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JANUARY 17, 1977

EXTERNAL AFFAIRS
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SIGNING OF LETTER OF UNDERSTANDING BETWEEN
KAISER RESOURCES LIMITED OF BRITISH
COLUMBIA AND COMPANHIA VALE DO RIO DOCE
(C.V.R.D.)

DEPARTMENT OF EXTERNAL AFFAIRS
MINISTÈRE DES AFFAIRES EXTÉRIEURES

In the presence of the Secretary of State for External Affairs of Canada, the Honourable Don Jamieson, and the Minister of Mines and Energy of Brazil, the Honourable Shigeaki Ueki, a letter of understanding was signed today between Kaiser Resources of British Columbia and C.V.R.D., a major Brazilian iron ore company, for C.V.R.D. to purchase up to a ten percent interest in Kaiser's new two million ton per year underground coal mine. This agreement was signed by Edgar F. Kaiser Jr., President and Chief Executive Officer of Kaiser Resources and Fernando Reis, President of C.V.R.D. in Brazil.

This new mine will employ Kaiser's hydraulic mining technology and will be located near the company's present coal mining facilities at Sparwood, British Columbia.

This project has been a joint venture between Kaiser, who own 70 percent and Mitsui Mining Company of Japan and Mitsubishi Corporation. Prior to the entrance of Brazil into this project the Japanese interest had been 30 percent. This interest will be reduced by the amount of C.V.R.D. participation. In addition, C.V.R.D. has agreed to purchase a minimum of 250,000 long tons per year from the new mine if the project goes ahead.

If all the equity and sales contracts are finalized by end of first semester of this year the new mine would begin production in 1980.

Kaiser Resources is currently conducting engineering feasibility studies in Brazil on the expansion coal mine there. These studies could lead to an equity participation by Kaiser in a Brazilian thermal coal mine.

Two trial cargos of coal from the company's present mining operations have been shipped to Brazil and the company is currently negotiating for a long term contract of up to 200,000 long tons per year from the existing mine.

The understanding reached between Kaiser and C.V.R.D. follows one year of negotiation and was discussed during the first meeting in Ottawa of the Canada-Brazil Joint Commission in November 1976, and was included in discussions held between the Secretary of State for External Affairs, the Honourable Don Jamieson, and several Brazilian cabinet members.