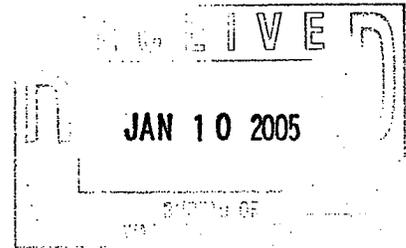


Flambeau Mining Company
N4100 Highway 27
Ladysmith, WI 54848
(715) 532-6690
FAX (715) 532-6885

**Kennecott
Minerals**

December 30, 2004

Mr. Lawrence J. Lynch
Wisconsin Department of Natural Resources
Mine Reclamation Unit
101 S. Webster Street, GEF II
PO Box 7921
Madison, WI 53707



Dear Mr. Lynch:

RE: 32 Acre Industrial Outlot
Flambeau Mining Company

On January 8, 1998 Flambeau Mining Company (Flambeau) submitted a request for modification of the Mining Permit and Reclamation Plan. The requested modifications included modification of the final land use for 32 acres of the mining site to allow for alternative use of the on-site buildings and related ancillary facilities, railroad spur and a portion of the former Type II waste rock stockpile by the Ladysmith Community Industrial Development Corporation (LCIDC).

On July 30, 1998 the Department approved the request for modification of the final land use for the 32 acre industrial outlot with the following condition: "If the portion of the site covered by the lease agreement with the LCIDC has not been put to an acceptable alternative use by the end of 2004, the site shall be reclaimed in a manner consistent with reclamation of the remainder of the mining site. Any demolition waste resulting from such reclamation shall be disposed of in a properly licensed solid waste facility."

Flambeau is providing notice that the 32 acre industrial outlot has met the condition of "acceptable alternative use." On June 12, 2003 the Department found that the rail spur east of State Highway 27 had met the requirements of acceptable alternative use since the City of Ladysmith and Rusk County purchased lands adjacent to the rail spur and have made improvements. The former administration building and part of the former water treatment plant (WTP) continue to be occupied by the Wisconsin Department of Natural Resources Ladysmith Service Center. In addition, the LCIDC constructed a building for lease to the Department located between the Service Center and former WTP. Areas

EXHIBIT

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surrounding the Service Center and new Department building are used by the Department for equipment storage and parking. The fire water tank located north of the former WTP is used by the Department to fill fire suppression equipment. The Department has also installed a meteorological station to the northwest of the former WTP. The remaining portion of the former WTP is occupied by Xcel Energy as a line maintenance shop. Xcel uses the area surrounding the former WTP for storage of line maintenance supplies, equipment and vehicle parking.

During 2003 and 2004, the rail spur area west of State Highway 27 and an approximate 200 foot length east of State Highway 27 were reclaimed by Flambeau.

A Community Advisory Group has been formed to advise Flambeau on management and use of Flambeau owned properties. The Community Advisory Group represents Rusk County, Ladysmith, Town of Grant, LCIDC, Ladysmith Area Trails Association, Flambeau Riders, and the Department's Northern Rivers Initiative. The Group met twice during 2004.

During 2004, Flambeau has been developing a partnership with the local communities including trail organizations for further trail development on Flambeau owned property. Flambeau has agreed to allow the development of multi-use trails on land south of the reclaimed mine site. The attached aerial photograph shows the area where the trail development will begin during 2005. The Flambeau Riders, Inc., a group promoting equestrian activities in Rusk County, will take the lead on developing the trails. The Flambeau Riders had expressed a need for equestrian trails within Rusk County. The City of Ladysmith has agreed to enter into a Trail Easement & License agreement with Flambeau for the trails south of the reclaimed mine site. This will be the third Trail Easement & License agreement developed between Flambeau and the City of Ladysmith. The other two agreements cover the area of the Sisters Farm Trails and the Reclaimed Flambeau Mine Nature Trails.

The area of the equestrian trailhead requires special consideration of layout, size, drainage and plans for future development. The portion of the Industrial Outlot located north of the reclaimed west rail spur area meets the requirements for the equestrian trailhead. The attached aerial photograph indicates the area for the equestrian trailhead. The LCIDC will sublease to the City of Ladysmith the area of the equestrian trailhead and trail spur leading to the trails to the south. Flambeau has agreed to construct the access and parking area for the equestrian trailhead. The access to the trailhead will follow Copper Park Lane west and turn north along the eastern edge of the Service Center parking lot crossing the reclaimed west rail spur area.

The Community Advisory Group has agreed that the expansion of trails south of the reclaimed mine site and using a portion of the Industrial Outlot as an equestrian trailhead are acceptable and beneficial uses of the property.

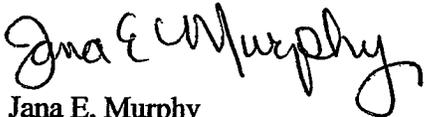
The Trail Easement & License between Flambeau and the City of Ladysmith and the Sublease between the LCIDC and the City of Ladysmith are in the process of being

Mr. Lawrence J. Lynch
December 30, 2004
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signed. Upon completion of signature, copies of the documents will be provided to the Department. Flambeau will also provide plan drawings for the access and equestrian trailhead area.

If you have any questions regarding the alternative use of the 32 acre industrial outlot, please contact me at 715-532-6690.

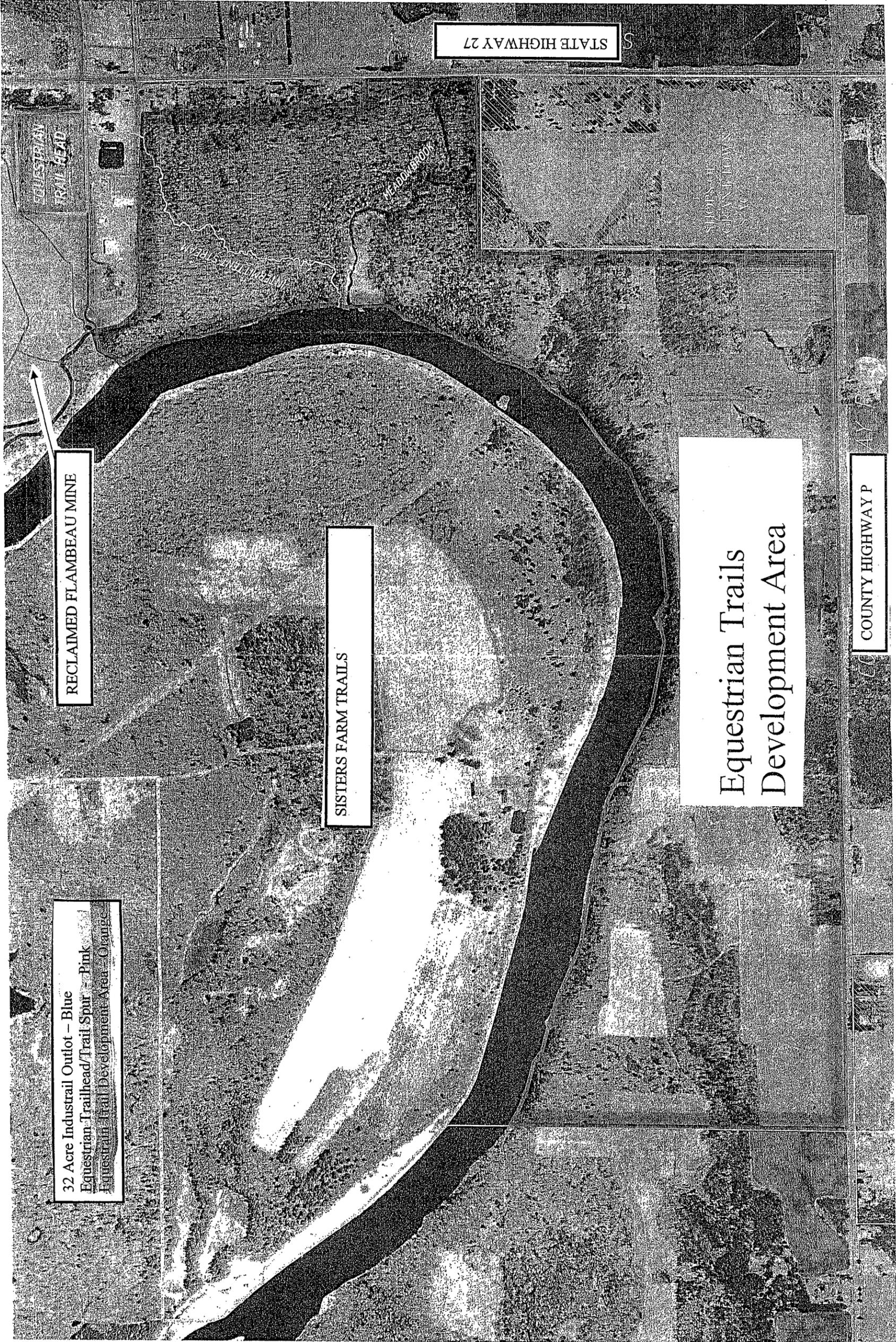
Sincerely,



Jana E. Murphy
Environmental & Reclamation Manager

Attachment

Cc: Andy Albarado, Rusk County Development & Tourism
Dave Borman, Ladysmith Area Trails Association
Al Christianson, City of Ladysmith
Fred Fox, Kennecott Minerals
Hank Golat, Town of Grant
Jim Hutchison, Foth & Van Dyke
Ken Markart, WDNR
Tim Miller, WDNR
Tom Riegel, Town of Grant
Mark Steward, Rusk County Zoning
Randy Tatur, Rusk County
Bob White, Flambeau Riders



STATE HIGHWAY 27

RECLAIMED FLAMBEAU MINE

SISTERS FARM TRAILS

Equestrian Trails
Development Area

COUNTY HIGHWAY P

32 Acre Industrial Outlot - Blue
Equestrian Trailhead/Trail Spur - Pink
Equestrian Trail Development Area - Orange