DRAFT

November 24, 1978

Mr. D. Hite
Vice President and General Manager
Specialty Wood Chemicals Division
Koppers Company Inc.
Pittsburgh PA 15219

Dear Mr. Hite:

We are in receipt of your November 8, 1978 letter, addressed to our Mr. D. Emery, in which you outlined Koppers' proposal for an agreement covering the purchase and sale of Giant Yellowknife 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 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 Janauary 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 calendar year in advance of the date of termination.

4. Quantity:

The minimum quantity of product, expressed in terms of contained As_2O_3, to be purchased each calendar year under the agreement shall be as follows:

PERIOD	QUANTITY OF PRODUCT
January 1, 1979 to December 31, 1979	1,500 tons
Janaury 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

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 As_2O_3, and Giant shall use reasonable efforts to supply quantities of product in excess of 3,000 tons of contained As_2O_3 per year should such excess quantities, not to exceed 500 tons per year, be requested by Koppers.

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 As_2O_3 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 As_2O_3, shall be agreed to by both parties; 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.

(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 Laredo price for arsenic trioxide as quoted in United States Funds and published in "Metals Week".

(b) The Sales Price for product in any given month shall be calculated by deducting from the effective Base Price:

(a) all direct costs incurred by Koppers in transporting and unloading product and in disposing of residual sludge,

(b) the incremental operating cost incurred by Koppers in purifying product in lieu of the operating costs incurred from treating 98% As_2O_3 bearing feedstocks.

(c) a 50% return to Koppers on an average yearly net investment over a 3 year contract period.

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.

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7. Force Majeure:

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

8. Economic Clause:

The agreement shall contain a clause which will excuse Giant from performance of the agreement upon 6 months written notice to Koppers 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,

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Koppers Company Inc.

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Giant Yellowknife Mines Ltd.

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APPENDIX 1

Table 1 - Forecast of Koppers' Direct Costs Over 3 Year Contract Life

Table 2 - Forecast of "Sales Price" For Giant As_2O_3 Over 3 Year Contract Life

Table 3 - Forecast of Giant's After Tax Internal Rate of Return

TABLE 1. FORECAST OF KOPPERS' DIRECT COST DEDUCTIONS OVER 3 YEAR CONTRACT LIFE

	Year 0	Year 1	Year 2	Year 3	Project Total
1. Short Tons of As_2O_3 purchased	0	1,500	2,000	2,000	5,500
2. Freight Cost (assumed constant over project life)	0	7.6¢/lb	7.6¢/lb	7.6¢/lb	7.6¢/lb
3. Kopper's Incremental Costs Incurred in Treating Giant vs: 98% or higher grade Feedstocks. (assumed constant over project life)	0	.8¢/lb	.8¢/lb	.8¢/lb	.8¢/lb
4. 50% Rate of Return Allowance - invest $US 360,000	$360,000	-	-	-	-
- write off evenly over 3 years (or allow for recoupment of investment)	-	$120,000 4¢/lb	$120,000 3¢/lb	$120,000 3¢/lb	$360,000 3.27¢/lb
Average Yearly Net Investement	-	$300,000	$180,000	$ 60,000	$ 0
50% Return on Average Yearly Net Investment.		$150,000	$ 90,000	$ 30,000	$270,000
50% Return Pro Rated Over Purchased Annual Poundage of As_2O_3		5.0¢/lb	2.25¢/lb	0.75¢/lb	2.45¢/lb
5. Total "Direct Cost Deductions" Allowed to Koppers		17.4¢/lb	13.65¢/lb	12.15¢/lb	14.12c/lb

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TABLE 2. FORECAST OF "SALES PRICE" FOR GIANT YELLOWKNIFE As_2O_3

OVER 3 YEAR CONTRACT LIFE

	Year 1	Year 2	Year 3	Project Total
1. Initial Base Price for Month 1.	23.00¢/lb	23.00¢/lb	23.00¢/lb	23.00¢/lb
2. Base Price Adjustment for Month 2 onward according to Net Monthly Change in Published "Laredo Price" (assume 2¢/lb increase at first of each calendar year)	0¢/lb	2¢/lb	4¢/lb	2.18¢/lb
3. Less: Koppers' Direct Costs (see table 1)	17.4¢/lb	13.65¢/lb	12.15¢/lb	14.12¢/lb
4. Average Annual Sales Price	5.6¢/lb	11.35¢/lb	14.85¢/lb	11.054¢/lb

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TABLE 3.

FORECAST OF GIANT'S AFTER TAX RETURN ON INVESTMENT OVER AN INITIAL 3 YEAR CONTRACT ($US)

	Year 0	Year 1	Year 2	Year 3	Project Total
1. Short Tons of As_2O_3 Sold	-	1,500	2,000	2,000	5,500
2. Forecasted Sales Price	-	5.6¢/lb	11.35¢/lb	14.85¢/lb	11.054¢/lb
3. Giant Investment	($120,000)	0	0	0	($120,000)
4. Mine Net Revenue From Sales	-	$168,000	$454,000	$594,000	$1,216,000
5. Project Cash Flow	($120,000)	$168,000	$454,000	$594,000	$1,096,000
Less Depreciation	-	$ 40,000	$ 40,000	$ 40,000	$ 120,000
Less Taxes @ 50%	-	$ 64,000	$207,000	$277,000	$ 548,000
Plus Depreciation	-	$ 40,000	$ 40,000	$ 40,000	$ 120,000
6. Mine Profit After Taxes	($120,000)	$104,000	$247,000	$317,000	$ 548,000

7. After Tax Internal Rate of Return = 125%

8. Payback Period = Approx. 1.1 Years.

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