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Highland Valley

COMINCO VANCOUVER

DATE: JANUARY 13, 1986

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JAN 14 08 29 '86

MESSAGE CENTER

MINISTER OF ENERGY, MINES AND PETROLEUM RESOURCES
THE HON. C. STEPHEN ROGERS

DEAR MR. MINISTER:

PLEASE FIND ATTACHED A PRESS RELEASE SENT TONIGHT ON THE
LORNEX/COMINCO AGREEMENT.

YOURS SINCERELY,

PC - for original

W.G. WILSON
PRESIDENT
COMINCO LTD.

ENERGY, MINES AND
PETROLEUM RESOURCES
JAN 14 1986
FILE 000051
MINISTERS OFFICE

LORNEX AND COMINCO TO COMBINE HIGHLAND VALLEY ASSETS

LORNEX MINING CORPORATION LIMITED AND COMINCO LTD. TODAY ANNOUNCED THAT AGREEMENT IN PRINCIPLE HAS BEEN REACHED TO COMBINE THE ASSETS AND OPERATIONS OF LORNEX AND COMINCO IN THE HIGHLAND VALLEY OF BRITISH COLUMBIA.

THE AGREEMENT CONTEMPLATES CONTINUED OPERATION OF THE EXISTING MINES AND MILLS OF BOTH LORNEX AND COMINCO. IN ADDITION A PROGRAM WILL BE COMMENCED TO INCREASE THE CAPACITY OF THE HIGHER GRADE COMINCO MINE TO A RATE SUFFICIENT TO SUPPLY BOTH MILLS AT A RATE OF ABOUT 120,000 TONNES OF ORE PER DAY. THE COMBINATION WILL CREATE ONE OF THE WORLD'S LARGEST SINGLE PRODUCERS OF COPPER CONCENTRATE WITH AN ESTIMATED ANNUAL OUTPUT OF CONCENTRATE CONTAINING IN EXCESS OF 400 MILLION POUNDS OF COPPER AND SIGNIFICANT QUANTITIES OF SILVER AND

File

GOLD. THE COMINCO OREBODY ALSO CONTAINS MOLYBDENUM WHICH MAY BE ECONOMICALLY RECOVERABLE DEPENDING ON SELLING PRICES. THE COMBINED EFFECT OF HIGHER GRADE AND INCREASED ORE RESERVES WILL ENSURE A LOW COST AND HIGHLY COMPETITIVE FACILITY; THE BENEFITS OF WHICH WILL ACCRUE TO BOTH COMPANIES FOR MANY YEARS TO COME.

COMINCO AND LORNEK WILL HAVE EQUAL CONTROL AND MANAGEMENT OF THE ENTITY WHICH WILL OPERATE THE PROJECT. WORKING AND OTHER CAPITAL REQUIREMENTS ARE TO BE PROVIDED 45 PERCENT BY LORNEK AND 55 PERCENT BY COMINCO AND CASH GENERATED FROM THE COMBINED OPERATIONS IS TO BE DISTRIBUTED ON THE SAME BASIS.

SPOKESMEN FOR LORNEK AND COMINCO EXPRESSED APPRECIATION TO THE PREMIER OF BRITISH COLUMBIA AND HIS STAFF AND TO THE OFFICE OF THE CRITICAL INDUSTRIES COMMISSIONER FOR THEIR ENCOURAGEMENT AND ADVICE. THIS GROUP, TOGETHER WITH THE LABOUR RELATIONS BOARD OF BRITISH COLUMBIA, WILL PLAY IMPORTANT ROLES IN FACILITATING THE EVENTUAL INTEGRATION OF THE OPERATIONS.

has had no impact

THE CONSTRUCTION REQUIRED TO GET INTO FULL-SCALE OPERATION WILL CREATE INCREASED EMPLOYMENT OF APPROXIMATELY 200 DURING THE CONSTRUCTION PERIOD.

RECOGNIZING THAT THE ENTITY WILL BE ONE OF THE LOWEST COST PRODUCERS OF COPPER CONCENTRATE IN NORTH AMERICA THE OPERATION WILL BE ABLE TO SUSTAIN EMPLOYMENT THROUGH THE SEVEREST INDUSTRY CYCLES FOR THE LONG TERM.

THE PROPOSED TRANSACTION IS SUBJECT TO COMPLETION OF A DEFINITIVE AGREEMENT AND APPROVAL BY THE BOARDS OF DIRECTORS OF EACH COMPANY. GOVERNMENT APPROVALS MAY ALSO BE NECESSARY INCLUDING THAT UNDER THE INVESTMENT CANADA ACT.

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COMINCO LTD. CONTACT: B.W. TOWNSON
SUITE 2500 (604) 585-3061
200 GRANVILLE STREET (604) 263-4015 (HOME)
VANCOUVER, B.C.
V6C 2R2

LORNEK MINING CORPORATION CONTACT: BILL BURGE
LIMITED (604) 588-3646
P.O. BOX 10335
STOCK EXCHANGE TOWER
1650 - 609 GRANVILLE STREET
VANCOUVER, B.C.
V7Y 1G5

RIO ALGON LIMITED CONTACT: KEN CULVER
120 ADELAIDE STREET WEST (416) 365-6915

all prod'n - Valley - 120000 TPD

*In pit crushes
w/ will be needed*

*Convey ore to Lornek mill - keep Bm mill going
step ratio ~ 1:1 probably*

*will leave Lx nobody dormant (needs higher Cu prices)
or construction
At start - will need 200 men
Conveyer ~ 7 miles*