



THE APPLIED RESEARCH GROUP, INC.

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GEN. ENGR.

APR 15 1985

April 11, 1985

Mr. D. J. Emery
President and Managing Director
Giant Yellowknife Mines Limited
Yellowknife, Northwest Territories
Canada

Dear Sirs:

After meeting your people and discussing technical aspects of the Copper Arsenate project I believe both companies agree that the process will work and it can be a financial success.

Applied Research brings to the joint venture:

- 1) A process that we invented and have developed over a period of several years which will enable Giant Yellowknife to upgrade both their current arsenic trioxide production and their reserves by reacting the trioxide with copper.
- 2) The venture promises an excellent rate of return with a profit before taxes of U.S. \$ 6,857,352 per year with an investment of less than U.S. \$ 4,433,125.

To accomplish this, we have spent 3 years working on this specific product and 20 years working on related projects. In addition, we spent well over U.S. \$ 250,000 which should be considered a multiple because it was put in when the risk was many times greater than it is now. We are also giving you a guaranteed sale of a good percentage of product to Applied Research as well as proven ability to sell in this market and contracts in a field in which we are well established and have fourteen years experience.

If we are to have a joint venture rather than a supplier/user relationship Giant Yellowknife must now start sharing the burden. I am proposing that Giant Yellowknife start picking some of the costs associated with this project including additional expenses and equipment costs for the pilot/market plant project, as well as all costs associated with the actual production facility.

Mr. P. J. Raleigh
Falconbridge Limited

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⑤ We feel that this is fair and equitable because we have taken all the initial risks. If Giant Yellowknife decided to pull out after the pilot plant is done, they still would have less cash invested than Applied Research. At this point the process will have been proven on a commercial scale, the product market tested, and a good percentage of the production presold thus reducing Giant Yellowknifes risk to almost nothing.

Enclosed are our estimates for Giant Yellowknife's financial contributions for the pilot marketing plant's construction and operation over the next six months.

Sincerely,

THE APPLIED RESEARCH GROUP, INC.



Fred M. Gallagher
Executive Vice President

FMG/seb

Enclosure