pertinent areas.

The DEQ held a public meeting on the application on February 18, 2009. The DEQ received public comments at the public meeting and accepted written comments for 28 days after the meeting. The Mining Team submitted a request to KEMC for additional information regarding the application on February 25, 2009. The request incorporated pertinent public comments that had been received as well as questions arising from the Mining Team's independent evaluation. Part 632 required the DEQ to make a proposed decision by April 15, 2009. However, KEMC waived the deadline for the proposed decision so the DEQ could complete its review and coordinate a combined public hearing. On April 15, 2009, the DEQ issued a document explaining DEQ's response to all of the public comments.

On June 1, 2009, KEMC submitted its response to the DEQ's request for additional information. On July 15, 2009, KEMC submitted its response to comments received from DEQ's contractor Lorax Environmental Services regarding the Humboldt Mill Mining Permit Application.

KEMC submitted letters three additional times (June 18, 2009, July 31, 2009, and September 15, 2009) waiving the deadline to issue a proposed decision on the Mining Permit to allow the DEQ to complete its review and coordinate a combined public hearing.

The Mining Team conducted a detailed and comprehensive review and evaluation of the initial permit application and supplemental information provided by KEMC, and of all public comments submitted. All information related to the application and reviews has been posted on the DEQ internet site. Paper copies of the information were made available for review at the Peter White Library in Marquette, the Humboldt Township Hall, and DEQ offices in Gwinn and Lansing.

Based on the recommendations of the Mining Team and on all other relevant reports, documents, and comments received thus far, the DEQ has determined that KEMC appears to qualify for a permit under the terms of Part 632. Section 63205(10) of Part 632 directs the DEQ to issue a mining permit if the permit application meets the requirements of the law and the proposed mining operation will not pollute, impair, or destroy the air, water, or other natural resources or the public trust in those resources, in accordance with Part 17, Michigan Environmental Protection Act, of the NREPA.