

Cogburn  
881953

→ Cogburn

**Schroeter, Tom EMPR:EX**

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**From:** John Chapman [jacms1@telus.net]  
**Sent:** Tue, November 28, 2006 9:33 AM  
**To:** Buddy Roach  
**Cc:** chrisgulka@workingcapitalcorp.com; Roland Kesselring; Wagner, Tomasz; kurtmarty@bluewin.ch; Bob McGown; XT:EM Makepeace, David K EM:IN; David Dreisinger; David Flather; Justin Stockwell; Bill MacMillan; Clelland, Randy  
**Subject:** RE: Metal Bulletin Weekly  
**Attachments:** RE: Metal Bulletin Daily; Pages from mbweekly November 27 2006b.pdf; Pages from mbweekly November 27 2006a.pdf

Good Day Buddy,

The stars are beginning to align for a new North American magnesium producer – Cogburn.

Cheers, John

# CHINA'S MAGNESIUM PRODUCERS MAY TAKE EXPORTS IN-HOUSE AFTER TAX CHANGES

BY KEVIN FOSTER

The cancellation of China's export tax rebate on magnesium may entice producers to take trading activities in-house, hitting the power of independent traders.

The removal of the 5-percent tax rebate has simplified the export process and led some of China's biggest producers to question the need to split falling profit margins with traders, according to officials at producers and traders.

"No rebate means less procedures to deal with, and some producers may want to handle the export business themselves instead of sharing their profits with trading houses," said an official at a magnesium producer and exporter in northern Shanxi province.

China said in mid-September that it would abolish the 5-percent rebate on magnesium, effective December 15.

An official at a major magnesium producer in Shanxi confirmed that his company was considering setting up its own export department next year. The producer has been using several trading houses to sell its magnesium since it was incorporated a decade ago.

Chinese magnesium producers are mainly based in Shanxi, a relatively underdeveloped province west of Beijing that is best known as China's main coal producing region.

Magnesium companies have little experience of the overseas market and have in the past been happy to use trading houses as intermediaries.

Most companies are privately owned and are uneasy dealing with official procedural issues, such as export rebates. Even some of the biggest producers do not employ any officials who speak English, making it almost impossible for them to become involved in exports, market participants said.

But as China's education system begins to churn out millions of English-speaking graduates, the talent pool for companies is growing, giving magnesium producers the option to move into the export business.

The cancellation of the rebate is the major factor behind considerations of a change, officials said, though underlying market conditions are also forcing companies to cut out the middleman.

Profit margins for producers are falling, as prices of electricity and raw materials, mainly ferro-silicon, rise. Profits have been higher in the export market in recent months, due in part to the gradual appreciation of the Chinese currency against the dollar, and several producers said they were frustrated at missing out.

Many magnesium producers refuse to reveal their sales channels, but at least two of the biggest companies in the main production region of Shanxi — Taiyuan Tongxiang Magnesium Metal, the largest magnesium producer in Shanxi with output of 80,000 tpy, and 50,000-tpy Shanxi Wenxi Yinguang Magnesium Industry Group — rely on trading houses, market participants said.

Unsurprisingly, traders poured scorn on the prospect of more producers handling their own exports.

"Under the current mechanism, producers can focus on their own production and don't have to

worry about the export market," a Shanxi-based trader said.

Traders get a cut of about \$10-20 for each tonne of magnesium exported in times of average demand, equivalent to no more than 1 percent of current fob prices, the trader estimated.

Many producers lack any knowledge of the export market and would have to invest to set up their own trading teams, the trader noted.

"I doubt whether [such savings] are worth so much headache, as the export market is a totally different story," she added.

When traders buy from producers, they typically pay 80-90 percent upfront, boosting producers' cash flow and enabling them to buy raw materials when needed, a second trader said.

"This will no longer be the case should a producer decide to enter the export market themselves, as exporters have to wait as long as 60 days" for full payment, a second trader told MB.

However, with magnesium prices at just under \$2,100 per tonne, near to two-and-a-half-year highs, it seems an increasing number of producers are willing to take on that risk.

## Light metal — heavier costs

As China's population passes 1.3 billion, the idea that the country could be facing a labour shortage seems laughable. But magnesium producers in Shanxi in northern China are feeling the impact on their bottom line.

The mainly privately-owned magnesium producers in the region have for years relied on farm

labourers for manual work at their plants, which operate on a seasonal basis. But this year, many potential employees have looked elsewhere.

"Long gone are the days when farmers would be happy just to have a job at whatever pay," one magnesium trader said. "If the [magnesium] plants don't come up with better offers, labour shortages could be a problem for many years to come."

The shortages have cut production in some areas when combined with higher costs for electricity and raw materials, market participants said.

China's rapid economic growth is posing threats as well as opportunities for domestic industries, as well as the manufacturing sector abroad. Industrialisation is spreading westwards from thriving cities, such as Shanghai and Guangzhou, providing workers across the country with more choices.

Factories are now springing up in previously-deprived areas, meaning workers can now find jobs close to home rather than having to trek thousands of miles to big cities to look for work.

"We rely on temporary workers as we don't run year-round, but this year we've found it difficult to recruit workers from nearby villages," said an official at a 1,300-tpm magnesium producer in Shanxi.

Earlier this year, Beijing abolished some agricultural taxes, providing an added incentive for farmers to stay close to the land.

Magnesium smelters are also known for tough working conditions — some have to close during the summer months as the heat from the smelting process threatens the health of their workers — meaning they can struggle to find staff.

"Some larger producers would be willing to pay up to 2,000 yuan (\$250) per month, much higher than the typical 1,000 yuan per month, but even with double pay, farmers would rather stay close to their homes than work in this super-high temperature environment," another trader said.

But other producers are finding that raising wages and benefits are bringing dividends.

"We've recruited skilled farm workers as permanent staff, doubled their monthly pay to more than 1,000 yuan and paid their social welfare," said a sales official at a producer in Ningxia, a province to the west of Shanxi. "Now we're free from any headaches."

Traders and producers agreed that raising pay and adding benefits, such as better housing and medical care, were the only options if companies were to stay competitive with other industries. This will inevitably put upward pressure on costs, although labour makes up a far smaller proportion of production costs for magnesium producers than electricity and ferro-silicon, they added.



Chinese farm labourers want better offers from magnesium producers if they are to work at their plants

Photo: Reuters

→ Cogburn

**Schroeter, Tom EMPR:EX**

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**From:** John Chapman [jacms1@telus.net]  
**Sent:** Fri, December 8, 2006 12:36 PM  
**To:** Wilcox, Allan EMPR:EX  
**Cc:** Schroeter, Tom EMPR:EX; XT:EM Makepeace, David K EM:IN; XT:EM Copper Ridge Explorations EM:IN; Jones, Larry EMPR:EX  
**Subject:** 2006 Assessment Report - Emory Zone (MinFiles: 092HNE307 and 092HSW081)  
**Attachments:** emory zone assessment report 20061208.pdf

Good Day Allan,

I am taking the attached Assessment Report (hard copy) into the Vancouver MTO office this afternoon. I know you like "original" PDFs that is why am sending it to you now via this email. There were at least three adjacent properties covered by Aeroquest in the 2006 survey in the Talc Creek, Garnet Creek and Giant Mascot area. Gerry Carlson and I had them also fly our Krof property north of Cogburn Creek and that will be coming to you as an Assessment Report from Gerry.

Is there any chance of getting all of the old assessment reports scanned into PDF for MinFile: 092HSW081 as I see some are still missing? We are stepping up the nickel exploration in this area and the reports would be helpful.

Also, I feel that is misleading to have added the name "Cogburn" to MinFile: 092HSW081 it would be best to stay with old name of "Ni". We are still using the name Cogburn Magnesium Project (Emory Zone deposit MinFile: 092HNE307) and this then confuses the reader when they see the old Nickel Syndicate occurrence (very large low-grade nickel deposit) named Cogburn instead of Ni. Please discuss this with Larry. Do not hesitate to call me if you need more information.

On another note, I am sending you via mail three non-assessment reports related to MinFile: 092HNE307. They are the Scoping Study (2001) by Hatch Limited, the Feasibility Study (2003) by Hatch Limited and Craig Payne's (2002) report on Cogburn Magnesium Project (it is an excellent report). I do not know how you wish to get these into the public files – but I feel they are valuable information and should be made available to government and to the public.

Best regards,  
John Chapman  
604.536.8356

2006-12-10

→ Cogburn

**Schroeter, Tom EMPR:EX**

**From:** John Chapman [jacms1@telus.net]  
**Sent:** April 7, 2007 12:15 PM  
**To:** Peter Bradshaw; Ron Britten  
**Cc:** cgulka@workingcapitalcorp.com; 'Bob McGowan'; drei@interchange.ubc.ca  
**Subject:** Cogburn Magnesium Project, Hope, BC - separation of Base Metals and Precious Metals rights (allowing development of nickel)  
**Attachments:** cogburn\_factsheet\_color.pdf; cogburn\_report\_june2000\_bound.pdf; Hatch Cover Letter Cogburn Feasibility 200304.pdf; georgecross\_newsletters.pdf; cogburn nickel bc gsb report eastfield 1971.pdf

Gentlemen,

The nickel component of Cogburn is now in "play". None of the information I have attached is confidential as it is all in the public domain.

I am the Project Manager for North Pacific Alloys Limited (BC Corporation that is wholly owned by Leader Mining International Inc.) and I have recommended to company's board that the base metal and precious metal rights be separated from the magnesium rights so that the nickel potential may be properly explored and developed ASAP, given the high nickel price. North Pacific Alloys Limited needs to remain focused upon the magnesium as that is a large project (~US\$2 billion capital in 2007 dollars) that does not "mesh" with nickel exploration and development.

I have attached the early nickel oriented fact sheet (Jan 2001) and report (June 2000). Since that time the Property has been purchased by North Pacific Alloys Limited, from KGE Management Ltd. (Gerald Carlson) and John Chapman, after the company spent ~\$6 million in advancing the magnesium potential. Also attached are reports from George Cross (1971) and BC GSB (1971) – we have found nickel (similar to Mascot 1971 grades, see GCNL) throughout the 10km x 2km dunite body in the Talc Creek drainage. North Pacific Alloys Limited drilled 60 core holes (26 of them over a very large area looking for magnesium) and well there are a lot of new logging roads (with mineralized rock cuts) built in the Talc Creek drainage since the Mascot days (post 1971).

In my opinion the Cogburn is a near match for HNC's Turnagain dunite intrusive in both nickel and magnesium. I have worked for the past 17 months with the HNC team as the behind the scenes advisor on engineering and development (this was Alf Stewart's doing). I resigned from HNC in March 2007 and am now focusing upon getting the Cogburn nickel up and going. This was our original intention in 2000 (while I was still with North American Palladium Ltd., Lac des Ilse development) but got diverted by the significant magnesium potential. Now it is time to not only continue to advance the magnesium but to properly evaluate the nickel potential.

There is significant mineral exploration activity around Cogburn, for nickel, by juniors. The most successful to date has been Pacific Coast Nickel Corp. (going public soon), as they have made several new nickel and copper discoveries near Cogburn. Tom Schroeter likes the work they have done and the positive results to date. Murray MacLarren (604.986.5873) is their geologist.

Please do not hesitate to contact me if you require more information.

Sincerely,  
 John A. Chapman  
 White Rock, BC  
 604.536.8356

PS. I will send you the results of the 2006 airborne survey over Cogburn in a separate email.

2007-04-13

→ Cogburn

**Schroeter, Tom EMPR:EX**

**From:** John Chapman [jacms1@telus.net]  
**Sent:** March 27, 2007 10:46 AM  
**To:** 'Buddy Roach'; 'Bob McGown'; chrisgulka@workingcapitalcorp.com; 'David Dreisinger'; XT:EM Makepeace, David K EM:IN; David Flather; kurtmarty@bluewin.ch; Roland Kesselring; Wagner, Tomasz  
**Cc:** Riddell, David A EAO:EX; Downing, Jennifer D EAO:EX; Schroeter, Tom EMPR:EX; Bill MacMillan; Elton, Bob  
**Subject:** Cogburn Economics & Competing Pidgeon Process at Gossan Resources (Manitoba)  
**Attachments:** gossan resources magnesium process 200703.pdf; Pidgeon\_process.pdf; cogburn cash flows 20070217a.pdf

Gentlemen,

It appears that Gossan Resources is faced with the very real and very large challenge of carbon dioxide emissions from production of calcined dolomite at their proposed Manitoba magnesium project. The dolomite ore needs to be calcined before going into their "new and improved" Pidgeon Process. The STIVAMI process for North Pacific Alloy Limited's Cogburn Project continues to be the most environmentally friendly option, in my opinion. In addition, using nuclear at Cogburn for electric power and process heat would eliminate the need for natural gas, thereby further reducing emissions.

The BC government is still in denial over power generation using coal or nuclear – they are going to burn wood (beetle killed pine)!!! Based upon this power policy BC is probably at least five years from embracing nuclear. It is my assumption that the BC government is now hoping the environmentalists will ask for nuclear at some point (to offset the carbon dioxide hysteria), and at that point the BC government and BChydro should embrace nuclear. See [http://energyplan.gov.bc.ca/PDF/BC\\_Energy\\_Plan\\_Fact\\_Sheet.pdf](http://energyplan.gov.bc.ca/PDF/BC_Energy_Plan_Fact_Sheet.pdf).

As discussed, it would be advisable to "park" the Cogburn project until such time as the metal market improves, the Western Canadian over-heated business cycle cools and the BC government gets its power policy back to being low-cost, reliable and available in BC. This probably means at least a five year wait.

Your comments on these matters would be appreciated.

Cheers,  
 John Chapman  
 604.536.8356

PS. I have attached a slightly revised Cogburn Cash Flow summary (changed labels on one table) – all numbers remain unchanged and include the Hatch 2003 non-nuclear option, thereby assuming electric power is available from BChydro.

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**From:** John Chapman [mailto:jacms1@telus.net]  
**Sent:** March 24, 2007 9:54 AM  
**To:** 'Buddy Roach'; 'Bob McGown'; 'chrisgulka@workingcapitalcorp.com'; 'David Dreisinger'; 'David Makepeace'  
**Subject:** RE: IMA Weekly Update - Edition 12-2007

Hi Buddy,

I assume that it is a potentially viable technology as Hatch is their consultant. Take a look at <http://www.gossan.ca> for more information.

Best regards, John

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**From:** Buddy Roach [mailto:broach14@msn.com]  
**Sent:** March 24, 2007 9:32 AM

2007-04-13

**To:** John Chapman; Bob McGown; [chrisgulka@workingcapitalcorp.com](mailto:chrisgulka@workingcapitalcorp.com); David Dreisinger; David Makepeace  
**Subject:** Re: IMA Weekly Update - Edition 12-2007

Good morning John:

The article on Gossan is very interesting and sounds promising but can it be a viable process commercially. Have you talked to anyone at Hatch about this and, if so, what do they think?

Cheers,  
Buddy

----- Original Message -----

**From:** John Chapman

**To:** Bob McGown ; Buddy Roach ; [chrisgulka@workingcapitalcorp.com](mailto:chrisgulka@workingcapitalcorp.com) ; David Dreisinger ; David Makepeace

**Sent:** Saturday, March 24, 2007 10:13 AM

**Subject:** FW: IMA Weekly Update - Edition 12-2007

Gentlemen,

Note the article on Gossan Resources Limited.

Cheers, John

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**From:** Eileen Hoblit [<mailto:EHoblit@tso.net>]

**Sent:** March 23, 2007 4:09 PM

**To:** undisclosed-recipients:

**Subject:** IMA Weekly Update - Edition 12-2007

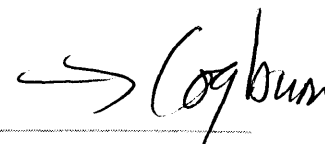
The March 23, 2007 edition of the IMA Weekly Update is attached in Adobe Portable Document Format (PDF). If you are unable to read a document in .PDF format, Adobe Reader can be downloaded at no cost from [www.adobe.com/products/acrobat/readstep2.html](http://www.adobe.com/products/acrobat/readstep2.html)

**Please submit your companies' press releases for inclusion in the Weekly Update to [info@intlimg.org](mailto:info@intlimg.org).**

We always welcome your comments on the Weekly Update and your suggestions on content for future Weekly Updates.

Sincerely,

International Magnesium Association  
1000 North Rand Road, Suite 214  
Wauconda, IL 60084  
Telephone: 847-526-2010  
Fax: 847-526-3993  
[www.intlimg.org](http://www.intlimg.org)

**Schroeter, Tom EMPR:EX**

**From:** John Chapman [jacms1@telus.net]  
**Sent:** Monday, May 28, 2007 3:52 PM  
**To:** chrisgulka@workingcapitalcorp.com  
**Cc:** Bob McGown; Wuschke, Steven EMPR:EX; Lefebure, Dave EMPR:EX; Campbell, Douglas FOR:EX; Krueger.MLA, Kevin LASS:EX; XT:Bennett, B LP:IN; Sultan.MLA, Ralph LASS:EX; Bell.MLA, Pat LASS:EX; Neufeld.MLA, Richard LASS:EX; Schroeter, Tom EMPR:EX; Webster, Ian EMPR:EX; Frank Jacobs; Steve Wilson  
**Subject:** Garnet Creek Road, Hope, BC  
**Attachments:** letter from BCMoF garnet road 20070528.pdf; termination of SUPS24545 at Cogburn 20070508.pdf; mineral tenures in purple Hope to Harrison 20070528.pdf; GarnetTalcRoadSUP1.pdf

Good Day Chris,

Attached is a letter from the Ministry of Forests and Range (MoF) regarding deactivation of the Garnet Creek Road to extinguish North Pacific Alloys Limited's legal responsibilities.

I spoke with Doug Campbell, Tenures Officer, Chilliwack Forest District, today to discuss the alternatives to deactivation (which includes removal of bridges and culverts and restoration of drainage). The alternatives are to: (1) have another company take over SUP24545, or (2) have the government take over the responsibility for the road by extending the present Forest Service Road to the headwaters of Garnet Creek. Doug indicated that the MoF was not prepared to extend the Forest Service Road. The Garnet Creek road is used by several mineral exploration companies so it would, in my opinion, be foolish to BC taxpayers to deactivate the road.

I plan to approach the mineral exploration companies working in the area to see if any one of them wish to take over the SUP. Also, I will discuss possible Ministry of Energy and Mines support to the Forestry so that the Forestry may extend the road to the Garnet Creek headwaters. The region is staked solid with mineral tenures (see attached map of mineral tenures in purple) so revenues from MTO could perhaps go toward maintaining road access for all – this could set a precedent for other mineral rich areas of the province. It makes sense to me that Forestry is not the only resource being extracted in many regions of BC so maintaining access to resources (Forest Service Roads), where minerals are significant, then the costs should be shared between MoF and MEM. Having “mining” roads in the province to encourage mineral development is not a new idea – it has been done in the past.

Cheers, John

2007-05-29