

2008 POLICY FACT SHEET

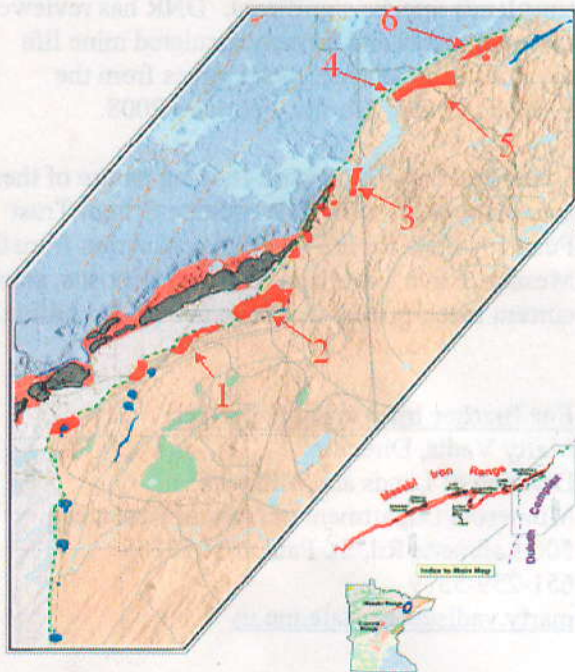
Potential School Trust Royalty Income from Identified Mineral Deposits in the Duluth Complex

POTENTIAL SCHOOL TRUST ROYALTY INCOME

Although the future of non-ferrous metallic mineral mining in Minnesota is uncertain, the potential for generating significant royalty income for the Permanent School Trust Fund is apparent. Three mineral deposits on school lands in the Duluth Complex contain inferred resources that could generate royalties of \$1.4 billion at today's metal prices if permitted and mined over a period of 20 to 25 years.

MINNESOTA DULUTH COMPLEX

Mineral exploration companies are currently focusing on copper, nickel and platinum group elements (PGEs) at six deposits within the Duluth Complex, a 1.1 billion year old intrusive body.



From southwest to northeast, the deposits include:

1. NorthMet - PolyMet Mining Corp.
2. Mesaba - Teck Cominco Metals Ltd.
3. Birch Lake - Franconia Minerals Corp.
4. Maturi - Franconia Minerals Corp.
5. Nokomis - Duluth Metals Ltd.
6. Spruce Road - Franconia Minerals Corp.

Exploration History

Copper-nickel deposits were discovered in the Duluth Complex in the 1940s. In 1980s, the Division of Minerals began sampling and assaying existing drill core for PGEs. In the course of the work, geologists identified a zone of PGEs. The division's work coupled with industry interest in PGE for catalytic converters triggered interest in PGE exploration in the state at that time. However, because the PGEs were associated with copper and nickel in polymetal deposits, and the only available commercial processing technology at that time involved smelting, interest in Minnesota PGEs waned due to environmental concerns associated with smelting.

Advances in Hydrometallurgical Processes

In the mid-1990s, as hydrometallurgical processes advanced and replaced smelters, exploration interest heightened in the Duluth Complex again. Teck Cominco Metals Ltd. developed proprietary hydrometallurgical processes for the refining of both copper and nickel concentrates to their respective metals. Concurrently, a second proprietary process, PlatSol, which extracts both the base and precious metals, has been developed; PolyMet is planning to utilize this process in conjunction with their development of the NorthMet deposit.

World Demand for Raw Materials

Most significant in generating interest in the Duluth Complex is the recent, dramatic growth in world demand for metals -- spurred mostly by growth in Asia and emerging markets. Prices of almost all mineral commodities are at record highs and demand remains strong.

ADVANCED Cu-Ni-PGE PROJECTS ON SCHOOL TRUST FUND LANDS

Five companies hold 121 state mineral leases, encompassing 33,000 acres, in the Duluth Complex. About 44% of the acreage covered by state leases is School Trust land. The following three Cu-Ni-PGE deposits include eighteen state leases, which have significant School Trust land and mineral ownership.

Duluth Metals Limited - Nokomis Project

Duluth Metals is planning an underground mine with a production rate of 7.0 million metric tonnes per year. The company's estimate of inferred resources is 172 million tonnes over 25 years at a crude ore grade of 0.70% Cu, 0.22% Ni, 0.01% Co, 0.10 ppm Au, 0.42 ppm Pd and 0.19 ppm Pt.

Franconia Minerals Corporation - Birch Lake

Franconia plans to develop the Birch Lake deposit in conjunction with the Maturi deposit. Franconia is planning an underground mine with a production rate on the order of 3.5 million metric tonnes per year. Franconia's preliminary estimate of inferred resources is 88.5 million tonnes over 25 years at a crude ore grade of 0.56% Cu, 0.18% Ni, 0.08% Co, 0.14 ppm Au, 0.63 ppm Pd and 0.31 ppm Pt.

Teck Cominco Metals, Ltd. - Mesaba Project

Teck-Cominco holds leases on the Mesaba deposit, the largest in the Duluth Complex. Teck Cominco's inferred resources include 1.14 billion tonnes with 0.404% Cu, and 0.089% Ni plus a small amount of Au and PGE. The estimate encompasses mining 858.4 million tonnes over 30 years.

Exploration continues on these deposits and their size is increasing.

Other Exploration

These eighteen leases, and the remaining 103 state leases, are currently generating rental income for the Permanent School Trust Fund. Exploration may also lead to additional deposits identified.

Company	Leases	Acres
Duluth Metals	32	9,189
Encampment Minerals	56	14,436
Kennecott Exploration	12	1,440
Lehmann Exploration	3	743
Total	103	18,608

SCHOOL TRUST ROYALTY

Using resource calculations of the three deposits, the DNR estimates royalties generated from school trust lands may be significant. DNR has reviewed these estimates and further calculated mine life royalties using current metal prices from the *American Metal Market*, February 2008.

Understanding the forward-looking nature of these estimates, the future value of State School Trust Fund royalties for life-of-mine production from the Mesaba, Birch Lake, and Nokomis deposits, using current metal prices, would be about \$1.4 billion.

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