

CC 1513  
Nov 8 1985

DATE: NOVEMBER 1, 1985

TELEX TO: Mr. Tom Robson  
Hickson International PLC

TELEX NO: 63142 BLYCO G

FROM: D. J. Emery  
Giant Yellowknife Mines Limited

SUBJECT: Proposed Agreement between Giant  
Yellowknife Mines Limited ("Giant") and  
Hickson International PLC ("Hickson") re  
copper arsenate technology

K. BLOWER

NOV - 7 1985

Referring to your telex proposal dated September 30, 1985, our comments thereon, generally in the same order as set out in your telex, are as follows:

1. We would suggest that Hickson (includes William Blythe & Co. Ltd. and Applied Research Group Inc.) and Giant form a U.S. joint venture company or other appropriate entity ("Newco") for the purposes of developing copper arsenate technology (the "technology") and of producing, marketing and selling copper arsenate ("CA") and derivatives therefrom in North America and elsewhere.

2. Newco will be owned 51% by Hickson and 49% by Giant. It's initial capitalization will be U.S. \$500,000 (the "initial funds") and will be contributed by Hickson and Giant in consideration of the issue to them of shares of Newco in proportion to the aforementioned percentage equity interests.

Any additional financing which Newco may require shall be in the form of equity or loans and shall be provided by each of

Hickson and Giant in proportion to their respective interests in Newco.

The initial funds will be used by Newco to construct and to carry out pilot plant work with respect to the development of the technology to produce copper arsenate and derivatives therefrom and to enable the commercial exploitation of such products.

All technology developed through the use of such plant relating to the production of copper arsenate or derivatives therefrom shall be owned by Newco.

3. The suggested location of the plant seems reasonable but we wish to discuss the suitability of this proposed location further. We are agreeable that the party with the majority interest shall be the Manager of the project.

4. Giant is not agreeable to restricting its sale of arsenic trioxide solely to Newco or to providing such material to it free of charge. Giant is prepared to undertake to supply Newco its requirements of arsenic trioxide for a period of time to be specified.

5. Giant shall have the option of either:

(a) taking back the residue f.o.b. Yellowknife or directing that such residue be delivered f.o.b. to an alternate location designated by Giant; or

(b) directing Newco to dispose of such residue to waste at its cost.

6. Would you please provide us with an outline of the pilot plant program which you expect to carry out, the time frame within which such program will be carried out and completed, the approximate capital and operating cost of such plant and the objectives that are to be achieved in conducting such program.

7. Regarding your point 6, Newco shall not be restricted either as to the parties to which it may sell copper arsenate and derivatives therefrom or the price at which it may sell such products. In the absence of a free market price, if any copper arsenate is sold by Newco to Hickson, such sale will be at a price which would at least equal to Hickson's current cost of producing copper, chrome arsenate ("CCA") less the chrome oxide values.

8. It is understood that all development costs related to the project shall be provided by Giant and Hickson on a proportionate basis and are to be recovered before any profits are distributed to the parties. Giant shall have the right of access to inspect such development work and to obtain results

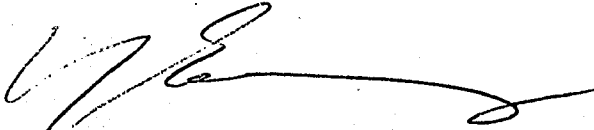
thereof. In addition, it shall have the right to verify the development costs related to such project.

The following points are suggested for your consideration:

(a) If copper arsenate technology is developed successfully, the parties agree to negotiate a mutually satisfactory agreement with respect to the use and exploitation of such technology. In such an event, the parties will prepare a feasibility study showing the size and other operating parameters of a commercial plant, the estimated capital and operating costs thereof, and estimates of the annual production, sales, revenues and profits to be derived from such plant and its operations.

(b) If a jointly held company is formed, the parties will enter into a mutually satisfactory shareholders' agreement with respect to the constitution and organization of such company. Such agreement will contain, among other things, provisions regarding pre-emptive rights, dividend payments, the right to nominate and have elected a specified number of directors on the company's Board and a reciprocal right of first refusal on shares of such company held beneficially by each party.

We would appreciate receiving your comments on the foregoing as soon as possible. We would then prepare a draft agreement which we will send to you for your consideration.

A handwritten signature in dark ink, appearing to be 'D. J. Emery', written in a cursive style with a long horizontal stroke extending to the right.

D. J. Emery,  
President  
Giant Yellowknife Mines Limited

bcc: PJR, LCK, TJD, EAS

/et