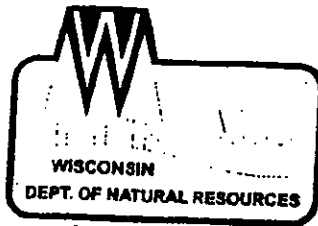


Exhibit 2

**MARCH 20, 1998 LETTER FROM
DNR TO FMC**



March 20, 1998

State of Wisconsin | DEPARTMENT OF NATURAL RESOURCES

Tommy G. Thompson, Governor
George E. Meyer, Secretary

101 S. Webster St.
Box 7921
Madison, Wisconsin 53707-7921
Telephone 608-266-2621
FAX 608-267-3579
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Ms. Jana Murphy
Environmental & Reclamation Manager
Flambeau Mining Company
N4100 Highway 27
Ladysmith, WI 54848

Dear Ms. Murphy:

Flambeau Mining Company personnel and department staff have recently had several conversations concerning surface water management at the Flambeau mining site. This letter is to clarify how the department intends to regulate surface water management at the site.

Currently, the entire mining site, with the exception of the area around the buildings, has been rough graded and provisions have been made for the appropriate collection, diversion and treatment of stormwater. The northern portion of the site flows into the stream "A" watershed with provisions for emergency diversion of high flows into the abandoned gravel pit to the west of the site. The southern portion of the site currently flows to a temporary settling pond located at the extreme west end of the former open pit. This water is pumped to the surge pond for treatment and discharge through outfall 001 and provisions are also in place for pumping water from the settling pond directly to the gravel pit if water is accumulating in the pond at a rate faster than it can be pumped to the surge pond. Since this water is no longer in contact with waste rock, Flambeau would like to modify the water handling process such that diversion of water from the temporary settling pond to the gravel pit is the primary option and treatment and discharge is the secondary choice. Further, the ultimate plan entails removal of the temporary settling pond and reclamation of the west end of the pit area including development of a permanent biofilter with an engineered overflow through outfall 002.

The current water handling procedures are acceptable to the department and are consistent with the Mining Permit, including the Surface Water Management Plan, and the Wisconsin Pollutant Discharge Elimination System (WPDES) Permit. It is our intent that the WPDES permit will continue to regulate discharges from the site through outfalls 001 and 002 as long as water is being pumped from one location to another on the site. Any discharge through those outfalls must comply with the effluent limits and monitoring requirements specified in the WPDES permit, including conditions A.13 and 14, as long as the WPDES permit remains in force. Once all permanent water management structures and facilities are in place and pumping is no longer necessary, discharges through outfall 002 will cease to be covered under the WPDES permit. At that time, stormwater management will fall under the regulatory authority of the Mining Permit and its associated plans.

The department agrees that in times of excess water accumulation, diversion of water from the temporary settling basin in the south end of the pit to the abandoned gravel pit is a reasonable option rather than



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continued treatment in the wastewater treatment plant. However, there is a need for some characterization of that water, prior to switching over to diversion to the gravel pit as the first option. Flambeau must obtain a representative sample of the water which would be pumped to the gravel pit and conduct analyses of the water pursuant to the groundwater monitoring program for the project. These results must be submitted to the department prior to pumping water to the gravel pit as the primary option. Again, prior to obtaining these results, Flambeau may pump water from the temporary settling pond to the gravel pit if water is accumulating in the basin at a rate faster than it can be diverted to the surge pond.

As we have discussed, the department also has concerns with the continued disposal of clarifier underflow material in the area of the west end of the pit. Flambeau should discontinue the practice of placing the underflow material in that location and develop an alternate method of handling the material consistent with our discussions. In addition, Flambeau must collect a representative sample of the underflow material for characterization. At a minimum the samples should be analyzed for copper, zinc and mercury. Please contact Tom Portle if you need more information concerning the procedures for this characterization. In addition you should also notify Tom and Ken Markart prior to implementing an alternate handling method for the clarifier underflow material.

I hope that this helps to clarify the department's position concerning our regulatory oversight of stormwater management at the Flambeau site. Please feel free to contact me if you need additional explanation or clarification.

Sincerely,



Lawrence J. Lynch, P.G., Hydrogeologist
Mining Team Leader
Bureau of Waste Management

LJL:pc

cc: T. Portle - WA/3
P. Luebke - WT/2
K. Markart - NOR (Rhineland)
J. Hansen - NOR (Park Falls)