

AMENDMENT OF ASSIGNMENT, ASSUMPTION
AND FURTHER ASSIGNMENT OF PETERS LEASE

This AMENDMENT OF ASSIGNMENT, ASSUMPTION AND FURTHER ASSIGNMENT OF PETERS LEASE is made as of the 17th day of August, 1989 among THE TRUSTEES OF MESABI TRUST, a trust created under the Agreement of Trust referred to below ("Mesabi Trust"), Bruce D. Scherling, Esq., as Trustee-in-Bankruptcy (the "Trustee") for the estate of RESERVE MINING COMPANY, a Minnesota general partnership ("Reserve") under the U.S. Bankruptcy Code (11 U.S.C. §101 *et seq.*) (the "Bankruptcy Code"), and CYPRUS NORTHSHORE MINING CORPORATION, a Delaware corporation ("Cyprus").

W I T N E S S E T H :

WHEREAS, by instrument of Lease made October 1, 1917, as of April 30, 1915, and recorded October 24, 1939, in Book 690 of Deeds, page 411, in the Office of the Register of Deeds for St. Louis County, Minnesota (the "Original Lease"), East Mesabi Iron Company and Dunka River Iron Company, both Minnesota corporations, as Lessors, leased certain lands situated in St. Louis County, Minnesota to Claude W. Peters, as Lessee; and

WHEREAS, the Original Lease was modified and amended by a certain Indenture dated February 3, 1921, and recorded on September 22, 1922 in Book 492 of Deeds, page 194, in the Office of the Register of Deeds for St. Louis County, Minnesota (the "First Modification"); and

WHEREAS, the Original Lease as theretofore modified was further modified and amended by a certain Indenture dated July 17, 1939, and recorded on October 24, 1939 in Book 690 of Deeds, page 447, in the Office of the Register of Deeds for St. Louis County, Minnesota (the "Second Modification"); and

WHEREAS, the Original Lease as theretofore modified was further modified and amended by a certain Indenture dated July 31, 1951, and recorded on August 8, 1951 in Book 889 of Deeds, page 237, in the Office of the Register of Deeds for St. Louis County, Minnesota (the "Third Modification"); and

WHEREAS, said Claude W. Peters, as Lessee, assigned all of his right, title and interest in and to the Original Lease and the leasehold estate created thereby to Mesabi Iron Company, a Delaware corporation, by instrument dated as of December 19, 1919, and recorded October 24, 1939, in Book 690 of Deeds, page 427, in the Office of the Register of Deeds for St. Louis County, Minnesota; and

WHEREAS, Mesabi Iron Company, as successor Lessee and Assignor, assigned all of its right, title and interest in and to the Original Lease, as modified by the First Modification and the Second Modification, and the leasehold estate created thereby to Reserve Mining Company, a Minnesota corporation ("Reserve Corporation"), by Assignment of Lease dated July 25, 1939, and recorded on October 24, 1939 in Book 690 of Deeds, page 453, in the Office of the Register of Deeds for St. Louis County, Minnesota (the "Original Assignment"); and

WHEREAS, the Original Assignment was modified and amended by a certain Amendment of Assignment of Peters Lease dated April 27, 1960, and recorded on April 28, 1960

in Book 1056 of Deeds, page 311, in the Office of the Register of Deeds for St. Louis County, Minnesota (the “First Amendment; the Original Assignment as modified by the First Amendment being hereinafter referred to as the “Assignment”); and

WHEREAS, pursuant to an Agreement of Trust (the “Agreement of Trust”) dated as of July 18, 1961 by and between Mesabi Iron Company and Bankers Trust Company, Arnold Hoffman, Arthur G. Logan, Gilbert M. Haas and Earl Knudsen, as Trustees, Mesabi Trust succeeded to all of the right, title and interest of Mesabi Iron Company, as Assignor under the Assignment; and

WHEREAS, the Original Lease as theretofore modified was further modified and amended by a certain Modification of Lease and Consent to Assignment dated as of October 22, 1982, counterpart originals of which were recorded on December 31, 1982 as Document Nos. 354011 through 354015, inclusive, and 354076 through 354078, inclusive, in the Office of the Register of Deeds for St. Louis County, Minnesota (the “Fourth Modification”) (the Original Lease as modified by the First Modification, the Second Modification, the Third Modification and the Fourth Modification being hereinafter called the “Peters Lease”); and

WHEREAS, Reserve Corporation assigned all of its right, title and interest in and to the Peters Lease to First Taconite Company and Republic-Reserve, Inc., both Minnesota corporations (collectively, the “Reserve Partners”) by instrument dated December 21, 1982 and recorded on December 31, 1982 as Document No. 354079 in the Office of the Register of Deeds for St. Louis County, Minnesota; and

WHEREAS, the Reserve Partners assigned all of their right, title and interest in and to the Peters Lease to Reserve, the present owner of the lessee’s interest therein, by instrument dated December 22, 1982 and recorded on December 31, 1982 as Document No. 354080 in the Office of the Register of Deeds for St. Louis county, Minnesota; and

WHEREAS, on August 7, 1986, Reserve filed a petition in the United States Bankruptcy Court for the Southern District of New York under Chapter 11 of the Bankruptcy Code and, on August 13, 1986, Bruce D. Scherling, Esq., was appointed trustee-in-bankruptcy for the estate of Reserve; and

WHEREAS, the Trustee and Cyprus have entered into a Purchase Agreement dated as of April 21, 1989 pursuant to which the Trustee has agreed, upon the assumption by the Trustee of certain leases, licenses and permits under Sections 365(a) and (f) of the Bankruptcy Code and the satisfaction or waiver of certain other conditions precedent, to sell to Cyprus and Cyprus has agreed to purchase from the Trustee substantially all of the assets of Reserve pursuant to Section 363 of the Bankruptcy Code; and

WHEREAS, the parties hereto wish to provide for (i) the modification by the Trustee and Mesabi Trust of certain of the terms of the Assignment, (ii) the assumption by the Trustee of the Assignment, as so modified, and the Peters Lease pursuant to Section 365(a) of the Bankruptcy Code and (iii) the sale, assignment and transfer by the Trustee to Cyprus of all of the right, title and interest of the Trustee and the estate of Reserve in and to the Peters Lease and the Assignment, as so modified, and the assumption by Cyprus of all of the obligations of the lessee

and assignee, as applicable, arising after the date of this Agreement under the Peters Lease and the Assignment, as so modified, all pursuant to Sections 363 and 365(f)(2) of the Bankruptcy Code;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and the consideration hereinafter set forth to be paid by Cyprus, the parties hereto covenant and agree as follows:

1. Amendment of the Assignment. Subject to (i) the assumption by the Trustee pursuant to paragraph 2 below of the Peters Lease and the Assignment, as modified by the terms of this Agreement, and (ii) the sale, assignment and transfer by the Trustee to Cyprus of all of the right, title and interest of the Trustee and the estate of Reserve in and to the Peters Lease and the Assignment, as so modified, and the assumption by Cyprus of all of the obligations of the lessee and assignee, as applicable, arising after the date of this Agreement under the Peters Lease and the Assignment, as so modified, all pursuant to paragraph 3 below, the Assignment is hereby amended as follows:

(a) by deleting in its entirety the unnumbered paragraph thereof which begins with the phrase “The Company further agrees that in the event it should desire to terminate the said Peters Lease pursuant to Article THIRD thereof . . .” and substituting for such paragraph the following:

“The Company further agrees that:

(i) in the event the Company should desire to terminate the said Peters Lease pursuant to Article THIRD thereof or otherwise terminate or surrender the leasehold estate created thereby, it shall, before giving any written notice of termination to said lessors pursuant to said Article THIRD or otherwise taking steps to effect the termination or surrender of said leasehold estate, give to Mesabi not less than six month’s prior written notice of its intention to do so and, if Mesabi so requests in writing delivered to the Company not more than 150 calendar days following the receipt by Mesabi of such notice from the Company, reassign said Peters Lease, the Cloquet Lease (as hereinafter defined) and the Mesabi Lease (as hereinafter defined) (collectively, the ‘Leases’), and the leasehold estates created thereby, to Mesabi free and clear of all liens and encumbrances created or permitted to be created by the Company on said leasehold estates, except public highways, and reassign all timber rights granted hereunder and thereunder, upon the expiration of such six-month period or at such earlier time as may be specified by Mesabi in such request, in consideration only of the assumption by Mesabi of the Company’s future obligations as lessee under the Leases; and

(ii) in the event the Company should default in its performance of the terms and provisions of the Peters Lease it will promptly, but in no event more than ten calendar days after receiving written notice of such default from the lessors under the Peters Lease, give Mesabi written notice of such default setting forth the relevant details of such default and the action the Company has taken and proposes to take with respect thereto and, if Mesabi so requests in writing delivered to the Company not more than 30

calendar days following the receipt by Mesabi of such notice from the Company, and unless the Company shall have previously cured such default or said lessors shall have agreed not to terminate the Peters Lease on account of such default, reassign the Leases, and the leasehold estates created thereby, to Mesabi free and clear of all liens and encumbrances created or permitted to be created by the Company on said leasehold estates, except public highways, and reassign all timber rights granted hereunder and thereunder at such time, on or after the 50th day following receipt by the Company of such notice of default from said lessors, as may be specified by Mesabi in such request (but in any event prior to the termination of the Peters Lease), in consideration only of the assumption by Mesabi of the Company's future obligations as lessee under the Leases; provided that in the event that any such default arises from a failure by the Company to make any payment of rents, royalties, taxes or other amounts as and when required under the Peters Lease, Mesabi shall be entitled to make such payments for and on behalf of the Company thereunder and the obligation of the Company to reassign the Leases and the leasehold estates created thereby, and all timber rights granted hereunder and thereunder, in accordance with the foregoing shall continue notwithstanding that such payments by Mesabi may constitute a cure of such default; and

(iii) upon the effectiveness of any such reassignment pursuant to (i) or (ii) above, the Company shall have no further obligations under the Leases, except that the Company shall remain liable for the payment of all amounts due and payable hereunder and under the Leases up to the date of any such reassignment (and shall reimburse Mesabi upon demand for any and all payments of such amounts made by Mesabi); and

(iv) in the event the Company shall fail to reassign the Leases and timber rights to Mesabi as aforesaid, then Mesabi shall have the right to enter into and upon the leased premises and to have and possess the same again as of its first and former estate therein and to exclude therefrom the Company and all persons claiming any interest by, through or under the Company in said leasehold estates. In connection with any such reassignment, the Company shall deliver to or at the direction of Mesabi such instruments of assignment and other documents and agreements as Mesabi may reasonably require.”

(b) by deleting numbered paragraphs 1 through 18, inclusive, and substituting therefor the following:

“1. The Company will pay to Mesabi, at the times and in the manner hereinafter provided, Advance Royalties, Base Overriding Royalties and Royalty Bonuses as hereinafter set forth on shipments of quarry stone and iron ore products (including, without limitation, pellets and concentrates) produced after July 1, 1989 from the following lands:

- (a) lands leased under the Peters Lease (the ‘Peters Lands’);
- (b) lands (the ‘Cloquet Lands’) leased under the Indenture made May 1, 1916, by and between Cloquet Lumber Company, as Lessor, and Claude W. Peters, as Lessee, and recorded in Book 690 of Deeds, page 529 in the Office of the Register of Deeds for St. Louis County, Minnesota, as modified and amended by instruments

dated January 25, 1939 and January 2, 1946, and as assigned by said Claude W. Peters to Mesabi Iron Company, a Delaware corporation, by said Mesabi Iron Company to Reserve Mining Company, a Minnesota corporation ('Reserve Corporation'), by said Reserve Corporation to First Taconite Company and Republic-Reserve, Inc., both Minnesota corporations (collectively, the 'Reserve Partners'), by said Reserve Partners to Reserve Mining Company, a Minnesota general partnership ('Reserve Partnership'), and by Bruce D. Scherling, as Trustee-in-Bankruptcy for the Estate of Reserve Partnership (the 'Reserve Trustee'), to Cyprus RMA Corporation, a Delaware corporation ('Cyprus'), respectively, by instruments dated December 19, 1919, July 25, 1939, December 21, 1982, December 22, 1982 and August 17, 1989 (the 'Cloquet Lease'); and

- (c) lands (the 'Mesabi Fee Lands' and together with the Peters Lands and the Cloquet Lands, the 'Mesabi Lands') leased under the Indenture of Lease dated July 25, 1939 by and between Mesabi Iron Company and Reserve Corporation, recorded in Book 690 of Deeds, page 465, in the Office of the Register of Deeds for St. Louis County, Minnesota, as modified and amended by instruments dated April 27, 1960 and as assigned by Reserve Corporation to the Reserve Partners, by the Reserve Partners to Reserve Partnership, and by the Reserve Trustee to Cyprus, respectively, by instruments dated December 21, 1982, December 22, 1982 and August 17, 1989.

"2. As used herein, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

'Adjusted Threshold Price' means, for each calendar quarter in any calendar year, the greater of (i) \$30 and (ii) the product of (A) \$30 multiplied by (B) a fraction the numerator of which is the Current Inflation Factor for such calendar year and the denominator of which is the Base Inflation Factor.

'Base Inflation Factor' means the Gross National Product Implicit Price Deflator for the fourth quarter of 1988, as first published by the U.S. Department of Commerce, Bureau of Economic Analysis (i.e., 123.8) or, if the Gross National Product Implicit Price Deflator is no longer published or ceases to be a generally recognized measure of inflation and deflation, such other index as the Company and Mesabi, acting reasonably, shall deem acceptable for purposes hereof.

'Current Inflation Factor' means, for any calendar year, the Gross National Product Implicit Price Deflator for the fourth quarter of the preceding calendar year as first published by the U.S. Department of Commerce, Bureau of Economic Analysis or, if the Gross National Product Implicit Price Deflator is no longer published or ceases to be a generally recognized measure of inflation and deflation, such other index as the Company and Mesabi, acting reasonably, shall deem acceptable for purposes hereof.

‘Gross Proceeds’ means, for any calendar quarter, the sum of (i) actual gross sales proceeds of all Quarry Stone or Subject Ore, as the case may be, shipped from Silver Bay, Minnesota during such calendar quarter in arm’s length transactions with buyers unaffiliated with the Company (whether or not such proceeds or any portion thereof are received during such period) plus (ii) the sales proceeds attributable to other sales or shipments, or to the Company’s use, of Quarry Stone or Subject Ore pursuant to paragraphs 7 and 11 below.

‘Iron Ore’ means all ore mined for its recoverable iron content, whether sold in natural state or after concentration and, if after concentration, whether or not agglomerated.

‘Mesabi Ore’ means Iron Ore from Mesabi Lands.

‘Other Ore’ means Iron Ore other than from Mesabi Lands.

‘Quarry Stone’ means what is commonly referred to as quarry stone, and includes all unbeneficiated bulk material (including, without limitation, iron formation not used as Iron Ore) extracted from Mesabi Lands or shipped from Silver Bay, Minnesota.

‘Quarry Stone Royalty’ means, for any calendar quarter, an amount expressed in U.S. Dollars equal to the product of (a) the Gross Proceeds of all Quarry Stone shipped from Silver Bay, Minnesota during such calendar quarter, multiplied by (b) the Applicable Royalty Factor, where ‘Applicable Royalty Factor’ means, for any quantity of Quarry Stone shipped from Silver Bay, Minnesota in any calendar quarter in a given calendar year, a percentage determined by reference to the aggregate number of tons of Quarry Stone previously shipped from Silver Bay, Minnesota during such calendar year, as follows:

<u>Millions of tons of Quarry Stone shipped in calendar year</u>	<u>Percentage</u>
one or less	2-1/2%
more than one but not more than two	3-1/2%
more than two but not more than three	5%
more than three but not more than four	5-1/2%
more than four	6%

For example, assuming:

- (1) no shipments of Quarry Stone are made during the first quarter of 1990;

(2) Quarry Stone is shipped from Silver Bay, Minnesota in the second and third quarters of 1990 in the following quantities, and the Gross Proceeds of such shipments are in the following amounts:

	<u>Tonnage</u>	<u>Gross Proceeds</u>
2nd Quarter:	500,000	\$ 4,000,000
3rd Quarter:	500,000	\$ 4,000,000
	1,000,000	\$ 7,000,000
	1,000,000	\$ 6,000,000
	1,000,000	\$ 5,000,000
	1,500,000	\$ 7,500,000

then the Quarry Stone Royalties payable in respect of the second and third calendar quarters of 1990 would be as follows:

2nd Quarter:	\$ 4,000,000	x 2-1/2%	(\$ 100,000)
3rd Quarter:	\$ 4,000,000	x 2-1/2%	(\$ 100,000)
	\$ 7,000,000	x 3-1/2%	(\$ 245,000)
	\$ 6,000,000	x 5%	(\$ 300,000)
	\$ 5,000,000	x 5-1/2%	(\$ 275,000)
	\$ 7,500,000	x 6%	(\$ 450,000)

and the Applicable Royalty Factor for all Quarry Stone shipped in the fourth quarter of 1990 would be 6%.

'Subject Ore' means all Mesabi Ore and, for purposes of making determinations hereunder in respect of any calendar quarter of any year in which Other Ore is shipped from Silver Bay, Minnesota, the greater of (i) the aggregate quantity of Mesabi Ore shipped from Silver Bay, Minnesota during such calendar quarter and (ii) a portion of the aggregate quantity of Mesabi Ore and Other Ore shipped from Silver Bay, Minnesota during such calendar quarter, determined by reference to the aggregate quantity of Mesabi Ore and Other Ore shipped from Silver Bay, Minnesota in such calendar year as follows:

90% of the first four million tons shipped during such year;

85% of the next two million tons shipped during such year; and

25% of all tonnage shipped during such year in excess of six million tons;

with adjustments made, as necessary, to the calculation of the quantity of Subject Ore shipped in the fourth quarter of each year to account for the additional tonnage of Other Ore shipped from Silver Bay, Minnesota which would otherwise be deemed (or fail to be deemed) to constitute Subject Ore as a result of the application in accordance with the foregoing of an annualized formula on a quarterly basis.

For example, assuming shipments from Silver Bay, Minnesota in any calendar year are of the types (as between Mesabi Ore and Other Ore) and quantities indicated below:

	<u>Mesabi Ore</u>	<u>Other Ore</u>
1st Quarter:	0 tons	0 tons
2nd Quarter:	500,000 tons	1,000,000 tons
3rd Quarter:	2,000,000 tons	0 tons
4th Quarter:	1,000,000 tons	2,000,000 tons

for a total of 6,500,000 tons, then the quantities of Subject Ore shipped during such calendar year would be as follows:

1st Quarter:	0 tons	
2nd Quarter:	90% of 1,500,000 tons,	or 1,350,000 tons
3rd Quarter:	100% of 2,000,000 tons,	or 2,000,000 tons
4th Quarter:	90% of 500,000 tons,	plus
	85% of 2,000,000 tons,	plus
	25% of 500,000 tons,	or 2,275,000 tons,

for a total of 5,625,000 tons, subject to adjustment to 2,075,000 tons for the fourth quarter, resulting in 5,425,000 total tons for the year to reflect the allowable exclusion of Other Ore shipped from Silver Bay, Minnesota during such year as follows:

10% of the first	4,000,000 tons,	or	400,000 tons
15% of the next	2,000,000 tons,	or	300,000 tons
75% of the next	500,000 tons,	or	375,000 tons

for total of 1,075,000 allowable tons excluded, whereas only 875,000 tons would be excluded otherwise.

'Subject Ore Royalty' means, for any calendar quarter, an amount expressed in U.S. Dollars equal to the product of (a) the Gross Proceeds of all Subject Ore shipped from Silver Bay, Minnesota during such calendar quarter, multiplied by (b) the Applicable Royalty Factor, where 'Applicable Royalty Factor' means for any quantity of Subject Ore shipped from Silver Bay, Minnesota in any calendar quarter in a given calendar year, a percentage determined by reference to the aggregate number of tons of Subject Ore previously shipped from Silver Bay, Minnesota during such calendar year, as follows:

<u>Millions of tons of Subject Ore shipped in calendar year</u>	<u>Percentage</u>
one or less	2-1/2%
more than one but not more than two	3-1/2%
more than two but not more than three	5%
more than three but not more than four	5-1/2%
more than four	6%

For example, assuming:

(1) no shipments of Subject Ore are made during the first quarter of 1990;

(2) Subject Ore is shipped from Silver Bay, Minnesota in the second and third quarters of 1990 in the following quantities, and the Gross Proceeds of such shipments are in the following amounts:

	<u>Tonnage</u>	<u>Gross Proceeds</u>
2nd Quarter:	500,000	\$ 14,000,000
3rd Quarter:	500,000	\$ 14,000,000
	1,000,000	\$ 27,000,000
	1,000,000	\$ 26,000,000
	1,000,000	\$ 25,000,000
	1,500,000	\$ 37,500,000

then the Subject Ore Royalties payable in respect of the second and third calendar quarters of 1990 would be as follows:

2nd Quarter:	\$14,000,000	x 2-1/2%	(\$ 350,000)
3rd Quarter:	\$14,000,000	x 2-1/2%	(\$ 350,000)
	\$27,000,000	x 3-1/2%	(\$ 945,000)
	\$26,000,000	x 5%	(\$ 1,300,000)
	\$25,000,000	x 5-1/2%	(\$ 1,375,000)
	\$37,500,000	x 6%	(\$ 2,250,000)

and the Applicable Royalty Factor for all Quarry Stone shipped in the fourth quarter of 1990 would be 6%.

'Ton' means a long ton of 2,240 pounds avoirdupois.

"3. The Company shall pay to Mesabi base overriding royalties ('Base Overriding Royalties') on all Quarry Stone and Subject Ore shipped from Silver Bay, Minnesota during each calendar quarter beginning with the quarter ending September 30, 1989, in an amount equal to the sum of (a) the Quarry Stone