

D R A F T

*File -
As. Sales*

December 7, 1978

Mr. D. Hite,
Vice-President & General Manager,
Specialty Wood Chemicals Division,
Koppers Company Inc.,
PITTSBURGH, Pennsylvania. 15219

Dear Mr. Hite:

We are in receipt of your November 8, 1978 letter, addressed to our Mr. D.J. Emery, in which you outlined Koppers' proposal for an agreement covering the purchase and sale of Giant Yellowknife Mines Limited arsenic trioxide. We have carefully reviewed your proposed terms, and while we are agreeable to some of them, we wish to provide you with what we consider to be a fair basis on which to conclude a sales contract.

Therefore we suggest the following points form the basis of a contract between Giant Yellowknife Mines Limited and Koppers Incorporated:

1. Definitions:

- a) The term "ton" means a ton of 2,000 pounds ^(avoirdupois) avoirdupois dry basis;
- b) Amounts of money stated in "Dollars" (\$) and "Cents" (¢) are stated in the lawful money of the United States of America.

2. Material:

Crude arsenic trioxide (hereinafter called "product") which is produced from roasting current mine production in the fluosolids roaster and which is subsequently captured in the baghouse without further processing by Giant Yellowknife Mines Limited at its mine located near the City of Yellowknife, Northwest Territories.

3. Duration:

The agreement shall cover a period from January 1, 1979 up to and including December 31, 1981 and shall continue thereafter unless and until terminated by either party through written notice to the other party one (1) calendar year in advance of the date of termination. Such termination may occur on December 31, 1981 or at the end of any year thereafter.

4. Quantity:

The minimum quantity of product, expressed in terms of contained As₂O₃, to be purchased each calendar year under the agreement shall be as follows:

<u>Period</u>	<u>Quantity of Product</u>
January 1, 1979 to December 31, 1979	1,500 tons
January 1, 1980 to December 31, 1980	2,000 tons
January 1, 1981 to December 31, 1981	2,000 tons
January 1, 1982 onward per calendar year	2,000 tons

The tonnage concerned shall be delivered in approximately equal monthly quantities.

For each calendar year of the agreement Koppers shall use reasonable efforts to purchase Giant's entire annual output of product, at this time estimated to be approximately 3,000 tons of contained As₂O₃. In the event that Koppers shall purchase Giant's entire production of contained As₂O₃ in any year and requires additional As₂O₃, Giant shall use reasonable efforts to provide such additional As₂O₃ from whatever sources available. In the event that the purity of such As₂O₃ is different from the purity of the As₂O₃ normally supplied hereunder, both parties hereto shall discuss the applicable up-grading costs concerned. Should Giant produce a higher purity As₂O₃ (minimum purity 98 percent As₂O₃) in the future and offer such material to Koppers, no deduction shall be allowed to Koppers for up-grading.

Koppers shall be required to provide 90 days written notice to Giant prior to the commencement of a calendar year for the quantity of contained As₂O₃ in product Koppers will purchase for said calendar year.

In the event Koppers does not purchase the entire production of product during any calendar year of the agreement, then Giant shall have the right to dispose of the quantity of product not purchased by Koppers however Giant so chooses.

5. Price:

An initial base price for product, applicable for the first calendar month of the agreement and expressed in cents per pound of contained As₂O₃, shall be the price of As₂O₃ sold by Asarco's Tacoma Smelter F.O.B. Tacoma plus the cost of freight to Conley, Georgia, currently 23.25 cents per pound and _____ per pound respectively and said base price shall then be adjusted monthly to obtain the sales price for product to be paid for by Koppers to Giant as follows.

5. a) The base price shall be adjusted for the second and subsequent months by an amount exactly equal to the increase or decrease from the prior month to the current month in the monthly average Tacoma price for arsenic trioxide as quoted in United States funds and published in "Metals Week". In the event that the Tacoma price ceases for whatever reason to be published in "Metals Week" both Koppers and Giant shall investigate other published As_2O_3 prices in metals weeks or other applicable trade publications in order to arrive at a mutually acceptable price escalator/de-escalator.
- b) The sales price for product in any given month shall be calculated by adding the applicable escalator/de-escalator to the base price and deducting therefrom the following:
- i) All direct costs incurred by Koppers on transporting and unloading product and in disposing of residual sludge.
 - ii) Additional out of pocket cash operating cost utilizing Giant's product compared to 98 percent As_2O_3 .
 - iii) A 50 percent return to Koppers on an average yearly net investment over a 3-year contract period.
 - iv) All deductions specified above shall be submitted by Koppers to Giant for discussion and when mutually agreed shall form part of the contract.
- c) At no time will the calculated sales price be less than zero cents per pound.

6. Title to Residual Sludge:

Title to the residual sludge, produced by Koppers from its purification process, will remain with Giant. Giant shall have the option to:

- a) allow Koppers to dispose of such sludge and incorporate the costs of disposal into its direct costs, or b) take delivery of such sludge f.o.b. Koppers Conley, Georgia plant.

7. Force Majeure:

The agreement shall contain a provision excusing either party from performance of the agreement in the case of a force majeure.

8. Economic Clause:

The agreement shall contain a clause which will excuse Giant from performance of the agreement upon six months written notice to Koppers

Mr. D. Hite
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in the case which the operation of the mine becomes unprofitable because of any number of unforeseen events.

We feel that the above points represent a basis fair to both parties upon which to conclude a sales agreement. If this proposal is to your satisfaction would you please sign one copy of this letter and return it to us.

Yours very truly,

GIANT YELLOWKNIFE MINES LIMITED

KOPPERS COMPANY INC.

GIANT YELLOWKNIFE MINES LIMITED

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