

LOCAL AGREEMENT

BETWEEN RUSK COUNTY, THE TOWN OF GRANT,

THE CITY OF LADYSMITH

AND

KENNECOTT EXPLORATIONS (AUSTRALIA) LTD.

FOR

DEVELOPMENT OF THE

KENNECOTT FLAMBEAU MINE

LOCAL AGREEMENT

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#### EXHIBITS

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AGREEMENT BETWEEN RUSK COUNTY, THE TOWN OF GRANT,  
THE CITY OF LADYSMITH  
AND  
KENNECOTT EXPLORATIONS (AUSTRALIA) LTD.

WHEREAS, the County of Rusk, the Town of Grant and the City of Ladysmith have formed a Local Impact Committee for, among other things, the purpose of representing local governments to protect local interests while developing workable rules under which the mining project proposed by Kennecott Explorations (Australia) Ltd. (Kennecott) can proceed in Rusk County;

WHEREAS, portions of Sections 9, 10, 16, 17, 20 and 21, T-34N, R6W Rusk County in the Town of Grant have been identified as a site with a mineral deposit;

WHEREAS, Kennecott owns the mineral deposit and is interested in developing such deposit into an Open Pit copper mine;

WHEREAS, Rusk County, the Town of Grant and the City of Ladysmith have exercised the authority granted in section 144.838 and 144.839, Wisconsin Statutes, by establishing a Local Impact Committee to negotiate with Kennecott relative to the proposed copper mine;

WHEREAS, Rusk County, the Town of Grant and the City of Ladysmith have exercised the authority granted in section 144.838 of the Wisconsin Statutes by appointing two members each to the Local Impact Committee; and

WHEREAS, the Town of Grant, Rusk County, City of Ladysmith, and Kennecott are desirous of completing these negotiations in a timely and equitable fashion.

NOW, THEREFORE IT IS AGREED, by and between the Town of Grant, Rusk County, the City of Ladysmith and Kennecott that the following definitions shall be used to interpret the meaning of items contained within this Agreement.

"Active Mine Area" shall mean the operations area of the Operator's land including the Open Pit, itself, as well as the water treatment facility, crushing and loadout facility, runoff catchment, administration center, stockpiled material for backfill, overburden, topsoil and settling ponds, as identified with reference to Exhibit A, but excluding the railroad spur and utility lines.

"Active Mining" shall mean and include all phases of construction and operation of the Mine.

"Baseline Monitoring Program" shall mean that period of time and that phase of the proposed mining operation during which baseline data, as defined in Sec. NR132.03(2) is being collected and analyzed.

"DNR" shall mean the Wisconsin Department of Natural Resources.

"Downgradient Wells" shall mean all wells located west and northwest of the Open Pit, between the Pit and the Flambeau River and as far north as Blackberry Lane.

"Earthen construction" shall mean the berm which the Operator shall construct in the Active Mine Area to contain wastes and wastewater treatment ponds.

"Emergency" shall mean, for the purposes of section 10, only those times when due to strikes, acts of God, accidents or force majeure, the railway line serving the Mine cannot transport Ore away from the Mine.

"EPA" shall mean the United States Environmental Protection Agency.

"Gossan" shall mean gold bearing ore.

"Hazardous Waste" shall have the meaning set forth at Sec. 144.43(2), Wisconsin Statutes.

"Leachate" shall have the meaning at Sec. NR182.04(26).

"Local Impact Committee" shall mean the committee designated by the Town of Grant, Rusk County and the City of Ladysmith to negotiate, subject to each of the parent municipality's satisfaction, this Agreement, and any successor committees hereto, whether designated pursuant to Secs. 144.438 or 66.30, Wisconsin Statutes, or under other statutory authority.

"Metallic Mineral" shall have the meaning at Sec. NR132.03(9).

"Mine" shall mean all of the operations associated with the Open Pit mine sought to be developed under this Agreement by Kennecott.

"Mine Operation" shall mean that phase of the mining project which shall begin after the necessary DNR permits have been granted and after construction has been concluded, to consist of the process, over several years of time, of the extraction and of the shipping of Ore. It shall end with the conclusion of the Ore extraction process, shipping of the Ore and the commencement of the closure.

"Mineral Deposits" shall mean the body of Ore from which Kennecott proposes to extract copper and gold.

"Mining" shall have the meaning at Sec. NR132.03(11).

"Mining Operation" shall mean and include all phases of construction, operation and closure of the Mine.

"Open Pit" shall mean that area on the surface of Operator's land which the Operator intends to excavate and from which Ore will be extracted.

"Operator" shall mean and include the following: The person applying for (Applicant) all necessary local, state and/or federal permits with which to operate the Mine subject to this Agreement, the Owner of the land on which the Mining Operation will take place and the Owner of the Ore extracted therefrom.

"Operator's Rentals" shall mean those houses, business buildings, other structures, and real estate owned by the Operator, but rented or leased by it to third parties for their use and occupation.

"Ore" shall have that meaning set forth at Sec. NR132.03(17).

"Owner," "Applicant" or "Operator" shall mean Kennecott.

"Participating Local Governments" shall mean the Town of Grant, the County of Rusk and the City of Ladysmith, all of which are located in the State of Wisconsin.

"Pollution" shall have the meaning set forth at Sec. 144.01(10), Wisconsin Statutes.

"Secured Area" shall mean all of the Operator's land situated inside of the Security Fence.

"Security Fences" shall mean a fence capable of preventing human beings from intruding into the Active Mine Area, to consist generally of a six (6) foot high chain link fence with three strands of wire on the top.

"Temporary Closure" shall mean an unanticipated cessation of Active Mining operations not to exceed six (6) months whether caused by a strike or strikes, force majeure or other reasons.

"Test Materials" shall mean the equipment, supplies, chemicals and/or other items necessary to take and test water samples.

"Ton" shall mean 2000 American pounds.

"Town Board" shall mean the Board of the Town of Grant, Rusk County, Wisconsin, and where the circumstances dictate, it shall refer to the City Council of the City of Ladysmith.

"Town Officials" means any person legally holding the elective offices of Town Chairman, Town Supervisor, Town Clerk, Town Treasurer and Town Assessor. For purposes of this Agreement, said term shall also include officials of the City of Ladysmith occupying the same or similar positions, whether elected or appointed, under circumstances wherein such interpretation should be given to the term.

"Well Cluster" shall mean 2 or more wells installed within 10 feet of each other at the ground surface and constructed to varying depths.

IT IS FURTHER AGREED THAT:

1. DNR PERMITS/PERFORMANCE BOND

The Owner or Operator of the Mine will secure all necessary licenses and permits from the DNR. The Operator will furnish a copy of the performance bond or other approved security set by the DNR to the Local Impact Committee

2. MINING PERMIT

Operation of the Mine shall comply with all DNR regulations in NR 132 applicable to the Mine and associated facilities except as to exemptions from such regulations as may be granted to the Operator by the DNR in accordance with NR 132.19, Wis. Adm. Code, in which cases the Operator shall comply with such alternative regulations, if any, as are imposed by the DNR. The Local Impact Committee will be provided copies of all pertinent documents which Kennecott provides to the DNR pertaining to any



request for an exemption. A copy of the mining permit and plan of operation, and any modifications thereto, if any, submitted to and approved by the DNR as a requirement for licensing will be made a part of this Agreement.

The Operator shall take preventative measures to minimize surface water runoff or erosion and to accomplish that purpose will finish grading and will seed completed areas of the Mine in accordance with the closing plan made a part of this Agreement.

### 3. PROJECT OVERVIEW

#### Project Scope and Limitations:

- a. The Mine, inclusive of appurtenant structures and facilities, but excluding the railroad spur, access roads, and utility feed lines, shall be situated on land whose legal description is as set forth in Exhibit B. It shall consist of an Open Pit, from which the Operator intends to extract topsoil, overburden waste rock and Ore, the purpose of which Open Pit shall be to remove Ore containing copper, silver and gold. The topsoil, waste rock and overburden shall be stored for use in restoration of the Open Pit during the Mine's closure phase.
- b. Dimensions of the Open Pit and Active Mine Area: the Open Pit shall be no greater than 40 acres, more or less, in size and shall be excavated to a depth of no more than 225 feet, more or less, below the grade existing on the site as of January 1, 1988.
- c. Limitations: The Mine herein described shall be subject to the following limitations:
  - (1) There shall be no conversion from an Open Pit to deep shaft mineral mining.

- (2) There shall be no smelting, concentrating or refining of Ore on the Operator's land or in Rusk County.
- (3) There shall be no material expansion of the Mine without first reopening this Agreement and any zoning land use permits granted in accord herewith. "Material expansion" shall mean any substantial increase or variation in the size, scope or intent of the Operator as to the instant Mining Operation which varies with the description of the project as herein contained and as correspondingly established in the DNR permit process. "Substantial increase or variation in the size, scope or intent of the Operator" shall be further defined as any such increase or variation in the size, scope or intent as to the instant Mining Operation which shall exceed in excess of ten (10) percent (%), the parameters for the project as set forth in paragraph 3 b. of this Agreement. It shall not include minor variations on either the size in acres or depth of the Open Pit as evidenced by the approximate dimensional criteria set forth at b. above, nor shall it include variations in annual activity during the Mine Operation phase of the project due to production fluctuations. Material expansion shall not pertain to amounts of Ore shipped in any year nor over the life of the project.
- (4) The Active Mine Area shall, at all times during the construction, operations and closure phases of the project, be enclosed by the Security Fence, entry through which shall be via secured gates.
- (5) The Operator shall install, maintain and utilize surface water containment systems and a water treatment plant to protect the groundwater and surface

water of Rusk County in accordance with DNR specifications.

- (6) The topsoil, waste rock and overburden removed from the Open Pit shall be stock piled for use in site restoration during the Mine closure phase.
- (7) Except as otherwise allowed in this Agreement, all transportation of Ore away from the site shall be via railroad.
- (8) Such other and further limitations as are expressed in this Agreement or by the DNR shall also apply to the proposed Mine.
- (9) The restrictions herein enumerated as to hours and days of operation.
- (10) 300,000 Tons of ore per year shall be the approximate projected amount of ore to be shipped from the Mine each year.

d. The Mine and operations related thereto shall consist of three (3) phases, those being: (1) Construction; (2) Mine Operation; and (3) Closure.

#### 4. SETBACKS

Structures in the Active Mine area shall be kept at least 250 feet from adjacent property owned by others except for the distance from the Flambeau River and other streams within the Active Mining Area and from roads and shall at no time exceed 225 acres. The total Open Pit area shall not exceed 40 acres. The 250 foot buffer to adjacent property shall be maintained in existing natural vegetation to act as an aesthetic, visual barrier. The Open Pit contemplated herein shall be excavated no

deeper than approximately 225 feet below the grades existing at the Active Mine Area on January 1, 1988.

5. GATES AND VISITORS OBSERVATION AREA

The Operator shall construct and maintain gates of sufficient strength to control access to the Mine. The gates shall be closed and kept locked by the Operator except during the hours of operation.

The Operator will provide an area to allow visitors to park and observe the Mining Operation.

6. SECURITY FENCING

Security Fences shall be used to surround the Active Mine Area to prevent unauthorized entry. These Security Fences shall be in place prior to operation, and maintained and used during the life of the Mine. Commencing with construction start up and continuing through closure of the Mine, the Operator shall repair the Security Fences as needed.

7. CONSTRUCTION SUPERVISION/INSPECTION

All earthen construction of the Mine, its storage areas and wastewater treatment ponds shall be under direct supervision/inspection of a registered professional engineer.

8. HOURS OF OPERATION

Blasting, crushing and rail shipping operations shall be conducted during daylight hours, Monday through Saturday only.

9. ACCEPTABLE WASTE TYPES

The only non-hazardous wastes to be stored at the Mine are those wastes as defined by DNR and generated by the operations. The Operator shall not accept, receive, store or dispose of any Metallic Mineral from any other mine without Local Impact Committee approval, except those materials necessary for operation of the Mine and facilities. No Hazardous Waste, as

currently defined by the DNR according to NR 181.12, regardless of quantity, shall be accepted, received, stored, disposed of or transported to the Mine and Operator agrees that it shall not, at any time, apply to the DNR for a Hazardous Waste permit to store, or to dispose of any material currently defined as Hazardous Waste, at the Mine, or at any location in Rusk County.

This section does not preclude on-site storage of fuels, lab chemicals and blasting materials, provided they are contained in secured areas. This section also shall not apply to any precipitate resulting from water treatment activities.

10. OFF-SITE ACCESS ROADS

During the life of the Mine, Operator, its employees and agents transporting Ore to and from the Mine by truck shall be limited to access, to and from the Mine, from State Highway 27 via Blackberry Lane, a town road as of the time of execution of this Agreement, unless a new access road is constructed entirely at the expense of the Operator. Use of Jensen Road, Meadowbrook Road and Doughty Road, lying to the east of State Highway 27, for Ore hauling purposes, shall be limited to those emergency situations when the rail spur serving the Mine is impassible or inoperable and only for the purpose of gaining access to and from the main railway line to which said spur line is connected. The Operator shall construct, maintain and repair, to Town Road Standards as established by the Wisconsin Department of Transportation, and as amended or revised from time to time, those portions of the designated access road which are under Town jurisdiction and which are used by trucks for transporting Ore to or from the Mine to the extent that they remain as public roads. The Operator may contract with the Town, any other municipality or private firms for said maintenance and repair, including such graveling, grading and snow plowing as is necessary. Said maintenance and repair responsibilities shall continue throughout the period of active Mining. Notwithstanding the language above, the primary means of transporting Ore to

and from the Mine shall be by rail. The use of trucks for transporting Ore to and from the site shall be limited to emergency situations, or for special shipments of Ore containing significant amounts of gold bearing Gossan if required for special shipments. The use of trucks to transport to and from the Mine during the closure phase shall be negotiated separately prior to the end of the active Mining phase.

Emergency situations, as that term is used herein, shall not include the closure of the rail line or lines over which the Ore is intended to be transported for periods of time in excess of one month whether due to employee strikes, weather or other conditions, either within or outside of the control of the said rail line or rail lines, nor shall such conditions exist if the railroad, currently the Wisconsin Central, Ltd., or its successor in interest, to which the Mine spur line would be connected, abandons its line to which the spur is connected. Under any of the circumstances herein described, the Operator agrees to confer with the Local Impact Committee as to alternative means of transportation and their environmental, social and governmental effects and means of minimizing the same.

The restriction in sections 10 and 11 to the effect that conditions are imposed upon the use of trucks for the hauling of Ore to and from the Mine shall not apply with respect to sample shipments for testing purposes or other small shipments which are capable of being transported in trucks whose gross loaded weight does not exceed 10,000 pounds.

#### 11. TRUCKING RESTRICTIONS

In the event that trucks are used as referred to under section 10, such use shall be subject to the following restrictions:

- (a) No trucks shall transport Ore on Town roads during any other than daylight hours.

- (b) This section and section 10 shall also apply to any Town roads which are ultimately annexed by the City of Ladysmith.
- (c) The Operator shall clean all truck tires before such trucks exit on to any hard surfaced public road.
- (d) The Town Board may set speed restrictions on any Town Roads or Town roads which are ultimately annexed by the City used for transporting Ore, pursuant to s. 349.11, Wisconsin Statutes.
- (e) Any trucks transporting Ore on public roads shall be maintained to minimize leaks and shall be covered.
- (f) All internal haul roads at the Mine site shall be restricted to prevent any public access.

It is agreed that the primary means of transporting Ore from the Mine to off-site facilities for smelting, processing and refining shall be via railway. To this effect, the Operator agrees that it shall, before Mining and extraction begin, take the necessary steps to have constructed and place into operation a spur line connecting the Mine with the main line of what is presently the Wisconsin Central, Ltd., east of the Mine.

## 12. HIRING OF EMPLOYEES

Over the life of the operation, Kennecott shall, in accordance with applicable law, assure that after the start of Ore shipments, an average of 75% of the mine workers shall be persons who have resided in or within 10 miles of Rusk County for a period of at least one year prior to hiring, whether hired directly by Kennecott or by any contractor/subcontractor hired by Kennecott. Contracts awarded by Kennecott shall contain local hiring goals for this purpose.

13. GROUNDWATER MONITORING WELLS

Not less than 6 groundwater monitoring Well Clusters shall be constructed within the Active Mine Area as indicated in Exhibit C. These wells are to be tested on at least a quarterly basis during the Baseline Monitoring Program, construction, and operation. In the event that a background of ground water contamination or content of minerals or other substances is ascertained which exceeds any applicable state or federal health standards, which discovery is made during base line testing, the well owner or owners shall be notified. Monitoring after closure shall be in accordance with the DNR approved reclamation plan. If testing of Downgradient Wells indicates that water quality does not meet primary and secondary drinking standards and if water quality indicates a significant deterioration from the background testing required herein, written notice shall be immediately sent by the Operator to all existing Downgradient Well owners within the area indicated on Exhibit D, attached hereto, informing them of the results and requesting permission to test their wells within 48 hours.

14. TESTING/GUARANTEE OF PRIVATE OFF-SITE WELLS

In addition to monitoring wells on the Mine site and surrounding the Mine site in accordance with this Agreement and DNR regulations, the Operator will also pay for and be responsible for the following:

- a. The Operator shall test all existing active wells with respect to both quality and quantity, to establish background data, including those serving the Operator's rentals, within the area indicated on the map attached hereto as Exhibit D, at least twice prior to construction of the Mine and provided the owners not party to this Agreement give permission.
- b. If, after commencement of mining, any well tests within the area indicated on Exhibit D indicate contamination or



Pollution, or if recommendations are issued by DNR not to use such well or wells for human consumption, Operator shall immediately following such discovery and also at least once a year thereafter test all active wells within the area indicated on Exhibit D and continue such testing for 20 years thereafter, unless it is proven that the contamination or Pollution is not caused by the Mine, or such condition is corrected, in which case such further testing shall no longer be required, or such requirement is waived, in writing, by the Local Impact Committee provided for herein. Such waiver shall not be unreasonably withheld.

- c. Appropriate records shall be maintained and kept during this time period. The results of all tests on and off site shall be filed with the Town Clerk and Local Impact Committee.
- d. The parameters to be tested are: field ph, field conductivity, acidity, chemical oxygen demand, iron, hardness, alkalinity and chlorides. Tests are to be conducted in accord with standard EPA or DNR approved methods. If the tests indicate a significant adverse change in any of the parameters from the baseline data the Operator will perform additional tests for other elements such as sulfates, arsenic, cadmium, chromium, lead, mercury and zinc to determine the cause of the change.

Test materials shall be furnished by the Operator, who shall be responsible for taking samples.

If during the period commencing with the start of the Mining Operation and ending 20 years after the Mine ceases to operate any well within the area indicated on the map attached as Exhibit D has evidence of contamination, Pollution or has written recommendations by the DNR not to be used for human

consumption, it shall be presumed that failure of the well has occurred and that failure was caused by the Mine, unless Operator, at its own expense, proves otherwise. Owners who do not grant the Operator permission to test their wells as indicated in a., above, shall not be eligible for relief granted hereunder.

Where well failure is presumed, as indicated above, the Operator shall, upon notice by the Town Board, provide an alternate and adequate source of water for domestic consumption, and for livestock consumption where applicable. In addition, the Operator shall assume all municipal responsibility under Sec. 144.855 (4) Wis. Stats., for any damage to those owners' water supplies, until such time as responsibility is proven otherwise. As used in this sub-section, "municipal" shall include the Town of Grant as well as the City of Ladysmith.

If the Operator undertakes the municipal responsibilities under Sec. 144.855 (4) Wis. Stats., and provides an alternate source of water and it is later determined by the DNR or a court that the Mine is not the cause of damage to a private water supply, the Operator may elect to be reimbursed for all the costs of supplying water, during a period not exceeding one year, under this Agreement by the third party to whom such water was supplied. The Operator shall have no responsibility to furnish compensation or an alternative supply of water under these provisions unless the party to whom compensation is provided or to whom the water is supplied signs an agreement with the Operator acknowledging the Operator's right to reimbursement.

15. COMPENSATION FROM LOSS IN PROPERTY VALUE DUE TO PROXIMITY OF MINE

During the period commencing with the start of the Mining Operation and ending 20 years after the Mining Operation ceases, any private land owner or tenant, or his or her successor in interest utilizing a well or wells located within the area set

forth in Exhibit E, who feels they have suffered a tangible, monetary loss as a direct result of their proximity to the Mine, may appear at any regularly scheduled meetings of the Local Impact Committee to present any claims of loss in property value due to their proximity to the Mine and which loss exceeds any other prevailing losses to similar property values in the County. The Local Impact Committee will hear all testimony relative to the compensation claim. An investigation may also be made of the facts in the claim independently by the Local Impact Committee.

Prior to construction of the Mine, and with the cooperation of landowners within the above-mentioned area, the Operator, at his own cost, shall have all properties in the subject area and three comparable properties outside the subject area, but in Rusk County, appraised by an independent appraiser to establish base information. Any property owner or his or her successor in interest refusing to cooperate by allowing their property to be appraised shall not be eligible to seek relief under this section at a later date. If the Local Impact Committee does not agree with the appraisals, the Local Impact Committee shall obtain an independent appraisal. The cost of the appraisal shall be paid for in equal shares by the Participating Governments and reimbursed from the payment required in Section 21 herein. If two appraisals are not within 10% of one another, the Operator or the Local Impact Committee can request a third appraisal be made by a mutually acceptable appraiser. The average of the third appraisal and the closest appraisal will be used as the basis and the party whose appraisal is not used will pay for the third appraisal.

If any such claim cannot be settled through a meeting between the claimant, the Operator and the Local Impact Committee, claimants must supply a new appraisal from a licensed appraiser substantiating, in writing, the reasons for such loss in property values. The Operator, at its expense, shall also have a new

appraisal prepared by a licensed appraiser again substantiating, in writing, reasons for any loss or in dispute of any loss in value of the subject property. The Local Impact Committee shall then have a review appraisal made of these two appraisals to determine whether there has been any decrease in value of the subject property solely due to its proximity to the Mine and to determine just compensation for any such loss in value substantiated by the Reviewer. The Local Impact Committee shall hire the review appraiser. These appraisals and reviews shall be conducted in accordance with DNR appraisal and review appraisal guidelines in effect at the time such reviews or appraisals are done or some other appropriate guidelines as agreed to by the parties.

If, based upon the review appraisal, the Local Impact Committee determines that the decrease in the value of the subject property was solely due to the proximity of the subject property to the Mine and the claim is justified, the Local Impact Committee shall determine that the amount of compensation representing the difference between the property without proximity and with proximity to the Mine shall be paid to the claimant. If a compensation award is made to the claimant, the Operator shall reimburse the claimant for appraisal costs in the manner indicated below. If no compensation is awarded, the claimant shall not be reimbursed for appraisal costs and shall reimburse the Operator for the Operator's appraisal costs. The Local Impact Committee shall have the power to assess Local Impact Committee costs and fees for conducting any investigation, in addition to compensation awarded.

The affected property owners shall have the right to elect to receive monetary damages if the property is sold in an arms length transaction, for the subject property's reduced market value due to the proximity to the Mine substantiated by the respective appraisals, unless the Operator, at its option, purchases the affected property from the claimant at its

equalized valuation in the year preceding any determination of Loss. The equalized valuation for such purposes shall be calculated by the Town Assessor in the usual manner and shall not reflect any loss in value due to proximity to the Mine.

16. LOCAL MINING IMPACT COMMITTEE

Within ten days after the date of this Agreement, the County, Town and City shall establish a successor Rusk County Mining Impact Committee (Committee or Local Impact Committee) consisting of the chief elected official of the Town, County and City or their designee(s) who possess no conflict of interest relative to the Mine. For purposes of this Agreement, "conflict of interest" shall be defined as meaning that no member shall own real estate within one mile of the Mine, nor shall he or she be married to or related by blood to any person with a fee simple interest in real estate situated within one mile of the Mine or employed at the Mine. Any two members shall establish a quorum. Said Committee may hold such public meetings noticed pursuant to the Open Meeting Law as it deems to be appropriate. One or more of said meetings each year shall include a public forum to discuss concerns or problems with the operation of the Mine. This reference to public meetings shall not be construed as prohibiting the Committee from transacting business in closed session, where deemed appropriate and necessary by it, in accord with Sec. 19.85, Wis. Stats.

To assist the Local Impact Committee in its monitoring efforts and in order for the Local Impact Committee to maintain familiarity with the ongoing status of the mining operation, the following information will be provided by the Operator on an annual basis, if generated no more than one (1) time per year, or on a semi-annual basis, if generated more frequently than on an annual basis:

- a. Verifiable information as to the amounts and types of Ore removed on an annual basis.

- b. Copies of reports between the Operator and the DNR.
- c. Copies of complaints that are received by the Operator from citizens, neighbors, local law enforcement officers, and the DNR.
- d. Notice of any significant change in operational plans for the proposed site.
- e. Copies of insurance certificates pertaining to the proposed site.
- f. Such information as is necessary to update the Participating Local Governments officials as to any substantial changes in organizational structure of the Operator and the impact of such organizational changes on the Mining Operation.

The Local Impact Committee, at its discretion, shall also review, discuss, and inspect the site during reasonable time and with reasonable notice, hold public meetings and report findings to the Participating Local Governments on the following:

- a. Any complaints or complaints received by the Operator or Committee from citizens relative to the Mine and this Agreement.
- b. Specific compliance by the Mine Operator with this Agreement and DNR regulations.
- c. Potential dangers, imminent hazards or public nuisances and recommended actions to mitigate them.
- d. All other items that are pertinent to the Mine including transportation to and from, construction, operation, maintenance, closure and long-term care of the site.

Copies of the official minutes of all such meetings shall be provided to the Operator within 10 days of meetings. This requirement shall not apply to the minutes of closed sessions, if any are held by the Committee, which shall be subject to release to the Operator in accord with Sec. 19.35 (1) (a), Wis. Stats., or when the need to maintain confidentiality no longer exists.

The expenses of the Local Impact Committee shall be paid by the Operator and per diem for each member shall be \$20.00 per meeting, plus verifiable travel expenses. Such reimbursement of Local Impact Committee costs by the Operator shall not exceed a \$750.00 cap, annually. The per diem fee and reimbursement cap shall be increased annually by four percent (4%) commencing the year after the Mine begins operations, for not more than 20 years after the Mine ceases operations.

The Operator agrees to on-site inspection of the Mine by the Local Impact Committee and/or the Grant Town Board upon reasonable notice and a representative of the Operator will accompany the inspector at all times.

#### 17. LEACHATE STORAGE AND TREATMENT

During the life of the Active Mining operation and during any period of Temporary Closure, the Operator shall continue to collect, pump to its wastewater treatment facility, and treat all waters which come into contact with sulfide mineralization which is of such characteristics so as to warrant treatment pursuant to NR 132. The Operator shall not dispose of, store or treat outside the Mine site any Leachate that has been removed from the Mine except Leachate treated pursuant to a WPDES/NPDES permit, nor shall the Operator accept, receive, store or treat at this Mine site any Leachate from any other mine. Any drippings resulting from spraying Ore in rail cars to control dust shall not be classified as Leachate for purposes of this section. Ice, snow and water from precipitation which may

accumulate in rail cars during the course of loading and/or shipping, shall also be exempt from classification as Leachate.

To facilitate collection and treatment of water which comes in contact with potential sulfide mineralization and can produce a leachate that does not meet State standards the Operator agrees that it shall store the waste rock, which is removed from the Open Pit and contains sufficient sulfides that when leached by rain water will produce a discharge which is greater than the State standards will allow, on sites within the active mine areas specifically prepared for such storage. Said sites shall be lined to prevent seepage into the water table from occurring and shall be equipped with water collection pipes and equipment into which the water shall be channeled for treatment through the waste water treatment facility.

18. EMERGENCY EQUIPMENT AND PLAN

The Operator shall maintain a reliable communication system at the Mine using radio and/or telephone, so that contact can be made with the providers of emergency services, should the need arise.

The Operator will provide an emergency/security lighting system at the Active Mine Area during the hours of darkness.

The Operator shall prepare and issue to the Local Impact Committee an Emergency Preparedness Plan prior to filing a mining permit application with the DNR. Comments from the Local Impact Committee will be reviewed and incorporated if mutually agreed upon.

The plan submitted shall identify hazards peculiar to this Mine, such as steep slopes, blasting and heavy equipment use and, additionally, shall provide information to emergency responders as to chemicals or other materials stored on premises which may present particular fire fighting hazards. In addition, the plan



shall detail how emergencies associated with hazards associated with the Mine shall be dealt with by the Operator and shall include special instructions to any local governments responsible for administration of emergency responses. With respect to the emergency plan to be developed by the Operator, reasonable recommendations of the Participating Local Governments shall be incorporated into the plan.

19. SUCCESSION OF AGREEMENT

This Agreement shall be binding on all parties, their heirs, successors or assigns until its termination by mutual consent of the parties or at the expiration of the mining permit granted to the Operator by the DNR pursuant to NR 132, Wis. Adm. Code, whichever first occurs. This Agreement shall run with the land and a short form of this Agreement giving notice of this Agreement shall be recorded in the appropriate tract in the office of the Register of Deeds. All sections of this Agreement relating to closure, long-term care, insurance, sale or lease of the Mine or its operation, escrow funds, renegotiation, liability, guarantees, and related matters shall survive the termination of this Agreement for the period of years set forth therein. If at the termination of this Agreement the Operator seeks to continue Mining at this location, the Operator shall, in addition to all other requirements imposed by law, regulation and ordinance, agree to enter in negotiations on a new agreement with the Participating Local Governments. Owner may assign this Agreement, without the consent of the Participating Local Governments to a related company of Operator. A related company shall be a subsidiary or parent company of Operator or a sister company of Operator having the same ultimate parent company as Operator's parent company. The Operator may also assign this Agreement to a third party, other than a related company, subject only to submission to the Participating Local Governments of proof of the proposed assignee's financial capacity to assume all of the Operator's obligations hereunder. At a minimum, the assignee shall demonstrate compliance with Sec. 144.87 (2) (e), Wis.

Stats. Upon presentation of proof of financial capability, the Participating Local Governments shall not unreasonably withhold consent to assignment.

20. CLOSING PLAN

The Operator of the Mine, prior to commencing operation, shall file with the Local Impact Committee a copy of a closing plan for the Mine. The plan, at a minimum, shall contain a detailed finish grade plan and a landscape planting plan with types of vegetation indicated. In addition, the Operator shall provide a plan for future disposition of the land. These plans may be the same as those submitted to DNR.

After completion of the present planned Mine Operation, Kennecott will consider several options for disposition of Kennecott-owned property and facilities in Rusk County such as, continuing to maintain ownership, leasing portions to the Participating Local Governments for use as an Industrial Park, or selling the property and facilities. Prior to the sale to third parties of any property owned by Kennecott in Rusk County at this time, or the sale to third parties of any Kennecott-owned facilities or structures required for the Mine Operation, the Participating Local Governments will be given the first right of refusal based on the highest bid received. This excludes the internal transfer or assignment of property or facilities to a related company of Kennecott, which related company shall include a parent company, subsidiary company of Kennecott or parent or a company having a common parent with Kennecott. In the event of an internal transfer, the assignee will assume the obligations of the assignor.

The Participating Local Governments either jointly or individually will be given the first option or right of first refusal to match a bonafide offer to purchase the industrial site situated in the Active Mine Area, provided that in the Operator's sole opinion the separate sale of any portion thereof does

not adversely affect the sale or value of other property owned by the Operator. Said individual site shall include, but not be limited by reference thereto, the following:

- (1) An area of land whose approximate dimensions are: Commencing at the Northwest corner of the intersection of Jensen Road and S.T.H. 27, thence Northerly 1000 feet; thence Westerly 1500 feet; thence Southerly 1000 feet; thence Easterly 1500 feet to the point of beginning, including the Operator's water treatment facility, crushing and ore loading facilities and administration center, among other structures but not including any portion of the Open Pit Mine or waste rock storage area.
- (2) The building formerly known as the "H & H Hauler's Building" plus adjacent land, five hundred (500) feet to its North, South and West and East to the right-of-way of S.T.H. 27.
- (3) The building formerly known as the "Grow Cheese Factory," plus adjacent land of the Operator, sufficient in the area to meet minimal requirements for industrial use under the Rusk County Zoning Code.

In addition, the industrial site shall also include the railway Spur Line connecting the Active Mine Area with the main line of the Wisconsin Central, Ltd.

Prior to the sale or dismantling of any equipment or facilities on the mine site the Participating Local Governments either jointly or individually will be given the first option or right of first refusal to match a bonafide offer to purchase any or all of the equipment and facilities, provided that in

Kennecott's sole opinion the separate sale of a specific item does not adversely affect the sale or value of other items. The equipment and facilities include such items as the fencing, pumps, water treatment facilities, crushing equipment, electrical equipment, piping, building (temporary and permanent), the rail spur, and the railroad right of way east of S.T.H. 27.

In the event Kennecott sells any property, equipment, or facilities to another mining company Kennecott will transfer the Participating Local Governments' option or right of first refusal as part of the sale. If the property is not to be used again for mining, Kennecott will use reasonable efforts to help the Participating Local Governments in finding a purchaser for the property.

Prior to the sale of the industrial site at the N.W. corner of the intersection of S.T.H. 27 and Jensen Road, if extended westerly to the Flambeau River, or the sale or dismantling of any equipment or facilities identified above, the Participating Local Governments either jointly or individually shall be given the first option or right of refusal to lease the industrial site and some or all of the equipment and facilities. The lease agreement will state that the users of the property will not resist, delay or interfere with any future mining operation on property presently owned by Kennecott in Rusk County, will not file any complaints against Kennecott or successors who may buy the property with respect to development or operation of any mine facility on Kennecott's property, will vacate the premises, upon ninety (90) days written notice to be exercised at the Operator's sole discretion whether at or before the end of an express term of occupancy and that its operations on premises shall be such that it is capable of physically vacating the premises within such period, and will carry full liability insurance in an amount sufficient to satisfy Kennecott. If Kennecott elects to sell the industrial site along with other

property owned by Kennecott, Kennecott will use its best efforts to provide the Participating Local Government or Governments who are leasing the property and/or equipment an opportunity to meet with the potential buyers to discuss for a period not exceeding 30 days any arrangement between the potential buyer and the Participating Local Government or Governments which would not affect the sale but could be satisfactory to the Government or Governments.

The Operator agrees to donate to the Participating Local Governments, subsequent to the reclamation of the site of the Mining Operation controlled by this Agreement, that parcel which it owns East of the main line of the Wisconsin Central, Ltd., South of Doughty Road and North of Jensen Road provided the Participating Local Governments agree that the users of the property will not resist or delay further development of the Flambeau Ore deposit and will not file any complaints against Kennecott or subsequent mining companies with respect to development or operation of a mining project because of the proximity, use or impact of the further development to the said parcel.

The Operator further agrees to lease to the Participating Local Governments the following parcels which it owns for \$1.00 and other consideration.

- (1) A parcel on the North side of the former "Sisters Farm," lying West of the Flambeau River, for use and development as an outdoor recreation area;
- (2) River Frontage adjacent to the end of Blackberry Lane at the Flambeau River for park purposes.

The lease agreement will include the provisions identified above for the leasing of the industrial site.

The Operator, although recognizing the positive economic and social impacts which its Mine will make upon the community and the citizens

represented by the Participating Local Governments, agrees to duly consider the potential of donating other real estate from its holdings adjacent to the Active Mine Area to one or more of the Participating Local Governments or, in other ways, of benefiting the community. The Operator, in its sole discretion, agrees to contemplate these potentials, for the purpose of promoting, after cessation of Mining Operations, the interests of the community in which the contemplated mine will be situated.

Except as provided in this Agreement, any party, their successors and assigns, who acquires all or a portion of the Kennecott property and facilities located in Rusk County, shall not be permitted to use the property and facilities in a manner inconsistent with Kennecott's obligations pursuant to this Agreement and all applicable Federal, State and local laws, and such party will not oppose Kennecott's sale of remaining properties and facilities, and such party shall assume responsibility for the following obligations: (a) environmental, (b) all obligations resulting from the use of the property and facilities subsequent to the transfer of the property and facilities from Kennecott to such third parties, and (c) damage or injury to Kennecott caused by such third parties who have acquired the property and facilities in the event such third parties interfere with or adversely affect Kennecott's closing plan facilities. Such acquiring parties will permit Kennecott, upon reasonable notice, to have full access to the property and facilities to facilitate Kennecott's compliance with its obligations pursuant to this Agreement and all applicable Federal, State and local law.

It is further understood that the reference in the paragraph immediately above to environmental responsibility shall be limited to the liability of a successor in interest for environmental damage which occurs from and after the date of its assumption of ownership and use as a result of said successor's use of a specified portion of the Operator's property. It shall

not be interpreted as transferring or assigning to such transferee any of the Operator's environmental obligations under this Agreement or under Federal or State laws or regulations pertaining to the Operator's Mining Operation, closure of the mine or reclamation of the Active Mining Area.

21. MUNICIPAL NEGOTIATION AND RELATED PROFESSIONAL EXPENSES

The Operator shall reimburse the Participating Local Governments for municipal costs and expenses incurred by them during negotiations or as a result of the Operator's intent to locate a Mine in the Town regardless of whether the Mine actually is constructed or operated. While these funds may be used to hire professionals to assist in the negotiation process, the funds shall not be used to encourage, devise, initiate, continue or otherwise pursue legislation, rulemaking or litigation to prohibit the project. The costs and expenses to be defrayed shall be limited to the sum of \$60,000.00 to cover such legal, engineering, per diem and related expenses as have already been incurred as of the date of this Agreement or are anticipated to be incurred by the municipalities. The Applicant shall provide this sum in equal portions to the Participating Local Governments within thirty (30) days of the date of executing of this Agreement by all parties.

22. MUNICIPAL LIABILITY

The Operator agrees to indemnify and hold harmless the Participating Local Governments, their officers, agents or employees from any and all liability, loss or damage the Participating Local Governments or their officers, agents or employees may suffer as a result of any claims, demands, costs or judgments against them arising in any way from negotiation of this Agreement, or from actions brought against the Participating Local Governments from persons suffering injury or property damage as a result of the transportation to the Active Mine Area and from the Active Mine Area by the Owner or Operator or the agents or contractors of either, construction, operation, maintenance,

closure and long-term care of the Mine, provided, however, such liability, loss or damage was not caused by the negligent or willful or wanton misconduct of the Participating Local Governments or their Town Officials or agents or employees. This Agreement to indemnify shall be for a period of 25 years. The Operator also agrees to support, defend and/or reimburse the Participating Local Governments for seventy-five percent (75%) of their respective reasonable legal expenses with regard to the above mentioned actions provided, however, such proceeding is not brought by any person or group of which any Participating Local Governments, Town Official or Member of the Local Impact Committee, or person negotiating this Agreement on behalf of the City, Town or County is a member or has given financial or legislative support of any kind to such person or group.

23. OPERATOR RESPONSIBILITY DURING OPERATION AND AFTER CLOSURE OF THE MINE

To evidence its commitment to long-term care of the Mine, as required under the Wisconsin Administrative Code, including subsequent amendments thereto, the Operator shall provide the Participating Local Governments with the following documentation:

- a. After issuance of the mining permit by the DNR, but prior to commencing mining, a certification to the Participating Local Governments that a bond payable to the DNR in the amount required under NR 132 or other appropriate security as required by NR 132 has been secured.
- b. Thereafter, the Operator shall annually certify to the Participating Local Governments that it is in compliance with NR 132, including any amendments thereto.

The Operator further agrees not to seek an exemption from NR 132.13(3) or (4) and to maintain the bond or other security in accordance with NR 132.13-(3) and (4) for thirty (30) years after closure which period shall commence 90 days after completion of the backfilling of the Mine, unless the Committee



receives a copy of the request to be exempted and concurs in writing, with a DNR conclusion to grant exemption. Such concurrence shall not be unreasonably withheld.

24. RENEGOTIATION

At any time, after the DNR grants of a mining permit under NR132 Wis. Adm. Code to the Operator, the Participating Local Governments or Kennecott may cause this Agreement to be opened for renegotiation by serving a petition upon the other party alleging the existence of one of the following conditions, provided that said petition or petitions are based upon findings made by or statements contained within correspondence to or from persons possessing the professional expertise to make such findings or statements, including but not limited to attorneys, engineers and hydrogeologists.

- a. A feasibility study or any engineering or financial report disclosing any significant adverse environmental or economic impact not contemplated at the time of negotiation of this Agreement which has the potential to cause significant damages to the environment and/or expand significantly the financial burdens of any of the Participating Local Governments.
- b. Expansion of more than ten percent (10%) of the area disturbed by the Operation in the Active Mine Area by the Operator, or the intention by the Operator to expand the site beyond the particular design described herein or the acquisition whether by purchase or gift, by the Operator, of a significant amount of additional real property or interest in additional real property adjoining the real property acknowledged by the parties to be the site of the Mine at the time of execution of the Agreement.
- c. The Participating Local Governments reserve the further right, not to be limited by or to be construed as falling

under subparagraph a., above, to invoke their rights under NR 132 Wis. Adm. Code and Sec. 144.836, Wis. Stats., to provide comments or evidence to the DNR in any hearing or hearings on a mining permit application in the event all of the following conditions occur:

- . There is a substantial change in any of the environmental or financial premises listed in Exhibit F, upon which the Agreement is based.
- . The change will have a significant adverse effect on the Participating Local Governments or their residents or reduce the Operator's requirement to protect the environment below the requirements of federal and state statutes and regulations.
- . The change is made between the time of execution of this Agreement and the DNR grant to the Operator of a mining permit under NR 132 Wis. Adm. Code.

If the above conditions all occur, the Participating Local Governments will also have the right to reopen specific affected provisions of this Agreement, with the exception of Paragraphs 27 and 31, for purposes of addressing such significant adverse effects. This right to reopen specific affected provisions of this Agreement, with the exception of Paragraphs 27 and 31 may also be invoked by the Participating Local Governments in the event that subsequent to execution, the Operator seeks to procure a waiver from or variance from any Wisconsin Administrative Code provision other than those identified in Exhibit G, which variance requests are acknowledged by these Participating Local Governments as having been made known to them prior to execution of this Agreement and as to which they have no objection. This right is reserved relative to variances pertaining to construction, operation and closure of the

Mine and only if such waiver or variance has an adverse effect on the local community or reduce the Operator's requirement to protect the environment. As is set forth with respect to renegotiation of the Agreement under sub-paragraph a., above, the Agreement reopening process shall be based solely upon findings made by or statements contained within correspondence to or from persons possessing the professional expertise to make such findings or statements, including but not limited to attorneys, engineers and hydrogeologists. In the event that the Participating Local Governments seek to invoke the rights set forth herein, prior written notice of the specific provision(s) as to which Agreement reopening is demanded or, alternatively, with respect to additional variance or waiver requests beyond those specified in Exhibit G, upon notice thereof from the Operator, prior notice as to the refusal to agree to said further waivers or variances beyond those expressed in Exhibit G and/or to the amount and time period of the performance bond shall be communicated to the Operator. In the event that reopening is demanded, it shall be with reference to specific clauses of the Agreement only. All rights, obligations and responsibilities of the Operator and Participating Local Governments not affected by said clauses shall continue in full force and effect.

- d. If at any time the Mine ceases operations for longer than six months which cessation is not caused by a labor dispute, economic shutdown or force majeure.
- e. In the event that uranium or thorium, or either of them, are discovered within the Mine site at levels above natural background which would render them to be merchantable and subject to possible mining by the Operator.

For the purposes of implementing this sub-paragraph, the Operator shall notify the Participating Local Governments upon its acquisition of information or formulation of an intent, either of which falls within the categories at a to e above.

Within thirty (30) days of receiving documented invoices, after entering into renegotiation of this Agreement, the Operator shall reimburse the Participating Local Governments for seventy-five (75%) percent of justifiable municipal costs and expenses incurred as a result of such renegotiations. Said costs and expenses may include but are not limited to: (1) attorney and consulting fees, (2) per diem costs of municipal officials and employees and (3) per diem costs of the Committee. Such reimbursements shall not exceed the cap of \$5,000.00 unless another amount is specified within any renegotiated agreement. During any renegotiation proceedings initiated under sub-section a., above, and until the same are concluded, any item of the Agreement which qualifies under sub-section a., above is subject to renegotiation.

25. GRIEVANCES

The Operator shall respond, in writing, within thirty (30) days to any written grievance filed by Participating Local Governments' officials, relative to the operation, including during the initial construction phase.

26. ADDITIONAL INFORMATION

Before any operational plans for the proposed Mine are filed with the DNR, the Applicant shall provide the Local Participating Governments with the following information, which may be the same as that provided DNR:

- a. The names, business addresses and telephone numbers of the corporation and its corporate officers, including the name of its parent corporation.

- b. The names, addresses and telephone numbers of the legal agents for the corporations in a. above.
- c. The business address and telephone number of the corporate office most directly involved with this proposed Mine.
- d. Description of proposed site ownership.
- e. Status of any other Rusk County mine sites under construction by the Applicant and locational information about them.
- f. Reference from corporate bond counsel, if available.
- g. Description of any civil criminal violations the Applicant has had within this State, with DNR or other state or local agencies or government.
- h. Name of the responsible corporate officer for this proposed site, and names of attorneys and negotiators for the Operator, including their business addresses and telephone numbers.
- i. Types of Ores which will be removed from the proposed Mine.
- j. Estimated amount of Ore in tonnage.

27. **CONDITIONAL USE PERMIT**

This Agreement is contingent upon, and the parties obligations hereunder will not commence until, the occurrence of the acts or events set forth in a., b., and f., below, and is further subject to the understandings set forth in c., d., and e. below:

- a. The issuance of a conditional use permit for the Mine as provided in Attachment H.

- b. All Participating Local Governments providing adequate proof to the DNR in the form necessary to satisfy the Wisconsin Statutes and Administrative Regulations that the proposed Mine has all necessary local approvals from the Participating Local Governments.
- c. That portion of the Comprehensive Zoning Code known as the Rusk County Mineral Mining Code, Secs. 6.3 to 6.11, inclusive, shall not be applicable to the Active Mine Area, Mine, Mine Operation and Railway Spur Line.
- d. The County Shoreland-Wetland overlay zoning district is not applicable to the Active Mine Area, Mine, Mine Operation and Railway Spur Line.
- e. The zoning of the Active Mine Area and Railway Spur Line shall be under the I-1 industrial classification in the County Comprehensive Zoning Code.
- f. A representation shall be made by counsel for the Town of Grant that, in his opinion, a certain moratorium against mining adopted at the annual town meeting held on April 13, 1982, and that certain moratorium against mining adopted at the annual town meeting on April 12, 1988, as pertaining to the Mine which is the subject of this Agreement are void and unenforceable.

The above activities shall be provided in accordance and consistent with all applicable statutory provisions.

28. LIMITATIONS ON OTHER CONTRACTS MADE BY THE APPLICANT/OPERATOR
- To minimize concerns of Participating Local Governments about future operational or organizational changes, the Applicant/-Operator agrees that:

a. This Agreement may not be assumed by a third party unless such third party is financially capable and assumes all of the obligations of Owner hereunder.

b. The Owner may not transfer responsibility of ownership, possession or operation of the Mine to a third party unless the third party is financially capable and assumes all of the obligations of Owner hereunder.

29. ENFORCEABILITY OF THIS AGREEMENT IN THE EVENT THAT THE MINE IS NOT LICENSED

If, for whatever reason, a license is not granted by DNR to the Operator, its successors, or assigns to operate the proposed Mine, sections 21. and 22. only shall be enforceable against the Operator, and all other items shall become null and void.

30. RUSK COUNTY MINING IMPACT FUND

a. Each of the Participating Local Governments shall in each year the Mine is in operation apply for and retain all amounts to which each is entitled under Sec. 70.395, Wis. Stats.

b. Annually, beginning with the year in which Mine Operation commences and continuing during each calendar year of the Mine Operation, the Operator shall pay to each of the Participating Local Governments, whether each actually receives net proceeds first dollar tax shares under Sec. 70.395 (2) (d) 1. and 2., Wis. Stats., or not, the difference if the amount each Participating Local Government is entitled to receive for their use under Secs. 70.395 (2) (d) 1. and 2., Wis. Stats. is less than \$100,000 (adjusted for inflation under Sec. 70.375(6) Wis.Stats.) in proportion to the number of tons of Ore shipped in the calendar year in question versus 300,000 tons. In the event, however, that the Operator ships more or less than 300,000 tons in the calendar year in question, it shall pay to the

Participating Local Governments \$100,000, plus the inflation factor under Sec. 70.375[6], Wis. Stats., multiplied times a ratio whose numerator shall be the number of tons actually shipped and whose denominator shall be 300,000, less their first dollar payment entitlement, plus inflation factor for that calendar year. This annualized payment shall be subject to the minimum operations gross payment required under c., below. However, the Operator will not pay any portion of the difference which results from tax credits the Operator receives from payment of any new pre-operations tax payments which are required by new tax laws. For the purpose of this paragraph, it is assumed that the Operator will invoke its right to annex at least 15% of the mineable Ore body to the City of Ladysmith, thus making the City eligible for receipt of first dollar payments under Sec. 70.395 (2) (d) 2., Wis. Stats.

- c. It is the Operator's intention to provide to the Participating Local Governments a minimum gross payment which shall consist of the first dollar payments, adjusted for inflation under Sec. 70.375 (6), Wis. Stats., which each is actually entitled to receive pursuant to Sec. 70.395 (2) (d) 1. and 2., Wis. Stats., to the extent that tax monies are actually generated from the net proceeds tax, in sufficient amounts so as to cause the specified first dollar payments or portions thereof to be made to the Participating Local Governments, and additional payments, to be provided directly by the Operator to them, resulting in a minimum gross payment by the Operator to the Participating Local Governments over the operating life of the Mine in the amount of \$1,500,000.00, adjusted for inflation in accord with Sec. 70.375 (6), Wis. Stats. (1985-86) provided no actions are taken by the State of Wisconsin or the Participating Local Governments which prevent the Operator from Mining the Ore Body. This cumulative payment shall be in addition to and not in lieu of any other tax



shares which each of or any one of the Participating Local Governments may receive pursuant to Sec. 70.395 (2) (d) 1m., or 5. or (g), or (h), Wis. Stats, except as otherwise provided herein at d., below. This cumulative payment over the operating life of the Mine shall constitute a minimum guarantee of first dollar payments only under Sec. 70.395 (2) (d) 1. and 2., Wis. Stats. In addition, said cumulative payment shall be made by the Operator to the Participating Local Governments whether or not one or more of them is ineligible to receive first dollar payments under Secs. 70.375 to 70.395, Wis. Stats., and whether or not said statutory sections and the Wisconsin net proceeds tax on mineral extraction, whether in its present form or as amended, remain law throughout the operating life of this Mine.

- d. Commencing with the first full calendar year of Mine Operation and continuing for not less than four (4) years or until the last full calendar year of Mine Operation, whichever is later, the Operator shall guarantee to Rusk County payment of up to its maximum entitlement to tax proceeds under Sec. 70.395(2)(d)1m., Wis. Stats., should the actual tax proceeds entitled by the County from the State of Wisconsin thereunder be less than the maximum entitlement of the County in any or all of those years. This guarantee shall be conditioned upon and subject to the following qualifications:

(1) For each calendar year subject hereto, the guarantee payment shall be based upon the average yearly Comex price of copper for the year in question. In accord with the following chart, depending upon the average Comex copper price, should the County be entitled from the State an amount less than its maximum entitlement of \$250,000.00, the Operator shall guarantee payment to the County in the

amount of \$250,000.00 multiplied by the percentage listed opposite the copper price in question, as modified by the terms of (2), (3) and (4) below.

(2) The annual guarantee, as conditioned under (1) above shall be subject to the following multiplier: the sum arrived at under (1) shall be multiplied times a ratio whose numerator shall be the actual number of tons of Ore shipped from the Mine in the calendar year in question and whose denominator shall be 300,000 tons of Ore.

(3) From the net sum arrived at upon application of (1) and (2) above, there shall be deducted the actual amount of tax collections the County is entitled to receive from the State of Wisconsin under Sec. 70.395(2)(d)1m., Wis. Stats., for the calendar year in question. The resulting sum, subject to (4), shall be paid directly from the Operator to the County.

(4) The guaranteed payments determined under this paragraph shall be further adjusted for inflation in accord with Sec. 70.375(6), Wis. Stats.

COMEX COPPER PRICE

Cents per pound of copper	Percentage
Less than 65	0
65 but less than 70	20
70 but less than 75	40
75 but less than 80	60
80 but less than 85	80
85 or greater	100

The Operator further agrees that pursuant to Sec. 70.395(2)(d)5c, Wis. Stats., the Operator will make a one-time only construction period payment, and pursuant to Sec. 70.395(2)(dg), Wis. Stats., the Operator will deduct the gross amount of said construction period payment from its tax liability under Sec. 70.395, Wis. Stats., for other than the maximum amount of first dollar payments. The Operator will use its best efforts to distribute such tax credits to minimize the impact on the taxes the County is entitled to receive under 70.395(2)(d)1m., Wis. Stats.

- e. The Operator, in its capacity as owner of the real property, in which the Mine is situated, shall exercise the right granted at Sec. 66.021, Wis. Stats., to petition to annex the following described property to the City of Ladysmith:

A parcel of land located in Sections 9 and 10, Township 34 North, Range 6 West, Rusk County, Wisconsin, described as follows:

Commencing at the northeast corner of the Southeast Quarter of the Northeast Quarter (SE $\frac{1}{4}$ -NE $\frac{1}{4}$ ) of said Section 10, also being the point of beginning of this description; thence westerly along the sixteenth line to the West right-of-way line of the Wisconsin Central Railroad Ltd.; thence southerly along said west right-of-way line to a point approximately 1250 feet North of the south line of said Section 10, said point also being North 40,500 feet as based upon the Flambeau Mining Corp. mine coordinate system; thence West, assumed bearing, 900 feet along the mine grid line of North 40,500 feet; thence South 300 feet; thence West 400 feet; thence North 300 feet to the mine grid line of North 40,500 feet; thence West to a point approximately 1380 feet North of the south line of said Section 9 and 1300 feet West of the east line of said

Section 9, said point being more particularly described as North 40,500 feet and East 40,100 feet, mine coordinates; thence South 45° West approximately 980 feet to Section 404 of the Flambeau Mining Corp. Baseline; thence approximately North 45° West 860 feet along Section 404 of said Baseline; thence South 45° West 600 feet to the center of the Flambeau River; thence South 45° East approximately 800 feet to a point, said point being more particularly defined as North 39,500 feet and East 39,000 feet, mine coordinates; thence East approximately 500 feet to a point, said point being more particularly defined as North 39,500 feet and East 39,500 feet, mine coordinates; thence approximately North 45° East 425 feet to a point, said point being more particularly described as North 39,800 feet and East 39,800 feet, mine coordinates; thence East 625 feet to a point, said point being more particularly described as North 39,800 feet and East 40,425 feet, mine coordinates; thence South 300 feet to a point approximately 380 feet north of the south line of said Section 9 and approximately 1050 feet West of the east line of said Section 9, said point being more particularly described as North 39,500 feet and East 40,425 feet, mine coordinates; thence East to the east line of said Section 10, said course being more particularly described as East along grid line North 39,500 feet, mine coordinates; thence North along the east line of said Section 10 to the point of beginning.

The purpose of this requirement shall be to enable the City of Ladysmith to be deemed eligible for first dollar payments under Sec. 70.395 (2) (d) 2., Wis. Stats. said property description is presumed to contain at least fifteen (15) percent (%) of the mineable Ore body which is the subject of this Agreement. Should the description not contain 15% of the mineable Ore body, it shall be the sole

responsibility of the Operator to prepare a legal description of real estate which contains that minimum % for purposes of annexation to the City.

- f. For the purpose of applying c., above as concerning the attribution of the inflation factor against the minimum gross payment due to the Participating Local Governments, the following shall control. In a given calendar year, the base payment, defined as \$100,000 multiplied by the number of local governments who are considered Local Participating Governments with respect to paragraphs a, b, and c of this section 30 in proportion to the number of tons of Ore shipped in the calendar year in question versus 300,000 tons (hereinafter "base payment"), shall have added to it the indexed amount calculated under Sec. 70.375 (6), Wis. Stats. For each calendar year in which a base payment is made, the appropriate indexed amount shall be added thereto. When the base payments made equal \$1,500,000.00, the Operator shall have satisfied its obligation hereunder.
- g. In addition to the above described payments from the Operator to the Participating Local Governments, in the event that the Operator fails to exercise its right at all or prior to the commencement of Ore extraction, as to annexation of land to the City of Ladysmith, for the purposes of application of paragraphs a., b., c. and f., the City of Ladysmith shall be considered to be a Participating Local Government and the minimum gross payment called for at Paragraph b. shall not be reduced due to the City's ineligibility to receive first dollar payments under Sec. 70.395 (2) (d) 2., Wis. Stats. However, the City of Ladysmith shall not be considered a Participating Local Government with respect to paragraphs a, b, c and f, of this Section 30 if the City does not approve an annexation requested by the Operator which includes at least 15% of the Mineral Ore Body. If the City of Ladysmith is not

considered a Participating Local Government with respect to paragraphs a, b, c and f of this section 30, the minimum gross payment of \$1,500,000 referred to in paragraphs c, f and o will be reduced to \$1,000,000.00.

- h. The Participating Local Governments may, at their sole discretion, waive all or any portion of the payments to such Participating Local Governments, which payments are required hereunder, if they determine that presently unanticipated benefits of mining will provide offsetting long-term benefits to their respective Participating Local Governments.
- i. Funds received under this paragraph 30. shall not be used to devise, initiate, continue or otherwise pursue legislation, rulemaking or litigation to suspend Mining Operations.
- j. It is further understood and agreed upon that as to payments called for under this Agreement which are in addition to and beyond those payments received by the Participating Local Governments through and under the net proceeds tax under Secs. 70.375 to 70.395, Wis. Stats., the said additional payments may be used by each Participating Local Government Unit in any governmental or proprietary manner which it may legislate and shall not be limited to Mining related purposes.
- k. The Operator will use all reasonable efforts to support the Participating Local Governments to cause a change to Sec. 70.395 (2) (d) 1m. and Sec. No. 70.396 (1) Wis. Stats. to eliminate the requirement that the County use amounts received from the Net Proceeds Taxes for Mine related purposes or enable it and/or the City or Town to develop sinking funds from which to meet unanticipated local costs associated with the operation and closure of the Mine. In

addition, the Operator will use all reasonable efforts to support the Participating Local Government's efforts to receive the full share of the net proceeds first dollar taxes which they are entitled to under Sec. 70.395(2)(d) 1 and 2 Wis. Stats., and will contribute 50% of the reasonable legal fees associated with such an effort up to a maximum of \$25,000.00.

1. In the event that during the Mine Operation phase the Operator, for reasons unrelated to this Agreement, avails itself of its ability to submit a petition for annexation or if its land is subject to a petition of a third party for annexation to the City of Ladysmith, which petition is adopted by the said City and as a result of which annexation less than 15% of the mineable Ore body remains in the Town of Grant, the Operator, despite said Town's ineligibility to continue receipt of first dollar payments under Sec. 70.395 (2) (d) 2., Wis. Stats., shall continue to treat the Town as a Participating Local Government and the annual payment and minimum gross payment called for at paragraph b. and c. shall not be reduced due to the Town's ineligibility to receive first dollar tax proceeds.
  
- m. The guarantees expressed in this section shall be binding against the Operator; provided, however, that no actions shall be taken by the State of Wisconsin or the Participating Local Governments which will prevent the Operator from mining the Ore body and shipping Ore from it. In the event of such action, during the pendency of the halt to the Mining and shipping of Ore, if it is temporary in nature or, if permanent from and after its inception, the guarantees shall be ineffective and not binding upon the Operator. As to Ore shipments made before and/or after such a halt, all responsibilities of the Operator under this section shall be met by it.

n. (1) Wherever, in b., c. and d., above, the words "entitled" or "entitlement" are used with reference to a conditioning of the Operator's guarantee of first-dollar payments, it is understood and agreed upon between the parties hereto that said words refer solely to circumstances in which either the State of Wisconsin or its local impact board refuse, in a given year, to appropriate to one or more of the Participating Local Governments all or part of their first-dollar payment entitlements under Sec. 70.395(1)(a)(2)(d)1. and 2. and (e) Wis. Stats., for failure of the local government in question to have used past first-dollar payments in a manner consistent with law or where Participating Local Governments have been required to return previously appropriated first-dollar payments to the State of Wisconsin. Only under these express circumstances shall the Operator's minimum gross payment guarantee be reduced and then only to the extent of the deficiency in entitled first-dollar payments received or retained in accord with Sec. 70.395(1)(a)(2)(d)1. and 2. and (e), Wis. Stats., which deficiency is caused by the non-appropriation of or return to the State of first-dollar payments by the Participating Local Governments in question.

(2) It is the further understanding and agreement of the parties hereto that Sec. 70.395(1), Wis. Stats., calls for the payment of net revenue taxes collected by the Department of Administration to the extent of the first-dollar payments or 60 percent of the total tax collected, whichever is greater, into the investment and local impact fund, from which, in turn, the Department of Administration, upon certification of eligibility, shall distribute first-dollar payment monies to the Participating Local Governments under Sec. 70.395(2)(d)1. and 2., Wis. Stats., adjusted for inflation under Sec. 70.395(1)(c), Wis. Stats., as modified



by Sec. 70.395(2)(e), Wis. Stats. Thus, should the Operator pay, in any given year of operation, less than the amount required to fully fund the maximum legal levels of participation by each of the Participating Local Governments in first-dollar payments, as determined with reference to Sec. 70.395(1)(a), Wis. Stats., the minimum gross payment over the operating life of the Mine shall not be reduced.

- o. If upon the conclusion of the shipping of Ore from the Mine, the total of the annual base payments are less than \$1,500,000.00, which is the required minimum gross payment under c., above, the Operator shall, within three (3) months next following the final yearly base payment, which consist of the underlying first-dollar payment and the Operator's guarantee payment, pay to the Participating Local Governments the difference between \$1,500,000.00 and the total of the annual base payments made. Added to this payment shall be the inflation factor in accord with Sec. 70.375(6), Wis. Stats.

31. LOCAL GOVERNMENTS WILL NOT OPPOSE THE MINE

Except as provided herein, the Participating Local Governments and parties negotiating this Agreement agree not to oppose the Mine or to take any action which would serve to unreasonably delay the construction of the Mine. The Participating Local Governments also agree to take all action necessary to assure that the Applicant is able to obtain all approvals, permits, licenses and moratorium removals, which may be necessary to assure that the Mine can be constructed and is able to commence operation.

The local permits, approvals and licenses herein above referred to are expressly identified as follows: (a) The conditional land use permit to be issued by Rusk County pursuant to its authority under Sec. 59.97, Wis. Stats. (b) Building permits

consistent with applicable state and local regulations as may be required for the erection for structures. (c) Sanitary permits under state and local regulations as may be required. (d) Ratification by the Town of Grant in accord with Sec. 59.97 (5) (e) 6., Wis. Stats., of that change in zoning district boundaries incorporated by reference in the conditional use permit set forth at (a) above. (e) In the event of annexation of a part of the real properties subject to this Agreement to the City of Ladysmith, ratification by the said City of the terms of the conditional use permit as governing its zoning control of the Operator's land use thereupon.

The moratoriums are certain moratoriums against Mining adopted at the annual town meetings held on April 13, 1982 and April 12, 1988 as pertaining to the Mine which is the subject of this Agreement. Counsel for the Town of Grant represents that it is not necessary to remove these moratoriums as these certain moratoriums are void and unenforceable.

As to the permits which may be required under sub-clause (b) and (c) above, upon compliance of the Operator with state and local regulations, both of a procedural and substantive nature, the requisite permits shall be granted by the Participating Local Government in control of the same.

This affirmation shall include any and all local permits, approvals, licenses and moratoriums necessary for operation of the Mine, but shall not include any state or federal permits required to be obtained by the Operator in connection with the Mine. It shall be the Operator's sole responsibility to ascertain the need for and to apply for and procure any such permits.

## 32. INAPPLICABILITY OF RUSK COUNTY MINERAL MINING CODE

- a. That portion of the Comprehensive Zoning Code known as the "Rusk County Mineral Mining Code," which consists of

Sections 6.3 to 6.11 inclusive of the Comprehensive Zoning Code shall not be applicable to the Active Mine Area, Mine, Mine Operation, and railroad spur.

- b. The County Shoreland-Wetland overlay zoning district is not applicable to the Active Mining Area, Mine, Mine Operation, and railroad spur.
- c. Zoning of the Active Mine area and areas encompassing the railroad spur shall be I-1.

33. DEFAULTS

In the event either party is in default in the observance or performance of any of the covenants or obligations contained in this Agreement, the nondefaulting party may give the defaulting party written notice of the default specifying the details of the same. The defaulting party shall have two weeks to remedy any default in payment of monies or a reasonable time of not less than two months within which to remedy any other default described herein or to commence action in good faith to remedy such default. Unless the defaulting party shall so comply the nondefaulting party may pursue any remedy it may have in equity or at law. If the nondefaulting party obtains a judicial determination that this Agreement should otherwise be terminated because of such default, the defaulting party shall have a reasonable time of not less than two months after such determination within which to remedy such default or to commence action in good faith to remedy such default before any such termination may be declared.

34. ABILITY OF PARTICIPATING LOCAL GOVERNMENTS TO PARTICIPATE IN NR132 HEARING PROCESS

Nothing in this Agreement shall be interpreted as restricting or prohibiting the Participating Local Governments from participating in the DNR permit granting process, with respect to this

proposal to mine, providing, in the course of such participation, input or evidence to be considered by the DNR in its review and permitting process under NR132 Wis. Adm. Code. The sole restriction imposed hereunder upon the Participating Local Governments, should they chose to so participate, is that they shall not, in the course thereof, renounce, repudiate, or reopen this Agreement or any other permits and local approvals granted by them hereunder, except as such right or option may be made available to them under Section 24.

35. DISPUTES

The parties will use their best efforts to resolve disputes arising over the interpretation of this Agreement. In the event of such disputes, the party noting the dispute shall give the other party written notice of such dispute. Upon receipt of such written notice, the party receiving the notice shall have thirty (30) days to respond in writing to the original party. Thereafter, the parties shall meet together in good faith and use their best efforts to resolve the dispute in question. Either party may, at its sole expense, invite third parties, including technical consultants and others, to comment upon the dispute and the other party shall give due consideration to such comments. If the parties have not resolved the dispute within ninety (90) days of the date of the first written notice of the dispute, or by a later date, if agreed upon by the parties, either party may pursue any remedy it may have in equity or in law.

36. INVALIDATION

Invalidation of any item of this Agreement by a court, except paragraphs 27, 31 and 32, shall not invalidate the remainder of this Agreement. Invalidation of either paragraphs 27, 31 or 32 shall invalidate the entire Agreement except paragraphs 21 and 22.

37. LAW

This Agreement shall be interpreted under the laws of the State of Wisconsin.

38. NOTICES

Unless otherwise dictated within this Agreement, either expressly or by reasonable implication, and unless otherwise dictated pursuant to state or federal laws, rules or regulations governing the instant Mining Project, notices required or deemed appropriate under the terms of this Agreement shall be provided in writing and served personally or by mail upon the following designated representatives of the parties hereto:

- (1) Upon Kennecott Explorations (Australia) Ltd., at 1515 Mineral Square, Salt Lake City, Utah 84112, Attention: Project Manager - Flambeau.

With a copy to:

Kennecott, 10 East South Temple Street, Salt Lake City, Utah 84133, Attention: Assistant Chief Counsel.

- (2) Upon Local Impact Committee, to the Chairman thereof.
- (3) Upon Rusk County to the Chairman of the Board of Supervisors at the Rusk County Court House, Ladysmith, Wisconsin 54848.
- (4) Upon the Town of Grant, to the Chairman of the Town Board.
- (5) Upon the City of Ladysmith, to the Clerk-Administrator at Ladysmith City Hall, Ladysmith, Wisconsin 54848.

It shall be the responsibility of each of the Participating Local Governments to promptly advise the Operator of the names and addresses of their designated representatives, as changes in

said positions occur, from time to time. Prompt notice of a change in its designated representative or representatives shall be given by the Operator to each of the Participating Local Governments and the Local Impact Committee, as well.

39. MODIFICATIONS

There shall be no modifications to this Agreement, except those which are mutually agreed to by all of the parties hereto in which are reduced to writing and executed with the same formality as this Agreement.

40. TITLES ARE ILLUSTRATIVE OF CONTENT ONLY

Titles to sections, paragraphs and/or other subdivisions within this Agreement are for illustrative purposes only and shall not be construed as limiting or expanding the intent of the substantive language set forth thereunder.

41. LEGAL AUTHORITY

This Agreement is entered into by the Participating Local Governments in accord with the authority granted to each such unit pursuant to Secs. 59.07, 59.97, 60.22, 62.11, 66.30, 144.838, 144.839 (laws of 1987-88, Wis. Stats).

42. DATE

This Agreement is dated as of the 1<sup>st</sup> day of August, 1988.

RUSK COUNTY

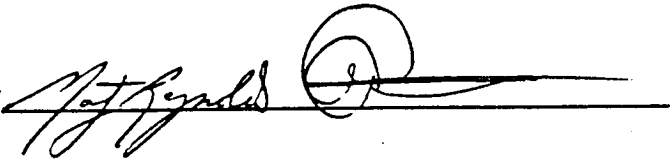
By John P. Kaiser

TOWN OF GRANT

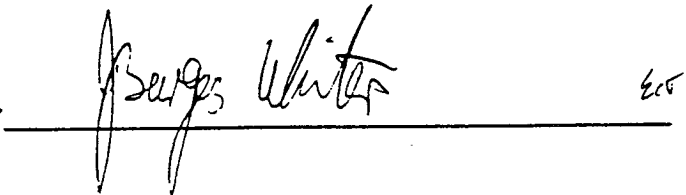
By Robert Plant

B-54

CITY OF LADYSMITH

By 

KENNECOTT EXPLORATIONS (AUSTRALIA) LTD.

By  *etc*

EXHIBITS

- A. Plot Plan showing the Active Mine Area
- B. Legal description of the land where the Mine is located
- C. Map showing location of groundwater monitoring wells
- D. Map showing Area covered by Well Guarantee
- E. Map showing Area covered by Property Guarantee
- F. Premises Used as Basis For Agreement
- G. Waivers and Variances approved by Local Impact Committee
- H. Conditional Use Permit
- I. Letter dated July 13, 1988 from L.E. Mercado to W.G. Thiel with attached Kennecott letter dated July 12, 1988 regarding Two Tier Testing



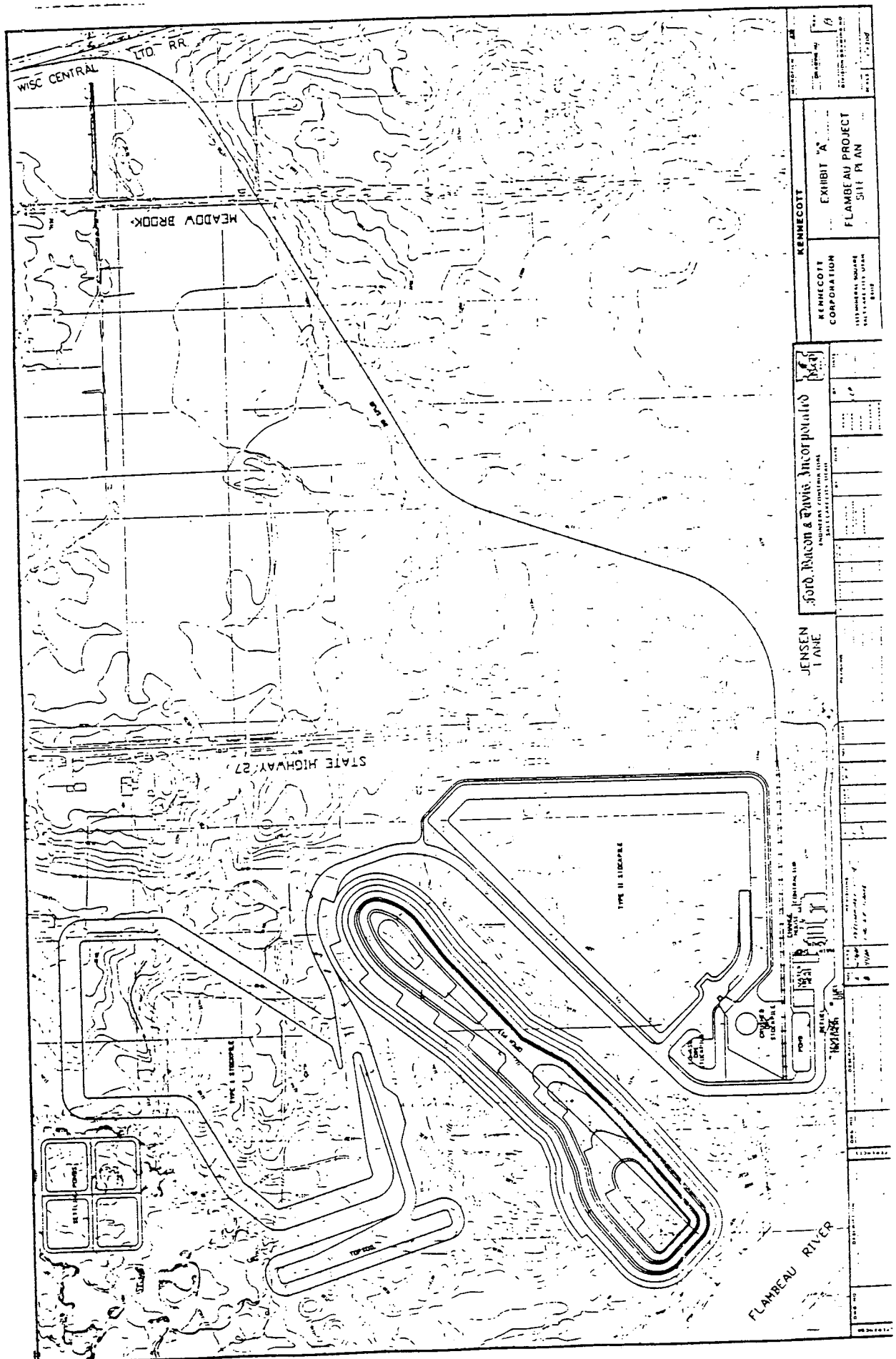


EXHIBIT B

LEGAL DESCRIPTION OF THE LAND WHERE MINE IS LOCATED

FACILITIES ON LAND: Mine, appurtenant structures and facilities, but excluding the railroad spur, access roads, and utility feed lines.

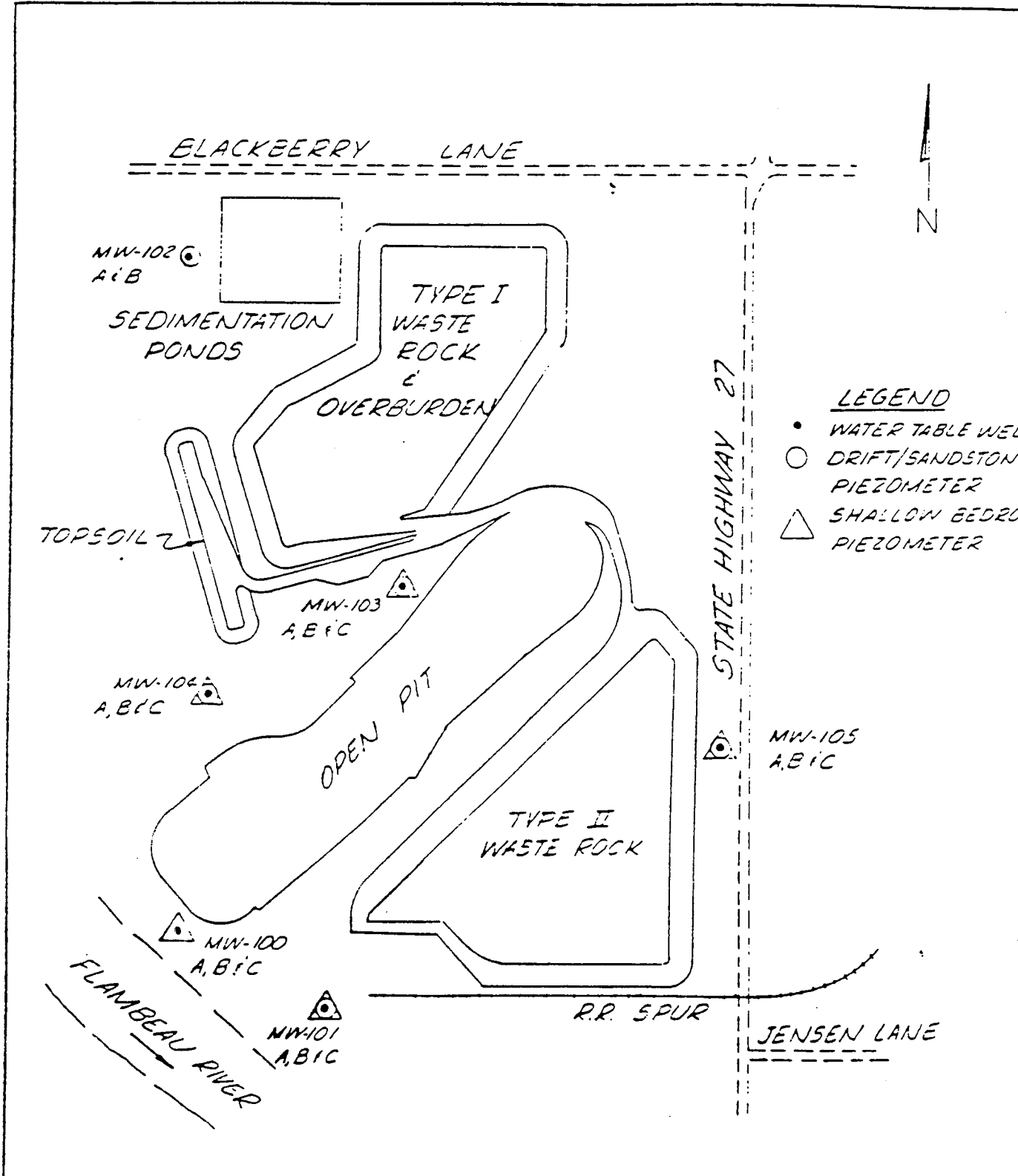
LEGAL DESCRIPTION: All that part of Section 9, Township 34 North, Range 6 West, Rusk County, Wisconsin, lying East of the Flambeau River and South of Blackberry Lane.

LEGAL DESCRIPTION OF THE RAILROAD SPUR

This permit also authorizes construction and operation of an approximately one mile long railroad spur to be located in part of Section 10, Township 34 North, Range 6 West, Rusk County, Wisconsin, lying west of the main line of the Wisconsin Central Railroad Ltd. as generally shown in the scale map of the site plan, Exhibit A.

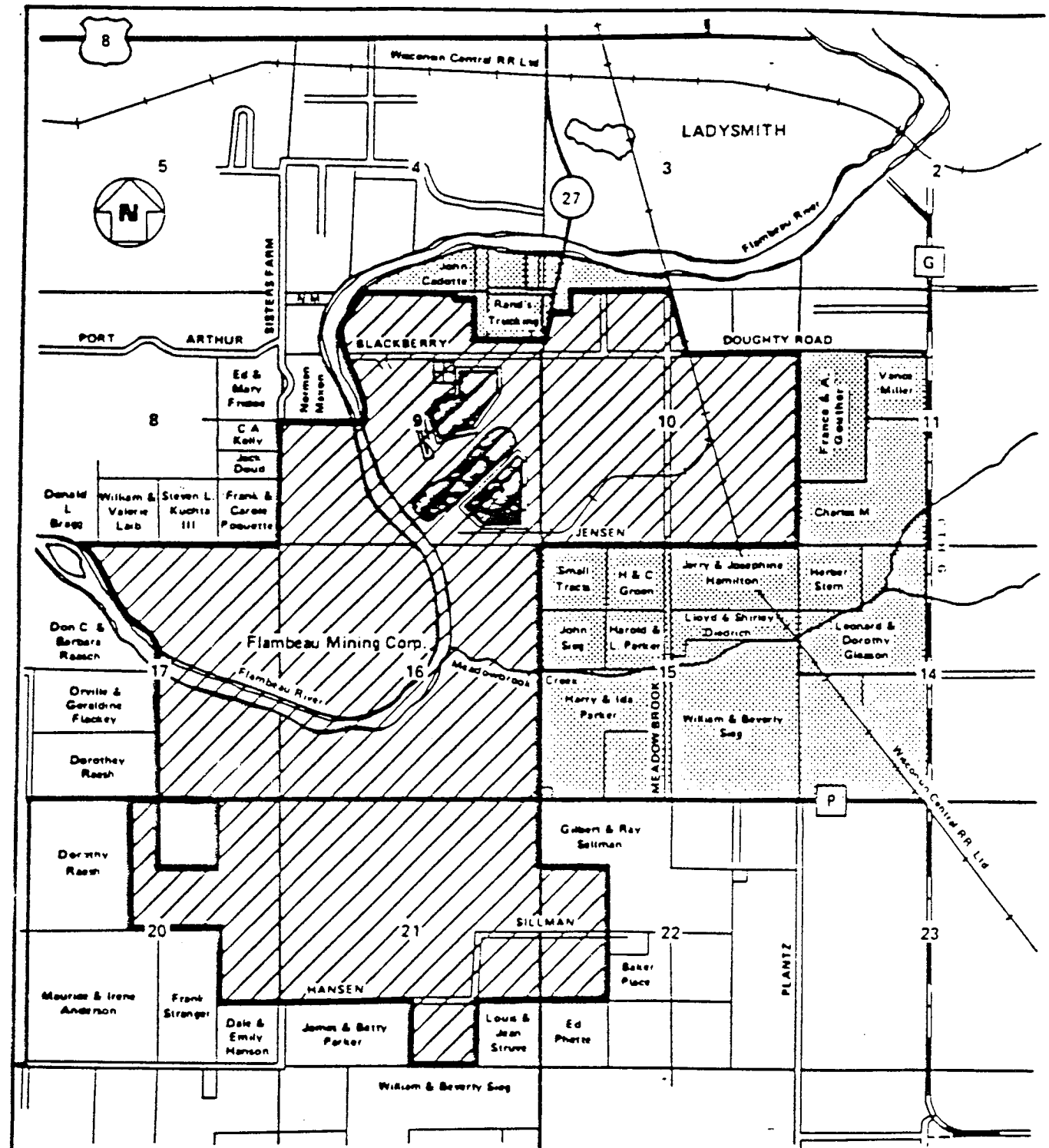
It is understood by the County that until the DNR issues to the permit holder its NR132 permit, the legal description of the railroad spur line will be tentative only. It is possible that the DNR may approve of an alternate right-of-way, in which instance, without the need for further approval from the Zoning Committee, the official County zoning map shall be changed to reflect the relocated railway right-of-way and its zoning district designated under Section (5) of this permit.

Kennecott is the legal and equitable owner of all of the above mentioned land.





KENNECOTT FLAMBEAU PROJECT  
 EXHIBIT C  
 GROUNDWATER  
 MONITORING WELL LOCATIONS  
 SCALE: NONE | DATE: 6-22-82  
 PREPARED BY: FORD, EASON & DAVIS, INC.





**LEGEND**

-  Kennecott Owned Property
-  Areas to be Covered by Property Value Guarantee

**EXHIBIT E  
LOCATION MAP  
PROPERTY VALUE GUARANTEE  
FLAMBEAU MINING COMPANY**

EXHIBIT F

PREMISES USED AS BASIS FOR AGREEMENT

1. Operation of the Mine shall comply with all DNR regulations in NR132 applicable to the Mine site and facilities except as exemptions from such regulations may be procured by Kennecott in accordance with NR132.19.
2. Operator shall take preventative measures to minimize surface water runoff or erosion by finish grading and seeding completed areas of the Mine in accordance with the closing plan made part of this Agreement.
3. The Open Pit shall be not greater than 40 acres, more or less, in size and shall be excavated to a depth of no more than 225 feet, more or less, below the grade existing on the site as of January 1, 1988.
4. The Open Pit Mine shall not be converted to a deep shaft mineral mine.
5. There will be no smelting, concentrating or refining of Ore on the Operator's land or in Rusk County.
6. The area disturbed by the operation in the Active Mine Area will not be expanded by more than 10%.
7. The Active Mine Area shall at all times during the construction, operations and closure phases of the project, be enclosed by the Security Fence, entry through which shall be via secured gates. The gates shall be closed and kept locked by the Operator except during the hours of operation.
8. Operator shall install, maintain and utilize surface water containment systems and a water treatment plant to protect the groundwater and surface water of Rusk County in accordance with DNR specifications.
9. The topsoil, waste rock and overburden removed from the Open Pit shall be stockpiled for use in site restoration during the Mine closure phase.
10. Primary means for transportation of Ore away from the site shall be via railroad and except as otherwise allowed in this Agreement, all transportation of Ore away from the site shall be via railroad.

11. Blasting, crushing and rail shipping operations shall be conducted during daylight hours, Monday through Saturday only.
12. The only non-hazardous wastes to be stored at the Mine are those mine wastes as defined by DNR and generated by the operations, except those materials necessary for operation of the Mine and facilities.
13. No Hazardous Waste, as currently defined by the DNR according to NR180.04(27) shall be accepted, received, stored, or disposed of or transported to the Mine. On-site storage of fuels, lab chemicals and blasting materials will be allowed provided they are contained in secured areas.
14. No less than six groundwater monitoring Well Clusters shall be constructed within the Active Mine Area. These wells are to be tested on at least a quarterly basis during the Baseline Monitoring Program, construction, and operation. Monitoring after closure shall be in accordance with the DNR approved reclamation plan.
15. During the life of the Active Mining operation and during any period of Temporary Closure, the Operator shall continued to collect, pump to its waste water treatment facility, and treat all waters which come into contact with sulfide mineralization which is of such characteristics so as to warrant treatment pursuant to NR132.
16. After issuance of the mining permit by the DNR, but prior to commencing mining a certification to the Participating Local Governments that a bond payable to the DNR in the amount required under NR132 or other appropriate security as required by NR132 has been secured.
17. The Operator agrees to maintain a reclamation bond or other security in accordance with NR132.13-(3) and (4) for thirty (30) years after closure which is 90 days after completion of the backfilling of the Mine unless the Committee receives a copy of the request to be exempted and concurs in writing with the DNR conclusion to grant exemption.
18. Environmental Premises.
  - a. Operator will abide by all applicable federal and state laws, rules and regulations as to control, containment, elimination of or limitation of air, water, ground and noise pollution or contamination.

- b. In accordance with the applicable federal and state laws, rules and regulations, it is the Opreator's intent to (i) protect ground and surface water resources from contamination which may arise in the course of the Mining Operation, that could result from contact by water with sulfide bearing rock formations associated with the mineral ore body to be mined, which protection shall take the form of collecting and treating surface, ground and precipitation water which may potentially be so contaminated before discharging the same onto the surface of the ground, into surface waters or into the ground; (ii) conduct its operations in all three (3) phases of the project in such a manner as to minimize adverse physical impact on land owners in the Town of Grant and City of Ladysmith; (iii) upon completion of mining, restore the site of the open pit, as nearly as possible, to its original grade by re-depositing, in the reverse of the order in which each such layer was removed, the waste rock, overburden and topsoil removed from the pit during the mining process and to re-vegetate the surface of the mine site; (iv) conduct blasting work in such a fashion as to minimize impact upon adjoining properties and improvements situated thereupon; (v) minimize dispersal of dust and/or other pollutants into the air in the course of Mining Operations and transportation of ore from the mine site; and (vi) retain fiscal and general management responsibility for site restoration, reclamation and environmental protection for a period of thirty (30) years next following the actual closure of the Mine.



EXHIBIT G

WAIVERS AND VARIANCES APPROVED BY LOCAL IMPACT COMMITTEE

- NR132.18(1)(c) - The setback from the river will be 140 feet compared to 300 feet specified in the regulations. In addition, variances may also be required with respect to unnamed tributaries A, B and C in the Active Mine Area.
  
- NR132.18(1)(d) - The proposed plan will require the construction of a dike which will partially be in the flood plain. The dike will provide additional protection against flooding of the mine during a 100 year storm.
  
- NR132.18(1)(e) - The setback from the highway will be 150 feet compared to the 1,000 feet specified in the regulations.
  
- NR132.18(1)(f) - A variance may be required with respect to the disturbance of several small wetland areas in the vicinity of the orebody.

APPENDIX C

Conditional Land Use Permit

## CONDITIONAL LAND USE PERMIT

### (1) GENERAL CONDITIONS.

Rusk County, a quasi-municipal corporation, duly organized under the laws of Wisconsin, hereby grants to Kennecott Explorations (Australia), Ltd., a Delaware corporation, the following Conditional Land Use Permit. Said permit is granted pursuant to the powers vested in Rusk County under Secs. 59.025, 59.07, 59.97 and 144.839, Stats., and constitutes an exercise of said county's authority to plan for and zone as to land uses within its corporate limits under the general auspices of its police powers. Said powers have been exercised in accord with Secs. 59.97, 66.30 and 144.839, Stats., and under the Rusk County Comprehensive Zoning Code, adopted April 20, 1971, as amended, from time to time thereafter, to and through the date of this permit. In addition, the Town of Grant, a civil town organized under the laws of Wisconsin, having, through its Town Board, elected to participate in County Comprehensive Zoning on or about June 14, 1982, and having elected to participate in the Local Agreement under Sec. 144.839, Wis. Stats., said Comprehensive Zoning Code and the exercise of County Zoning Powers as to the instant land use which is situated, either as a whole or in part, in the Town of Grant as of the date of issuance of this permit, is deemed to be effective under Wisconsin law.

This permit shall be interpreted and applied as a Conditional Use Permit, in accord with the definition of the term "conditional use" at Secs. 2.1(6) and 7.1 (Preamble) of the Rusk

County Comprehensive Zoning Code (hereinafter "Comprehensive Zoning Code"). As such, the Permit Holder shall strictly conform its activities and land uses to the terms of this permit.

Administration of this permit shall, at all times, be subject to the control of the Rusk County Zoning Committee, or its successor, a standing committee of the Rusk County Board of Supervisors, appointed pursuant to Sec. 59.06, Stats.

In accord with Sec. 59.97(1) and (11), and 144.839, Stats., the purpose of this permit grant shall be to promote the public health, safety and general welfare of the residents of the County, while at the same time allowing to the Permit Holder the right, subject to the limitations expressed herein, to engage in the described land use of property which it owns in Rusk County.

This permit implements a Local Agreement which was duly entered between Rusk County, the Town of Grant, the City of Ladysmith and Kennecott Explorations (Australia), Ltd., on August 1, 1988; and was duly approved of by the Rusk County Board on July 22, 1988, by the Ladysmith City Council on August 1, 1988, and by the Town Board of the Town of Grant on July 25, 1988.

(2) DEFINITIONS.

The following definitions, unless the context dictates otherwise, shall be used in interpreting and applying the provisions of this Conditional Use Permit:

(a) "Active Mine Area" shall refer to that real estate described at page 2 of the Local Agreement, whose legal description is as set forth at Sec. 3. of this permit.

(b) "Comprehensive Zoning Code" shall mean that code of ordinances duly adopted by the Rusk County Board of Supervisors pursuant to Sec. 59.97, Wis. Stats., et al., which generally governs, from a planning and zoning standpoint, the use of lands in unincorporated areas in said county in towns which have ratified said zoning code.

(c) "County" shall mean Rusk County, State of Wisconsin.

(d) "Disturbed Sites" shall mean any site which, during the course of construction, operation or closure shall have had its topography, surface grade and vegetation altered, removed, destroyed or disturbed, each of which site shall be within the Active Mine Area.

(e) "DNR" shall mean the Wisconsin Department of Natural Resources.

(f) "Local Agreement" shall mean that agreement entered into between Rusk County, the City of Ladysmith, the Town of Grant and the Permit Holder pursuant to Sec. 144.839, Wis. Stats.

(g) "Mining Activities" shall mean any and all land use activities engaged in under this permit related to a creation of, taking of ore from, and re-filling of the open pit to be situated on site and appurtenant activities and land uses associated therewith.

(h) "Mining Permit" shall mean the permit procured by the Permit Holder under Ch. NR132 Wis. Adm. Code.

(i) "Operator" shall mean the Permit Holder under this Conditional Use Permit.

(j) "Permit Holder" shall mean the individual or corporation or his or its assignee, transferee or conveyee

operating subject to this Conditional Use Permit.

(k) "Stats." or "Wis. Stats." shall mean the Wisconsin Statutes.

(l) "Type I Wasterock" shall refer to that wasterock generated in the course of mining activities and removed from the open pit which does not contain an incidence of sulfide mineralization requiring storage and treatment in the same manner as Type II Wasterock so as to prevent water contamination. Type I Wasterock shall be backfilled, subject to DNR approval, into the mine during the closure phase.

(m) "Type II Wasterock" shall refer to that wasterock to be generated in the course of the mining activities and removed from the open pit which contains an incidence of sulfide mineralization sufficient to cause a leachate which requires treatment pursuant to DNR regulations. Such wasterock shall be stored in accord with the terms of the Local Agreement and backfilled, subject to DNR approval, into the mine during the closure phase.

(n) "Wis. Adm. Code" shall refer to the Wisconsin Administrative Code.

(o) "Zoning Administrator" shall mean that administrative official or employee of Rusk County, duly designated by the county board to administer its zoning code.

(p) "Zoning Committee" shall mean that standing committee designated by the Rusk County Board of Supervisors, within its realm of delegated authority, to administer the Zoning Code on behalf of the Board of Supervisors.

(3) LEGAL DESCRIPTION OF PROPERTY SUBJECT TO THE INSTANT PERMIT

All that part of Section 9, Township 34 North, Range 6 West, Rusk County, Wisconsin, lying East of the Flambeau River and South of Blackberry Lane.

This permit also authorizes construction and operation of a rail spur, approximately one mile in length, to be located in part of Section 10, Township 34 North, Range 6 West, Rusk County, Wisconsin, lying West of the main line of the Wisconsin Central, Ltd., as generally shown in the scale map of the site plan, Exhibit "A".

It is understood by the County that until the DNR issues to the Permit Holder its NR132 permit, the legal description of the Railway Spur Line as set forth above will be tentative only. It is possible that the DNR may approve of an alternate right-of-way, in which instance without the need for further approval from the Zoning Committee, the official County zoning map shall be changed to reflect the relocated railway right-of-way and its zoning district designation under Section (5) of this permit.

(4) PERMIT HOLDER.

The Permit Holder shall be Kennecott Explorations (Australia), Ltd., a Delaware corporation, or its successor in interest. The Permit Holder agrees and understands that the rights herein afforded to it are assignable or transferable only in accord with Sec. 19 of the Local Agreement. Upon any sale, transfer, lease or assignment of rights by the Permit Holder to a third party relative to the real estate subject hereto or of the transfer of rights or responsibilities relative to the commencement, continuation or closure of any operations maintained on

said real estate in accord with this permit, all rights set forth under this permit shall then and there cease and be deemed unenforceable by the said transferee, assignee or conveyee, unless full compliance with the terms and conditions of Sec. 19 of the Local Agreement is demonstrated. All the terms and conditions of this permit shall be enforced against transferees, assignees or conveyees. The granting of this permit is based upon the underlying assumption that the Permit Holder qualifies to hold a mining permit under Sec. 144.85, Stats., continues to hold a valid mining permit thereafter and that, in the event of a sale, transfer or conveyance of the mine, that the proposed transferee, assignee or conveyee shall be in full compliance with Sec. 144.87(2), Wis. Stats. Should the DNR notify the Zoning Committee of a violation of said statute, it shall constitute cause for potential revocation of or the imposition of additional conditions hereupon in the discretion of the said committee in accord with Sec. (16) of this permit.

(5) ZONING CLASSIFICATION.

In accord with the Comprehensive Zoning Code, the zoning classification for the property described at Sec. (3), above, shall be that of the I-1, Industrial District.

(6) SETBACK REQUIREMENTS.

The following express setback requirements shall apply and pertain to land uses and the erection of structures upon the property described at (1), above.

(a) Subject to Department of Natural Resources of the State of Wisconsin (hereinafter "DNR") approval of variances under



NR132, Wis. Adm. Code, the following specific setbacks shall apply:

1. Highway setbacks from State Highway 27: 150 feet.
2. Setback from the Flambeau River; the minimum shall be as shown for the open pit on the scale map of the Active Mine Area shown in the site plan, Exhibit "A", which is 140 feet from the bank of the river as it existed on June 1, 1988.

In the absence of approval of said variances, the setbacks required under NR132, Wis. Adm. Code, shall be the minimum requirements to be met relative to the specific setbacks set forth above. Additionally, such other setbacks set forth at NR132 or variances therefore approved by the DNR, shall also apply. In addition, the following setback requirements shall be met: Setback from Blackberry Lane 63 feet from the centerline or 30 feet from the right-of-way line, whichever is greater. Minor, readily removable structures, such as open fences or signs may be placed within the setback lines. Public utility equipment without permanent foundations is also permitted. When deemed necessary by the Zoning Committee in conjunction with development, such as highway improvement programs, the Permit Holder and public utilities may be required to remove, at their own expense and without right of compensation, any such structures erected within the setback lines.

(b) In each quadrant of every street or highway intersection, there shall be designated a visual clearance triangle bounded by the street centerlines and a line connecting them 300 feet from any intersection with State Highway 27, and 200 feet

from any intersection with Blackberry Lane. If two (2) highways of a different class intersect, the largest distance shall apply to both centerlines. Within this triangle, no object over 2 1/2 feet in height above the level of the streets shall be allowed if it obstructs the view across the triangle. Posts and open fences are excluded from this prohibition.

(c) Tree trunks shall be exempt from the visual clearance provisions set forth above when they are unbranched to a height of 10 feet and located a minimum of 30 feet apart.

(d) Where different from the setbacks identified at (a), above, as to the Active Mine Area, the setback from adjacent properties set forth at paragraph 4 of the Local Agreement shall control.

(e) With respect to both setbacks and site plan approval, the scale map of the Active Mine Area is incorporated herein by reference.

(f) In the event of any conflict between the setback requirements for purposes of procuring a mining permit, as imposed upon the Permit Holder by the DNR under NR132, Wis. Adm. Code, and those set forth herein, the more strict of said setback requirements shall be enforced, except in situations where the DNR has approved a variance.

(g) It shall be required of the Permit Holder that it shall, at its sole expense, survey, mark and delineate, by the placement of appropriate, permanent markers, each of the setback lines set forth above or incorporated herein by reference, with reference to highways, the Flambeau River and such other natural

or artificial boundaries of the parcel subject to this permit as are required in order to demonstrate compliance with the setback conditions herein established.

(h) The setback requirements herein expressed shall not apply to the Railway Spur Line serving the Active Mine Area.

(i) The setback requirements set forth herein shall not apply to what is commonly referred to as the "old H & H Building," it having been located on the site subject hereto prior to the granting of this permit; provided, however, that said structure is hereby designated as a non-conforming structure. Structural repairs or alterations of it shall not exceed 50 percent of its assessed valuation as of the time it became non-conforming in June, 1982. In the event that use of the structure ceases for one (1) or more years, after ore shipment starts, it shall be considered to be abandoned and all use of it shall be permanently discontinued.

(7) FENCING AND SECURITY PROVISION REQUIREMENTS.

The Permit Holder shall, at all times, from and after commencement of construction of its mine site and appurtenant facilities, provide fencing of the Active Mine Area and/or security measures, consistent with the definition of "security fences" and Section 3(c)(4), Section 5, Sections 6 and 11(f) of the Local Agreement, each of which are incorporated herein by reference. This requirement shall apply solely with respect to the Active Mine Area. The Railway Spur Line need not be fenced outside of that location.

The maintenance of such fencing and security provisions shall be a condition of this permit to be observed at all times

until the end of the reclamation period during the closure phase of operation by the Permit Holder.

(8) TRANSPORTATION RESTRICTIONS; ACCESS RESTRICTIONS.

The following restrictions, incorporated herein by reference from the Local Agreement, shall apply regarding transportation of ore from the Active Mine Area subject to this permit and, additionally, as to the means of access to and from the Active Mine Area.

(a) The primary means of transportation from the Active Mine Area shall be via railway, in accord with paragraph 10 of the Local Agreement.

(b) Emergency means of transportation: Availability of trucks for transportation purposes, to be limited by sections 10 and 11 of the Local Agreement.

(c) Access restrictions. The means of access to the Active Mine Area shall be limited as follows:

1. As set forth at sections 10 and 11 of the Local Agreement.

2. Construction of access driveways, streets or highways:

a. Shall be subject to town road standards as to construction, maintenance and repair.

b. Zoning Code Requirements Applicable. Access roads, streets or driveways constructed from the Active Mine Area to public highways abutting the land subject to this permit shall comply with the following requirements:

Minimum Distance of  
Highway Frontage Between  
Access Roads:

<u>Highway:</u>	
State Highway 27	600 feet
Blackberry Lane	75 feet

The maximum number of access roads, driveways or streets connecting with each public highway abutting the Active Mine Area shall be two (2). This restriction, however, shall not prohibit the construction of an additional driveway from S.T.H. 27 to be used as access to a possible mine overlook for sightseers.

(9) PROHIBITION AS TO SMELTING, REFINING OR PROCESSING OF ORE.

There shall be no smelting, refining or processing of ore extracted from the subject mine, at any location within Rusk County, Wisconsin.

(10) PARKING AVAILABILITY.

As and for each building constructed under this permit, sufficient off-street parking spaces shall be provided for employee, agent and guest automobiles and trucks. Each parking space shall be at least 200 square feet in area. The actual number of spaces required shall be determined on the basis of projected office space and the number of anticipated employees and guests. Said determination shall be reviewed by the Zoning Administrator. In addition, the Permit Holder shall provide a sufficient area or areas within the Active Mine Area for storage of or parking of trucks, graders, earth moving equipment and other vehicles which may be used from time to time on the premises for purposes associated with the mining operation.

(11) LOCATION, HEIGHT, SIZE OF BUILDINGS AND OTHER STRUCTURES.

(a) To be limited to the approved site plan locations; subject, however, to the following understanding: the site plan incorporated herein by reference is preliminary in nature only. So long as both in number, size and location, structures which are ultimately built or constructed in the Active Mine Area do not substantially change the preliminary plan or substantially alter the scope of the project, changes as to structure locations shall be allowed without further approval of the committee. Any monitoring facilities mandated by the DNR are hereby approved and are not subject to these limitations.

(b) This permit shall include authorization to the Permit Holder to erect the following structures, each of which may exceed thirty-five (35) feet in height, but shall not exceed seventy-five (75) feet in height: Crushing facilities, stacker, ambient air monitors, storage piles, radio tower, water treatment facility and other structures as may be agreed upon by the Permit Holder and the County.

(12) INCORPORATION BY REFERENCE OF ALL APPLICABLE STATE AND FEDERAL REGULATIONS AS TO COMPLIANCE THEREWITH, SUBJECT TO EXPRESS VARIANCES, IF GRANTED, BY PERMIT AUTHORITIES.

The use of the Active Mine Area shall, in addition to being subject to the express terms hereof, be subject at all times to the application of all relevant state and federal regulations and strict compliance by the Permit Holder therewith, subject only to the exception of such express variances, if any, which are granted by the enforcement authorities. In the event the Permit Holder seeks a variance from any such regulation, it shall

provide written notice to the Zoning Committee. In turn, the participating local governments could provide comments to or present evidence to the granting authority as to the appropriateness of the variance or variances requested. Variances which have been identified thus far are as follows:

(a) A variance from NR132.18(1)(d), Wis. Adm. Code as to the construction of a dike which would partially exist in the flood plain to provide additional protection against flooding of the mine during a 100-year storm.

(b) A variance from NR132.18(1)(f), Wis. Adm. Code as to the disturbance of several small wetland areas in the vicinity of the ore body.

(c) With reference to (6), above, as to setbacks, those specific variances sought under NR132.18(1)(e), and NR132.18(1)(c), as to setbacks from State Highway 27 and the Flambeau River and unnamed streams A, B and C.

This permit is further subject to strict compliance by the Permit Holder with all permit requirements imposed under NR132 and NR182, Wis. Adm. Code, as deemed to be applicable by the DNR and such other state and federal regulations and statutes governing mining, in general, and environmental controls of the state and federal governments as are incorporated therein by the State of Wisconsin by statute or Administrative Code provision or variances thereto.

(13) MINE WATER TREATMENT PLANT.

A mine water treatment plant, whose purpose shall be to treat ground and surface water and precipitation which comes in contact with sulfide mineralization sufficient to produce a

leachate which does not meet with state discharge standards, during the course of operation subject to this permit, shall be constructed, maintained and operated by the Permit Holder, pursuant to and in accord with DNR regulations and requirements.

(14) BLASTING LIMITATIONS.

The following conditions and limitations shall apply to blasting and the use of explosives:

(a) Explosives shall be stored in strict compliance with all applicable state and federal laws and regulations, including but not limited to ILHR 7.20 to 7.23, Wis. Adm. code.

(b) No explosions shall be detonated except between 8:00 a.m. and 6:00 p.m., or between sunrise and sunset, whenever sunrise is later than or whenever sunset is earlier than the above designated times, Monday thru Saturday only.

(c) No explosions shall be detonated on the surface of the ground at the mine site, surface being described as the elevation of the ground as it existed on January 1, 1988.

(d) All explosions shall be detonated in such a manner as to control noise, particle displacement and ground vibration, and subject, specifically, to strict compliance with ILHR 7.64, Wis. Adm. code.

(e) Seismographic monitoring shall be required to be maintained in accord with ILHR 7.64 (4) (b) 3. and (d) 2., Wis. Adm. Code.

(f) No explosion shall be detonated which will result in a maximum peak particle velocity of the ground motion in any direction in excess of the standards at ILHR 7.64 (b) 1., Wis. Adm.



Code.

(g) In blasting, the Permit Holder shall at all times, comply with all applicable state and federal laws and regulations or variances therefrom.

(h) In accord with ILHR 7.37, Wis. Adm. code, the Permit Holder shall keep accurate records of times and locations of all explosions set off by it in the area covered by the permit as well as of the type and amount of explosive used for each hole, the size of the charge and the delay between charges. Said records shall be furnished to the Zoning Administrator upon request.

(i) For purposes of implementing this Conditional Use Permit, the County hereby adopts by reference all other applicable provisions of ILHR 7, Wis. Adm. code, not expressly set forth herein, to the effect that ILHR 7 shall, in accord with ILHR 7.35 (2), Wis. Adm. Code, constitute a local regulation to be complied with by the Permit Holder. In accord with ILHR 7.35 (3), Wis. Adm. code, the site of the proposed blasting shall be considered to be in a "community", as defined at ILHR 7.04 (10), Wis. Adm. code, for purpose of requiring and implementing the notification provisions therein set forth.

(j) It is the further understanding of the Zoning Committee that the Permit Holder will be using a fertilizer base explosive consisting of ammonium nitrate and fuel -oil and/or dynamite and that use of the term "explosive" or any form thereof in this permit shall refer expressly thereto. Should the Permit Holder, at any time during the life of this permit, seek to change the type of explosives to be utilized, it shall first

advise the Zoning Committee which shall not unreasonably withhold consent if compliance with all criteria of this portion of the permit shall, with such change, still be maintained.

(15) INSPECTION POWERS OF ZONING ADMINISTRATOR.

The County Zoning Administrator (hereinafter "Zoning Administrator") and his or her duly authorized agents shall have inspection powers and authority for the purposes of ascertaining compliance with the terms of this permit, which powers shall include but not be limited to the following:

(a) Access to any and all portions of the subject premises and any structure situated thereupon in order to perform his duties under the Comprehensive Zoning Code and this permit. The Permit Holder hereby consents to said entry between the hours of 8:00 a.m. and 6:00 p.m., Monday through Saturday, with the exception of legal holidays. At all other times prior arrangements shall be made with the Permit Holder by the Zoning Administrator for entry. In the event that the Permit Holder shall refuse a reasonable request for the right of entry, after reasonable notice, for any or no reason whatsoever, excluding reasons related to hazards, and for any or all of the purposes germane to and allowable under Sec. 66.122, Stats., the County and the Zoning Administrator may avail themselves of the right to obtain a special inspection warrant or warrants for inspection purposes.

(16) ENFORCEMENT OF ALLEGED VIOLATIONS.

(a) Included within this general category shall be:

1. Violations of the terms of this permit.
2. Violation of the terms of any state or federal

permit granted with respect to the mine.

3. Violation of any provision of the Comprehensive Zoning Code except that portion thereof designated as the "Rusk County Mineral Mining Code", Sections 6.3 through 6.11 inclusive of the Comprehensive Zoning Code, and any such other provisions of the Comprehensive Zoning Code which are inapplicable under the Local Agreement or are expressly or impliedly waived herein, if any.

4. Public nuisances constituting real and imminent dangers to public health, safety, and welfare created by operations maintained under this permit.

5. The building of, moving or substantial alteration of any structure (excluding removal) in the Active Mine Area which is not in substantial conformity with the approved of preliminary site plan incorporated by reference in this permit. This is subject, however, to the following understanding: The site plan incorporated herein by reference is preliminary in nature only. So long as, in number, size, location and degree of alteration, structures which are ultimately built or constructed during one of the three phases subject to this permit do not substantially change the preliminary plan or substantially alter the scope of the project, changes as to structure locations, construction or alteration shall be allowed without further approval of the committee and, hence, shall not constitute violations of this permit.

6. The use of any portion of the Active Mine Area which is not in substantial conformity with the approved site plan incorporated by reference under this permit.

(b) Remedies in the event of violations: Remedies may include, but not be limited to the following:

1. Temporary and permanent injunctive relief;
2. Damages, if any, sustained by Rusk County;
3. Imposition of a forfeiture in accord with (c), below;
4. Such other and further relief available to the County under Wisconsin law;
5. Revocation of this permit; or
6. The imposition of additional conditions not included in the original permit.
7. Relief with respect to items 1 - 4, above, may be obtained only through Court action.

(c) Forfeitures. Each violation of this permit and of the Comprehensive Zoning Code and of federal or state permits granted with respect to the contemplated mining operation shall be subject to the imposition upon the Permit Holder of a forfeiture in the amount of from \$200.00 to \$1,000.00 for each day that the violation continues, plus reasonable costs of prosecution should the County prevail. The period of time during which forfeitures may be assessable shall commence running with the first day after the end of the compliance period allotted to the Permit Holder pursuant to (d) of this section in the event that the Permit Holder fails to conform its land use activities to the directions of the County. In the event of a default in payment of any such forfeiture as assessed by a Court, unless a stay of payment is provided, the instant Conditional Use Permit shall be subject to termination at the discretion of the Zoning Committee. Each day

a violation continues to exist shall constitute a separate violation. Resort to this remedy shall not be construed as limiting the County from resorting to any other remedies set forth at (b), above.

(d) Notices; Hearings; Right To Cure Performance.

1. Prior to instituting legal action, except as to public nuisances under (a)4., above, which are causing a real and imminent danger to public health, safety and welfare, the Zoning Administrator shall serve a written notice on the Permit Holder's designated representative of the nature of the alleged violations. The Permit Holder shall have 20 days to respond, either acknowledging the existence of the violations and setting forth its proposal to cure the same or expressly denying the allegations. In the event that the Permit Holder fails to respond or if its response is insufficient to cure the alleged violations, the Zoning Committee may authorize pursuit of a remedy or remedies under (b), above. Under no circumstances, however, shall the permit be revoked without the holding of a due process hearing. In the event that the Permit Holder's response to the notice is satisfactory, it shall be given a reasonable period of time by the committee in which to conform its land use activities to the terms of this permit. Should it fail to do so, the County may resort to the remedies at (b) above.

(17) PERMIT COVERAGE.

This permit shall cover the following phases of operation:

- (a) Construction;
- (b) Mine operation;

(c) Mine closure.

Subject to reopening in accord with (29), of this permit, this permit shall be valid for that period of time, commencing with the date of issuance hereof, defined further as that date no later than forty (40) days after ratification of this permit by the Rusk County Board of Supervisors or the date upon which the Town Board of the Town of Grant approves of the herein contained zoning district boundary change, whichever occurs first, in accord with Sec. 59.97 (5) (e) 6., Wis. Stats., and continuing for the duration of the three phases of operation as set forth above for a period not to exceed forty (40) years. The construction phase shall be first and its approximate duration shall be ten (10) months. Then shall follow the mine operation phase during which ore may be extracted and shipped and reclamation may begin and its approximate duration shall be five (5) years. Finally, the mine closure phase shall take place during which all reclamation and site restoration activities shall be completed, and, during which, environmental monitoring shall take place. In accord with the reclamation plan filed with and approved of by the DNR, during and immediately after the mine operation phase, the Permit Holder shall take the necessary steps to refill the open pit to the approximate grade which existed on June 1, 1988. The Permit Holder shall be required to complete its construction, mine operation and open pit refilling and site restoration activities within the first fifteen (15) years after the DNR has granted to it its NR132 permit. Should it be unable to do so, it shall be required to petition the County for an extension. Permission to so extend shall not unreasonably be withheld by the

Zoning Committee. Subsequent to the said fifteen (15) year period, or completion of pit refilling and site restoration, whichever occurs first, environmental monitoring shall continue for the remainder of the permit life or until concluded, whichever occurs first. Unless an extension of the permit life is requested as a permit modification under Sec. (29) of this permit, for mine closure purposes only, all special uses and entitlements under this permit shall cease at the conclusion of environmental monitoring or the passage of forty (40) years, whichever occurs first. Subject to the fifteen (15) and forty (40) year limitations, which shall be enforced, the time periods expressed herein for each phase shall be deemed to be approximations only. Nonetheless, once the shipping of ore during the mine operation phase has been concluded, the Permit Holder shall not be entitled to recommence the extraction and shipping of ore unless and until a renegotiated Local Agreement and modified Conditional Use Permit has been granted. The effective date, as expressed herein, shall be controlled by and subject to the provisions of (32), below.

(18) SIZE AND SCOPE LIMITATIONS.

This permit is conditioned upon the mine remaining within and not exceeding the limitations expressed at paragraphs 3.b. and c. and 24. of the Local Agreement.

(19) LIAISON TO THE COMMITTEE; REPORTS.

(a) The Permit Holder shall designate a qualified representative, familiar with all aspects of the mine, to act as a liaison to the Zoning Committee. His or her function shall be

to respond to requests for information and to advise both the Committee and Zoning Administrator as to the status of the mining operation, from time to time. Said representative shall also be designated by the Permit Holder to receive written notices of alleged violations of this permit under Sec. (16) above.

(b) The Permit Holder shall provide to the Zoning Committee a copy of each report which it generates and provides to the Impact Committee under Section 16 of the Local Agreement.

(20) SITE PLAN.

Incorporated by reference in this permit is the Site Plan, Exhibit "A", of this permit and any monitoring facilities mandated by the DNR which are hereby approved of by the Zoning Committee. If, at any time during the life of this permit, the Permit Holder desires to substantially alter its site plan or erect additional structures beyond those identified on the site plan, incorporated herein by reference, which structures substantially vary in size, scope, height, number or use from those identified on the site plan, it shall first obtain approval of the Committee. In either granting or rejecting such alterations, the Committee shall be guided by Sec. 7.1 of the Comprehensive Zoning Code.

(21) PERMITTED USE.

This Conditional Use Permit grants to the holder the right to engage in mining activities in, upon and under the surface of the Active Mine Area, a special use. This permit also approves of the construction and operation of the Railway Spur, utility lines and access roads to serve the Active Mine Area. No other or further use of the real estate subject to this permit, not



generally allowed as a permitted use under Sec. 14.5(a)(b), of the Comprehensive Zoning Code, shall be allowed.

(22) INAPPLICABILITY OF RUSK COUNTY SHORELAND-WETLAND ZONING PROVISIONS TO ACTIVE MINE AREA.

None of the property affected by this permit is within a shoreland-wetland district under the official Rusk County Shoreland-Wetland Maps as of the date of this permit. The Shoreland-Wetland overlay zoning district is not applicable to the Active Mine Area and land uses contemplated to be made of it under this permit. In accord with Sec. 14.8.3.C.2 of the Comprehensive Zoning Code, this permit shall control use of that portion of the Active Mine Area subject to the Shoreland Overlay Zoning District.

(23) INAPPLICABILITY OF RUSK COUNTY MINERAL MINING CODE.

Pursuant to the Local Agreement, Sections 6.3 through 6.11 inclusive of the Comprehensive Zoning Code, known as the "Rusk County Mineral Mining Code" shall not be applicable to the Permit Holder, nor to its land uses granted by this permit.

(24) REVEGETATION OF ACTIVE MINE AREA.

It shall be a condition of this permit that during the closure phase the Permit Holder shall re-vegetate all disturbed sites in the Active Mine Area. To facilitate such revegetation, the Permit Holder shall, prior to the construction phase, take an inventory of the existing vegetation. In revegetating disturbed sites the Permit Holder shall use said inventory as a guide and shall plant the same or similar grasses, shrubs, trees and other vegetation. Subsequent to said revegetation, the Permit Holder shall remain responsible for and shall insure viability of what

it has planted for a period of 20 years, during which time it shall replant vegetation which fails to take hold and/or which dies.

(25) MODIFICATION OF PERMIT PROCEDURE.

In the event that subsequent to the issuance of this permit the Permit Holder desires modifications of the terms and conditions hereof including, but not limited to structural alterations, expansion of permitted uses or site plan amendments, the Permit Holder shall make an application to the Zoning Committee. In accord with Secs. 7.1 and 7.2(1), (3), (4) and (5) of the Comprehensive Zoning Code, the Zoning Committee shall issue its determination. In making such a decision, it shall not be bound by the Mineral Code, Sec. 6.3 through 6.11 inclusive, because those sections have been deemed inapplicable pursuant to the Local Agreement.

(26) FEES.

A. Upon ratification of this permit by the Rusk County Board of Supervisors, the Permit Holder shall pay a fee of \$5,000.00, which fee shall be non-refundable and the purpose of which shall be to defray the costs of the permit granting process.

B. As a further condition of the permit, the Permit Holder shall make a contribution to Rusk County for the expenses to it of permit compliance monitoring and enforcement by the Zoning Administrator. Said contribution shall be in the amount of \$750 per year. This requirement shall apply for each calendar year of construction and of mine operation. Said payment shall be made

on or before December 31 of each calendar year of construction and of mine operation.

C. Upon application for modification of this permit, the Permit Holder shall pay a non-refundable fee of \$500.00 and, additionally, shall pay all costs associated with the holding of the public hearing(s) and Zoning Committee meetings including, but not limited to per diems, costs of publication, expert witness and/or advisor fees.

D. The Permit Holder shall pay such other fees, charges and costs as are called for in this permit.

(27) PRECIPITATE DISPOSAL.

Precipitate, defined as any solid generated in the course of waste water treatment under Sec. (13) of this permit and further defined as the residue remaining after ground and surface water and precipitation which have come in contact with sulfide mineralization have been treated in accord with state water discharge standards, shall be disposed of as follows: The Operator shall store said precipitate in such a manner as to comply with Sec. (17) of the Local Agreement and shall, during or prior to the closure phase under this permit, re-deposit the said precipitate in the open pit, in conjunction with that portion of the Type II wasterock which has the highest incidence of sulfide mineralization, at the bottom of the said open pit, provided this method is approved of by the DNR.

(28) RAIL CAR AND TRUCK; ACCESS ROADS--DUST CONTROL.

The Permit Holder shall use appropriate means, consistent with Wisconsin law and regulations, to control dust from ore being transported by rail car or truck or from the passage of

trucks over unpaved access roads.

(29) REOPENING OF PERMIT.

In the event that the Permit Holder desires to reopen and extend the life of this permit, it shall make application for the same to the Zoning Committee, in writing, at least two (2) years prior to the end of the term hereof. Reopening may be granted by the Committee solely for reasons related to site reclamation. In the event that the Permit Holder desires to expand or extend the project scope, whether during or after the mine operation phase, it shall be required to apply for a new permit in accord with Secs. 7.1 and 7.2(1), (3), (4) and (5), of the Comprehensive Zoning Code, or their successors.

(30) CLOSURE PHASE: MINE SITE RECLAMATION RESPONSIBILITY OF PERMIT HOLDER.

The Permit Holder shall remain financially responsible and shall, as such, maintain its reclamation bond or other security pursuant to NR132, Wis. Adm. Code covering the mine in question for a period of not less than thirty (30) years commencing 90 days next following the date and year of actual mine closure, unless the committee receives a copy of a request to be exempted and concurs in writing with the DNR conclusion to grant said exemption, such concurrence shall not be unreasonably withheld.

(31) SCREENING OF ACTIVE MINE AREA.

To the extent possible, consistent with the Permit Holder's use and erection of structures within and surrounding the Active Mine Area and the setback requirements herein set forth, in order to minimize traffic hazards along and upon S.T.H. 27, as it passes to the east of the Active Mine Area, caused by travelers

upon said highway who wish to observe the Active Mine Area and, additionally, as an aesthetic component, the Permit Holder shall make reasonable efforts to retain the trees growing on its property adjacent to the west line of S.T.H. 27.

(32) AUTHORIZATION FOR CONDITIONAL LAND USE PERMIT.

The granting of this Conditional Land Use Permit to the Permit Holder by Rusk County, is authorized pursuant to Secs. 59.97 and 144.839, Wis. Stats., adopted in Act 399, Laws of 1987-88. It shall not be deemed to be effective, nor shall the Permit Holder consider it as conferring upon it any rights, entitlements or privileges until a public hearing has been held by each participating local government, as defined in the agreement incorporating this permit by reference, nor until each said unit of local government shall have, in open session, ratified entry into said Local agreement, nor until Rusk County, through its Board of Supervisors shall have ratified, in its capacity as the zoning authority, the granting of this permit. Only upon the occurrence of the last of these events shall this permit be deemed to be effective.

(33) ADOPTION OF THE INSTANT PERMIT BY THE CITY OF LADYSMITH.

In the event that, in accord with the agreement incorporating this permit by reference, the Permit Holder annexes a portion of the property described at (1), above, to the City of Ladysmith, the said City hereby agrees, pursuant to the power vested in it at Secs. 62.23 (7) and 144.839, Wis. Stats., to adopt and implement the terms and conditions of this permit as its zoning regulation of the Permit Holder's mine.

(34) AMENDMENT OF TERMS AND CONDITIONS IMPOSED UNDER THIS PERMIT.

In the event that, during the period of time covered by this permit, the Permit Holder shall apply for variances from applicable federal or state laws or regulations, other than those identified at Sec. (12) above, which variances act to substantially change or have the potential to substantially change the nature of or scope or extent of the mining operations to take place in the Active Mine Area subject hereto, such as the development of a shaft underground mine or the installation of more or larger equipment so as to increase the yearly ore shipping rate in excess of 125 percent of the level expressed in Sec. 3.c. (10) of the Local Agreement or expanding beyond the limits of Sec. 24.b. of the Local Agreement, or in the event that cause exists, for either the Permit Holder or Rusk County to renegotiate all or a specific provision or provisions of this Local Agreement, in accord with Sec. 24 a., thereof, Rusk County reserves the right, in deference to the interest of the public health, safety and welfare and its authority at Sec. 59.97, Wis. Stats., to modify or impose additional or different conditions upon the Permit Holder's special use activity--mining. The process of considering and establishing or rejecting such additional or different conditions shall be governed by Sec. 7.1 and 7.2(1), (3), (4) and (5) of the Comprehensive Zoning Code or their successors.

(35) BACK FILLING OF OPEN PIT.

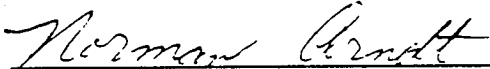
Upon the conclusion of its mining under this permit and under the Operator's NR132 permit, the Operator shall, in accord

with and subject to applicable provisions of NR132 and NR182, back fill the open pit created in the course of its mining operations. The present plan, subject to DNR approval, is that it shall use the soil, overburden wasterock and precipitate generated from wastewater treatment in the back filling of the mine and shall deposit in the layer furthest below the grade level of the land that wasterock with the highest incidence of sulfide mineralization as well as the precipitate. It shall also, if acceptable to the DNR, and subject to engineering specifications approved of by the DNR, place at an appropriate level below the soil and overburden, a layer composed of a clay-like, possibly saprolitic rock formation, referred to otherwise as "ML material", to help assure that the permeability of the Type II Wasterock filled below the Type I Wasterock will be less than the permeability of the Type I Wasterock and earth fill at the top of the pit.

This Conditional Use Permit is hereby granted to the Permit Holder under authority vested in the Rusk County Board of Supervisors.

Rusk County,  
A QuasiMunicipal Corporation of  
The State of Wisconsin.

BY:

  
\_\_\_\_\_  
Norman Arndt  
Zoning Administrator





APPENDIX D

Conditional Land Use Permit Certificate

RUSK COUNTY ZONING ADMINISTRATOR  
COURTHOUSE  
LADYSMITH, WISCONSIN 54848  
TELEPHONE 532-2156

Permit No. 34  
Date Issued 8-1-88

# THIS CERTIFIES THAT A LAND USE PERMIT

Has been issued to Kenecott Coal Explorations (Australia) LTD.  
for Development of the Kenecott Flambeau Mine in \_\_\_\_\_  
(Type and use of building) \_\_\_\_\_ (Metes and bounds or Lot, block and subdivision)  
As described in (3) of the Conditional Land Use Permit  
in \_\_\_\_\_ 1/4 of Section 9 in Township 34N Range 6W  
on Highway "27" Highway \_\_\_\_\_ County \_\_\_\_\_  
Town of Shant Norman Arnt  
(Zoning Administrator)

## Post on Premises in Plain View

*This permit also authorizes construction and operation of a rail spur, approximately five miles in length, to be located in part of section 19, township 34 north, Range 6 west, Twp 34 (3) Conditional Use Permit*