

ON APPEAL
FROM THE SUPREME COURT OF
NEW SOUTH WALES
EQUITY DIVISION

IN PROCEEDINGS 292 OF 1973

QUEENSLAND MINES LIMITED

Appellant (Plaintiff)

ERNEST ROY HUDSON,

SAVAGE IRON INVESTMENTS PTY. LIMITED

and

INDUSTRIAL AND MINING INVESTIGATIONS PTY. LIMITED

Respondents (Defendants)

TRANSCRIPT RECORD OF PROCEEDINGS

PART II

Volume VII

SOLICITORS FOR THE APPELLANT

Allen Allen & Hemsley,
2 Castlereagh Street,
Sydney. N.S.W.

By their Agents:

Slaughter & May,
35 Basinghall Street,
London. EC2V 5DB U.K.

SOLICITORS FOR THE RESPONDENTS

Freehill, Hollingdale & Page,
60 Martin Place,
Sydney. N.S.W.

By their Agents:

Linklaters & Paines,
Barrington House,
59-67 Gresham Street,
London. EC2V 7JA U.K.

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20th December, 1962.

Mr. J. G. Symons,
 Director of Mines,
 Department of Mines,
HOBART, TASMANIA.

Dear Sir,

I have to advise that I have finalised arrangements with Associated Diamond Drillers Pty. Ltd. for the drilling of twelve holes in the Northern Section. The drill is being shifted in this week and drilling will commence immediately after Christmas, according to the drilling plan which was discussed with you. 10

I was able to arrange a contract price of £3.15.0 per foot, and casing, one only per hole, at 25/- per foot.

Instructions have been given to Mr. Fagan to put all roads into condition including top-dressing, and to clean out all adits, and I will be in Tasmania immediately after Christmas with a view to inspecting this work. 20

I have had a number of enquiries from overseas organisations and some of them are inspecting in the New Year. Incidentally, Hanna got in touch and asked could they inspect, and I have supplied them with reports and am waiting to see their reaction although I was under the impression that they were not able to enter into any engagements in Australia because of the arrangements they had with Western Mining Corporation. 30

A lot of work has been done on pelletizing and I should have the detailed capital construction costs, which will be prepared by an American organisation, somewhere about March.

I thank you for forwarding the further plan of the Pieman River, which I have forwarded to Entreprises Leon Ballot who are arranging for the construction of a model and will indicate the nature and capital cost of works to convert the river mouth into a safe port of entry. 40

Director of Mines, Tas. (2) 20th December, 1962.

The Japanese steel industry are sending out representatives to discuss with me the question of purchasing pellets early in the New Year but this project will have to remain in abeyance until such time as Pickands-Mather & Company's report is available and they indicate their interest in the development and establishment of a steel industry in Australia. Their attitude will depend upon the outcome of the present sample testing. I have had quite a lot of correspondence with Mr. Arms and Mr. Kennedy but it will probably be somewhere near April or May before their detailed report becomes available. 10

Mr. Arms expressed considerable surprise that during his discussions with the Commonwealth no favourable reference was made to the Savage River and he could not understand why the Government did not have information available as to the development work. The consistent reports being made by the Commonwealth Government have not been inducive to assisting me in interesting overseas capital and I took action recently to complain and request that before they made any further statement they should investigate the reports and bring their statements into line with recent development work. 20

Some two weeks ago Mr. Rayner asked me to go to Canberra and I had an interview with him and some other representatives of the Bureau, including their economist, and left with them current reports. It is hoped that as a result of this interview more accurate information will be supplied to Mr. Spooner and some better public relations will be established. 30

Mr. Arms and Mr. Kennedy when discussing with me my latest report indicated that I was being too conservative and that a lot of the old information should be excluded from the report and a fresh report prepared referring only to the result of development work to date, in order to present a truer picture of the project. Following their advice I am preparing a new report and hope to have same available during February. 40

I would like to have an interview with the Premier late in January or early February in reference to a number of matters that are now being raised, and as to what part the Government will play in

assisting the establishment of the industry. For instance, one question that has arisen is whether the Company is responsible for and obliged to carry out all harbour work and if so what is the position in relation to the port and under whose jurisdiction will it be operated, etc.

I feel I would also like the Premier to visit the deposit and for this purpose will make sure that all roads are trafficable so that he is able to drive along the deposit and form an opinion of development work done to date. 10

Director of Mines, Tas. (3) 20th December, 1962.

I feel that next year will be an interesting one and will lead to an association with an overseas organisation to develop the industry as contemplated, with possibly the export of pellets over a period of time until power becomes available.

I am satisfied that the Commonwealth now accept the view which I discussed with them over two years ago that Broken Hill Proprietary cannot maintain Australia's self-sufficiency in steel and that it will fail to supply our needs by 1965 and that at this stage the Commonwealth will be faced with large importation of steel as well as a considerable increase in price of local steel cost. I believe that the mental attitude in regard to Broken Hill Pty. is changing, and that during the middle of next year considerable attention will be shown by the Commonwealth to the possibilities of establishing a new steel industry in Tasmania. 20 30

I have been studying pelletization and from recent discussions with a representative of the Japanese steel industry I am satisfied that there will be little export of iron ore as such in future years, to Japan, and that their requirements will be met by importation of pellets. They have already entered into arrangements to purchase pellets ex 1964 from South America and from South Africa, both of which countries have magnetite ore body and will be able to supply pellets of somewhere about 68 and 69%, and it is probably on account of the change of their policy that they are now showing very keen interest in the prospect of purchasing pellets from Australia. On the other hand I am not so interested in sales to Japan and have been in touch with the English and European markets with regard to the possible export thereto, particularly in view of the 40

Exhibit 51 - Letter
to Symons 20/12/62

economic advantage now available by the use of bulk loading will enable high grade pellets to be delivered to England or the Continent at a price more than comparable with purchase of lower grade ores which they are at present using.

I hope to have the opportunity of a conference with you in the near future and to bring you up to date with the various enquiries and investigations. 10

I would mention that I will be in Tasmania a few days after Christmas and would appreciate a note from you as to where you will be on your boat so that I can try and make contact with you between Christmas and the New Year.

Yours faithfully,
INDUSTRIAL & MINING
INVESTIGATIONS PTY. LTD

E. R. Hudson,
Managing Director. 20

132.11
14th January, 1963.

B. E. Kennedy, Esq. Company,
Pickands Mather & Company,
2000 Union Commerce Building,
Cleveland 14,
OHIO. U.S.A.

Dear Bruce,

Many thanks for your letter of the 3rd instant.

I have just returned from cruising in the southern waters of Tasmania, which is about the closest spot one can get to the South Pole.

I am enclosing details of samples forwarded to you from Mr. Manson. These samples, under your instructions, have been forwarded by airmail to:-

Mr. K.E. Merklin,
Hibbing Research Laboratories,
Pickands Mather & Company,
Post Office Box 780,
Hibbing, Minnesota. U.S.A.

and should arrive at Minneapolis, which is the nearest place for unloading to which we can airfreight. Would you kindly arrange to have these samples forwarded on from the airline, as without knowledge of distance, etc. I am unable to take any action this end.

I hope you have received your samples of Hazelwoodite. If any of your friends want some samples forwarded to them there is a sugar bag full of samples left on the bank of the Hazelwood River and I could easily collect plenty when I am going through. My assumption of the value of the deposit was that it would be more valuable for disposing of samples to curious Americans than for any other purpose.

The Director of Mines in Tasmania recently issued a report to the Premier in which they have assessed the ore reserves in the Central Section and indicated reserves over the deposit at approximately 460 million tons. I am forwarding you a copy of this report, by accompanying letter.

Exhibit 52 - Copy Letter
Hudson to Pickands Mather
& Co., 14th January, 1963
1607.

Our estimates are greater because we consider that one would beneficiate the lower grade ore down to about 33%, which would increase reserves some 250 million tons.

Drilling has commenced on the Northern Section and I have taken advantage of the dry season to complete and top dress the roads.

The Premier indicated during my recent visit that he would be quite agreeable to pelletizing and exporting pellets.

Thank you for your kind assistance.

My best regards,

(Roy Hudson)

Encl.

1608. Exhibit 52 - Copy Letter
Hudson to Pickands Mather
& Co., 14th January, 1963

13th February, 1963.

The Director of Mines,
Mines Department,
HOBART, TASMANIA.

Dear Sir,

EXPLORATION LICENCE EL4/61
E.R. HUDSON.

I hereby desire to make application for extension of the terms of the above-mentioned exploration licence upon such terms and conditions as you may determine. 10

A statement of expenditure is being prepared and will be forwarded to you in connection with work during the last six months.

A contract has been arranged for the drilling of twelve holes in the northern section and arrangements made for surfacing of all roads. In addition to this work it is contemplated doing further drilling in the oxidized zone.

At the present time, negotiations are taking place with various overseas organisations with a view to their participating in the establishment of a steel industry. Such negotiations will necessarily be lengthy. 20

In addition to the development referred to above, considerable other work is being undertaken including pelletising, costing and construction of port facilities.

It is anticipated that expenditure during the next six months will be in the vicinity of £40,000.0.0. 30

Yours faithfully,

Encl: Exploration Licence
EL4/61.

E.R. Hudson.

MINUTES OF A MEETING OF DIRECTORS OF QUEENSLAND MINES LIMITED
HELD AT 505 ST. ALIDA ROAD, MELBOURNE, ON WEDNESDAY, 17th APRIL, 1963.
DIRECTORS PRESENT :

Mr. V.T.Gladstones (in the Chair)
Messrs. E.R.Hudson and D.Korman.

Mr.S.Korman and the Secretary were also in attendance.

MINUTES :

Minutes of Meetings of Directors held on 6th June, 1962, 15th August, 1962 and 4th December 1962 were read and confirmed.

RESIGNATION OF CHAIRMAN :

The meeting accepted the resignation of Mr.V.T.Gladstone as Chairman and as a Director of the Company.

NEW DIRECTOR

It was resolved that Mr.Stanley Korman be appointed a Director of the Company.

CHAIRMAN OF DIRECTORS :

It was resolved that Mr.Stanley Korman be appointed Chairman of Directors of the Company.

BANK ACCOUNT :

It was resolved that the cheques of the Company be continued to be signed by any two Directors or one Director together with the Secretary, and that a new authority be completed with the Bank of New South Wales.

READ AND CONFIRMED

V. T. Gladstones

CHAIRMAN

17/4/63

Exhibit "E3" - Minutes of Meeting of Plaintiff

1610. 17th April, 1963



Department of Mines, Tasmania

2/1

Hobart, 19th April, 1963

TELEPHONES:

Registration and Accounts	.....	} Hobart 2 4041 - 2 2 lines.
Gas Inspection	.....
Flammable and Inflammable Liquids	.....
Geological Survey	.....
Mining and Metallurgical Research	.....	Launceston 4 2431

Mr. E.R. Hudson,
 Industrial and Mining Investigations Pty Ltd.,
 16 O'Connell Street,
SYDNEY
 N.S.W.

Dear Sir,

THE MINING ACT 1929 (SECTION 116)

I have to advise that Frederick Carr Mitchell C/- 22 Murray Street, Hobart, on behalf of Dubar Trading Pty Ltd of 66 Clarence Street, Sydney, has this day filed a Caveat in accordance with the provisions of Section 116 of the Mining Act, 1929, forbidding the registration of or dealing with any transfer or other instrument affecting Exploration Licence EL4/61 until the Caveat is withdrawn, or removed or has lapsed.

Yours faithfully,

(J.G. Symons)
DIRECTOR OF MINES

NOTE.—All communications on Departmental business to be Addressed to the Director of Mines, G.P.O., Box 124 B, G.P.O. Hobart.



Department of Mines, Tasmania

2/1

Hobart, 1st May, 1963 JJS

TELEPHONES:

Administration and Accounts	} Hobart 2 4041-2 2 lines.
Mines Inspection	.....
Explosives and Inflammable Liquids	.....
Geological Survey	.....
Assaying and Metallurgical Research		Launceston 4 2431

126

Mr. E.R. Hudson,
Industrial and Mining Investigations Pty Ltd.,
16 O'Connell Street,
SYDNEY
N.S.W.

Dear Sir,

In connection with my letter of the 19th April, 1963, advising you that a Caveat had been lodged by Mr. F.C. Mitchell of 22 Murray Street, Hobart, on behalf of Dubar Trading Pty Ltd of 66 Clarence Street, Sydney forbidding the registration of or dealing with any transfer or other instrument affecting Exploration Licence EL4/31 ~~and~~ have now been advised that this Caveat cannot be considered as effectively filed until a Warden has granted leave for its filing as provided by Section 116 of the Mining Act, 1929.

Yours faithfully,



(J.G. Symons)
DIRECTOR OF MINES

Exhibit 76 - Letter
Symons to Hudson,
1612. 1st May, 1963

30th April, 1963.

PERSONAL

Mr. J.G. Symons,
Director of Mines,
Mines Department,
HOBART, TASMANIA.

Dear Jack,

Mr. F.D. DeVaney, Director of Research for 10
Pickands Mather & Co., and Mr. R.W. Bell, Manager of
Engineering are coming down to inspect the Savage
River. They will arrive here on the 12th May and
will leave for the Savage River on the 13th.

Subsequently, they desire to inspect the core
and discuss the matter with yourself and officers.
They also desire to have discussions with Mr. Mansen.

I will probably go to the Savage River with
them and will go as far as Hobart, but I will not
wait while they carrying out their further enquiries. 20

I will be in communication with you advising
the date of their visit to Tasmania.

I understand that they are likely to return to
Sydney for a few days and then return to the Savage
River after an assessment of the information they
obtained.

The visit of these gentleman is to check their
present available assessment of the of the ore body
and the development of the suggested pelletising
plants. 30

Arrangements are being made for an inspection
and costs of construction of Port facilities.

I spoke to Mr. Leach of Cleveland Cliffs while
in Western Australia last week and I will be
interviewing them prior to seeing you.

My best regards,

9th May, 1963.

J. G. Symons, Esq.,
Director of Mines,
Department of Mines,
G.P.O. Box 124 B,
HOBART, TASMANIA.

Dear Mr. Symons,

Mr. Leach and Mr. Boyum of Cleveland-Cliffs, 10
following a conference in Sydney, are making a
preliminary inspection of the Savage River.

Unfortunately Mr. Leach is obliged to return
to Europe and was unable to defer his visit until
your return, but I have no doubt that they will make
arrangements for a more detailed inspection in due
course.

As indicated to you, Pickands Mather's Head 20
Research Officer and Chief Mining Engineer will be
visiting the property on approximately 13th May and
will probably remain in Australia some three or
four weeks completing their examination. During
their inspection I intend to discuss with them
questions of cut-out grade and depth of mining having
regard to your mining costs, and obtain their views
thereon.

I will come down in May and have an interview 30
with you because the position has now developed
where the concentration is on the harbours and ports
and in this respect I would mention that arrangements
have now been finalised for detailed costing and
inspection by competent Commonwealth Government
engineers through the firm of Austin Anderson
Australia Pty. Ltd. will take place within the next
three weeks.

I am also going overseas near the end of the
month for discussions with a West German steel
company, at their invitation.

Best regards,

Yours faithfully, 40
INDUSTRIAL & MINING
INVESTIGATIONS PTY. LTD.

(E. R. Hudson),
Managing Director.

INDUSTRIAL & MINING INVESTIGATIONS
PTY. LIMITED

(Initials)

25-2632
28-5526

3rd Floor,
16 O'Connell Street,
SYDNEY. AUSTRALIA

27th May, 1963.

Mr. C.S. Arms,
Vice President,
Pickands Mather & Company,
2000 Union Commerce Building,
Cleveland 14,
O H I O. U.S.A.

10

Dear Chuck,

I acknowledge receipt of your letter of the 5th instant, and I am agreeable to continue discussions generally but with certain modifications on the lines as set out therein.

I confirm any agreement arrived at should be approved by the Tasmanian Government.

20

Unfortunately the Premier of Tasmania is at present overseas and will not be returning until about the 20th June, but as indicated to you, the Premier is also Minister for Mines in which capacity he would normally accept the advice of the Director of Mines.

I indicated I did not consider your organisation would be interested at this stage in the creation of a steel industry in Australia.

I appreciate you have not had an opportunity to make an economic study and assessment and therefore could not commit yourself to such an undertaking, nor on the other hand would I be happy to give you an option over the whole of the exploration licence with the feeling that the ultimate objective may not be prominent in your activities.

30

I consider it would be best for me to give you an option to take out of the exploration licence an area sufficient to give you a productive capacity of 60 million tons and that I remain responsible for the development of the steel industry, which would come somewhat later in time to the establishment of your industry.

40

Pickands Mather & Co. (2) 27th May, 1963.

It is assumed you would be interested in the Central Section and that any option agreement could have necessary clauses in relation to methods of mining as would be satisfactory to the Tasmanian Government.

I had a long discussion with the Director of Mines and the Chief Inspector of Mines and as a result I am satisfied that the Government will agree to setting aside so much of the deposit as is necessary to enable you to set up a pelletizing plant and will accept my undertaking to continue with the development of the steel industry, leaving you uncommitted. 10

The future steel industry may probably have to be developed by combination of the Commonwealth, State and Australian public, but it is unnecessary that any new steel industry should follow on the lines of B.H.P. and be a miner as well as a manufacturer, and it would probably look to your organisation to supply raw material. 20

These matters however are rather complicated and should in my opinion be left in abeyance for the time being.

Before any option is entered into it would also be necessary to have a draft of the agreement and considerable discussions with the Government as to the extent of Government participation, capitalisation of harbours, roads, townships and ancillary matters. 30

I re-examined the position of electrical supply in regard to the requirements of the proposed industry and it would appear that the Government could supply you with all power without the necessity of proceeding with the Pieman hydro-electric scheme should you use electrical power rather than oil, and that ample power would be available to an extended industry after the next four years, when a new station at present under construction will come into operation. 40

The Government would be prepared to deliver and distribute your power at its cost, but here again it would be necessary to have arrangements with the Government on power charges and if possible reduce the agreed maximum of .6 pence to .5 pence.

During my discussions with the Director of Mines I took up with him the implied undertaking with me that Government royalty would be limited to 1/6d. a ton and as to his interpretation of the word "ton". As a result of such discussions the Government will charge a royalty of 1/6d. on one ton of pellets.

10

Pickands Mather & Co. (3) 27th May, 1963.

Generally, therefore, both the Government and myself would be happy to finalise arrangements with your organisation.

While I think the royalty mentioned by you is appropriate there are other aspects in relation thereto I would need to discuss, and one is whether it would be reasonable for your Company to acquire a half-interest in the royalty upon equivalent expenditure. I feel that the great risk has been taken by me but here again it depends upon our discussions and just what part you would play in assisting in the final planning of the steel industry.

20

There are some personal problems that arise, and I feel that I probably have told you that I cannot personally undertake the expenditure for a much greater length of time, and I have some other problems in regard to the repayment of mortgage debts that will arise in 1964 which I may or may not be able to re-finance.

30

I assume you desire to follow the pattern of arranging for consumers to finance the undertaking.

I am of the belief that any organisation established in Tasmania should have at least a 30% Australian capitalisation.

I do not know what your ultimate costs would be but I assume they could be in the vicinity of £15 million.

In order to enable you to re-cast your thoughts in this direction, I consider that my associates would be prepared to underwrite £15 million or the whole of the capital if desired, conditional upon the undertaking being under your management and control.

40

I would be somewhat concerned if B.H.P. took

Exhibit 56 - Letter
to Pickands Mather
& Co., 27.5.63

a financial interest with a view to obtaining pellets or other products and I do not think that the Tasmanian Government would welcome to any great extent financial participation by this organisation, to whose advantage it would be to prevent any development of a steel industry.

I have decided to leave Australia about the 17th June, and to interview you in Cleveland on the 20th prior to proceeding to England and the Continent. I will be staying in San Francisco one day to see an old friend, John Gustafson of

10

Pickands Mather & Co. (4) 27th May, 1963.

Homestake.

We both appreciate and know that you cannot develop a steel industry without going through the preliminary stages, and I am grateful that your organisation has shown an interest and is prepared to discuss an association with me, and I am confident that any matters on which we may not be in agreement can be overcome.

20

There is one aspect which although encouraging is also embarrassing. As you are aware, Cleveland-Cliffs, and Hanna and Homestake, have over the last six months been in communication and inspected the deposit and I intend while in America to pay them a courtesy call. I have had no discussions with these organisations on active participation. I trust you appreciate my frankness and won't regard it as an attempt to play one Company against the other, as the position has developed over a long period of time and I would be happy to finalise some arrangement with you and terminate discussions with other organisations.

30

You can be assured any negotiations we have are confidential.

My best regards,

(E.R. Hudson),
Managing Director.

40

60

45

Pickands Mather & Co.
2000 Union Commerce Building
Cleveland 11, Ohio

June 20, 1963

IN DUPLICATE

Mr. E. R. Hudson, Managing Director
Industrial & Mining Investigations Pty. Limited
3rd Floor
16 O'Connell Street
Sydney, N.S.W., Australia

Dear Sir:

Pursuant to a certain letter agreement between us of even date herewith, you have agreed to assign to a new company to be organized by us rights in certain lands held by you under an Exploration License from Tasmania, all as therein more fully set forth. This letter will serve as a memorandum of a further agreement between us (including our respective nominees and designees) that we each agree that we will cause such new company after it has received the assignment referred to in said letter agreement of even date forthwith to reassign all rights assigned to it, subject to all conditions imposed upon it by such assignment, to such assignee or assignees as may be designated by us, provided that such assignee or assignees shall assume and save said new company from and against all liability arising therefrom after the date thereof and shall further agree to pay to said new company an overriding royalty of 5 shillings (Australian) per ton (of 2,240 pounds avoirdupois) of iron or iron ore products shipped by such assignee or assignees from the lands involved in the assignment, and an overriding royalty equal to 15% of the net profits derived by such assignee or assignees from the production of associated minerals, such overriding royalties to be equal in each year to a minimum of 50,000 pounds (Australian) per year, whether or not earned, with any unearned minimums to be credited in any future year upon shipments in excess of the minimum for such year.

This letter is written in duplicate, and if it properly sets forth your understanding of the mutual arrangements between us with

Exhibit 60 - Copy Letter
Pickands Mather & Co. to
Hudson, 20th June, 1963

1619.

June 20, 1963

respect to the matters covered hereby, will you please acknowledge the same in the place designated below and return one copy to us.

Yours very truly,

PICKANDS MATHER & CO.

By Charles S. Armes
Vice President

ACCEPTED: June 20, 1963

INDUSTRIAL & MINING INVESTIGATIONS
PTY. LIMITED

By [Signature]
Managing Director

Pickands, Mather & Co.
2000 Union Commerce Building
Cleveland 111, Ohio.

June 20, 1963

IN DUPLICATE

Mr. E. R. Hudson, Managing Director
Industrial & Mining Investigations Pty. Limited
3rd Floor
16 O'Connell Street
Sydney, N.S.W., Australia

Dear Sir:

This letter will refer to our discussions and will set forth our understanding of the arrangements agreed upon between us with respect to certain mineral properties located in Tasmania and known as the Savage River Properties.

You have represented to us that you are the holder of record of Exploration License No. EL4/61 (which as extended from time to time is hereinafter referred to as the "Exploration License"), a copy of which has been furnished to us, issued by the Tasmanian Government under the Mining Act 1929, as amended, which covers 147 square miles of land in the County of Russell in the vicinity of Savage River, Tasmania, as described in the schedule thereto; that such license is in force until August 23, 1963; and that as of the date hereof such license is in good standing and not in default.

For and in consideration of the mutual covenants and agreements hereinafter set forth, you have granted to us the exclusive option until December 31, 1964, to call for and obtain from you an assignment of your rights and interests under the Exploration License to the extent and in the manner set forth below.

In order to make effective our rights hereunder, it is agreed that you will use your best efforts to cause the Exploration License to be extended until at least December 31, 1964, and will keep it in good standing during all such period. Failure to secure such an extension of the Exploration License prior to the expiration of any extended term upon the same conditions as now currently in effect will in our discretion relieve us of our obligations hereunder.

We shall proceed promptly with an economic appraisal, including preparation of estimates of capital and operating costs, for the development of the Savage River deposits for the production of iron and steel,

Exhibit 60 - Copy Letter
Pickands Mather & Co. to
Hudson, 20th June, 1963
1621.

June 20, 1963

or the production of high-quality iron ore pellets in the range of 1,000,000 to 2,000,000 tons per year (a "ton" meaning 2,240 pounds avoirdupois). This work shall include extensive concentration tests in our laboratory, particularly to confirm the feasibility of eliminating the TiO_2 sufficiently to obtain merchantable iron ore products and to determine an extraction circuit for elimination and recovery of vanadium. It will also include engineering and geological estimates of mining the crude ore required for the concentration plant, laying out of flowsheets for the concentration plant, studies of transportation and harbour surveys. We will also undertake market surveys for obtaining consumers of iron ore and/or iron ore products and will investigate possibilities for domestic production of iron or steel therefrom. We will keep you informed as to the progress of our work and will give you reports from time to time upon your request as to all factual and statistical data collected by us in the course of our work.

It is recognized that before any firm commitments can be entered into for the development or operation of the properties, it will be necessary to enter into formal and permanent arrangements with the Government of Tasmania, the terms and conditions of which are to be satisfactory to both of us. We have both agreed fully to cooperate in the negotiations with the Tasmanian Government in an effort to conclude such arrangements prior to January 1, 1964.

We have agreed with you to make expenditures at an average rate of 3,000 pounds per month in connection with matters to which reference is made in the two preceding paragraphs. (All references to money herein are stated in Australian currency.) In addition, we have agreed to reimburse you for the cost of maintaining one drill in operation on the property as required by the Exploration License, such cost not to exceed an average rate of 3,000 pounds per month.

You have agreed to provide us with up to one-half the drill core (split) and such other information as you have at your disposal respecting the properties under the Exploration License. The balance of the drill core shall be retained by the Mines Department of Tasmania.

In the event that we elect to exercise the option, we will give you notice thereof in writing, which notice shall also set forth the name of the new company which shall have been organized by us for the purpose of taking an assignment of such lease, license and other rights and agreements pertaining to iron ore and associated minerals as may have been obtained from Tasmania with respect to the property. Such notice shall also state whether we have determined that the property (a) is to be developed for production of iron or steel in new reduction units, in which event the assignment shall cover the entire area which is subject to the Exploration License, or (b) is to be developed for production of furnace feed, only, for export from ^{Tasmania} ~~Australia~~, in which event the assignment shall cover only such portion of the area subject to the Exploration License to be selected by us as will contain sufficient land and crude ore to produce not less than 60,000,000 tons of furnace feed from open pit mining to a depth of not greater than 400 feet, the balance of the area to be retained by you for domestic iron

Exhibit 60 - Copy Letter
Pickands Mather & Co. to
Hudson, 20th June, 1963

June 20, 1963

or steel requirements. In the event that there shall be any dispute between us as to the sufficiency of the area so selected by us for such purposes, the dispute shall be settled by arbitration as follows. We shall each select one arbitrator who in turn shall together select a third arbitrator. The decision of a majority of the arbitrators shall be final and their costs shall be borne by us equally. If any one of the above arbitrators is not selected within a reasonable time, the vacancy shall be filled upon request of either of us by appointment by any judge of any appellate court of Tasmania.

In exchange for such assignment to such new company, we agree that we will cause such new company to issue fully paid and non-assessable shares of its capital stock to you or your nominee in such amounts that promptly upon issuance thereof you (or your nominee) and we (or our nominee) will each be vested with a 50% ownership of all the issued and outstanding shares of each and every class, if there be more than one, of such new company; provided, however, that if at the time of such assignment we have expended less than 150,000 pounds hereunder (which is the amount of your investment in such properties), our percentage ownership in the issued and outstanding shares of such new company shall be reduced proportionately with such deficiency in expenditures, unless we then pay to you by cash, check or draft an amount equal to one-half of such deficiency in expenditures, and in the case of such payment we shall then continue to have the right to be the owner of 50% of such shares.

We have the right to cancel this agreement and terminate our option rights and obligations hereunder at any time upon one month's notice in writing to you, provided that we have made expenditures at the average monthly rate contemplated hereby to the date of such termination. The rights herein set forth accruing to us may be exercised and held by a nominee in our sole discretion.

This letter is written in duplicate, and if it properly sets forth your understanding of the mutual arrangements between us with respect to the matters covered hereby, will you please acknowledge the same in the place designated below and return one copy to us.

Yours very truly,

PICKANDS MATHER & CO.

By Charles Mather
Vice President

ACCEPTED: June 20, 1963

INDUSTRIAL & MINING INVESTIGATIONS
PTY. LIMITED.

By [Signature]
Managing Director

Exhibit 60 - Copy Letter
Pickands Mather & Co. to
Hudson, 20th June, 1963

ERI.EBC

22nd August, 1963.

The Hon. E. Reece,
Premier of Tasmania,
Parliament House,
HOBART, TASMANIA.

Dear Mr. Reece,

I refer to my recent interview with Mr. E. Howard in relation to the Savage River Iron Ore Deposit.

I have had little opportunity to discuss with you my views in regard to the establishment of a steel industry in Tasmania, and take this opportunity of briefly indicating same.

Prior to taking an interest in the Savage River some two years had been spent in studying the economics of the establishment of a steel industry in Australia, which indicated that in the immediate future it would need to be based on an ore body on or adjacent to eastern Australia.

As you are aware South Australia, Victoria and New South Wales consume 86% of Australia's steel consumption.

A new industry would need to rely partly on home consumption and partly on export at a cost structure comparable at least to B.H.P.

The Report of the Special Committee of the United Nations indicated that from 1962-72 there is a growing shortage north of Australia rising from one million to four million tons by 1972 which could economically be met by Australian export.

...../2

Exhibit 57 - Copy Letter
Hudson to Premier of
1624. Tasmania 22nd August, 1963

I note your remark in the last meeting that you had set me a hard path in the establishment of a steel industry but, as far as I was concerned, this is not my thinking as I am satisfied a new steel industry based on the Savage River deposit is not only economically possible but essential to Australia's industrial expansion.

B.H.P., a highly efficient organization, has done a tremendous job in maintaining Australia's self-sufficiency in steel needs, but it cannot continue to meet Australia's growing needs over the next ten years, nor could it be expected to do so.

It is generally agreed that if B.H.P. is to maintain Australia's self-sufficiency in steel it would need to have a productive capacity of seven to eight million tons by 1972, which means that it would have to double its present output at an estimated yearly capital cost of Fifty million pounds, requiring over the next ten years a capital sum of approximately Four hundred million pounds, even if it was possible for the company to expand at this rate.

One of B.H.P.'s real problems is finance. Raising such capital by debentures is unlikely as is indicated by the failure of the first debenture issue in England last year, and the Australian market could not absorb yearly capital issues of this nature.

Without going into long detail I am satisfied that steel can be produced at the Pieman River at a cost structure lower than B.H.P.

You mentioned during the course of our last interview that B.H.P. had the advantage of low capital costing, and while this was true some four or six years ago it is not so today, as the additional capital required for expansion is as great, if not greater, than that required by a new industry having the advantage of modern techniques.

B.H.P. capital expenditure over the last five years is approximately two hundred million pounds and at present is running at the yearly rate of fifty million pounds.

Capital costs of increased yearly tonnage is approximately £120 compared with a capital cost of a new industry in Tasmania of £80 per annual ton of output. That I was only interested in establishing a steel industry is indicated by the fact that no attempt was made during the race for sale of iron ores to interest the Japanese therein, the only discussions taking place recently being in relation to the oxidised zone which may be too high for beneficiation or smelting as contemplated.

While in America I also had the opportunity of entering into an agreement with Cleveland-Cliffs as well as discussing an agreement with the Hannah Mining Company. These companies had inspected Western Australia and the fact that they wanted to negotiate with me is some confirmation of my own assessment of the potentials of this area.

I feel that I made the right selection and that Pickands Mather & Co. are the best company to assist in the development of an industry.

There is an old proverb in mining that "If its big enough its good enough", and the mine development has been based upon establishing substantial reserve.

We have our own assessments of present reserves, somewhat higher than your conception, but using a lower cut out grade for cheap beneficiation and lower open cut mining justified by cheap mining costs, but otherwise our assessments on the work done to date agree with your Department's. I believe that the reserves at present are more than sufficient to provide for pelletizing and also for the needs of a new steel industry, but the greater reserves are established the greater the likelihood of overseas organisations being interested in establishing a steel industry.

I wrote to Pickands Mather before going to America and very candidly informed them I did not consider they would be interested in the establishment of a steel industry and I was only prepared to enter into arrangement with your consent to set aside an area sufficient to provide sixty million tons of pellets.

I had formed the opinion some time ago a steel industry could not be developed without going through initial stages of ore export and/or ore pelletizing which would open up ports and harbours and give more accurate costing with regard to furnace feed.

I realise if Pickands Mather establish a pelletizing unit only portion of the pellets could be used as a furnace feed for a steel industry, and it would materially assist in the further development of this project.

In my discussions with Mr. Arms he discounted my views that they were not interested in establishing a steel industry and requested that I extend the option to cover the whole of the ore body which I did so subject to the insertion of the work "forthwith" in the agreement, which if accepted will mean the commencement of a steel industry in 1965. The reason Pickands Mather may be interested in a steel industry is due to a recent technical development

...../4

producing 96 metallic iron by submitting the magnetic pellets through a rotary kiln at 2,000° heat. If pig iron can be produced without a blast furnace at a low cost it would be an easy step to convert the pig iron into steel by electric smelting.

I think there is a very good possibility that this will be the development, and I sincerely hope so because I have the greatest respect for the technical work done by Pickands Mather & Co.

However, I am a realist. The document I signed is an option and so as not to lose track of the original conception, I insisted as part of the arrangement, that I be given control to the development of the ore body.

I hope to finish the drilling of the northern section by March 1964 and to have completed the southern section about March 1965 and the balance of the area somewhere about March 1966, which will enable the total overall reserves to be estimated, and which should be materially greater than at present estimated.

Roads are to be constructed into the Rocky Plains area and also further south where there are indications of iron and drilling extended in the north through the basalt capping and further exploration undertaken to the north.

I was somewhat concerned at your statement that in the event of Pickands Mather & Co. proceeding with pelletizing and the isolation of an area for sixty million tons that you would then place the balance of the area in reserve. Such action would destroy the whole of the work that I have and am still going. If I am to proceed with the complete development of the area I need an understanding that during the progress of development or at the end of it I have a right to submit plans for the establishment of a steel industry.

While I regard pelletizing as an initial stage, I like you trust that Pickands Mather will go further, but if they do not then my conception is that an area be isolated to establish a pelletizing unit which would open up ports, harbours and supply furnace feed, and take us half way along the road to a steel industry.

I would want to make it clear, however, that I agree entirely with your view there shall be no further

...../5

Exhibit 57 - Copy Letter
Hudson to Premier of

1627. Tasmania 22nd August, 1963

separation of this ore body and that once an area has been set aside for pelletizing that the balance of the reserves are maintained strictly for a steel industry.

I do not expect to have work completed on development of the ore reserves until December 1966, and subject to my continuing the development and proceeding with my initial planing, I do hope that you will consider the extension of the Exploration Licence for this purpose.

With regard to the economics of the establishment of a steel industry in Tasmania, I would like the opportunity when you could spare the time to spend an evening with you and discuss various aspects in connection therewith, as although I may be alone I am convinced a steel industry is economically sound and will take place within a few years.

I have had discussions with Kawasaki, whose plant you inspected, and who have indicated an interest in joining in such a venture. Their head executives will shortly be visiting the property for inspection, which I will arrange for Pickands Kather's representatives to be also present.

Yours faithfully,
INDUSTRIAL & MINING INVESTIGATIONS PTY. LTD.

E.R. Hudson
Managing Director.

100/3/63

(Crest)
TASMANIA

Premier of Tasmania
HOBART

2nd September, 1963.

Dear Mr. Hudson,

I have studied your letter of 22nd August, 1963, with interest and it is of great assistance in our mutual discussions to have your views on record.

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Since receiving your letter I have also had the benefit of our discussions of last Thursday (29th August) with Mr. C.S. Arms of Pickands Mather and Co. and the Director of Mines (Mr. J.G. Symons). During our discussions many of the points raised in your letter were referred to and I desire to confirm my undertaking that the Department of Mines will arrange to extend the term of the Exploration Licence at Savage River. This will cover an area outside the boundaries of any mining leases which may be granted for the mining of iron ore. Mr. Arms required certain assurances in the matter of extensions of the Exploration Licence and the general terms under which mining leases would be granted. A copy of my letter of 30th August, 1963, to Mr. Arms is enclosed for your information.

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Our discussions were most interesting and stimulating and I look forward to the time when, as a result of your progressive approach, there will be a steel industry in this State based on the Savage River deposits. I appreciate that your success in interesting Pickands Mather and Co. is a vital step towards an industry and I trust that the agreement to issue leases for the exports of pellets up to 60 million tons will be a contributing factor towards the ultimate goal of a steel industry. Such an industry will have a marked influence on the economy of the State, and I appreciate the efforts you are making in this regard.

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Yours faithfully,

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Eric Ræce
PREMIER.

COPY LETTER WAS NOT
ATTACHED

Mr. E.R. Hudson,
Managing Director,
Industrial and Mining Investigations Pty.Ltd.,
16 O'Connell Street,
SYDNEY.

PICKANDS MATHER & CO.
2000 Union Commerce Building
Cleveland 14, Ohio

Sydney, Australia

September 5, 1963.

Mr. E.R. Hudson,
Managing Director,
Industrial & Mining Investigations Pty.Limited,
3rd Floor,
16 O'Connell Street,
SYDNEY, N.S.W.

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Dear Roy,

In accordance with our discussions in Sydney this week, we agreed that we would not offer the Broken Hill Proprietary Co., Ltd. more than a one third ownership participating interest in the contemplated Savage River development, unless and until we mutually agree otherwise.

It was also agreed that, in the event we proceed on the 60 million ton alternative, we or the other participants will not be precluded from metallizing or further processing of the furnace feed within Tasmania, after a period of five years from the exercise of the option and subject to the consent of The Minister for Mines of the State of Tasmania.

Ini-
tials.

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We would very much appreciate your acknowledgment.

Yours very truly,
PACKANDS MATHER & CO.

30

By

C.S. Arms
Vice President.

PICKANDS MATHER & CO.
2000 Union Commerce Building
Cleveland 14, Ohio

Sydney, Australia.

September 5, 1963.

IN DUPLICATE

Industrial & Mining Investigations Pty. Limited,
3rd Floor,
16 O'Connell Street,
SYDNEY. N.S.W.

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Attention: Mr. E.R.Hudson, Managing
Director.

Gentlemen:

Under that certain letter agreement dated
June 20, 1963, between Pickands Mather & Co. and your
company, Pickands Mather & Co. was granted option
rights in respect of certain land in Tasmania, sub-
ject to Exploration License No. EL4/61 held by your
company (said letter agreement as revised being
herein called the "primary letter agreement"). In
a separate letter agreement dated June 20, 1963,
between our two companies (herein called the "second
letter agreement"), certain further understandings
were set forth, including, among other matters, the
royalties payable upon the reassignment of the rights
obtained by the "new company" (referred to in the
primary letter agreement).

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Recent discussions between us have indicated
the desirability of clarifying certain portions of
the second letter agreement insofar as they pertain
to the exercise by Pickands Mather & Co. of its op-
tion in the event it notifies your company that it
has determined that the subject property is to be
developed for production of furnace feed only in
accordance with item "(b)" commencing on page 2,
last paragraph, of the primary letter agreement.
This letter, therefore, will serve as a memorandum
of our agreement to modify the second letter agree-
ment such that, in the event that Pickands Mather
& Co. shall exercise its option in respect of the
subject Exploration Licence properties in the man-
ner specified in item "(b)" of said primary letter
agreement as aforesaid, then and in that event only,
the provisions contained in said second letter
agreement shall not apply and the provisions con-
tained herein shall be applicable, to wit:

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2.

- (1) The new company organized to take an assignment in respect of lands and rights thereto, as provided in the primary letter agreement, will hold the same in trust for the benefit of your company (or persons or corporations designated by it) and Pickands Mather & Co. (or persons or corporations designated by it) such that your company will beneficially own an undivided interest in the lands and rights thereto so held by the new company equal to your proportionate ownership of the new company's capital stock and such that Pickands Mather & Co. (or persons or corporations designated by it) will beneficially own an undivided interest therein equal to its proportionate ownership of the new company's capital stock. It is agreed that, concurrently with the assignment to the new company as aforesaid, we will cause said new company to execute a written statement setting forth the understanding that it holds the lands and rights thereto assigned to it in trust as aforesaid for the account of ourselves (or our respective designees) as above provided. 10 20 30
- (2) We both agree to cause the new company after it has received the assignment referred to in the primary letter agreement forthwith to reassign all lands and rights thereto so assigned to it, to such assignee or assignees as may be designated by Pickands Mather & Co., provided that such assignee or assignees shall assume and save said new company harmless from and against all liability arising therefrom after the date thereof and shall further agree to pay to your company and Pickands Mather & Co., or our respective designees, in the proportions in which we or such designees are beneficial owners of the interests assigned, an overriding royalty of 5 shillings (Australian) per ton (of 2,240 pounds avoirdupois) of iron or iron ore products shipped by such assignee or assignees from the lands involved in the assignment and an overriding royalty equal to 15% of 40 50

the net profits derived by such assignee or assignees from the production of associated minerals, such overriding royalties to be equal in each year to a minimum of 50,000 pounds (Australian) per year, whether or not earned, with any unearned minimums to be credited in any future year upon shipments in excess of the minimum for such year. 10

In the event Pickands Mather & Co. shall exercise its option in the manner specified in item "(a)" on page 2, last paragraph, of the primary letter agreement, it is understood that the word "us" as used in the phrase "to such assignee or assignees as may be designated by us" appearing in the first paragraph of the second letter agreement shall mean Pickands Mather & Co. and Industrial & Mining Investigations Pty. Limited jointly. 20

3.

It is also further agreed that Pickands Mather & Co. will take no action which will prejudice or interfere with Industrial & Mining Investigations Pty. Limited's Exploration Licence No. EL4/61, or any extensions or renewals thereof.

Except as modified herein, said second letter agreement and said primary letter agreement shall be and remain in full force and effect. 30

This letter is written in duplicate, and if it properly sets forth your understanding of the matters hereinabove referred to, please acknowledge the same in the space indicated below and return one copy to us.

Yours very truly,
PICKANDS MATHER & CO.

By C.S. Arms
Vice President. 40

ACCEPTED: _____, 1963.

INDUSTRIAL & MINING INVESTIGATIONS
PTY. LIMITED

By E.R.H.
Managing Director.

17th September, 1963.

Mr. E.R. Hudson,
Queensland Mines Limited,
16 O'Connell Street,
SYDNEY N.S.W.

Dear Mr. Hudson,

I wish to confirm our telephone conversation wherein I advised that the amount of £2,000 received by you has been allocated as follows :

£1270. 0. 0.	- Balance of lump sum payment due on retirement.	10
333. 6. 8.	- Consulting fees for the period 1st. April 1961 to the 31st. July, 1962.	
250. 0. 0.	- Consulting fees for twelve months ended 31st. July, 1963.	
146.13. 4.	- Balance treated as an over-payment to you.	

There is still an amount of £1562.10.0. due to you by way of salary which has accrued to the 15th March, 1961. 20

No tax has been paid on this amount and should you draw portion of this at any time the tax applicable would be at the rate of 3/- in the pound.

Yours faithfully,
QUEENSLAND MINES LIMITED

W.D. PHILLIPS
SECRETARY.

146.13. 4.		
<u>172.15. 0.</u>	<u>319.8.4.</u>	30
319. 8. 4.		

Refunded to QM
by ERH

15 March

In the wilderness of western Tasmania a great deposit of iron ore for 75 years lay known but useless. Prospectors chipped at it, assayed it many times. The answer was always negative. The ore contained too little iron, had too many impurities, was locked up in bands of rock. The countryside was too rugged, and too remote.

This is the story of how it was brought at last into fruitful production, when men from three continents combined their effort, knowledge and financial support in the Savage River Project.

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Material

The Savage River deposits have been known since the 1890's. Early investigations showed that the ore contained undesirably high quantities of titanium, besides being located in some of the most rugged, inaccessible country in Tasmania. Even in the days when Australia was believed to be short of iron ore, the deposits were rejected by Australian and overseas mining organisations.

The area is virgin bushland and rain forest in mountains cut by deep gorges. The rainfall exceeds 100" a year, which creates serious problems quite apart from the almost impassable terrain. The Savage River deposits are the most distant of all the Australian iron ore developments from the main export market - Japan. These initial handicaps were enough to discourage potential developers; early in their investigations.

Subsequent investigations revealed even more metallurgical problems. As well as the titanium content, unexpectedly high quantities of nickel - enough to be troublesome, but by no means enough to be

useful, were found in some sections.

The ore is low grade, containing an average of 38% iron. It occurs in discontinuous bands between granite-hard waste rock. To be mined it must be blasted.

The first real ray of hope for the Savage ores originated not in Australia but in the once-great iron ore provinces at the head of the Great Lakes in the U.S.A.

During World War II high grade lump ore suitable for blast furnace use ran threateningly low in the U.S.A. There were vast quantities of low grade magnetite ore, called taconite, not suitable for blast furnace feed. Pickands Mather & Co., one of the world's principal iron ore mining and shipping companies, had foreseen this problem years earlier, and in the 1930's started a long-range laboratory investigation of ways in which the low grade taconite might some day become usable as a source of iron. Gradually the Pickands Mather laboratories worked out a process taking advantage of the magnetic properties of taconite. It involved crushing the rock as

fine as facepowder, magnetically lifting out the particles that had the most iron content, and rolling and baking them into hard pellets that could be shipped and smelted.

Originally considered a means of using sub-marginal deposits, the process became recognised in the 1950's as having decided advantages. The pellets were viewed with scepticism by the blast furnace operators, but in actual use the pellets proved to be better than natural ores.

Pellets are now the preferred feed at U.S. and Canadian companies. Japanese and European steelmakers are rapidly increasing their usage also.

The Savage River ores were similar in important respects to the Minnesota ores that Pickands Mather learned to upgrade. The fact was not recognised for over a decade, but it proved to be the key that would finally unlock Tasmania's iron ore potential.

Region

The north coast of Tasmania has some picturesque, fertile farming land that was settled early in Australia's history. In parts, undulating hills are green with lush grass or cash crops. In other parts the land gives way to poor, sandy soils which do not repay the effort of developing them. It is this harder country that is the site for the pellet plant, on the wind-blown Bass Strait.

The towns in the area are largely dependent upon rural activities. Peas, fat lambs, dairying and other farming activities thrive, but the region gained little from industrial activity, except at Burnie, until the Savage River project was commenced.

Tourists who come to the area enjoy the heirlooms of the past in the old hotels, historic homes, churches and schools, as well as the pleasant aspect of the countryside and coastline.

The gentle, quiet life will probably never fully disappear from these Tasmanian towns, but the Savage River project has brought them a surge of new people, new activity, new opportunity, new ideas. Revolutions of

the type experienced here usually take many years to happen. But almost overnight, with the Savage underway, the massive build-up of activity brought a new mining era to the local people, who had seen Waratah and other mining areas wane as the orebodies ran thin, or as market prices for the minerals fell so that local deposits could no longer compete.

The mine site, where the new town of Savage River has since been built out of the wilderness, is in an area that had never been inhabited. Access was difficult and even precarious because of the high rainfall and craggy terrain. It was this rugged nature of the country that led eventually to the decision to build a pipeline for transporting the ore to the coast. Rail or road transport would have proved too expensive.

Study

In 1963, Pickands Mather undertook a major study of the Savage River iron ore deposits. The purpose of the study was to determine whether the deposits were worth developing. It was obvious that small-scale operation would not pay its cost, and that large-scale operation would require the investment of tens of millions of dollars. How much, exactly? Where could the ore be sold, and for what price? What assurance would there be that the operation would continue for enough years to pay off the investment? Where would the money come from, and what return would be necessary? Would the government approve exporting the ore? Answers to these and literally thousands of other questions had to be worked out in detail before the big question – Can the Savage River deposits be developed? – could be answered.

Accurate drilling and mapping of the ore was necessary. Its metallurgical properties and variations needed to be known for mine development planning. Developing a flow

sheet for handling and processing the ore was the central problem around which all activities revolved.

The location presented logistical problems – how to get the enormous quantities of construction equipment and materials into the selected locations and how to get the product out. Several proposals were studied in depth.

It was decided that after fine grinding and concentration at the mine site, the ore would be transported by pipeline to the north coast, where it would then be made into pellets ready for deepwater shipment.

At the same time, exhaustive tests were being conducted by Pickands Mather laboratories in the U.S. The troublesome titanium content was found to be capable of being dropped out during magnetic separation.

Cost estimates of all the component parts of the scheme were gradually assembled.

The costings covered planning, construction, operation and financing.

It began to appear that the serious

disadvantages of the deposits might be counterbalanced by the preferred use of pellets as blast furnace feed.

The details of price, rate of delivery and quality were decided. Finance for the project was negotiated, mainly long-term loans, with equity capital held in Australia, Japan and the U.S.A. The Tasmanian Government agreed to provide a loan of \$4,000,000 for construction of the offshore loading facilities.

The legal implications of the project in three countries as well as the state of Tasmania were checked and the necessary agreements were reached.

The study as a whole took two years and cost over \$2.5 million before enough facts had been gathered to make a sound decision. In Sydney, in Cleveland, in New York, in Tokyo, men who would have to take the responsibility reviewed the findings and considered.

SAVAGE SCHEME GETS O.K.

Immediate start on construction

Construction of Tasmania's £31 million iron ore pelletising industry will begin immediately.

PRODUCTION OF PELLETS FOR EXPORT TO JAPAN IS SCHEDULED TO BEGIN TOWARD THE END OF 1967.

The decision to proceed with the project was announced simultaneously yesterday afternoon in Japan, Sydney and Hobart.

IT WAS WELCOMED BY THE PREMIER (MR. REECE), WHO SAID THE PROJECT WOULD GIVE TASMANIA A "GREAT LIFT."

The official statement said basic understanding has

Decision

The Savage River project became a reality as the result of decisions and commitments made in Australia, the United States and Japan. It required the understanding and agreement of many companies, of large financial institutions which would provide the financing, and of federal governments in all three countries.

On October 10, 1965 the results of the two-year study were complete. The finding was that the deposits could be worked; that the investment in plant and equipment needed to bring them into operation was \$67 million.

Other key decisions followed rapidly.

On November 11 the Australian Government gave its official approval to the export of Savage River iron ore pellets.

On December 6 it was announced that five major Japanese steel companies had entered into contracts to buy the pellets, at a rate of more than 2,000,000 tons a year, for twenty years.

On December 9 financial agreements were

signed in New York, making available the funds that were required.

On December 22 the Tasmanian Government passed legislation enabling the project to go forward.

And so after 75 years the Savage River deposits were to be brought to life. Construction work on the project started by the end of December.

Job

The plan of operations for the Savage River Scheme meant there were three major construction areas – one at the Savage River site itself, one on a meandering pipeline trail across mountains and gorges, and the pelletising plant and shiploading site at Port Latta on the coast.

The pipeline added further to the challenges of Savage River. Iron ore had never been transported for such distances in this manner. Its 53-mile length had to be engineered to span the 450-ft. deep Savage River gorge and to resist the stresses of the countryside and the natural elements, as well as the pressure from within of the dense ore slurry.

Clearing crews followed closely on the heels of the surveyors. The construction engineers were aided by one of the driest Tasmanian winters on record, as the pipeline jumped the Savage, then the Arthur, and stretched through, over and around the forests, mountains and gorges.

Construction on both the northern and southern sites was underway by the end of

1965. Narrow back roads, which were impassable for much of the year, now were converted by the State's Department of Public Works into highways which poured in men and equipment on a tight schedule.

As the mine and concentrating plant took shape, so too did the adjoining township, designed to accommodate up to 1,500 people, including 200 families. The township was given facilities and services to help recompense employees for the rigours of the climate – oil heating and electric dryers in each house, a motel, church, service station, shops, water reticulation and a modern sewerage system. A police station, fire station and nursing centre completed the community services.

When the first employees were recruited, they were brought from many parts of Australia, but the majority were found in Tasmania. Materials and components were local too, or were imported from the mainland. The overseas purchases were of equipment not readily available in Australia.

At the northern end of the pipeline, the

pelletising plant and deepwater loading facility took shape. The plant has exacting procedures for dewatering the slurry, rolling the mixture into $\frac{1}{2}$ " diameter balls, and baking them at high temperature. To utilise the best possible coastal position for the pelletising plant, the Tasmanian Government agreed to divert the Bass Highway around the pellet plant site at Port Latta.

Pellets will be stockpiled using specialised stacker machinery which weighs 170 tons itself, and handles a ton of pellets every four seconds. Reaching a mile out into Bass Strait (where water depth is sufficient for giant bulk loaders) is a conveyor system for fast turn-round of shipping.

To assist in the construction of the deepwater loader, a floating crane capable of lifting 200 tons was towed across the Pacific from San Francisco. The 10,000 mile voyage took 73 days, at an average speed of four knots.

Roads into the Savage River were built by the Tasmanian Public Works Department; electricity supplies were extended to the townsite as well as the mine by the Hydro-Electric Commission of Tasmania.

Five major Australian financial institutions and two public companies invested more than \$A4,000,000 in ordinary and preference shares in the Savage River development.

The seven investors are Australian Mutual Provident Society, Colonial Mutual Life Assurance Society Ltd., Mutual Life and Citizens Assurance Company Ltd., National Mutual Life Association of Australasia Limited, United Insurance Co. Ltd., Kathleen Investments (Australia) Ltd., and Ampol Mining Pty. Ltd.

Australian investment is through Northwest Iron Co. Ltd. of the U.S.A., which has a 50% interest in Savage River Mines. The other shareholders of Northwest are Pocantico Corporation, Cerro Corporation, Pickands Mather & Co. International and Chemical International Finance Ltd., all of the United States. The other 50% interest in Savage River Mines is held by Dahlia Mining Co. Ltd. whose shares are owned by Mitsubishi Shoji Kaisha Ltd. and Sumitomo Shoji Kaisha Ltd.

Because construction and early production employees required accommodation and school facilities, part of the township and the full school were opened in February 1967, a year ahead of the completion of other establishment works.

Achievement

To produce 2½ million tons of pellets per year, 10 million tons of rock and low grade ore must be mined, with careful planning of drilling and blasting to control the varying grades of ore and its impurities.

The mining is by modern open cut methods, using trucks up to 50 tons. In three stages of crushing and grinding, the ore is reduced to facepowder fineness, before the iron is separated magnetically. Mixed with water into a slurry, it is pumped 53 miles, crossing a suspension bridge with a 1,000 ft. span, 450 feet above the normal level of the Savage River.

At the Port Latta plant, the slurry is dewatered, additives are mixed into the concentrate, and the mixture is rolled into pellet form for baking. Ready for shipment, the pellets contain 67% iron; they are adequate in quality to compete in the world markets.

And so a body of ore that lay frustratingly useless for generations has been converted into a great natural resource.

The Tasmanian Government, the people of Tasmania, indeed the whole of Australia, benefit from the Savage River achievement. Governments receive royalties and substantial taxation. The economy gains new export income of some \$20,000,000 a year. The north-west of Tasmania has a new area of employment, and a sudden growth, with hundreds of new families now moved there permanently.

The Premier of Tasmania, the Hon. E. E. Reece, said as the Savage River Project moved into full operations:

"The birth of this great new mining venture will give a great economic impetus to the West and North-West Coast regions of Tasmania. It has been responsible for the birth of a town and the creation of a modern industrial port, and both will grow in parallel with the development of the iron ore export industry."

Participants

DAHLIA MINING CO. LIMITED

Mitsubishi Shoji Kaisha, Ltd.
Sumitomo Shoji Kaisha, Ltd.

NORTHWEST IRON CO. LIMITED

Cerro Corporation
Pocantico International Corporation
Pickands Mather & Co. International
Chemical International Finance Ltd.
Ampol Mining Pty. Ltd.
Australian Mutual Provident Society
The Colonial Mutual Life Assurance Society Limited
Kathleen Investments (Australia) Limited
The Mutual Life and Citizens'
Insurance Co. Limited
The National Mutual Life Association
of Australia Limited
The United Insurance Company Limited

Managing Agent: Pickands Mather & Co. International

TASMANIA.

The Mining Act, 1929.

No. 4M/64

APPLICATION FOR A LEASE.

(Place) Hobart
 (Date) 28th January, 1964

To the Honourable the Minister for Mines.

SIR,

I HEREBY apply for a Lease under the Mining Act, 1929, the particulars of which are hereunder set forth.

Date of Receipt
 Hour of Receipt 9:00
 Fees Deposited
 (Signature of Registrar or Other Officer)

Stamp: 28-1-64 40/6
 51-12-0
 28-1-64 40/6

I have the honour to be,

Sir,

Your most obedient Servant,

(Signature of Applicant) J E Pragway for on beh
Industrial Mining Enterprises Pty Ltd

Name of Applicant (in full) and Age.	Address of Applicant.	Date When Marked Off.	Name of Person Who Marked Off the Land.	Area.	Description of Mineral Intended to be Worked.	Situation of the Land Applied for, and Position of the Posted Notice on the Land.	General Remarks.
<u>Industrial & Mining Enterprises Pty Ltd.</u> 1645.	<u>P+O Building</u> <u>2 Castlereagh St</u> <u>Sydney</u>	<u>26.1.64</u>	<u>John Edward Pragway</u>	<u>80 Ac.</u>	<u>Iron ore</u> <u>+ other minerals</u>	<u>Savage River</u> <u>Iron Ore Deposit</u> <u>Tract 6</u> <u>as per plan</u>	<u>Marked on plan</u> <u>30/1/64</u> <u>W. H. ...</u> <u>Special lease 44M/64</u>

Exhibit "AR" - Application for Lease 4M/64

TASMANIA.—Department of Mines.

TRANSFER OF APPLICATION FOR A LEASE.

12-11-64

I, Victims Father & Co. International,
of Victoria, Australia, being
the Applicant for a Lease No. 11587 under "The Mining Act, 1929," of a claim
containing Eighty acres, and situate at Savage
River Iron Ore Deposit

do by these Presents transfer and assign all its right, title and interest in the said
Application to Victims Father & Co. International

in consideration of the sum of One pound (£1. 0. 0)

The Common Seal of the Company has been hereunto affixed
In witness whereof we have hereunto set our hand z this Twenty-fourth

day of October 19 64

Signed by the said

in my presence

(Witness)

We, the abovenamed transferees, do accept the above transfer. In witness whereof
the Common Seal of the Company, has been hereunto affixed in our presence, this
Twenty-fourth day of October, 19 64.

[Signatures] } Directors.

NOTE.—This may be altered to meet the case of a Water-right or Mining Easement.

Here insert the name address and occupation of the proposed transferee, also the amount of consideration or purchase money directly or indirectly paid, in words at length, and cause the Stamp Duty to be affixed or paid in accordance with the Law relating to Stamp Duties in force for the time being.

1646. Exhibit "AR" - Transfer of Application for Lease 4M/64

TASMANIA
11587
11556
Common Seal
12 NOV 1964



SCALES FOR STAMP DUTIES.

TO BE AFFIXED TO TRANSFER OF A MINING TENEMENT IN
ADDITION TO THE PAYMENT OF A TRANSFER FEE.

A—If there is no consideration-money paid, the Transferee being entitled in equity as a Trustee &c., the Stamp Duty to be affixed shall be to the value of Ten Shillings.

B—If the Mining Tenement is a free gift to the Transferee, the Stamp Duty shall be in accordance with the following scale:—

	Stamp Duty.
	£ s. d.
Where the Mining Tenement is valued at £100 or under.....	0 7 6
Where the valuation of such Mining Tenement is—	
Over £100 but not exceeding £150.....	0 15 0
" £150 " " £200.....	1 2 6
" £200 " " £250.....	1 10 0
And so on, adding 7s. 6d. for every additional £50 or fractional part thereof.	

C—When consideration is paid by the Transferee in money or by shares, Stamp Duty shall be affixed in accordance with the following scale:—

	Stamp Duty.
	£ s. d.
If the amount paid by the Transferee for the Mining Tenement does not exceed £100.....	0 7 6
Above £100 and not exceeding £150	0 15 0
" £150 " " £200	1 2 6
" £200 " " £250	1 10 0
And so on, adding 7s. 6d. for every additional £50 or fractional part thereof.	

N.B.—When unstamped Transfers are forwarded for registration, accompanied by the Stamp Duty to be paid to a Collector, they must be forwarded in time to be submitted to a Collector within Thirty days after the date of execution.

Exhibit "AR" - Notice
attached to Application
for Lease 4M/64

1647.

TWO Copies of this Notice MUST be sent to the Registrar.

NOTICE TO REGISTRAR.

(Regulation 4.)

I HEREBY give notice that I did, on the Twenty sixth day
of January, 1964, mark out, in the name and on behalf of
Industrial + Mining Investments Pty Ltd, an area of acres
as* MINERAL LEASE situate at SAYAGUE
RIVER IRON DEPOSIT.

*Here insert
kind of mining
tenement, e.g.,
Miner's Right
Claim, Prospect-
ing Claim, Lease,
or Water Right.

The notice is posted at the SW angle of the area marked
out (or, in case of water licence, at the intake). TRACT 6

Signature of person marking out J E Prugway

Address 43 Parliament Terrace

Manningvale Qld

4320-M1089 91-(5)

1648. Exhibit "AR" - Notice
attached to Application
for Lease 4M/64

Extract from the Regulations under the Mining Act, 1929.

MARKING OUT AND TAKING POSSESSION OF MINING TENEMENTS.

4.—(1) Except where otherwise specially provided, every person taking possession of a mining tenement shall:—

i. Mark one of the angles of the land comprising the mining tenement of which he desires to take possession:—

- (a) By making a conspicuous and readily visible mark, not less than 6 feet above the ground, upon a tree not less than 6 inches in diameter, situated at such angle; or
- (b) By erecting upon such angle a post not less than 3 inches across, each way, and projecting not less than 3 feet from the ground.

ii. Either:—

- (a) Blaze a clearly defined line for a distance of 5 chains, or for the full length of the boundary if less than 5 chains, as nearly as may be along the two boundaries of the proposed tenement which form the angle at which such mark as aforesaid is made; or
- (b) If the country is such that it is impracticable to blaze such lines:—
 - (i) Cut a trench 3 inches deep; or
 - (ii) If the country is too rocky for trenches, place a line of stones 3 inches high, and not less than 6 inches wide for a distance of 3 feet along each of the boundary-lines aforesaid, commencing from the angle formed by them.

iii. Affix to such tree or post as aforesaid a legible and durable notice setting forth the following particulars:—

- (a) The purpose for which possession is taken;
- (b) The area of the land which he intends to take possession;
- (c) The name of the person on whose behalf the same is marked out;
- (d) The position of the posted notice in relation to the land marked out;
- (e) The date of the marking out; and
- (f) The name of the person marking out the same.

in accordance with the prescribed form appropriate to the particular case, and shall maintain such notice at all times during the pendency of his application if the possession is taken for the purpose of an application;

iv. Within three days, or as soon as practicable, after the marking off, lodge notice thereof, in duplicate, with a Registrar of Mines, or send the same to him by registered post, in the appropriate form prescribed for the particular case;

v. Where the purpose of the marking out necessitates the making of an application for any lease, licence, or extended prospecting area, lodge with, or send by registered post to, a Registrar, or to the Secretary for Mines at Hobart:—

(a) The required application in the appropriate form prescribed therefor; and

(b) All fees, rents, and other moneys, if any, payable therewith, within seven days after the marking out, or as soon thereafter as practicable.

(2) Except where otherwise specially provided, all such boundary lines as aforesaid, wherever practicable, shall run east-and-west and north-and-south respectively.

(3) Where land is marked out to be held under miner's right, every angle of the claim shall be marked at the time of, or within seven days after, the marking out; and all such marks shall be made in the manner prescribed for the marking out; and, where practicable, each boundary line shall be blazed for its whole length.

(4) The post or tree marking the angle at which a mining tenement is marked out shall be called the datum post, and the determination of the area and boundaries of the tenement shall be calculated therefrom.

(5) Where application is made for an extended prospecting claim, and a licence is granted thereon in respect of an area less than that comprised in the application, the holder, within seven days after the issue of such licence, shall affix to his datum post an amended notice, showing the area which he is authorised to prospect.

(6) Where the mining tenement to be marked out is a water-right, the datum-post shall be as near as is practicable to the spot at which it is proposed to divert the water, and the notice shall specify the number of sluiceways of water for which application is to be made, and the nature and locality of the mining tenement to which the water-right is intended to be appurtenant; but no trenches or blazes shall be required.

(7) Where application is made for a water licence, and a water-race is required in relation thereto, the application for an easement licence may be included in the application for a water licence, and one datum post shall be sufficient for both; but the notice shall specify the approximate length and direction of the proposed race.

(8) Where a lease is declared forfeited under section 57 the applicant, within 21 days after notice of the forfeiture is gazetted, shall take possession of the land by posting at one of the corners thereof a notice in the following terms:—

NOTICE.

Possession taken under application for lease this day of 19.... By (name of person posting notice), on behalf of (name of person applying). Area Position of notice on land: This notice is posted at the..... corner of the land applied for:—

and shall forward a copy thereof to the Secretary.

(9) Where the mining tenement to be marked out is a prospecting claim not exceeding the area prescribed by Regulation 6 (1), the datum post may be constituted or erected at the centre of the land applied for, and it shall not be necessary to mark the boundary of such land.

1649. Exhibit "AR" - Notice attached to Application for Lease 4M/64

TWO Copies of this Notice MUST be sent to the Registrar.

NOTICE TO REGISTRAR.

(Regulation 4.)

I HEREBY give notice that I did, on the *Twenty sixth* day
of *January*, 19 *64*, mark out, in the name and on behalf of
Industrial Mining Investments Pty Ltd 90, an area of *90* acres
as *MINERAL LEASE* situate at *SAVAGE*
RIVER IRON DEPOSIT

*Here insert
kind of mining
tenement, e.g.,
Miner's Right
Claim, Prospecting
Claim, Lease,
or Water Right.

The notice is posted at the *SW* angle of the area marked
out (or, in case of water licence, at the intake). *AS TRACT 6.*

Signature of person marking out *J E Regway*

Address *43 Paramount Terrace*

Manningham Qld.

4320-M1089 3.

1650. Exhibit "AR" - Notice
attached to Application
for Lease 4M/64

TASMANIA.
The Mining Act, 1929.

No. 5M/64

APPLICATION FOR A LEASE.

(Place) Hobart

(Date) 26th January, 1965

To the Honourable the Minister for Mines.

SIR,

I HEREBY apply for a Lease under the Mining Act, 1929, the particulars of which are hereunder set forth.

I have the honour to be,

Sir,

Your most obedient Servant,

(Signature of Applicant)

J. E. Ragway
Industrial Mining Engineer

Cost	£ 25.00
Survey	£ 22.00
Application	£ 1.00
Total	£ 51.12
Received	

40/6
4/10

(Registrar or Other Officer.)

Date of Receipt
Hour of Receipt
Fees Deposited
[Signature]

Name of Applicant (in full) and Age.	Address of Applicant.	Date When Marked OR.	Name of Person Who Marked OR the Land.	Area.	Description of Mineral Intended to be Worked.	Situation of the Land Applied for, and Position of the Posted Notice on the Land.	General Remarks.
Industrial Mining Investigations Pty Ltd 1651.	P.O Building & Castlereagh St Sydney Transferred 24.10.64	26.1.64	John Edward Ragway	90 AC.	Iron Ore + other minerals	Savage River Iron Ore Deposit Tract 5 as per plan	Checked on Log Plans <i>[Signature]</i> 30/1/64

Withdrawn & not incorporated in Special Lease 447/66

Exhibit "AR" - Application
for Lease 5M/64

TASMANIA.—Department of Mines.

TRANSFER OF APPLICATION FOR A LEASE.

I, Industrial Mining Investigations Pty. Ltd.
of 2 Colclough Street, Sydney, Australia, being

the Applicant for a Lease No. 5/55 under "The Mining Act, 1929," of a claim
containing Eighty acres, and situate at Savage

within the deposit

do by these Presents transfer and assign all its right, title and interest in the
Application to Pickmans Mother & Co. International

in consideration of the sum of One pound (£1. 0. 0)

the Common Seal of the Company has been hereunto affixed
In witness whereof we have hereunto set our hand and this Twenty-fourth

day of October 19 64

Signed by the said

in my presence

(Witness)

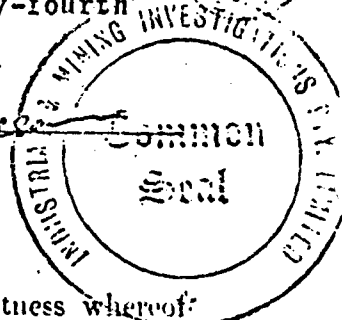
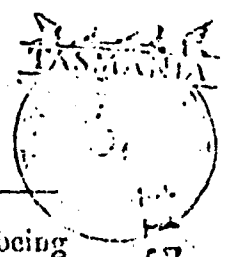
We, the abovenamed transferees, do accept the above transfer. In witness whereof
the Common Seal of the Company, has been hereunto affixed in our presence, this
Twenty-fourth day of October 19 64.

Directors.

NOTE.—This may be altered to meet the case of a Water-right or Mining Easement.

Here insert the name address, and occupation of the proposed transferee, and the amount of consideration or purchase money directly or indirectly paid, in word at length, and cause the Stamp Duty to be affixed or paid in accordance with the law relating to Stamp Duties in force for the time being.

12-11-64



50476...20 (114)

1652. Exhibit "AR" - Transfer of Application for Lease 5M/64

TWO Copies of this Notice MUST be sent to the Registrar.

NOTICE TO REGISTRAR.

(Regulation 4.)

I HEREBY give notice that I did, on the Twenty sixth day
of January, 19 64, mark out, in the name and on behalf of
Industrial Mining Investigations Pty Ltd, an area of 30 acres
as* MINERAL LEASE situate at SAYAGE
RIYER IRON DEPOSIT

*Here insert
kind of mining
tenement, e.g.,
Miner's Right
Claim, Prospect-
ing Claim, Lease,
or Water Right.

The notice is posted at the SE angle of the area marked
out (or, in case of water licence, at the intake). 25 TRACT NO 5

Signature of person marking out J E Ridgway

Address #3 Paramount Terrace

Morningside Qld.

4320-M1089 91-(3)

1653. Exhibit "AR" - Notice
attached to Application
for Lease 5M/64

TWO Copies of this Notice MUST be sent to the Registrar.

NOTICE TO REGISTRAR.

(Regulation 4.)

I HEREBY give notice that I did, on the Twenty sixth day
of January, 1964, mark out, in the name and on behalf of
Industrial Mining Investigations Pty Ltd, an area of 80 acres
as* MINERAL LEASE situate at SAYAGE
RIYER IRON DEPOSIT.

*Here insert
kind of mining
tenement, e.g.,
Miner's Right
Claim, Prospect-
ing Claim, Lease,
or Water Right.

The notice is posted at the SE angle of the area marked
out (or, in case of water licence, at the intake). 25 TRACT NO 5

Signature of person marking out J S Ragway
Address 43 Paramount Texas
Memphis Tenn.

4320-M1089 91-(5)

TASMANIA.

The Mining Act, 1929.

No. 6M/64

APPLICATION FOR A LEASE.

(Place) Hobart
(Date) 28th January, 1964

To the Honourable the Minister for Mines.

SIR,

I HEREBY apply for a Lease under the Mining Act, 1929, the particulars of which are hereunder set forth.

I have the honour to be,

Sir,

Your most obedient Servant,

(Signature of Applicant) J. E. Ridgway
John Edward Ridgway

Grant	£ 200 - -
Survey	£ 100 - -
Application	£ 100 - -
Total	£ 400 - -
Received	1 - -

400/-

Date of Receipt
Hour of Receipt 29 JAN 1964 9 AM
Fees Deposited

[Signature]
(Registrar or Other Officer.)

Name of Applicant (in full) and Age.	Address of Applicant.	Date When Marked Off.	Name of Person Who Marked Off the Land.	Area.	Description of Mineral Intended to be Worked.	Situation of the Land Applied for, and Position of the Posted Notice on the Land.	General Remarks.
<i>Industrial & Mining Investigations Pty Ltd.</i> 1655.	<i>P.O. Building 2 Castlereagh St Sydney</i>	<i>26.1.64</i>	<i>John Edward Ridgway</i>	<i>8020.</i>	<i>Iron Ore tallies bunerals</i>	<i>Savage River Iron Ore Deposit Tract # as per plan</i>	<i>Abandoned under Mining Act 31/1/64</i>

Transferred 24/10/64

Withdrawn & now incorporated in special lease 44 m/66

Exhibit "AR" - Application for Lease 6M/64

TASMANIA.—Department of Mines.

TRANSFER OF APPLICATION FOR A LEASE

I, Transit Mining Investigations Pty. Ltd.
of Castlereagh Street, Sydney, Australia being
the Applicant for a Lease No. 5/64 under "The Mining Act, 1929," of a claim
containing Eighty acres, and situate at Levee
river from one deposit

11556

do by these Presents transfer and assign all its right, title and interest in the
Application to Pickens Mother & Co. International

in consideration of the sum of One pound (£1. 0. 0)
In witness whereof we have hereunto set our hand: this Twenty-fourth
day of October 19 64

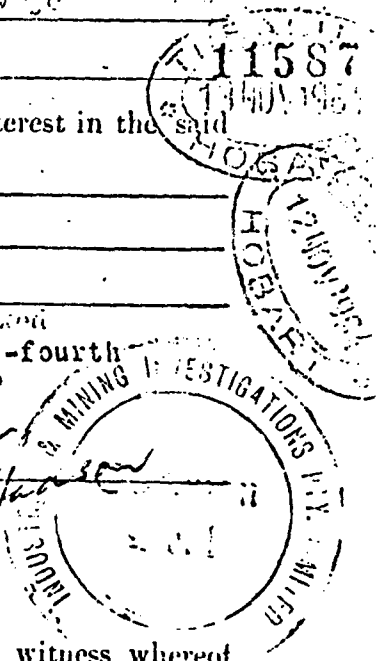
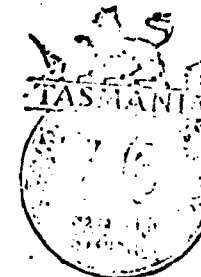
Signed by the said [Signature]
(Signature of Transferrer)
in my presence [Signature]
(Witness)

We, the abovenamed transferees, do accept the above transfer. In witness whereof
the Common Seal of the Company, has been hereunto affixed in our presence, this
Twenty-fourth day of October 19 64

[Signatures] } Directors.
Assessed by me at £ 5/

Note.—This may be altered to meet the case of a Water-right or Mining-leasement.

Here insert the name address, and occupation of the proposed transferee, and the amount of consideration or purchase money directly or indirectly paid, in words at length, and cause the Stamp Duty to be affixed or paid in accordance with the law relating to Stamp Duties in force for the time being.



TWO Copies of this Notice MUST be sent to the Registrar.

NOTICE TO REGISTRAR.

(Regulation 4.)

I HEREBY give notice that I did, on the Twenty sixth day
of January, 1964, mark out, in the name and on behalf of
Industrial Mining Investigations Pty Ltd, an area of..... acres
as* MINERAL LEASE situate at SAYAGE
RIVER IRON DEPOSIT.

*Here insert
kind of mining
tenement, e.g.,
Miner's Right
Claim, Prospect-
ing Claim, Lease,
or Water Right.

The notice is posted at the SW angle of the area marked
out (or, in case of water licence, at the intake). as Tract 4

Signature of person marking out J E Redgway

Address 43 Paramount Terrace

Morningside Qld.

4320-M1089 91(5)

Exhibit "AR" - Notice
attached to Application
1657. for Lease 6M/64

TWO Copies of this Notice MUST be sent to the Registrar.

NOTICE TO REGISTRAR.

(Regulation 4.)

I HEREBY give notice that I did, on the Twenty sixth day
of January, 1964, mark out, in the name and on behalf of
Industrial Mining Investigation Pty Ltd, an area of 80 acres
as* MINERAL LEASE situate at SAYAGE
RIYER IRON ORE DEPOSIT

*Here insert
kind of mining
tenement, e.g.,
Miner's Right
Claim, Prospect-
ing Claim, Lease,
or Water Right.

The notice is posted at the S W angle of the area marked
out (or, in case of water licence, at the intake). as Tract 4

Signature of person marking out

J E Ridgway

Address 43

Parliament Terrace

Morningside Qld.

4320-M1069 91-

1658.

Exhibit "AR" - Notice
attached to Application
for Lease 6M/64

TASMANIA.

The Mining Act, 1929.

No. 111/07

APPLICATION FOR A LEASE.

(Place) Hobart

(Date) 28th January, 1964

To the Honourable the Minister for Mines.

SIR,

I HEREBY apply for a Lease under the Mining Act, 1929, the particulars of which are hereunder set forth.

Date of Receipt
 Hour of Receipt 28 JAN 1964 9 AM
 Fees Deposited
(Signature of Registrar)
 (Registrar or Other Officer.)

Stamp: 20/-
 130/-
 1/-
 Total 151.120
 Received 1
 4016 JMD

I have the honour to be,

Sir,

Your most obedient Servant,

(Signature of Applicant)

J. E. Ridgway
for and on behalf of the Applicant

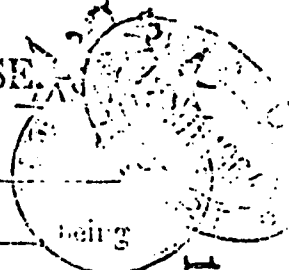
Name of Applicant: (in full) and Age.	Address of Applicant.	Date When Marked Off.	Name of Person Who Marked Off the Land.	Area.	Description of Mineral Intended to be Worked.	Situation of the Land Applied for, and Position of the Posted Notice on the Land.	General Remarks.
Industrial Mining Investigations Pty Ltd. 1659.	POD Building 2 Castlereagh St Sydney	26.1.64	John Edward Ridgway	80 AC	Iron ore and other minerals.	Savage River Iron Ore Deposit Tract 3 as per plan.	<i>Transferred 24.10.64</i> <i>Checked 23/1/64</i>
<i>Mr. Ridgway has incorporated in special lease 44M/66</i>							

Exhibit "AR" - Application for Lease 7M/64

TASMANIA.—Department of Mines.

TRANSFER OF APPLICATION FOR A LEASE

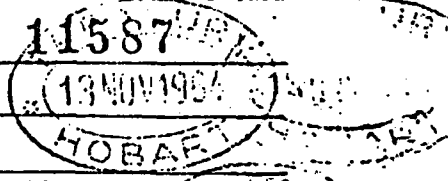
The duty payable hereon is assessed by me at £ 12-11-0



11556

I, Industrial Mining Investigations Pty. Ltd.
of 10 Waterloo Street, Sydney, New South Wales
being the Applicant for a Lease No. 77/64 under "The Mining Act, 1929," of a claim containing Eighty acres, and situate at Sydney on river iron ore deposit

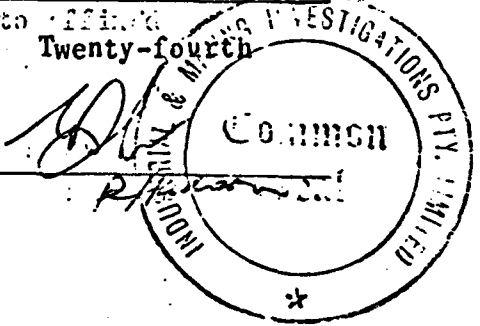
do by these Presents transfer and assign all its right, title and interest in the said Application to Richards Tether & Co. International



in consideration of the sum of One pound (£1. 0. 0)
the Common Seal of the Company has been hereunto affixed
In witness whereof xxxz have hereunto set xxxz hand z this Twenty-fourth

day of October 1964

(Signature of Transferrer)



Signed by the said

in my presence (Witness)

We, the abovenamed transferees, do accept the above transfer. In witness whereof the Common Seal of the Company, has been hereunto affixed in our presence, this Twenty-fourth day of October 1964



[Signatures] } Directors.

Assessed by me at £ 13-11-04

NOTE.—This may be altered to meet the case of a Water-right or Mining Easement.

1660. Exhibit "AR" - Transfer of Application for Lease 7M/64

TWO Copies of this Notice MUST be sent to the Registrar.

NOTICE TO REGISTRAR.

(Regulation 4.)

I HEREBY give notice that I did, on the Twenty sixth day
of January, 1964, mark out, in the name and on behalf of
Industrial Mining Investments Pty Ltd, an area of..... acres
as* MINERAL LEASE situate at SAYAGE
RIVER IRON DEPOSIT

*Here insert
kind of mining
tenement, e.g.,
Miner's Right
Claim, Prospect-
ing Claim, Lease,
or Water Right.

The notice is posted at the SE angle of the area marked
out (or, in case of water licence, at the intake). as Tract 3.

Signature of person marking out J E Ridgway

Address 43 Parliament Terrace

Manningham Qld.

4326-31088 91-5)

1661. Exhibit "AR" - Notice
attached to Application
for Lease 7M/64

TWO Copies of this Notice MUST be sent to the Registrar.

NOTICE TO REGISTRAR.

(Regulation 4.)

I HEREBY give notice that I did, on the Twenty sixth day
of January, 1964, mark out, in the name and on behalf of
Industrial Mining Investigations Pty Ltd, an area of 30 acres
as* MINERAL LEASE situate at SAYAGE
RIVER IRON DEPOSIT.

*Here insert
kind of mining
tenement, e.g.,
Miner's Right
Claim, Prospect-
ing Claim, Lease,
or Water Right.

The notice is posted at the SE angle of the area marked
out (or, in case of water licence, at the intake). a's Tract 83

Signature of person marking out J E Ragway
Address 43 Parliament Terrace
Invernesside Qld.

4320-M1089 01-61

1662. Exhibit "AR" - Notice
attached to Application
for Lease 7M/64

The Mining Act, 1929.

APPLICATION FOR A LEASE.

to the Honourable the Minister for Mines.

SIR,

(Place) Hobart
 (Date) 28th January, 1964

I HEREBY apply for a Lease under the Mining Act, 1929, the particulars of which are hereunder set forth.

Date of Receipt
 Date of Receipt 29 JAN 1964
 Fees Deposited
A.B. Cunningham
 (Registrar or Other Officer.)

Recd	20. P. C.
Survey	30. P. C.
Application	4. P. C.
Total	54. P. C.
Received	1

40/6
JHD

I have the honour to be,

Sir,

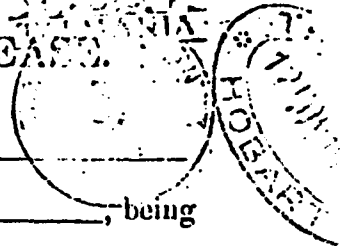
Your most obedient Servant,

J. E. Ridgway
 (Signature of Applicant) *J. E. Ridgway, Director of Mining Investigation*

Name of Applicant (in full) and Age.	Address of Applicant.	Date When Marked Off.	Name of Person Who Marked Off the Land.	Area.	Description of Mineral Intended to be Worked.	Situation of the Land Applied for, and Position of the Posted Notice on the Land.	General Remarks.
<i>Industrial & Mining Investigation Co. Ltd.</i> 1663.	<i>P.O. Building 2 Castlereagh St Sydney</i>	<i>26.1.64</i>	<i>John Edward Ridgway</i>	<i>80 AC.</i>	<i>IRON ORE and other Minerals</i>	<i>Savage River Iron Ore Deposit. TRACT 2. as per plan.</i>	<i>Withdrawn & how incorporated in special lease 14/1/66</i>

Exhibit "AR" - Application for Lease 8M/64

TRANSFER OF APPLICATION FOR A LEASE.



1664

I, Industrial & Mining Institutions Pty. Ltd.
of 22 Doolittle Street, Sydney, Australia, being
the Applicant for a Lease No. SM/64 under "The Mining Act, 1929," of a claim
containing Eighty acres, and situate at Sevone
Sitar Iron Ore Deposit

do by these Presents transfer and assign all its right, title and interest in the said
Application to Pickens Mather & Co. International

in consideration of the sum of One pound (£1. 0. 0)

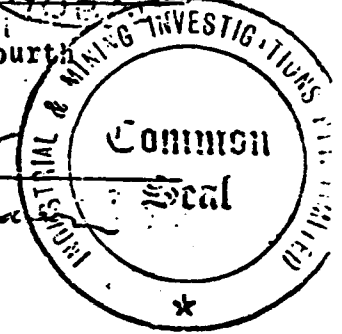
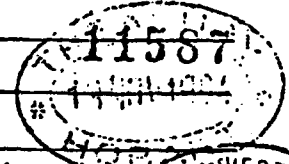
the Common Seal of the Company has been hereunto affixed
in witness whereof we have hereunto set our hands this Twenty-fourth

day of October 1964

Signed by the said

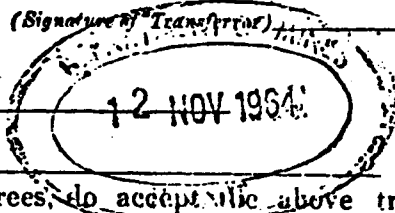
(Signature of Transferor)

[Handwritten Signature]



in my presence

(Witness)



We, the abovenamed transferees, do accept the above transfer. In witness whereof
the Common Seal of the Company, has been hereunto affixed in our presence, this
Twenty-fourth day of October, 1964.

[Handwritten Signatures]

Directors.

[Handwritten Signature]
13/11/64

Here insert the name, address, and occupation of the proposed transferee, and the amount of consideration or purchase money directly or indirectly paid, in words at length, and cause the Stamp Duty to be affixed or paid in accordance with the law relating to Stamp Duties in force for the time being.



Note.—This may be altered to meet the case of a Water-right or Mining Easement.

1664. Exhibit "AR" - Transfer of Application for Lease SM/64

[Handwritten notes and signatures]
3 to me of 1664
M. J. [unclear]

TWO Copies of this Notice MUST be sent to the Registrar.

NOTICE TO REGISTRAR.

(Regulation 4.)

I HEREBY give notice that I did, on the Twenty sixth day
of January, 1964, mark out, in the name and on behalf of
Industrial Mining Investigations Pty Ltd, an area of 80 acres
as* MINERAL LEASE situate at SAYAGE
RIVER IRON DEPOSIT.

*Here insert
kind of mining
tenement, e.g.,
Miner's Right
Claim, Prospect-
ing Claim, Lease,
or Water Right.

The notice is posted at the SW angle of the area marked
out (or, in case of water licence, at the intake). Station 25 Tract 2

Signature of person marking out J. E. Ridgway

Address 43 Paramount Terrace

Morningside Qld.

4320-M1089 91-51

1665. Exhibit "AR" - Notice
attached to Application
for Lease 8M/64

TWO Copies of this Notice MUST be sent to the Registrar.

NOTICE TO REGISTRAR.

(Regulation 4.)

I HEREBY give notice that I did, on the Twenty sixth day
of January, 1964, mark out, in the name and on behalf of
Industrial Mining Investigations Pty Ltd, an area of 80 acres
as* MINERAL LEASE situate at SAYAGE
RIVER IRON DEPOSIT

*Here insert
kind of mining
tenement, e.g.,
Miner's Right
Claim, Prospect-
ing Claim, Lease,
or Water Right.

The notice is posted at the SW angle of the area marked
out (or, in case of water licence, at the intake). 25 Tract. 2.

Signature of person marking out J. E. Ridgway

Address 43 Paramount Terrace

Morningside Qld

4320-M1089 91-(5)

1666.

Exhibit "AR" - Notice
attached to Application
for Lease 8M/64

TASMANIA.
The Mining Act, 1929.

No. 9M/64

APPLICATION FOR A LEASE.

(Place) Hobart
(Date) 28th January, 1964

To the Honourable the Minister for Mines.

SIR,

I HEREBY apply for a Lease under the Mining Act, 1929, the particulars of which are hereunder set forth.

Date of Receipt: 28 JAN 1964
Hour of Receipt: 9 AM
Fees Deposited: _____

Cost : 6/2 - -
Survey : 23/12 - -
Application : 5/1 - -
Total : 57/12 0
Received : 1 1

I have the honour to be,

Sir,

Your most obedient Servant.

A. R. Cummins
(Registrar or Other Officer.)

(Signature of Applicant) *J. S. Ruggway*
for on behalf of Industrial Mining Investigation Pty Ltd.

Name of Applicant (in full) and Age.	Address of Applicant.	Date When Marked Off.	Name of Person Who Marked Off the Land.	Area.	Description of Mineral Intended to be Worked.	Situation of the Land Applied for, and Position of the Posted Notice on the Land.	General Remarks.
<i>Industrial Mining Investigation Pty. Ltd. 1667.</i>	<i>P.O. Building 2 Castlereagh St Sydney.</i>	<i>26/12/64 26.1.64</i>	<i>John Ruggway</i>	<i>80 Ac.</i>	<i>Iron Ore. + Other Minerals</i>	<i>Savage River Iron Ore Deposit. TRACT 1 25 per plan.</i>	<i>30/1/64</i>

*Transferred
24.10.64*

All the above is now incorporated in Special Lease 44M/66

Exhibit "AR" - Application for Lease 9M/64

TASMANIA.—Department of Mines.

TRANSFER OF APPLICATION FOR A LEASE.

7/16
12-11-64
Industrial & Mining Investigations Pty. Ltd.

I, Industrial & Mining Investigations Pty. Ltd.
of 2 Castlereagh Street, Sydney, Australia, being
the Applicant for a Lease No. 776 under "The Mining Act, 1929," of a claim
containing Eighty (80) acres, and situate at Savage
River Iron Ore Deposit

do by these Presents transfer and assign all its right, title and interest in the said
Application to Richards Mother & Co. International.

in consideration of the sum of One pound (£1. 0. 0)

The Common Seal of the Company has been hereunto affixed
In witness whereof ~~xxxxx~~ have hereunto set ~~xxxxx~~ hand ~~z~~ this Twenty-fourth
day of October 1964

Here insert the name, address, and occupation of the proposed transferee, and the amount of consideration or purchase money directly or indirectly paid, in words at length, and cause the Stamp Duty to be affixed or paid in accordance with the law relating to Stamp Duties in force for the time being.

Signed by the said

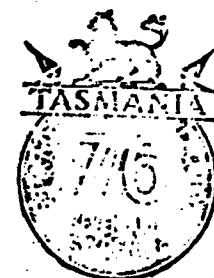
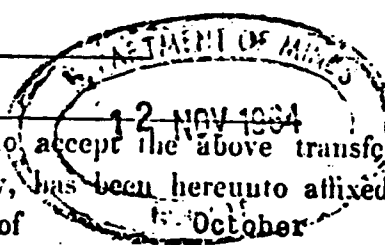
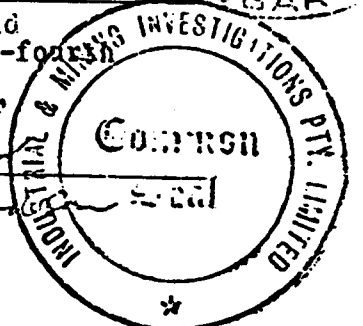
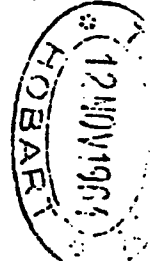
(Signature of Transferee)

in my presence

(Witness)

We, the abovenamed transferees, do accept the above transfer. In witness whereof
the Common Seal of the Company, has been hereunto affixed in our presence, this
Twenty-fourth day of October, 1964.

[Signatures] } Directors.



NOTE.—This may be altered to meet the case of a Water-right or Mining Easement.

1668 . Exhibit "AR" - Transfer of Application for Lease 9M/64

TWO Copies of this Notice MUST be sent to the Registrar.

NOTICE TO REGISTRAR.

(Regulation 4.)

I HEREBY give notice that I did, on the Twenty sixth day
of January, 19 64, mark out, in the name and on behalf of
Industrial Mining Investments Pty Ltd, an area of 80 acres
as* MINERAL LEASE situate at SAYACE
RIYER IRON DEPOSIT

*Here insert
kind of mining
tenement, e.g.,
Miner's Right
Claim, Prospect-
ing Claim, Lease,
or Water Right.

The notice is posted at the S. E angle of the area marked
out (or, in case of water licence, at the intake). 25 TRACT 1.

Signature of person marking out J. E. Ridgway
Address 43 Paramount Terrace
Morningside Qld.

4320-M1089 01-(5)

Exhibit "AR" - Notice
attached to Application
for Lease 9M/64

TWO Copies of this Notice MUST be sent to the Registrar.

NOTICE TO REGISTRAR.

(Regulation 4.)

I HEREBY give notice that I did, on the *Twenty sixth* day
of *January*, 1964, mark out, in the name and on behalf of
Industrial Mining Investigations Pty Ltd., an area of *3.0* acres
as* *MINERAL LEASE* situate at *SAVAGE*
RIVER IRON DEPOSIT

*Here insert
kind of mining
tenement, e.g.,
Miner's Right
Claim, Prospect-
ing Claim, Lease,
or Water Right.

The notice is posted at the *SE* angle of the area marked
out (or, in case of water licence, at the intake). *as Tract 1.*

Signature of person marking out *J. E. Ridgway*

Address *43 Paramount Terrace*

Morningside Qld.

4320-M1089 91-51

1670. Exhibit "AR" - Notice
attached to Application
for Lease 9M/64

MINUTES OF A MEETING OF DIRECTORS OF FACTORS LIMITED
HELD AT 541 ST. KILDA ROAD, MELBOURNE,
ON FRIDAY, 24TH JANUARY, 1964.

PRESENT: Mr. S. Korman (in the Chair)
Messrs. C.W. Fletcher, E.A. O'Halloran,
C.R. Daley, R.E. Nordhoff,
C. Calderwood, A.W. Janover
and W.D. Phillips.

Apology Mr. H. Korman 10

APPOINTMENT OF DIRECTORS :

- (a) Resolved that pursuant to the Loan Agreement made between this Company and Commercial & General Acceptance Limited (known as CAGA), Mr. Christie William Fletcher (General Manager of CAGA) and Edmund Alfred O'Halloran (of the firm of Freehill, Hollingdale & Page - Solicitors - the Solicitors for CAGA) be appointed Directors of this Company.
- (b) Resolved that Mr. Alec Wolfe Janover be appointed an Alternate Director of this Company as Alternate Director for Mr. Nathan Spatt. 20

The Chairman welcomed Messrs. Fletcher and O'Halloran to the Board, not only as representatives of CAGA but as individuals, and thanked them for their consent to share the burdens of this Company by accepting a seat on the Board. Mr. Korman also expressed the hope that when the loan from CAGA had been repaid that Messrs. Fletcher and O'Halloran would see fit to continue as Directors of the Company. 30

In accepting the appointment, both Mr. Fletcher and Mr. O'Halloran made a general declaration under Section 123 of the Companies Act of their interest as General Manager and Solicitor respectively of Commercial and General Acceptance Ltd. in respect of all matters in relation to Commercial and General Acceptance Limited. 40

MINUTES:

Minutes of a Meeting of Directors held on the 9th January last were read and confirmed, and signed by the Chairman as a correct record.

CONSIDERATION OF A POSSIBLE CHANGE OF NAME OF THE
COMPANY :

A suggestion that investigation be made of possible alternative new names of the Company was noted and resolved to be held over to a future Meeting and that, in the meantime, the Directors consider the matter.

10

CONSIDERATION OF SUGGESTION AS TO CHANGE OF BALANCE
DATE:

A suggestion that investigation be made of the possible change of the Balance Date of the Company to the 31st. March each year was deferred until the next Meeting.

PROPOSAL TO CONSOLIDATE STAFF :

It was resolved that consideration be given to combine Office staff of the Secretary and of the Share Registrar under the one location, so as to save space, and make the best possible use of the available experience of the Staff in both fields. (Initials)

20

A.253

VISIT TO NEW ZEALAND:

The Chairman reported that he would be in New Zealand next week and it was his intention to investigate the following :-

- (a) An issue of shares or debentures by Holeproof Industries Limited or Colonial Ammunition Co. Ltd.
- (b) A direct loan of £1,000,000 from CAGA - this being part of the £1,800,000 contractual loan to be made to Factors Ltd.
- (c) The repayment of the amount owing by Holeproof Industries Ltd. to Factors Ltd.
- (d) The declaration of a minimum dividend of £300,000. to Factors Ltd.
- (e) Further consideration to the manufacturing in Australia of Crown Seals and allied Metal Containers and Packaging (in respect of which market research by this Company commenced 18 months ago).

30

40

3d. PAID SHARES :

- (1) It was reported that to date £63,116.17.0. had been received in cash and requests had been received to set off a further £31,461.12.0.
- (2) It was agreed that letters from persons asking to be relieved of payments be acknowledged and advised that consideration will be given to their request at a later date. This will only apply to the very few "Hard Luck" cases. (Initials) 10
- (3) It was resolved that Holders who had requested set-off be advised their request had been granted, and they be asked to forward their Note Certificates for cancellation and their Share Certificates for endorsement as fully paid.
- (4) The Chairman reported that agreement had been reached with the Receiver of Stanhill Consolidated Limited as to a set-off of £40,300 Notes and £16,300 Debentures against the sum of £47,785 due by Stanhill Consolidated Limited for 201,200 3d. Paid Shares on arrangements to be made for payment of the balance with interest due to Stanhill Consolidated Limited. 20
- (5) Mr. A.W. Janover, Solicitor, advised the Board that the Company was entitled to set off the moneys owing to Registered Unsecured Noteholders and Debenture Holders as at 31/12/63 against moneys which were due and owing to the Company by the Holders of 3d. paid shares. 30

A draft of the Notice of such set off produced by him was agreed on.

It was resolved that such set-off take effect immediately (unless the respective Shareholders affected by such set-off paid in cash) and that further notices be forwarded on 3rd. February next to all holders who had not replied by that date to the notices despatched on the 22nd. January, 1964 by certified mail with prepaid reply envelopes. (Initials) 40

A.254

3d. PAID SHARES - Contd.

- (a) To holders of both shares and notes a letter advising of set-off.
- (b) To holders of Shares only final notices advising that action would be taken if payment was not made.

Mr. Janover was requested to give written advice as to such set-off to the Company and that such written advice be annexed to these minutes. 10

Mr. Janover reported that any legal proceedings by the Company required the consent of the Attorney General as the Company was under investigation and he was instructed to give consideration to whether the Attorney General should be notified immediately of the Company's intention to obtain the balances owing on the 3d. paid shares and envisaging the necessity of requesting consent to take proceedings particularly against Companies which had been created to absolve the transferrors of their obligation, e.g. Trepur Pty. Ltd. and A.B. Holdings Pty. Ltd. which Companies claimed they had no assets with which to pay the calls. 20

QUEENSLAND MINES LIMITED :

The Chairman reported that he was negotiating with Kathleen Investments Ltd. for the possible sale of the Company's interest in Queensland Mines Ltd. 30

The following three proposals had been discussed :

- (1) That the sale price be £300,000 cash, plus 25% share of the profits, if and when the mine is developed.
- (2) That we accept £75,000 par value (approximately £300,000 Market value) of Kathleen Investments Ltd. Shares in exchange for our holding in Queensland Mines Ltd. If and when we wished to sell the shares they would arrange a placement. 40
- (3) That this Company and Kathleen Investments

Ltd. each put in £50,000 provided Kathleen Investments Ltd. issue to Factors Ltd. £50,000 of par value shares to return Factors Ltd. £8,000. per annum in dividends.

It was resolved that the Chairman be authorised to continue negotiations which could lead to a successful offer to sell this Company's interest in Queensland Mines Ltd. and that the Chairman report back to the Board the results of the negotiations. 10

AUTHORITY TO TRAVEL:

The Meeting authorised Mr. O'Halloran to come from Sydney, if necessary, at the Company's expense to attend to any matters in relation to ~~the-Trustees.~~ (Initials)
this Company.

A.255 20

SCRIP :

The Secretary reported that the Auditors had certified the issue of the following certificates for securities and that same had been signed and sealed with the Common Seal of the Company.

ORDINARY STOCK UNITS

MELBOURNE REGISTER

73,737 Stock Units covered by transfers
21083-21237

SYDNEY REGISTER

30

5,400 Stock Units covered by transfers
N1723-N1740.

PREFERENCE SHARES

100 Shares covered by transfer N21239P

DEBENTURE STOCK

£8,400 of Stock covered by transfers 729 - 741

DEBENTURE STOCK ex ROCKMAN PREFERENCE SHARES

£400 of Debentures covered by transfers
161-162

Exhibit 127 - Minutes
of Meeting of Factors
Limited, 24.1.64

CONVERTIBLE NOTES

£9,275 Notes covered by transfers 2936 - 2950

PURE NOTES

£4,025 Notes covered by transfers 563 - 575.

(Initials)

SIGNED AS A CORRECT RECORD.

Signed..... (Illegible)

CHAIRMAN

10

5/3/64

**INDUSTRIAL & MINING INVESTIGATIONS
PTY. LIMITED**

25-2032
28-5528

3RD FLOOR.

16 O'CONNELL STREET.

SYDNEY, AUSTRALIA

Hobart, Tasmania.

January 29, 1964.

IN DUPLICATE

Pickands Mather & Co.,
2000 Union Commerce Building,
Cleveland 14,
OHIO.

Attention: Mr. C. S. Arms, Vice President

Gentlemen:

Under that certain letter agreement dated June 20, 1963, (hereinafter referred to as the "primary letter agreement") between Pickands Mather & Co. (hereinafter referred to as "Pickands") and Industrial & Mining Investigations Pty. Limited (hereinafter referred to as "Industrial") Pickands was granted option rights in respect of certain land in Tasmania, subject to Exploration Licence No. E. L. 4/61 held by Industrial. Certain further understandings were set forth in a separate letter agreement dated June 20, 1963, and two separate letter agreements both dated September 5, 1963.

The last paragraph of page 2 of the primary letter agreement which continues at the top of page 3 of said agreement provides for the determination of the area to be covered by assignment from Industrial in the event that Pickands elects to exercise its option in accordance with item (b) thereof, in which event the assignment shall cover only such portion of the area subject to the Exploration Licence to be selected by Pickands as will contain sufficient land and crude ore to produce not less than 60,000,000 tons of furnace feed (that is mined and processed iron ore delivered for shipment to the steel mills) from open pit mining to a depth of not greater than 400 feet.

In order to expedite and facilitate the exercise of the option in accordance with item (b) as set forth above in the event that Pickands elects to do so, Pickands has submitted to Industrial a plat map (a copy of which is marked "appendix A"

1677. Exhibit 62 - Copy Letter
Industrial & Mining Inves-
tigations to Pickands Mather

attached hereto) which outlines in red six eighty acre tracts which Pickands would select for assignment in the event that it elects to exercise the option as aforesaid and Pickands has also furnished a metes and bounds description of said area (a copy of which is marked "appendix B" attached hereto). Industrial agrees that the area so outlined and described will comply with the requirements of the said item (b) and the provision in said paragraph applying to any dispute with respect thereto is superceded by this agreement.

In order to further expedite and facilitate the exercise of the option under said item (b) in the event that Pickands elects to do so and the establishment of a mining operation upon the property, Industrial with the approval of Pickands will proceed forthwith to apply for a consolidated mineral lease from the State of Tasmania covering the property as outlined and described in appendix A and appendix B. Upon the issuance of such lease by the State of Tasmania, the lease and all property rights created thereby shall be held by Industrial and be subject to the option and all the terms and conditions thereof set forth in the primary letter agreement and the separate letter agreements referred to in the first paragraph of this letter with the same force and effect as said option now applies to the rights created by the Exploration Permit.

It is understood that any crude ore mined will require extensive processing to improve its grade and structure. Pickands has furnished to Industrial a plat map (a copy of which is attached hereto marked "appendix C") upon which the 6 eighty acre tracts shown on appendix A are also shown in tracts outlined in red numbered 1 through 6. The said map has an area outlined in green upon which Pickands anticipates auxiliary facilities for processing of ore (plant, tailings basin, water facilities, stockpile area, office building, etc.) will be located in the event that the option is exercised and mining operations undertaken. Upon the basis of discussions between the Managing Director of Industrial and representatives of the State of Tasmania, it is understood that the State will act favourably upon application for mineral leases covering the area required for such auxiliary facilities. Industrial agrees that upon selection by Pickands of the areas required for auxiliary facilities within that outlined in green on appendix C, excluding upon request of Pickands, Industrial will apply to the State of Tasmania for a mineral lease covering the same, and upon

Handwritten signature
Psychic
Iron
formation
CRD

issuance of such mineral lease assign the same in the same manner, at the same time and to the same assignee as other assignment of mineral area is made pursuant to the option agreements, provided however that in the event of the exercise of its option by Pickands on the mineral area before leases are received by Industrial on the area required for auxiliary facilities, then Industrial will assign such of its exploration rights covering such property to the assignee of the mineral lease as will enable such assignee to apply for a mineral lease on the area required for auxiliary facilities. While Pickands now anticipates that auxiliary mining facilities will be located in the area shown in green on appendix C in the event that mining is undertaken, Pickands is not limited in its selection of auxiliary facilities to such area and Industrial will cooperate in the acquisition of the area required for auxiliary facilities even though the same are not located within the area now contemplated.

The Managing Director of Industrial has been in communication and conference with officials of the Government of the State of Tasmania. Industrial is satisfied that the Government of Tasmania will act as expeditiously as possible to grant the mineral leases for which application is made covering the areas set forth in such application. Industrial believes that the Government of Tasmania will do all within its legal authority to encourage the establishment of an iron ore mine and processing facilities upon the area subject to the Exploration Permit, including the granting of water licences and such other licences and permits as required for mining operations.

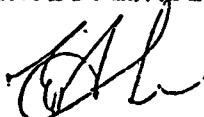
With the approval and encouragement of Pickands, Industrial has been in communication with the Government of Tasmania with respect to the purchase of certain land on Macquarie Harbour. Industrial believes that it will be permitted to purchase or otherwise acquire an interest in such land. Industrial agrees that in the event of the exercise of its option, Pickands or any person or corporation designated by Pickands may purchase from Industrial so much of such land (no less than 500 acres) as may be selected by Pickands for or in connection with transportation, processing, maintenance, housing, office and dock facilities, including but not limited to the land outlined for use by the Quinn Harbour Report. The price to be paid to Industrial for such land so selected shall be a fair proportion of the price paid by Industrial to the Government for such land.

4.

Industrial has been advised by officials of the Government of Tasmania that in the event of the application for property rights for the establishment of a pipeline from the mine to Macquarie Harbour area over land owned by the Government, such application will be honored and property rights granted at no more than nominal cost.

This letter is written in duplicate, and if it properly sets forth your understanding of the mutual arrangements between us with respect to the matters covered hereby, will you please acknowledge the same in the place designated below and return one copy to us.

Yours very truly,
INDUSTRIAL & MINING INVESTIGATIONS PTY. LTD.

By 

E. R. Hudson
Managing Director.

ACCEPTED: Jan 30th, 1964

PICKANDS MATHER & CO.

By 
Vice President

MINUTES OF A MEETING OF DIRECTORS OF FACTORS LIMITED
HELD AT 541 ST. KILDA ROAD, MELBOURNE, ON THURSDAY,
5th. MARCH, 1964.

PRESENT: Mr. S. Korman (in the chair)
Messrs. C.W. Fletcher, E.A. O'Halloran,
H. Korman, C. Calderwood, C.R. Daley,
N. Spatt, A.W. Janover and W.D. Phillips.

An apology was received from
Mr. R.E. Nordhoff.

10

MINUTES: Minutes of a meeting of Directors held
on the 24th. January last were read and
confirmed and signed by the Chairman as
a correct record.

PROPOSAL TO CHANGE BALANCE DATE:

It was resolved that no change be made
in the balance date of the company and
that all subsidiary companies not now
balancing on the 31st. July be in-
structed to change the Balance date to
the 31st. July.

20

PROPOSAL TO CONSOLIDATE STAFF OF SECRETARY AND
SHARE REGISTRAR:

The Chairman advised that this matter
should be held in abeyance until after
the discharge of the Receiver.
Mr. Korman said he would then report on
where the Office should be located and
what it will consist of and how many
people will be involved.

30

ERIC WHITE & ASSOCIATES:

The Chairman advised that Eric White &
Associates had been advised that they
could not be retained by the company
and that they should render an account
for work done.

PROPOSAL TO CHANGE NAME OF COMPANY:

A proposal to change the name of the
company was discussed and all Directors
expressed the view that the company
should continue with the name of
Factors Limited.

40

QUEENSLAND MINES LIMITED:

It was resolved that should the offer still be open the Chairman be authorised to accept £175,000 from Australasian Oil Exploration Limited for the purchase of this company's equity in Queensland Mines Limited.

10

The Board voted in favour of this resolution with the exception of Mr. C.R. Daley. Mr. Daley stated that he would have voted in favour of a resolution to sell the shares for £200,000 in addition to repayment of the £18,000 owing by Queensland Mines Limited to Factors Limited.

(Initials)

A257

20

SHARES PAID TO 3d, PER SHARE:

The Secretary reported that £84,722/6/3 had now been received in cash and in addition requests for set off had been received for £106,384/-/9.

Letters had been received from a number of shareholders asking for time to pay and stating they could not pay.

It was resolved that replies to these letters be made in consultation with the company's Solicitor.

30

SHARE LISTING:

The Secretary reported that he had received a telephone call from the Stock Exchange asking if the former partly paid shares, which were now fully paid shares, could be regarded as ranking equally with all other fully paid shares.

The Directors agreed that as the Board was of the opinion that no dividend would be declared or paid before the 1st. August, 1964 all fully paid ordinary shares of 5/- each should be regarded as ranking equally.

40

Exhibit 128 - Minutes
of Meeting of Factors
Limited, 5.3.64

The Secretary was instructed to advise
the Stock Exchange accordingly.

FINANCE COMMITTEE:

Mr. S. Korman suggested that a finance
committee be set up to prepare a report
to the Board on the best means of repay- 10
ing the loan from Commercial & General
Acceptance Limited.

On the motion of Mr. Korman it was re-
solved that this committee consist of
Messrs. C.W. Fletcher, C. Calderwood
and H. Korman and these members have
accepted the position.

HOLEPROOF INDUSTRIES LTD, NEW ZEALAND:

Mr. H. Korman reported with regard to
requirements for expansion and develop- 20
ment in New Zealand.

It was resolved that Mr. H. Korman,
Chairman of Holeproof Industries
Limited, be given authority to proceed
with the expansion program outlined by
him covering new divisions and expan-
sion of existing departments in Hole-
proof Industries Limited and its sub-
sidiaries in New Zealand.

It was anticipated that this program
would involve an approximate total ex- 30
penditure of £450,000 N.Z.

The program covered the following:-

THE COLONIAL AMMUNITION CO. LTD.

Building, Machinery, Duties,
Installation, Establishing
Expenses (Galon, Rehau) Approx. £100,000

Quarry (50% share) £ 40,000

W.H. BOND & CO, LIMITED:

New oven, Printer, Building
& Other Machinery £125,000 40
(Land ex Holeproof)

C/Forward:- £265,000

(Initials)

A258

HOLEPROOF INDUSTRIES LTD. NEW ZEALAND - continued:

forward: £265,000

JACQUARD TEXTILES LIMITED:

Building £ 10,000
Machinery £ 25,000

HOLEPROOF MILLS LIMITED,
HOLEPROOF (N.Z.) LIMITED AND
RODFIELD WOOLLENS LTD.:

Spinning, Winding, Nylon
Processing, Double Knit etc. £150,000
£450,000

10

APPRECIATION:

The Directors expressed their appreciation of the efforts of the Directors and Executives of the New Zealand companies in carrying through and maintaining the profit at a high level despite all the adverse criticism of the parent company.

20

ANNUAL MEETING HOLEPROOF INDUSTRIES LTD.
NEW ZEALAND:

It was resolved that the company appoint Mr. Hilel Korman as its proxy to vote at the Annual General Meeting of Holeproof Industries Ltd. New Zealand to be held on the sixth day of April, 1964, and at any adjournment thereof.

30

SEAL REGISTER:

The meeting confirmed the use of the company seal in respect of items numbered 334 and 335 in the Seal register of the company and authorised the Chairman to sign the register.

SCRIP:

The Secretary reported that the Auditors had certified the issue of certificates for the following securities and same had been signed and sealed with the Common Seal of the Company.

40

Exhibit 128 - Minutes
of Meeting of Factors
Limited, 5.3.64

Ordinary Share Units: Melbourne Register:

202,394 units covered by transfers
21239-21767

Sydney Register:

10,266 Units covered by transfers
N1741 - N1777 10

Preference Shares:

2,450 Shares covered by transfers
21556P-21568P 21768P-21771P

Shares Paid to 3d. per Share now fully Paid:

3,800 Shares covered by transfers
1512 - 1514

Convertible Notes:

£12,052 Notes covered by transfers 2951 -
2997 20

Pure Notes:

£3,781 Notes covered by transfers
576-594

Debenture Stock:

£9,200 Debentures covered by transfers
742-766

Debenture Stock ex Rockman Preference Shares:

£1,349 Debentures covered by transfers
163-169 30
(Initials)

SIGNED AS A CORRECT RECORD

Signed (Illegible)

CHAIRMAN

15/4/64

MINUTES OF A MEETING OF DIRECTORS OF FACTORS LIMITED
HELD AT 541 ST. KILDA ROAD, MELBOURNE, ON WEDNESDAY,
15th APRIL, 1964.

PRESENT: Messrs. C.W. Fletcher, C.R. Daley,
N. Spatt, C. Calderwood,
H. Korman, E.A. O'Halloran
R.E. Nordhoff, A.W. Janover and
W.D. Phillips.

The Secretary advised that the Chairman 10
was ill and confined to his home, and
had requested that the Directors should
attend to general matters on the Agenda,
and then continue the meeting at his home.

The meeting unanimously requested
Mr. C.W. Fletcher to take the chair.

MINUTES: The Minutes of Meetings of Directors
held on 5th March 23rd. March, 6th April
and 9th April last were read and the 20
Board authorised Mr. Korman to sign the
Minutes as a correct record.

LOCATION OF OFFICE :

The Secretary reported that the Chairman
would prepare a recommendation on the
future location of the office of the
Company.

It was agreed that this matter be held
over until the next meeting.

QUEENSLAND MINES LIMITED :

Mr. Janover reported that a telegram 30
dated 25/3/64 had been received from
the Secretary of Kathleen Investments
Ltd. advising that their offer of
£175,000. had been extended to 26/3/64.

A further telegram dated 26/3/64 ex-
tended the date for acceptance to
6/4/64.

On 6/4/64 the Chairman had sent a tele- 40
gram to Kathleen Investments Ltd.
accepting the offer.

The Company has been in constant con-
tact with Australasian Oil Exploration
Ltd. and Kathleen Investments Ltd. with

an endeavour to speed up settlement and the matter is now in the hands of the Companies' Solicitors who are arranging with Messrs. Nicholl & Nicholl, Solicitors of Kathleen Investments Ltd. to complete the settlement. (Initials)

A. 265

10

STANHILL CONSOLIDATED LIMITED - SALE OF SHARES TO
COMMERCIAL & GENERAL ACCEPTANCE LTD.

Mr. Janover reported that Commercial & General Acceptance Ltd. were about to purchase 201,200, formerly paid to 3d. but now fully paid, shares of Factors Limited from Stanhill Consolidated Ltd.

These shares have become fully paid pursuant to an Agreement with the Receiver of Stanhill Consolidated Ltd. which (inter alia) confirmed the set off made against Notes held by Stanhill Consolidated Ltd. against the balance payable for these shares. CAGA requested that this Company give a warranty that the said shares are fully paid. 20

It was resolved that the Common Seal of the Company be affixed to a Covenant and Warranty to Commercial & General Acceptance Limited that 201,200 ordinary shares of this Company, which they were about to purchase from Stanhill Consolidated Limited, are fully paid.

CONSULTANT :

30

Mr. Fletcher stated that the Finance Committee considered it desirable to appoint Mr. E.E. Fookes a Consultant to the Company. Mr. Fookes did not wish to be paid a retainer but to be paid for actual work done.

It was resolved that Mr. E.E. Fookes be appointed Consultant to the Company and that his remuneration be on an actual work done basis.

Mr. Fookes was then invited to attend the meeting.

40

FINANCE COMMITTEE REPORT :

Mr. Fletcher reported that the Committee had had several discussions on proposals for the reconstruction of Factors Ltd.

The Committee was not at this stage ready to make a recommendation. Three proposals had been put forward and discussed - they were :

(a) A long Term View envisaging the repayment of the loan from CAGA over a long period of time and financed from earnings.

(b) The selling of a one half share of Colonial Ammunition Co. Ltd. and the issue of Debenture Stock by Holeproof Industries Ltd. N.Z. 10

(c) The sale of part of the shares held by Factors Ltd. in Holeproof Industries Ltd. N.Z.

Further consideration was now being given to a medium term view. Under this plan the CAGA Loan would be reduced to £750,000. from income and then this amount could be raised by an issue of Debentures in New Zealand. It was thought that this could take place by the end of 1968. (Initials) 20

A. 266

FINANCE COMMITTEE REPORT: Contd.

This medium term view would have three advantages :

- (1) The Company would end up with a reasonable debt load.
- (2) All the New Zealand subsidiaries would be intact.
- (3) There would be no addition to Capital.

Mr. Fletcher pointed that before such a plan could be implemented it would be necessary for CAGA to agree to re-arrange the Loan Agreement on a long term basis. He thought that this would be possible and that the loan could be re-arranged but, at this stage, CAGA was not committed to this course. 30

It might be possible to accelerate this plan if the Tax Loss Companies could be sold and the proceeds used to repay the Loan.

All Directors spoke on the subject, and each expressed the opinion that the medium term view was the one with the best prospects. 40

It was agreed that, if at all possible, all the New Zealand assets should be retained and that the Australian assets should be realised wherever possible.

TAX LOSS COMPANIES :

It was resolved that Mr. E.E. Fookes be requested to prepare a report on the Tax losses of the various Companies. 10

NEW ZEALAND REPORT :

Mr. H. Korman reported on the activities of the New Zealand Companies and disclosed that the earning rate had been more than maintained in the six months to 31st. January, 1964. Mr. Korman pointed out, however, that the Directors should not jump to conclusions and double the half year earnings and think that they could have the full year income as, because of seasonal demands, it did not follow that one half year was equal to another half year. 20

CONFIDENTIAL INFORMATION :

Mr. H. Korman stated that the Directors must retain the particulars in the report as confidential information.

Mr. Fletcher supported Mr. Korman in this regard and stressed the importance of retaining not only this information but also the plans for the reconstruction within the Board Room. (Initials) 30

A. 267

REPORT ON ASSET & LIABILITY POSITION OF COMPANIES:

The Secretary handed to each Director a report on the Assets and Liabilities of the various Australian Companies in the Group.

As this report was fairly lengthy it was agreed that Directors should study it before the next meeting.

The meeting then adjourned to the home of Mr. S. Korman. 40

Mr. S. Korman then took the chair.

Mr. Fletcher reported to Mr. Korman on the discussions that had taken place at the meeting. Mr. Korman thanked Mr. Fletcher for the information and the Meeting proceeded.

VOTE OF THANKS :

Mr. S. Korman said he felt a letter should be written to the Board of Directors of Commercial & General Acceptance Ltd, thanking them for the way they had helped with the reconstruction of this Company. 10

It was resolved that Mr. S. Korman be instructed to write a letter to the Board of Directors of Commercial & General Acceptance Ltd. expressing the thanks of the Board of Factors Ltd. for the most helpful way in which the Chairman, Directors, General Manager and Solicitor of Commercial & General Acceptance Ltd. have assisted this Company in its plans for reconstruction. 20

Mr. Fletcher in replying on behalf of the Board of Commercial & General Acceptance Ltd., himself and Mr. O'Halloran stated that he wished to assure Factors Ltd. that the object of Commercial & General Acceptance Ltd. is to bring Factors Ltd. back to a sound commercial organisation.

Mr. Fletcher also expressed his appreciation of the fine team work of Mr. O'Halloran and Mr. Janover in completing the settlement with the Trustee. 30

FINANCE COMMITTEE :

It was resolved that the Finance Committee should consider the matters relating to the medium term proposal from all points of view, and that they should make a recommendation to a future Board Meeting.

SHARES PAID TO 3d. per share :

Mr. Korman reported that he had requested Mr. Calderwood in a professional paid capacity to employ his office staff in following up approximately 50 Noteholders. 3d. Paid Shareholders who had not consented to setoff. 40

Mr. Janover read a letter which the Trustee Company intended to send to all Noteholders/

3d. Paid Shareholders requesting them to complete
the setoff letters. (Initials)

A.268

SHARES PAID TO 3d. PER SHARE : Contd.

The Directors felt that the letter would help
the completion of the setoff arrangements and con-
firmed same.

10

The Board confirmed the action of the Chair-
man in making this arrangement.

In view of this letter Mr. Calderwood was
requested not to proceed in the follow up of the
setoff letters for the time being but instead was
requested to work on the Shareholders only who had
not responded.

The Board declared that Mr. Calderwood be
authorised to negotiate with the 3d. Paid Share-
holders on the basis that if they agree to pay the
call in a manner suitable to the Company, the Com-
pany will waive the right to charge 8% interest,
otherwise we will take whatever action is necessary
to enforce payment.

20

Mr. Janover pointed out that in certain cir-
cumstances it was necessary to deal with certain
Shareholders on an individual basis and requested
authority to deal with them and to enter into
agreements as to payment of the calls and for set-
offs.

30

It was resolved that the Chairman and
Mr. Janover be given authority to handle indiv-
idual arrangements as they arise and to report the
action later to the Board.

DIRECTORS' FEES :

Mr. Fletcher stated that by arrangements
made with Commercial & General Acceptance Ltd. he
would not draw any Directors Fees from Factors Ltd.

It was the wish of CAGA that the total Direc-
tors Fees payable be reduced by the amount that
would have been payable to Mr. Fletcher.

40

This arrangement did not affect the fees
that would be payable to Mr. O'Halloran.

PUBLIC RELATIONS :

It was resolved that Messrs. S. Korman, H. Korman and E.A. O'Halloran be appointed a Committee with power to act on all public pronouncements and, in particular, compliance with the Stock Exchange requirements.

It was agreed that Mr. Janover should act in the absence of Mr. S. Korman. (Initials) 10

A. 269

DIRECTORS' MEETINGS :

It was agreed that the next meeting of Directors be held on 12th May next, and thereafter on the 3rd. Tuesday in each month at 12 Noon.

LEAVE OF ABSENCE :

Mr. S. Korman was granted leave of absence for a period of four weeks commencing 29th April next. This is to enable Mr. Korman to proceed overseas on the affairs of Factors Limited and other Companies. 20

SCRIP :

MELBOURNE REGISTER

ORDINARY STOCK UNITS

332,446 Units covered by transfers 21772 - 22312

SYDNEY REGISTER

21,695 Units covered by transfer N.1778 - N.1861.

3d. PAID SHARES - NOW FULLY PAID

27,234 Shares covered by transfers 1515 - 1558 30

DEBENTURE STOCK

£46,400 Stock covered by transfers 764 - 801

DEBENTURE STOCK ex ROCKMANS
PREFERENCE SHARES

£4,450 Stock covered by transfers 170 - 179

PURE NOTES

£37,437 Notes covered by transfers 595 - 618

Exhibit 129 - Minutes
of Meeting of Factors
Limited, 15.4.64

CONVERTIBLE NOTES

£41,978 Notes covered by transfers 2298 - 3033

SIGNED AS A CORRECT RECORD

C.W. Fletcher
CHAIRMAN

12/5/64

1693. Exhibit 129 - Minutes
 of Meeting of Factors
 Limited, 15.4.64

MINUTES OF A MEETING OF DIRECTORS OF FACTORS LIMITED
HELD AT 541 ST. KILDA ROAD, MELBOURNE, ON TUESDAY,
12th MAY, 1964.

PRESENT: Messrs. C.W. Fletcher, C.R. Daley,
C. Calderwood, E.A. O'Halloran, N. Spatt,
R.E. Nordhoff, A.W. Janover, E.E. Fookes
and W.D. Phillips.

It was resolved that Mr. C.W. Fletcher
be Chairman of the Meeting. 10

APOLOGY: An apology was received from
Mr. H. Korman.

ALTERNATE DIRECTORS :

Pursuant to Article 111 of the Articles
of Association of the Company it was
resolved that Mr. Alec Wolfe Janover be
appointed alternate Director for
Mr. S. Korman.

Pursuant to Article 111 of the Articles
of Association of the Company it was 20
resolved that Mr. Edmund Alfred
O'Halloran be appointed alternate
Director for Mr. C.W. Fletcher.

A Discussion took place in relation to
one person being alternate to two Direc-
tors and, in particular the position
with regard to votes.

It was agreed that Messrs. Janover and
O'Halloran should report on the matter
at the next meeting. 30

MINUTES : The Minutes of the Meeting of Directors
held on the 15th April last were read
and the Board authorised the Chairman
to sign the Minutes as a correct record.

LOCATION OF OFFICE :

It was agreed that any discussion on
the location of the office be deferred
until the next meeting.

APPRECIATION TO COMMERCIAL & GENERAL ACCEPTANCE
LIMITED : 40

A copy of the letter of appreciation
written to the Chairman of Commercial

Exhibit 130 - Minutes
of Meeting of Factors
Limited, 12.5.64

& General Acceptance Limited by
Mr. S. Korman pursuant to the instruc-
tions of the previous meeting was
tabled.

Mr. Fletcher expressed thanks to the
Board on behalf of Commercial & General
Acceptance Limited. (Initials) 10

A. 272.

QUEENSLAND MINES LIMITED :

Mr. Janover reported that he had now
received the contract for the sale of
the shares in Queensland Mines Limited
to Kathleen Investments (Australia)
Limited for £175,000.

The sale price was apportioned as to
£21,454.16.9. to take over the loan
account and £153,545. 3. 3. for the 20
purchase of the shares.

This contract had to be signed by Queens-
land Mines Limited and then exchanged.

It was resolved that Mr. Janover proceed
to seal the agreement produced to the
Meeting as Attorney for the Company and
endeavour to arrange for the exchange of
contracts this day.

It was further resolved to affix the
Common Seal of the Company to a duplic- 30
ate original of the Contract, and the
necessary transfer of shares so that
they would be ready for the settlement.

Mr. Janover was able to report before
the close of the meeting that the con-
tracts had been exchanged and that he
now had a deposit of £17,500.

SHARES PAID TO 3d. PER SHARE :

Mr. Janover reported that to date the
Company had received £90,590.16. 3. 40
in cash and £114,871.16. 9. by set
off - a total of £205,462.13. 0.

In accordance with the agreement with

Exhibit 130 - Minutes
of Meeting of Factors
Limited, 12.5.64

the Trustees it had been necessary to pay out approximately £7,300. to Noteholders who had refused to accept the set off arrangement.

There are still a further 32 shareholders with £7,242.12.0. of offsets from whom no reply has been received. These shareholders, Noteholders have been sent a further letter by the Trustees. 10

There are 54 Shareholders from whom no reply has been received and Mr. Calderwood agreed, in a professional capacity, to endeavour to make contact with these shareholders and arrange collection.

It was agreed that no approach should be made to the Attorney General to obtain consent to take action against Shareholders for non-payment of call for 5 or 6 weeks as it was felt that we would have a better argument after a repayment had been made to CAGA. 20

SUSPENSE ACCOUNT WITH TRUSTEES :

The Secretary reported that the £55,000. deposited with the Trustees had now been reduced to £30,285.0.4. by virtue of payments made to Noteholders. The maximum amount that could still be payable to Noteholders from this fund is £8,473.4.0. so that, at this date, the Company has a credit of £21,811.16.4. 30

(Initials)

A. 273.

TAX LOSS COMPANIES :

Mr. Fookes tabled a preliminary report on the various loss Companies. This showed that the smaller companies could be made ready for sale at an early date. 40

Mr. Fookes was instructed, as an urgent matter, to endeavour to find a buyer for the Tax Loss Companies. The Chairman suggested that Mr. Carson of A.C. Goode

& Co. was interested in loss Companies,
and Mr. Fookes was authorised to confer
with Mr. Carson.

SHARE REGISTERS & MANAGEMENT PTY. LTD. :

It was resolved that Mr. Spatt be auth-
orised to endeavour to find a purchaser
for this Company.

10

The plant and machinery used by this
Company but owned by Factors Ltd. is to
be valued and sold at the same time so
that Share Registers & Management Pty.
Ltd. can be sold as a going concern.

KNOXDALE INVESTMENTS PTY. LTD. and
GENERAL INVESTMENTS & DISCOUNTS PTY. LTD.

These two Companies still have tax com-
mitments and it was resolved that
Mr. Fookes be authorised to confer with
the Commissioner for Taxation and, with-
out having any power to bind the Company,
to see whether a reasonable arrangement
can be made regarding the deferment of
the time for payment of the tax owing by
the two Companies.

20

TAX LOSS COMPANIES - GENERALLY :

It was resolved that the Secretary bring
before each Board Meeting Mr. Fookes'
list of Tax Loss Companies to ensure
that urgent progress is being made.

30

It was further resolved that Mr. Fookes
prepare his recommendations as to Tax
losses and any necessary write offs and
confer with Mr. Calderwood with regard
to same and then if they both agree,
the recommendations to be submitted to
the next Board Meeting.

In the meantime Mr. Fookes is to proceed
with his endeavours to find a buyer for
the loss Companies. (Initials)

40

A.274

FACTORS HOUSE PTY. LTD. :

Mr. Fletcher reported that he had been

advised by Mr. Miskin of Construction Finance Australia Limited that he still considered he was entitled to commission on the sale of Factors House, and he intended to claim same.

The Secretary was instructed to prepare an epitome of the position and forward same to Mr. Janover who is to prepare a report for the next meeting as to the liability of the Company to pay this Commission. 10

FINANCE COMMITTEE'S REPORT :

Mr. Fletcher reported that the Committee was still working on the Medium Term Plan and had now produced a cash flow to December 1967. This was to be typed and circulated to Members. 20

The Committee was still discussing the best means of finally paying off the CAGA Loan.

It was agreed that Mr. Fookes be authorised to go to New Zealand at the expense of the Company should he deem it necessary to do so in order to proceed with the Plan of Reconstruction.

REPAYMENTS TO CAGA :

It was resolved that until a final plan of Reconstruction is adopted by this Board the amount of repayments to be made to CAGA shall be left in the hands of the Finance Committee. 30

It was resolved that the interest payable to CAGA as at 31/5/64 being £37,337.10.8 be paid and a cheque be drawn and signed accordingly prior to that date.

STONEY PROPERTY AT BROADMEADOWS : 40

It was agreed that this Company should be the purchaser of the above property, and it was resolved that the Company Solicitor be authorised to enter into an agreement with the Receiver of

Stanhill Consolidated Ltd. and the
Liquidator of Stanhill Estates Pty. Ltd.
to acquire this land on the basis of
cash in 60 days or by taking over the
existing mortgage at the option of
Factors Limited. (Initials)

A. 275

10

ROCKMANS LIMITED :

Mr. Janover pointed out that it was
desirous of disposing of this Company
before the end of July and that he had
some thoughts on the matter.

Mr. Janover was requested to write to
Mr. O'Halloran setting out his recom-
mendations and that the matter be dis-
cussed at the next meeting of Directors.

LEAVE OF ABSENCE :

20

Mr. Fletcher stated that he would be
going Overseas at the end of this month
and asked for leave of absence.

It was agreed that Mr. Fletcher be
granted leave of absence from 30/5/64 to
19/7/64.

NEXT MEETING :

It was agreed that the next meeting be
held on Tuesday, 16th June and that
arrangements for a regular meeting date
be made at that meeting.

30

AUTHORITY TO SIGN CHEQUES :

It was resolved that during the absence
of the Secretary from the 15th May to
the 31st. May that Mr. A.W. Janover be
authorised to sign the cheques of the
Company in lieu of Mr. Phillips, and
that the Bank of New Zealand be advised
accordingly.

SCRIP :

The Secretary reported that the Auditors
had certified the issue of Certificates
for the following Securities and same
had been signed and sealed with the

40

Exhibit 130 - Minutes
of Meeting of Factors
Limited, 12.5.64

Common Seal of the Company :

ORDINARY SHARES MELBOURNE REGISTER

77,401 Stock Units covered by transfers
22315 - 22475.

SYDNEY REGISTER

14,190 Stock Units covered by transfers
N.1862 - N.1897 10

PREFERENCE SHARES

300 Shares covered by transfers 22313P -
22314P

3d. Paid Shares Now Fully Paid

201,700 Shares covered by transfers
1559 - 1560
(Initials)

A. 276.

SCRIP - Contd.

CONVERTIBLE NOTES 20

£9,600. Notes covered by transfers
3034 - 3045

PURE NOTES

£400. Notes covered by transfers
619 - 620.
(Initials)

SIGNED AS A CORRECT RECORD

Signed (.....)

CHAIRMAN

23/6/64

Exhibit 130 - Minutes
of Meeting of Factors
1700. Limited, 12.5.64

14th July, 1964.

The Secretary,
Associated Diamond Drillers Pty. Ltd.,
1017-19 Burke Road,
CAMBERWELL. E.6. VICTORIA.

Dear Sir,

We note that on the Weekly Drilling Report from the Savage River the operatives are still in the practice of recording the drilling for "Queensland Mines N/L". As Queensland Mines Limited also has its registered office at this location it would be appreciated if you would arrange for these operatives to use this Company's name on the Weekly Drilling Report. 10

Yours faithfully,
INDUSTRIAL & MINING INVESTIGATIONS
PTY. LIMITED

(L. Madden)
Secretary

1701. Exhibit 31 - Letter to
Associated Diamond
Drillers Pty. Ltd.,
14.7.64

8/31/65

Assigned 3.6.66

AGREEMENT

THIS AGREEMENT, made and entered into as of the _____ day of _____, 1965, but effective as of October 24, 1964, by and between INDUSTRIAL & MINING INVESTIGATIONS PTY. LIMITED, a corporation of the State of New South Wales, Australia (herein called "Industrial"), PICKANDS MATHER & CO. INTERNATIONAL, a corporation of the State of Delaware, U. S. A. (herein called "International"), and PICKANDS MATHER & CO., a corporation of the State of Delaware, U.S.A. (herein called "Pickands").

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W I T N E S S E T H:

A. Industrial is the holder of Exploration License EL4/61 issued by the State of Tasmania (Which License, as heretofore or hereafter extended and modified from time to time, is herein called the "License") pertaining to certain lands situated in the State of Tasmania more particularly described in Appendix A attached hereto and made a part hereof (said lands described in Appendix A being hereinafter called the "License Lands"). Industrial is also the applicant for and holder of six (6) applications (numbered 4M/64-9M/64, inclusive) for leases under the Mining Act, 1929, of the State of Tasmania (hereinafter called the "Lease Applications") of certain portions of the License Lands generally outlined in red upon the plan attached hereto as Appendix B and more particularly described under

20

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the caption "Description" in said Appendix B.

B. International wishes to obtain mining and other rights in the License Lands for the purpose and for the term of the Savage River Project (as hereinafter described). By virtue of the Mining Act 1929 of the State of Tasmania, such rights can only be obtained by way of transfer of said Lease Applications by Industrial to International and with the consent of Industrial as the holder of the License. 10

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C. Pursuant to an agreement dated June 20, 1963 (evidenced by two letter agreements of that date), between Industrial and Pickands, subsequently supplemented and amended by letters dated September 5, 1963 (two letters), and January 29th, 1963*, Pickands was granted an option in respect of Industrial's interest in all or part of the License Lands in accordance with the terms and provisions thereof. 20
The interest of Pickands in said agreement (which, as supplemented and amended as aforesaid, is hereinafter called the "Existing Agreement") has been assigned to International, which said assignment has been agreed to by Industrial subject to Pickands's guarantee of the performance of this Agreement as hereinafter provided.

*The reference to 1963 was erroneous; the parties agree that this letter agreement should have been dated January 29, 1964. 30

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D. The parties hereto desire to supplement and amend the Existing Agreement and to substitute this Agreement therefor.

NOW, THEREFORE, the parties hereto agree as follows:

Section One. The Existing Agreement is hereby supplemented and amended such that each, all and singular the terms, provisions, conditions and agreements contained in said Existing Agreement shall be superseded by the provisions of this Agreement, and this Agreement shall be and constitute the entire agreement between the parties hereto from and after the date hereof; provided, however, that International shall reimburse to Industrial, to the extent not heretofore reimbursed by Pickands or International, the actual costs of Industrial (determined in the same manner as heretofore) to the date of this Agreement in maintaining one drill on the License Lands subject to the limitations set forth in the Existing Agreement.

Section Two. The following terms wherever used in this Agreement shall have the respective meanings hereinbelow set forth:

- (a) "Savage River Lands" shall mean the lands subject to the Lease Applications which are generally outlined in red upon the plan attached hereto as

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Appendix B and more particularly described under the caption "Description" in said Appendix B;

- (b) "Residual Lands" shall mean that portion of the License Lands left after deletion of the Savage River Lands therefrom;

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- (c) "Southern Section Lands" shall mean 10
that portion of the License lands which are described in Appendix C attached hereto.

- (d) "Additional Lands" shall mean the lands so defined in Section Five hereof;

- (e) "Ton" shall mean the long or gross ton of two thousand two hundred forty (2,240) pounds avoirdupois;

- (f) "Lease Applications" shall include, in addition to lease applications numbered 20
4M/64-9M/64, inclusive, referred to in Recital A above, any and all leases or consolidated leases issued upon such applications under the Mining Act, but shall not include any special lease in respect of the Savage River Lands (and other lands) issued pursuant to or specially ratified by a special Act of the State of Tasmania;

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- (g) "Mining Act" shall mean the Mining Act, 1929, of the State of Tasmania (as modified and amended) and any Regulations issued thereunder; and
- (h) "Savage River Project" shall mean the project for the development and mining of the Savage River Lands and the Additional Lands (if any) managed or promoted by International. 10

Section Three. In consideration of the sum of Twenty-Five Thousand Pounds (£25,000), the receipt of which is hereby acknowledged, and the payment of the further sums (hereinafter called "option extension payments") of Six Thousand Two Hundred and Fifty Pounds (£6,250) each to be made by International to Industrial on or before the first days of January, April, July and October in the calendar year 1966, Industrial hereby grants to International the exclusive rights and option to acquire rights and interests in respect to the Savage River Lands. International may exercise its option in respect of the Savage River Lands by giving Industrial notice of exercise in writing at any time on or before December 31, 1966. If International shall exercise said option at any time prior to the first day of October, 1966, it shall have no obligation to make the remaining option 20

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extension payments becoming due after the date of exercise of the option.

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Section Four. Concurrently with the execution of this Agreement, Industrial is transferring to International all of the right, title and interest of Industrial in and to the Lease Applications. Industrial hereby agrees that it will give such con- 10
sents and approvals as may be required by law (under Section 15 C (9) of the Mining Act, or otherwise) for the acquisition by International of mineral leases and/or other rights and interests in the Savage River Lands and any part thereof and for the exercise by International of a miner's right or such other rights as it may now have or hereafter acquire in respect of the Savage River Lands. International agrees that it will hold the Lease Applications in trust for Industrial until such 20
time as the option in respect of the Savage River Lands shall be exercised or, if this Agreement shall be terminated on or before December 31, 1966, until such termination date, and International agrees that in the event such option is not exercised or the Agreement is terminated as aforesaid, International shall retransfer to Industrial said Lease Applications. In the event International shall exercise its option in respect of the Savage River

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Lands, International shall be the absolute owner of such Lease Applications, subject, however, to Section Twenty-Four hereof. Until such time as International shall exercise its option hereunder in respect of the Savage River Lands, International shall comply with all applicable conditions in respect of said Lease Applications, including the payment of rent thereunder, and International shall not mortgage or pledge the same until such time as the option in respect of the Savage River Lands shall be exercised. 10

Section Five. In the event the Savage River Lands, taken alone, do not contain sufficient lands and crude iron ore reserves to produce by open pit mining to a depth not greater than 400 feet at least 60,000,000 tons of iron ore pellets, International shall have the right and option to select and acquire rights and interests in and in respect of additional lands situated within the Southern Section Lands so as to make up such deficiency below 60,000,000 tons of iron ore pellets, mined by open pit to a depth not greater than 400 feet. International may exercise its option to acquire such additional lands by giving written notice to Industrial at any time within the 20

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period from the date hereof to and including the

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fifth anniversary of the effective date hereof by giving written notice to Industrial stating:

- (a) International's estimate of the total amount of iron ore pellets which can be produced by open pit mining to a depth of 400 feet from the Savage River Lands; and
- (b) A description of the Additional Lands 10 situated within the Southern Section Lands selected by International to make up the deficiency in the reserves contained in the Savage River Lands, together with International's estimate of the total amount of iron ore pellets which can be produced by open pit mining to a depth not greater than 400 feet from such Additional Lands.

If any dispute shall arise as to the estimates so 20 submitted and Industrial and International are unable to resolve the matter by mutual agreement, International may resort to arbitration as hereinafter provided; provided, however, that if Industrial shall fail to object in writing to International as to the estimates of reserves as stated in International's notice within sixty (60) days after such notice shall have been given, the matter shall be conclusively presumed to have

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been finally settled as between Industrial and
International.

In the event Industrial shall object in writing to International within sixty (60) days after its notice of selection of Additional Lands shall have been given and the parties are unable to resolve such dispute by mutual agreement within sixty (60) days after notice of objection by Industrial is 10
given, then International may submit such dispute to arbitration in the manner following: International shall nominate one arbitrator and shall notify Industrial of such nomination; and Industrial shall, within sixty (60) days after receiving such notice, nominate an arbitrator, and the two shall select an umpire to act jointly with them, it being understood and agreed that such arbitrators and the umpire shall be professional geologists or mining engineers. If said arbitrators shall be unable to 20
agree in the selection of such umpire, the umpire shall be designated by the then Director of Mines, State of Tasmania, upon application made by either of such arbitrators. The umpire shall fix the time and place in Australia for the hearing of the evidence and representations of the parties being heard, and the decision of the arbitrators and umpire or

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any two of them shall be binding upon the parties.

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If the arbitrators and umpire (or any two of them) shall determine that the lands and crude iron ore reserves comprised in the Savage River Lands taken alone are less than what is required to produce 60,000,000 tons of iron ore pellets by open pit mining to a depth not greater than 400 feet, the arbitrators and umpire (or any two of them) shall proceed finally to determine the "Additional Lands" 10 from the Southern Section Lands, designated by International so as to make up such deficiency in reserves below 60,000,000 tons of iron ore pellets (by open pit mining to a depth not greater than 400 feet) and shall set forth in their award the "Additional Lands" so determined. One copy of the written award shall be delivered to each of the parties.

The majority of the umpire and the arbitrators may determine any matters of procedure for the ar- 20 bitration not specified herein. If Industrial receives a notice of nomination of an arbitrator by International and fails within ninety (90) days after such notice of nomination to nominate an arbitrator, then the arbitrator nominated by International may proceed alone to determine the dispute and at such time as he shall think fit, and his decision shall be binding upon the parties. In the event of any award establishing that the

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Savage River Lands contain less than sufficient reserves of ore mined as hereinbefore provided to produce 60,000,000 tons of iron ore pellets, each party shall bear its own expense in prosecuting the arbitration including the cost of the arbitrators and umpire. In the event of any award establishing that the Savage River Lands contain more than sufficient ore reserves mined as hereinbefore provided to produce 60,000,000 tons of iron ore pellets, International shall, in addition to its own costs, reimburse Industrial for all reasonable costs incurred by it in the arbitration, including the cost of the arbitrators and umpire. 10

For the purpose of this Agreement, the term "Additional Lands" shall mean and include the Additional Lands referred to in this section as finally determined, by selection by International, by agreement between the parties or by arbitration as herein provided. 20

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In the event it shall be determined in the manner hereinabove provided that International is entitled to acquire rights and interests in the Additional Lands, Industrial shall transfer to International all and singular the right, title and interest of Industrial in and to any and all leases, lease applications or other rights it may

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have in respect of the mining and extraction of iron
ores from the Additional Lands and Industrial shall
give such consents and approvals as may be required
by law (under Section 15 C (9) of the Mining Act,
or otherwise) for the acquisition by International
of mineral leases and/or other rights and interests
in the Additional Lands and any part thereof and
for the exercise by International of a miner's right 10
or such other rights as it may have or hereafter
acquire in respect of the Additional Lands.

Industrial, at its election, may request the
State of Tasmania to delete from the License the
Southern Section Lands and to issue to Industrial
a separate exploration license in respect of said
lands (such separate license being hereinafter
called the "Southern License"), and Industrial
agrees that, if such Southern License should be
issued to it, Industrial will not mortgage or pledge 20
such Southern License and the lands included there-
under and that it will maintain the same in full
force and effect, complying with all terms and con-
ditions thereof until the Additional Lands are
finally determined.

In the event Industrial shall not seek to
obtain the Southern License or no such license
shall be granted to it by the State of Tasmania,
Industrial shall maintain and keep in full force

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and effect the License insofar as it pertains to the Southern Section Lands and shall not mortgage or pledge said License insofar as it pertains to the Southern Section Lands or such Southern Section Lands until the Additional Lands are finally determined.

International shall not resort to arbitration for a period of ten months from the effective date hereof. 10

Section Six. Upon the request of International, Industrial will consent to the withdrawal from the License or the Southern License, as the case may be, of such lands situated in the Residual Lands area as International shall reasonably require for roads, electrical power lines, communications, transportation and utility connections, pipelines, ore processing and

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pelletizing facilities (e.g., plant, tailings basin, water facilities, stockpile areas, offices, shops), docks, housing and all other facilities auxiliary to mining operations on the Savage River Lands and Additional Lands (if any), and for the removal of stone, sand and gravel (without compensation therefor to Industrial but subject to payments by International ~~Industrial~~ of such amounts as the State of Tasmania may impose therefor) in connection with

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the construction, maintenance and operation of the foregoing, and Industrial shall facilitate and take any reasonable action required by International to enable International to acquire leases or other interests in such lands for its purposes aforesaid; provided, however, that Industrial will not be required to consent if the mining of any payable iron ore formation will be directly interfered with. 10

In particular, but without limiting the generality of the foregoing, Industrial hereby consents to the withdrawal from the License or the Southern License, as the case may be, of the lands generally delineated in green upon the plan attached hereto as Appendix D. International agrees that it shall use such auxiliary lands in such a manner as to minimize interference with the operations of Industrial on other Residual Lands, so as not to unreasonably interfere with the mining of payable iron ore formations. 20

Section Seven. In furtherance of the rights hereinabove granted, Industrial hereby grants to International, for itself, its agents, servants, employees, intermediaries and invitees, the full right and privilege of entering upon the Savage River Lands and any and all portions thereof and of examining, exploring and investigating the same by drilling, test pits or otherwise, to such

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extent and in such manner as International may deem necessary or advisable. International shall have the right to remove without payment reasonable quantities of crude iron-bearing materials from any part of the Savage River Lands and to transport and/or export the same for the purpose of sampling in bulk or otherwise or for metallurgical testing or assaying. In addition, International may cut, re- 10
move and take out or use any trees or other material resources on, in or under the Savage River Lands in connection with the rights herein granted to International.

Industrial further grants to International, for itself, its agents, servants, employees, intermediaries and invitees, all of the rights and privileges referred to in the first paragraph of this Section Seven in respect of

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the Southern Section Lands for the purpose of determining the extent, if any, of Additional Lands that International may select, and in respect of the Residual Lands for the purpose of ingress and egress to the Savage River Lands and for the establishment of auxiliary facilities referred to in Section Six hereof.

The rights hereinabove granted to International shall be subject to the applicable limitations, if 30

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any, imposed by the License or the Southern License, as the case may be, and the consents of any governmental authority as may be required by law.

Section Eight. International hereby further agrees that:

- (1) International shall reimburse Industrial, promptly following receipt of Industrial's statement therefor, for the actual cost 10
to Industrial (determined in the manner heretofore followed under the Existing Agreement) for the period indicated below of maintaining one drill in operation on the License Lands, such cost not to exceed an average rate of \$3,000 per month. Industrial shall not be obliged to provide International with up to one-half (1/2) of the drill core 20
derived from such drilling, but shall after assay thereof if so requested by International supply to International assay results and such samples as may be reasonably required by International. The obligation of International under this subsection (1) shall continue until the expiration of a period equal to the "borrowing period" (as hereinafter defined) after the earliest of the

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following shall occur: (a) December 31, 1966; (b) thirty (30) days after termination of this Agreement, if this Agreement is terminated prior to December 31, 1966; or (c) thirty(30) days after International's giving notice of exercise of its option in respect of the Savage River Lands. The "borrowing period" shall be deemed to mean the period of time (in days) during which the drill loaned by Industrial to International commencing on February 22, 1965, shall be absent from Industrial's Long Plains drilling site in the Residual Lands area. 10

- 10 -

- (2) In addition to the reimbursements provided in subsection (1), International shall reimburse Industrial (at Industrial's actual cost) for all work done by Industrial for International's account at International's specific written request. 20
- (3) International shall further refine the economic appraisal of the Savage River Lands and of the Southern Section Lands (to the extent - as to the Southern

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Section Lands - International deems necessary to determine International's requirement of Additional Lands and for other purposes in connection with the Savage River Project) commenced by its predecessor in interest under the Existing Agreement (i.e., Pickands Mather & Co.) which economic appraisal includes 10
the preparation of estimates of capital and operating costs for the development of such properties for the production of high-quality iron ore pellets in the range of 1,000,000-2,000,000 tons per year, concentration and pelletizing tests in laboratories, engineering and geological estimates, studies and exploration to determine reserves and as to the mining of the crude ore required 20
for the proposed concentration plant, laying out of flowsheets for the proposed concentration plant, studies of transportation and harbour surveys, and work in the field and elsewhere in connection with the foregoing. In addition, International will seek to obtain consumers of iron ore and/or iron ore products derived from the License

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Lands. International shall further seek to make arrangements with the State of Tasmania and other governmental agencies and instrumentalities providing the property rights, assurances, permits and other authorities deemed necessary by International for the Savage River Project to go forward. The precise extent of the work outlined above, and the amount of effort and expenditures to be devoted to any particular aspect thereof, shall be determined by International in its sole discretion. 10

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The obligation of International under the last preceding paragraph shall cease and determine on December 31, 1966, the date this Agreement shall terminate if terminated prior to December 31, 1966, or upon International's giving notice of exercise of its option in respect of the Savage River Lands, whichever shall first occur. 20

- (4) International agrees to keep Industrial informed as to the progress of its work under subsection (3) hereof and will give Industrial from time to time

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factual and statistical data collected
by International (and by its predecessor
in interest under the Existing Agreement)
in the course of the work hereunder and
under the Existing Agreement.

Section Nine. Industrial hereby represents
and warrants to International that, at the effective
date of this Agreement,

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(1) Industrial is the sole holder and owner
of the License, beneficially and of
record, that said License is in full
force and effect, in good standing and
not in default, and that the lands in-
cluded under said License are all those
referred to herein as the "License
Lands" as described in Appendix A hereof.

(2) Industrial is the sole holder and owner
of the Lease Applications, beneficially
and of record, that said Lease Applic-
ations are in full force and effect and
have not been finally rejected by the
State of Tasmania or amended in any
manner.

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Industrial hereby agrees that it will cause
the License, insofar as it pertains to the Savage
River Lands, to be extended and to comply with all
covenants and conditions thereof such that said

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License shall be and remain in full force and effect until December 31, 1966. Industrial further agrees that it will cause the License, insofar as it pertains to the Southern Section Lands, or the Southern License, as the case may be, to be extended and to comply with all covenants and conditions thereof such that said License, or Southern License, as the case may be, shall be and remain in full force and effect until the later of (a) the fifth anniversary of the effective date of

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this Agreement, or (b) the Additional Lands are finally determined. Failure of Industrial to maintain said License and/or said Southern License in effect as aforesaid for such period shall, at the election of International exercised by written notice from International to Industrial, relieve International of all of its obligations under this Agreement except the obligation by International to retransfer interests to Industrial pursuant to Section Fourteen hereof.

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Section Ten. International hereby agrees to grant a royalty interest to Industrial, and accordingly, International hereby agrees to pay royalty to Industrial as follows:

- (1) On or before the 30th day of January, April, July and October of each year,

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International shall pay a royalty equal to two shillings and six pence per ton of iron ore products derived from crude iron ore mined from the Savage River Lands and the Additional Lands (if any are acquired pursuant to Section Five hereof) and shipped by International to the ultimate consumer thereof during the 10 last preceding calendar quarter year. For the purposes hereof, "iron ore products" shall mean and include iron ore concentrates, iron ore pellets, reduced iron ore concentrates and/or pellets and other processed iron ore products which are shipped to a consumer thereof and the term "iron ore products" shall not include pig iron, steel, or 20 unprocessed crude iron ore unless such unprocessed crude iron ore is shipped to a consumer for use by it. Iron ore products shall be deemed "shipped" when placed upon ocean vessel or other bulk carrier for transportation to the consumer's works following the last stage of processing of such iron ore products by International. The weights of iron ore products for purposes of royalty

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computation hereunder shall be determined at the time of shipment thereof (or as near such time of shipment as may be reasonably feasible in the circumstances then prevailing) upon belt scales or other weighing devices of standard design used in the mining industry, or by such other means as may be mutually agreed upon between International and Industrial. 10

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- (2) On or before the 15th day of February of each year, International shall pay to Industrial a royalty equal to seven and one-half per cent (7-1/2%) of the net profits of International which are properly allocable to the production and sale during the last preceding calendar year of minerals (other than iron ore products) produced by International from the Savage River Lands and the Additional Lands (if any are acquired pursuant to Section Five hereof) which are sold and shipped separately from iron ore products. The determination of "net profits" for the purposes hereof shall be made in accordance with 20

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generally accepted accounting principles.

"Net profits" for the purposes of this subsection (2) shall be in the first instance determined for each calendar year by audit by Price Waterhouse & Co. (or such other chartered or certified public accountants as International, or its successors in interest hereunder, shall select for the auditing of its or their accounts generally). All books and records of International relative to the determination of net profits under this subsection (2) shall be open to the inspection of Industrial by its duly appointed agents at reasonable times.

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- (3) International shall pay to Industrial an annual minimum royalty at the rate of Twenty-Five Thousand Pounds (£25,000) per year in quarterly installments of Six Thousand Two Hundred and Fifty Pounds (£6,250) each, payable on or before the 30th day of January, April, July and October (hereinafter called "quarterly minimum payment dates"). In the event International shall exercise its option hereunder in respect of

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the Savage River Lands, the first installment of minimum royalty payable hereunder shall be due and payable on or before the quarterly minimum payment date next following the date said option is exercised or on January 30, 1966, whichever is later; if such option is exercised in the calendar year 1966, the total minimum royalty payable for that year 1966 shall equal the aggregate amount of minimum royalty installments payable in the year after the date of exercise. In the event this Agreement shall be terminated on or before December 31, 1966, then there shall be no minimum royalty payable hereunder. Such minimum royalty shall be payable whether or not

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iron ore or other minerals are mined from the Savage River Lands and the Additional Lands (if any), but if in any calendar year International shall ship iron ore products (and/or if International shall sell and ship other minerals) derived from the Savage River Lands and the Additional Lands, it shall be required to pay minimum

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royalty for such year only if and to the extent that royalties accruing pursuant to subsections (1) and (2) above shall be less than the minimum for such calendar year. International shall be entitled to credit for the amount of any and all such minimum royalty paid by it and shall have the right to use and apply the same to the extent required and so far as the same will go toward the satisfaction of royalty then or thereafter becoming due and payable pursuant to the provisions of subsections (1) and (2) above, in excess of the minimum royalty for the year or quarter year in question. 10

In the event International shall exercise its option hereunder in respect of the Savage River Lands International's obligation to pay minimum royalty and royalty hereunder shall continue until the date upon which all of the mining leases or other rights to mine the Savage River Lands and the Additional Lands (if any are acquired pursuant to Section Five hereof) acquired by International shall have been (a) terminated (whether by expiration of term, surrender or otherwise), and/or (b) transferred to Industrial pursuant to Section 20

Twenty-Four hereof. If such termination or transfer shall take place on a date other than the 31st day of December of any year, International shall be obligated to pay as minimum royalty for the year of such termination or transfer only that proportion of £25,000 that the number of days in that calendar year to and including such date of termination or transfer bears to the total number of days in such year. 10

International, at the time of each quarterly payment of royalty (or annual payment of royalty in respect of minerals other than iron ore products) shall transmit to Industrial a true and accurate statement showing for the preceding calendar quarter (or year, as the case may be) the tonnage of iron ore products derived from said premises shipped during such quarter (or in the case of minerals other than iron ore products, the net profits of International derived from the production and sale of such minerals, as audited by Price Waterhouse & Co., or other accountant as herein provided, in the preceding calendar year). 20

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Section Eleven. The parties hereto recognize that if International's Savage River Project is to go forward, International must procure appropriate governmental assurances, permits, leases of lands

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and other authorities (in the form of legislation or otherwise) and it is agreed that nothing herein contained shall be deemed to prohibit or restrict International, its agents, representatives or other intermediaries, in any manner, before or after exercise of the option in respect of the Savage River Lands, from negotiating and accepting such arrangements with the Government of the State of Tasmania, 10 the Commonwealth of Australia and any local governmental units, or departments, divisions or agencies of any thereof, and, without limiting the generality of the foregoing but subject to the obligation of International to retransfer as provided in Section Four and Section Fourteen hereof and subject to the last sentence of this paragraph, International shall have the right to acquire rights and interests in any and all of the Savage River Lands, the Additional Lands (if any), and in any other lands which it may 20 require in connection with the Savage River Project, by mining lease (pursuant to the Lease Applications, or otherwise), purchase of the fee or otherwise, to amend, supplement or terminate (but subject to Section Twenty-Four in the case of termination by surrender) any mining leases or other instruments pertaining to said premises, to seek and obtain legislation affecting the same and the basis upon which the same are purchased and/or held, to transfer

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or sublease the same subject to the terms of this Agreement and, following exercise of its option in respect of the Savage River Lands, to mortgage, pledge or otherwise hypothecate its interest therein. International agrees that, subject to Industrial having duly performed its obligations hereunder, International shall not enter into any special lease of the Savage River Lands which is the subject of a 10 special Act by the State of Tasmania unless it shall have first exercised its option in respect of the Savage River Lands pursuant to Section Three hereof; the provisions of this sentence shall have no application to a mineral lease issued under the Mining Act upon the Lease Applications.

Subject to the free exercise of the rights granted International by this Agreement, International agrees that it will take no action which will prejudice or interfere with the License and/or 20 the Southern License, or any extensions or renewals thereof, or leases granted or other applications of

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Industrial or in any operations relating thereto other than the "Lease Applications" and other rights of International hereunder in respect of the Savage River Lands and the "Additional Lands" if any.

Section Twelve. If International shall

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transfer or sublease its rights and interests in respect of the Savage River Lands and the Additional Lands (if any), or any portion thereof, International shall reserve to itself and/or its designees a royalty interest and make such transfer or sublease subject to the payment by the transferees or sublessees to International and/or its designees of royalty and minimum royalty on iron, iron ore products and other minerals derived from the Savage River Lands and Additional Lands (if any), provided that the rates thereof shall not be in excess of those payable to Industrial pursuant to Section Ten hereof unless Industrial shall give its written consent to greater rates of royalty and/or minimum royalty; provided further that this Section Twelve shall not be construed so as to require International to reserve any royalty on preliminary transfers in connection with its setting up the Savage River Project. Nothing herein contained shall be construed as a limitation upon the right of International to receive compensation, profits or other emoluments from the management of, participation in, and sale of products derived from, the Savage River Project and the lands included thereunder.

Section Thirteen. This Agreement shall be effective as of the effective date hereof, and shall continue in full force and effect until

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terminated as follows:

- (1) International may terminate this Agreement at any time on or before December 31, 1966, by giving notice of termination to Industrial not less than thirty (30) days prior to the date of termination specified therein.
- (2) This Agreement shall automatically lapse and terminate on December 31, 1966, unless International shall exercise its option in respect of the Savage River Lands pursuant to Section Three hereof. 10
- (3) In the event International shall exercise its option in respect of the Savage River Lands pursuant to Section three hereof, this

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Agreement shall be and remain in effect (subject to the right to terminate under subsection (4) of this Section) to and including the date upon which all of the mining leases or other rights to mine the Savage River Lands and Additional Lands (if any are acquired pursuant to Section Five hereof) acquired by International shall be (a) terminated (whether by expiration of term, surrender 20

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or otherwise), and/or (b) transferred
to Industrial pursuant to Section Twenty-
Four hereof; PROVIDED, HOWEVER, that if
this Agreement shall be terminated as
provided in this subsection during any
of the periods set forth below in
Column A, then International shall pay,
by way of penalty for early termination, 10
the amount set forth opposite such per-
iod in Column B, to wit:

<u>Column A</u> If termination of Agreement occurs in the period	<u>Column B</u> International shall pay the following penalty	
Date of exercise of option per Section Three to December 31, 1969, inclusive	£300,000	20
January 1, 1970, to December 31, 1972, inclusive	£250,000	
January 1, 1973 to December 31, 1975, inclusive	£225,000	
January 1, 1976, to December 31, 1978, inclusive	£195,000	
January 1, 1979, to December 31, 1981, inclusive	£160,000	30
January 1, 1982, to December 31, 1984, inclusive	£115,000	
January 1, 1985, to December 31, 1987, inclusive	£65,000	

such amount to be paid by Inter-
national to Industrial within thirty 40

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(30) days after the date of such termination of this Agreement; no penalty shall be payable if this Agreement shall be terminated as aforesaid on or after January 1, 1988.

(4) If Industrial shall fail to maintain the License, or the Southern License, as the case may be, in full force and effect as provided 10

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in Section Nine hereof, International may terminate this Agreement by notice as provided in Section Nine.

Section Fourteen. In the event this Agreement shall be terminated in the manner provided by subsections (1), (2) or (4) of Section Thirteen, then, concurrently with such termination or as promptly thereafter as may be reasonably feasible in the circumstances then prevailing, International shall transfer to Industrial all rights and interests International shall then have in or in respect of the License Lands (subject to consents or approvals of the Minister of Mines, State of Tasmania, or other appropriate governmental approvals, if required), free and clear of all liens and encumbrances, upon a basis whereby Industrial will assume all obligations of International under any instruments 20

pursuant to which such rights and interests are held by International.

Section Fifteen. Industrial shall, at all times during the term hereof, have

(a) the right of access to the Residual Lands through the Savage River Lands, the Southern Section Lands, and the other lands acquired by International referred to in Section Six hereof; 10

(b) the right to use all existing roads situated thereon and/or any roads built in substitution thereof and to transport ore (beneficiated or otherwise) thereon; and

(c) the right to extract stone, sand and gravel from such premises leased by International (without compensation to International therefor, but subject to payment by Industrial of such amounts as the State of Tasmania may impose therefor) for purposes of construction, operation and maintenance of facilities of Industrial upon other Residual Lands; 20

provided that Industrial shall not, in the use of such rights as aforesaid, unreasonably interfere with the mining and other operations of International on the Savage River Lands, Additional

Lands (if any) and the auxiliary lands referred to in Section Six hereof.

Section Sixteen. International shall have a period of twelve (12) months from and after the date of termination of this Agreement in which to remove all property of every nature and description placed by it upon the Savage River Lands and the Additional Lands (if any).

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Section Seventeen. Unless the parties hereto shall hereafter otherwise agree, it is understood that all iron ore products produced by International from the Savage River Lands and the Additional Lands (if any are acquired pursuant to Section Five hereof) shall be produced for export from the State of Tasmania, and International agrees that it will not produce pig iron or steel in Australia from iron ore products derived from such properties.

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Section Eighteen. The parties hereto agree to execute and deliver to each other such further instruments or other documents or writings as may be necessary or appropriate to implement any provision or provisions of this Agreement.

Section Nineteen. All notices and communications in respect of this Agreement shall be deemed to have been sufficiently given and delivered upon receipt by the addressee at the following

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address:

If to Industrial:

Industrial & Mining Investigations Pty.
Limited

Suite 5
12th Floor
2 Castlereagh Street
Sydney, New South Wales
Australia

10

If to International:

Pickands Mather & Co. International
2000 Union Commerce Building
Cleveland, Ohio 44115
U. S. A.

If to Pickands:

Pickands Mather & Co.
2000 Union Commerce Building
Cleveland, Ohio 44115
U. S. A.

20

Either party may change the address to which notices and other communications to it may be sent by giving to the other party written notice of such change.

Section Twenty. All amounts payable to Industrial hereunder shall be paid in Australian currency.

Section Twenty-One. In consideration of the execution of this Agreement by Industrial and the consent of Industrial to the transfer of Pickands'

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interest in the Existing Agreement to International, Pickands hereby unconditionally guarantees to Industrial, its successors and assigns the full and complete performance by International, its successors and assigns of the terms

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and provisions of this Agreement, and Pickands hereby indemnifies Industrial against all damages and costs which shall be incurred by Industrial due to the failure of International, its successors and assigns to comply with all and singular the terms, provisions, covenants and conditions contained in this Agreement.

Section Twenty-Two. This Agreement shall inure 10
to the benefit of and be binding upon the successors and assigns of the parties hereto as if mentioned throughout by words of appropriate designation, and upon the assignment or transfer of this Agreement each assignee or transferee shall assume and agree to be bound by the terms and provisions hereof obligatory upon the assignor or transferor thereof.

Section Twenty-Three. International agrees 20
that it will not transfer or assign any interests in the Savage River Lands and the Additional Lands (if any) now or hereafter owned or acquired by it unless the transferee or assignee thereof shall assume and agree in writing to be bound by the terms and provisions of this Agreement. Industrial agrees that it will not transfer or assign the License, the Southern License, or any interest in any lands included thereunder now or hereafter owned or acquired by Industrial to which this Agreement is applicable, unless the transferee

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or assignee thereof shall assume and agree in writing to be bound by the terms and provisions of this Agreement.

Upon transfer by International of its interests as aforesaid to the unincorporated joint venture, corporation or other entity formed to own and operate the Savage River Project, Industrial shall, by an instrument in writing, release and discharge International and Pickands from all obligations hereunder or in respect hereof. 10

Section Twenty-Four. International agrees that it will not surrender or terminate (other than by expiration of term) any mineral lease acquired by it in respect of the Savage River Lands and/or the Additional Lands (if any) after International shall have exercised its option in respect of the Savage River Lands, but shall transfer the same to Industrial; provided, however, that this provision shall not apply. 20

- (a) unless, at least sixty (60) days prior to the intended date of transfer,
 - (i) International shall give Industrial written notice

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stating its intention to transfer the lease or leases in question, and

- (ii) Industrial, in reply to such notice,

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- shall advise International at least
twenty (20) days before the date of in-
tended transfer specified in Inter-
national's notice that Industrial de-
sires to accept such transfer;
- (b) unless Industrial shall assume in writ-
ing the obligations of International
under such lease or leases and all in- 10
struments pertaining thereto;
- (c) unless required consents to such trans-
fer by Governmental officials or other
third parties are obtained before the
date of intended transfer;
- (d) in cases of surrender of parts only of
the leased premises in question;

and in such cases International shall be free to
terminate such leases (or partially surrender, as
the case may be). 20

Section Twenty-Five. Any difference or dis-
pute arising out of or in respect of this contract
shall be submitted for final judgment to arbit-
ration in accordance with the Laws of the State of
Tasmania.

This Agreement supersedes and terminates in
its entirety that certain Option Agreement dated
October 24, 1964, between the parties hereto, as
supplemented, and amended after the effective date

hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of October 24, 1964, the effective date hereof.

THE COMMON SEAL OF INDUSTRIAL & MINING INVESTIGATIONS PTY. LIMITED WAS HEREUNTO AFFIXED IN THE PRESENCE OF:

10

PICKANDS MATHER & CO.

PICKANDS MATHER & CO. INTERNATIONAL

By _____

By _____

Attest _____

Attest _____

APPENDIX C

Southern Section Lands Description

Starting at the Southeast corner of Tasmania, Department of Mines Lease Application No. 4M/64 then true South to the point of intersection with the extension of Traverse 10,500 S, such extension being due East (based upon magnetic bearings) from point 00 on Traverse 10,500 S, thence true West a distance equal to the distance from the Southeast corner of Lease Application No. 4M/64 to such extension of Traverse 10,500 S, thence true North an equal distance, and thence true East to the point of commencement. The Traverse referred to is shown in Record No. 1962/116, Map No. G288-16-1, Bureau of Mineral Resources, and the area is

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known as the Southern area. Except as noted with respect to the extension of Traverse 10,500 S, all bearings above referred to are true bearings.

AGREEMENT

THIS AGREEMENT made and entered into as of the
Twenty fourth day of October, 1964, by and between
INDUSTRIAL & MINING INVESTIGATIONS PTY. LIMITED, a
corporation of the State of New South Wales,
Australia (herein called "Industrial"), PICKANDS
MATHER & CO. INTERNATIONAL, a corporation of the
State of Delaware, U.S.A. (herein called "Inter-
national"), and PICKANDS MATHER & CO., a corpor- 10
ation of the State of Delaware, U.S.A. (herein
called "Pickands").

W I T N E S S E T H:

A. Industrial is the holder of Exploration
Initials License E/4/61 issued by the State of Tasmania
(which License, as heretofore or hereafter extended
and modified from time to time, is herein called
the "License") pertaining to certain lands situated
in the State of Tasmania more particularly described
in Appendix A attached hereto and made a part here- 20
of (said lands described in Appendix A being here-
inafter called the "License Lands"). Industrial is
also the applicant for and holder of six (6) applic-
ations (numbered 4M/64 - 9M/64, inclusive) for
leases under the Mining Act, 1929, of the State
of Tasmania (hereinafter called the "Lease
Applications") of certain portions of the License
Lands generally outlined in

red upon the plan attached hereto as Appendix B and more particularly described under the caption "Description" in said Appendix B.

B. Pursuant to an agreement dated June 20, 1963 (evidenced by two letter agreements of that date), between Industrial and Pickands, subsequently supplemented and amended by letters dated September 5, 1963 (two letters), and January 29, 1963,* 10
Pickands was granted an option in respect of Industrial's interest in all or part of the License Lands in accordance with the terms and provisions thereof. The interest of Pickands in said agreement (which, as supplemented and amended as aforesaid, is hereinafter called the "Existing Agreement") has been assigned to International, which said assignment has been agreed to by Industrial subject to Pickands' guarantee of the performance of this Agreement as hereinafter provided. 20

C. The parties hereto desire to supplement and amend the existing Agreement and to substitute this Agreement therefor.

NOW, THEREFORE, the parties hereto agree as follows:

Section One. The Existing Agreement is hereby supplemented and amended such that each, all

* The reference to 1963 was erroneous; the parties agree that this letter agreement should have been dated January 29, 1964. 30

and singular the terms, provisions, conditions and agreements contained in said Existing Agreement shall be superseded by the provisions of this Agreement, and this Agreement shall be and constitute the entire agreement between the parties hereto from and after the date hereof; provided, however, that International shall reimburse to Industrial, to the extent not heretofore reimbursed by Pickands or International, the actual costs of Industrial (determined in the same manner as heretofore) to the date of this Agreement in maintaining one drill on the License Lands subject to the limitations set forth in the Existing Agreement. 10

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Section Two. The following terms wherever used in this Agreement shall have the respective meanings hereinbelow set forth:

- (a) "Savage River Lands" shall mean the lands subject to the Lease Applications which are generally outlined in red upon the plan attached hereto as Appendix B and more particularly described under the caption "Description" in said Appendix B; 20
- (b) "Residual Lands" shall mean that portion of the License Lands left after

deletion of the Savage River Lands
therefrom;

- (c) "Southern Section Lands" shall mean that
portion of the License Lands which are
described in Appendix C attached hereto
(Initials) ~~and generally outlined in Green on a
plan captioned "Southern Section Lands
Plan" which has been initialed by
Mr. E. R. Hudson, Mr. K. S. Benson~~ 10
- (d) "Additional Lands" shall mean the lands
so defined in Section Five hereof;
- (e) "ton" shall mean the long or gross ton
of two thousand two hundred forty
(2,240) pounds avoirdupois;
- (f) "Lease Applications" shall include, in
addition to lease applications numbered
4M/64 - 9M/64, inclusive, referred to
in Recital A above, any and all leases 20
or consolidated leases issued upon such
applications; and
- (g) "Mining Act" shall mean the Mining Act,
1929,

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of the State of Tasmania (as modified
and amended) and any Regulations
issued thereunder.

Section Three. In consideration of the sum

of Twenty-five thousand pounds (£25,000.0.0.) the receipt of which is hereby acknowledged, Industrial hereby grants to International the exclusive right and option to acquire rights and interests in respect to the Savage River Lands. International may exercise its option in respect of the Savage River Lands by giving Industrial notice of exercise in writing at any time on or before December 31, 1965. 10

Section Four. Concurrently with the execution of this Agreement, Industrial is transferring to International all of the right, title and interest of Industrial in and to the Lease Applications. Industrial hereby agrees that it will give such consents and approvals as may be required by law (under Section 16 C (9) of the Mining Act, or otherwise) for the acquisition by International of mineral leases and/or other rights and interests in the Savage River Lands and any part thereof and for the exercise by International of a miner's right or such other rights as it may now have or hereafter require in respect of the Savage River Lands. International agrees that it will hold the Lease Applications (including any lease or leases issued pursuant thereto) in trust for Industrial until such time as the option in respect of the Savage River Lands shall be exercised or, if this Agreement shall be terminated on or before December 31, 1965, until 20

such termination date, and International agrees that in the event such option is not exercised or the Agreement is terminated as aforesaid, International shall re-transfer to Industrial said Lease Applications (including any lease or

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leases issued pursuant thereto). In the event International shall exercise its option in respect 10
Initials of the Savage River Lands, International shall be the absolute owner of such Lease Applications (and any and all leases issued pursuant thereto). Until such time as International shall exercise its option hereunder in respect of the Savage River Lands, International shall comply with all applicable conditions in respect of said Lease Applications (and of any and all leases issued pursuant thereto), including the payment of rent thereunder, and International shall not mortgage or pledge the same until 20 such time as the option in respect of the Savage River Lands shall be exercised.

Section Five. In the event the Savage River Lands, taken alone, do not contain sufficient lands and crude iron ore reserves to produce by open pit mining to a depth not greater than 400 feet at least 60,000,000 tons of iron ore pellets, International shall have the right and option to select and acquire rights and interests in and in

respect of additional lands situated within the Southern Section Lands so as to make up such deficiency below 60,000,000 tons of iron ore pellets, mined by open pit to a depth not greater than 400 feet. International may exercise its option to acquire such additional lands by giving written notice to Industrial at any time within the period from the date hereof to and including the ~~first~~ ^{fifth} anniversary from the date hereof by giving written notice to Industrial stating:

- (a) International's estimate of the total amount of iron ore pellets which can be produced by open pit mining to a depth of 400 feet from the Savage River Lands; and
- (b) A description of the additional lands situated

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within the Southern Section Lands selected by International to make up the deficiency in the reserves contained in the Savage River Lands, together with International's estimate of the total amount of iron ore pellets which can be produced by open pit mining to a depth not greater than 400 feet from such additional lands.

If any dispute shall arise as to the estimates so submitted and Industrial and International are unable to resolve the matter by mutual agreement, International may resort to arbitration as hereinafter provided; provided, however, that if Industrial shall fail to object in writing to International as to the estimates of reserves as stated in International's notice within sixty (60) days 10 after such notice shall have been given, the matter shall be conclusively presumed to have been finally settled as between Industrial and International.

In the event Industrial shall object in writing to International within sixty (60) days after its notice of selection of additional lands shall have been given and the parties are unable to resolve such dispute by mutual agreement within sixty (60) days after notice of objection by Industrial is given, then International may submit such 20 dispute to arbitration in the manner following: International shall nominate one arbitrator and shall notify Industrial of such nomination; and Industrial shall, within sixty (60) days after receiving such notice, nominate an arbitrator, and the two shall select an umpire to act jointly with them, it being understood and agreed that such arbitrators

and the umpire shall be professional geologists or
mining engineers. If said arbitrators shall be
unable to agree in the selection of such umpire the
umpire shall be designated by the then Director of
Mines, State of Tasmania, upon application made by
either of such arbitrators. The umpire shall fix
the time and place in Australia for the hearing of
the evidence and representations of the parties be- 10
ing heard, and the decision of the arbitrators and
umpire or any two of them shall be binding upon the
parties. If the arbitrators and umpire (or any two
of them) shall determine that the lands and crude
iron ore reserves comprised in the Savage River
Lands taken alone are less than what is required
to produce 60,000,000 tons of iron ore pellets by
open pit mining to a depth not greater than 400 feet,
the arbitrators and umpire (or any two of them)
shall proceed finally to determine the "Additional 20
Lands" from the Southern Section Lands, designated
by International so as to make up such deficiency
in reserves below 60,000,000 tons of iron ore
pellets (by open pit mining to a depth not greater
than 400 feet) and shall set forth in their award
the "Additional Lands" so determined. One copy of
the written award shall be delivered to each of
the parties.

The majority of the umpire and the

arbitrators may determine any matters of procedure for the arbitration not specified herein. If the Industrial receives a notice of nomination of an arbitrator by International and fails within ninety (90) days after such notice of nomination to nominate an arbitrator, then the arbitrator nominated by International may proceed alone to determine the dispute and at such time as he shall think fit, and 10 his decision shall be binding upon the parties. In the event of any award establishing that the Savage River Lands contain less than sufficient reserves of ore

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mined as hereinbefore provided to produce sixty million tons of iron ore pellets, each party shall bear its own expense in prosecuting the arbitration including the cost of the arbitrators and umpire. In the event of any award establishing that the 20 Savage River Lands contain more than sufficient ore reserves mined as hereinbefore provided to produce sixty million tons of iron ore pellets, International shall in addition to its own costs, reimburse industrial for all reasonable costs incurred by it in the arbitration, including the cost of the arbitrators and umpire.

For the purpose of this Agreement, the term "Additional Lands" shall mean and include the

additional lands referred to in this section as finally determined, by selection by International, by agreement between the parties or by arbitration as herein provided.

In the event it shall be determined in the manner hereinabove provided that International is entitled to acquire rights and interests in the Additional Lands, Industrial shall transfer to 10 International all and singular the right, title and interest of Industrial in and to any and all leases, lease applications or other rights it may have in respect of the mining and extraction of iron ores from the Additional Lands and Industrial shall give such consents and approvals as may be required by law (under Section 15C (9) of the Mining Act, or otherwise) for the acquisition by International of mineral leases and/or other rights and interests in the Additional Lands and any part thereof and for 20 the exercise by International of a miner's right or such other rights as it may have or hereafter acquire in respect of the additional Lands.

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Industrial, at its election, may request the State of Tasmania to delete from the License the Southern Section Lands and to issue to Industrial a separate exploration license in respect of said lands (such separate license being hereinafter

called the "Southern License"), and Industrial agrees that, if such Southern License should be issued to it, Industrial will not mortgage or pledge such Southern License and the lands included thereunder and that it will maintain the same in full force and effect, complying with all terms and conditions thereof until the Additional Lands are finally determined.

10

In the event Industrial shall not seek to obtain the Southern License or no such license shall be granted to it by the State of Tasmania, Industrial shall maintain and keep in full force and effect the License insofar as it pertains to the Southern Section Lands and shall not mortgage or pledge said License insofar as it pertains to the Southern Section Lands or such Southern Section Lands until the Additional Lands are finally determined.

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International shall not resort to arbitration for a period of ten months from the date hereof.

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Section Six. Upon the request of International, Industrial will consent to the withdrawal from the License or the Southern License, as the case may be, such lands situated in the Residual Lands area as International shall reasonably require for roads, electrical power lines,

communications, transportation and utility connections, pipelines, ore processing and pelletizing facilities (e.g., plant, tailings basin, water facilities, stockpile areas, offices, shops), docks, housing and all other facilities auxiliary to mining operations on the Savage River Lands and Additional Lands, (if any), and shall facilitate and take any reasonable action required by International to enable International to acquire leases or other interests in surface lands for its purposes aforesaid, it being anticipated by International that the lands required by it are such as are set out on the plan attached hereto as Appendix D and generally delineated in green thereon but not necessarily restricted to such delineated area; provided, however, that International shall use such auxiliary lands in such a manner as to minimize interference with the operations of Industrial on the residual lands, and so as not to interfere with the mining of payable iron ore formations, and provided further that Industrial will not be required to consent if the mining of any payable iron ore formation will be directly interfered with such consent not to be unreasonably withheld.

In the event that Industrial shall purchase or otherwise acquire lands or rights to lands at or in the vicinity of Macquarie Harbour, Tasmania,

prior to the time International shall have acquired all of the lands in such area which it deems necessary to the Savage River Project, (that is the project for the development and mining of the Savage River Lands and additional lands if any), it is agreed that International shall have the right to purchase or otherwise acquire the rights and interests of Industrial

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(at any time on or before December 31, 1967) in so much of such land as may be selected by International for and in connection with transportation, processing, maintenance, housing, office, dock and related facilities for operations of the Savage River Project in the Macquarie Harbour area, including but not limited to the land outlined for use in the Frederick Snare Corporation Harbour Report heretofore supplied to Industrial. The price to be paid to Industrial for the land so selected by International shall be equal to that paid by Industrial to its vendor therefore (being a fair proportion of the total price paid by Industrial for all of such lands, if International shall select only a portion or portions thereof), and International shall assume the obligations of Industrial, in respect of the lands so selected by International only, under any instruments pursuant to which Industrial acquired

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or holds rights and interests in the lands selected by International.

Section Seven. In furtherance of the rights hereinabove granted, Industrial hereby grants to International, for itself, its agents, servants, employees, intermediaries and invitees, the full right and privilege of entering upon the Savage River Lands and any and all portions thereof and of examining, 10 exploring and investigating the same by drilling, test pits or otherwise, to such extent and in such manner as International may deem necessary or advisable. International shall have the right to remove without payment reasonable quantities of crude iron-bearing materials from any part of the Savage River Lands and to transport and/or export the same for the purpose of sampling in bulk or otherwise or for metallurgical testing or assaying. In

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addition, International may cut, remove and take out or use any trees or other material resources on, in or under the Savage River Lands in connection with the rights herein granted to International.

Industrial further grants to International, for itself, its agents, servants, employees, intermediaries and invitees, all of the rights and privileges referred to in the first paragraph of this Section Seven in respect of the Southern Section Lands for the purpose of determining the extent,

if any, of Additional Lands that International may select, and in respect of the Residual Lands for the purpose of ingress and egress to the Savage River Lands and for the establishment of auxiliary facilities referred to in Section Six hereof.

The rights hereinabove granted to International shall be subject to the applicable limitations, if any, imposed by the License or the Southern License, 10 as the case may be, and the consents of any governmental authority as may be required by law.

Section Eight. International hereby further agrees that:

- (1) International shall reimburse Industrial, promptly following receipt of Industrial's statement therefore, for the actual cost to Industrial (determined in the manner heretofore followed under the Existing Agreement) for the period indicated 20 below of maintaining one drill in operation on the License Lands as required by the License, such cost not to exceed an average rate of £A3,000 per month.

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Industrial shall not be obliged to provide International with up to one-half (1/2) of the drill core derived from such drilling, but shall after assay

thereof if so requested by International supply to International assay results and such samples as may be reasonably required by International. The obligation of International under this sub-section (1) shall continue until the earliest of the following shall occur: (a) December 31, 1965; (b) Thirty (30) 10 days after termination of this Agreement, if this Agreement is terminated prior to December 31, 1965; or (c) thirty (30) days after International's giving notice of exercise of its option in respect of the Savage River Lands.

(2) In addition to the reimbursements provided in sub-section (1), International shall reimburse Industrial (at Industrial's actual cost) for all work done 20 by Industrial for International's account at International's specific written request.

(3) International shall further refine the economic appraisal of the Savage River Lands and of the Southern Section Lands (to the extent - as to the Southern Section Lands - International deems necessary to determine International's

requirement of Additional Lands and for other purposes in connection with the Savage River Project) commenced by its predecessor in interest under the Existing Agreement (i.e., Pickands Mather & Co.) which economic appraisal includes the preparation of estimates of capital and operating costs for the development of such properties for the

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production of high-quality iron ore pellets in the range of 1,000,000 - 2,000,000 tons per year, concentration and pelletizing tests in laboratories, engineering and geological estimates, studies and exploration to determine reserves and as to the mining of the crude ore required for the proposed concentration plant, laying out of flow-sheets for the proposed concentration plant, studies of transportation and harbour surveys, and work in the field and elsewhere in connection with the foregoing. In addition, International will seek to obtain consumers of iron ore and/or iron ore products derived from the License Lands. International

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shall further seek to make arrangements with the State of Tasmania and other governmental agencies and instrumentalities providing the property rights, assurances, permits and other authorities deemed necessary by International for the Savage River Project to go forward. The precise extent of the work outlined above, and the amount of effort and expenditures to be devoted to any particular aspect thereof, shall be determined by International in its sole discretion.

10

The obligation of International under the last preceding paragraph shall cease and determine on December 31, 1965, the date this Agreement shall terminate if terminated prior to

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December 31, 1965, or upon International's giving notice of exercise of its option in respect of the Savage River Lands, whichever shall first occur.

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- (4) International agrees to keep Industrial informed as to the progress of its work under subsection (3) hereof and will give Industrial from time to

time factual and statistical data collected by International (and by its predecessor in interest under the Existing Agreement) in the course of the work hereunder and under the Existing Agreement.

Section Nine. Industrial hereby represents and warrants to International that, at the date of execution of this Agreement, 10

(1) Industrial is the sole holder and owner of the License, beneficially and of record, that said License is in full force and effect, in good standing and not in default, and that the lands included under said License are all those referred to herein as the "License Lands" as described in Appendix A hereof.

(2) Industrial is the sole holder and owner of the Lease Applications, beneficially and of record, that said Lease Applications are in full force and effect and have not been finally rejected by the State of Tasmania or amended in any manner. 20

Industrial hereby agrees that it will cause the License, insofar as it pertains to the Savage River Lands, to be extended and to comply with all

covenants and conditions thereof such that said License shall be and remain in full force and effect until December 31, 1965. Industrial further agrees that it will cause the License, insofar as it pertains to the Southern Section Lands, or the Southern License, as the case may be, to be extended and to comply with all covenants and conditions thereof such that said License, or Southern License, as the case may be, shall be and remain in full force and effect

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Initials. until the later of (a) the fifth anniversary of this Agreement, or (b) the Additional Lands are finally determined. Failure of Industrial to maintain said License and/or said Southern License in effect as aforesaid for such periods shall, at the election of International exercised by written notice from International to Industrial, relieve International of all of its obligations under this Agreement except the obligation by International to retransfer interests to Industrial pursuant to Section Fifteen hereof.

Section Ten. In further consideration of the transfer of rights in respect of the Savage River Lands and the Additional Lands (if any) pursuant to this Agreement International hereby agrees to grant a royalty interest to Industrial, and

accordingly International hereby agrees to pay
royalty and minimum royalty to Industrial as follows:

- (1) On or before the 30th day of January,
April, July and October of each year,
International shall pay a royalty equal
to two shillings and six pence per ton
of iron ore products derived from crude
iron ore mined from the Savage River 10
Lands and the Additional Lands (if any
are acquired pursuant to Section Five
hereof) and shipped by International to
the ultimate consumer thereof during the
last preceding calendar quarter year.
For the purposes hereof, "iron ore pro-
ducts" shall mean and include iron ore
concentrates, iron ore pellets, reduced
iron ore concentrates and/or pellets
and other processed iron ore products 20
which are shipped to a consumer thereof
and the term "iron ore products" shall
not include pig iron, steel, or un-
processed crude iron ore unless such
unprocessed crude iron ore is shipped to
a

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consumer for use by it. Iron ore pro-
ducts shall be deemed "shipped" when

placed upon ocean vessel or other bulk carrier for transportation to the consumer's works following the last stage of processing of such iron ore products by International. The weights of iron ore products for purposes of royalty computation hereunder shall be determined at the time of shipment thereof (or as near such time of shipment as may be reasonably feasible in the circumstances then prevailing) upon belt scales or other weighing devices of standard design used in the mining industry, or by such other means as may be mutually agreed upon between International and Industrial.

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- (2) On or before the 15th day of February of each year, International shall pay to Industrial a royalty equal to seven and one-half per cent (7-1/2%) of the net profits of International which are properly allocable to the production and sale during the last preceding calendar year of minerals (other than iron ore products) produced by International from the Savage River Lands and the Additional Lands (if any are

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acquired pursuant to Section Five
hereof) which are sold and shipped sep-
arately from iron ore products. The
determination of "net profits" for the
purposes hereof shall be made in accord-
ance with generally accepted accounting
principles. "Net profits" for the pur-
poses of this subsection (2) shall be 10
in the first instance determined for
each calendar year by

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audit by Price Waterhouse & Co. (or
such other chartered or certified public
accountants as International, or its
successors in interest hereunder, shall
select for the auditing of its or their
accounts generally). All books and re-
cords of International relative to the 20
determination of net profits under this
subsection (2) shall be open to the in-
spection of Industrial by its duly ap-
pointed agents at reasonable times.

- (3) International shall pay to Industrial an
annual minimum royalty, commencing with
the calendar year 1966, at the rate of
Twenty-five Thousand Pounds (£A25,000)
per year in quarterly instalments of

Exhibit 63 - Copy
Agreement, 24.10.64

Six Thousand Two Hundred & Fifty Pounds
(£A6,250) each, payable on or before the
30th day of January, April, July and
October. In the event International
shall exercise its option hereunder in
respect of the Savage River Lands, the
first instalment of minimum royalty
payable hereunder shall be due and pay- 10
able on or before January 30, 1966. In
the event this Agreement shall be term-
inated on or before December 31, 1965,
then there shall be no minimum royalty
payable hereunder. Such minimum royalty
shall be payable whether or not iron
ore or other minerals are mined from the
Savage River Lands and the Additional
Lands (if any), and International shall
be entitled to credit for the amount of 20
any and all such minimum royalty paid
by it and shall have the right to use
and apply the same to the extent re-
quired and so far as the same will go
toward the satisfaction of royalty then

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or thereafter becoming due and payable
pursuant to the provisions of sub-
sections (1) and (2) above, in excess

of the minimum royalty for the year or
quarter year in question.

In the event International shall exercise its
option hereunder in respect of the Savage River
Lands, International's obligation to pay minimum
royalty and royalty hereunder shall continue for a
period commencing of January 1, 1966, to and in-
cluding (a) December 31, 1986, or (b) if Inter- 10
national shall acquire mining leases or other rights
to mine the Savage River Lands and Additional Lands
(if any are acquired pursuant to Section Five here-
of) which shall continue in effect through a date
later than December 31, 1986, to and including the
date upon which the last of such leases or mining
rights shall be terminated (whether by expiration of
term, surrender or otherwise); provided, however,
that, in case (b), if such leases or mining rights
are terminated at a date other than the 31st day 20
of December of any year, International shall be
obligated to pay as minimum royalty for the year of
termination only that proportion of £A25,000 that the
number of days in that calendar year to and includ-
ing the date of termination bears to the total num-
ber of days in such year.

International, at the time of each quarterly
payment of royalty (or annual payment of royalty
in respect of minerals other than iron ore

products) shall transmit to Industrial a true and accurate statement showing for the preceding calendar quarter (or year, as the case may be) the tonnage of iron ore products derived from said premises shipped during such quarter (or in the case of minerals other than iron ore products, the net profits of International derived from the production and sale of such minerals, as audited by Price Waterhouse & Co., or other accountant as herein provided, in the preceding calendar year). 10

- 20 -

Section Eleven. If this Agreement shall be terminated by International during the calendar year 1965 pursuant to subsection (4) of Section Fourteen hereof, Industrial shall reimburse to International an amount equal to that proportion of the £A25,000 paid to Industrial under Section Three hereof that the number of days remaining in the year 1965 following the date of termination bears to 365. 20

Section Twelve. The parties hereto recognize that if International's Savage River Project is to go forward, International must procure appropriate governmental assurances, permits, leases of lands and other authorities (in the form of legislation or otherwise) and it is agreed that nothing herein contained shall be deemed to prohibit or restrict International, its agents, representatives or other

intermediaries, in any manner, before or after exercise of the option in respect of the Savage River Lands, from negotiating and accepting such arrangements with the Government of the State of Tasmania, the Commonwealth of Australia and any local governmental units, or departments, divisions or agencies of any thereof, and, without limiting the generality of the foregoing but subject to the obligation of International to retransfer as provided in Section Four and Section Fifteen hereof, International shall have the right to acquire rights and interests in any and all of the Savage River Lands, the Additional Lands (if any), and in any other lands which it may require in connection with the Savage River Project, by mining lease (pursuant to the Lease Applications or otherwise), purchase of the fee or otherwise, to amend, supplement or terminate any mining leases or other instruments pertaining to said premises, to seek and obtain legislation affecting the same and the basis upon which the same are

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purchased and/or held, to transfer or sublease the same subject to the terms of this Agreement and, following exercise of its option in respect of the Savage River Lands, to mortgage, pledge or otherwise hypothecate its interest therein.

Subject to the free exercise of the rights granted International by this Agreement, International agrees that it will take no action which will prejudice or interfere with the License and/or the Southern License, or any extensions or renewals thereof, or leases granted or other applications of Industrial or in any operations relating thereto other than the "Lease Applications" and other rights 10

^{Initials}
In respect of the Savage River Lands and the "Additional Lands" if any.

Section Thirteen. If International shall transfer or sublease its rights and interests in respect of the Savage River Lands and the Additional Lands (if any), or any portion thereof, International shall reserve to itself and/or its designees a royalty interest and make such transfer or sublease subject to the payment by the transferees or sublessees to International and/or its designees of 20 royalty and minimum royalty on iron, iron ore products and other minerals derived from the Savage River Lands and Additional Lands (if any), provided, that the rates thereof shall not be in excess of those payable to Industrial pursuant to Section Ten hereof unless Industrial shall give its written consent to greater rates of royalty and/or minimum royalty; nothing herein contained shall be construed as a limitation upon the right of

International to receive compensation, profits or other emoluments from the management of, participation in, and sale of products derived from, the Savage River Project and the lands included thereunder.

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Section Fourteen. This Agreement shall be effective as of the date hereof, and shall continue in full force and effect until terminated as follows: 10

- (1) International may terminate this Agreement at any time on or before December 31, 1965, by giving notice of termination to Industrial not less than thirty (30) days prior to the date of termination specified therein.
- (2) This Agreement shall automatically lapse and terminate on December 31, 1965, unless International shall exercise its option in respect of the Savage River Lands pursuant to Section Three hereof. 20
- (3) In the event International shall exercise its option in respect of the Savage River Lands pursuant to Section Three hereof, this Agreement shall be and remain in effect (subject to the right to terminate under subsection (1) of this Section) so long as the

obligations of International to pay royalty and minimum royalty pursuant to Section Ten hereof shall continue.

- (4) If Industrial shall fail to maintain the License, or the Southern License, as the case may be, in full force and effect as provided in Section Nine hereof, International may terminate this Agreement by notice as provided in Section Nine.

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Section Fifteen. In the event this Agreement shall be terminated in the manner provided by subsections (1), (2) or (4) of Section Fourteen, then, concurrently with such termination or as promptly thereafter as may be reasonably feasible in the circumstances then prevailing, International shall transfer to Industrial all rights and interests International shall then have in or in respect of the License Lands (subject to consents or approvals of the Minister of Mines, State of Tasmania, or other appropriate governmental approvals, if required), free and clear of all liens and encumbrances, upon a basis whereby Industrial will assume all obligations of International under any instruments pursuant to which such rights and interests are held by International.

Section Sixteen. Industrial shall, at all times during the term hereof, have the right of access to the Residual Lands through the Savage River Lands, the Southern Section Lands, and the other lands acquired by International referred to in Section Six hereof and the right to use all existing roads situated thereon and/or any roads built in substitution thereof and to transport ore (beneficiated or otherwise) thereon, provided that the use of such roads shall not unreasonably interfere with the mining and other operations of International on the Savage River Lands, Additional Lands (if any) and the auxiliary lands referred to in Section Six hereof. 10

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Section Seventeen. International shall have a period of twelve (12) months from and after the date of termination of this Agreement in which to remove all property and improvements of every nature and description placed by it upon the Savage River Lands and the Additional Lands (if any). 20

Section Eighteen. Unless the parties hereto shall hereafter otherwise agree, it is understood that all iron ore products produced by International from the Savage River Lands and the Additional Lands (if any are required pursuant to Section Five hereof) shall be produced for export

Initials. and International agrees that it will
from the State of Tasmania, and ~~shall~~ not produce

pig iron in Australia from iron ore products derived
~~iron-ore~~ or steel from such properties.

Section Nineteen. The parties hereto agree
to
to execute and deliver to each other such further
instruments or other documents or writings as may
be necessary or appropriate to implement any pro-
vision or provisions of this Agreement.

Section Twenty. All notices and communications 10
in respect of this Agreement shall be deemed to have
been sufficiently given and delivered upon receipt
by the addressee at the following address:

If to Industrial:

Industrial & Mining Investigations Pty.
Limited,

Suite 5,
12th Floor,
2 Castlereagh Street,
Sydney, New South Wales
Australia.

20

-25-

If to International:

Pickands Mather & Co. International
2000 Union Commerce Building,
Cleveland, Ohio 44114,
U.S.A.

If to Pickands:

Pickands Mather & Co.,
2000 Union Commerce Building,
Cleveland, Ohio 44114,
U.S.A.

30

Either party may change the address to which
notices and other communications to it may be sent by
giving to the other party written notice of such
change.

Section Twenty-One. All amounts payable to Industrial hereunder shall be paid in Australian currency.

Section Twenty-Two. In consideration of the execution of this Agreement by Industrial and the consent of Industrial to the transfer of Pickands' interest in the Existing Agreement to International, Pickands hereby unconditionally guarantees to Industrial, its successors and assigns the full and complete performance by International its successors and assigns of the terms and provisions of this Agreement, and Pickands hereby indemnifies Industrial against all damages and costs which shall be incurred by Industrial due to the failure of International its successors and assigns to comply with the all and singular the terms, provisions, covenants and conditions contained in this Agreement. 10

Section Twenty-Three. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto as if mentioned throughout by words of appropriate 20

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designation, and upon the assignment or transfer of this Agreement each assignee or transferee shall assume and agree to be bound by the terms and provisions hereof obligatory upon the assignor or transferor thereof.

Section Twenty-Four. International agrees

that it will not transfer or assign any interests in the Savage River Lands and the Additional Lands (if any) now or hereafter acquired by it unless the transferee or assignee thereof shall assume and agree in writing to be bound by the terms and provisions of this Agreement. Industrial agrees that it will not transfer or assign the License, the Southern License, or any interest in any lands included 10
Initials. thereunder now^{/or} hereafter acquired by Industrial to which this Agreement is applicable, unless the transferee or assignee thereof shall assure and agree in writing to be bound by the terms and provisions of this Agreement.

Section Twenty-Five. International agrees

that it will not surrender or terminate any mineral Lease acquired by it in respect of the Savage River Lands and the additional Lands if any unless it 20
shall first offer to transfer the same to Industrial. If Industrial shall accept such offer within sixty days after the same is made International shall transfer such Lease to Industrial, subject to the assumption by Industrial of the obligations of International thereunder. If Industrial shall reject such offer or fail to accept the same in writing within

sixty days after such offer is made International shall thereafter be free to terminate such Lease. This section shall have no application in cases, where, by terms of the lease involved the lease term is due to expire.

Section Twenty Six. Any difference or dispute arising out of or in respect of this contract shall be submitted for final judgment to arbitration in accordance with the Laws of State of Tasmania. 10

THE COMMON SEAL OF INDUSTRIAL & MINING INVESTIGATIONS WAS HEREUNTO AFFIXED IN THE PRESENCE OF: } _____ Director

PICKANDS MATHER & CO. PICKANDS MATHER & CO. INTERNATIONAL

By F. Benson By F. Benson

Attest G. Johnson Attest G. Johnson 20

APPENDIX A

License Lands

Being all that area situated in the County of Russell, State of Tasmania, described as follows:

Commencing at the Datum Peg situate at a south-east angle being adjacent and west of the twenty (20) mile peg from Waratah on the Waratah Highway whose International Grid co-ordinates are 892,000 yards north 332,000 yards east thence bounded on the east 30

northerly to a point whose grid co-ordinates are 903,000 yards north 332,000 yards east thence on the north westerly to a point whose grid co-ordinates are 903,000 yards north 320,000 yards east thence on the west south-erly to a point whose grid co-ordinates are 860,000 yards north 320,000 yards east thence on the south easterly to a point whose grid co-ordinates are 860,000 yards north 330,000 yards east thence again on the east northerly to a point on the Waratah Highway whose grid co-ordinates are 889,000 yards north 330,000 yards east thence on the south-east north easterly by the Waratah Highway aforesaid to the point of commencement,

containing one hundred and forty-seven (147) square miles, more or less.

(Initials)

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APPENDIX B

Savage River Lands

Description

In the following descriptions, all tract beginning corners and boundary line bearings are located with and have reference to the survey control established at the Savage River Deposit by the Survey Branch of the Department of Interior of the Commonwealth of Australia, said survey control

having been established for the Bureau of Mineral Resources and used as control for a ground magnetometer survey, the report on which appears as Record No. 1962/116. Said survey control is shown on Map Nos. G288-15-1, G288-16-1 and G288-17-1 accompanying Record No. 1962/116. The survey control shown on the accompanying map is based on and drawn from the above-described maps which accompany Record No. 1962/116. 10

All tracts contain 80 acres and are rectangles with sides approximately equal in length, such sides being oriented North-South and East-West with respect to true North as indicated by the above-described survey.

Tract 1

80 acres, beginning at a point, said point being the Southeast corner of Tract 1, which is located from 00 of Trav. B8 as 530 feet West along Trav. B8 from 00 then 95 feet true South to the said Southeast corner of Tract 1; thence running in a straight line true North a distance of 1,866.76 feet; thence turning and running in a straight line true West a distance of 1,866.76 feet; thence turning and running in a straight line true South a distance of 1,866.76 feet; thence turning and running in a straight line true East a distance of 1,866.76 feet to the said Southeast corner of Tract 1. 20

Tract 2

80 acres, beginning at a point, said point being the Southwest corner of Tract 2, which is also the Southeast corner of Tract 1; thence

B-2 (Initials)

running in a straight line true North a distance of 1,866.76 feet, said line being contiguous with the Eastern boundary of Tract 1; thence turning and 10
running in a straight line true East a distance of 1,866.76; feet; thence turning and running in a straight line true South a distance of 1,866.76 feet; thence turning and running in a straight line true West a distance of 1,866.76 feet to the said Southwest corner of Tract 2.

Tract 3

80 acres, beginning at a point which is located from 00 of Trav. 1000 S as 225 feet East along Trav. 1000 S from 00 then 110 feet true North, said point 20
being the Southeast corner of Tract 3; thence running in a straight line true North to a point at which said line intersects the Southern boundary of Tract 1 (said straight line being the Eastern boundary of Tract 3); thence turning and running in a straight line true West for a distance determined by using the formula set forth below (said line being the Northern boundary of Tract 3 and is contiguous in part with the Southern boundary of

Tract 1); thence turning and running in a straight line true South for a distance equal to that of the Eastern boundary of said Tract 3; thence turning and running in a straight line true East to the point of beginning.

Formula

To determine the length of the Northern boundary of said Tract 3, there shall first be determined 10
the length in feet of the Eastern boundary of Tract 3, then 3,484,000 square feet shall be divided by the length of said Eastern boundary, the quotient thus obtained being the length of the Northern boundary.

Tract 4

80 acres, beginning at a point which is located from 00 of Trav. 1000 S as 225 feet East along Trav. 1000 S from 00 then 110 feet true North, said point being the Southwest corner of Tract 4 and 20
also the Southeast corner of Tract 3; thence running in a straight line true North to a point at which said line intersects the Southern boundary of Tract 1 (said straight line being the Western boundary of Tract 4); thence turning and running in a straight line true East for a distance determined by using the formula set

B-3 (Initials)

forth below (said line being the Northern boundary

of Tract 4 and is contiguous in part with the Southern boundaries of Tract 1 and Tract 2); thence turning and running in a straight line true South for a distance equal to that of the Western boundary of said Tract 4; thence turning and running in a straight line true West to the point of beginning.

Formula

To determine the length of the Northern boundary of said Tract 4, there shall first be determined the length in feet of the Western boundary of Tract 4, then 3,484,000 square feet shall be divided by the length of said Western boundary, the quotient thus obtained being the length of the Northern boundary. 10

Tract 5

80 acres, beginning at a point which is located from 00 of Trav. 2500 S as 175 feet East along Trav. 2500 S from 00 then 530 feet true South, said point 20 being the Southeast corner of Tract 5; thence running in a straight line true North to a point at which said line intersects the Southern boundary of Tract 3 (said straight line being the Eastern boundary of Tract 5); thence turning and running in a straight line true West for a distance determined by using the formula set forth below (said line being the Northern boundary of Tract 5 and is contiguous in part with the Southern boundary of

Tract 3); thence turning and running in a straight line true South for a distance equal to that of the Eastern boundary of said Tract 5; thence turning and running in a straight line true East to the point of beginning.

Formula

To determine the length of the Northern boundary of said Tract 5, there shall first be determined 10
the length in feet of the Eastern boundary of Tract 5, then 3,384,000 square feet shall be divided by the length of said Eastern boundary, the quotient thus obtained being the length of the Northern boundary.

Tract 6

80 acres, beginning at a point which is located from 00 of Trav. 2500 S as 175 feet East along Trav. 2500 S from 00 then 530 feet true South,

B-4 (Initials) 20

said point being the Southwest corner of Tract 6 and also the Southeast corner of Tract 5; thence running in a straight line true North to a point at which said line intersects the Southern boundary of Tract 3 (said straight line being the Western boundary of Tract 6); thence turning and running in a straight line true East for a distance determined by using the formula set forth below (said line being the Northern boundary of Tract 6 and is

contiguous in part with the Southern boundaries of Tract 3 and Tract 4); thence turning and running in a straight line true South for a distance equal to that of the Western boundary of said Tract 6; thence turning and running in a straight line true West to the point of beginning.

Formula

To determine the length of the Northern boundary of said Tract 6, there shall first be determined the length in feet of the Western boundary of Tract 6, then 3,484,000 square feet shall be divided by the length of said Western boundary, the quotient thus obtained being the length of the Northern boundary. 10

B-5 (Initials)

APPENDIX C.

SOUTHERN SECTION LANDS DESCRIPTION

Starting at the South East corner of Tasmania Department of mines Lease application No. 4M/64 then true south to traverse No. 10500 S thence due West a distance equal to the distance from the South East corner of 4M/64 to traverse No. 10500S thence due North an equal distance and East to the point of commencement. The traverse referred to is shown in Record No. 1962/116 Bureau of Mineral Resources and/^{the area is}known as the Southern area. 20

_____ (Initials)

PHOTOCOPY PLAN TO FOLLOW



APPENDIX D

Exhibit 63 - Photocopy
Plan attached to copy
Agreement, 24.10.1964

THIS AGREEMENT made and entered into as of the 19th day of November 1965 by and between INDUSTRIAL & MINING INVESTIGATIONS PTY. LIMITED a corporation of the State of New South Wales Australia (herein called 'Industrial') PICKANDS MATHER & CO. INTERNATIONAL a corporation of the State of Delaware United States of America (herein called 'International') and PICKANDS MATHER & CO. a corporation of the State of Delaware United States of America (herein called 'Pickands').

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W I T N E S S E T H:

WHEREAS Industrial International and Pickands are parties to a certain agreement dated 24th October, 1964 wherein Industrial granted International an option in respect of certain lands in the State of Tasmania Australia which option may be exercised at any time on or before 31st December, 1965 (the said agreement being hereinafter called 'the Option Agreement'); and

WHEREAS the Option Agreement was amended in certain respects by exchange of letters dated 15th March, 1965 and 19th March, 1965 between Industrial and International; and

WHEREAS the parties hereto desire to amend the Option Agreement so as to extend the term of the option therein provided and to make provision for other matters.

NOW THEREFORE the parties hereto agree as follows:

1. Section Two of the Option Agreement is hereby
amended as follows:

(a) Subsection (a) is deleted in its entirety
and the following new subsection (a) is
inserted in lieu thereof:

"(a) 'Savage River Lands' shall mean
the lands which are generally out-
lined in red upon the plan attached 10
hereto as Appendix 'D'

- 2 -

and any lease or leases issued
under the mining Act or other
statute in respect thereto.

(b) Subsection (b) is amended by adding the
phrase "and the Freehold Lands" follow-
ing the words "deletion of the Savage
River Lands".

(c) The following new subsection (g) is 20
added immediately following subsection
(f)

"(g) 'Freehold Lands' shall mean the
lands which are generally out-
lined in red upon the plan at-
tached hereto as Appendix 'E'".

The plan attached to the Option Agreement as
Appendix 'D' is hereby deleted in its en-
tirety and in lieu thereof there is

substituted the plan attached hereto captioned 'Appendix D'. In addition, the plan attached hereto captioned 'Appendix E' is hereby added as a new Appendix 'E' to the Option Agreement.

2. Section Three of the Option Agreement is amended so as to read as follows:

"Section Three. In consideration of the sum of Twenty-five thousand pounds (£25,000.0.0) 10
the receipt of which is hereby acknowledged and the payment of the further sums (hereinafter called 'the option extension payments') of Six thousand two hundred and fifty pounds (£6,250.0.0) each to be made by International to Industrial on or before the first days of January, April, July and October in the calendar year 1966, Industrial hereby grants to International the exclusive right and option to acquire rights and interests in respect of 20
the Savage River Lands. International may exercise its option in respect of the Savage River Lands by giving Industrial notice of exercise in writing at any time on or before 31st December, 1966. If International shall exercise the said option at any time prior to the first day of October, 1966 it shall have no obligation to make the remaining option extension payments becoming

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due after the date of exercise of the option".

3. Sections Four Eight Nine Ten and Fourteen are amended as follows:

(a) In Section Four -

- (i) In the third sentence (5th last line on page 4) delete 'December 31, 1965' and insert 'December 31, 1966' in lieu thereof; 10
- (ii) In the fourth sentence (4th line from top of page 5) delete '(and any and all leases pursuant thereto)' and insert in lieu thereof the following: '(and any and all leases of the Savage River Lands issued to International pursuant thereto or otherwise)'; and
- (iii) Add the following at the end of Section Four - 'International agrees that it will not acquire any mineral leases in respect of the Savage River Lands until its option in respect of the Savage River Lands shall have been exercised'. 20

(b) In Section Eight,

- (i) In subsection (1), delete all of

Exhibit "K" - Copy
Agreement, 19.11.65

the last sentence and insert the
following in lieu thereof -

'The obligation of International
under this subsection (1) shall
continue until the expiration of
261 days after the earliest of the
following shall occur -

- (Initials) (a) December 31, 1966; 10
- (b) thirty (30) days after termin-
ation of this Agreement if
this Agreement is terminated
prior to December 31, 1966; or
- (c) thirty (30) days after Inter-
national's giving notice of
exercise of its option in res-
pect of the Savage River
Lands.'

- 4 -

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- (ii) In subsection (3) delete
'December 31, 1965' wherever it
appears and insert 'December 31,
1966' in lieu thereof

- (c) In Section Nine, second paragraph,
delete 'December 31, 1965' and insert
'December 31, 1966' in lieu thereof.
- (d) In Section Ten
- (i) Delete all of the Section before

subsection (1) and insert the
following in lieu thereof -

"Section Ten. If International
shall exercise its option in res-
pect of the Savage River Lands,
International agrees to pay royalty
and minimum royalty to Industrial
as follows:"

10

(ii) Delete all of subsection (3) to
the paragraph commencing with the
words 'In the event International
shall exercise its option hereunder
in respect of the Savage River
Lands International's obligation'
and insert the following in lieu
thereof -

"(3) International shall pay to
Industrial an annual minimum 20
royalty at the rate of Twenty
five thousand pounds
(£25,000.0.0) per year in
quarterly instalments of Six
thousand two hundred and
fifty pounds (£6,250.0.0) each
payable on or before the
30th day of January, April,
July and October (hereinafter

Exhibit "K" - Copy
Agreement, 19.11.65

called 'quarterly minimum
payment dates').

The first instalment of mini-
mum royalty payable hereunder
shall be due and payable on
or before the quarterly mini-
mum payment date next follow-
ing

10

- 5 -

the date on which the said
option is exercised or on
January 30, 1966 whichever is
later; if such option is ex-
ercised in the calendar year
1966, the total minimum roy-
alty payable for the year
1966 shall equal the aggre-
gate amount of minimum roy-
alty instalments payable in
that year after the date of
exercise. In the event such
option shall not be exer-
cised and this Agreement
shall be terminated on or
before December 31, 1966,
then there shall be no mini-
mum royalty payable hereunder.

20

Exhibit "K" - Copy
Agreement, 19.11.65

Such minimum royalty shall
be payable whether or not
iron ore or other minerals
are mined from the Savage
River Lands and the Additional
Lands (if any) but if in any
calendar year International
shall ship iron ore products 10
(and/or if International shall
sell and ship other minerals)
derived from the Savage River
Lands and the Additional
Lands it shall be required to
pay minimum royalty for such
year only if and to the extent
that royalties accruing pur-
suant to subsections (1) and
(2) above shall be less than 20
the minimum for such calendar
year. International shall
be entitled to credit for
the amount of any and all such
minimum royalty paid by it
and shall have the right to
use and apply the same to the
extent required and so far as
the same will go toward the

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satisfaction of royalty then
or thereafter becoming due and
payable pursuant to the pro-
visions of subsections (1)
and (2) above, in the excess
of the minimum royalty for
the year or quarter year in 10
question."

(iii) In the next last paragraph (com-
mencing with the words 'In the
event International shall exercise
its option hereunder in respect
of the Savage River Lands, Inter-
national's obligations') delete
'of January, 1966' and insert the
phrase 'on the date of exercise of
said option' in lieu thereof; and 20

(iv) In the said next last paragraph
delete 'December 31, 1986' wherever
it appears and insert in lieu
thereof the phrase 'the twenty
first anniversary of the date of
exercise of said option'.

(e) In Section Fourteen, delete 'December
31, 1965' wherever it appears in sub-
sections (1) and (2) and insert

'December 31, 1966' in lieu thereof.

4. Section Six is amended as follows:

- (a) Delete all of the first paragraph of said Section and insert, in lieu thereof, the following -

"Section Six. Upon the request of International, Industrial will consent to the withdrawal from the Licence or the Southern Licence as the case may be of such lands situated in the Residual Lands area as International shall reasonably require for roads, electrical power lines, communications, transportation and utility connections, pipelines, ore processing and pelletizing facilities (e.g. plant, tailings basin,

10

- 7 -

water facilities, stockpile areas, offices, shops) docks, housing and all other facilities auxiliary to mining operations on the Savage River Lands and Additional Lands (if any) and for the removal of stone, sand and gravel (without compensation therefor to Industrial but subject to payments by International of such amounts as the State of Tasmania may impose therefor)

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Exhibit "K" - Copy
Agreement, 19.11.65

in connection with the construction,
operation and maintenance of the fore-
going and shall facilitate and take any
reasonable action required by Inter-
national to enable International to ac-
quire leases or other interests in sur-
face lands for its purposes aforesaid;
PROVIDED HOWEVER that where such leases 10
are required for pipeline purposes the
lands shall not be limited to the sur-
face but shall be limited to a depth of
50 feet below the surface. Industrial
having already consented under Section
15C(9) of the Mining Act 1929 of the
State of Tasmania to the withdrawal from
Exploration Licence E.L. 4/61 of the
lands comprised in Appendix D hereto,
Appendix E hereto and to part of the 20
land edged red in the Plan attached
hereto as Exhibit F (such withdrawals
and consents having been given in pur-
suance of Industrial's obligations
under this clause) International states
that it is its belief that all lands
(Initials) required by it for ^{mining and} auxiliary purposes
as hereinbefore referred to are con-
tained in said Appendix 'D', said

(Initials) Appendix 'E' and Exhibit 'F' / ^{and the} but it is
Southern Section Lands
understood by Industrial and Inter-
national that International might require
additional lands for specified auxiliary
purposes,

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PROVIDED HOWEVER that International
shall use such auxiliary lands in such a 10
manner as to minimize interference with
the operations of Industrial on the
Residual Lands and so as not to inter-
fere with the mining of payable iron ore
formations and PROVIDED FURTHER that
Industrial will not be required to con-
sent if the mining of any payable iron
ore formation will be directly inter-
fered with but such consent shall not be
unreasonably withheld. 20

- (b) By deleting all of that part of Section
Six (being the second full paragraph
thereof) commencing with the words
'In the event that Industrial shall pur-
chase or otherwise acquire lands'.

The plan attached hereto captioned 'Appendix
F' is hereby added as a new Appendix 'F' to
the Option Agreement.

5. Section Seven is amended by deleting the

first sentence thereof and inserting the following sentence in lieu thereof:

"In furtherance of the rights hereinbefore granted Industrial hereby grants to International for itself its agents servants employees intermediaries and invitees the full rights and privileges of entering upon the Savage River Lands and the Freehold Lands and any and all portions thereof to examine explore and investigate the same by drilling, test pits or otherwise, to construct facilities for or in connection with the Savage River Project (as hereinafter described) and do all things required or permitted to be done by the terms of any mining lease or other instrument pursuant to which the same are held or acquired to such extent and in such manner as International may deem necessary or advisable." 10 20

6. Section Thirteen is deleted in its entirety and the

- 9 -

following inserted in lieu thereof -

6. Section Thirteen. Without in any way limiting or derogating from International's obligations hereunder to pay royalty and/or minimum royalty pursuant to Section Ten hereof to Industrial it is agreed that if

Exhibit "K" - Copy
Agreement, 19.11.65

International shall transfer or sublease its rights and interests in respect of the Savage River Lands and the Additional Lands (if any) or any portion thereof International shall (in addition to complying with Section Twenty four hereof) reserve and/or grant to itself and/or its designees a royalty interest and make such transfer or sublease subject to the 10 payment of royalty on iron, iron ore products and other minerals derived from the Savage River Lands and additional lands (if any) provided that the rates thereof shall not be in excess of those payable to Industrial pursuant to Section Ten hereof unless Industrial shall give its written consent to greater rates of royalty and/or minimum royalty; and provided further that this Section Thirteen shall not be construed so as to require International to 20 reserve its royalty and/or its designees royalty or royalties as aforesaid upon transfers of interests hereunder which take place prior to the transfer of the beneficial interest of International herein and in the Savage River Lands and the Additional Lands (if any) to the joint venture, corporation or other entity formed to own and operate the Savage River Project (that is, the project

for the development and mining of the Savage River Lands and the Additional Lands (if any). Nothing herein contained shall be construed as a limitation upon the right of International to receive compensation, profits or other emoluments from the management of, participation in and sale of products derived from the Savage River Project.

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- 10 -

7. Section Sixteen is deleted in its entirety and the following inserted in lieu thereof:

"Section Sixteen. At all times during the term hereof ~~so long as Industrial shall have~~

(Initials)

~~need therefor for its operations on the Residual Lands or any of them,~~ Industrial shall have

- (a) the right of access to the Residual Lands through the Savage River Lands, the Southern Section Lands and the auxiliary lands acquired by International referred to in Section Six hereof;
- (b) the right to use all existing roads situated on the Savage River Lands, Southern Section Lands and auxiliary lands acquired by International referred to in Section Six hereof and/or any roads built in substitution

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thereof and to transport ore (beneficiated or otherwise), it being agreed that International shall maintain a road of access to the northern area of the Savage River deposit at a point where the existing bridge crosses the Savage River;

- (c) the right to use water from that portion 10
of the Savage River which is within the
Savage River Lands;
- (d) the right to erect bridges across the
Savage River where such river is incor-
porated in the Savage River Lands;
- (e) the right to extract stone, sand and
gravel from the Savage River Lands
(without compensation to International
therefor, but subject to payment by In-
dustrial of such amounts as the State 20
of Tasmania may impose therefor) for pur-
poses of construction, operation and
maintenance of facilities of Industrial
upon the

- 11 -

Residual lands;

provided that Industrial shall not, in the
use of such rights as aforesaid, unreasonably
interfere with the mining and other operations

of International on the Savage River Lands,
(Initials- Additional Lands (if any) and the auxiliary
lands referred to in Section Six hereof."

8. Section Twenty five is deleted in its entirety
and the following inserted in lieu thereof -
"Section Twenty five. International agrees
that it will not surrender or terminate any
mineral lease acquired by it in respect of the 10
Savage River Lands and the Additional Lands
(if any) unless it shall first offer to trans-
fer the same to Industrial. If Industrial
shall accept such offer within sixty days
after the same is made International shall
transfer such lease to Industrial, subject to
the assumption by Industrial of the obligations
of International thereunder and subject to
such consents of Governmental officials as
shall be required for such transfer. If 20
Industrial shall reject such offer or fail to
accept the same in writing within sixty days
after such offer is made or if required con-
sents of Governmental officials cannot be
obtained within a reasonable time having re-
gard to all relevant factors, after Industrial
shall accept such offer, International shall
thereafter be free to terminate such lease.
This section shall have no application in

cases where by the terms of the lease involved the lease term is due to expire or in cases of partial surrender of premises included under such lease which are not part of the Licence Lands and which are not necessary to the operations of the Savage River Project, or, by the terms of the lease in question, are required to be surrendered."

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9. The caption 'Savage River Lands' in Appendix 'B' is hereby deleted and the words 'Lease Application Lands' inserted in lieu thereof.

Pickands Mather & Co. International

(INCORPORATED IN DELAWARE U.S.A. WITH LIMITED LIABILITY)

*St. N. L. Bank Building
Pitt & Hunter Streets
Sydney, Australia*

TEL 28-1501
CABLE ADDRESS: PICKANDS SYDNEY
TELEX AA 20464

30th May, 1966

Industrial & Mining Investigations Pty. Limited,
Suite 5, 12th Floor,
2, Castlereagh Street,
Sydney, New South Wales
Australia.

Attention: Mr. E.R. Hudson, Managing Director

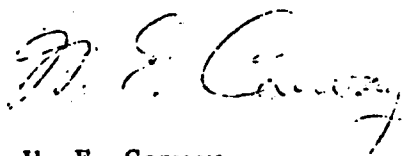
Gentlemen:

This is to advise you that Pickands Mather & Co. International hereby exercises its option in respect of the Savage River Lands in accordance with the Agreement dated as of October 24, 1964, between Industrial & Mining Investigations Pty. Limited, Pickands Mather & Co. International and Pickands Mather & Co., as amended.

So that our files will be complete, we would appreciate it if you would indicate the receipt of this notice by dating and signing the carbon copy hereof and returning the same to the undersigned.

Yours faithfully,

PICKANDS MATHER & CO. INTERNATIONAL



W. E. Conway,
Executive Vice President

Exhibit 66 - Letter
Pickands Mather & Co.
International to Industrial
& Mining Investigations
1805.

44706
2571-2-3.



Solicitor General
3-6-66

IRON ORE (SAVAGE RIVER) AGREEMENT ACT, 1965

LEASE

THIS INDENTURE made the third day of June One thousand nine hundred and sixty-six BETWEEN THE HONOURABLE ERIC ELLIOTT REECE M.H.A. Premier and Minister for Mines acting on behalf of the State (hereinafter referred to as "the Premier") of the one part and NORTHWEST IRON CO. LTD. and DAHLIA MINING CO. LTD. corporations organized and existing under the laws of the State of Delaware in the United States of America and registered in Tasmania as foreign companies of the other part

WITNESSETH:

Definitions

1. DEFINITIONS:

- "the State" means the State of Tasmania and its instrumentalities.
 - "Lessees" means Northwest Iron Co. Ltd. and Dahlia Mining Co. Ltd. their respective successors and permitted assigns and where the context so permits includes the sub-lessees licensees and agents of Northwest Iron Co. Ltd. and Dahlia Mining Co. Ltd.
 - "the Minister" means the Minister for Mines from time to time and any other minister at any time administering the Act or any substitution therefor.
 - "additional premises" means lands and rights demised and leased by any Supplementary Lease.
 - "pipeline premises" means any lands and rights demised pursuant to paragraph (ii) of subclause (b) of Clause 5 hereof.
 - "Supplementary Lease" means a lease of additional premises demised and leased pursuant to subclause (b) of Clause 5 hereof.
 - "Leased Premises" means all those lands surrounded by red boundary lines on the Plan together with additional premises.
 - "the Plan" means the several plans filed in the office of the Director and bearing reference numbers 2571, 2572 and 2573.
 - "Mineral" means any metal or the ore of any metal or any combination of metals and ores and includes (but without limiting the generality of the foregoing) iron bearing substances and vanadium and also includes any inorganic substance and any combination of inorganic elements and any mineral aggregate (not being of animal or vegetable origin) but does not include coal stone oil or precious stones.
 - "the Act" means the Mining Act 1929 and the regulations made thereunder as in force on the thirty-first day of August One thousand nine hundred and sixty-five and where the phrase "conditions which may be prescribed" or where any phrase of similar purport is used in the Act the conditions matters or things referred to in any such phrase shall mean and be the conditions matters or things which have been prescribed or are otherwise in force at such date.
- The several words and phrases set out in sub-section (1) of Section 2 of the Act shall for the purposes of this Lease unless otherwise defined herein or the contrary intention herein appears have the meanings therein respectively assigned to them.
- For the purpose of construing the Act in relation to this Lease, unless a contrary intention is herein expressed or implied
- (a) except to the extent that for the purposes of this Lease they are expressly or by necessary implication hereby excluded or modified the provisions of the Act are applicable to this Lease
 - (b) this Lease shall be deemed to have been granted under the Act
 - (c) this Lease and the Leased Premises shall for the purposes of the Act be deemed to be a "mining tenement"
 - (d) the Lessees shall be deemed to be a "lessee" as defined by the Act
 - (e) the Lessees shall be deemed to be the holder and holders of a "mining lease" and a "mining tenement".

Demise

2. THE Premier on behalf of the State does hereby DEMISE AND LEASE unto the Lessees as tenants in common in equal shares for a term of thirty (30) years from the date hereof ALL THOSE the lands surrounded by red boundary lines (herein referred to as "the initial leased premises") on the Plan EXCEPTING THEREOUT the land known as Bass Highway AND RESERVING TO THE STATE all such stone and indigenous timber as may at any time or times hereafter be required for the construction maintenance or repair of any public ways bridges fences embankments dams sewers or drains or other works together with the right of taking and removing the same and for that purpose to go in and upon the Leased Premises AND SUBJECT TO the rights of the Hydro-Electric Commission of Tasmania under the Hydro-Electric Commission Act 1944 as amended in respect of the piece of land forming part of the initial leased premises upon which an electricity distribution line is erected THE LESSEES HAVING THE RIGHT NEVERTHELESS to use such piece of land for the purposes contemplated by this Lease provided that in so doing the Lessees do not unreasonably interfere with the lawful use and enjoyment of such rights.

- Lessees' Rights** 3. **THE** Leased Premises may be used for mining operations therein and thereon for minerals and stone to the maximum extent permitted
- (a) Under Section 31 of the Act to a holder of a mining lease and the holder of a mineral lease
- (b) Under Section 69 of the Act to the holder of an easement licence specifying all the powers set forth in paragraphs (a), (b), (c) and (d) of that Section
- (c) Under the Act to a holder of a mining tenement together with the right and authority in compliance (but subject to the provisions of this Lease) with the laws of the State to construct, operate, use and maintain transportation systems for the handling and shipment of mining products resulting from the Lessees' mining operations and the delivery of supplies for the Lessees' operations on the Leased Premises such as, without limitation thereto, pipelines, water lines, oil and other storage facilities and deepwater ship-loading and unloading facilities.
- Lessees' Covenants** 4. **THE** Lessees covenant with the Premier—
- (a) To pay to the State a rental of Five thousand seven hundred and ninety-six dollars (\$5796) per annum payable annually in advance on the - - - - - day of - - - - - in each and every year during the term hereof the first payment to be made upon the delivery hereof.
- Royalty on Iron Ore Products** (b) On or before the thirtieth (30th) days of the months of January, April, July and October in each year of the term to pay to the State a royalty on iron ore products produced from iron bearing substances mined from the Leased Premises and shipped by the Lessees during the last preceding calendar quarter year equal to
- (A) until sixty million (60,000,000) tons thereof shall have been shipped by the Lessees—fifteen cents (\$0.15) per ton and
- (B) after sixty million (60,000,000) tons thereof shall have been shipped by the Lessees—such sum as shall be determined by the Minister being not more than thirty cents (\$0.30) per ton.
- For the purposes of this subclause
- (i) "iron ore products" shall mean and include iron ore concentrates iron ore pellets and other processed iron ore products not having an iron content by weight (dry analysis) of more than Seventy-two per centum (72%)
- (ii) iron ore products shall be deemed "shipped" when placed upon an ocean vessel or other bulk carrier for transportation to the consumer's works following the last stage of processing of such iron ore products by the Lessees PROVIDED THAT if the Lessees shall at any time hereafter install facilities on the Leased Premises or elsewhere in Tasmania for the reduction of iron ore products produced from iron bearing substances mined from the Leased Premises to increase the iron content by weight (dry analysis) to more than seventy-two per centum (72%) then iron ore products delivered to such facilities for reduction therein shall be deemed "shipped" when delivered to such facilities
- (iii) the weights of iron ore products for the purposes of royalty computation hereunder shall be determined at the time of shipment thereof (or as near such time of shipment as may be reasonably feasible in the circumstances then prevailing) upon belt scales or such other weighing devices of standard design used in the mining industry as may be mutually agreed between the Director and the Lessees
- (iv) "calendar quarter year" means each quarterly period ending on the last days of the months of March, June, September and December in each year
- (v) at the time of each quarterly payment of royalty the Lessees shall transmit to the State a true and accurate statement showing for the preceding calendar quarter year the tonnage of iron ore products produced from the Leased Premises shipped during such calendar quarter year
- (vi) "ton" means Two thousand two hundred and forty (2240) pounds avoirdupois.
- Lessees' Operations** (c) To maintain all buildings structures plant machinery and equipment on the Leased Premises in good order repair and condition subject to fair wear and tear.
- Use of Leased Premises** (d) Not to use the Leased Premises or any part thereof for any purpose not hereby expressly or impliedly authorized without the consent in writing of the Minister.
- Reversion** (e) Upon the expiration or sooner determination of the term or any extension thereof peaceably and quietly to yield and deliver up to the State possession of the Leased Premises subject always to the rights of the Lessees to remove certain of its property as provided in paragraph (ii) of subclause (g) of Clause 6 hereof.
- Restrictions on Export** (f) Not, without the written consent of the Minister, to export from Tasmania untreated iron ore or iron ore concentrates produced from the Leased Premises unless the same shall be—
- (i) in the form of iron ore pellets, or
- (ii) in some other form in which the iron content by weight exceeds Seventy-two per centum (72%) dry analysis
- provided, however, that the Lessees may export untreated iron ore and iron ore concentrates for purposes of sampling (in bulk or otherwise) metallurgical testing or assaying with the consent in writing of the Director as to the quantity thereof.
- Labour Covenant** (g) To employ on or in connection with the development of, construction of facilities on, or operation of the Leased Premises during the first year of the term of this Lease not less than Five hundred and ten thousand four hundred (510,400) man hours and during each subsequent year of the term of this Lease not less than One million and twenty thousand eight hundred (1,020,800) man hours.

For the purposes of this clause—

- (i) men employed by a sublessee tributor or contractor shall be deemed to be employed by the Lessees
- (ii) if the Lessees use steam power, water power, electric power, or other power for driving machinery each ten horsepower hours shall be deemed to be equivalent to one man hour
- (iii) in the case of electric power each kilowatt hour consumed by the Lessees on the Leased Premises shall be deemed to equal one and thirty-four hundredths (1.34) horsepower hours and
- (iv) the Director may pursuant to Section 53 of the Act grant to the Lessees a certificate of exemption from this covenant in the same manner as if it were the "labour covenant" referred to in Section 46 of the Act.

State's Covenants 5. THE Premier on behalf of the State covenants with the Lessees—
Preservation of Rights

- (a) That, having regard to the particular nature of the industry proposed to be established by the Lessees on the Leased Premises but subject to—
 - A. There being no subsisting default on the part of the Lessees in respect of which notice has been given pursuant to paragraph (iii) of subclause (a) of Clause 6 hereof;
 - B. The right of the State to terminate this Lease as provided in subclause (a) of Clause 6 hereof;
 - C. The right of the State to resume the Leased Premises or any part thereof under the Lands Resumption Act 1957 and the Public Authorities' Land Acquisition Act 1949; and
 - D. The right of the State hereby reserved to cross certain parts of the Leased Premises for the purposes set out in subclause (1) of Clause 6 hereof;
- (i) the State shall ensure that during the currency of this Lease the rights of the Lessees hereunder shall not in any way through any act of the State be impaired, disturbed or prejudicially affected.
- (ii) no person other than the Lessees shall acquire any rights under any law of the State in or over the Leased Premises or any part thereof without the consent in writing of the Lessees which consent shall not be unreasonably or arbitrarily withheld.
- (iii) in its laws or the administration thereof the State will not discriminate against the Lessees or the business of the Lessees carried on pursuant hereto or against any person or business where the effect of such discrimination would be directly or indirectly to discriminate against the Lessees.
- (iv) the State will not hinder or prevent the export of iron ore pellets, reduced iron products in which the iron content by weight exceeds seventy-two per centum (72%) (dry analysis) and reasonable quantities of untreated iron ore and iron ore concentrates for purposes of sampling (in bulk or otherwise) metallurgically testing or assaying produced from the Leased Premises.

For the purposes of this subclause the term "State" shall in addition to the "State" as hereinbefore defined also include all authorities, bodies, corporations and commissions having in the area comprised in the Leased Premises or over the operations of the Lessees in Tasmania any jurisdiction power or authority conferred by or derived from any Act passed by the Parliament of Tasmania.

Selection of site of pipeline and grant of Supplementary Lease or Leases therefor and for other purposes

- (b) That
 - (i) For the purpose of constructing one or more pipelines (which term shall whenever used in this Lease include pipelines and all ancillary improvements and facilities therefor and roads and accesses thereto) the Lessees shall have the right from time to time to enter upon the land hatched black on the Plan and make surveys, take levels and clear the same or any part thereof and select therefrom a strip of land One hundred and fifty (150) feet wide running generally in a north-south direction through the entire length of the said land hatched black and to erect and construct on through and over the said strip a pipeline or pipelines PROVIDED that the selection of any strip that is within the area comprised in Exploration Licence Number EL 4/61 shall be subject to the obtaining of the consent in writing of the holder of such Exploration Licence.
 - (ii) The State will grant Supplementary Leases of such strip or any part or parts thereof (limited, however, to the surface and to a depth of fifty (50) feet below the surface thereof) as and when the same shall have been selected by the Lessees and shown on a survey plan or plans lodged with the Director.
 - (iii) The State will from time to time grant to the Lessees Supplementary Leases of such further lands as are reasonably required whether as sources of iron ore or otherwise to enable the Lessees effectively to carry on the operations contemplated by the State and the Lessees. In particular but without limiting the generality of the foregoing the State will grant Supplementary Leases of all lands reasonably required by the Lessees for installation of additional plant, to give the Lessees adequate access from State roads to any part of the Leased Premises, and to bring to and discharge from all parts of the Leased Premises and the mine town to be located in the vicinity thereof adequate quantities of water PROVIDED ALWAYS that where in the opinion of the Director the granting of any Supplementary Lease might interfere with any mining operations or intended mining operations on any part of the area comprised in Exploration Licence Number EL 4/61 then such Supplementary Lease shall not be granted without the consent in writing of the holder of such Exploration Licence.

- (iv) Any further lands which are leased to the Lessees pursuant to paragraph (iii) hereof as sources of iron ore shall be situated within two (2) miles to the South of Mine Grid Line N 19000 as shown on the plan filed in the office of the Director bearing reference number 2571 and East of the Savage River and West of Mine Grid Line E20000 as shown on the said plan number 2571 and no Supplementary Leases of such further lands shall be granted without the consent in writing of the holder of Exploration Licence Number EL 4/61 or if there be no such holder then without the consent of the Minister in writing.
- (v) When that portion of the road known as Bass Highway which is at present located in the initial leased premises is reconstructed on land located outside the initial leased premises the State will grant to the Lessees a Supplementary Lease of the land within the boundaries of the initial leased premises on which Bass Highway is at present located.
- (vi) There shall be excepted from any Supplementary Lease any land upon which any State-owned railway or public road presently exists and any land upon which Bass Highway shall have been reconstructed as mentioned in the last preceding paragraph.
- (vii) If Bass Highway shall be reconstructed as aforesaid on any land included in any Supplementary Lease previously granted to the Lessees the Lessees shall upon the Minister so requesting in writing surrender the Lease of such land to such person authority body corporation or commission as the Minister shall, in such request, nominate.
- (viii) Any Supplementary Lease granted for the purpose of bringing water to or discharging water from any part of the Leased Premises or the mine town shall confer upon the Lessees for the remainder of the term of this Lease all rights necessary or convenient to take or discharge such water.
- (ix) When it is necessary for the State to acquire any land for the purpose of granting Supplementary Leases as herein provided such land shall with all possible expedition be acquired by the Minister for such purpose. For the purposes of this paragraph "land" includes any estate or interest in land and all rights contractual statutory or otherwise relating to land.
- (c) That the Minister on behalf of the State will from time to time when requested in writing by the Lessees consent in writing to the Lessees making improvements on the Leased Premises.
- (d) The State shall at all times hereafter take all steps (including resumption of private lands) as are reasonably required to vest in the Lessees the leasehold estate hereby or by any Supplementary Lease granted free of all estates and interests and all rights, contractual statutory or otherwise other than such as are hereby reserved.
- (e) The State shall at all times hereafter indemnify and keep the Lessees indemnified from and against all claims made by persons rightfully claiming in respect of any act performed by the Lessees in the bona fide exercise of the rights and powers conferred upon them under this Lease or any Supplementary Lease and which act constitutes an interference with any estate or interest or any right contractual statutory or otherwise of the claimant in or to or relating to the Leased Premises or any part thereof including without limiting the generality of the foregoing any such claim or claims rightfully made by any holder or holders of any Exclusive Forest Permit or Forest Lease or any lease or licence under the Crown Lands Act 1935.
- 6. THE Premier on behalf of the State and the Lessees mutually agree and declare that:**
- (a) (i) Sections 55, 56, 57, 58, 59, 60, 61 and 131 C of the Act shall not apply to this Lease or to any Supplementary Lease.
- (ii) This Lease has been granted to the Lessees on condition that they will as soon as reasonably practicable commence to use the same for the mining concentrating and pelletising of iron ore and to that end will make improvements sufficient for the production of not less than One million five hundred thousand (1,500,000) tons of iron ore pellets per annum. If such improvements have not been made within a period of five years from the date hereof or such longer period as the Minister shall determine then it shall be lawful for the Minister to declare this Lease and each and every Supplementary Lease terminated and the rights of the Lessees hereunder and thereunder forfeited PROVIDED HOWEVER that if the Minister shall determine to extend the said period of five years by the addition of a further period it shall be lawful for the Minister at the time of such extension to also extend the term granted by this Lease by the addition thereto of the same further period as is then added to the said term of five years.
- (iii) If the Lessees shall fail to pay in accordance with the terms and conditions hereof of the rent or the royalty provided for in this Lease or any rent provided for any Supplementary Lease or if the Lessees shall fail to observe and perform any of the covenants and conditions herein expressed to be performed or observed by the Lessees and if such failure shall continue for thirty (30) days after receipt by the Lessees of written notice from the Minister specifying such failure then and from thenceforward (unless the Lessees shall in the meantime rectify such failure) it shall be lawful for the Minister to declare this Lease and each and every Supplementary Lease terminated and the rights of the Lessees hereunder and thereunder forfeited without prejudice to any other remedy the State may then have PROVIDED HOWEVER that if the Lessees shall deny the failure alleged by the Minister and shall request judicial determination thereof the period until the matter is finally determined shall not be deemed to be part of the said thirty (30) days hereinbefore referred to and if the contention of the

Grant of
Water Rights

Acquisition
of Lands

Consent to
Improvements

Good Title

Indemnity

Mutual
Agreements
State's right
to Terminate

Minister be sustained by such determination the Lessees shall have such time as the determination shall specify in which to correct the failure complained of but not less than thirty (30) days from the date of the final determination.

- No alterations of terms of Lease except by Agreement** (b) (i) Except where otherwise mutually agreed between the parties hereto the terms covenants and conditions of this Lease shall during the currency hereof remain as at the date of commencement hereof and insofar as any amendment of or substitution for the Act would have the effect of altering adding to or derogating from the terms covenants and conditions of this Lease the same shall not apply to this Lease or to the Leased Premises.
- (ii) The terms covenants and conditions of this Lease may be cancelled added to varied or substituted by agreement in writing between the Minister and the Lessees.
- Income Tax Provisions** (c) For the purposes of the Income Tax and Social Services Contribution Assessment Act 1936 as amended of the Commonwealth of Australia
- (i) This Lease and any and all Supplementary Leases are collectively a mining lease and the parties hereto do hereby state that the purpose of the grant of this Lease and any and all Supplementary Leases is to enable the persons to whom the grant is made to carry on mining operations upon the land being the Leased Premises.
- (ii) The State hereby consents to the construction by the Lessees on the Leased Premises of the improvements listed in Appendix A hereto.
- Assignment** (d) (i) Section 49 and Section 49 A of the Act shall not apply to this Lease or to any Supplementary Lease.
- (ii) The Lessees shall have the right with the consent in writing of the Minister to transfer assign sublet or otherwise dispose of this Lease or the Leased Premises or any part thereof. The consent of the Minister to any such assignment transfer subletting or other disposition shall not be unreasonably or arbitrarily withheld. In the case of any transfer or assignment such transfer or assignment shall be subject to the transferee or assignee executing in favour of the State a Deed of Covenant to comply with and observe the transferred or assigned obligations.
- Right of Inspection** (e) The Minister or his duly authorised agents shall have the right at all reasonable times to enter into and upon the Leased Premises for the purpose of inspecting the same and taking all reasonable means to ascertain the condition thereof and the kind quality and quantity of iron ore products and (if the Lessees are mining or producing or shipping other minerals) other minerals remaining therein or mined or removed therefrom including the right to take reasonable quantities of samples of such iron ore products and such other minerals and to make analyses thereof at the State's expense and to enter upon any lands on which any iron ore products or other minerals from the Leased Premises are stock-piled or to which any such material has been removed for beneficiation, pelletising, reduction or other treatment for the purpose of inspecting the facilities therefor and ascertaining the kind quality and quantity of iron ore products or other minerals thereon or for the purpose of inspecting and testing the weighing of iron ore products or other minerals produced from the Leased Premises not thereby unreasonably or unnecessarily hindering or interrupting any of the operations of the Lessees.
- Surrender by Lessees** (f) (i) Section 50 of the Act shall not apply to this Lease or to any Supplementary Lease.
- (ii) Subject to the Lessees at the time of giving the notice hereinafter referred to not being in default in the payment of any rent or royalty payable hereunder the Lessees shall have the right at any time upon not less than ninety (90) days notice in writing to surrender this Lease or any part thereof or any and every Supplementary Lease or any part thereof and in the event of such notice being given this Lease or such Supplementary Lease or such parts of such Lease or Supplementary Lease as the case may be shall terminate on the date specified in such notice as being the date of such termination such date being not less than ninety (90) days after the giving of such notice. On any surrender of any part of this Lease or of any part of any Supplementary Lease the rent payable hereunder shall be reduced at the rate of One dollar (\$1.00) per annum for each acre comprised in such part and the obligations of the Lessees under subclause (g) of Clause 4 hereof shall be reduced to such extent as is reasonable in the circumstances.
- Removal of Lessees' Property** (g) (i) Section 63 of the Act shall not apply to this Lease or to any Supplementary Lease.
- (ii) Upon the termination of this Lease whether by expiration of time or otherwise the Lessees may and shall have twelve (12) calendar months in which to remove all buildings machinery mining products and all other property of any nature or description erected or placed by the Lessees upon the Leased Premises except the property set out in Appendix B hereto which property together with such additional property as may be agreed between the Minister and the Lessees from time to time, shall not be subject to tenant rights and the Lessees shall not be entitled to remove the same upon termination.
- (iii) Notwithstanding the termination of this Lease the Lessees shall be entitled to enter into and upon the Leased Premises to the extent to which such entry is reasonably necessary to enable the Lessees to remove property as aforesaid in accordance with this Clause.
- Water Intake** (h) Without in any way limiting the generality of any power or right of the Lessees conferred by the Act or this Lease or any Supplementary Lease, the Lessees may without any charge fee or other payment whatsoever draw reasonable quantities of sea water from Brickmaker's Bay and fresh water from Savage River, Black River (including not less than fifty thousand (50,000) gallons per day from Black River) or any other source reasonably necessary for use in their operations and may construct such works and use such portion of the sea bed or the bed or banks of any river or stream as are reasonably required for such purposes.

- Water Discharge** (i) The Lessees may discharge waste water into the Savage River and into Brickmaker's Bay but the Lessees shall take reasonable and usual precautions to exclude contaminating matter from waste water so discharged and shall comply with the reasonable directions of the Director in respect thereof.
- Force Majeure** (j) Notwithstanding anything to the contrary contained in the Lease or in the Act, the parties hereto shall be relieved of all liability for failure to perform or delay in performing their obligations hereunder in the event that such failure or delay shall be caused by or arise from events or occurrences reasonably beyond their control such as, but not limited to, Acts of God, force majeure, acts of governments, war, insurrection, riots, and civil commotions, public enemies, floods and washaways, windstorms, fires, strikes, lockouts, work stoppages, labour disputes (whether partial or general), shortages of labour or essential materials, reasonable failure to secure contractors, monetary and exchange control restrictions, import or export restrictions or economic conditions reducing requirements of consumers of iron ore products produced from the Leased Premises; and this Lease shall not be declared forfeited for non-compliance by the Lessees with their obligations hereunder if such non-compliance is or has been occasioned by any one or more events or occurrences reasonably beyond their control and provided always that the relief hereby agreed to in respect of acts of governments shall not apply to, or be construed in such manner as to give relief to, the State in circumstances where the act in respect of which relief is sought is the act of the State or the Government of the State.
- Supplementary Leases** (k) (i) Every Supplementary Lease granted pursuant hereto shall be in or to the effect of the form set out in Appendix C hereto and shall be signed by the Minister on behalf of the State.
(ii) Upon the execution and delivery of any Supplementary Lease the additional premises thereby demised shall be added to and form part of the Leased Premises and this Lease shall thenceforth be read and construed in all respects as if such additional premises had been originally included in the Leased Premises.
(iii) No additional rent shall be payable hereunder in respect of any Supplementary Lease of pipeline premises, the rent payable for the land comprised in any such Supplementary Lease being already included in the rent payable pursuant to subclause (a) of Clause 4 hereof.
(iv) On the grant of any Supplementary Lease (other than a Supplementary Lease of pipeline premises) the annual rental payable hereunder shall be increased by the sum of One dollar (\$1.00) for each acre comprised in such Supplementary Lease.
- State's right to pass over pipeline** (l) The State and every person authorised by the State shall have the right at all times during the term of this Lease to pass and repass over and through any part of the pipeline premises for public purposes of an emergency nature including fire prevention and control but the State shall not in the exercise of its rights hereunder unreasonably interfere with or interrupt the Lessees' operations on the Leased Premises and if the State shall in the exercise of its rights hereunder cause any damage to the Lessees' property or shall interfere with or interrupt the operations of the Lessees on the Leased Premises the State shall compensate the Lessees in respect of such damage for any loss which the Lessees may suffer or incur.
- Rights of other persons to pass over pipeline** (m) The Lessees shall permit persons to pass and repass over any part of the pipeline premises for the purposes of obtaining and removing timber from areas adjacent thereto. No fee or other consideration shall be charged by the Lessees in respect of the grant of such permits but otherwise the Lessees may grant such permits on such terms and conditions as are reasonable.
- Compliance with existing and future law** (n) The demise hereby made and the covenants terms and conditions contained in this Lease and in any and every Supplementary Lease shall for all purposes be deemed to be valid and to comply with and satisfy the provisions of every Act and law whether now existing or whether enacted or made at any time hereafter and to the extent that such covenants terms and conditions or any of them vary from negate or conflict with the requirements of any such Act or law such covenants terms and conditions shall prevail.
- Reimbursement to State** (o) The Lessees shall reimburse the State for any sum paid by the State to any person as compensation or purchase consideration for private land acquired by the State pursuant to paragraph (ix) of subclause (b) of Clause 5 hereof but no agreement to purchase any such private land shall be entered into and no agreement shall be made as to the amount of compensation payable to any such person without the prior consent of the Lessees.
- Effect on Lease Applications** (p) This Lease shall for the purpose of this acknowledgement only and not for any other purpose be deemed to have been granted pursuant to Applications numbered 4M/64 to 9M/64 inclusive under the Act and in full satisfaction of the State's obligations in respect thereof.
- Exclusion of Certain Sections of the Act and Regulations** (q) (i) Section 6 A of the Act shall not apply to this Lease or to the Leased Premises except in so far as it relates to mining products other than iron bearing substances, vanadium, iron pyrites, and products thereof.
(ii) Section 30 of the Act shall not apply to this Lease or to the Leased Premises in so far as that Section relates to royalties on iron bearing substances and products thereof it being understood and agreed between the State and the Lessees that the sole and exclusive royalty payable by the Lessees in respect of iron bearing substances and products thereof is as set out in subclause (b) of Clause 4 hereof.
(iii) Sections 32, 42, 45, 46, 47 (1), 47 (3), 47 (6), 47 (9), 47 (10), 47 (17), 78, 82 A, 83, 91, 114, 129 (1) and 130 of the Act and Regulations 4, 5 (1), 5 (3), 17, 19, 20, 27, 31, 32, 33, 36, 37, 39, 44, 44 A, 52 and 58 thereunder shall not apply to this lease or to the Leased Premises.

- Boundary Marks** (r) As soon as is reasonably practicable the Lessees will establish and will throughout the term hereof maintain all such posts marks trenches and notices as are reasonably required to mark the boundaries of the Leased Premises.
- Mines and Works Regulation Act 1915** (s) The pelletising plant erected on part of the Leased Premises shall be deemed to be "works" within the meaning of that term as used in the Mines and Works Regulation Act 1915.
- Application of Laws of Tasmania** (t) Laws of general application of the State of Tasmania shall apply to the Lessees, this Lease and to the Leased Premises except as is otherwise herein provided and except to the extent that the same are either expressly or by necessary implication inconsistent with the provisions of this Lease or provisions as to water rights in any Supplementary Lease.
- Removal of Stone** (u) (i) The Lessees shall pay royalty at the prescribed rate on all gravel and sand removed by or with the permission of the Lessees directly from pits situated on the Leased Premises.
- (ii) Except as provided in paragraph (i) hereof no royalty or other compensation shall be payable by the Lessees to the State in respect of any stone (including overburden, rock, or stone crushed or otherwise processed to make sand or gravel) taken or removed by the Lessees from the Leased Premises for the purposes of the construction, operation or maintenance of the Lessees' facilities on the Leased Premises and the construction operation and maintenance of the facilities of the town located in the vicinity of the Savage River area.
- (iii) The Lessees may licence or permit any person or company to remove stone from the Leased Premises.
- (iv) If pursuant to the reservation in that behalf hereinbefore contained the State shall remove stone or timber from the Leased Premises the State shall not in such removal hinder or interrupt the Lessees' operations on the Leased Premises and if in such removal the State shall cause any damage to the Lessees' property or shall hinder or interrupt the operations of the Lessees on the Leased Premises the State shall compensate the Lessees in respect of such damage or other loss which the Lessees may suffer or incur.
- Compensation on Resumption** (v) In the event that this Lease or the Leased Premises or any part thereof or any interest therein is resumed by the State the compensation payable by the State to the Lessees in respect thereof shall be determined having regard to the matters set out in paragraphs (a) (b) (c) and (d) of subsection (1) and in subsections 2, 3 and 4 of Section 19 of the Public Authorities' Land Acquisition Act 1949 as in force at the date hereof.
- Survey** (w) If pursuant to subsection 16 of section 47 of the Act the Minister shall on completion of any survey cause a deed supplemental to the Lease to be prepared setting forth the description of the Leased Premises as so ascertained then upon the execution by the Minister of the said deed the description therein contained shall supersede the description contained in this Lease.
- Governing Law** (x) This Lease and every Supplementary Lease shall be governed by and interpreted in accordance with the laws of Tasmania.
- Marginal Headings** (y) The marginal headings appearing in the left margin of this Lease are inserted for convenient reference purposes only and are not definitive as to the provisions opposite those headings in the interpretation and construction of this Lease.
- Notices** (z) Any notice consent or other writing authorised or required by this Lease or by the Act to be given or sent shall be deemed duly given or sent by the State or the Minister if signed by the Minister or by the Director or by a senior permanent officer of the Department of Mines and delivered or forwarded by prepaid post to the Lessees' office at Port Latta, Tasmania, (C/- P.O. Box 446, Burnie, Tasmania) and by the Lessees if signed on behalf of the Lessees by the Manager of the Lessees' operations in Tasmania and delivered or forwarded by prepaid post to the Department of Mines at Hobart, Tasmania and any such notice consent or writing shall when forwarded by prepaid post be deemed to have been duly given or sent and to have been received on the day on which it would normally be delivered in the ordinary course of the post. Either party hereto may change the address in Tasmania to which notices consents or other writings may be given or sent by giving the other party notice of such change in which case notices consents and other writings shall not be deemed to have been given or sent unless forwarded to such party at the new address stated in the said notice.
- Joint and several liability Devolution of Covenants** (aa) The covenants of the Lessees contained in this Lease are joint and several.
- (bb) All the covenants terms provisions conditions and agreements herein contained shall run with the land comprising the Leased Premises and shall inure to the benefit of and be binding upon the successors assigns and sub-lessees of the Lessees.

IN WITNESS whereof these presents have been duly executed the day and year first hereinbefore written.

APPENDIX A

- A. Concentrator Plant—including, without limitation thereto,
1. Crusher facility (steel frame with single sheet closure) containing a crusher and attendant feeders and conveyors to the crude ore stockpile. Feeders and conveyors to the concentrator building.
 2. Concentrator building (a steel frame structure with single sheet closure).
 3. Concentrator building facilities—
 - a. Autogenous mills
 - b. Vibrating screens
 - c. Pumps
 - d. Magnetic separators
 - e. Cyclones
 - f. Ball mills
 - g. Necessary conveyors
 - h. All other equipment and facilities for the concentrating of iron-bearing substances derived from the Leased Premises.
 4. Facilities for transfer of iron ore concentrates by pumping from the concentrator building to the slurry storage tanks and thence to the pipeline system.
 5. Auxiliary facilities—maintenance shop, warehouse, office, change-room and other facilities ancillary to mining and concentration.
- B. Pipeline System
1. Slurry storage tanks and pumping system (which includes pipeline feed pumps as well as pipeline pumps).
 2. One or more booster pump stations (containing necessary pumping equipment and attendant facilities).
 3. One or more pipelines for transfer of slurry concentrates to pellet plant, including all supports and other facilities ancillary thereto.
- C. Pellet Plant
1. Receiving tank systems, consisting of storage pits, thickeners, and associated pumping equipment.
 2. Pellet Plant building and facilities, including
 - a. Dewatering and filtering system consisting of thickeners, pumps and disc filters.
 - b. Conveyor systems.
 - c. Balling equipment and auxiliaries.
 - d. Indurating equipment and auxiliaries.
 - e. Bentonite storage and handling equipment.
 3. Stockpile system
 - a. Stockpile area (in open) and improvements thereon.
 - b. Conveyors from pellet plant to stockpile.
 - c. Stacking and reclaiming equipment consisting of a stacker, tunnel, feeders and conveyor.
 4. Conveyors to loading system.
 5. Auxiliary facilities for pellet plant including, without limitation thereto, maintenance shop, warehouse, fuel oil storage and handling, offices and railroad siding.
- D. Harbour
1. Offshore conveyor system mounted on a trestle between 5,000 and 6,000 feet long which will terminate offshore at a shiploading boom which will be mounted on a pile-supported structure.
 2. Shipmooring facilities such as dolphins and permanent anchors.
 3. Navigational aids such as buoys and range markers.

Additional facilities and improvements as shall be required or, in the opinion of the Lessees, desirable for operations on the Leased Premises.

APPENDIX B

1. Pelletiser building, excluding the plant* housed therein, but including normal building foundations, roof and wall supports and cladding, and steel and reinforced concrete flooring.
 2. Facilities auxiliary to the pelletising operation including all buildings, structures and earthworks therefor, such facilities to include, but without limitation thereto, the maintenance shop, warehouse, fuel oil storage area and facilities, offices, and railroad siding, but excluding all items of plant* contained therein.
 3. Receiving tanks (or storage pits) constructed in connection with the pelletising operation including foundation pads, earthworks and underground piping, but excluding plant* related thereto.
 4. Stockpile area and facilities for pelletising operations including all buildings, structures, earthworks and underground piping, but excluding plant*.
 5. Bentonite storage area and facilities including structures and earthworks but excluding plant*.
- All of the foregoing will be situated in that portion of the initial leased premises (as defined in the Lease to which this Appendix B is annexed) located onshore at Erickmakers Bay.

* Whenever the word "plant" appears in this Appendix B it shall have the meaning ascribed (at the date of the Lease to which this Appendix is annexed) to that term for the purposes of Section 54 (1) of the Commonwealth Income Tax and Social Services Assessment Act 1936-1964 and, without limiting the generality thereof, "plant" shall include:

- (a) in relation to the pelletiser building (1 above), the dewatering and filtering system consisting of thickeners, pumps and disc filters; conveyor systems; balling equipment and auxiliaries; indurating equipment; and bentonite handling equipment; together with special foundations required for any of the foregoing;
- (b) in relation to the receiving tank system (3 above), thickener and pumping equipment;
- (c) plant complexes as follows: conveyor from pellet plant to stockpile; stacking and reclaiming equipment consisting of stacker, tunnel feeders and conveyor, and bentonite storage;
- (d) in relation to bentonite storage (5 above), equipment for use in unloading, storing, and delivering bentonite to the pelletiser building.

APPENDIX C

SUPPLEMENTARY LEASE

THIS INDENTURE made the
thousand nine hundred and

day of
BETWEEN THE HONOURABLE

One

being and as the Minister for Mines (hereinafter called "the Minister") for
and on behalf of the State of Tasmania (hereinafter called "the State") of the one part and
*
(hereinafter called "the Lessee(s)") of the
other part

WITNESSETH:

1. PURSUANT to the provisions of an Indenture of Lease dated the
day of One thousand nine hundred and granted to
Northwest Iron Co. Ltd. and Dahlia Mining Co. Ltd. and supplemental thereto the Minister on
behalf of the State hereby DEMISES AND LEASES to the Lessee(s) for a term expiring on the
date of expiry of the term created by the said Indenture of Lease ALL THAT the land hereunder
described.

DESCRIPTION OF LAND

2. **

3. ***

IN WITNESS whereof these presents have been duly executed the day and year first herein-
before written.

SIGNED SEALED AND DELIVERED by THE)
MINISTER in the presence of :

THE SEAL of
was hereunto affixed by authority of the Board
of Directors in the presence of :
(or other form of execution as the circumstances
may require)

THE SEAL of
was hereunto affixed by authority of the Board
of Directors in the presence of :
(or other form of execution as the circumstances
may require)

- * Northwest Iron Co. Ltd. and Dahlia Mining Co. Ltd. or their respective successors or assigns.
- ** If this Supplementary Lease is being granted for the purpose of giving to the Lessee(s) rights to water as set forth in the said Indenture of Lease appropriate provisions granting such rights shall be inserted.
- *** If this Supplementary Lease is being granted for the purpose of demising to the Lessee(s) land as sources of additional iron ore, here insert:
"The parties hereby agree that for the purposes of Clause (g) of the said Indenture of Lease there shall be added as from the date hereof man hours for each ten acres demised hereby to the total number of man hours secondly specified in such clause".

SIGNED SEALED AND DELIVERED by THE
HONOURABLE ERIC ELLIOTT REECE } (sgd) ERIC REECE
M.I.A. in the presence of:

(sgd) J.G. SYMONS

SIGNED, SEALED AND DELIVERED by
WILLIAM EDWARD COLWAY } (sgd) W.E. CONWAY
Attorney for NORTHWEST IRON CO. LTD. in
the presence of:

(sgd) A.L. PEARCE

SIGNED SEALED AND DELIVERED by
ROBERT HUGH MINTER } (sgd) R.H. MINTER
Attorney for DAHLIA MINING CO. LTD. in
the presence of:

(sgd) A.L. PEARCE

DARLING AND COMPANY LIMITED

DRAFT ONLY

NORTHWEST IRON CO. LTD.

STATEMENT RELATING TO SHARES AVAILABLE
FOR PURCHASE IN THIS AMERICAN COMPANY
BY AUSTRALIAN INSTITUTIONS
AND COMPANIES

Prepared by
Darling and Company Limited
50 Young Street,
Sydney.

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DARLING AND COMPANY LIMITED

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DARLING AND COMPANY LIMITED

NORTHWEST IRON CO. LTD.

S U M M A R Y

The attached document contains all the relevant facts, statements and opinions and this summary has been extracted only for the convenience of the recipients of that document.

GENERAL

Pickands Mather & Co. International has organised the Savage River Iron Ore Project in north-western Tasmania by bringing together two groups to operate the project as a joint venture. The first, Northwest Iron Co.Ltd., is a company incorporated in Delaware, U.S.A., the principal shareholders of which are Pickands Mather & Co. International, Cerro Corporation, a major international mining group, and Pocantico International Corporation, a private investment company owned by certain members of the Rockefeller family and others. The second joint venturer is Dahlia Mining Co.Ltd., another U.S. corporation, owned jointly by the Mitsubishi and Sumitomo trading companies of Japan.

Work is currently under way to develop the mine and construct facilities to provide an annual designed production capacity of 2,250,000 tons of high grade iron ore pellets over a 20-year period. Total capital investment in the project is estimated at US\$84,000,000 to be provided in equal amounts by the joint venturers.

The substantial loan capital required for the project has been arranged by the principal shareholders of Northwest Iron.

Under recently completed long term sales contracts, the iron ore pellets will be shipped to Japan for consumption by the Japanese steel companies. Shipments are expected to commence in late 1967.

SHARES AVAILABLE

The principal shareholders of Northwest Iron are willing to sell parcels consisting of common and preferred shares in the company at the same prices they paid for them on subscription. 10
Certain selected Australian companies and

DARLING AND COMPANY LIMITED

2.

institutions will have the opportunity of participating in the company by purchasing one or more parcels, each of which will consist of 40,000 common shares and 2,000 preferred shares.

The common shares have a par value of US\$1.00 and the purchase price of each of which will be US\$1.50. 20

The preferred shares have no par value, will be sold at US\$90.00 each, plus accrued dividends from 15th February, 1966 and may be redeemed by the company at a price of US\$105.00. Each preferred share is entitled to a cumulative preference dividend of US\$6.00 each year the rights to which accrue from 15th February, 1966. The shares rank ahead of the common shares for any dividend payment and in the event of liquidation or winding-up the holders of the 30
preferred shares are entitled to receive an amount of US\$100.00 for each preferred share and accumulated dividends before distribution of assets to common shareholders.

Each parcel of 40,000 common shares and 2,000 preferred shares has a purchase price of US\$240,000 (or approximately A\$214,285) plus 1% thereof to cover all fees and charges connected with the sale.

Various Australian companies, which include Ampol Petroleum Ltd. and Kathleen Investments Ltd., have agreed in principle to purchase parcels of shares described above.

RETURNS TO SHAREHOLDERS

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This is an estimate only based upon the projections and assumptions contained in the attached document. It may be read only as a statement of opinion.

Average return on investment:

- (i) Common shares - 41.5 per cent.
- (ii) Preferred shares - 8.6 per cent.
- (iii) A parcel of common and preferred shares in the proportions stated earlier - 28.8 per cent.

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Rate of return on a parcel of common and preferred shares in the proportions stated earlier, calculated on a present value basis of the cash flow available to shareholders of both income and capital. At the rate of return specified the flow of funds will equal the amount of the investment.

- (i) If Northwest Iron pays out all available profits in dividends on common shares each year - 17.8 per cent. 30
- (ii) If Northwest Iron pays a dividend of US\$0.20 on common shares each year and the accumulated profits only at the end of the venture - 12.7 per cent.

D R A F T O N L YN O R T H W E S T I R O N C O . L T D .

(A company incorporated in Delaware, U.S.A.)

STATEMENT RELATING TO SHARES AVAILABLE FOR
PURCHASE IN THIS COMPANY BY AUSTRALIAN
INSTITUTIONS AND COMPANIES

Any estimate statement of opinion or of expectation or information designated "Opinion only" which appears in this document, although arrived at after careful consideration of the available facts, is merely a statement of opinion and should not and cannot be taken or relied upon as a promise, representation or statement of fact by Northwest Iron Co.Ltd., Pickands Mather & Co., Pickands Mather & Co. International, Cerro Corporation, Pocantico International Corporation or Darling and Company Limited or any officer or employee of any of them. 10

I. GENERAL

Pickands Mather & Co. International, a subsidiary of Pickands Mather & Co. of Cleveland, Ohio, one of the largest tonnage producers of iron ore and iron ore pellets in the U.S.A., has organised the Savage River Iron Ore Project in north-western Tasmania. 20

It has brought together two groups to operate the project as a joint venture. The first, Northwest Iron Co. Ltd. is a company incorporated in Delaware, U.S.A., the principal shareholders of which are Pickands Mather & Co. International, Cerro Corporation, a major international mining group, and Pocantico International Corporation, a private investment company controlled by certain members of the Rockefeller family and others. The second joint 30

venture is Dahlia Mining Co.Ltd., another U.S. corporation, owned jointly by the Mitsubishi Shoja Kaisha Ltd. and Sumitomo Shoji Kaisha Ltd. of Japan. Work is currently under way to develop the mine and construct facilities to provide an annual designed production capacity of 2,250,000 tons of high grade iron ore pellets over a 20-year period. Total capital investment in the project is estimated at US\$84,000,000 to be provided in equal amounts by the joint venturers. Under recently completed sales contracts, the iron ore pellets will be

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DARLING AND COMPANY LIMITED

shipped to Japan for consumption by the Japanese steel companies. Shipments are expected to commence in late 1967.

The principal shareholders of Northwest Iron Co.Ltd. have agreed to advance funds to the company which may be required -

- . to maintain its working capital at a minimum of US\$500,000; and 20
- . to provide the project with any funds, in excess of US\$84 million and not otherwise made available, required to complete the project.

II. DEFINITIONS

The following abbreviations are used hereafter:

Northwest Iron Co.Ltd.	- "Northwest"	
Pickands Mather & Co.International	- "P.M.I."	
Pickands Mather & Co. (the parent company)	- "P.M."	30
Cerro Corporation	- "Cerro:"	
Pocantico International Corporation	- "Pocantico"	

P.M. Cerro and Pocantico - "The Northwest principal shareholders"
 The Savage River Iron Ore Project - "the project"
 (more fully described in Section IV hereof)

III. PICKANDS MATHER & CO. AND THE NORTHWEST PRINCIPAL SHAREHOLDERS

P.M. and P.M.I.

The planning, construction and operation of the project is being managed by P.M. which has established offices in Sydney, Port Latta and Perth. Since 1883, the principal business of P.M. has been to provide raw materials for the United States and Canadian iron and steel industries in the capacity of managers, sales agents and distributors. In iron ore mining, P.M. is one of the largest tonnage producers in North America with the largest high grade pellet production capacity in the world. In the U.S. and Canada, P.M.'s production of iron ore in 1965 was 14.7 million tons, of

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DARLING AND COMPANY LIMITED

which 11.0 million was in the form of high grade pellets.

P.M. organised, developed and manages Erie Mining Company, one of the largest producers of iron ore pellets in North America, which represents an investment of US\$500 million and has a production capacity of over 8 million tons a year presently being expanded to 10.3 million tons a year. The Wabush Mines project, in Labrador and Quebec, which began production early in 1965 with an initial annual production capacity of 5.2 million tons of pellets and concentrates from low grade iron ore, was also organised, constructed and managed by P.M. The

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capital investment in the property was about US\$300 million. P.M. has a large exploration and research staff and owns research laboratories in Hibbing, Minnesota.

In Western Australia, P.M. is conducting an exploration programme for non-ferrous metals on behalf of Australian (including Ampol Petroleum Limited and North Broken Hill Ltd.), U.S. (including Cerro and Pocantico), and Canadian corporate investors.

Cerro

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Cerro is a diversified mining and manufacturing company. It was originally formed to mine base metals in Peru, but over the years has moved into copper mining, smelting and refining. The company also owns oil property in the U.S. Assets of the company stand at about US\$316 million.

Cerro is actively exploring for new mineral deposits in Western Australia and elsewhere in the world.

Pocantico

Pocantico is a private investment company owned by certain members of the Rockefeller family and others.

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IV. THE PROJECT

land on which the project is to be conducted. The ~~project property~~ consists of the mine area, a pipeline right of way and a harbour area, all of which are included in a mining lease granted by the State of Tasmania. The arrangements with the State permit the production and removal of up to 60 million tons of iron ore pellets, about 30 years' operation at the present planned production rates. Approval has been obtained from the Australian

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DARLING AND COMPANY LIMITED

Government for the export of up to 60 million tons of iron ore pellets.

The lease has been granted by the State of Tasmania, is for a period of 30 years and requires payment of a royalty of 15 cents (Aust.) for each gross ton of iron ore product shipped from the leased property. In addition to the royalty the State, overriding royalties totalling 50 cents (Aust.) per gross ton of processed iron ore products shipped are payable. 10
These royalties are payable as to one half to Industrial & Mining Investigations Pty.Ltd., the former holder of the mining rights and as to the balance to P.M., Cerro and the shareholders of Pocantico. The royalties payable to P.M., Cerro and the shareholders of Pocantico are in consideration for the substantial funds expended in analysing and promoting the project.

At the mine area site a concentrating plant, work shops and tailings disposal system will be built. 20
Production is expected to begin in late 1967, building up to 2,250,000 tons of pellets in 1969 of which Northwest share will be 1,125,000 tons.

The mineral deposits consist mainly of magnetic ore containing about 38 per cent iron which can be readily concentrated by proven methods. Exploration and drilling have outlined sufficient open pit crude ore to produce over 45 million tons of pellets containing 67.5 per cent iron. The crude ore will be mined by open pit methods and concentrated at the mine site by grinding to a fine size. This will be followed by magnetic separation of iron ore from the waste. The fine concentrate will be pumped through the pipeline to the pellet plant at the harbour location. In the pellet plant, the magnetite 30

concentrate will be pelletised and the pellets moved by conveyor to storage or directly to ore carriers for shipment to Japan.

A pipeline is to be built from the mine site to the coast, 52 miles to the north. Field crews are now locating the route to be used to provide this economical form of transportation. The terminal of the pipeline will be at Port Latta where loading facilities will be constructed. The State of Tasmania has agreed to lend the joint venture \$A.4 million for 10 the construction of these facilities. This loan is to be repaid over a 20-year period.

4.

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V. CAPITALIZATION OF NORTHWEST

Authorised Capital

The authorised capital of Northwest consists of -

- . Four million common shares of a par value of \$US.1 each; and
- . Forty thousand preferred shares which were 20 issued at \$US.90 each.

The rights attaching to the preferred shares are set out below:

Issued Capital

Northwest has issued -

- . 2.9 million common shares at a price of \$US.1.50
- . 40,000 preferred shares at \$US.90 each.

Northwest has granted an option to P.M. to take up 800,000 common shares at \$US2.50 each. 30

Loan Capital

P.M., Cerro and Pocantico have negotiated and placed

their credit behind significant borrowings from American institutions. An amount of \$US.5,950,000.00 will be advanced against the security of 5-1/8% subordinated notes and a further sum of up to US\$29,750,000.00 will be lent on 5½% to 5-3/4% notes.

In addition a loan of \$US.4.5 million (\$A.4 million) has been granted by the Tasmanian Government to the two joint venturers.

Total Capitalization

The total capitalization of Northwest is in accordance with the foregoing, as follows: 10

18 pcls (Pref 36000
(c/s 720000=24.82%

million	<u>US\$</u>	
2.9/common shares issued at US\$1.50 each	4,350,000)
40,000 preferred shares issued at US\$.90 each	3,600,000)
Cost of options granted to P.M.	50,000	) 8
5-1/8% subordinated notes	5,950,000)
5½% to 5-3/4% notes	29,750,000)
Tasmanian Government loan - one half of the total amount.	2,250,000	38
	<u>45,950,000</u>	
		<u>46</u>

5.

DARLING AND COMPANY LIMITED

Undertaking to American Institutions 30

The principal shareholders in Northwest have undertaken to the U.S. institutions that they will maintain a minimum working capital of \$500,000 until the debt is repaid. They have further undertaken to provide the project with any funds, in excess of US\$84 million and not otherwise made available,

required to complete the project. Neither of these undertakings extend to other shareholders of Northwest.

Rights attaching to Preferred Shares

The preferred shares have no par value, were issued at a price of US\$.90 and may be redeemed at US\$.105 each. These shares are entitled to a cumulative preference dividend of \$US.6 each year which commenced to accrue from 15th February, 1966. Dividends are expected to be paid half yearly. The shares rank ahead of the common shares for any dividend payment and in the event of liquidation or winding-up the holders of the preferred shares are entitled to receive an amount of US\$.100 for each preferred share and accumulated dividends before distribution of assets to common shareholders. 10

Options

The option granted to P.M. expires on 31st December, 1982. The option warrant is transferable and divisible. 20

Voting Trust

The principal shareholders of Northwest have entered into a voting trust and P.M.I. is thereby authorised to vote in respect of all shares held by the principal shareholders of Northwest.

VI. SHARES AVAILABLE FOR PURCHASE BY SELECTED AUSTRALIAN INSTITUTIONS AND COMPANIES

The principal shareholders of Northwest are willing to sell parcels consisting of common and preferred shares at the prices at which they acquired them, to selected Australian Institutions and Companies. A fee of 1% will be payable/in addition to cover all fees and charges connected with the sale. All sales will be effected in the U.S.A. and do not appear to 30

attract Australian or American Stamp Duty.

Each parcel will consist of 40,000 common shares at a price of

6.

DARLING AND COMPANY LIMITED

US\$.1.50 each and 2,000 preferred shares at a price of US\$.90.00 each. The cost of each parcel will be:

	<u>US\$</u>		
40,000 common shares at US\$.1.50	60,000	\$1.5	10
2,000 preferred shares	180,000		
Fees and charges connected with the sale	<u>2,400</u>		
	\$ <u>242,400</u>	PLUS accrued dividends on the preferred shares from the 15/2/66 to the date of purchase.	20
	1,454,400		

The Australian equivalent of the total purchase price at current rates of exchange is \$A.215,467.

The principal shareholders have a number of parcels of common and preferred shares available for purchase. Parcels have also been reserved for purchase by Ampol Petroleum Ltd. and Kathleen Investment Ltd. who have agreed in principle to buy them.

VII. SALES

Production for the project will be taken at cost by the two joint venturers. Northwest has made arrangements to sell its half share of the production to a consortium of Japanese Steel Producers under a twenty-year contract. That contract provides for the sale of 22,250,000 tons of iron ore pellets of which a minimum of one million tons are to be delivered each year.

The Sales Agreement between Northwest and the (U.S.) Japanese Consumers provides for a Base Price of 20c. per iron unit delivered during the period from 1967 through to March 31, 1970. With pellets containing 67.5% Fe this represents a sales value of \$13.50^{US} per ton. After March 31, 1970, the Base Price will be computed to be equal to:

- (a) the weighted average price per unit (C + F) of all pellets purchased by Japanese steel or iron companies for consumption in Japan, less 10
- (b) actual freight costs per unit to the Consumers, from the Port to the respective discharge points in Japan, for all pellets sold under this Sales Agreement.

7.

DARLING AND COMPANY LIMITED

During the period April 1, 1970, through to March 31, 1973, the minimum Base Price shall be not less than 19c. and during the next three-year period the minimum shall be not less than 18½c. Although no minimum Base Price is indicated for periods subsequent to March 31, 1976, the 18½c. has been continued through 1987 in this estimate. the preparation of the financial 20

VIII. FINANCIAL ESTIMATES

OPINION ONLY

Projections of Operating Income, Profits & Cash Flow

Attached to this report are:

- . A schedule setting forth projections of the anticipated operating results and profits of Northwest through 1982 - Annexure A. 30
- . A schedule setting forth the estimated cash flow to Northwest - Annexure B.
- . A schedule of the assumptions on which Annexures A and B are based - Annexure C.

These figures have necessarily been calculated on various assumptions and are intended to show the basic economies of the project, so far as the holders of common shares of Northwest are concerned, as estimated by its management. For example, it is assumed that (a) Northwest's share of the capital costs of the project will be \$US.42,000,000; (b) operating costs will neither increase nor decrease from those which it is calculated would now prevail if the project were fully operational; 10 (c) the price to be received by Northwest under its contract (described above) with certain Japanese steel mills for the sale of pellets will be the fixed or minimum contract price for the first eight years of pellet deliveries and that the minimum price in effect on March 31, 1976, rather than higher or lower prices related to then current market values, will continue throughout the remaining' life of the contract (although the contract does not provide for a minimum beyond the first eight years); and (d) 20 that present tax laws applicable to Northwest will remain unchanged and application of those laws to items of revenue and expense will be as anticipated. Variations in capital or operating costs, in market conditions and in tax laws to their application could affect these projections. In addition, because of the novelty of certain aspects of the project and related arrangements, assumptions as to various tax matters are necessarily based on judgment rather than actual experience. 30

8.

DARLING AND COMPANY LIMITED

Accordingly, it should be appreciated that while this schedule was prepared in good faith and on assumptions believed to be reasonable, the projections set forth are not guaranteed and no responsibility

can be assumed if Northwest's actual results of operations are different from those projected.

Earnings

P.M.I. has estimated that it will cost approximately US\$.6 a ton to mine the iron ore over the twenty-year period. Compared with the average estimated revenue of US\$12.64 a ton, this leaves a working margin of US\$.6.64. Interest and other costs will reduce this margin to about US\$.6 and depreciation and amortisation to US\$4.16. Net profit per ton after Australian tax will be an average of about US\$2.30. 10

The aggregate net profit after Australian company tax is expected to be US\$.1.6 million in the first full year of operation, rising to US\$.4 million in 1969 and to US\$.5 million in 1982.

Annual Earnings per common share can therefore on this basis be expected to be an average of 67 cents (U.S.) over the life of the project. If these net profits are achieved the 67 cents (U.S.) per share represents a very attractive return on the purchase price of \$US.1.50 per share. 20

Dividends

The representatives of Northwest have indicated that it is the present expectation of the directors to pay the first dividend on common stock in 1969 at a rate of not less than 20 cents (U.S.) a share, that is, 13½ per cent of the issue price of US\$.1.50. Profits will be distributed in dividends except when in the directors' judgment it is prudent to retain such profits to provide adequate working capital to repay indebtedness and make such additional investments as will enhance the value, efficiency and productivity of the project. 30

Returns to Shareholders

(a) Average return on investment:

Upon the basis of the aforementioned estimates, the average return on investment is:-

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DARLING AND COMPANY LIMITED

. Common shares	- 41.5 per cent.	
. Preferred shares	- 8.6 per cent.	
. A parcel of common and preferred shares in the proportions stated earlier	- 28.8 per cent.	10

This calculation is arrived at by:

1. Averaging the investors share of the annual profit after tax together with preferred dividends over the twenty-two-year period of the investment.
2. Averaging the investment remaining in the company at the end of the year after allowing for retirement of preferred shares. 20
3. Expressing the average return as a percentage of the average investment.

It has been assumed that the option over common shares ^{will be} ~~was~~ exercised at the end of 1968 and the proceeds of ^{that} ~~the~~ share issue ^{was} ~~used~~ to retire half of the outstanding preferred shares.

It has been assumed that The balance of the preferred shares was assumed ^{will be} to be/retired in equal instalments in the years 1976, 1977, 1978 and 1979. 30

- (b) Rate of return on a parcel of common and preferred shares, in the proportions stated earlier, calculated on a present value basis

of the cash flow available to shareholders (of both income and capital) At the rate of return specified the flow of funds will equal the amount of the investment.

- . If Northwest pays out all available profits in dividends on common shares each year
- 17.8 per cent.
- . Where the cash flow is less than the profit reflected in the annexures the dividend paid has been assumed to be the lower amount 10 permitted by the cash flow. Accumulated profits are then assumed to be paid out in dividends when justified by the cash flow.
- . If Northwest pays a dividend of 20 cents (U.S.) on common shares each year and the accumulated profits only at the end of the venture - 12.7 per cent.

IX. EXCHANGE CONTROL & TAXATION

Taxation

~~Despite the fact that Northwest is registered in Delaware, U.S.A.,~~ Advice has been received that Australian shareholders will be at no disadvantage notwithstanding that Northwest is an American Coy compared to U.S. shareholders. Because of the double tax agreement between Australian and the U.S., Northwest is not

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DARLING AND COMPANY LIMITED

expected to be liable for any company tax above that paid in Australia. It is also anticipated that dividends can be paid to Australian shareholders 30 free of U.S. withholding tax.

A copy of a letter containing this advice, addressed to P.M.I. by Price Waterhouse & Co., Cleveland, U.S.A., is attached hereto marked "Annexure D". It should be noted, however, that the difference between the redemption price and the purchase price of the preferred share may be subject to tax in Australia.

Exchange Control

~~(Note: To be rewritten after Exchange Control ruling)~~

Australian companies or individuals ~~are not allowed~~ may not purchase ~~to hold~~ shares in foreign registered companies unless Exchange Control permission is granted. This permission is expected to be granted to enable Australian institutions and companies to avail themselves of the opportunity to purchase shares in Northwest.

X. RECOMMENDATION

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This opportunity for Australian investors to participate in a major resource development with partners of international standing and on such favourable terms, is confidently recommended.

11.

NORTHWEST IRON CO. LTD.

ESTIMATED OPERATING INCOME AND CASH FLOW

(U. S. DOLLARS - 000 OMITTED) ANNEXURE 'A'
 OPINION ONLY TO BE RETURNED

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	O.F. FINAL STATEMENT		Average	
																					Total	Per Ton	
I Production schedule, etc																							
Estimated tonnage	75	806	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	22,250	
Unit price f.o.b. Tasmania	.200	.200	.200	.193	.190	.186	.185	.185	.185	.185	.185	.185	.185	.185	.185	.185	.185	.185	.185	.185	.185		
Price per ton (67.5 Fe)	13.50	13.50	13.50	13.00	12.83	12.83	12.58	12.49	12.49	12.49	12.49	12.49	12.49	12.49	12.49	12.49	12.49	12.49	12.49	12.49	12.49		
II Operating incomes																							
Ore sales income	1,012	10,500	15,188	14,622	14,434	14,434	14,147	14,051	14,052	14,051	14,052	14,051	14,052	14,051	14,052	14,051	14,052	14,051	14,052	14,051	14,052	281,358	12.64
Cost of sales (50% of Savage River Mines operating costs)	522	5,096	6,584	6,553	6,581	6,582	6,764	6,763	6,764	6,763	6,764	6,763	6,764	6,763	6,764	6,763	6,764	6,763	6,764	6,763	6,764	133,405	5.99
Interest cost:																							
Series A Demand Debentures		572	542	503	465	427	388	350	311	273	235	197	158	120	81	43	7					4,672	.21
Series B Demand Debentures		969	869	747	625	503	382	260	138	23												4,516	.20
Harbour Loan		129	125	121	117	113	108	103	99	93	87	81	75	68	61	54	45	37	28	18	8	1,570	.07
Subordinated notes		306	290	262	249	228	208	187	167	146	126	105	85	64	44	23	3					2,500	.11
Administrative and general expenses		25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	500	.02
Cost (before capital extinguishment)	522	7,097	8,435	8,248	8,065	7,879	7,875	7,688	7,501	7,321	7,237	7,171	7,107	7,040	6,975	6,908	6,844	6,825	6,817	6,806	6,797	147,163	6.57
Gross profit before capital extinguishment and taxes	490	3,703	6,753	6,374	6,369	6,555	6,272	6,363	6,543	6,728	6,815	6,880	6,945	7,011	7,077	7,143	7,208	7,226	7,235	7,245	7,255	134,195	6.13
Capital extinguishment:																							
Depreciation of assets (20 years)		1,917	1,917	1,917	1,917	1,917	1,917	1,917	1,917	1,917	1,917	1,917	1,917	1,917	1,917	1,917	1,917	1,917	1,917	1,917	1,917	38,335	1.72
Amortisation - deferred financing		163	163	163	163	163	163	163	163	163	163	163	163	163	163	163	163	163	163	163	163	3,269	.15
Profit before income tax	-0-	2,050	2,030	2,080	2,080	2,050	2,050	2,050	2,050	2,050	2,050	2,050	2,050	2,050	2,050	2,050	2,050	2,050	2,050	2,050	2,050	41,595	1.87
Income for Australian tax (42%)	490	1,623	4,672	4,294	4,229	4,475	4,192	4,283	4,469	4,618	4,735	4,800	4,865	4,931	4,997	5,063	5,128	5,146	5,155	5,165	5,160	92,600	4.15
Current				17	1,574	1,772	1,788	1,827	1,905	1,982	2,019	2,046	2,249	2,963	2,991	3,019	3,046	3,051	3,058	3,062	3,073	41,445	1.85
Deferred	203	659	1,916	373	243	139	(6)	(6)	(6)	(7)	(7)	(6)	(182)	(867)	(867)	(867)	(857)	(447)				-0-	-0-
Indicated Net Profit	282	933	2,687	3,401	2,467	2,573	2,410	2,462	2,569	2,673	2,723	2,760	2,798	2,835	2,873	2,911	2,949	2,939	2,939	2,939	2,939	51,155	2.30
Preference dividend	240	240	120	120	120	120	120	120	120	120	120	120	90	60	30								
M.P. after pref. div.	42	693	2,567	3,281	2,347	2,453	2,290	2,342	2,449	2,553	2,603	2,640	2,708	2,835	2,873	2,911	2,949	2,539	2,097	2,103	2,107	49,535	
Earnings per share after preferred dividends	.01	.12	.69	.89	.63	.65	.63	.63	.66	.66	.71	.71	.75	.79	.78	.79	.80	.69	.57	.57	.57	(Ave. 67)	

1837. Exhibit 74 - Statement re North West Iron

- NORTHWEST IRON CO. LTD.

ESTIMATED OPERATING INCOME AND CASH FLOW

ANNEXURE 'B'
 TO BE RETYPED ON FINAL STATEMENT
 OPINION ONLY
 (U.S. DOLLARS - 000 OMITTED)

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	Total
II. Estimated Cash Flows																						
Initial working capital	2,355																					2,355
Net profit as above	282	933	2,687	3,404	2,467	2,573	2,410	2,462	2,569	2,673	2,723	2,760	2,798	2,835	2,873	2,911	2,949	2,539	2,097	2,101	2,107	51,155
Share Issue		2,000																				2,000
Add back:																						
Capital extinguishment		2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	41,595
Deferred tax provision	203	600	1,936	873	249	130	(6)	(6)	(6)	(7)	(7)	(6)	(182)	(867)	(867)	(867)	(867)	(867)	(447)			-0-
Available cash	2,845	5,703	6,763	6,357	4,795	4,783	4,484	4,536	4,613	4,746	4,796	4,834	4,696	4,048	4,036	4,121	4,162	4,172	4,177	4,183	4,182	97,105
Loan repayments:																						
5 1/2% Series A Demand Debentures		333	667	666	667	667	666	667	657	656	657	667	666	667	667	666	334					10,000
5 1/2% Series B Demand Debentures		1,109	2,213	2,219	2,218	2,219	2,213	2,219	2,213	1,112												17,750
5 1/2% Harbor Loan		62	66	70	71	73	33	37	93	93	103	110	116	123	130	138	146	154	163	173	183	2,250
5-1/2% Subordinated loan		200	400	400	400	400	400	400	400	400	400	400	400	400	400	400	200					6,000
Preferred Dividends at 6%	240	240	120	120	120	120	120	120	120	120	90	60	30									1,620
Preferred stock retirement at 10%		2,109								525	525	525	525									4,200
Total fixed liabilities	240	4,044	3,471	3,475	3,479	3,484	3,487	3,493	3,495	2,921	1,795	1,752	1,747	1,190	1,197	1,201	680	154	163	173	183	41,320
Balance available to Common Shareholders Annual amount	2,605	1,659	3,292	2,887	1,316	1,299	1,097	1,043	1,145	1,825	3,001	3,072	2,979	2,858	2,889	2,920	3,482	4,018	4,014	4,010	3,999	55,385

1838.
 Exhibit 74 - Statement
 re North West Iron

DARLING AND COMPANY LIMITED

ANNEXURE 'C'

(OPINION)

ASSUMPTIONS USED IN PREPARING ANNEXURES 'A' AND 'B'

1. The ~~pending~~ sales agreement between Northwest and the five Japanese consumers provides for a base price of 20 cents^{US} per iron unit delivered during the period through March 31, 1970. With pellets containing 67.5% Fe this represents a sales value of \$13.50^{US} per ton. After March 31, 10 1970, the base price will be computed to be equal to; (a) the weighted average price per unit (C+F) of all pellets purchased by Japanese steel or iron companies for consumption in Japan, less (b) actual freight costs per unit to the consumers, from the port to the respective discharge points in Japan, for all pellets sold under this sales agreement. During the period April 1, 1970, through March 31, 1973, the minimum base price shall be not 20 less than^{US} 19 cents and during the next three-year period the minimum shall be not less than^{US} 18½ cents. Although no minimum base price is indicated for periods subsequent to March 31, 1976, the^{US} 18½ cents has been continued through 1987 in the estimates.
2. The joint venture operating costs, based on an annual production of 2,250,000 tons have been estimated as follows:-

	Initial Twelve Months	Next Four Years	Next Fifteen Years	Twenty Year Average
<u>Cost, per ton, for:</u>				
Mining	1.90	1.46	1.46	1.48
Equipment replacement	-	-	.16	.12
Concentrating	1.21	1.21	1.21	1.21
Concentrate pumping	.22	.22	.22	.22
Pelletizing	1.32	1.32	1.32	1.32
Stocking and loading	.09	.09	.09	.09
Royalties	.73	.73	.73	.73
Local services	.17	.17	.17	.17
General operating	.46	.46	.46	.46
Management fee	.19	.19	.19	.19
<u>Total:</u>	<u>6.29</u>	<u>5.85</u>	<u>6.01</u>	<u>5.99</u>

10

3. No provision has been made for the payment of interest and principal on ^{US} \$2,000,000 of 5½% Series B demand debentures, as present indications are that this will not be required.

DARLING AND COMPANY LIMITED 20

2.

ANNEXURE 'C'

(OPINION)

4. It has been assumed that the option over common stock will be exercised at the end of 1968 and the proceeds of the ensuing share issue applied to the retirement of half the outstanding preferred shares.

ANNEXURE D

(To be ...illegible...
typed for attachment to
...illegible... statement)

PRICE WATERHOUSE & CO.

	WEC	
	FHC	
	JAH	✓
	NJM	
FILE		

UNION COMMERCE BUILDING
CLEVELAND 44115

June 20, 1966

R E C E I V E D
4 JUL 1966
Ans'd

Mr. W. E. Conway
Pickands Mather & Co. International
68 Pitt Street
Sydney, New South Wales, Australia

10

Dear Mr. Conway:

With reference to your inquiry regarding the imposition of United States tax on the distribution of future dividends by Northwest Iron Co. Ltd. to individuals or corporations resident in Australia, we wish to advise you that no U.S. tax would be levied on such payments. It is understood that Northwest's income will be derived from participation in the Savage River Project, which is a joint venture mining ore in Australia. Consequently, Northwest's source of income will be Australia and not the United States.

20

The United States tax laws provide in Section 861 of the Internal Revenue Code that dividends received from a domestic corporation (Northwest was legally organized as a U.S. corporation) will be regarded as from U.S. sources if more than 80% of its gross income is shown to have been derived from sources within the United States or, to put it another way, dividends will not be regarded as from U.S. sources if they are paid by a domestic corporation which receives less than 20% of its gross income from sources within the United States. Accordingly, the dividends to be paid by Northwest will not be regarded as being from sources within the United States.

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Sections 871 and 881 of the Internal Revenue Code provide for the imposition of tax at the rate of 30% upon dividends distributed to non-resident alien individuals and non-resident foreign corporations where the amounts received are from sources

40

within the United States. Inasmuch as the dividends to be paid by Northwest will not be from sources within the United States, the taxes imposed under Sections 871 and 881 will not apply. In addition, the tax treaty in effect between the United States and Australia provides for the imposition of taxes on dividends derived from sources within each treaty country. The treaty provides that a tax of 15% will be imposed upon dividends derived from United States' sources when paid to a resident of Australia. Under the source of income doctrine described above, the dividends paid by Northwest would not be regarded as income from United States' sources for the purposes of the treaty and, therefore, the lower rate of tax provided therein would not apply. 10

Mr. W. E. Conway

- 2 -

June 20, 1966

You also inquired as to the potential effects under U.S. tax laws which may result from the redemption of the preferred stock of Northwest which may be issued to Australian shareholders at \$90 and which is callable at \$105. If the stock is called at some future date, the Australian shareholders will realize a gain of \$15 on each share. Under U.S. tax concepts, the redemption of the preferred stock could be regarded in one of two ways. The first is that it is a sale of the stock and, under ordinary circumstances, the gain realized thereon would be taxable. The second possible view is that the redemption amounts to a distribution of dividends to the shareholders. The latter approach would be ordinarily applicable in situations where the preferred shareholders are also holders of common stock and the redemption is, in effect, a distribution of earnings and profits. It is assumed that the dividend concept is not applicable with respect to the Australian shareholders; however, if the amounts received were construed to be dividends, they would not be subject to U.S. tax under the rules enumerated above. 20 30

Treating the redemption as a sale of the stock would not ordinarily result in a U.S. tax upon the shareholders. To avoid the imposition of U.S. tax, it is necessary that the sale, or redemption, take place in Australia, and it seems fair to assume that this would occur in the natural course of events. The Australian shareholder would surrender his stock in Australia and should receive his payment therefor in that country. Inasmuch as stock is regarded as personal property under U.S. tax laws, the rules relating to taxation of such gains are contained in Sections 861 and 862 of the Internal Revenue Code. 40 50

Under these sections, gains from the sale of personal property without the United States are regarded as income from sources without the U.S. The purchase of stock in a U.S. corporation by an Australian resident individual or corporation and its subsequent sale, all of which occurs outside the U.S., is not subject to U.S. taxes.

In summary, the dividends which will be distributed by Northwest and the potential profits on the redemption of Northwest's stock are amounts which will be paid from income derived from sources within Australia and, consequently, will avoid the imposition of U.S. taxes when paid to non-resident alien individuals and foreign corporations not doing business in the United States. However, it is important that the redemption of the preferred stock actually take place in Australia so as to come within the source of income provisions described above. 10

Yours very truly,

Price Waterhouse & Co. 20

cc: R. Smith



Postal Address—
Box 665 E, G.P.O., HOBART.

Treasury

Hobart.

18th October, 1960.

MEMORANDUM for : 4306/60

Mr J.G. Symons,
Director of Mines,
Mines Department.

Steel Industry for Tasmania

I refer to our meeting on Monday, October 17th, in the office of the Hydro-Electric Commissioner (Mr A.W. Knight).

After further consideration, I feel that it would be preferable if the Premier could hold further discussion with Mr Stanley Korman instead of writing to him. There are certain questions that I feel the Premier might put to Mr Korman but which you might hesitate to put in reply to Mr Korman's letter.

I understand Mr Korman's letter to mean that he proposes to float a public company which would have an initial paid-up capital of £750,000. In these circumstances, I feel that Mr Korman might be asked:

1. Who will promote the Company? Who will the directors be? What is it desired to state in the prospectus has been granted to the Company by the Government of Tasmania by way of a lease/licence/option?

2. Would Mr Korman, acting on behalf of the Company agree that any lease/licence/option granted by the Company would be conditional on the Company raising at least £750,000 in cash to carry out the terms of any agreement with the Government?

3. In the light of (2), how and when would the Company propose spending the £750,000?

4. What capital contribution, if any, is it proposed that the Standhill Group and the Korman family will make to the Company?

5. Who are the Company's advisers and associates, (a) in Australia, and (b) overseas?

6. What assets of the Company - e.g. in the form of data, geological information, etc. - would be passed on to the Government at the end of, say, two years, in the event of the Company then going into liquidation? *see para 2 to be made available progressively during the liquidation* ^{all}

7. Would Mr Korman agree on behalf of the Company that it would have no right to assign, sell, etc. any lease/licence/option that might be granted by the Government without the consent of the Government?

8. What specific forms of assistance would the Company expect from the Government?

Investigations to proceed so that Government know the consumers should conduct business
referring to *Transport (Rail?)* *Water Supplies*
Communications *Power*
Water Harbours facilities

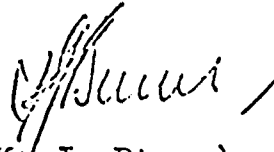
Following a further meeting when questions of this character could be put to Mr Korman, I feel that he might be invited to submit a draft of an agreement indicating :

i. What the Company would undertake to do in return for certain concessions, etc.

ii. What rights the Company would expect to be granted by the Government.

At the appropriate stage, I feel the Solicitor-General should be called into the discussions to advise the Government on legal aspects. You will advise the Company *Minister* as Director of Mines. I would be competent to advise only on matters involving the organization and financial structure of any Company proposed to be formed.

The foregoing are intended only as points for further discussions between us.



(K. J. Binns)
UNDER TREASURER

*What finance might be given & over how many years?
In view of Rio Tinto interest, has interest?
1. Reserve areas
2. Exploration, etc.*

PICKANDS MATHER & CO. INTERNATIONAL
Incorporated in Delaware, U.S.A. with
Limited Liability.

2000 Union Commerce Building,
Cleveland, Ohio, 44115

July 21, 1966

Industrial & Mining Investigations
Pty. Limited
Suite 5, 12th Floor
2 Castlereagh Street
Sydney, New South Wales
Australia

10

Gentlemen:

This is to advise you that effective as of
June 3, 1966, the interest of Pickands Mather & Co.
International in the Option Agreement dated as of
October 24, 1964, between Industrial & Mining
Investigations Pty. Limited, Pickands Mather & Co.
International and Pickands Mather & Co., as amended,
was assigned to Dahlia Mining Co. Ltd. and Northwest
Iron Co. Ltd., both being corporations organized
under the laws of the State of Delaware, United
States of America.

20

Very truly yours,
PICKANDS MATHER & CO.
INTERNATIONAL
K.S.B.
President

IN THE MAGISTRATES' COURT AT

I,

of

in the State of Victoria,

make oath and say that I served a true copy of the within summons on the

within-named defendant, by delivering such true copy to him personally at

on the _____ day of _____ 19

at the hour of _____ in the _____ noon.

SWORN at _____ in the said State, the _____ day

of _____ 19 . Before me,

*Justice of the Peace
Clerk of the Magistrates' Court*

No.

IN THE MAGISTRATES' COURT

AT

/ / 19

Complainant

v.

Defendant

Certificate of Summary

Conviction or Order

1063/71 C. H. RIXON, Government Printer, Melbourne

Exhibit 134 - Certificate
of Conviction of Stanley
Korman
1848.

CERTIFICATE OF SUMMARY CONVICTION OR ORDER

VICTORIA

REGISTER of Convictions, Orders, and other proceedings in the Magistrates' Court

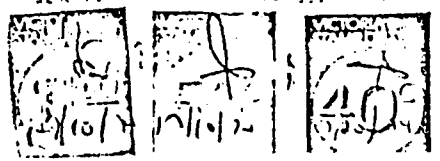
at Melbourne

Wednesday the 26th day of October 1966

No.	cc 4837/66
Prosecutor, Informant, Complainant, or Applicant	Eric Andibald Mudge
Accused or Defendant ..	Stanley KORMAN
How before the Court .. (Arrest on View, Warrant or Summons)	Summons.
Fees .. .. .	\$ | c |
Charge, Cause, or Proceeding ..	<p>Defendant at Melbourne on about 2.12.58 did contravene section of 228 Companies Act Section 37 Authorise issue of prospectus containing untrue statement.</p>
Decision, Memo of Conviction, or Order	<p>Convicted and sentenced to be imprisoned for six months. Ordered to pay \$2277.00 costs in default distress. Appeal bail fixed at \$500 with one surety of \$500.00. R.V. Hudspeth Stipendiary Magistrate.</p>
Remarks	<p>Mr Kay + Mr Shaw for prosecutor Mr Ashkinsey + Mr Emery for defendant. <u>APPELLATE JURISDICTION</u> Appeal dismissed. Conviction and sentence affirmed at Melbourne County Court on 24/11/1967 before Nelson J.</p>

I, being the Clerk of the Court at which this Register is kept, do hereby certify that the above is a true extract from such Register of the ^{conviction} order above set out.

Dated at Melbourne this 17th day of October 1970



[Signature]
Clerk of the Magistrates' Court

Exhibit 134 - Certificate
of Conviction of Stanley
Korman

DIRECTORS OF QUEENSLAND MINES LIMITED FROM INCORPORATION UNTIL 1967

<u>Appointed</u>	<u>Director</u>	<u>Address</u>
1959	Hudson, E.R.	x (a) AUSTRALIA HOTEL, SYDNEY y (b) 73 Wolseley Road, Point Piper N.S.W.
1959	Redpath, I.K.	(a) MELBOURNE (b) Florence Court, Isle of Capri, Surfer's Paradise, Qld.
1959	Korman, D.	(a) MELBOURNE (b) UNKNOWN
1962	Gladstones, V.T.	(a) MELBOURNE Deceased
1963	Korman, S.	(a) MELBOURNE (b) UNKNOWN
1964	Janover, A.W. (Alternate for Korman)	(a) MELBOURNE (b) UNKNOWN
1964	Northcott, Sir John	(a) 44 Waters Road, Wahroonga, N.S.W. Deceased
1964	Roberts, J.E.	(a) 48 Malton Ave., Beecroft, N.S.W. (b) 22 Walton Crescent, Abbotsford, N.S.W.
1964	Ridgway, J.E.	(a) 48 Kneale St., Holland Park, Qld. Deceased
1967	Madden, I. (Alternate for Ridgway)	(a) 36 Koorungal Ave., Thornleigh, N.S.W. (b) 9 Narena Close, Beecroft, N.S.W.
1967	Reid, Sir Alex	(a) 92 Circe Circle, Dalkeith, W.A. Deceased
1967	Dowling, M.R.L.	50 Mona Road, Darling Point N.S.W.
1967	Ferguson, H.B.	4 Wyargine St., Mosman
1967	Tilley, C.P.	4 Fisher St., Myrtle Bank, S.A.
1967	Michelmores, Sir Walter (Alternate for Sir Alex)	176 Queen Street, Woollahra, N.S.W.
1967	Nicholl, R.I. (Alternate for Tilley)	1 Tottenham St., North Balgowlah, N.S.W.
	(a)	ADDRESS AT DATE OF APPOINTMENT
	(b)	PRESENT ADDRESS

ERH:MS

22nd May, 1967

CONFIDENTIAL

Mr. J. G. Symons,
Director of Mines,
Department of Mines,
G.P.O. Box 124B,
HOBART.

Dear Jack,

I enclose a photostat copy of a letter received to-day from Amco International which speaks for itself.

It is not desired that any publicity be given at all at this stage as no arrangements for discussions have taken place with me as to the basis thereon, except that it is understood that the basis of their participation would be a 50% interest with a 50% Australian equity.

I thought it best to advise you of the possibility and for you to personally tell the Premier that I would not like the matter to be further publicised until such time as some clarification of the position is possible.

My best regards,

E. R. Hudson,
Managing Director.

1851. Exhibit 77 - Copy
Letter Hudson to Symons
22nd May, 1967

ARMCO INTERNATIONAL

DIVISION OF ARMCO STEEL CORPORATION

cc: M. H. Bailey
J. W. Holton

ADDRESS REPLY TO
MIDDLETOWN, OHIO 45042
U.S.A.

AIRMAIL

May 15, 1967

Mr. E. R. Hudson
No. 2 Castlereagh Street
Sydney, Australia

Dear Roy:

The mills of the gods grind slowly but they grind exceedingly fine.

I am sure that you have by this time practically come to the conclusion that Armco is not interested in the Tasmanian project. This is far from actuality.

I am pleased to tell you that our management have made a decision that they want to investigate the proposition completely and thoroughly with the idea that if the results of the study and feasibility report are favorable, it would be our intention to go into the business of mining, pelletizing and operating a steel mill there.

We are giving some thought now as to make-up of the study team that will be required to either develop information or verify data already available. Hopefully we will have a team that could be composed of certain key men from our organization here but backed up with qualified experts from Australia. For example, we might be able to use an Australian company for a thorough and complete market survey, although our thoughts in this respect are not yet crystallized.

Joe Holton is out of the States at the moment, but we expect to get together immediately after the AISI General Meeting on the 25th of May and start the wheels rolling.

We are particularly pleased, Roy, to give you this affirmative position and we sincerely hope we can from this time on move with greater speed than we have during the past five months.

CABLE ADDRESS ARMCO MIDDLETOWN, (C) TELEX ADDRESS 513-425-7023

1852. Exhibit 77 - Annexure to
Copy Letter Hudson to
Symons, 22nd May, 1967



Page 2

May 15, 1967

Kindest personal regards,

Sincerely yours,

R. W. Thomas
Director-Licensee Services

R. W. Thomas
ar

1853. Exhibit 77 - Annexure to
Copy Letter Hudson to
Symons, 22nd May, 1967

QUEENSLAND MINES LIMITED

PROSPECTUS

Underwriters:

PATRICK & COMPANY

*Members of The Sydney Stock Exchange
Limited*

1854. Exhibit 133 - Prospectus
issued by Queensland Mines
Limited

KATHLEEN INVESTMENTS (AUSTRALIA) LIMITED

12th Floor, P. & O. Building,
2 Castlereagh Street,
SYDNEY, N.S.W.

CIRCULAR TO MEMBERS

QUEENSLAND MINES LIMITED

On the 17th July, 1967, this Company advised the Associated Stock Exchanges of Australia that Queensland Mines Limited, presently a wholly owned subsidiary of Kathleen Investments (Australia) Limited, would offer for subscription to the members of Kathleen Investments (Australia) Limited approximately Two million four hundred and fifty-two thousand (2,452,000) Fifty cent (50c) shares at par on the basis of one share in Queensland Mines Limited for every three shares held in Kathleen Investments (Australia) Limited. Queensland Mines Limited at present holds uranium leases known as "Andersons Lode" and "Skal" together with two other areas under Authorities to Prospect in the State of Queensland and in the vicinity of the above leases. The purpose of the issue is to enable Queensland Mines Limited to develop and evaluate the existing uranium leases and to carry out additional exploration and development on newly acquired areas.

Certain arrangements have been entered into with Western Nuclear (Australia) Pty. Limited, a wholly owned subsidiary of Western Nuclear Incorporated of the United States of America, details of which are set out in the Prospectus.

This offer was made to give the members of Kathleen Investments (Australia) Limited the opportunity to participate directly in uranium exploration and development and to enable them to obtain the tax benefits available to the contributors of capital to this type of mining venture.

Enclosed with this circular is a Prospectus issued by Queensland Mines Limited and which sets out the full details of the issue. A rights market will be established. Members with odd lots will be able to employ the rights market to acquire additional shares to round off their holding or, alternatively, to dispose of the odd lots.

Entitlement and Application Form

Members are entitled to one share in Queensland Mines Limited for every three shares held in Kathleen Investments (Australia) Limited. Where the entitlement involves a fraction, the fraction is ignored.

Close of Issue

The issue will close at the Registry of Queensland Mines Limited at 5.00 p.m. on Friday, 1st December, 1967. Please ensure that your application is lodged by this date or, alternatively, that you consult your banker or broker who will advise you on the sale of your rights.

The issue has been underwritten by Patrick & Co., Members of The Sydney Stock Exchange Limited.

BY ORDER OF THE BOARD,

E. R. HUDSON,
Chairman.

18th September, 1967.

1855.

Exhibit 133 - Prospectus
issued by Queensland Mines
Limited

This Prospectus is dated the 18th day of September, 1967. Copies of this Prospectus have been lodged for registration with the Registrars of Companies of The Australian Capital Territory and the States of New South Wales, Victoria, Queensland, South Australia, Western Australia and Tasmania, each of whom takes no responsibility as to its contents.

QUEENSLAND MINES LIMITED

(Incorporated under the Companies Ordinance 1954 of
The Australian Capital Territory on 19th January, 1959)

PROSPECTUS

of an Issue of 2,451,400 Ordinary Shares of 50c each at Par payable 2·5c on Application together with prepayment of a first and final Call of 47·5c per share.

	AUTHORISED CAPITAL:	
12,000,000	Shares of 50c each	<u>\$6,000,000</u>
	ISSUED AND PAID-UP CAPITAL:	
2,000,007	Ordinary Shares of 50c each fully paid . . .	\$1,000,004
	SHARES NOW OFFERED FOR SUBSCRIPTION:	
2,451,400	Ordinary Shares of 50c each	\$1,225,700
	RESERVED FOR ISSUE TO KATHLEEN INVESTMENTS (AUSTRALIA) LIMITED:	
451,393	Ordinary Shares of 50c each at par to be taken up for cash not later than 31st December, 1970.	\$ 225,696
		<u>\$2,451,400</u>

The whole of the shares now offered for subscription as above have been reserved for application by shareholders of Kathleen Investments (Australia) Limited in the ratio of one share in Queensland Mines Limited for every three stock units held in Kathleen Investments (Australia) Limited at 5.00 p.m. on 13th October, 1967. Shareholders' rights to the issue are renounceable.

Page One

QUEENSLAND MINES LIMITED

DIRECTORS: ERNEST ROY HUDSON, 75 Wolseley Road,
Point Piper, New South Wales,
Chairman of Directors.

SIR ALEXANDER JAMES REID, C.M.G., I.S.O.,
92 Circe Circle, Dalkeith, Western Australia,
Company Director.

CECIL PETER TILLEY, 3 Fisher Street,
Myrtle Bank, South Australia,
Chartered Accountant.

MAX RICHARD LAIDLEY DOWLING, 50 Mona Road,
Darling Point, New South Wales,
Stockbroker.

JOHN EVAN ROBERTS, 48 Malton Road,
Beecroft, New South Wales,
Chartered Accountant.

HARRY BEATON FERGUSON, 4 Wyargine Street,
Mosman, New South Wales,
Company Director.

REGISTERED OFFICE: C/- MACPHILLAMY, CUMMINS & GIBSON,
4th Floor, E. S. & A. Bank Building,
19 London Circuit, Canberra, A.C.T. 2601

SECRETARIES: LINCOLN MADDEN, A.C.I.S., A.A.S.A.,
P. & O. Building, 2 Castlereagh Street, Sydney,
New South Wales. 2000

NEIL MOWBRAY MACPHILLAMY, B.A., L.L.B.,
19 London Circuit, Canberra, A.C.T. 2601

BANKERS: COMMONWEALTH TRADING BANK OF AUSTRALIA,
Canberra, A.C.T. and elsewhere.

AUDITORS: F. W. DUESBURY & CO., *Chartered Accountants,*
109 Pitt Street, Sydney,
New South Wales.

SOLICITORS: NICHOLL & NICHOLL, 9 Bligh Street, Sydney,
New South Wales.

**CONSULTING SOLICITORS
TO THE UNDERWRITERS:** ALLEN ALLEN & HEMSLEY,
P. & O. Building, 55 Hunter Street, Sydney,
New South Wales.

UNDERWRITERS: PATRICK & COMPANY
(*Members of The Sydney Stock Exchange Limited*)
2 Castlereagh Street, Sydney, New South Wales. 2000
220 Crown Street, Wollongong, New South Wales. 2500
43 Northbourne Avenue, City, Canberra, A.C.T. 2601
150 Queen Street, Melbourne, Victoria. 3000

QUEENSLAND MINES LIMITED

REVIEW

Queensland Mines Limited was incorporated in January, 1959, for the purpose of acquiring from Australasian Oil Exploration Limited uranium leases known as "Andersons Lode" situated in the Mount Isa district of Queensland, and for the development thereof as well as general uranium exploration.

The Company issued to Australasian Oil Exploration Limited 980,000 shares paid to 50c each for the purchase of the partly developed uranium leases.

Queensland Mines Limited, by diamond drilling of "Andersons Lode", established reserves of 2,280 short tons of U_3O_8 .

The Company also carried out extensive uranium exploration in Queensland and subsequently purchased and acquired uranium leases known as "Skal" which were partly drilled to establish reserves of 660 short tons of U_3O_8 . Drilling was discontinued although further substantial reserves were indicated.

In co-operation with the University of Queensland a pilot plant was erected at the University for the determination of the method of treatment of ore from "Andersons Lode" and "Skal" leases, and some two years of extensive research were undertaken, indicating a method of treatment of ore from "Andersons Lode".

A further 1,020,000 shares were issued for cash to provide funds for the abovementioned activities raising capital to 2,000,007 shares of 50c each.

Following a decline in world demand for uranium the Company ceased active operations in 1961.

Kathleen Investments (Australia) Limited purchased 1,020,007 shares in Queensland Mines Limited in 1964 and the Company is now a completely owned subsidiary of Kathleen Investments (Australia) Limited.

As a result of information obtained by the Company during general uranium exploration in Queensland, it recently selected and acquired an Authority to Prospect No. 388M over two areas containing approximately 149 square miles in the vicinity of the Company's existing uranium leases, considered by the Company to be favourable for uranium exploration.

On 14th July, 1967, Queensland Mines Limited entered into arrangements with Western Nuclear (Australia) Pty. Limited, a wholly owned subsidiary of Western Nuclear Inc. of the United States of America, whereby Western Nuclear (Australia) Pty. Limited will at its cost undertake metallurgical testing of ores from "Andersons Lode" and "Skal". Western Nuclear (Australia) Pty. Limited will within a period of six months from the date of execution of the formal agreements have the option to —

1. Form an equal partnership with Queensland Mines Limited for the further exploration and development of its existing areas.
2. In which event shall pay all costs of exploration and development of the existing areas until its contribution when added to the funds expended on the metallurgical test programme will equal the amount expended by Queensland Mines Limited on the subject properties at the time of exercise of the option.
3. Thereafter, will make equal contributions with Queensland Mines Limited for all additional exploration, mine development and plant construction costs and subject to complying with the conditions of the agreement will acquire a half interest in Queensland Mines Limited's existing leases.

These arrangements are covered under Heads of Agreement pending execution of formal documents.

PROSPECTS

It is believed that there will be world demand for uranium in the early 1970's and to take advantage of such demand it is desirable that the Company completes the drilling of its leases and undertakes further exploratory work commencing in the current year as reserves need to be determined prior to contract negotiations.

There are no current restrictions on the export of the present established uranium reserves from "Andersons Lode".

There is a part reservation on the quantity of uranium which can be exported from future discoverable reserves. The restriction has been imposed by the Commonwealth Government to preserve for Australia sufficient uranium for its foreseeable limited requirements.

It is difficult to predict the effect of such a restriction as it is related to the nature and extent of further uranium discoveries in Australia. Any substantial increase in Australia's present known reserves of uranium could limit the necessity and/or the effectiveness of such restriction.

PURPOSE OF THE ISSUE

The monies received from the issue will be utilized by Queensland Mines Limited:—

- (a) To develop and evaluate the existing uranium leases, "Andersons Lode" and "Skal".
- (b) To carry out additional exploration and development both in relation to the existing leases and on the Authority to Prospect in order to extend the Company's reserves, and
- (c) To undertake general exploration and uranium development.

Page Three

Exhibit 133 - Prospectus
issued by Queensland Mines
Limited

The Company will undertake further investigations into the treatment of the ores from "Andersons Lode" and "Skal" leases having regard to advanced and new methods of treatment of uranium ores and negotiate for the export of present and subsequently acquired uranium reserves.

The issue will give the shareholders of Kathleen Investments (Australia) Limited an opportunity of direct participation in Queensland Mines Limited and in uranium exploration.

ENTITLEMENT

This issue of 2,451,400 Ordinary Shares of 50c each at par, payable 2.5c on application together with prepayment of a first and final call of 47.5c per share, is restricted to shareholders of Kathleen Investments (Australia) Limited in the ratio of one share in Queensland Mines Limited for every three stock units held in Kathleen Investments (Australia) Limited at 5.00 p.m. on 13th October, 1967. Rights to the issue are renounceable. Trading in rights will commence on 11th October, 1967, and cease on 1st December, 1967.

APPLICATION FOR SHARES

Applications for shares must be made on the form issued with this Prospectus and with application money of 2.5c per share, together with prepayment of a first and final call of 47.5c per share, lodged with:—

The Registrar,
Queensland Mines Limited,
Stock & Share Department,
Commonwealth Trading Bank of Australia,
Cnr. London Circuit & Northbourne Avenue,
CANBERRA, A.C.T. 2601

Cheques should be made payable to "Commonwealth Trading Bank" and crossed "Not Negotiable". Applications will close at the office of the Registrar at 5.00 p.m. on 1st December, 1967.

RENUNCIATION OF RIGHTS

If you do not desire to take up all or any portion of your entitlement you may arrange a sale of your rights through any member of the Stock Exchanges from whom the necessary Form of Renunciation may be obtained.

INCOME TAX CONCESSIONS

(Under existing legislation).

Calls paid by taxpayers on shares of mining companies operating in Australia are at present deductible one-third for income tax purposes under Section 78 (i) (b) of the Income Tax and Social Services Contribution Assessment Act.

Calls on shares of the issue covered by this Prospectus will total 47.5c per share and deductions of one-third of this amount may be claimed in the year of income ending 30th June, 1968, subject to the provisions of the abovementioned Section.

STOCK EXCHANGE LISTING

The 2,451,400 Ordinary Shares of 50c each now being offered for subscription and reserved for application by shareholders of Kathleen Investments (Australia) Limited have been admitted to the Official Lists of The Stock Exchange of Sydney Limited, The Stock Exchange of Adelaide Limited, The Brisbane Stock Exchange, The Stock Exchange of Melbourne, The Stock Exchange of Perth and The Hobart Stock Exchange and quotation will commence shortly after share certificates have been issued. The fact that the abovementioned Stock Exchanges have agreed to list the shares is not to be taken as an indication of the merits of the Company or of the shares now offered for subscription.

UNDERWRITING AND COMMISSION

The issue of 2,451,400 shares of 50c each has been underwritten by Patrick & Company, Members of The Sydney Stock Exchange Limited, for a fee of 0.9c per share. On allotments made pursuant to applications bearing a Broker's stamp a handling fee of 0.15c per share will be paid out of the above underwriting fee.

SHARE REGISTER

The Company will maintain a share register at:—

Commonwealth Trading Bank of Australia,
Cnr. London Circuit & Northbourne Avenue,
CANBERRA, A.C.T. 2601

Page Four

REPORT BY THE AUDITORS

F. W. DUESBURY & CO.,
Chartered Accountants.

109 Pitt Street.
 SYDNEY, N.S.W.
 1st August, 1967.

The Directors,
 Queensland Mines Limited,
 19 London Circuit,
 CANBERRA, A.C.T.

Dear Sirs,

1. The following report has been prepared for inclusion in a Prospectus to be issued by your Company relating to an issue of 2,451,400 shares of 50c each at par.
2. This Company was incorporated 19th January, 1959, and we were appointed auditors effective from 1st January, 1966. Prior to this date, the audit of the Company was conducted by another firm of auditors.
3. The Company has not carried on trading operations since the date of incorporation and all expenditure has been capitalised and included in the Balance Sheet under the heading "Mining Lease Exploration and Development".
4. The Company has not incurred any liability in respect of Income Tax since the date of incorporation.
5. The following Statement of Assets and Liabilities is based on the audited Balance Sheet of the Company as at 31st December, 1966, adjusted to include a call made 12th July, 1967, totalling \$68,000 representing the balance of 6.7c per share owing in respect of 1,020,000 shares of 50c each. In the adjusted Balance Sheet the amount of \$68,000 has been offset against the balance owing to Kathleen Investments (Australia) Limited.

FIXED ASSETS (At Cost):

Mining Leases	601,999	
Mining Lease Exploration and Development	426,421	1,028,420

CURRENT ASSETS:

Cash at Bank	1,436	
Amount owing by Kathleen Investments (Australia) Limited	22,069	23,505

TOTAL ASSETS \$1,051,925

Deduct:

CURRENT LIABILITIES:

Amounts owing to Associated Companies	54,462	
Trade Creditors	333	54,795

TOTAL LIABILITIES \$54,795

SURPLUS OF ASSETS OVER LIABILITIES. \$997,130

Add: Formation Expenses 2,874

NET ASSETS \$1,000,004

Representing:

ISSUED CAPITAL:

2,000,007 Shares of 50c each Fully Paid \$1,000,004

6. No dividend has been paid by the Company since the date of incorporation.
7. Financial Accounts of Queensland Mines Limited have not been prepared in respect of a date subsequent to 31st December, 1966.

Yours faithfully,
F. W. DUESBURY & CO.
Chartered Accountants
 Registered under the Public Accountants
 Registration Act, 1945, as Amended.

Page Five

Exhibit 133 - Prospectus
 issued by Queensland Mines
 Limited

REPORT BY THE CONSULTING GEOLOGIST

49 Kneale Street,
HOLLAND PARK,
QUEENSLAND.
18th August, 1967.

To the Directors,
Queensland Mines Limited,
19 London Circuit,
CANBERRA, A.C.T.

Gentlemen,

The following report has been prepared for inclusion in the Prospectus to be issued by your Company relative to an offer to the members of Kathleen Investments (Australia) Limited to subscribe to the issue of 2,451,400 Ordinary Shares of 50c each at par.

1. **Andersons Lode:**

The total indicated tonnage disclosed by the drilling to date amounts to 1,200,000 long tons of ore containing 2,280 short tons of uranium oxide.

2. Further drilling to the west of the 110' dyke and to the east of the known lenses below 1,000' may be expected to increase the outlined tonnage.

3. **The Skal:**

Outlined tonnage disclosed by drilling to date amounts to 500,000 long tons of ore containing 660 short tons of uranium oxide.

4. The foregoing information has been derived from geological work carried on under my supervision. Drilling and assaying carried out by Australasian Oil Exploration Limited and Queensland Mines Limited. This work applies to lease areas held by or on behalf of Queensland Mines Limited and their general location is shown on the map adjacent to this report.

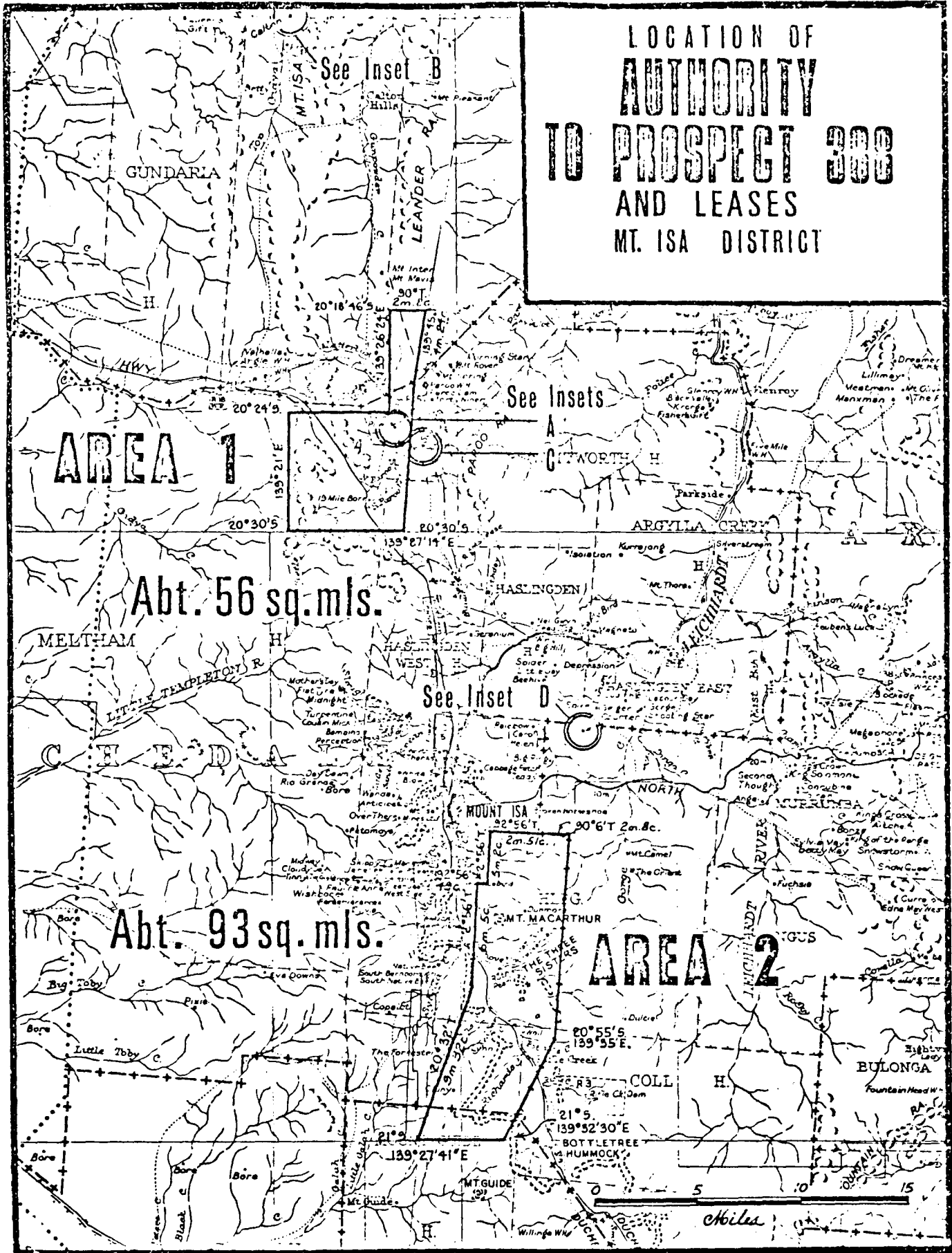
"Andersons Lode" is comprised of the following Mineral Lease Applications:—

No. 4233 "Fathers' Day"
4234 "Battery"
4235 "Geiger"
4236 "Counter"
4320 "Stump"
4316 "Geiger No. 2"
4317 "Geiger No. 3"
4318 "Geiger No. 4"
4319 "Geiger No. 5"

The "Skal" group is comprised of the following Mineral Lease Applications:—

No. 4121 "Skal"
5445 "Calton"
5483 "Bikini"
5482 "Pile"

Yours faithfully,
J. E. RIDGWAY,
Consulting Geologist.



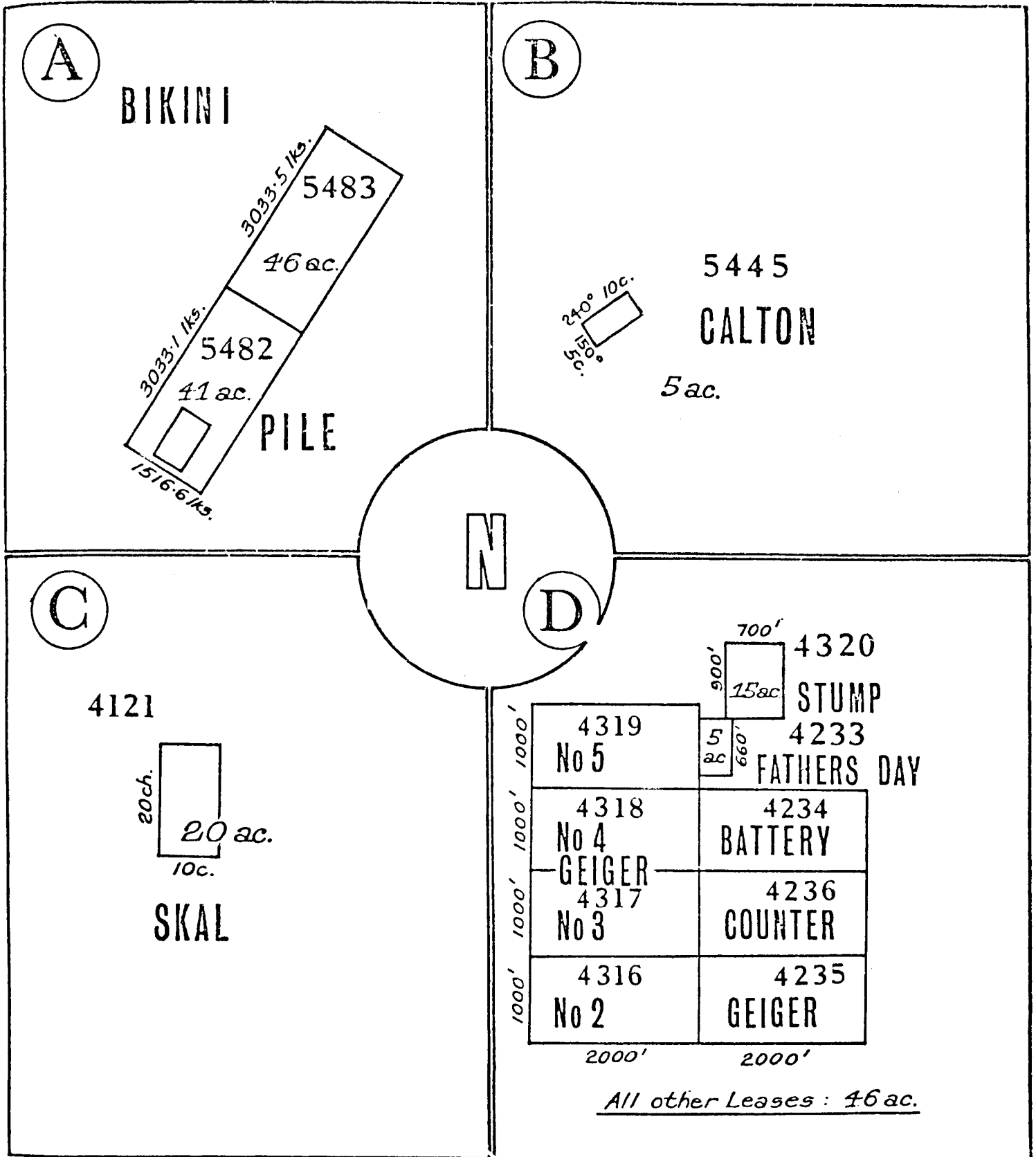
**LOCATION OF
AUTHORITY
TO PROSPECT 308
AND LEASES
MT. ISA DISTRICT**

Abt. 56 sq. mls.

Abt. 93 sq. mls.

This map was produced for the purposes of the Prospectus.

INSETS



This plan was produced for the purposes of the Prospectus.

ADDITIONAL STATUTORY INFORMATION

In this statutory information the "Company" means Queensland Mines Limited.

1. There are no founders or management or deferred shares.
2. (a) The names, descriptions and addresses of the Directors are set out earlier in this Prospectus.
(b) A Director is not required to hold any share qualification.
(c) The following provisions are contained in the Articles of Association:—
 91. The Directors other than a Managing Director shall be entitled to such fixed remuneration as the Company in general meeting shall determine. The remuneration of Directors shall not be increased except at a general meeting and when notice of such suggested increase shall have been given to members in the notice convening the meeting. Such remuneration shall be divided between them in such proportions and manner as the Directors may determine, and in default of such determination within the year equally. The Directors shall not as a Board be paid as part or whole of their remuneration a commission on or percentage of the profits or turnover of the Company. The Directors shall not have power to fix a salary or allowance for the Chairman in addition to Director's remuneration. Any Director, including any alternate Director shall also be entitled with the approval of the Directors to be repaid all travelling, hotel and other expenses incurred by him in and about the business of the Company including their expenses of travelling to and from general Board or Committee meetings.
 92. A Director may hold any other office under the Company (except that of Auditor) in conjunction with the office of Director and on such terms as to remuneration and otherwise as the Directors may arrange but shall not in any circumstances be remunerated by a commission on or percentage of turnover.
 93. A Director may be or become a Director of any company promoted by this Company or in which it may be interested as a vendor shareholder or otherwise or in any subsidiary company and no such Director shall be accountable for any benefits received as Director or member of such company.
 97. If any Director including an alternate Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing abroad or otherwise for any of the purposes of the Company the Company shall remunerate such Director by a fixed sum to be determined by the Directors and such remuneration may be either in addition to or in substitution for his share in the remuneration above provided and any such payment shall be disclosed to the shareholders at the Company's next Ordinary General Meeting.
 98. Subject to any agreement to the contrary between him and the Directors any Director who becomes a Director of any other company as the nominee of this Company may also retain for his own benefit any remuneration to which he may become entitled in that capacity notwithstanding that his qualification for such Directorship may be held by him in trust for this Company.
 99. (a) The Directors may from time to time appoint a person, whether or not he is already a Director, to be Managing Director of the Company. If the appointment is made for a fixed term, that term shall not exceed five years.
(b) An appointment may be made as aforesaid notwithstanding that the number of Directors already in office is the maximum authorised under Article 88 and a Managing Director who was not a Director at the time of his appointment shall not be taken into account in applying that Article.
(c) If a Managing Director who was not a Director at the time of his appointment ceases for any reason to be Managing Director, he shall by force of this Article and not by force of Articles 102 and 103 retire from office as a Director at the next succeeding ordinary general meeting.
100. Each Director shall have power to nominate any person approved for that purpose by a majority of the other Directors to act as alternate Director in his place during his absence or inability to act or attend as such Director and at his discretion to remove such alternate Director and on such appointment being made the alternate Director shall (except as regards share qualification) be subject in all respects to the terms and conditions existing with reference to the other Directors and each alternate Director while acting in the place of a Director shall exercise and discharge all the duties of the Director he represents but shall look for his remuneration to the Director appointing him and not to the Company. Any instrument appointing an alternate Director shall be delivered to and retained by the Company and shall as nearly as circumstances will admit be in the form or to the effect following:—

QUEENSLAND MINES LIMITED

I, _____ a Director of
Queensland Mines Limited in pursuance of the power in
that behalf contained in the Articles of Association of the
Company hereby nominate _____
of _____
to act as alternate Director in my place and to exercise and
discharge all my duties as a Director of the Company during
my absence from The Australian Capital Territory (or my
inability to act or attend as a Director) as the case may be.

As witness my hand this _____ day of
19____

If the Director making any such appointment as aforesaid shall cease to be a Director the person appointed by him shall thereupon cease to have any power or authority to act as an alternate Director.

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Additional Statutory Information — Continued

110. Kathleen Investments (Australia) Limited shall so long as it shall be the registered holder of not less than forty per cent (40%) of the issued share capital of the Company be entitled to appoint two of the Directors of the Company if the number of Directors is five and three if the number of Directors is seven and also shall at any time be entitled to fill a casual vacancy among the Directors appointed by it and to remove any person so appointed by it from the position of Director of the Company and to appoint another person in his place. Any appointment or removal of a Director pursuant to the provisions of this Article shall be made by notice in writing under the seal of the Company or signed by the person or persons entitled to exercise such power and shall take effect from the time such notice shall have been received by the Company. If at any time the Company or persons or person who shall have appointed a Director or Directors of the Company pursuant to the provisions of this Article shall cease to be the holder of the percentage of shares in the paid-up capital of the Company in this Article hereinbefore set out the person or persons appointed as a Director or Directors of the Company by such company, person or persons as aforesaid shall ipso facto cease to be a Director or Directors of this Company.
115. The remuneration of a Managing Director shall from time to time be fixed by the Directors but shall not be by a commission on or percentage of turnover.
3. (a) In the opinion of the Directors the minimum amount which must be raised by this issue of shares in order to provide any sum in respect of:—
- | | |
|--|-----------|
| (i) The purchase price of any property purchased or to be purchased which is to be defrayed in whole or in part out of the proceeds of the issue | Nil |
| (ii) Preliminary expenses payable by the Company are nil. Commission payable to any person in consideration of his agreeing to subscribe for, or of his procuring or agreeing to procure subscriptions for, any shares in the Company. | \$ 22,063 |
| (iii) The repayment of any money borrowed by the Company in respect of any of the foregoing matters, and | Nil |
| (iv) Working capital | \$500,000 |
- (b) No amount is to be provided in respect of the matters aforesaid otherwise than out of the proceeds of the issue.
4. The time of the opening of the subscription lists will be 10 a.m. on 16th October, 1967.
5. The amount payable on application on each share now offered for subscription is 2.5c together with a payment of 47.5c as and by way of advance payment of calls thereon. No further amount is payable on allotment.
6. No shares or debentures have been issued or agreed to be issued as fully or partly paid up otherwise than in cash within two years immediately preceding the date of this Prospectus.
7. No person has, or is entitled to be given, an option to subscribe for any shares in or debentures of the Company, except insofar as the priority given to the members of Kathleen Investments (Australia) Limited, particulars of which are given elsewhere in this Prospectus, and in respect of an option granted to Kathleen Investments (Australia) Limited, M.L.C. Building, London Circuit, Canberra, A.C.T., to take up 451 393 fully paid 50c shares at par on or before 31st December, 1970, particulars of which are given in sub-paragraph (i) of paragraph 12 hereof.
8. There are no subsidiaries of the Company. There is no property purchased or acquired by the Company or proposed to be purchased or acquired which is to be paid for wholly or partly out of the proceeds of the shares now offered for subscription by this Prospectus or the purchase or acquisition of which has not been completed at the date of issue of this Prospectus other than property the contract for purchase or acquisition whereof was entered into in the ordinary course of the Company's business, the contract not being made in contemplation of the issue or the issue in consequence of the contract. No amount is payable in shares or debentures to any vendor and no amount has been paid or is payable for goodwill. There is no transaction relating to any such property completed within two years preceding the date of this Prospectus in which any vendor of the property to the Company or any person who is or was at the time of the transaction a promoter or Director or proposed Director of the Company had any interest direct or indirect.
9. Save for the underwriting commission payable to the Underwriters pursuant to the Underwriting Agreement referred to in sub-paragraph (ii) of paragraph 12 hereof and the brokerage payable by the Underwriters out of that underwriting commission no amount has been paid or is payable by the Company as commission for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in or debentures of the Company and no directors, promoters, experts or proposed directors of the Company are entitled to receive any such commission. The rate of the said underwriting commission payable as aforesaid is 0.9 cents per share.
10. The estimated amount of expenses of the issue including the underwriting commission referred to in Clause 3 (a) (ii) is \$42,000 which amount is payable by the Company.
11. No amount or benefit has been paid or given within the two preceding years nor is intended to be paid or given to any promoter except that if it be held that Kathleen Investments (Australia) Limited is a promoter then the benefits (if they be held to be benefits) of the option referred to in paragraph 7 on the terms and for the consideration referred to in sub-paragraph (i) of paragraph 12 have been given to Kathleen Investments (Australia) Limited.
12. The dates of, parties to and general nature of every material contract, not being a contract entered into in the ordinary course of the business carried on or intended to be carried on by the Company or a contract entered into more than two years before the date of the issue of this Prospectus, are as follows:—
- (i) 12/7/1967 The Company and Kathleen Investments (Australia) Limited
Option to Purchase for cash 451,393 shares of 50c each at par on or before 31st December, 1970, in consideration of Kathleen Investments (Australia) Limited agreeing to advance to the Company all monies required by the Company for the purpose of carrying on its business for a period of six months from the date hereof.
- (ii) 25/8/1967 The Company and Messrs. Patrick & Company
Agreement for the underwriting of the issue of the shares now offered for subscription.

Additional Statutory Information — Continued

- (iii) 14/7/1967 The Company and Western Nuclear (Australia) Pty. Limited Heads of Agreement whereby in consideration of Western Nuclear (Australia) Pty. Limited undertaking at its cost detailed metallurgical testing of ores from Anderson's Lode, The Skel lease and such other deposits as may be located, that Company will within a period of six months have the right to join Queensland Mines Limited as an equal partner in its exploration development and production of ores subject to contributing capital equal to the capital invested by Queensland Mines Limited at the time of the exercising of the option and thereafter to contribute equally with Queensland Mines Limited on subsequent expenditure.

Copies of the preceding documents, and of the consents referred to in paragraph 17 below may be inspected during normal business hours at the Registered Office of the Company, namely C/- Macphillamy, Cummins & Gibson, 4th Floor, E. S. & A. Bank Building, 19 London Circuit, Canberra, A.C.T. and at the undermentioned offices of the Company and its representatives:—

New South Wales:	Suite 5, 12th Floor, P. & O. Building, 2 Castlereagh Street, Sydney.
Victoria:	Mallesons, 105 King Street, Melbourne.
Queensland:	Tully & Wilson, Lombard House, 316 Adelaide Street, Brisbane.
South Australia:	Peter Tilley & Co., 200 East Terrace, Adelaide.
Western Australia:	49 Bennett Street, Perth.
Tasmania:	H. C. Cuthbert & H. C. Orbell & Associates, 80 Harrington Street, Hobart.

13. The name and address of the Auditors of the Company are as set out earlier in the Prospectus.
14. No shares shall be allotted on the basis of this Prospectus later than six months after the date of the issue of the Prospectus.
15. The share capital of the Company is not divided into different classes of shares.
16. (a) The Company was incorporated in The Australian Capital Territory on 19th January, 1959, and has carried on business since that date. Its registered office and principal place of business in The Australian Capital Territory is C/- Macphillamy, Cummins & Gibson, 4th Floor, E. S. & A. Bank Building, 19 London Circuit, Canberra.
(b) The Company is registered as a foreign company in Queensland, where its principal office is at 316 Adelaide Street, Brisbane.
(c) The Company has not established a place of business in New South Wales, Victoria, South Australia, Western Australia or Tasmania. The Company has established a place of business in The Australian Capital Territory and Queensland and the address of its principal office in these States is as shown in this paragraph.
17. Each of Mr. J. E. Ridgway and F. W. Duesbury & Co. whose reports appear herein has given and has not withdrawn, prior to the delivery of a copy of this Prospectus for registration, written consent to the issue of this Prospectus with the relative report included in the form and context in which it is included.
18. Mr. Ernest Roy Hudson, Sir Alexander James Reid, Messrs. Cecil Peter Tilley, Max Richard Laidley Dowling, John Evan Roberts and Harry Beaton Ferguson are Directors of and shareholders in Kathleen Investments (Australia) Limited and as such are interested in the promotion of the Company.
In addition, Mr. Max Richard Laidley Dowling is a partner in the firm of Patrick & Company which firm has entered into an agreement for the underwriting of the issue of shares now offered for subscription for a fee of \$22,063 in cash.
19. The Company was incorporated with limited liability on the 19th January, 1959, in The Australian Capital Territory under the Companies Ordinance 1954. The constitution of the Company is defined by its Memorandum and Articles of Association. Copies of the Companies Ordinance (as amended) and copies of the Memorandum and Articles of Association of the Company may be inspected during normal business hours at the addresses listed in paragraph 12 of the statutory information.
20. The Company has not incurred any liability in respect of taxation since incorporation.
21. The Directors report that after due inquiry by them in relation to the interval between the 31st of December, 1966, (being the date to which the Company's last accounts have been made up) and 18th September, 1967;
(a) There are no subsidiaries of the Company;
(b) The business of the Company has in their opinion been satisfactorily maintained;
(c) There have in their opinion arisen no circumstances adversely affecting the Company's trading or the value of its assets;
(d) The current assets of the Company appear in the books at values which are believed to be realizable in the ordinary course of business;
(e) There are no contingent liabilities by reason of guarantees given by the Company.
(f) Since the last Annual Report there have been no changes in published reserves nor any unusual factors affecting the profit of the Company.

ERNEST ROY HUDSON

By His Agent Authorised in Writing

R. NICHOLL

ALEX REID

C. P. TILLEY

MAX RICHARD LAIDLEY DOWLING

^A
By His Agent Authorised in Writing

RICHARD H. ALLEN

J. EVAN ROBERTS

H. B. FERGUSON

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1867.

Exhibit 133 - Prospectus
issued by Queensland Mines
Limited

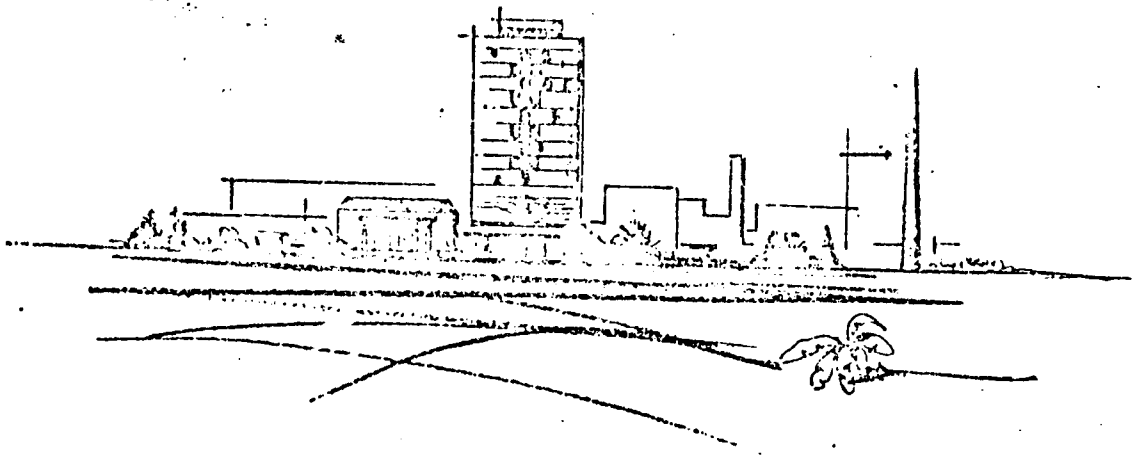
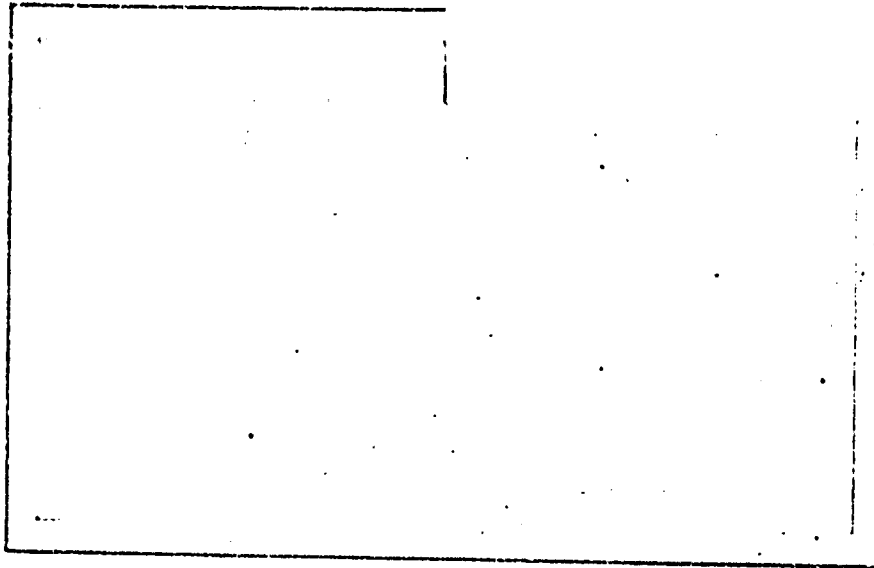
DIRECTORS OF KATHLEEN INVESTMENTS (AUSTRALIA) LIMITED

From date of Incorporation Until 1968

<u>Appointed Director</u>	<u>Address</u>	
10.3.58 Northcott, Sir John	(a) 33 Waters Road, Wahroonga, N.S.W. (b) Deceased. Died August, 1966	
Tilley, C.P.	3 Fisher Street, Myrtle Bank, S.A.	
Reid, Sir Alex	(a) 92 Circe Circle, Dalkeith, W.A. (b) Deceased. Died August 30, 1968	10
Louat Q.C., Dr. Frank	(a) 1 Elemang Avenue, Kirribilli, N.S.W. (b) Deceased. Died January 27, 1963.	
Hudson, E.R.	(a) 472 Williams Street, Broken Hill N.S.W. (b) 73 Wolseley Road, Point Piper N.S.W.	20
Marks, Sir John	(a) 61 Parriwi Road, Mosman, N.S.W. (b) Resigned April, 1964.	
6.6.63 Roberts, J.E. (Former Secretary K.I.)	(a) 48 Malton Road, Beecroft, N.S.W. (b) 22 Walton Crescent, Abbotsford N.S.W.	30
? .5.64 Ferguson, H.B.	(a) Sydney (b) 4 Wyargine Street, Mosman, N.S.W.	

- (a) Address at time of appointment
(b) Address, if changed, since appointment.

RESEARCH



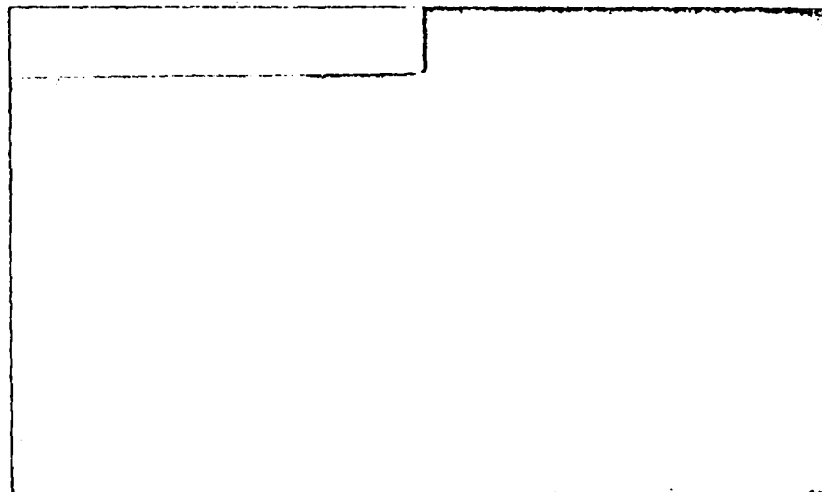
BATTELLE MEMORIAL INSTITUTE

COLUMBUS LABORATORIES

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Memorial Institute's report

BATTELLE MEMORIAL INSTITUTE

COLUMBUS LABORATORIES • 505 KING AVENUE • COLUMBUS, OHIO 43201



FIELDS OF RESEARCH

Aeronautics — Astronautics	Foundry Practice	Organic Coatings
Agricultural Chemistry	Fuels — Combustion	Packaging Research
Agricultural Economics	Glass Technology	Particle Dynamics
Alloy Development	Graphic Arts Technology	Petrochemicals
Applied Mathematics	Immunology — Cancer Studies	Petroleum Engineering
Area Economics	Industrial Economics	Pharmaceutical Chemistry
Biochemistry	Industrial Physics	Physical Chemistry
Biophysics — Bionics	Information Research	Production Engineering
Catalysis — Surface Chemistry	Inorganic Chemistry	Psychological Sciences
Ceramics	Instrumentation	Pulp — Paper Technology
Chemical Engineering	Light Alloys — Rare Metals	Radioisotopes — Radiation
Chemical Processes	Lubricant Technology	Reactor Technology
Communications Science	Materials Separation — Concentration	Refractories
Computer Technology	Mechanical Engineering	Reliability Engineering
Corrosion Technology	Metal Fabrication Engineering	Rubber — Plastics
Earth — Atmospheric Sciences	Metal Finishing	Semiconductors — Solid-State Devices
Electrochemistry	Metallurgical Processes	Sound — Vibration
Electronics	Microbiology	Systems Engineering
Energy Conversion	Microscopy — Mineralogy	Textiles — Fibers
Engineering — Structural Materials	Nondestructive Evaluation Technology	Theoretical — Applied Mechanics
Environmental Systems	Nonferrous Metallurgy	Thermodynamics
Extractive Metallurgy	Nucleonics	Transportation
Extreme-Temperature Technology	Ocean Engineering	Welding — Metals-Joining Technology
Ferrous Metallurgy	Organic Chemistry	Wood — Forest Products

SUMMARY REPORT

on

THE FURTHER DEVELOPMENT OF
THE SAVAGE RIVER IRON ORE
DEPOSITS OF TASMANIA

including

A FEASIBILITY STUDY OF A RELATED
STEEL-PLANT PROJECT

to

INDUSTRIAL AND MINING
INVESTIGATION PTY., LTD.

November 30, 1968

by

S. A. Schilling, R. E. Presnell, W. R. Purcell,
H. W. Lownie, Jr., and J. R. Miller

Battelle Memorial Institute

S. Whitehead

The Australian Mineral Development Laboratories

J. W. Lawler

International Technical Services Ltd Australia

BATTELLE MEMORIAL INSTITUTE
Columbus Laboratories
505 King Avenue
Columbus, Ohio 43201

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Memorial Institute's report

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the northern section against 0.24 percent for the central section which is now being worked by Pickands-Mather and Company.

Assuming a 2:1 concentration ratio, the existence of an estimated 77 million tons of recoverable ore will be adequate for about 12 years of mining at a rate of 6 million tons of ore (3 million tons of concentrate) annually. At least 120 million tons of ore should be proved to insure a reasonable life for any new mining project at Savage River.

Battelle estimates that a total investment of US \$97.8 million (A \$86.0 million)* is required to develop the northern section of the ore deposit and build the necessary production facilities and service facilities (similar to the present Pickands-Mather operation) to yield 3 million tons of oxide pellets per year. If sales contracts for the entire annual output of 3 million tons can be negotiated at a price of US \$0.185 per iron unit fob pellet plant, the indicated return on investment after taxes is about 7.5 percent.

The Market for Iron Oxide Pellets

A review, analysis, and forecast by Battelle of 1980 world markets for Australian iron ore, and specifically for iron oxide pellets, indicates that the annual need for oxide pellets by the three major steelmaking regions of the world might approach 60 million tons. The United States is expected to require 90 million tons of oxide pellets in 1980; 20 million tons of which may be imported, but largely from Canada. Japan is expected to import 20 million tons of the 23 million tons of oxide pellets it will consume in 1980. It is estimated that Western European steelmakers will consume 30 million tons in 1980, with perhaps 20 million tons open to imports.

Although the potential market for Australian iron oxide pellets in 1980 is large, many consumers have been actively entering into long-term purchase contracts or making plans to produce their own pellets. Admittedly, another 2 to 3 million tons of oxide pellets per year would be a relatively small incremental addition to world supply when considering a 60-million-ton potential foreign market, but successful penetration of that market is an inverse function of time. The Savage River product may have an added handicap in that it may have an impurity content higher than that of competing oxide pellets.

The Australian Market for Steel

Basic to the selection of alternative types and sizes of steelmaking facilities is a knowledge of the magnitude and nature of the markets for steel. A study, limited to Tasmania and mainland Australia, indicates that the Australian market for steel products is growing rapidly. The apparent consumption of steel products (expressed as ingot equivalent) in 1946 was slightly under 1 million tons. In 1967, Australia consumed about 5 million tons, and Battelle estimates that consumption in 1980 will be about 11.5 million tons, or more. The opportunity (and need) for more steelmaking capacity in Australia

*Conversions are US \$1.00 = A \$0.88.

is considerable if Australia is to supply its future demands for steel mainly through domestic production.

At an estimated yield of 78 percent in proceeding from ingot to finished products, 9 million tons of the latter would be consumed in 1980. The product-mix is shown in Table 1.

Analysis of the metalworking-industries employment data figures on their use of materials indicates an estimated relative importance of the three largest steel-consuming states in Australia as

	<u>Percent of Total Australian Market</u>
New South Wales --	39
Victoria --	33
South Australia --	<u>11</u>
Subtotal	83

Tasmania presently represents about 2 percent of the Australian market. The present product mix of Tasmanian consumption and that estimated for 1980 are shown in Table 2.

The market analyses and forecasts indicate that the Australian steel market is expanding rapidly, and that about 83 percent of the market is to be found in the three mainland states closest to Tasmania. Victoria, a possible consumer of 3 million tons of steel products in 1980, does not have a steel-producing plant at this time. The Tasmanian market, while only 2 percent of the total Australian market, suggests the possibility of a small steel-producing facility.

Steelmaking-Plant Alternatives

The on-site examination of possible plant locations, transportation facilities and costs, market requirements, competitive forces, and the economic needs of Tasmania when matched with a list of likely steel-producing methods and sizes of operations, suggested six ironmaking and steelmaking alternatives. Selection of the alternatives assumed (1) sufficient reserves in the northern section of the Savage River deposit to supply an iron and steel facility for 40 years, (2) concentrates of a quality that will not require blending with ore from other sources, and (3) availability of oxide pellets at an economic price. It is emphasized that ability to attain the conditions expressed by these assumptions is still to be determined.

The alternatives selected are:

- Case 1. A small steel plant in the Port Latta area to supply the Tasmanian market with bar and rod products. The plant is designed to use about 62,000 tons of oxide pellets per year for conversion to sponge-iron pellets by direct

TABLE 1. SUMMARY OF BATTELLE FORECAST OF AUSTRALIAN
CONSUMPTION OF STEEL PRODUCTS, 1979-1980

Product	Consumption	
	Percent	1000 Long Tons
Rails and accessories	4	360
Material for wire	12	1,080
Material for tube and pipe	7	630
Merchant bar	21	1,890
Structural	6	540
Ingots, blooms, and semis	3	270
Plates and material for sheet and strip	42	3,780
Tinplate	5	450
Total	100	9,000

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TABLE 2. ESTIMATED PRODUCT MIX OF TASMANIAN STEEL
CONSUMPTION IN 1968 AND 1980

Product	Estimated Annual Consumption, long tons	
	1968	1980
Bar, rod, angle ingot, etc.	17,000	40,000
Plate and sheet		
Tinned	5,000	12,000
Galvanized	20,000	37,000
Pipes and tubes (incl. fittings)	11,500	32,000
Wire	10,500	18,000
Railway-track materials	(a)	8,000
Structural	11,000	25,000
Pig iron and scrap	(a)	6,000
Other	5,000	2,000
Total	80,000	180,000

(a) Included in other.

Source: Battelle estimates.

reduction by the SL-RN process (with coal as the reductant), and thence to steel in an electric-arc-melting furnace. The molten steel is continuously cast into billet, and subsequently rolled into 43,200 tons of bars and small merchant shapes.

- Case Ia. A modification of alternative (1) involving the production of sponge iron by the HyL process (using naphtha as the reductant), electric-furnace steelmaking, continuous casting, and merchant-bar production, all in the Port Latta area. Production capacity is 44,460 long tons of products per year.
- Case II. A conventional, large, integrated steel plant with coke ovens, a blast furnace, BOF steelmaking, and a production capacity of 1 million tons of molten steel per year, located in the Port Latta area. The plant is capable of turning out 850,200 tons of finished products annually, in the form of wire rod, merchant bar, hot- and cold-rolled sheets, and cold-rolled coils.
- Case III. A large plant in the Port Latta area designed to convert oxide pellets into 1 million tons of sponge-iron pellets annually using the SL-RN process with coal as the reductant. The product is intended for use in steelmaking furnaces located outside Tasmania.
- Case IV. A large plant in the Port Latta area to produce the same amount of molten steel and steel products as Case II, but utilizing its own sponge-iron pellets produced by the SL-RN process instead of conventional ironmaking in a blast furnace and steelmaking by the BOF process.
- Case V. The same as Case II, but with the plant location at Geelong, Victoria.

A before-tax cost analysis of the six alternatives was made, and a measure of their relative profitability is given in Table 3.

From the standpoint of estimated profitability, three alternatives clearly are not attractive: Case (1a) the small steel plant in Tasmania based on the HyL process using naphtha; (2) the large conventional steel plant in Tasmania using the conventional blast-furnace process; and Case (5) the large conventional steel plant in Victoria. The range of estimated capital investment required for each of these three alternatives is from A\$10.4 million for Case Ia to A\$285.1 million for Cases II and V. The annual gross profit (before taxes and before financial charges), expressed as a percentage of capital investment, ranged from 2.9 to 6.3 percent. Development of the northern section to include mining operations and production of 3 million tons of oxide pellets per year will require an additional A\$86.0 million expenditure. This investment of itself involves, on the same basis (before taxes and before financial charges), an annual gross profit of about 13 percent on the capital outlay.

TABLE 3. COMPARISON OF ESTIMATED CAPITAL INVESTMENT AND ESTIMATED GROSS PROFIT FOR STEEL-PLANT ALTERNATIVE SOLUTIONS

Case	<u>I</u> ^(a)	<u>Ia</u>	<u>II</u>	<u>III</u> ^(a)	<u>IV</u> ^(a)	<u>V</u>
Location	Tasmania	Tasmania	Tasmania	Tasmania	Tasmania	Victoria
Type of Product	Rolled steel	Rolled steel	Rolled steel	Sponge iron	Rolled steel	Rolled steel
Annual Long Tons of Product	43,200	44,460	850,200	1,000,000	850,200	850,200
Reduction Process	SL-RN	HyL	Blast furnace	SL-RN	SL-RN	Blast furnace
Capital Investment, millions of A\$	9.0	10.4	285.1	31.6	240.4	285.1
Gross Profit (Before Taxes and Financial Charges); millions of A\$	0.7	0.3	17.9	6.9	24.3	16.4
Ratio of Gross Profit to Capital, percent	7.8	2.9	6.3	21.8	10.1	5.8

(a) Cases I, III, and IV were subjected to more detailed financial analysis.

Financial Analyses

The remaining three alternatives were given a complete financial analysis including:

- (1) A projection of a sequence of annual financial statements (income statements and balance sheets) for each alternative investment, under each of two debt-equity ratios.
- (2) Calculation of Return on Investment (ROI) to equity investors for each alternative using equity investment-and-return patterns reflected in the projections.
- (3) Examination of the effects on ROI that would be caused by deviations from Battelle's projections of sales and production costs and delay in start-up.

The ROI was calculated by determining for each alternative the discount rate at which the present value of all net returns to equity investors equals the present value of all net inputs from equity investors. The results were as follows:

<u>Plant</u>	<u>Annual Return on Investment, percent</u>
Case I. Small steel plant at Port Latta	
25 percent debt	+ 1/2
45 percent debt	- 1/2
Case III. Large sponge iron plant at Port Latta	
25 percent debt	+ 5-1/2
45 percent debt	+ 5-3/4
Case IV. Large steel plant at Port Latta based on sponge iron	
25 percent debt	+ 3
45 percent debt	+ 2-1/2

All alternatives represent such marginal investment opportunities that it would be difficult (probably impossible) to generate investor interest in any of these situations.

Recommendations

Battelle concludes that, on the basis of its study, an ironmaking or steelmaking facility of the types considered would not be economically feasible at this time.

Development of the northern section of the ore body is recommended if, as anticipated, (1) further drilling and analysis indicate satisfactory physical and chemical characteristics of the ore and adequate reserves, and (2) mining methods presently being used at Savage River can be applied.

The world market for oxide pellets can readily absorb an additional 2 or 3 million tons of Savage River product annually, but sales contracts should be negotiated as soon as possible.

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IRON-ORE DEPOSITS IN THE SAVAGE RIVER AREA,
AND THEIR USE BY SAVAGE RIVER MINES

Introduction

The magnetite deposits under consideration occur in the isolated northwestern part of Tasmania as shown in Figure 7. Mineralization is present in three separate areas within a distance of 13-1/2 miles extending from north of the Savage River south to the Rocky River. The three-section Savage River deposit straddles the Savage River roughly midway between Waratah and Corinna, about 2-1/2 miles west of the Waratah highway. The two other magnetite deposits of interest occur at Long Plains and at Rocky River. The terrain between the Savage River deposit, Long Plains deposit, and Rocky River deposit is sparsely mineralized with respect to iron.

Climate and Vegetation

Rainfall ranges from 80 to 100 inches per year. Precipitation may occur throughout the year, but is greatest in winter from May until September. Fog at night and early in the day is frequent in autumn and spring.

The areas of the magnetite deposits are thickly forested with rain-forest vegetation. Myrtle, sassafras, and giant manferns are present in profusion, but blackwood dogwood, leatherwood, and candlewood are more sparse or grow in isolated patches. Celery-top pine is found in a few places. Horizontal scrub and bauera are so dense in certain areas that progress on foot is greatly retarded. The ground is covered with fallen timber and mantled with decaying vegetation. Bracken fern, mosses, and lichen thrive in the moist climate. Drainage is poor at Long Plains; this area is generally sodden or marshy and covered with button grass.

Topography

The last 20 miles of the Waratah highway to Corinna traverses the watershed between the Whyte River to the east and the Savage River to the west. The greatest relief is 800 feet provided by the deep youthful valleys eroded by the two rivers. Relief decreases with distance from the major valleys. The maximum altitude is about 1,200 feet in the area of the Savage River deposit, and decreases to about 900 feet in the area of the Rocky River deposit. The gradient is 1 in 4 for a distance of 1/2 mile west of the southern Savage River deposit, but in many places the rise is steeper over a shorter distance.

Geology of Magnetite Deposits

The magnetite deposits are classified into three types, on the basis of field and core evidence:

- (1) The Savage River type, the dominant one in the northern and central sections of the Savage River deposit but also

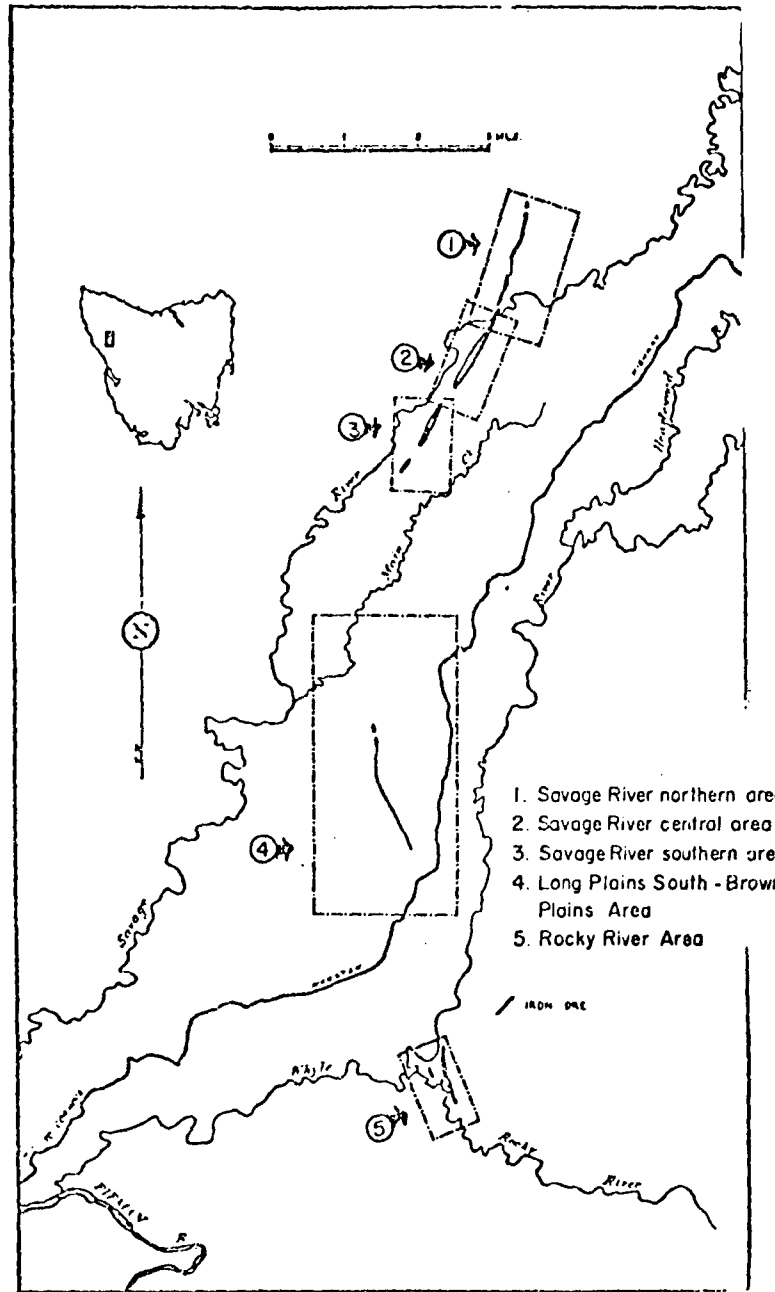


FIGURE 7. LOCATION OF IRON-ORE DEPOSITS IN SAVAGE RIVER AREA

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found in deposits to the south, in which magnetite is located within schistose, or originally schistose zones of the amphibolite mass.

- (2) The type at Savage River south section and at Long Plains in which magnetite is localized at the contact of a linear amphibolite body and a metasediment, or is concentrated in the amphibolite.
- (3) The Rocky River type in which magnetite is mainly disseminated in chlorite schist, a metamorphosed sediment adjacent to amphibolite. Wall-rock alteration and gangue-mineral introduction may be absent or show fewer minerals than in Type (1).

Because the processes of ore formation are not fully understood in all three areas, the classification is based mainly on the relationship of magnetite to host rock, and not on the genesis of mineralization.

Early Development of Savage River - Rocky River Region

Early references to mineral occurrence in the Savage River - Rocky River area include those by Sprent (1877), Smith (1897), Jones (1898), and Twelvetrees (1900, 1903, 1908).

Hoskins Iron and Steel Company excavated 16 trenches on the Savage River deposit in 1926, the first exploratory work done to test the deposits as a source of iron, but found that the ore was too pyritic. Woolnough (1939), after a cursory investigation, determined that the ore was not attractive for blast-furnace smelting.

The Department of Mines had an airborne magnetometer survey made in May, 1950, which proved so encouraging that it was agreed to make a comprehensive ground magnetometer survey.

A revival of interest in the deposit occurred in 1955, and on August 31, the area was reserved from occupation under the Mining Act to enable the Department of Mines to assess the area.

After the initial ground magnetometer and geological surveys were completed in 1957, several diamond-drill holes were sunk by a number of interested parties. Magnetic surveys were carried out by Keumecke in 1957; Sednaik in 1960; and Eadie in 1961 and 1962.

In 1961, an Exploration License was granted to E. R. Hudson of Industrial and Mining Investigations Pty. Ltd. who undertook to continue diamond drilling, to arrange smelting tests, and to investigate the possibilities of an integrated steel plant in Tasmania.

IMI continued diamond drilling to determine reserves primarily in the central section of the Savage River deposits. Ore-dressing tests were also conducted to determine the chemical and physical properties of the ore. In 1963, IMI had discussions with Pickands-Mather & Co. regarding the Savage River deposit. PM directed a study said to cost \$2.5 million to determine the feasibility of working the central section of the deposit. Late in 1965 it was announced that the scheme was feasible and that construction would start at once. Facilities were operational in late 1967. A 20-year iron-ore contract with Japanese steel companies calls for the export of 2.25 million tons of pellets per year.

The first shipment of iron-ore pellets (55,000 tons) from Savage River was made to Japan on April 14, 1968.

Development of Savage River Mines
(Pickands Mather & Co. International)

Savage River Mines is a joint venture of Dahlia Mining Company Ltd. and Northwest Iron Company Ltd. Mitsubishi Shoji Kaisha Ltd. and Sumitomo Shoji Kaisha Ltd. are the owners of Dahlia Mining Company. Northwest Iron Company is owned by Pocantico International Corporation; Cerro Corporation; Pickands Mather & Company International; Kathleen Investments (Aust.) Ltd.; Ampol Mining Pty. Ltd.; Colonial Mutual Life Assurance Society Ltd.; The Mutual Life & Citizens Assurance Co. Ltd.; United Insurance Co. Ltd.; The National Mutual Life Association of Australasia Ltd.; and Australian Mutual Provident Society. Pickands-Mather is the Managing Agent for the mine, concentrator, pelletizing plant, and shipping facilities.

Savage River Mines is mining the central section of the Savage River deposit. The mine area is 53 miles from Port Latta on the northwest coast of Tasmania. PM is guaranteed that the central section contains at least 100 million tons of ore. It is a general opinion that the central-section reserves exceed 100 million tons of ore. If this tonnage is not available, it will be supplemented by additional ore from the southern section of the Savage River deposit.

A flow chart of operations by Savage River Mines is given in Figure 8. The ore is mined by modern open-cut methods using large equipment such as 50-ton trucks. The mining operation is carefully planned to control the varying grades of ore and the impurities it contains. Nickel, titanium, and vanadium contents are controlled by blending.

The ore is crushed in three stages. A 54-inch gyratory crusher breaks the rock down to 9 inches or smaller. The next stage of coarse grinding is done in 32-foot-diameter by 12-foot autogenous mills. The autogenous mills reduce the size to minus 3/16 inch, from which a rougher magnetic concentrate is produced with low-intensity (748 gauss) Lurgi-type wet magnetic-drum separators. The rougher concentrate is ball milled and upgraded to 69 to 70 percent iron in finisher magnetic separators operating at 327 gauss. The final concentrate passes over Rappi-Fine screens to give a final product of 86 percent minus 325 mesh. The concentrate is thickened to 60 percent solids and pumped through a 9-inch pipeline to the pelletizing plant at Port Latta; a distance of 53 miles. The pipeline is the only one in the world used for transporting iron-ore concentrate.

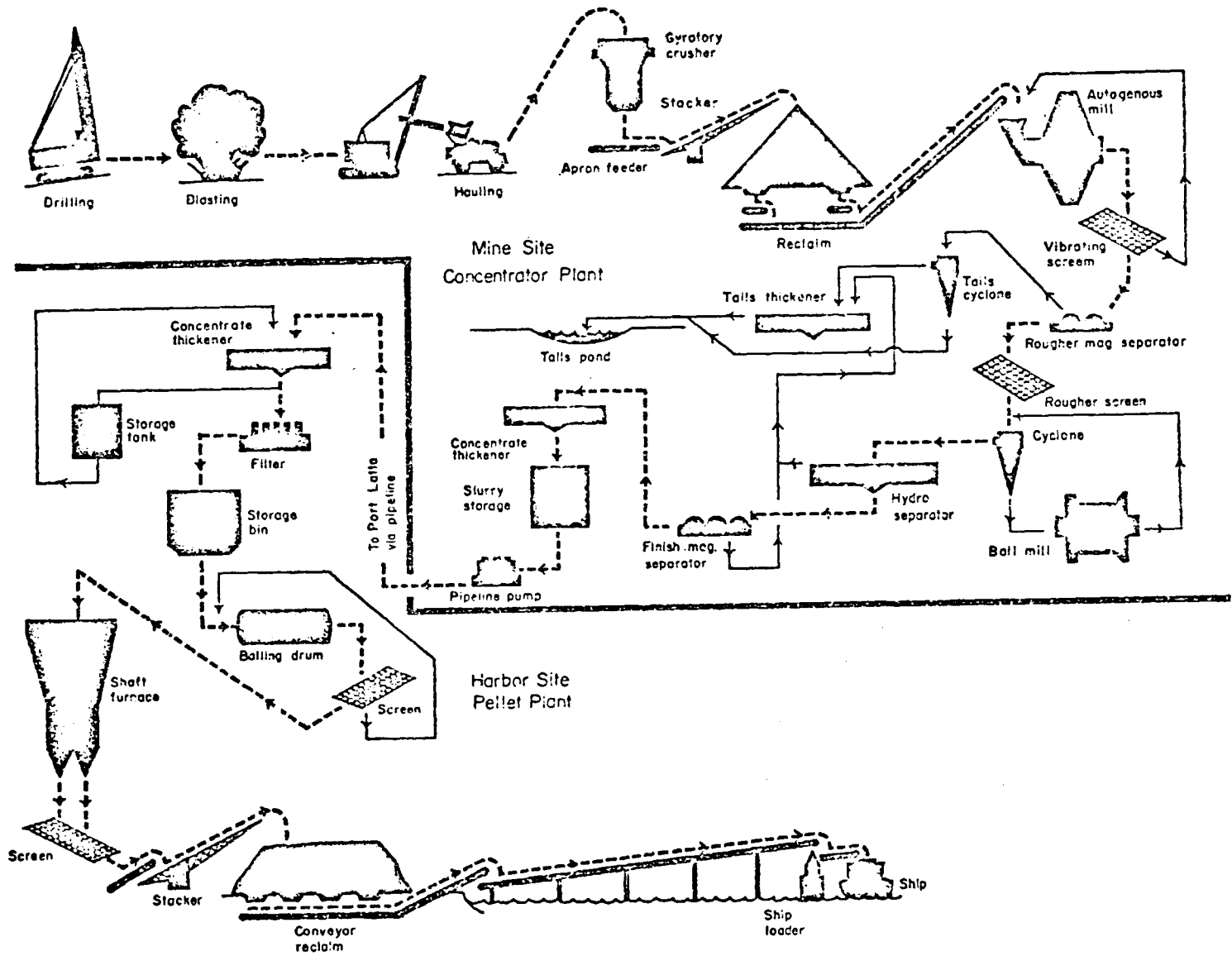


FIGURE 8. SCHEMATIC FLOW CHART FOR SAVAGE RIVER MINES

At Port Latta, the concentrate is thickened and processed by vacuum filters to a moisture content of about 9.5 percent. Bentonite is added and mixed with the filter cake before the latter is transported to the storage bin. From the storage bin, the mixture goes to one of the five balling drums. The diameter of the green balls is controlled between 3/8 and 5/8 inch. Undersized material is returned to the balling drum. The green balls are conveyed to a vertical-shaft furnace for firing. The fired pellets are screened and stored for shipment.

Pellets are conveyed from the stockpile reclaim conveyor on shore to the ship-loading conveyors at deep water by a 48-inch approach conveyor. The approach conveyor is approximately 6000 feet long. The pellets are discharged from the approach conveyor onto a two-way chute feeding either of two 140-foot-long cross conveyors which, in turn, discharge onto the two parallel shiploading conveyors. The loading capacity is about 48,000 long tons per 24 hours.

Two protective dolphins are provided, each to resist the impact of a 105,000-displacement-ton ship moving at 0.8 foot per second, to protect the shiploader structures from possible damage.

Shipments are expected to be in lots of 60,000 long tons but these may be increased in the future.

Chemical and Physical Properties of Ores and Products
at Savage River Mines

The iron content of the run-of-mine ore varies from 15 to 50 percent; the average is about 38 to 40 percent. Magnetic separation upgrades the iron content to 69 to 70 percent. Results obtained from separation on a composite sample of Savage River ore are given in Figure 9.

The specification for fired pellets established between PM and Japanese steel companies is as follows:

Chemical Composition, percent:

<u>Chemical Components</u>	<u>Target</u>	<u>Maximum</u>
Fe	67.5 ± 1	
Al ₂ O ₃	0.25	0.40
P	0.02	0.03
TiO ₂	0.25	0.35
FeO	1.00	3.00
SiO ₂	1.50	2.00
S	0.01	0.03
Cu	0.01	0.025
V	0.40	0.50
Ni	0.043	0.050

Size Range:

9-1/2 to 16 mm	90% min
Minus 5 mm	3% max

Compressive Strength:

12 mm to 14 mm	Average 200 kg/pellet	97 percent
		+80 kg/pellet

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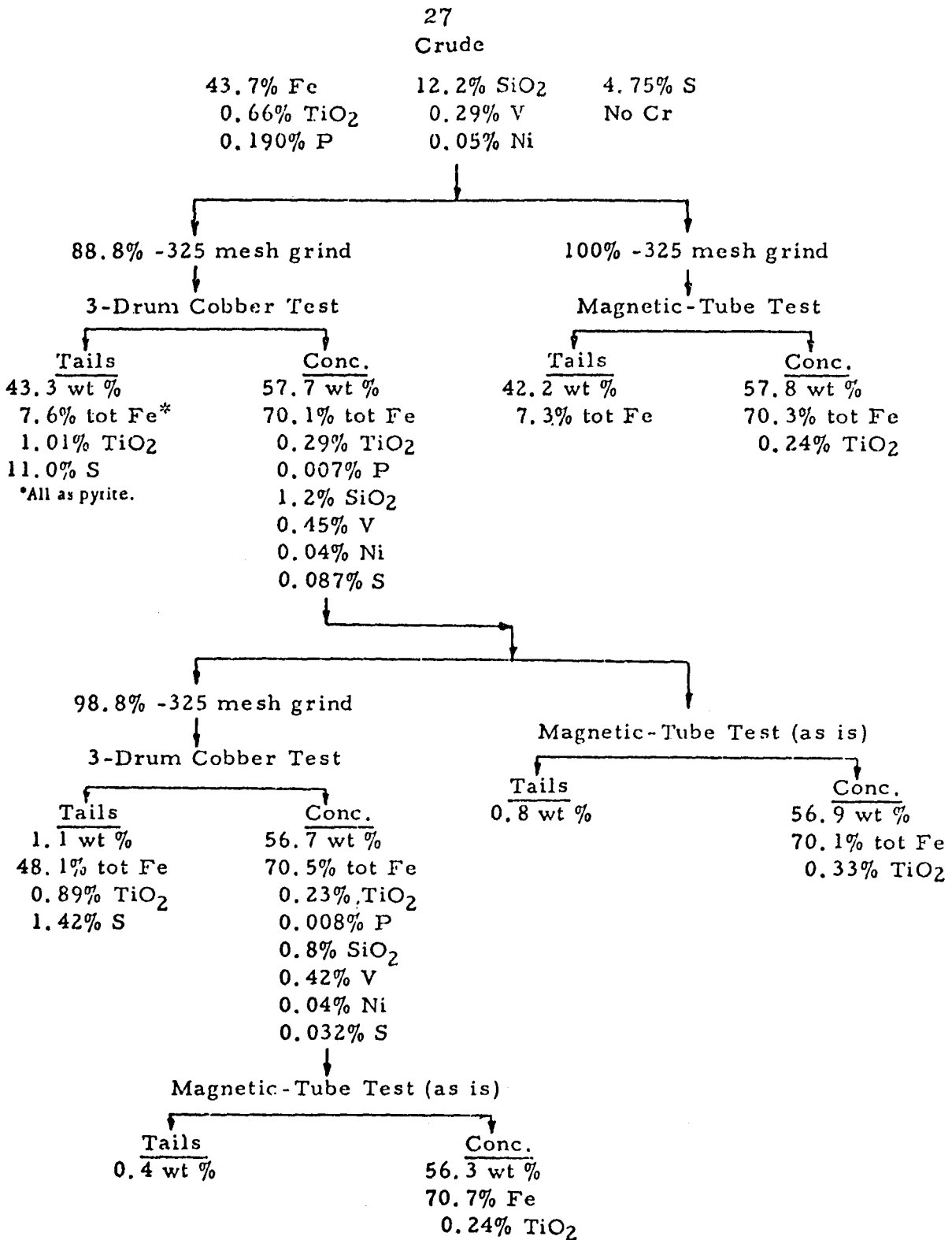


FIGURE 9. RESULTS OBTAINED FROM A SEPARATION TEST ON A COMPOSITE SAMPLE OF SAVAGE RIVER ORE

Source: PM Research Laboratory Report No. 1145;
August, 1964.

The major problem in meeting the pellet specification is controlling the nickel content of the concentrate because most of nickel in the ore remains in the concentrate during magnetic separation. Blending of the ore is necessary to control the nickel content of the resulting fired pellets.

About two-thirds of the titanium content of the crude ore is removed during magnetic separation.

The vanadium content of the fired pellets is higher than desired. The vanadium oxide in the pellets will be reduced in the blast furnace and vanadium will be picked up by the pig iron. The vanadium in the pig iron will later be oxidized during steelmaking operations and will enter the steelmaking slag (not the steel).

The concentrate has excellent balling characteristics and makes a hard and strong pellet.

The venture by Savage River Mines required a capital investment of nearly A \$70 million. The cost of producing pellets at Port Latta appears to be competitive with costs at other pelletizing operations in the world. The successful transportation of concentrate by pipeline from the mine site to the Port Latta pellet plant is a key factor among the conditions which make the operation an economic one.

Calculation of Return on Investment

For each of the six investment programs reflected in Table 57 through 62 (three production programs, each under two alternative debt-equity plans), return on investment (ROI) has been calculated. ROI is defined as the annual discount rate at which the present value of all net returns to equity investors equals the present value of all net inputs from equity investors.

Because depreciation is not a cash expense, it is generally considered part of "return" in sophisticated calculations of ROI. Return is measured as cash flow, not just profit after tax.

But inclusion of depreciation as part of return imposes a limited life on the project being analyzed. If depreciation is not used to renovate or replace capital assets, the capital assets will wear out. So an ROI calculation including depreciation in cash flow must show a finite-life investment program that returns investors and lenders their original funds, and only return above this makes the program attractive.

Accordingly, ROI was calculated from a schedule of outflows and inflows to equity investors that included the following:

- (1) Cash flow (profit after tax, plus depreciation), with positive cash flows being inflows
- (2) Equity investments, with positive investments being outflows
- (3) Repayment of lenders, partly from liquidation of short-term assets and partly from use of equity, with repayment of debt less liquidation of assets being an equity outflow.

The programs were analyzed over a 15-year life, because 7 percent annual depreciation suggests such a life. Repayment of debt above what would be covered by liquidation of short-term assets was scheduled in equal annual increments over years 6 through 15.

Table 63 shows the format for projection of outflows and inflows to equity investors. And Table 64 summarizes bases for the projections.

Projections of outflows and inflows to equity investors, for the three production programs each under two alternative debt/equity conditions, are shown in Table 65 through 70, and graphs of each year and cumulative equity flows for each of the six are presented in Figures 26 through 31.

TABLE 63. FORMAT FOR PROJECTING OUTFLOWS AND INFLOWS TO EQUITY INVESTORS

Financial Element	Year						
	1	2	3	4	5	6	7 and subsequent
(A) Plus: Profit after tax							
(B) Plus: Depreciation							
(C) Minus: Incremental equity investment							
(D) Minus: Repayment of debt							
(E) Net Inflow or (outflow) to equity investors							

TABLE 64. BASES FOR PROJECTING OUTFLOWS AND INFLOWS TO EQUITY INVESTORS

Financial Element	Basis
(A) Profit after tax	Projected financial statements (Tables 57 through 62)
(B) Depreciation	Projected financial statements (Tables 57 through 62)
(C) Incremental equity investment	Projected financial statements: that year's equity investment, less previous year's equity investment
(D) Debt repayment	In each of Years 6 through 15, one-tenth of Debt less Short Term Assets
(E) Net inflow or (outflow) to equity investors	(A) + (B) - (C) - (D)

TABLE 65. PROJECTION OF OUTFLOWS AND INFLOWS TO EQUITY INVESTORS - CASE I; 25 PERCENT DEBT

(A \$1000)

Financial Element	Year						
	1	2	3	4	5	6	7 and subsequent through 15
(A) Plus: Profit after tax	(30)	(240)	(320)	(286)	95	209	209
(B) Plus: Depreciation	0	211	632	632	632	632	632
(C) Minus: Incremental equity investment	(2,256)	(4,511)	(854)	(223)	(136)	(25)	0
(D) Minus: Repayment of debt	0	0	0	0	0	(102)	(102)
(E) Net inflow or (outflow) to equity investors	(2,286)	(4,540)	(542)	123	589	714	739

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TABLE 66. PROJECTION OF OUTFLOWS AND INFLOWS TO EQUITY INVESTORS - CASE I;
45 PERCENT DEBT

(A \$1000)

Financial Element	Year						and subsequent 7 through 15
	1	2	3	4	5	6	
(A) Plus: Profit after tax	(55)	(313)	(403)	(371)	9	123	123
(B) Plus: Depreciation	0	211	632	632	632	632	632
(C) Minus: Incremental equity investment	(1,654)	(3,309)	(626)	(163)	(100)	(18)	0
(D) Minus: Repayment of debt	0	0	0	0	0	0	0
(E) Net inflow or (outflow) to equity investors	(1,709)	(3,411)	(397)	98	541	422	440

TABLE 67. PROJECTION OF OUTFLOWS AND INFLOWS TO EQUITY INVESTORS - CASE III; 25 PERCENT DEBT

(A \$1000)

Financial Element	Year						and subsequent 7 through 15
	1	2	3	4	5	6	
(A) Plus: Profit after tax	(107)	(839)	(1,094)	(1,045)	1,571	2,372	2,372
(B) Plus: Depreciation	0	737	2,210	2,210	2,210	2,210	2,210
(C) Minus: Incremental equity investment	(7,893)	(15,787)	(6,642)	(1,733)	(1,058)	(193)	0
(D) Minus: Repayment of debt	0	0	0	0	0	173 ^(a)	173 ^(a)
(E) Net inflow or (outflow) to equity investors	(8,000)	(15,889)	(5,526)	(568)	2,723	4,562	4,755

(a) Liquidation of Short Term Assets will provide slightly more than required to repay debt. This amount could be added to Debt each Year 6-15.

TABLE 68. PROJECTION OF OUTFLOWS AND INFLOWS TO EQUITY INVESTORS - CASE III; 45 PERCENT DEBT

(A \$1000)

Financial Element	Year						and subsequent 7 through 15
	1	2	3	4	5	6	
(A) Plus: Profit after tax	(192)	(1,096)	1,422	(1,392)	1,212	2,011	2,011
(B) Plus: Depreciation	0	737	2,210	2,210	2,210	2,210	2,210
(C) Minus: Incremental equity investment	(5,789)	(11,578)	(4,870)	(1,271)	(776)	(141)	0
(D) Minus: Repayment of debt	0	0	0	0	0	(715)	(715)
(E) Net inflow or (outflow) to equity investors	(5,981)	(11,937)	(4,082)	(453)	2,646	3,365	3,506

TABLE 69. PROJECTION OF OUTFLOWS AND INFLOWS TO EQUITY INVESTORS - CASE IV; 25 PERCENT DEBT
(A \$1000)

Financial Element	Year						
	1	2	3	4	5	6	and subsequent 7 through 15
(A) Plus: Profit after tax	(813)	(6,391)	(4,723)	(2,709)	6,520	9,204	9,204
(B) Plus: Depreciation	0	5,609	16,828	16,828	16,828	16,828	16,828
(C) Minus: Incremental equity investment	(60,099)	(120,199)	(20,570)	(5,367)	(2,279)	(797)	0
(D) Minus: Repayment of debt	0	0	0	0	0	(3,029)	(3,029)
(E) Net inflow or (outflow) to equity investors	(60,912)	(120,981)	(8,465)	8,752	21,067	22,306	23,003

TABLE 70. PROJECTION OF OUTFLOWS AND INFLOWS TO EQUITY INVESTORS - CASE IV; 45 PERCENT DEBT
(A \$1000)

Financial Element	Year						
	1	2	3	4	5	6	and 7 subsequent
(A) Plus: Profit after tax	(1,464)	(8,342)	(7,152)	(8,572)	4,251	6,929	6,929
(B) Plus: Depreciation	0	5,609	16,828	16,828	16,828	16,828	16,828
(C) Minus: Incremental equity investment	(44,073)	(88,145)	(15,085)	(3,964)	(2,405)	(437)	0
(D) Minus: Repayment of debt	0	0	0	0	0	(8,532)	(8,532)
(E) Net Inflow or (outflow) to equity investors	(45,537)	(90,878)	(8,895)	4,292	18,674	14,788	15,225

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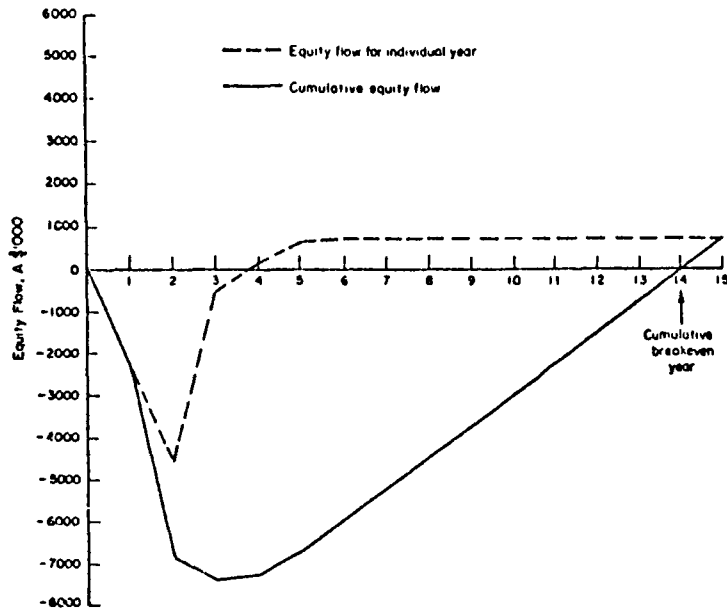


FIGURE 26. ANNUAL AND CUMULATIVE OUTFLOWS AND INFLOWS TO EQUITY - CASE I; 25 PERCENT DEBT

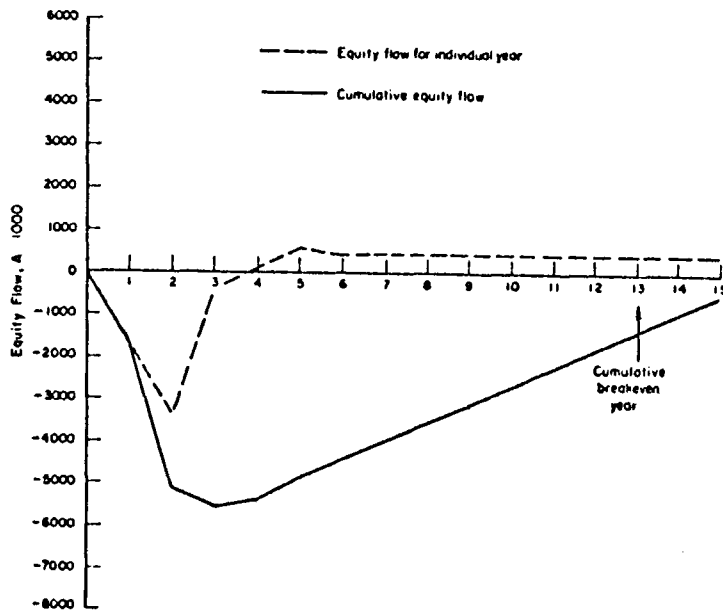


FIGURE 27. ANNUAL AND CUMULATIVE OUTFLOWS AND INFLOWS TO EQUITY - CASE I; 45 PERCENT DEBT

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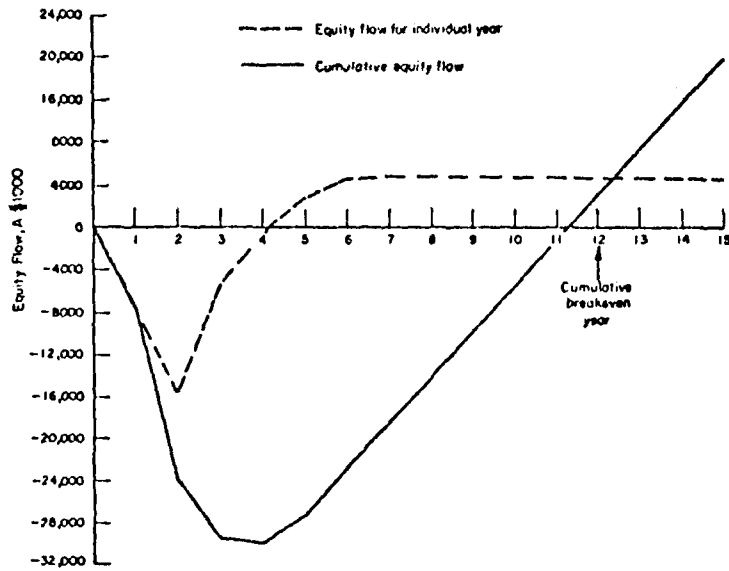


FIGURE 28. ANNUAL AND CUMULATIVE OUTFLOWS AND INFLOWS TO EQUITY - CASE III; 25 PERCENT DEBT

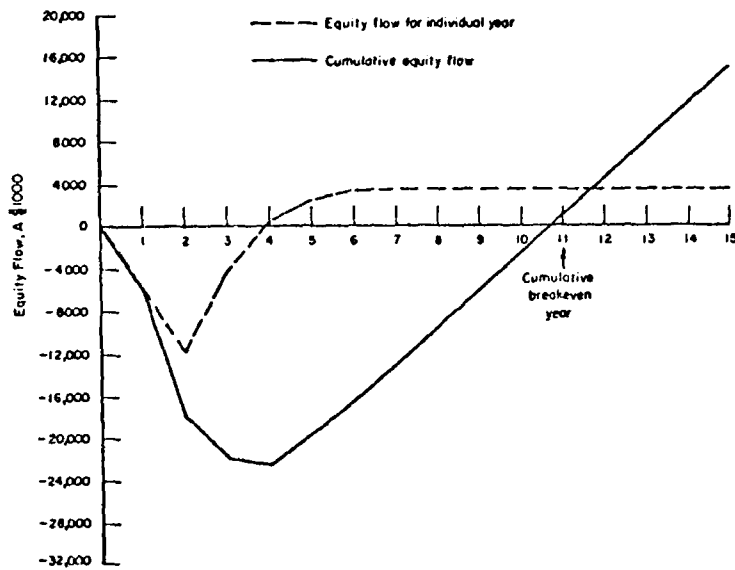


FIGURE 29. ANNUAL AND CUMULATIVE OUTFLOWS AND INFLOWS TO EQUITY - CASE III; 45 PERCENT DEBT

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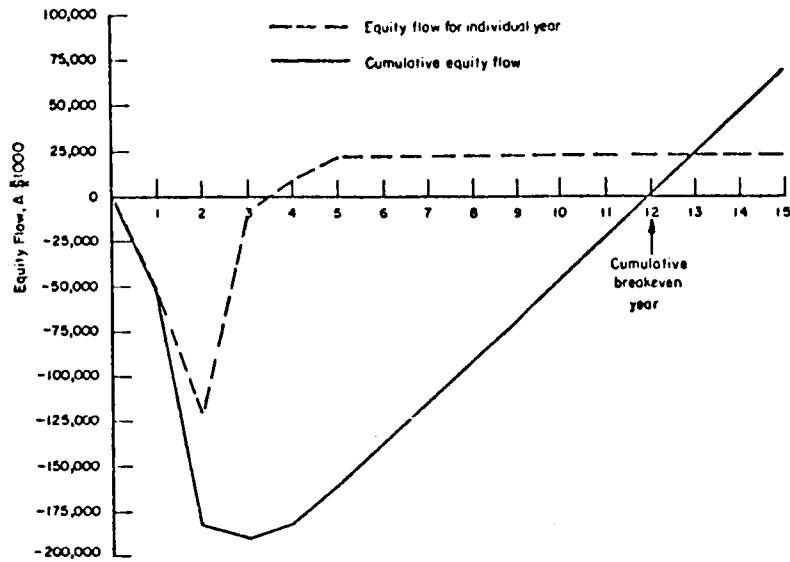


FIGURE 30. ANNUAL AND CUMULATIVE OUTFLOWS AND INFLOWS TO EQUITY - CASE IV; 25 PERCENT DEBT

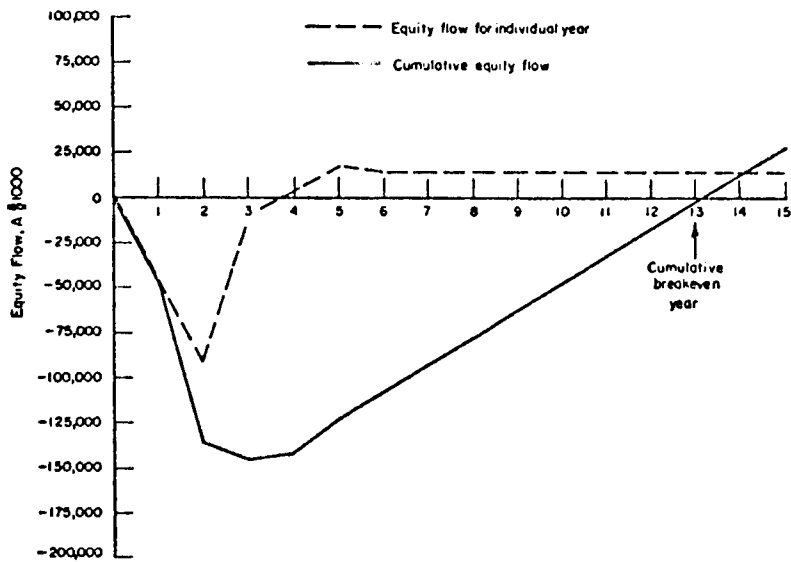


FIGURE 31. ANNUAL AND CUMULATIVE OUTFLOWS AND INFLOWS TO EQUITY - CASE IV; 45 PERCENT DEBT

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ROI for each of the six alternatives was then calculated by determining for each alternative the discount rate at which inflows equal outflows. The results were as follows:

<u>Program</u>	<u>Return on Investment</u>
Case I : 25 percent debt	+ 1/2 percent
45 percent debt	- 1/2 percent
Case III: 25 percent debt	+ 5-1/2 percent
45 percent debt	+ 5-3/4 percent
Case IV: 25 percent debt	+ 3 percent
45 percent debt	+ 2-1/2 percent

Interpreting the Return-on-Investment Results

Before drawing final conclusions, let us review some questions that may occur regarding the derivation of the numbers.

The Effect of Debt

One may initially be puzzled by the fact that a project returning 5-1/2 percent with a certain debt level (Case III; 25 percent debt) shows a higher return when more money is borrowed at 7 percent. The reason is taxes: we are here measuring after-tax return, and on an after-tax basis money borrowed at 7 percent really costs only about 4 percent. So equity money is really returning slightly more than debt money costs, and a more highly leveraged program thus shows a higher equity return rate.

The Life of the Investment

One may also be bothered by the cash-flow basis for the ROI calculations - that is, at the seeming assumption that each project will be ended, with debt paid off, in 15 years. In fact, the analyses do not assume that this course is followed. The investors could maintain the operation for another 15 years, or forever, and the analysis would still be a valid reflection of expectations. What the investor would be doing by maintaining the operation is analogous to reinvesting in another like project every 15 years. The analyses presented above represent fairly any 15 years of an infinite-life program just as fairly as the total life of a 15-year program.

To test and demonstrate the validity of this fact, a second cash flow and ROI analysis was made for the best investment (Case III; 45 percent debt) under which infinite project life was explicitly reflected. In this analysis, the following modifications in cash-flow projection were made:

- (1) Depreciation was not included in cash flow, but was rather assumed to be reinvested to maintain asset life.
- (2) Debt was not paid off, and only interest payments were made on borrowings.
- (3) Equity outflows and inflows were considered over an infinite future time period, by (a) projecting flows for 30 years, and (b) capitalizing inflows

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after Year 30, with the rate of capitalization determined by finding the rate at which this capitalization plus discounting of the whole resulting outflow-inflow pattern equalized present values of inflows and outflows.

The resulting ROI rate was just under 6 percent; almost exactly the 5-3/4 percent shown by the 15-year analysis presented earlier.

Effects of Deviations from Projections

To determine how the attractiveness of investment might be affected by actual financial results somewhat different from our projections, the projections were revised in the following ways:

- (1) Sales and production 15 percent higher
- (2) Sales and production 15 percent lower
- (3) Sales price 5 percent higher
- (4) Sales price 5 percent lower
- (5) Production costs 10 percent higher
- (6) Startup delayed 1 year.

Equity outflows and inflows and ROI's were then developed for these deviation projections. This was done only for Case III with 45 percent debt, the program that, while not particularly attractive, is the most attractive, partly because this analysis would indicate roughly how deviations might affect any of the investments, and partly because this appeared to Battelle as the only program with ROI high enough to deserve any further consideration.

The results were as follows:

<u>Nature of Deviation from Projection</u>	<u>ROI (Case III; 45 percent Debt)</u>
(1) Sales and production 15 percent higher	6 percent
(2) Sales and production 15 percent lower	4 percent
(3) Sales price 5 percent higher	6 percent
(4) Sales price 5 percent lower	4 percent
(5) Production costs 10 percent higher	Unprofitable
(6) Startup delayed 1 year	4 percent

Recommendations Based on ROI Calculations

In Battelle's judgment, the results of financial projections and ROI calculations indicate clearly that all of the alternatives are marginal investments and the generation of investor interest would be difficult, if not impossible.

Even for the best case, an investor can anticipate nearly as good an after-tax return from money deposited at a savings and loan association or invested in high-grade bonds, with less risk and less managerial effort.

Attention is directed to the results of the deviation projection dealing with the effects of underestimation of production costs by 10 percent - a level of deviation not to be totally unexpected in preliminary feasibility studies such as this.

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CONCLUSIONS AND RECOMMENDATIONS

Ironmaking and Steelmaking

The cost analyses and profitability analyses carried out show that an ironmaking or steelmaking plant of the types considered would not be economically feasible.

The small steel plant (Case I) designed to produce 43,200 tons of bars and small merchant shapes may prove to be even less profitable than indicated, at least during the first several years of operation. The reason is that the local Tasmanian market for these products is not now large enough to absorb the total amount produced by the plant. Sales and distribution costs in attempting to reach markets on the mainland could exceed the allowed 6 percent of sales.

The sponge iron plant (Case III) in addition to being minimally profitable, involves a product for which sizable markets lie mainly in the indeterminate future.

Operation of the large integrated mill (Case IV) in northern Tasmania would require some 5,000 people of various specialized skills. Recruitment and training, not to mention housing and services, would present major problems. Also, in all likelihood, iron ore would have to be imported to reduce the net tramp-element levels of the Savage River ore.

Battelle concludes that on the basis of this study, an ironmaking or steelmaking facility of the types considered, would not be feasible at this time. A sponge-iron plant making metallized pellets may be a possibility for the future as the market for the product develops.

Mining and Pellet Plant

On the basis of known data (as of mid-1968), Battelle estimates that iron ore reserves in the northern section of the Savage River deposit at 76.7 million tons for depths down to the river bed. More drilling to greater depths (800 to 1,000 feet below river level) is needed to justify any estimates of higher reserve tonnages. The results from four of five deep holes are encouraging. Assuming a 2:1 concentration ratio, the initial estimate of 77 million tons of recoverable ore will be adequate for about 12 years of mining at a rate of 6 million tons of ore equivalent to 3 million tons of concentrate, annually. At least 120 million tons of ore should be proved to insure a reasonable life for any new mining project at Savage River.

Battelle concludes that more drilling and analysis is needed to determine physical and chemical characteristics of the ores and to establish the existence of additional ore reserves in the northern section. If the reserves are there as anticipated, and if the ore can be mined by methods presently being used at Savage River, Battelle recommends that the ore body be developed and the product converted into oxide pellets for sale. In view of the interest and activity on the part of the world's steel-producing community in contracting for long-range supplies of oxide pellets and other ore forms, time is of the essence. While Battelle's cost analysis of a new oxide-pellet plant indicates a potentially profitable venture, particularly if combined with the present operation in some

degree, untoward delay means possible higher equipment and construction costs, possible lower pellet prices, and fewer potential customers still uncommitted.

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APPENDIX B

IRON-ORE RESERVES IN THE NORTHERN SECTION
OF THE SAVAGE RIVER IRON ORE DEPOSITS

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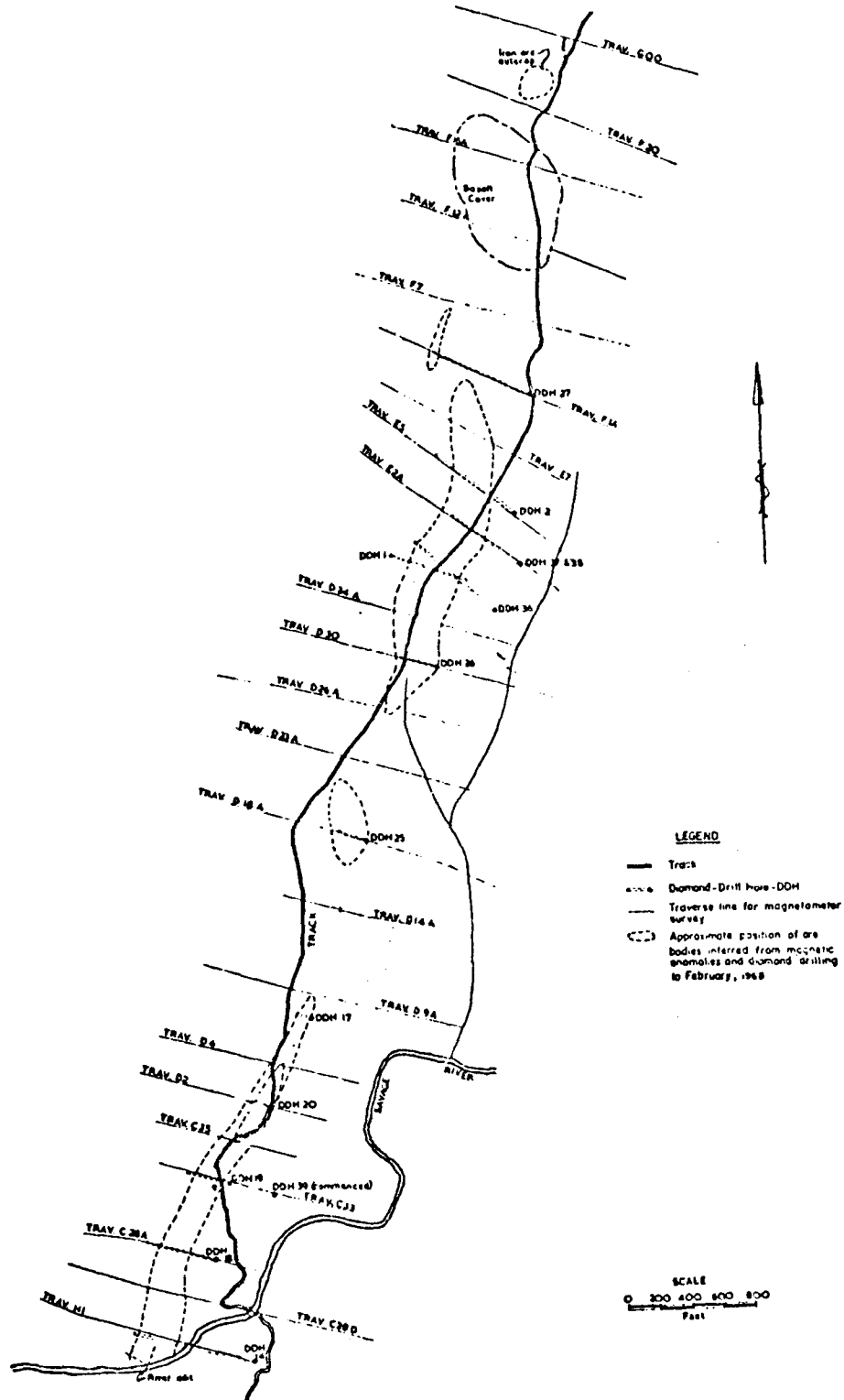


FIGURE B-1. SAVAGE RIVER - NORTHERN SECTION - SHOWING THE POSITION OF TRAVERSE LINES AND DIAMOND-DRILL HOLES

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