

Notes of a Meeting, November 3, 1978.
In P.J. Raleigh's Office, Toronto
Re: Arsenic Sales 12:00 to 12:30

Present were P.J. Raleigh; L.S. Price; T. Desanti; H. Evans; D.J. Emery

The meeting was held to discuss the Kopper's letter of agreement dated November 2, 1978 from John D. Hite. There were a number of points that the others of the meeting had previously discussed and were not happy with. Some of the major points were brought out by Desanti as follows:

1. They are taking the total annual production with the option of purchasing only 30%. Tony felt that we need to know more exactly what tonnage they require over the next five years as we may want to market the remainder. He will have one of his staff visit Buffalo in the next week or so to get the feel for the market but generally speaking, he feels it is good and improving.
2. The pricing formula that they propose is unacceptable. Desanti feels the published price is required - monthly or quarterly, but preferably monthly. There would be an automatic calculation if this were the case and there would be no arguing every six months as to what should be the base price. He suggested that the quotation in Metals Week or at Tacoma should be the figure used.
3. The residual sludge leaves some question. It was indicated by Raleigh that they will return or dispose of the sludge. There are a number of alternatives. Desanti's point was that we should be concerned about the gold in the sludge.
4. The last sentence of Clause 3 c he doesn't understand. Are they trying to be a sales agent for us? This part needs clarification. Under Clause 4 d on the example, Desanti commented that the 50% return before taxes seems OK. He also felt that there is no way we should be splitting the savings. The counter should be less than that. He realizes we can't get too greedy but the market looks good and he advised against locking ourselves into something that in the long term would be too good for Koppers.

Before leaving the meeting I indicated to those who would be meeting the Kopper's people that the various points they had raised should be ironed out and that there was no way we would want to sign this letter as it presently stands, with the present misgivings we have. Raleigh agreed that there was no intention of signing the letter at this stage of negotiations because there are just too many unknowns and options available to us that have to be researched.

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Raleigh felt there was a very good case to be made for us upgrading the arsenic, not only in the Con's tailing pond, but that underground, and that we could find a ready money-making market for the material. I suggested that he put together his ideas in a proposal form that we could consider and that I could take to the Board of Directors if I felt there was some capital expenditures required to go this route.

Raleigh also noted that at this stage we may want only to provide Koppers with material from current production with a minimal amount of capital investment, i.e., loaded directly into trucks and have it delivered to them in Georgia. We could then develop a marketing strategy and decide whether we want to get into the business of selling arsenic over the next six months or so.

Evans thought that the threat of closure of the Tacoma Smelter is driving the price up and that it may even go higher but that eventually it will come back down. It may even come down as far as the 15¢ to 16¢ range versus the present 23¢. He felt this is the bottom number we should look at in making our assessment.

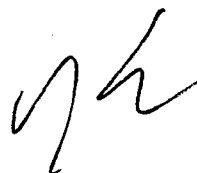
Raleigh felt that if there was a drop in market price, our rate of return on an investment can't be cut back and not theirs. Both would have to be cut back.

Evans felt we should be able to re-open the pricing after two or three years or five years, by which time we may have a refined product. We may even get into the glass industry where it is used substantially.

I pointed out that we cannot sign a contract for a five year supply with us only showing reserves for two years. The only way we could consider a five year contract would be to have the Con material tied up.

Raleigh suggested using a lower price for current production and another price, a higher one, for the better grade material. Raleigh noted that Fe in the sample was causing them problems. The assay is .37% and they would like to have a maximum of only .1%. There could be a penalty charge because of our high iron content and is another reason for us to consider seriously an upgrading facility.

I suggested that Raleigh should put together a package that we could consider and also that I could bring to our Board of Directors if we are to be serious about getting into the arsenic sale business on an upgraded product.



D. J. Emery

DJE:jc
Nov 7/78