

BLACK HILLS BENTONITE, LLC

A Limited Liability Company

Manufacturers of High Grade Wyoming Bentonite Since 1947

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FILED

DEC 29 2011

Jim Ruby, Executive Secretary
Environmental Quality Council

THOMAS A. THORSON
PRESIDENT & GENERAL MANAGER

LARRY MADSEN
VICE PRES. & CHIEF FINANCIAL OFFICER

August 10, 2011

CERTIFIED MAIL RETURN RECEIPT REQUESTED #7009 0080 0001 5842 4495

Mr. Brian Good
3796 Lane 32½
Greybull, Wyoming 82426

RE: Permit to Mine No. 533 Permit Transfer

Dear Mr. Good:

I am writing following our telephone conversation yesterday. You called to ask if Black Hills Bentonite, LLC (BHB) would consider your second request for the transfer of Permit to Mine No. 533 from BHB to you. After careful consideration, BHB is agreeable to transferring this permit to you, under certain terms and conditions.

BHB feels that a permit transfer would be a win-win situation for all parties involved. It would relieve you from the very costly and time consuming process of applying for your own mining permit with the Wyoming Department of Environmental Quality, Land Quality Division (WDEQ/LQD). Additionally, a permit transfer would relieve the WDEQ/LQD of the burden of reviewing a new mine permit application, and it would relieve BHB of future obligations associated with holding this mining permit.

When we agreed to transfer this permit to you in March 2011, BHB and the WDEQ/LQD clearly bent over backwards to accommodate you in the process. BHB granted you an unconditional permit transfer with no strings attached. Considering the fact that you are a direct competitor with BHB, I consider that to be a very generous offer on the part of BHB. Additionally, the WDEQ/LQD went to great lengths to accommodate you by reducing the reclamation liability by approximately six thousand dollars (\$6,000.00), due to your refusal to accept the current reclamation liabilities for the permit area. The WDEQ/LQD has never offered to reduce the bond for BHB, but for reasons unknown to me, the WDEQ/LQD is willing to grant you that allowance.

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In order for BHB to complete this permit transfer, it is clearly understood by all parties involved (Good; BHB; LQD) that you will be responsible for, and assuming **ALL** of the reclamation liabilities associated with Permit to Mine No. 533, including the reclamation liabilities created by the recent illegal mining activities that you have conducted on our permit area without a license to mine from BHB, a permit from the WDEQ/LQD or a reclamation bond.

In addition to agreeing to accept all the reclamation liabilities associated with Permit to Mine No. 533, BHB will require a payment from you in the amount of Fifty Three Thousand Nine Hundred Seventy Five Dollars (\$53,975.00) to cover the cost of certain administrative fees and permit transfer fees associated with this permit transfer. This payment also includes cost recovery fees associated with the considerable amount of time that I have expended in mapping, monitoring and documenting the illegal mining activities that you have conducted on our permit area. Additionally, since you threatened to file a lawsuit against BHB, we are attempting to recover some of the costs we have incurred in preparing for the lawsuit that you indicated you were filing against BHB.

Payment of the \$53,975.00 fee will only be accepted in the form of U.S. currency or a certified cashier's check from a Wyoming financial institution. Upon receipt of this payment to Black Hills Bentonite, LLC, we will provide you with an executed copy of a signed and notarized original WDEQ/LQD, Form 1(t) - Application for Permit Transfer.

If you fail to accept this offer within fifteen days (15) of receipt of this correspondence, this offer to transfer the permit to you will terminate and future requests for a permit transfer will not be reconsidered by BHB.

I would advise you to carefully consider your options. You can either accept the permit transfer that we are offering you, or you can apply for a new mining permit. I, as well as Mark Moxley have made it explicitly clear to you that you have the ability to apply for a mining permit which would include lands currently within the boundaries of Permit to Mine No. 533. If this is the option you choose, BHB has no objection to your decision.

Having been responsible for all of BHB's mine development and permitting activities for the last twenty six (26) years, I can assure you that if you choose to obtain your own mining permit, it will cost you tens of thousands of dollars in collecting the necessary baseline environmental information and preparing the permit application required by the WDEQ/LQD. Additionally, I would estimate that if you begin your permit application now, it will be at least eighteen (18) to twenty-four (24) months before your mining permit application is approved by the

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WDEQ/LQD. Being this late in the year, you would have to wait until next summer's field season to collect vegetation data and certain seasonal wildlife information.

I think it's fair to assume that the WDEQ/LQD will hold you to the same permitting standards as is required of the rest of the bentonite industry. I believe that the other bentonite operators would not only expect that you meet the same permitting standards required by the WDEQ/LQD, but that they would insist on it.

We look forward to assisting you in the timely development of your mineral resources in a responsible, ethical and honest manner. If you should have any questions pertaining to this information please don't hesitate to contact me in my Casper office at 234-6470, by cell phone at 267-7898 or via e-mail at brucelawson@bhbentonite.com.

Sincerely,

A handwritten signature in black ink that reads "Bruce Lawson". The signature is written in a cursive style with a large, sweeping initial "B".

Bruce Lawson
Mine Development & Reclamation Manager

Cc: Mark Moxley - WDEQ/LQD, District II Supervisor