

Head Office
P.O. Box 40, Commerce Court West
Toronto, Ontario M5L 1B4
Telex 065-24211 Telephone 416/863-7000



April 16, 1981

Mr. William P. O'Brien
Vice President Manufacturing
Osmose Wood Preserving Company
980 Ellicott Street
Buffalo, New York
U.S.A. 14200

Dear Bill:

Thank you for your letter of March 26, 1981 addressed to D.N. Zeraldo offering to purchase Giant Yellowknife crude arsenic trioxide stored in underground stopes. As discussed during our March 19, 1981 meeting at Yellowknife, the underground material is of significantly lower grade than our current baghouse production. Consequently, the cost of transportation to your Memphis plant, (and the certainty of its continued escalation) expressed in cents per pound of contained As_2O_3 , would result in an F.O.B. Yellowknife price that would not provide adequate incentive for such underground recovery. It is clear therefore that the marketability of Giant's underground reserves is contingent upon the construction of a refinery at Yellowknife to produce a 99+% product. Before a decision on a refinery can be addressed we must determine whether we can develop a workable method of recovering the crude arsenic trioxide stockpiled underground. Environmental considerations will be very important in this work.

I am pleased to report to you that at our April 14th Board of Directors Meeting approval was given for expenditure of funds on a comprehensive program to sample and test recover material in each of the stopes. We hope that this program will be completed by summer. The ultimate successful recovery method will determine whether a pyrometallurgical or hydrometallurgical process will be used to refine the crude arsenic trioxide.

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Mr. W.P. O'Brien

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We certainly understand your position and desire to immediately secure a firm source of supply; however I hope that you can appreciate the numerous unknowns we are currently facing with this project. The first and critical unknown is to determine if we can in fact recover our underground material. If we can, then the method of recovery (wet or dry) will more or less determine what type of refining process we will employ. Once we are confident of the recoverability of the underground material we will be in a position to discuss the projected timing and availability of refined product with you and we can determine at that time what form of contractual arrangement will be acceptable to both sides.

Please be assured that Giant is moving decisively on this project and that it is our desire to keep in regular contact over the coming months so that you are fully informed of the progress being made.

Yours Very Truly,

D.J. Emery
President

DJE:ac