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December 15, 1986

Mr. W. F. Drinkard, Jr.,
The Applied Research Group, Inc.,
P.O. Box 5471,
Charlotte, N.C. 28225,
U.S.A.

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K. BLOWEN

Dear Bill:

Thank you for coming to Toronto with Fred Gallagher on November 25th to discuss various options regarding ongoing relationships in the production of copper arsenate.

We have considered your proposals and after discussions with Mr. Dennis MacLeod, Chairman of Giant, have decided on your third option, that is, the simple sale of our product to you with no involvement in the production of CA.

We are therefore prepared to negotiate annually a price based on current market less shipping costs. Our product (As_2O_3) would become your responsibility on delivery to your trucks in Yellowknife.

With reference to your request for exclusive rights on our production, we are prepared to grant this for two years providing you take all of our current output or about 3000 tons per year. If you are unable to do so, we would want to seek out other purchasers for any surplus, much as we have done when dealing with Koppers.

Residues from treatment of our feed stock only would be returned to us at our discretion at no cost in a form that can be easily handled. Residues would not be accepted by us (at no penalty) if the contents are such as to render them untreatable, or if they would adversely affect our treatment circuits or cause environmental or other problems. Any gold recovery from the residues would be solely for our account.

2.

It is our intention to investigate the possibility of treating arsenic presently stored underground at Yellowknife to recover gold. If this process proves successful, we may have an upgraded product available for sale within a year or two. This would be in addition to our normal production and would be outside any agreement on our current production.

The foregoing is presented for discussion purposes only, and if acceptable could form the basis of an agreement. We look forward to receiving your comments.

With best wishes to you and Fred for Christmas and the New Year.

Sincerely yours,

GIANT YELLOWKNIFE MINES LIMITED

A handwritten signature in cursive script, appearing to read "Dave", written in dark ink.

D. J. Emery
President