MESABI TRUST
Form 10-Q
December 07, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 31, 2011

or

o 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)

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 x No o

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 x No o

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act:

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o	Smaller Reporting Company o

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

As of December 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 Nine Months Ended October 31, 2011 and 2010

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2011 (unaudited)	2010 (unaudited)	2011 (unaudited)	2010 (unaudited)
A. Condensed Statements of Income				
Revenues				
Royalty income	$ 13,967,426	$ 11,574,496	$ 27,576,049	$ 27,790,642
Interest income	979	1,817	3,669	12,478
	13,968,405	11,576,313	27,579,718	27,803,120
Expenses	212,068	179,747	627,836	612,295
Net income	$ 13,756,337	$ 11,396,566	$ 26,951,882	$ 27,190,825
Number of units outstanding	13,120,010	13,120,010	13,120,010	13,120,010
Net income per unit (Note 2)	$ 1.0485	$ 0.8686	$ 2.0543	$ 2.0725
Distributions declared per unit (Note 3)	$ 1.1200	$ 0.9100	$ 1.7700	$ 1.8350

See Notes to Condensed Financial Statements.

Mesabi Trust

Condensed Balance Sheets

October 31, 2011 and January 31, 2011

	October 31, 2011 (unaudited)	January 31, 2011
B. Condensed Balance Sheets		
Assets		
Cash and cash equivalents	$ 58,577	$ 8,693,691
U.S. Government securities, at amortized cost (which approximates market)	178,381	668,889
Accrued income receivable (Note 2)	19,268,209	232,786
Prepaid expenses	89,842	50,207
	19,595,009	9,645,573
U.S. Government securities, at amortized cost (which approximates market)	374,840	
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
	$ 19,969,852	$ 9,645,576
Liabilities, Unallocated Reserve and Trust Corpus		
Liabilities		
Distribution payable	$ 14,694,411	$ 8,528,006
Accrued expenses	91,172	129,765
Deferred royalty revenue (Note 4)	467,000	
	15,252,583	8,657,771
Unallocated Reserve (Note 5)	4,717,266	987,802
Trust Corpus	3	3
	$ 19,969,852	$ 9,645,576

See Notes to Condensed Financial Statements.

Mesabi Trust

Condensed Statements of Cash Flows

Nine Months Ended October 31, 2011 and 2010

	Nine Months Ended October 31,			
		2011 (unaudited)		2010 (unaudited)
C. Condensed Statements of Cash Flows				
Cash flows from operating activities				
Royalties received	$	9,006,698	$	22,570,769
Interest received		4,597		15,513
Expenses paid		(706,064)		(649,340)
Net cash provided by operating activities		8,305,231		21,936,942
Cash flows from investing activities				
Maturities of U.S. Government Securities		489,000		2,180,000
Purchases of U.S. Government Securities		(373,332)		(998,373)
Net cash provided by investing activities		115,668		1,181,627
Cash flows used for financing activities Distributions to Unitholders		(17,056,013)		(19,352,015)
Net change in cash and cash equivalents		(8,635,114)		3,766,554
Cash and cash equivalents, beginning of year		8,693,691		8,444,697
Cash and cash equivalents, end of period	$	58,577	$	12,211,251
Reconciliation of net income to net cash provided by operating activities				
Net income	$	26,951,882	$	27,190,825
Increase in accrued income receivable		(19,035,423)		(2,446,838)
Increase in prepaid expenses		(39,635)		(23,215)
Decrease in accrued expenses		(38,593)		(13,830)
Increase (Decrease) in deferred royalty revenue		467,000		(2,770,000)
Net cash provided by operating activities	$	8,305,231	$	21,936,942
Non Cash Financing Activity				
Distributions declared	$	14,694,411	$	11,939,209

See Notes to Condensed Financial Statements.

MESABI TRUST

NOTES TO CONDENSED FINANCIAL STATEMENTS

October 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 nine months ended October 31, 2011 and 2010, (b) the financial position at October 31, 2011 and (c) the cash flows for the nine months ended October 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. The Trust recorded $19,268,209 of accrued income receivable as reflected on the Condensed Balance Sheet as of October 31, 2011 (unaudited). Accrued income receivable includes accruals for anticipated positive pricing adjustments, royalties related to shipments during the month of October, and approximately $14,739,694 of royalties earned during July, August, and September 2011. The Trust typically receives payments from Northshore in the month following the end of each calendar quarter. However, during the fiscal quarter ended October 31, 2011, payment anticipated to be received by October 31, 2011, was not received until November 2, 2011. Therefore, the amount is included in accrued income receivable. These funds were used to pay distributions of $14,694,411 declared by the Trustees on October 14, 2011 and payable on November 20, 2011. 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. For the year to date through October 31, 2011, the percentage of iron ore shipped from Silver Bay that came from Mesabi Trust lands was less than 90% of the total tons shipped from Silver Bay. As a result of this shortfall, the Trust accrued $467,000 of deferred royalty revenue that represents royalty payments received from Northshore to fulfill the minimum quarterly threshold percentages required under the royalty agreement. If future shipments of iron ore products credited to Mesabi Trust during the remainder of the current

calendar year are in excess of the thresholds described above, royalty payments made to Mesabi Trust based on the stated minimum quarterly and annual threshold percentages, 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.

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 October 31, 2011 and January 31, 2011, the cash and U.S. Government securities portion of the Unallocated Reserve totaled $610,468 and $755,016, respectively. Pursuant to the Agreement of Trust, the Trust makes decisions on cash distributions to Unitholders based on the royalty payments actually received from Northshore, taking into account the Trust s expenses and any historical and potential future pricing adjustments, rather than as royalty income is recorded in accordance with the Trust s revenue recognition policy.

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

Unallocated Reserve, January 31, 2011	$	987,802
Net income		26,951,882
Distributions declared		(23,222,418)
Unallocated Reserve, October 31, 2011	$	4,717,266

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 and Section 27A of the Securities Act of 1933. 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 forward-looking words, such as may, will, could, project, predict, intend, believ anticipate, expect, estimate, continue, potential, plan, should, assume, forecast and other similar words. Such forward-looking st 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 the Quarterly Report on Form 10-Q for the three months ended July 31, 2011. 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 nine month period ended October 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 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

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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 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. 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 Nine Months Ended October 31, 2011 and October 31, 2010

As shown in the table below, production of iron ore pellets at Northshore from Mesabi Trust lands during the fiscal quarter ended October 31, 2011 totaled 1,355,086 tons, and shipments over the same period totaled 1,629,955 tons. By comparison, pellet production and shipments for the comparable period in 2010 were approximately 1,257,479 tons and 1,702,938 tons, respectively, and thus consistent with production and shipments for the three months ended October 31, 2011.

Three Months Ended	Pellets Produced from Mesabi Trust Lands (tons)	Pellets Shipped from Mesabi Trust Lands (tons)
October 31, 2011	1,355,086	1,629,955
October 31, 2010	1,257,479	1,702,938

As shown in the table below, during the nine months ended October 31, 2011, production of iron ore pellets at Northshore from Mesabi Trust lands totaled 4,022,566 tons, and shipments over the same period totaled 3,857,077 tons. By comparison, pellet production and shipments for the comparable period in 2010 were 3,508,519 tons and 4,721,032 tons, respectively. The decrease in shipments at Northshore for the nine months ended October 31, 2011 is the result of a decrease in demand 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 nine months ended October 31, 2010.

Nine Months Ended	Pellets Produced from Mesabi Trust Lands (tons)	Pellets Shipped from Mesabi Trust Lands (tons)
October 31, 2011	4,022,566	3,857,077
October 31, 2010	3,508,519	4,721,032

Comparison of Royalty Income for the Three and Nine Months Ended October 31, 2011 and October 31, 2010

Total royalty income for the three months ended October 31, 2011 increased by $2,392,930 to $13,967,426, as compared to the three months ended October 31, 2010. The increase in total royalty income, despite the fact that total shipments during the period decreased from the prior comparable period, is due to an increase in the average sales price per ton during the three months ended October 31, 2011 as compared to the three months ended October 31, 2010.

The table below shows that the base overriding royalties and the bonus royalties for the three months ended October 31, 2011, as compared to the three months ended October 31, 2010, increased by $847,708, and $1,494,636, respectively. Fee royalties increased by $50,586 over the same period. The increases in the base overriding royalties and the bonus royalties are both attributable to higher realized sales prices per ton, as compared to the three months ended October 31, 2010.

The table below summarizes the components of Mesabi Trust s royalty income for the three months ended October 31, 2011 and October 31, 2010.

	Three Months Ended October 31, 2011		2010
Base overriding royalties	$	8,568,880	$	7,721,172
Bonus royalties		5,215,966		3,721,330
Minimum advance royalty paid (recouped)				
Fee royalties		182,580		131,994
Total royalty income	$	13,967,426	$	11,574,496

The Trust s total royalty income for the nine months ended October 31, 2011 decreased $214,593 as compared to the nine months ended October 31, 2010. The decrease is the result of an 18% decrease in the total volume of iron ore pellets shipped during the nine months ended October 31, 2011, offset by higher realized sales prices per ton of iron ore pellets, each as compared to the nine months ended October 31, 2010.

The table below shows that the bonus royalties, and the fee royalties increased $381,576, and $178,198 respectively, and the base overriding royalties decreased $774,367 for the nine months ended October 31, 2011, from the comparable period in 2010. The increase in the bonus royalties is attributable to the higher sales prices per ton of iron ore pellets during the nine months ended October 31, 2011, as compared to the nine months ended October 31, 2010. The decrease in the base overriding royalties is attributable to lower volume of total shipments of iron ore products from Mesabi Trust lands during the nine months ended October 31, 2011, as compared to the nine months ended October 31, 2010. For the nine months ended October 31, 2011 and October 31, 2010, components of Mesabi Trust s royalty income were as described below.

		Nine Months Ended October 31, 2011		2010
Base overriding royalties	$	15,984,620	$	16,758,987
Bonus royalties		11,038,175		10,656,599
Minimum advance royalty paid (recouped)				
Fee royalties		553,254		375,056
Total royalty income	$	27,576,049	$	27,790,642

Comparison of Net Income, Expenses and Distributions for the Three and Nine Months Ended October 31, 2011 and October 31, 2010

Net income for the three months ended October 31, 2011 was $13,756,337, an increase of $2,359,771 compared to the three months ended October 31, 2010. As with the increase in total royalty income, the increase in net income for the quarter ended October 31, 2011 was the result of higher sales prices per ton of iron ore pellets shipped, partially offset by a decrease in the volume of tons shipped. The Trust s expenses increased $32,321 for the three months ended October 31, 2011, as compared to the three month period ended October 31, 2010, as a result of higher expenses incurred in connection with the administration of the Trust, mostly due to higher legal and accounting fees and insurance expenses. The increase in legal and accounting fees was primarily driven by additional regulatory requirements (chiefly, the new XBRL format requirements) and reviewing the impact of the settlement agreement between Cliffs and Arcelor-Mittal. The table below summarizes the Trust s income and expenses for the three months ended October 31, 2011 and October 31, 2010.

	Three Months Ended October 31, 2011		2010
Total royalty income	$ 13,967,426	$	11,574,496
Interest income	979		1,817
Gross income	13,968,405		11,576,313
Expenses	212,068		179,747
Net income	$ 13,756,337	$	11,396,566

Net income for the nine months ended October 31, 2011 was $26,951,882, a decrease of $238,943 as compared to the nine months ended October 31, 2010. The decrease in net income for the nine months ended October 31, 2011 was the result of a decrease in the volume of tons shipped compared to the nine months ended October 31, 2010. The Trust s expenses of $627,836 for the nine months ended October 31, 2011 were consistent with the Trust s expenses for the nine months ended October 31, 2010. The table below summarizes the Trust s income and expenses for the nine months ended October 31, 2011 and October 31, 2010.

	Nine Months Ended October 31, 2011		2010
Total royalty income	$ 27,576,049	$	27,790,642
Interest income	3,669		12,478
Gross income	27,579,718		27,803,120
Expenses	627,836		612,295
Net income	$ 26,951,882	$	27,190,825

As presented on the Trust s Condensed Statements of Income on page 2 of this quarterly report, the Trust s net income per unit increased $0.1799 per unit to $1.0485 per unit for the three months ended October 31, 2011 as compared to October 31, 2010. For the nine months ended October 31, 2011, the Trust s net income per unit decreased $0.0182 per unit to $2.0543 per unit, as compared to the prior year period. On October 14, 2011, the Trust declared a distribution of $1.12 per unit payable to Unitholders of record on October 30, 2011. Comparatively, the Trust declared a distribution of $0.91 per unit in October 2010. During the nine months ended October 31, 2011 and October 31, 2010, the Trust had declared total distributions per unit of $1.77 and $1.835, respectively.

Distributions, if any, are declared after receiving notification from Northshore Mining Company 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 the Trust s fiscal quarter (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). 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 October 31, 2011, October 31, 2010 and January 31, 2011

Unallocated Reserve, which is comprised of accrued income receivable, cash reserve for potential fixed or contingent future liabilities and deferred royalty revenue, increased from $4,243,438 as

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of October 31, 2010 to $4,717,266 as of October 31, 2011.

The Trust s deferred royalty revenue was $467,000 as of October 31, 2011. 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 October 31, 2011, the percentage of iron ore shipped from Mesabi Trust lands was less than the required minimum percentage of the total tons shipped from Silver Bay for the year to date. The deferred royalty revenue of $467,000 represents royalty payments received from Northshore to fulfill the required minimum quarterly and annual threshold amounts 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 in the fourth quarter of the current calendar year.

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. 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 a 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.

As of October 31, 2011 and 2010, the cash and U.S. Government securities portion of the Unallocated Reserve totaled $610,468 and $922,662, respectively. As of January 31, 2011, the cash and U.S. Government securities portion of the Unallocated Reserve totaled $755,016.

Recent Developments

Production and Shipments. In its Form 10-Q filed November 1, 2011, Cliffs reported that Northshore was operating all four of its furnaces during the first nine months of calendar year 2011. 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 the Quarterly Report on Form 10-Q for the three months ended July 31, 2011.

Cliffs Settlement Agreement with ArcelorMittal. As previously reported in the Trust s Form 10-Q filed September 8, 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. The Trustees have been informed that the supply agreements that Cliffs has with ArcelorMittal that involve iron ore products shipped from Northshore do not use a world market-based pricing mechanism. Therefore, is not clear whether or to what extent, if any, the world market-based pricing mechanism will impact the pricing of iron ore products shipped from Silver Bay.

Based on information received by Mesabi Trust from Cliffs, even though Northshore shipped small volumes of pellets to ArcelorMittal s steelmaking facilities involved in the Cliffs-ArcelorMittal negotiated settlement during 2009 and 2010, only shipments from calendar year 2009 were included in the ArcelorMittal negotiated settlement because ArcelorMittal limited its nomination of shipments from Northshore to calendar year 2009, and did not nominate any shipments in calendar year 2010. Because final iron ore pricing as agreed to under the price reopener provisions of the ArcelorMittal negotiated settlement was below the pricing of iron ore shipments from Silver Bay upon which royalties were paid to the Trust in 2009, the final prices of iron ore shipments by Northshore in 2009 that were included in the ArcelorMittal negotiated settlement are not expected to result in any increase to the royalty payments previously received by the Trust.

As of the date of this filing, the Trust has not received any adjustment, positive or negative, to previous royalty payments as a result of the Cliffs-ArcelorMittal negotiated settlement. The Trustees are unable to determine what impact, if any, the Cliffs-ArcelorMittal negotiated settlement will have on royalties previously paid to the Trust, future shipments of iron ore pellets by Northshore, or royalties payable to the Trust based on future shipments of iron ore products mined from Mesabi Trust lands.

Settlement Agreement between Cliffs and Essar Algoma Steel. Cliffs reported in its Form 10-Q filed April 29, 2011 that it had settled various proceedings between Essar Algoma Steel (Essar) and The Cleveland-Cliffs Iron Company, Cliffs Mining Company and Northshore Mining Company. Because Northshore is a named party to the settlement agreement among Essar and the Cliffs entities, consultants to Mesabi Trust reviewed whether the Trust was entitled to receive additional royalties resulting from the $129 million in true-up payments Cliffs reported it received from Essar. Based on information Mesabi Trust received from Cliffs, there were no shipments of iron ore products from Mesabi Trust lands to Essar during the time periods covered by the settlement agreement between the Cliffs entities named in the settlement agreement and Essar. Therefore, Mesabi Trust does not expect to receive any additional royalties with respect to this settlement agreement.

Elevated Levels of PM-10 at Northshore Mining Silver Bay Plant Site. In its Form 10-Q filed November 1, 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 reported that MPCA verbally notified Northshore during June 2011 that it intended to pursue enforcement with respect to the elevated monitored levels and Northshore received the first draft of a Stipulation Agreement from MPCA in mid-August 2011 and will be working with the agency to finalize that agreement during the latter part of 2011. According to Cliffs Form 10-Q, Northshore does not anticipate that any settlement of the matter will have a material impact on its business. 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 assets held.

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

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 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 a review of the schedule of leasehold royalties payable to Mesabi Trust under the contracts between Cliffs and its subsidiaries and certain of their customers.

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 the Quarterly Report on Form 10-Q for the three months ended July 31, 2011

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 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 mandated the adoption by the Securities and Exchange Commission (the SEC) and NYSE of certain rules and regulations that are impossible for the Trust to literally satisfy because of its nature as a pass-through trust. Pursuant to NYSE rules currently in effect, the Trust is exempt from many of the corporate governance requirements that apply to publicly traded corporations. 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.

Critical Accounting Policies

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 October 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 5. Other Information.

Mine Safety and Health Administration Safety Data. Pursuant to §1503(a) of the recently enacted 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 on November 1, 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
10(a)	Peters Lease
10(b)	Amendment of Assignment of Peters Lease
10(c)	Cloquet Lease
10(d)	Assignment of Cloquet Lease
10(e)	Modification of Lease and Consent to Assignment dated as of October 22, 1982
10(f)	Amendment of Assignment, Assumption and Further Assignment of Peters Lease
10(g)	Amendment of Assignment, Assumption and Further Assignments of Cloquet Lease
10(h)	Summary Description of Trustees Compensation
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.
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 December 7, 2011 regarding its review of the unaudited interim financial statements of Mesabi Trust as of and for the three and nine months ended October 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

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101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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

December 7, 2011

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

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

EXHIBIT INDEX

Item No.	Item	Filing Method
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.
10(a)	Peters Lease	Incorporated by reference from Exhibits 10(a) - 10(d) to Mesabi Trust s Annual Report on Form 10-K for the fiscal year ended January 31, 1987.
10(b)	Amendment of Assignment of Peters Lease	Incorporated by reference from Exhibits 10(a) - 10(d) to Mesabi Trust s Annual Report on Form 10-K for the fiscal year ended January 31, 1987.
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10(d)	Assignment of Cloquet Lease	Incorporated by reference from Exhibits 10(a) - 10(d) to Mesabi Trust s Annual Report on Form 10-K for the fiscal year ended January 31, 1987.
10(e)	Modification of Lease and Consent to Assignment dated as of October 22, 1982	Incorporated by reference from Exhibit 10(e) to Mesabi Trust s Annual Report on Form 10-K for the fiscal year ended January 31, 1988.
10(f)	Amendment of Assignment, Assumption and Further Assignment of Peters Lease	Incorporated by reference from Exhibit A to Mesabi Trust s Report on Form 8-K dated August 17, 1989.
10(g)	Amendment of Assignment, Assumption and Further Assignments of Cloquet Lease	Incorporated by reference from Exhibit B to Mesabi Trust s Report on Form 8-K dated August 17, 1989.

Item No.	Item	Filing Method
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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