

FALCONBRIDGE NICKEL MINES LIMITED

INTER-OFFICE MEMORANDUM

not to be
UE

DATE: January 2nd, 1980

TO: D. J. Emery

RG-88

COPIES TO: J. O. Kachmar

FROM: P. J. Raleigh

SUBJECT: ARSENIC SALES

Investigations into the desirability of selling crude As_2O_3 to Koppers in Georgia are being reinstituted as a result of a meeting between representatives of both organizations on December 18th, 1979.

Present:

J. D. Hite	-	V.P., Koppers Corp.
J. Koza	-	Research Engineer, Koppers Corp.
K. Dougan	-	Plant Superintendent, Koppers Corp.
P. J. Raleigh	-	Falconbridge Nickel Mines Limited
L. S. Price	-	Falconbridge Nickel Mines Limited
J. Derka	-	Consultant

Koppers is prepared to continue negotiations suspended earlier in the year regarding the sale of crude As_2O_3 from the Giant Mines to Koppers. Koppers will have a facility capable of treating crude As_2O_3 with over 90% As_2O_3 .

The advisability of accepting the chance to ship crude at this time is apparent by the following calculations.

1. Current Price at Tacona	24.25¢/#
Transport to Georgia	<u>2.75¢</u>
	27.00¢/#

It is assumed that the following is applicable to the Hot Water Leach at Giant.

Volume of Sales	8×10^6 lbs. As_2O_3 /year
Capital	$\$2.2 \times 10^6$ /year
Operating Cost	$6.5¢ \times 8 \times 10^6 = \$ 520,000./year$
Transport to Georgia @ 13¢/#	$= \$1,040,000./year$
Operating Cost	$= \$1,720,000.$
Selling Value 27¢ x 8×10^6	$= \underline{2,160,000.}$
Operating Profit	$\$ 440,000.$

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Discounted Present Value @ 25% before taxes shows a negative present value.

If capital can be reduced to \$600,000. with similar operating costs and a 25% rate of return, Net Present Value is \$698,627. based on a 6 year operating life.

If the crude material is shipped to users with a minimum of capital investment, the following is the result.

1. Capital	\$5,000.00
2. Sales Volume	8×10^6 pounds As_2O_3 /year
3. Selling Price	7¢/# As_2O_3
4. Operating Costs	\$60,000./year
5. Operating Profit	\$500,000./year

Net Present Value of this operation is \$1,470,700. at 25% Discount rate before taxes based on 6 year life as previous examples.

If direct sales are possible, this appears to be the most profitable route at this time.

P. J. Raleigh

PJR/hmg