

FALCONBRIDGE NICKEL MINES LIMITED

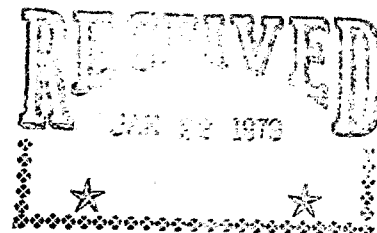
INTER-OFFICE MEMORANDUM

DATE: January 15, 1979

TO: D.J. Emery

COPIES TO:

FROM: P.J. Raleigh

SUBJECT: PROPOSAL TO TREAT GOLD
BEARING RESIDUES FROM CON

A proposal along the following lines is suggested as being suitable for openers, should you decide to discuss the subject with the Con Management.

1. Giant has developed a process that is capable of separating the Gold Bearing materials from the Gold Arsenic residues now in storage in ponds on the Con Property and in stopes at Giant.
2. Giant proposes to construct on their property a plant which will provide it with a facility to separate the gold bearing material from the diluent.
3. The plant will be designed to handle Gold bearing material from both potential sources in Yellowknife.
4. Environmental considerations in Yellowknife currently dictate that the material stored at Con will be buried under a substantial layer of soil. If the material is buried the potential for recovery of the resources contained will be lost.
5. In order that the resource available at Con is utilized to the community's advantage and the company's advantage, the following points are presented.
 - (a) If Con will recover the residue from the ponds and deliver it to Giant at a rate not to exceed 8,000 Tons/Year. (The rates will be mutually agreed upon by the parties from year to year. Delivery will be at as high a density as can be handled by conventional equipment).
 - (b) Giant will receive and process the residue to produce a gold bearing component and an arsenic bearing component.
 - (c) The gold bearing residue will be treated by roasting, cyanidation and fire refinery to produce a gold and silver bearing bullion.

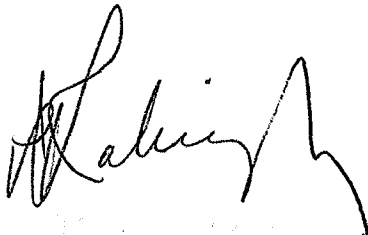
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- (d) The arsenic bearing component will be disposed of by Giant using the environmentally acceptable system currently in use at the mine or they will use other environmentally acceptable systems available from time-to-time.
6. Processing will be carried out after sampling acceptable to both parties has been carried out to determine the value of the precious metals content of the material delivered.
7. Recovery of the precious metals content is expected to be + 90% of contained values. The monthly average selling price (at Winnipeg) for the contained metals will be used to evaluate the gross value of the product delivered. All transactions will be in Canadian Dollars.
8. Processing costs will include the following:
- A. Cash Items
- (1) Labour (Operating & Maintenance)
 - (2) Fuel (Steam, Oil, Electric Power)
 - (3) Chemicals and Supplies
 - (4) Maintenance & Repair Parts
 - (5) Overhead & Supervision
- B. Non Cash Items
- (1) Depreciation on new plant equipment (3 years)
 - (2) 25% Return on average investment in new plant over the 3 year depreciation period.
 - (3) Storage development costs for As_2O_3 in the Giant Mine, if used.
- Both Items (A & B) will be prorated on the basis of dry tons of incoming material received from the two sources - Giant and Con.
9. The sum of the costs generated in 8 (A&B) will be deducted from the gross metal value determined in 7 to enumerate the net return for product handled.
10. The net return calculated in 9 will be split, 50% Con - 50% Giant on a monthly evaluation with the necessary corrections made once a year.
11. Giant will have the option to cease to handle Con's residue, if the items in 8 (A) - 1,2,3, 4 and 8 (B) - 3 exceed the value of the gross metal value calculated in 7.
12. The agreement is subject to economic clauses, and force majeure clauses, notice, etc. The material will belong to Giant, except for items covered elsewhere, after it has been delivered into Giant's receiving station.

Date of the agreement should be open but should be in 1979 if possible.

I hope this will give you some food for thought. We will develop economics for you later this month. There will be very little in it for Con, for the first three years at least, later on it should improve. It looks good for Giant as the prospect of participation is there, along with availability of by products which may be sold.

Can we have your thoughts on the subject ? When can we discuss the points with Con ?

A handwritten signature in dark ink, appearing to read "P.J. Raleigh". The signature is fluid and cursive, with a large initial "P" and a long, sweeping underline.

P.J. Raleigh

PJR/ft