

MESABI TRUST  
Form 10-Q  
September 08, 2011

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended July 31, 2011**

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number: 1-4488**

**MESABI TRUST**

(Exact name of registrant as specified in its charter)

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New York

13-6022277

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer Identification No.)

**c/o Deutsche Bank Trust Company Americas**

**Trust & Securities Services GDS**

**60 Wall Street**

**27th Floor**

**New York, New York**

**10005**

(Address of principal executive offices)

(Zip code)

**(904) 271-2520**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of September 6, 2011, there were 13,120,010 Units of Beneficial Interest in Mesabi Trust outstanding.



## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements. (Note 1)

## Mesabi Trust

## Condensed Statements of Income

## Three and Six Months Ended July 31, 2011 and 2010

	Three Months Ended July 31,		Six Months Ended July 31,	
	2011 (unaudited)	2010 (unaudited)	2011 (unaudited)	2010 (unaudited)
<b>Condensed Statements of</b>				
<b>A. Income</b>				
Revenues				
Royalty income	\$ 10,332,035	\$ 11,228,415	\$ 13,608,623	\$ 16,216,146
Interest income	1,231	5,565	2,690	10,661
	10,333,266	11,233,980	13,611,313	16,226,807
Expenses				
	200,981	224,686	415,768	432,548
Net income	\$ 10,132,285	\$ 11,009,294	\$ 13,195,545	\$ 15,794,259
Number of units outstanding	13,120,010	13,120,010	13,120,010	13,120,010
Net income per unit (Note 2)	\$ 0.7723	\$ 0.8391	\$ 1.0058	\$ 1.2038
Distributions declared per unit (Note 3)	\$ 0.6000	\$ 0.8000	\$ 0.6500	\$ 0.9250

See Notes to Condensed Financial Statements.

## Mesabi Trust

## Condensed Balance Sheets

July 31, 2011 and January 31, 2011

	July 31, 2011 (unaudited)	January 31, 2011
<b>B. Condensed Balance Sheets</b>		
<b>Assets</b>		
Cash and cash equivalents	\$ 7,869,297	\$ 8,693,691
U.S. Government securities, at amortized cost (which approximates market)	336,098	668,889
Accrued income receivable	6,025,023	232,786
Prepaid expenses	143,883	50,207
	14,374,301	9,645,573
U.S. Government securities, at amortized cost (which approximates market)	217,889	
Fixed property, including intangibles, at nominal values		
Amended Assignment of Peters Lease	1	1
Assignment of Cloquet Lease	1	1
Certificate of beneficial interest for 13,120,010 units of land trust	1	1
	3	3
	\$ 14,592,193	\$ 9,645,576
<b>Liabilities, Unallocated Reserve and Trust Corpus</b>		
<b>Liabilities</b>		
Distribution payable	\$ 7,872,006	\$ 8,528,006
Accrued expenses	73,844	129,765
Deferred royalty revenue (Note 4)	991,000	
	8,936,850	8,657,771
Unallocated Reserve (Note 5)	5,655,340	987,802
Trust Corpus	3	3
	\$ 14,592,193	\$ 9,645,576

See Notes to Condensed Financial Statements.

## Mesabi Trust

## Condensed Statements of Cash Flows

Six Months Ended July 31, 2011 and 2010

	Six Months Ended July 31,	
	2011 (unaudited)	2010 (unaudited)
<b>C. Condensed Statements of Cash Flows</b>		
Cash flows from operating activities		
Royalties received	\$ 8,807,077	\$ 10,361,187
Interest received	2,999	11,175
Expenses paid	(565,365)	(428,048)
Net cash provided by operating activities	8,244,711	9,944,314
Cash flows from investing activities		
Maturities of U.S. Government Securities	332,000	1,540,000
Purchases of U.S. Government Securities	(217,098)	(998,861)
Net cash provided by investing activities	114,902	541,139
Cash flows used for financing activities		
Distributions to Unitholders	(9,184,007)	(8,856,007)
Net change in cash and cash equivalents	(824,394)	1,629,446
Cash and cash equivalents, beginning of year	8,693,691	8,444,697
Cash and cash equivalents, end of period	\$ 7,869,297	\$ 10,074,143
<b>Reconciliation of net income to net cash provided by operating activities</b>		
Net income	\$ 13,195,545	\$ 15,794,259
Increase in accrued income receivable	(5,792,237)	(3,084,445)
Decrease (increase) in prepaid expenses	(93,676)	14,389
Decrease in accrued expenses	(55,921)	(9,889)
(Decrease) Increase in deferred royalty revenue	991,000	(2,770,000)
Net cash provided by operating activities	\$ 8,244,711	\$ 9,944,314
<b>Non Cash Financing Activity</b>		
Distributions declared	\$ 7,872,006	\$ 10,496,008

See Notes to Condensed Financial Statements.

**Mesabi Trust**

**Notes to Condensed Financial Statements**

**July 31, 2011 (unaudited)**

Note 1. The financial statements included herein have been prepared without audit (except for the balance sheet at January 31, 2011) in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. In the opinion of the Trustees, all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of (a) the results of operations for the three months and six months ended July 31, 2011 and 2010, (b) the financial position at July 31, 2011 and (c) the cash flows for the six months ended July 31, 2011 and 2010, have been made. For further information, refer to the financial statements and footnotes included in Mesabi Trust's Annual Report on Form 10-K for the year ended January 31, 2011.

Note 2. Net income per unit includes accrued income receivable. For the three months ended July 31, 2011 the Trust recorded \$6,025,023 of accrued income receivable as reflected on the Condensed Balance Sheet as of July 31, 2011 (unaudited). Accrued income receivable includes accruals for anticipated positive pricing adjustments and shipments during the month of July. Accrued income receivable is accounted for and reported for the Trust's second fiscal quarter even though such accrued income receivable is not available for distribution to Unitholders until it is actually received by the Trust. Net income per unit is based on 13,120,010 units outstanding during the period.

Note 3. The Trust declares distributions each year in April, July, October and January. Distributions are declared after receiving notification from Northshore Mining Company (Northshore) as to the amount of royalty that is expected to be paid to the Trust based on shipments through the end of each calendar quarter. The Trust's financial statements are prepared on an accrual basis and present the Trust's results of operations based on each fiscal quarter which ends one month after the close of each calendar quarter. Because distributions are declared based on the royalty payment that is payable as of the end of each calendar quarter and the Trust's Net Income is calculated as of the end of each fiscal quarter, the distributions declared by the Trust are not equivalent to the Trust's Net Income during the periods reported in this quarterly report on Form 10-Q.

Note 4. Mesabi Trust receives royalties based on (i) the aggregate quantity of iron ore products shipped that were produced using iron ore mined from Mesabi Trust lands, or (ii) if greater, a portion of the aggregate quantity of all iron ore products shipped from Silver Bay that were mined from any lands, such portion being 90% of the first four million tons shipped from Silver Bay during the calendar year, 85% of the next two million tons shipped during the calendar year, and 25% of all tonnage shipped from Silver Bay during such year in excess of six million tons. As of July 31, 2011, the percentage of iron ore shipped from Mesabi Trust lands was less than 90% of the total tons shipped from Silver Bay for the year to date. The deferred royalty revenue of \$991,000 represents royalty payments received from Northshore to fulfill the 90% minimum quarterly and annual threshold required under the royalty agreement. If future shipments of iron ore products from Mesabi Trust lands during the remainder of the current calendar year exceed the thresholds described above, royalty payments made to Mesabi Trust based on the stated 90% minimum quarterly and annual threshold, to the extent such credited shipments exceed actual shipments, may be used by Northshore to offset royalties to be received by the Trust in the fourth quarter of the current calendar year.

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Note 5. The Trustees have determined that the unallocated cash and U.S. Government securities portion of the Unallocated Reserve should be maintained at a prudent level, usually within the range of \$500,000 to \$1,000,000, to meet present or future liabilities of the Trust. Accordingly, although the actual amount of the Unallocated Reserve will fluctuate from time to time, and may increase or decrease from its current level, it is currently intended that future distributions will be highly dependent upon royalty payments received quarterly and the level of Trust expenses that the Trustees anticipate the Trust will incur in subsequent quarters.

As of July 31, 2011, the Unallocated Reserve consisted of \$621,317 in unallocated cash and U.S. Government securities and \$6,025,023 of accrued income receivable primarily representing royalties not yet received by the Trust but anticipated to be received in future periods based primarily on shipments during July 2011, less the estimated deferred royalty revenue of \$991,000. See Note 4 for further information regarding the deferred royalty revenue. Pursuant to the Agreement of Trust, the Trust makes decisions on cash distributions to Unitholders based on the royalty payments actually received from Northshore after considering any historical and potential future pricing adjustments, rather than as royalty income is recorded in accordance with the Trust's revenue recognition policy.

As of July 31, 2011 and January 31, 2011, the Trust's Unallocated Reserve was comprised of the following components:

	<b>July 31, 2011</b> (unaudited)	<b>January 31, 2011</b>
Cash and U.S. Government securities	\$ 621,317	\$ 755,016
Accrued income receivable	6,025,023	232,786
Deferred royalty revenue	(991,000)	
<b>Unallocated Reserve</b>	<b>\$ 5,655,340</b>	<b>\$ 987,802</b>

A reconciliation of the Trust's Unallocated Reserve from January 31, 2011 to July 31, 2011 is as follows:

Unallocated Reserve, January 31, 2011	\$ 987,802
Net income	13,195,545
Distributions declared	(8,528,007)
<b>Unallocated Reserve, July 31, 2011</b>	<b>\$ 5,655,340</b>

### **Item 2. Trustees' Discussion and Analysis of Financial Condition and Results of Operations.**

#### **Forward-Looking Statements**

Certain information included in this Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. All such forward-looking statements, including those statements estimating iron ore pellet production, shipments or pricing, are based on information from the lessee/operator (and its parent corporation) of the mine located on the lands owned and held in trust for the benefit of the holders of units of beneficial interest of Mesabi Trust. These statements may be identified by the use of



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forward-looking words, such as may, will, could, project, predict, intend, believe, anticipate, expect, estimate, continue,

potential, plan, should, assume, forecast and other similar words. Such forward-looking statements are inherently subject to known and unknown risks and uncertainties. Actual results and future developments could differ materially from the results or developments expressed in or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, volatility of iron ore and steel prices, market supply and demand, competition, environmental hazards, health and safety conditions, regulation or government action, litigation and uncertainties about estimates of reserves. Further, substantial portions of royalties earned by Mesabi Trust are based on estimated prices that are subject to interim and final adjustments, which can be positive or negative, and are dependent in part on multiple price and inflation index factors under Cliffs' customer agreements to which Mesabi Trust is not a party and that are not known until after the end of a contract year. It is possible that future negative price adjustments could partially or even completely offset royalties or royalty income that would otherwise be payable to the Trust in any particular quarter, or at year-end, thereby potentially reducing cash available for distribution to the Trust's Unitholders in future quarters. For a discussion of the factors, including without limitation, those that could materially and adversely affect Mesabi Trust's actual results and performance, see Risk Factors in Part I Item 1A of Mesabi Trust's Annual Report on Form 10-K for the year ended January 31, 2011, as updated by Part II, Item 1A of this Quarterly Report on Form 10-Q. Mesabi Trust undertakes no obligation, other than that imposed by law, to make any revisions to the forward-looking statements contained in this filing or to update them to reflect circumstances occurring after the date of this filing.

This discussion should be read in conjunction with the condensed financial statements and notes presented in this Form 10-Q and the financial statements and notes in the last filed Annual Report on Form 10-K filed for the period ending January 31, 2011 for a full understanding of Mesabi Trust's financial position and results of operations for the six month period ended July 31, 2011.

## Background

Mesabi Trust ( Mesabi Trust or the Trust ), formed pursuant to an Agreement of Trust dated July 18, 1961 (the Agreement of Trust ), is a trust organized under the laws of the State of New York. Mesabi Trust holds all of the interests formerly owned by Mesabi Iron Company ( MIC ), including all right, title and interest in the Amendment of Assignment, Assumption and Further Assignment of Peters Lease (the Amended Assignment of Peters Lease ), the Amendment of Assignment, Assumption and Further Assignment of Cloquet Lease (the Amended Assignment of Cloquet Lease and together with the Amended Assignment of Peters Lease, the Amended Assignment Agreements ), the beneficial interest in the Mesabi Land Trust (as such term is defined below) and all other assets and property identified in the Agreement of Trust. The Amended Assignment of Peters Lease relates to an Indenture made as of April 30, 1915 among East Mesaba Iron Company ( East Mesaba ), Dunka River Iron Company ( Dunka River ) and Claude W. Peters (the Peters Lease ) and the Amended Assignment of Cloquet Lease relates to an Indenture made May 1, 1916 between Cloquet Lumber Company and Claude W. Peters (the Cloquet Lease ).

The Agreement of Trust specifically prohibits the Trustees from entering into or engaging in any business. This prohibition applies even to business activities the Trustees may deem necessary or proper for the preservation and protection of the Trust Estate. Accordingly, the Trustees activities in connection with the administration of Trust assets are limited to collecting income, paying expenses and liabilities, distributing net income to the holders of Certificates of Beneficial Interest in Mesabi Trust ( Unitholders ) after the payment of, or provision for, such expenses and liabilities, and protecting and conserving the assets held.

The Trustees do not intend to expand their responsibilities beyond those permitted or required by the Agreement of Trust, the Amendment to the Agreement of Trust dated October 25, 1982 (the Amendment ), and those required under applicable law. Mesabi Trust has no employees, but it engages independent consultants to assist the Trustees in, among other things, monitoring the volume and sales prices of iron ore products shipped from Silver Bay, Minnesota, based on information supplied to the

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Trustees by Northshore Mining Company ( Northshore ), the lessee/operator of the Mesabi Trust lands, and its parent company Cliffs Natural Resources Inc. ( Cliffs ). References to Northshore in this quarterly report, unless the context requires otherwise, are applicable to Cliffs as well.

Leasehold royalty income constitutes the principal source of the Trust's revenue. The income of the Trust is highly dependent upon the activities and operations of Northshore. Royalty rates and the resulting royalty payments received by the Trust are determined in accordance with the terms of the Trust's leases and assignments of leases.

Three types of royalties, as well as royalty bonuses, comprise the Trust's leasehold royalty income:

- **Base overriding royalties.** Base overriding royalties have historically constituted the majority of the Trust's royalty income. Base overriding royalties are determined by both the volume and selling price of iron ore products shipped. Northshore is obligated to pay the Trust base overriding royalties in varying amounts, based on the volume of iron ore products shipped. Base overriding royalties are calculated as a percentage of the gross proceeds of iron ore products produced at the Trust lands (and to a limited extent other lands) and shipped from Silver Bay, Minnesota. The percentage ranges from 2-1/2% of the gross proceeds for the first one million tons of iron ore products so shipped annually to 6% of the gross proceeds for all iron ore products in excess of 4 million tons so shipped annually. Base overriding royalties are impacted by, among other things, price adjustments under the Cliffs Pellet Agreements and, as described elsewhere in this report, such adjustments may be positive or negative.

- **Royalty bonuses.** The Trust earns royalty bonuses when iron ore products shipped from Silver Bay are sold at prices above a threshold price per ton. The royalty bonus is based on a percentage of the gross proceeds of product shipped from Silver Bay and sold at prices above a threshold price. The threshold price is adjusted (but not below \$30.00 per ton) on an annual basis for inflation and deflation (the Adjusted Threshold Price). The Adjusted Threshold Price was \$48.81 per ton for calendar year 2010 and is \$49.35 per ton for calendar year 2011. The royalty bonus percentage ranges from 1/2 of 1% of the gross proceeds (on all tonnage shipped for sale at prices between the Adjusted Threshold Price and \$2.00 above the Adjusted Threshold Price) to 3% of the gross proceeds (on all tonnage shipped for sale at prices \$10.00 or more above the Adjusted Threshold Price). Royalty bonuses are subject to price adjustments under the Cliffs Pellet Agreements and, as described elsewhere in this report, such adjustments may be positive or negative.

- **Fee royalties.** Fee royalties have historically constituted a smaller component of the Trust's total royalty income. Fee royalties are payable to the Mesabi Land Trust, a Minnesota land trust, which holds a 20% interest as fee owner in the Amended Assignment of Peters Lease. Mesabi Trust holds the entire beneficial interest in the Mesabi Land Trust for which U.S. Bank N.A. acts as the corporate trustee. Mesabi Trust receives the net income of the Mesabi Land Trust, which is generated from royalties on the amount of crude ore mined after the payment of expenses to U.S. Bank N.A. for its services as corporate trustee. Crude ore is the source of iron oxides used to make iron ore pellets and other products. The fee royalty on crude ore is based on an agreed price per ton, subject to certain indexing.

- **Minimum advance royalties.** Northshore's obligation to pay base overriding royalties and royalty bonuses with respect to the sale of iron ore products generally accrues upon the shipment of those products from Silver Bay. However, regardless of whether any shipment has occurred, under the terms of the Amended Assignment Agreements, Northshore is obligated to pay to the Trust a minimum advance royalty. Each year, the amount of the minimum advance royalty is adjusted (but not below \$500,000 per annum) for inflation and deflation in accordance with the Amended Assignment Agreements. The minimum advance royalty was \$813,729 for calendar year 2010 and is \$822,783 for calendar year 2011. Until overriding royalties (and royalty bonuses, if any) for a



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particular year equal or exceed the minimum advance royalty for the year, Northshore must make quarterly payments of up to 25% of the minimum advance royalty for the year. Because minimum advance royalties are essentially prepayments of base overriding royalties and royalty bonuses earned each year, any minimum advance royalties paid in a fiscal quarter are recouped by credits against base overriding royalties and royalty bonuses earned in later fiscal quarters during the year.

Under the relevant documents, Northshore may mine and ship iron ore products from lands other than Mesabi Trust lands. Northshore is obligated to make quarterly royalty payments to the Trust in January, April, July and October of each year based on shipments of iron ore products from Silver Bay, Minnesota during each calendar quarter. In the case of base overriding royalties and royalty bonuses, these quarterly royalty payments are to be made whether or not the related proceeds of sale have been received by Northshore by the time such payments become due. Northshore alone determines whether to mine off Trust and/or such other lands, based on its current mining and engineering plan. The Trustees do not exert any influence over mining operational decisions. To encourage the mining of iron ore products from Mesabi Trust lands, Mesabi Trust receives royalties on stated percentages of iron ore shipped from Silver Bay, whether or not the iron ore products that are shipped are actually mined from Mesabi Trust lands. Mesabi Trust receives royalties based on the greater of following two methods of calculating royalty payments (i) the aggregate quantity of iron ore products shipped that were produced using iron ore mined from Mesabi Trust lands, and (ii) a portion of the aggregate quantity of all iron ore products shipped from Silver Bay that were mined from any lands, such portion being 90% of the first four million tons shipped from Silver Bay during the calendar year, 85% of the next two million tons shipped during the calendar year, and 25% of all tonnage shipped from Silver Bay during such year in excess of six million tons. If, in any calendar year, Mesabi Trust is credited with shipments in excess of the quantity actually shipped during the first three calendar quarters, Northshore may reduce the royalties to be paid to Mesabi Trust in the fourth calendar quarter of the same calendar year.

Deutsche Bank Trust Company Americas, the Corporate Trustee, performs certain administrative functions for Mesabi Trust. The Trust maintains a website at [www.mesabi-trust.com](http://www.mesabi-trust.com). The Trust makes available (free of charge) its annual, quarterly and current reports (and any amendments thereto) filed with the Securities and Exchange Commission (the SEC) through its website as soon as reasonably practicable after electronically filing or furnishing such material with or to the SEC.

### Results of Operations

#### Comparison of Iron Ore Pellet Production and Shipments for the Three and Six Months Ended July 31, 2011 and July 31, 2010

As shown in the table below, production of iron ore pellets at Northshore from Mesabi Trust lands during the three months ended July 31, 2011 totaled 1,530,182 tons, and shipments over the same period totaled 1,756,594 tons. By comparison, pellet production and shipments for the comparable period in 2010 were 929,634 tons and 1,936,164 tons, respectively. The decrease in shipping is attributable to decreases in orders from Cliffs' customers.

Three Months Ended	Pellets Produced from Mesabi Trust Lands (tons)	Pellets Shipped from Mesabi Trust Lands (tons)
July 31, 2011	1,530,182	1,756,594
July 31, 2010	929,634	1,936,164

As shown in the table below, during the six months ended July 31, 2011, production of iron ore pellets at Northshore from Mesabi Trust lands totaled 2,667,480 tons, and shipments over the same period totaled 2,227,122 tons. By comparison, pellet production and shipments for the comparable period in 2010 were 2,251,040 tons and 3,018,094 tons, respectively. The decrease in shipments at Northshore for



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the six months ended July 31, 2011 is the result of a decrease in orders from Cliffs' customers and a decrease in the percentage of pellets shipped from Silver Bay, Minnesota originating from Trust lands, both as compared to the six months ended July 31, 2010. For the six months ended July 31, 2011, approximately 84.5% of shipments from Silver Bay, Minnesota originated from Trust lands, whereas during the same period in 2010 approximately 93.9% of shipments originated from Trust lands

Six Months Ended	Pellets Produced from Mesabi Trust Lands (tons)	Pellets Shipped from Mesabi Trust Lands (tons)
July 31, 2011	2,667,480	2,227,122
July 31, 2010	2,251,040	3,018,094

**Comparison of Royalty Income for the Three and Six Months Ended July 31, 2011 and July 31, 2010**

Total royalty income for the three months ended July 31, 2011 decreased \$896,380 as compared to the three months ended July 31, 2010. The decrease in total royalty income is due to a decrease in the total volume of iron ore pellets shipped during the three months ended July 31, 2011 as compared to the three months ended July 31, 2010. The decrease in the volume of iron ore pellets shipped contributed to a decrease in the base overriding royalty and the bonus royalty payments even though the average sales price per ton for the three months ended July 31, 2011 was slightly higher than the average sales price per ton for the three months ended July 31, 2010.

The table below shows that the base overriding royalties and the bonus royalties for the three months ended July 31, 2011, as compared to the three months ended July 31, 2010, decreased by \$813,566, and \$205,126, respectively. Fee royalties increased by \$122,312 over the same period. The decreases in the base overriding royalties and the bonus royalties are both attributable to the decrease in the volume of tons shipped during the three months ended July 31, 2011 as compared to the three months ended July 31, 2010.

The table below summarizes the components of Mesabi Trust's royalty income for the three months ended July 31, 2011 and July 31, 2010, respectively:

	Three Months Ended July 31,	
	2011	2010
Base overriding royalties	\$ 5,947,957	\$ 6,761,523
Bonus royalties	4,158,690	4,363,816
Minimum advance royalty paid (recouped)		
Fee royalties	225,388	103,076
Total royalty income	\$ 10,332,035	\$ 11,228,415

The Trust's total royalty income for the six months ended July 31, 2011 decreased \$2,607,523 as compared to the six months ended July 31, 2010. The decrease is the result of a decrease in the total volume of iron ore pellets shipped during the six months ended July 31, 2011 as compared to the six months ended July 31, 2010. The decrease in the volume of iron ore pellets shipped both contributed to a decrease in the base overriding royalty and the bonus royalty payments even though the average sales price per ton for the six months ended July 31, 2011 was slightly higher than the average sales price per ton for the six months ended July 31, 2010.





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The table below shows that the base overriding royalties, and the bonus royalties decreased \$1,622,075, and \$1,113,061 respectively, and the fee royalties increased \$127,613 for the six months ended July 31, 2011, from the comparable period in 2010. The decreases in the base overriding royalties and the bonus royalties are attributable to the decrease in the volume of tons shipped during the six months ended July 31, 2011 as compared to the six months ended July 31, 2010.

The table below summarizes the components of Mesabi Trust's royalty income for the six months ended July 31, 2011 and July 31, 2010:

	Six Months Ended July 31,	
	2011	2010
Base overriding royalties	\$ 7,415,740	\$ 9,037,815
Bonus royalties	5,822,208	6,935,269
Minimum advance royalty paid (recouped)		
Fee royalties	370,675	243,062
Total royalty income	\$ 13,608,623	\$ 16,216,146

### Comparison of Net Income, Expenses and Distributions for the Three and Six Months Ended July 31, 2011 and July 31, 2010

Net income for the three months ended July 31, 2011 was \$10,132,285, a decrease of \$877,009 compared to the three months ended July 31, 2010. As with the decrease in total royalty income, the decrease in net income for the quarter ended July 31, 2011 was the result of a decrease in the volume of tons shipped. The Trust's expenses decreased \$23,705 for the three months ended July 31, 2011, as compared to the three month period ended July 31, 2010, as a result of slightly lower expenses related to the administration of the Trust. The table below summarizes the Trust's income and expenses for the three months ended July 31, 2011 and July 31, 2010, respectively.

	Three Months Ended July 31,	
	2011	2010
Total Royalty Income	\$ 10,332,035	\$ 11,228,415
Interest Income	1,231	5,565
Gross Income	10,333,266	11,233,980
Expenses	200,981	224,686
Net income	\$ 10,132,285	\$ 11,009,294

Net income for the six months ended July 31, 2011 was \$13,195,545, a decrease of \$2,598,714 as compared to the six months ended July 31, 2010. As with the decrease in total royalty income, the decrease in net income for the six months ended July 31, 2010 was the result of a decrease in the volume of tons shipped. The Trust's expenses of \$415,768 for the six months ended July 31, 2011 were consistent with the Trust's expenses for the six month period ended July 31, 2010. The table below summarizes the Trust's income and expenses for the six months ended July 31, 2011 and July 31, 2010, respectively.

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	Six Months Ended July 31,	
	2011	2010
Total royalty income	\$ 13,608,623	\$ 16,216,146
Interest income	2,690	10,661
Gross income	13,611,313	16,226,807
Expenses	415,768	432,548
Net income	\$ 13,195,545	\$ 15,794,259

As presented on the Trust's Condensed Statements of Income on page 2 of this quarterly report, the Trust's net income per unit decreased \$0.0668 per unit to \$0.7723 per unit for the three months ended July 31, 2011. For the six months ended July 31, 2011, the Trust's net income per unit decreased \$0.1980 per unit to \$1.0058 per unit, as compared to the prior year period. On July 15, 2011, the Trust declared a distribution of \$0.60 per unit payable to Unitholders of record on July 30, 2011. Comparatively, the Trust declared a distribution of \$0.80 per unit to Unitholders in July 2010. During the six months ended July 31, 2011 and July 31, 2010, the Trust had declared total distributions per unit of \$0.65 and \$0.925, respectively.

Distributions are declared after receiving notification from Northshore as to the amount of royalty income that is expected to be paid to the Trust based on shipments through the end of each calendar quarter and such royalty payments may include pricing adjustments with respect to shipments during prior periods. The Trust accounts for and reports accrued income receivable based on shipments during the last month of each of the Trust's fiscal quarters (April, July, October and January) and price adjustments under the Cliffs Pellet Agreements (which can be positive or negative and can result in significant variations in royalties received by Mesabi Trust and cash available for distribution to Unitholders) as reported to the Trust by Northshore. The Trust accounts for these amounts by using estimated prices and reports such amounts even though accrued income receivable is not available for distribution to Unitholders until it is received by the Trust. Accordingly, distributions declared by the Trust are not equivalent to the Trust's Net Income during the periods reported in this quarterly report on Form 10-Q.

### Comparison of Unallocated Reserve as of July 31, 2011, July 31, 2010 and January 31, 2011

As set forth in the table below, Unallocated Reserve, which is comprised of accrued income receivable, cash reserve for potential fixed or contingent future liabilities and deferred royalty revenue, increased from \$4,786,081 as of July 31, 2010 to \$5,655,340 as of July 31, 2011. The increase in Unallocated Reserve as of July 31, 2011, as compared to July 31, 2010, is the result of an increase of approximately \$2 million of accrued income receivable from an increase in shipments during July 2011, offset in part by the increase in deferred royalty revenue of \$991,000 as of July 31, 2011.

The increase in deferred royalty revenue as of July 31, 2011 is due to the receipt of royalties by the Trust based on shipments of iron ore pellets that were produced from iron ore mined outside of Mesabi Trust lands. The Trust receives royalties based on (i) the aggregate quantity of iron ore products shipped that were produced using iron ore mined from Mesabi Trust lands, or (ii) if greater, a portion of the aggregate quantity of all iron ore products shipped from Silver Bay that were mined from any lands, such portion being 90% of the first four million tons shipped from Silver Bay during the calendar year, 85% of the next two million tons shipped during the calendar year, and 25% of all tonnage shipped from Silver Bay during such year in excess of six million tons. As of July 31, 2011, the percentage of iron ore shipped from Mesabi Trust lands was less than 90% of the total tons shipped from Silver Bay for the year to date. The deferred royalty revenue of \$991,000 represents royalty payments received from Northshore to fulfill the 90% minimum quarterly and annual threshold required under the royalty agreement. If future shipments of iron ore products from Mesabi Trust lands during the remainder of the current calendar year exceed the thresholds described above, royalty payments made to Mesabi Trust based on



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the stated 90% minimum quarterly and annual threshold, to the extent such credited shipments exceed actual shipments, may be used by Northshore to offset royalties to be received in the fourth quarter of the current calendar year.

As set forth in the table below, the Trust's cash reserve for potential fixed or contingent future liabilities decreased from \$827,698 as of July 31, 2010 to \$621,317 as of July 31, 2011. The decrease in the cash reserve for potential fixed or contingent future liabilities is due to the Trustee's decision to use a portion of the available cash reserve to pay distributions to Unitholders during the six months ended July 31, 2011.

	2011	July 31,	2010
Accrued Income Receivable	\$ 6,025,023	\$	3,958,383
Deferred Royalty Revenue	(991,000)		
Cash Reserve	621,317		827,698
Unallocated Reserve	\$ 5,655,340	\$	4,786,081

As set forth in the table below, the Trust's Unallocated Reserve as of July 31, 2011 increased \$4,667,538 as compared to the fiscal year ended January 31, 2011. The increase in the Unallocated Reserve is due to an increase in accrued income receivable due to the increased shipments from Northshore during the month of July 2011, offset by a decrease in the cash reserve portion of the Unallocated Reserve and the deferred royalty revenue. At January 31, 2011, the Unallocated Reserve consisted of \$755,016 in unallocated cash and U.S. Government securities and \$232,786 of accrued income receivable, primarily representing royalties not yet received by the Trust but anticipated to be received in fiscal 2011.

	July 31, 2011	January 31, 2011
Accrued Income Receivable	\$ 6,025,023	\$ 232,786
Deferred Royalty Revenue	(991,000)	
Cash Reserve	621,317	755,016
Unallocated Reserve	\$ 5,655,340	\$ 987,802

The Trustees have determined that the unallocated cash and U.S. Government securities portion of the Unallocated Reserve should be maintained at a prudent level, usually within the range of \$500,000 to \$1,000,000, to meet present or future liabilities of the Trust. The actual amount of the Unallocated Reserve will fluctuate from time to time and may increase or decrease from its current level. Future distributions will be highly dependent upon royalty income as it is received, changes in estimated pricing, potential for future price adjustments and the level of Trust expenses. The amount of future royalty income available for distribution will be subject to the volume of iron ore product shipments and the dollar level of sales by Northshore and Cliffs. Shipping activity is greatly reduced during the winter months and economic conditions, particularly those affecting the steel industry, may adversely affect the amount and timing of such future shipments and sales. The Trustees will continue to monitor the economic and other circumstances of the Trust to strike a responsible balance between distributions to Unitholders and the need to maintain reserve for unexpected loss contingencies at a prudent level, given the unpredictable nature of the iron ore industry, the Trust's dependence on the actions of the lessee/operator, and the fact that the Trust essentially has no other liquid assets.

### Recent Developments

**Iron Ore Pricing and Contract Adjustments.** During the course of its fiscal year, some portion of the royalties paid to Mesabi Trust are based on estimated prices for iron ore products sold under term



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contracts between Cliffs and its subsidiaries and certain of their customers (the Cliffs Pellet Agreements). Mesabi Trust is not a party to any of the Cliffs Pellet Agreements. These prices are subject to interim and final pricing adjustments, which can be positive or negative, and which adjustments are dependent in part on a variety of price and inflation index factors, including but not limited to the international benchmark pellet price, hot band steel prices and various producer price indexes.

In its Form 10-Q filed July 28, 2011, Cliffs reported that during calendar year 2010, the world's largest iron ore producers began to move away from the annual international benchmark pricing mechanism in favor of a shorter-term, more flexible pricing system. According to Cliffs, in addition to increased volatility of pricing, the change in the international pricing system has impacted some of its customer supply agreements for 2011 some of which have been modified to take into account the new international pricing methodology. Cliffs previously reported in its Form 10-K filed February 17, 2011 that negotiations and arbitrations related to the price adjustment provisions of the Cliffs agreements with its customers could result in changes to the pricing mechanisms used with its various customers, impact sales prices realized in current and future periods and result in retroactive revised pricing.

As reported elsewhere in this Form 10-Q, Northshore makes interim adjustments to the royalty payments on a quarterly basis but, in many cases, these price adjustments cannot be finalized until after the end of a contract year, or, in the case of pricing subject to arbitration or negotiation, much later. This may result in significant and frequent variations in royalties received by Mesabi Trust (and in turn the resulting amount of funds available for distribution to Unitholders by the Trust) from quarter to quarter and on a comparative historical basis, and these variations, which can be positive or negative, cannot be predicted by Mesabi Trust. See the description of pricing adjustments in Cliffs' contracts under the heading Risk Factors at page 2 of the Trust's annual report on Form 10-K for the year ended January 31, 2011, as updated by Part II, Item 1A of this Quarterly Report on Form 10-Q.

**Production and Shipments at Northshore.** In its Form 10-Q filed July 28, 2011, Cliffs reported that Northshore operated all of its four furnaces for the six months ended June 30, 2011, as compared to three furnaces during the same period in 2010. Northshore has not provided the Trustees with an estimate of total expected shipments of iron ore pellets for calendar year 2011. See the description of the uncertainty of market conditions in the iron ore and steel industry under Important Factors Affecting Mesabi Trust below and the information under the heading Risk Factors in Part I Item 1A of the Trust's Annual Report on Form 10-K for the year-ended January 31, 2011, as updated by Part II, Item 1A of this Quarterly Report on Form 10-Q.

**Cliffs Settlement Agreement with ArcelorMittal.** As previously reported in the Trust's Form 10-Q filed June 3, 2011, Cliffs reported in a news release and in its Form 10-Q filed April 29, 2011, that it reached a negotiated settlement with ArcelorMittal USA Inc., and related parties, with respect to multiple arbitration and litigation proceedings. In its Form 10-Q, Cliffs announced that as part of the settlement, it received a cash payment of approximately \$275 million as a pricing true-up for pellet volumes delivered to certain ArcelorMittal steelmaking facilities in North America during 2009 and 2010. Cliffs also announced, as part of the settlement, that it and ArcelorMittal have agreed to replace the previous pricing mechanism with a world market-based pricing mechanism beginning in 2011 and through the remainder of the contract for one of the iron ore supply agreements that Cliffs has with ArcelorMittal.

Based on information received by Mesabi Trust from Cliffs, the Trust believes that during the fiscal years ended January 31, 2011 and January 31, 2010, approximately 2.5% and 10.4%, respectively, of total shipments of iron ore products from Silver Bay attributable to Mesabi Trust, were made to ArcelorMittal's steelmaking facilities involved in the Cliffs-ArcelorMittal negotiated settlement. As of the date of this filing, the Trust has not received any increase in previous royalty payments or any new royalty payments as a result of the Cliffs-ArcelorMittal negotiated settlement. Although the Trust continues to evaluate the effect of the Cliffs-ArcelorMittal negotiated settlement on shipments from Trust lands, the Trustees are unable to predict what impact, if any, the Cliffs-ArcelorMittal negotiated



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settlement will have on royalties previously paid to the Trust, future shipments by the Trust, or royalties payable to the Trust based on future shipments from Trust lands.

**Silver Bay Power Station.** In its Form 10-Q filed July 28, 2011, Cliffs reported on the impact to Northshore's Silver Bay Power Station of the Cross State Air Pollution Rule (CSAP) that was promulgated by the United States Environmental Protection Agency on July 6, 2011. According to Cliffs, Northshore's Silver Bay Power Station is subject to sulfur dioxide and nitrogen oxide emission reductions under this rule and must meet the allocations for such emissions through emission reductions to be achieved by installing additional controls or fuel switching and/or acquiring additional allocations through an allowance trading program authorized by the CSAP but not yet established. In its Form 10-Q filed July 28, 2011, Cliffs reported that it was in the process of analyzing the options available to the Silver Bay Power Station for complying with the CSAP.

The Trustees are unable to predict what impact, if any, the CSAP will have on production and shipments from Northshore or future royalties payable to the Trust.

**Elevated Levels of PM-10 at Northshore Mining Silver Bay Plant Site.** In its Form 10-Q filed July 28, 2011, Cliffs reported that for the period from November 2010 to June 2011, Northshore disclosed five elevated measurements of the particulate matter (PM-10) at an internal air monitor. Cliffs also reported that during the spring of 2011, Northshore received external comments regarding a perceived increase in dust fallout from the facility and that a complaint was reported to the Minnesota Pollution Control Agency (MPCA) in early June 2011 to the same effect. According to Cliffs, the MPCA has notified Northshore that it intends to pursue enforcement with respect to the elevated levels and that a penalty will be proposed as part of the enforcement action. Cliffs also reported that Northshore discovered tentative information related to the discoloration of leaves on Northshore's property that may be related to air emission from the facility and notified the Minnesota Duty Officer of the information on July 13, 2011 as a precautionary measure.

The Trustees are unable to predict what impact, if any, the air quality matters described above will have on production and shipments from Northshore or future royalties payable to the Trust.

### **Important Factors Affecting Mesabi Trust**

The Agreement of Trust specifically prohibits the Trustees from entering into or engaging in any business. This prohibition seemingly applies even to business activities the Trustees deem necessary or proper for the preservation and protection of the Trust's assets. Accordingly, the Trustees' activities in connection with the administration of Trust assets are limited to collecting income, paying expenses and liabilities, distributing net income to Mesabi Trust's Unitholders after the payment of, or provision for, such expenses and liabilities, and protecting and conserving the Trust's assets.

Neither Mesabi Trust nor the Trustees have any control over the operations and activities of Northshore, except within the framework of the Amended Assignment Agreements. Cliffs alone controls (i) historical operating data, including iron ore production volumes, marketing of iron ore products, operating and capital expenditures as they relate to Northshore, environmental and other liabilities and the effects of regulatory changes; (ii) plans for Northshore's future operating and capital expenditures; (iii) geological data relating to ore reserves (iv) projected production of iron ore products; (v) contracts between Cliffs and Northshore with their customers; and (vi) the decision to mine off Mesabi Trust and/or state lands, based on Cliffs' current mining and engineering plan. The Trustees do not exert any influence over mining operational decisions at Northshore, nor do the Trustees provide any input regarding the ore reserve estimated at Northshore as reported by Cliffs. While the Trustees request material information from Cliffs and Northshore for use in periodic reports as part of their evaluation of Mesabi Trust's disclosure controls and procedures, the Trustees do not control this information and they rely on, among other things, the information in Cliffs



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periodic and current filings with the SEC to provide accurate and timely information in Mesabi Trust's reports filed with the SEC.

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In accordance with the Agreement of Trust and the Amendment, the Trustees are entitled to, and in fact do, rely upon certain experts in good faith, including (i) the independent consultants with respect to Northshore's monthly production and shipment reports, which include figures on crude ore production and iron ore pellet shipments, and discussions concerning the condition and accuracy of the scales and plans regarding the development of Mesabi Trust's mining property; and (ii) the accounting firm they have contracted with for non-audit services, including reviews of financial data related to shipping and sales reports provided by Northshore and Cliffs and a review of the schedule of leasehold royalties payable to Mesabi Trust. For a discussion of additional factors, including but not limited to those that could adversely affect Mesabi Trust's actual results and performance, see Risk Factors in Part I Item 1A of Mesabi Trust's Annual Report on Form 10-K for the year-ended January 31, 2011, as updated by Part II, Item 1A of this Quarterly Report on Form 10-Q.

### **Iron Ore Pricing and Contract Adjustments**

During the course of its fiscal year some portion of the royalties paid to Mesabi Trust are based on estimated prices for iron ore products sold under term contracts between Cliffs and its subsidiaries and certain of their customers (the Cliffs Pellet Agreements). Mesabi Trust is not a party to any of the Cliffs Pellet Agreements. These prices are subject to interim and final pricing adjustments, which can be positive or negative, and which adjustments are dependent in part on a variety of price and inflation index factors, including but not limited to the international benchmark pellet price, hot band steel prices and various Producer Price Indexes. Although Northshore makes interim adjustments to the royalty payments on a quarterly basis, these price adjustments cannot be finalized until after the end of a contract year. This may result in significant and frequent variations in royalties received by Mesabi Trust (and in turn the resulting amount of funds available for distribution to Unitholders by the Trust) from quarter to quarter and on a comparative historical basis, and these variations, which can be positive or negative, cannot be predicted by Mesabi Trust. It is possible that future negative price adjustments could partially or even completely offset royalties or royalty income that would otherwise be payable to the Trust in any particular quarter, or at year-end, thereby potentially reducing cash available for distribution to the Trust's Unitholders in future quarters.

### **Effects of Securities Regulation**

The Trust is a publicly-traded trust with Units of Beneficial Interest that are listed on the New York Stock Exchange ( NYSE ) and is therefore subject to extensive regulation under, among others, the Securities Act of 1933, the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002 ( Sarbanes-Oxley ) and the rules and regulations of the NYSE. Issuers failing to comply with such authorities risk serious consequences, including criminal as well as civil and administrative penalties. In most instances, these laws, rules and regulations do not specifically address their applicability to publicly-traded trusts such as Mesabi Trust. In particular, Sarbanes-Oxley and the Dodd-Frank Wall Street Reform and Consumer Protection Act have mandated the adoption by the Securities and Exchange Commission (the SEC ) and, in some instances, the NYSE of certain rules and regulations that are impossible for the Trust to satisfy because of its nature as a pass-through trust that has no officers or employees. Pursuant to NYSE rules currently in effect the Trust is exempt from many of the corporate governance requirements that apply to publicly traded corporations listed on the NYSE. The Trust does not have, nor does the Agreement of Trust provide for, a board of directors, an audit committee, a corporate governance committee or a compensation committee. The Trustees intend to closely monitor the SEC's and the NYSE's rulemaking activity and will attempt to comply with such rules and regulations where applicable.

The Trust's website is located at [www.mesabi-trust.com](http://www.mesabi-trust.com).

### **Critical Accounting Policies and Estimates**

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This Trustees Discussion and Analysis of Financial Condition and Results of Operations is based upon the Trust's financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires

the Trustees to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Critical accounting policies are those that have meaningful impact on the reporting of the Trust's financial condition and results, and that require significant judgment and estimates. During the preparation of financial statements, the Trust makes estimates, assumptions and judgments that affect reported amounts. These estimates, assumptions and judgments include those related to revenue recognition and accrued expenses. The Trust bases its estimates on various assumptions and historical experience, which are believed to be reasonable; however, due to the inherent nature of estimates, actual results may differ significantly due to changed conditions or assumptions. On a regular basis, the Trust reviews the accounting policies, assumptions, estimates and judgments to ensure that the financial statements are fairly presented in accordance with accounting principles generally accepted in the United States. However, because future events and their effects cannot be determined with certainty, actual results could differ from assumptions and estimates, and such differences could be material.

The Trust did not have any changes in critical accounting policies or in significant accounting estimates during the three months ended July 31, 2011. For a complete description of the Trust's significant accounting policies, please see Note 2 to the financial statements included in the Trust's Annual Report on Form 10-K for the year ended January 31, 2011.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Not applicable.

**Item 4. Controls and Procedures.**

*Evaluation of Disclosure Controls and Procedures.* The Trustees maintain disclosure controls and procedures designed to ensure that information required to be disclosed by the Trust in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and regulations of the Securities and Exchange Commission. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by the Trust is accumulated and communicated by Northshore, and consultants to the Trustees as appropriate, to allow timely decisions regarding required disclosure.

As part of their evaluation of the Trust's disclosure controls and procedures, the Trustees rely on quarterly shipment and royalty calculations provided by Northshore. Because Northshore has declined to support this information with a written certification attesting to whether Northshore has established disclosure controls and procedures and internal controls sufficient to enable it to verify that the information furnished to the Trustees is accurate and complete, the Trustees also rely on (a) an annual certification from Northshore and Northshore's parent, Cliffs, certifying as to the accuracy of the royalty calculations, and (b) the related due diligence review performed by the Trust's external accountants. In addition, the Trust's consultants review the schedule of leasehold royalties payable and shipping and sales reports provided by Northshore against production and shipment reports prepared by the Eveleth Fee Office, Inc., an independent consultant to the Trust (Eveleth Fee Office). The Eveleth Fee Office gathers production and shipping information from Northshore and prepares monthly production and shipment reports for the Trustees. Furthermore, as part of its engagement by the Trust, the Eveleth Fee Office also attends Northshore's calibration and testing of its crude ore scales and boat loader scales which are conducted on a periodic basis.

As of the end of the period covered by this report, the Trustees carried out an evaluation of the Trust's disclosure controls and procedures. The Trustees have concluded that such disclosure controls and procedures are effective.

***Changes in Internal Control Over Financial Reporting.*** To the knowledge of the Trustees, there has been no change in the Trust's internal control over financial reporting that occurred during the

Trust's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Trust's internal control over financial reporting. The Trustees note for purposes of clarification that they have no authority over, and make no statement concerning, the internal control over financial reporting of Northshore or Cliffs.

**PART II - OTHER INFORMATION**

**Item 1A. Risk Factors**

The information presented below amends, updates and should be read in conjunction with the risk factors and information disclosed here and in the Trust's Annual Report on Form 10-K for the fiscal year ended January 31, 2011. The risk factors disclosed here and in the Trust's Annual Report on Form 10-K for the fiscal year ended January 31, 2011, in addition to the other information set forth in this quarterly report, could have a material adverse effect on the royalties received by Mesabi Trust. You should carefully consider such risks in addition to other information contained in this report before engaging in any transaction involving units of beneficial interest of Mesabi Trust. Additional risks and uncertainties not currently known to the Trust or that have been deemed to be immaterial as of the filing of this Quarterly Report could also materially adversely affect the Trust's results of operations.

The Trust's risk factors are hereby updated as follows:

***The operations at Northshore are largely dependent on a single-source energy supplier and a substantial interruption of operations could adversely affect royalties received by the Trust.***

The operations at Northshore are largely dependent on the Silver Bay Power Station, a 115 megawatt power plant, for its electrical supply. The Silver Bay Power Station is operated by Silver Bay Power Company, which is wholly owned by Cliffs. In its Form 10-Q filed July 28, 2011, Cliffs disclosed that the operations of the Silver Bay Power Station will be impacted by the Cross State Air Pollution Rule ( CSAP ) that was promulgated by the United States Environmental Protection Agency on July 6, 2011. Silver Bay Power Station is subject to sulfur dioxide and nitrogen oxide emission reductions under this rule and must meet the allocations for such emissions through emission reductions to be achieved by installing additional controls or fuel switching and/or acquiring additional allocations through an allowance trading program authorized by the CSAP but not yet established. In addition, Silver Bay Power Company has an interconnection agreement with Minnesota Power, Inc. for backup power, and sells 40 megawatts of excess power capacity to Xcel Energy under a contract that extends to 2011. In March 2008, Northshore reactivated one of its furnaces, resulting in a shortage of electrical power of approximately 10 megawatts. As a result, supplemental electric power is purchased by Northshore from Minnesota Power under an agreement that is renewable yearly with one-year termination notice required. The contract with Minnesota Power was set to expire on June 30, 2011, which coincides with the expiration of Silver Bay Power's 40 megawatt sales agreement with Xcel Energy. A significant interruption in service from Silver Bay Power Company due to vandalism, terrorism, weather conditions, natural disasters, regulatory changes or any other cause could cause a decrease in production capacity or require a shutdown of Northshore's operations. In addition, one natural gas pipeline serves all of Cliffs' Minnesota mines, and a pipeline failure could idle or substantially impair the operations at Northshore. Any substantial interruption of, or material reduction in, the operations of Northshore or Silver Bay Power Company could adversely affect the royalties received by the Trust.

***The operations of Northshore and Silver Bay Power Company are subject to extensive governmental regulation and Northshore and Silver Bay Power Company are subject to risks related to their compliance with federal and state environmental regulations.***

Northshore, as the owner/operator of the Peter Mitchell Mine, and Silver Bay Power Company, as the owner of the Silver Bay Power Station, are subject to various federal, state and local laws and regulations on matters such as employee health and safety, air quality, water pollution, plant and wildlife protection, reclamation and restoration of mining properties, the discharge of materials into the environment, and the effects that mining has on groundwater quality and availability. Northshore is required to maintain permits and approvals issued by federal and state

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regulatory agencies and its mining operations are subject to inspection and regulation by the Mine Safety and Health Administration of the United States Department of Labor ( MSHA ) under the provisions of the Mine Safety and Health Act of



1977. The Occupational Safety and Health Administration ( OSHA ) also has jurisdiction over safety and health standards not covered by MSHA and the Minnesota Pollution Control Agency ( MPCA ) regulates various aspects of Northshore s operations. In its Form 10-Q filed July 28, 2011, Cliffs reported that the Cross State Air Pollution Rule ( CSAP ), promulgated by the United States Environmental Protection Agency on July 6, 2011 is applicable to the Silver Bay Power Station. Northshore is, from time to time, involved in litigation with the MPCA over certain air quality permitting matters. Both Northshore and Silver Bay Power Company must at all times operate in compliance with all applicable federal, state and local laws and regulations. Because the Trust has no control over Northshore s operations, the potential impact of any proceedings between Northshore and any governmental authority cannot be determined. Moreover, Northshore and Silver Bay Power Company are individually responsible for compliance with any laws, regulations or permits applicable to their respective operations and therefore the Trust cannot determine whether they have been or will continue to be in compliance with such laws and regulations. If Northshore or Silver Bay Power Company fails to comply with these laws, regulations or permits, it could be subject to fines, orders to suspend or curtail operations, or other sanctions, any of which could have an adverse effect on its operations and its ability to ship iron ore products from Silver Bay, Minnesota, which could, in turn, have an adverse effect on the royalties received by the Trust.

**Item 5. Other Information**

Mine Safety and Health Administration Safety Data. Pursuant to §1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Cliffs started reporting information related to certain mine safety results at Northshore. This information is available in Part II, Item V of Cliffs Form 10-Q filed July 28, 2011.

**Item 6. Exhibits.**

- 3 Agreement of Trust dated as of July 18, 1961
- 3(a) Amendment to the Agreement of Trust dated as of October 25, 1982
- 4 Instruments defining the rights of Trust Certificate Holders
- 31 Certification of Corporate Trustee of Mesabi Trust pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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32	Certification of Corporate Trustee of Mesabi Trust pursuant to 18 U.S.C. Section 1350, as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Report of Wipfli LLP, dated September 8, 2011 regarding its review of the unaudited interim financial statements of Mesabi Trust as of and for the three and six months ended July 31, 2011.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

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\* Users of the XBRL data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under that section.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MESABI TRUST  
(Registrant)

By: DEUTSCHE BANK TRUST COMPANY AMERICAS  
Corporate Trustee  
Principal Administrative Officer and duly authorized signatory:\*

By: DEUTSCHE BANK NATIONAL TRUST COMPANY

September 8, 2011

By: /s/ Jeffrey Schoenfeld  
Name: Jeffrey Schoenfeld\*  
Title: Associate

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\* There are no principal executive officers or principal financial officers of the registrant.

**EXHIBIT INDEX**

<b>Item No.</b>	<b>Item</b>	<b>Filing Method</b>
3	Agreement of Trust dated as of July 18, 1961	Incorporated by reference from Exhibit 3 to Mesabi Trust's Annual Report on Form 10-K for the fiscal year ended January 31, 1987.
3(a)	Amendment to the Agreement of Trust dated as of October 25, 1982	Incorporated by reference from Exhibit 3(a) to Mesabi Trust's Annual Report on Form 10-K for the fiscal year ended January 31, 1988.
4	Instruments defining the rights of Trust Certificate Holders	Incorporated by reference from Exhibit 4 to Mesabi Trust's Annual Report on Form 10-K for the fiscal year ended January 31, 1987.

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Item No.	Item	Filing Method
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101.INS*	XBRL Instance Document (Interactive Data File)	Filed herewith
101.SCH*	XBRL Taxonomy Extension Schema (Interactive Data File)	Filed herewith
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase (Interactive Data File)	Filed herewith
101.DEF*	XBRL Taxonomy Extension Definition Linkbase (Interactive Data File)	Filed herewith
101.LAB*	XBRL Taxonomy Extension Label Linkbase (Interactive Data File)	Filed herewith
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase (Interactive Data File)	Filed herewith

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\* Users of the XBRL data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under that section.