

Tom Ross

26 Sept. '86

TEST MATERIAL: CONTINUOUS OPERATION, NO PROBLEMS.  
55-60% RAIN AS IN FINAL FORMULATION

Require safety agreements

Need more materials 18 to 20 tons.  $\frac{1}{2}$  current  
 $\frac{1}{2}$  old.

~~DEC. REPORT FOR COMPLETION OF TESTING & DESIGN.~~  
~~SEE DATE FOR STATE OF PRODUCTION (CONSTRUCTION) IN 1987.~~

SITE IS SELECTED. PURCHASE AGREEMENT IN PROGRESS. Hickory Grove, S. Carolina.

PHASE I: PRODUCE COTTON MECHANICAL FROM RETINED  $As_2O_3$   
OPERATING IN FEB.

PHASE II: USE OF CRYSTAL  $As_2O_3$  FROM GIANT AT HICKORY GROVE.

DESIGN IS IN PROGRESS.

[TOTAL DESIGN & TESTING COST \$250,000]

(PART OF CAPITAL INVESTMENT IN PHASE II)

QUESTIONS WHAT ARE INCREMENTAL COSTS OF PHASE II?  
" " BENEFITS OF " "

WHAT IS OUR INTEREST?

NEED A CONTRACTUAL RELATIONSHIP AT YEAR END.

WHAT IS OUR RELATIONSHIP?

- WE HAVE GIVEN TO BELIEVE THAT WE WANT TO PARTICIPATE IN THE VENTURE
- AND PARTICIPATE IN THE IMPROVEMENT.

PHASE I & II WHAT IS GIANT'S COMMITMENT FOR FIRST WORK.

PHASE II LOOKING AT INCREMENTAL COSTS FOR INCREMENTAL BENEFITS.  
PROJECT IN WHICH BOTH HAVE AN INTEREST.

PROPOSAL WOULD HAVE TO INCLUDE AN AGREEMENT ON DELIVERY AT  
HICKORY GROVE. CURRENTLY HAVE 304/16 DELIVERED AT CHARLOTTE.

Residue: GIANT WANTS IT.

CARS PRODUCE WASTING PRODUCT AS POK SAMPLE.

ONE CASE OF RESIDUE FOR 10 CARS RAW MATERIAL.

P.J.L. INITIAL PLANT HAS A RESIDUE. DESIGN WILL BE MINIMAL.

S.O.E. PILOT PLANT RESIDUE. ASKED TOM TO KEEP ANY FUTURE RESIDUES FOR RETURNS TO GIANT.

TOM: WANT 1<sup>ST</sup> REFUSAL ON CURRENT PRODUCTION.

BIG FACTOR:

- WHAT PRICE DELIVERED TO CHARLOTTE?
- PRICE AT HAY RIVER. (~~2000~~) F.O.B.?

PROMISE TO RETURN RESIDUE IN A TREATABLE FORM. SIMAL HAS A CONCERN FOR CENTRIFUGING OF RESIDUES.

<u>I</u> BASE CASE	
<u>CAPITAL</u>	<u>OPER</u>
4A	B
<u>II</u> BASE X2	
<u>CAPITAL</u>	<u>OPER</u>
7A.	2B

30	PRICE/LB.	45
- 15	TRANSFERT.	- 15
15		30
- 10	OPERATING	- 10
5	IMPROVEMENT.	20

Tom: PRICE IS GOING UP. FREIGHT SHOULD BE 12 ±  
OPERATING SHOULD BE SIGHTLY LOSS (K.B. 78)

3.  
RAW MATERIAL SUPPLIER WOULD SLIGHTLY BIGGER PROPORTION AT LOW END OF MARGINS.

GIANT SHOULD TAKE A BIGGER EQUITY IF POSSIBLE TO ENSURE PARTICIPATION IN PRICE IMPROVEMENTS.

EQUATING VALUE OF FEEDSTOCK WITH VALUE OF RESEARCH AND MARKETING.

LOOK AT DISTRIBUTION OF PROFITS.

PHASE I  $\rightarrow 6 \times 10^6$  C.A.

BASE 100%

II  $\rightarrow 12.0 \times 10^6$  C.A.

RESIDUE SHIPPED BACK TO GIANT. — ROSEN

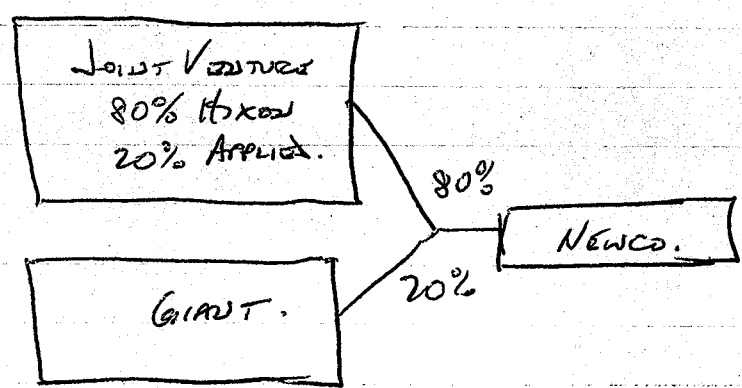
ADVANTAGES FOR APPLIED:

1. FIELDS OF GOLD ACTION?
2. DISPOSAL OF RESIDUES
3. SECURITY OF SUPPLY
4. LOWER COST SUPPLIER

ADVANTAGES FOR HIXED:

1. N. AMERICAN DIST. SYSTEM.
2. OUR INVENTORY WILL NOT SHOW AS COMPETITION TO <sup>NEWCO.</sup> ~~OTHER VENTURE~~.
3. " " " " " " WITH OTHER HIXED OPS.

# Business Arrangement:



## Phase I

- 40 Million Pounds of CCA produced
- ~~3500 Tons of As<sub>2</sub>O<sub>3</sub>~~
- ≡ 20 Million Pounds of C.A.
- ≡ 12 Million " of As<sub>2</sub>O<sub>3</sub>
- ≡ 7 Million " of As<sub>2</sub>O<sub>3</sub>
- ≡ Current Production.

~~W~~

July 14<sup>th</sup> P.M. → ATLANTA VIA EDMONTON.  
           TO ~~TORONTO~~ AND ATLANTA.

15<sup>th</sup> ATLANTA.

16<sup>th</sup> P.M. TO TORONTO

17<sup>th</sup> MEET WITH TORONTO STAFF.

23<sup>rd</sup> GIANT DIRECTORS MEETING.