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FALCONBRIJ TOR

A/C 0031093867

FEB 17, 1984 MSG NO 3870

ATTN: SIMON CARVES, JOHANNESBURG, SOUTH AFRICA

FROM: D.J. EMERY

RE YOUR TELEX CONCERNING DRAFT AGREEMENT, WE HAVE REVIEWED PROVISIONS RESPECTING LICENSOR'S OBLIGATIONS AND CONCLUDE, IN LIGHT OF CONTINUING ATTRITION OF OUR TECHNICAL STAFF BOTH IN TORONTO AND YELLOWKNIFE, THAT WE WOULD BE UNABLE TO MEET THE OBLIGATIONS IDENTIFIED UNDER ARTICLES 5.2.2.1., 5.2.2.6 AND 5.2.2.7.

WE ALSO POINT OUT THAT PROCESS AS PRESENTLY PRACTISED DOES NOT RESULT IN FORMATION OF CALCINE SUBSTANTIALLY FREE FROM SULPHUR AND ARSENIC AS IDENTIFIED IN ARTICLE 2.1.1 AS THE ELIMINATION OF THESE TWO ELEMENTS IS ABOUT 75 PERCENT AND 80 PERCENT RESPECTIVELY.

CHANGES WE WOULD WANT TO SEE IN THE AGREEMENT ARE DETAILED AS FOLLOWS:-

CLAUSE 1.1 A) FOR ROASTING OF ARSENICAL PYRITE UNDER CONTROLLED CONDITIONS IN A TWO STAGE ROASTING PROCESS THEREBY RESULTING IN THE REMOVAL OF ARSENIC TO CREATE A CALCINE AMENABLE TO GOLD RECOVERY.

CLAUSE 2.1.1 "YELLOWKNIFE TWO STAGE ROASTING SYSTEM" REFERS TO PROCESSES FOR THE ROASTING OF ARSENICAL SULPHIDE MATERIALS AND PYRITES IN TWO STEPS...ETC...FOR THE FORMATION OF CALCINE FROM WHICH SUFFICIENT ARSENIC HAS BEEN REMOVED TO RENDER IT AMENABLE TO GOLD EXTRACTION.

CLAUSE 2.1.2 A "GAS CLEANING SYSTEM" WHICH REFERS TO A PROCESS FOR PURIFICATION OF SULPHUR DIOXIDE CONTAINING GASES FROM THE ROASTER WHICH AMONG OTHER THINGS CONTAINS IMPURITIES SUCH AS ARSENIC AND IRON OXIDES, BY AIR DILUTION COOLING,.....

CLAUSE 5.1TO LICENSEE KNOWLEDGE AND DOCUMENTATION CONCERNING THE SUBJECT MATTER.....

CLAUSE 5.2.1.1. DELETE "ALSO WITH RESPECT TO PROCESS GUARANTEES."

CLAUSE 5.2.1.2 DELETE THE WHOLE CLAUSE AND SUBSTITUTE THE FOLLOWING

"GIANT SHALL ASSIST SCSA IN THE PREPARATION OF DETAILED PROPOSALS TO BE SUBMITTED TO POTENTIAL CLIENTS, PROVIDED SCSA GIVES GIANT AT LEAST THIRTY (30) DAYS' PRIOR NOTICE OF THE NECESSITY FOR GIANT TO RENDER SUCH ASSISTANCE. IN THE EVENT THAT SCSA IS UNABLE TO GIVE THIRTY DAYS' PRIOR NOTICE, GIANT SHALL NEVERTHELESS USE ITS BEST EFFORTS TO COMPLY WITH A REQUEST FOR SUCH ASSISTANCE. GIANT SHALL REVIEW PROCESS REQUIREMENTS, PILOT PLANT AND OTHER TEST DATA, CAPACITY REQUIREMENTS, DESIGN CRITERIA AND OTHER TECHNICAL INPUT (HEREINAFTER COLLECTIVELY CALLED THE "BID SPECIFICATIONS") SUBMITTED TO IT BY SCSA IN CONNECTION WITH SUCH REQUEST FOR ASSISTANCE AND SHALL PROMPTLY ADVISE SCSA IF, IN GIANT'S OPINION AND WITHIN ITS EXPERIENCE AND KNOW-HOW, SUCH BID SPECIFICATIONS ARE ADEQUATE FOR THE PREPARATION OF A PROPOSAL. IN THE EVENT THAT GIANT BELIEVES THAT FURTHER TESTS ON THE CLIENT'S FEED ARE NECESSARY THEN GIANT WILL IMMEDIATELY PROPOSE THE TESTS TO SCSA AND SCSA WILL BE RESPONSIBLE FOR HAVING SUCH TESTS CARRIED OUT. WITHIN 14 CALENDAR DAYS OF THE RECEIPT BY GIANT OF ADEQUATE BID SPECIFICATIONS GIANT WILL DISPATCH TO SCSA THE TECHNICAL INFORMATION LISTED IN APPENDIS B ATTACHED HERETO AND FORMING A PART HEREOF.

CLAUSE 5.2.2.1 MAKE BEST EFFORTS TO ASSIST THE LICENSEE IN DEVELOPING PROCESS FLOW-SHEETS, ETC.....

CLAUSE 5.2.2.5 UPON LICENSEE'S REQUEST, MAKE BEST EFFORTS FOR PROVISION ETC.....

CLAUSE 5.2.2.6 DELETE

CLAUSE 5.2.2.7 DELETE

CLAUSE 5.2.2.8 MAKE BEST EFFORTS TO ASSIST LICENSEE, IF POSSIBLE.....

CLAUSE 5.3.2. LAST WORD CHANGE TO LICENCEE

CLAUSE 5.3.4 LICENSEE SHALL, UPON LICENSOR'S REQUEST PROVIDE THE LICENSOR PERSONNEL

CLAUSE 6.3.1 3.5 PCT

CLAUSE 6.3.2 C) BUSINESS CLASS

CLAUSE 8.4 CHANGE TWO (2) TO FIVE (5) YEARS

CLAUSE 11.7 GIANT YELLOWKNIFE MINES LIMITED
P.O. BOX 40
COMMERCE COURT WEST
TORONTO, ONTARIO M5L 1B4

PICKARD AND RALEIGH OF FALCONBRIDGE LIMITED WILL BE IN JOHANNESBURG DURING THE WEEK OF FEBRUARY 23 AND ARE AUTHORIZED TO DISCUSS THIS MATTER FURTHER ON BEHALF OF GIANT IF YOU WISH.

REGARDS
D.J. EMERY
PRESIDENT
GIANT YELLOWKNIFE MINES LIMITED

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