

July 12, 1966

*Executive Committee*Report to CMC Board of Forest-Kerr Joint Venture Agreement

Purpose - To explore for, develop and produce minerals on 178 claims (approximately 14.3 sq. miles) near Alice Arm, British Columbia, about 500 miles NW of Vancouver, and on any additional claims which either party may stake within three miles thereof. Cyprus owns 70% and Forest-Kerr Mines, Ltd. (N.P.L.), a British Columbia corporation, owns 30%.

Mineralization - Highly mineralized belt. 2 major mines being brought into production, one copper and one molybdenum.

Contributions of the Parties - Forest-Kerr will contribute the 178 claims and will contribute \$40,000 toward the initial exploration program work. Cyprus will contribute an additional \$40,000 for the initial exploration work and will be solely responsible for carrying out the initial exploration program work, consisting of not less than 1500 lineal feet of drilling plus such other activities as Cyprus may deem necessary. Cyprus may elect to terminate after the initial exploration work, or may elect to proceed with further exploration, in which case it agrees to expend \$750,000 prior to December 31, 1970. Cyprus may, however, elect to terminate its expenditures at any time subsequent to the initial exploration phase and forfeit its rights under the agreement.

Development Entity - On or before January 1, 1971, Cyprus must elect whether or not the properties shall be placed in production. If Cyprus elects to place the properties in production, it is obligated to commence such production by January 1, 1974 under a joint venture corporation formed by Cyprus or in a joint tenancy arrangement with Forest-Kerr. In either case Cyprus is to have complete management of the project and a 70% interest in the development entity.

Financing - Cyprus has the sole responsibility for financing the project at the production state or causing it to be financed; provided, however, that Cyprus is not required to pledge its own credit to the project.

Cyprus' Rights to First Refusal - The parties are given mutual rights of first refusal to purchase the other's interest in the joint venture and in the development entity. Cyprus also has a right of first refusal with respect to 50% of any additional shares issued by Forest-Kerr prior to the project entering into the production stage and 100% of any such additional shares issued at any time thereafter.

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Jul 2, 1966

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