R-13

GESTION NALCAP HOLDINGS INC.

November 27, 1987

Pickands, Mather & Co.
1100 Superior Avenue
Cleveland, Ohio 4414

Attention: Frank Hartman

Dear Frank,

I attach executed copies of the memorandum of agreement and the amendment of the mining lease. The name of the company has been changed to Nalcap Holdings Inc. and I have added that to the signature pages.

We recognize that the reduction contemplated in clause four of the agreement has initially been rejected and will wait the results of your attempt to receive the reduction before renewing our own endeavours.

Yours truly,

NALCAP HOLDINGS INC.

J.D. Hamilton
President

JDH/dlp
attachment

SUITE 260 McFARLANE TOWER, 700 4th AVENUE S.W. CALGARY, ALBERTA T2P 3J4 TEL.: 403-266-4750 FAX: 269-6691

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MEMORANDUM OF AGREEMENT

This Agreement entered into this ____ day of ______________, 1987, by and among Javelin International Limited (hereinafter "Javelin"), Wabush Iron Co. Limited (hereinafter "WIC"), Stelco Inc. (hereinafter "Stelco"), Dofasco Inc. (hereinafter "Dofasco"), WIC, Stelco and Dofasco hereinafter collectively referred to as "Wabush Owners".

1. Wabush Owners and Javelin agree that they shall cause the annexed Amendment to the Amendment and Consolidation of Mining Lease dated September 2, 1959, to be executed on their behalf subject to the satisfaction of the conditions set out in paragraphs 2 through 4 below.

2. Wabush Owners and Javelin, all as shareholders of Knoll Lake Minerals Limited, agree to vote in favor of a Knoll Lake Shareholders Resolution which will approve a C$.10 reduction in the royalty rate payable by Javelin to Knoll Lake pursuant to the agreement between Newfoundland and Labrador Corporation Limite (NALCO) and Javelin, dated May 26, 1956, as assigned by Nalco to Knoll Lake Minerals Limited at June 17, 1964.

3. Javelin agrees to waive its claim, and forever release the Wabush Owners and Wabush Mines therefrom, that it is entitled to be

paid at a royalty rate determined by reference to the Amendment and Consolidation of Mining Lease dated September 2, 1959 as that Agreement provided prior to the date of the Amendment of Lease annexed hereto, with respect to Wabush Mines production years 1984-1986.

4. The annexed Amendment shall be approved by the Board of Javelin and by the Wabush Owners, and the Government of Newfoundland shall grant a comparable royalty reduction (approximately 20%) in the royalty rate currently payable by Javelin to the Province of Newfoundland.

In entering into the annexed Lease Amendment, the parties hereto recognize that such Lease Amendment has been agreed upon to reflect the present circumstances where the Wabush Mines production costs are higher than the market value of Wabush pellets and it is therefore agreed between the Wabush Owners and Javelin that at such time as such production costs shall be lower over the period of 12 consecutive months than the market value of such pellets during that period, they shall jointly review the base royalty rate as then determined pursuant to the annexed Amendment for purposes of reaching an agreement on a new royalty rate to be then equitable to Javelin and the Wabush Owners in those circumstances.

IN WITNESS WHEREOF, the parties hereto have caused their representatives to execute this Agreement as of the date first above written.

JAVELIN INTERNATIONAL LIMITED
NALCAP HOLDINGS INC.

By______________________

WABUSH IRON CO. LIMITED

By *[signature]*

STELCO INC.

By______________________

DOFASCO INC.

By *[signature]*

JAVELIN INTERNATIONAL LIMITED
NALCAP HOLDINGS INC.

By________________________

WABUSH IRON CO. LIMITED

By________________________

STELCO INC.

By________________________

DOFASCO INC.

By________________________

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061987

AMENDMENT OF MINING LEASE

THIS INDENTURE, made and entered into as of the first day of January, 1987, by and among Javelin International Ltd., a company duly incorporated under the laws of Canada and having its head office in the City of Montreal, Province of Quebec (hereinafter "Lessor"), Wabush Iron Co. Limited, an Ohio corporation, having its head office in Cleveland, Ohio, Stelco Inc., a company duly incorporated under the laws of Canada and having its head office in the City of Toronto, in the Province of Ontario, and Dofasco Inc., a company duly incorporated under the laws of Canada and having its head office in the City of Hamilton in the Province of Ontario (hereinafter collectively called "Lessees"),

W I T N E S S E T H:

WHEREAS, pursuant to an agreement entitled "Amendment and Consolidation of Mining Lease" dated September 2, 1959, as thereafter amended and assigned (hereinafter called the "Wabush Lease"), Lessees hold a leasehold interest in the Demised Premises described therein;

WHEREAS, Lessor and Lessees wish to amend the Wabush Lease to resolve certain differences which have arisen thereunder and to change the manner in which royalties are determined;

NOW, THEREFORE, in consideration of the premises and the mutual undertakings and agreements of the parties hereinafter set forth, IT IS AGREED that, effective from and after the date hereof, the Wabush Lease is amended as set out below:

I. Subparagraph (f) of the granting clause is hereby deleted and the following substituted therefor:

(f) "Current Seven Island Price" shall mean the arithmetical average of the metric ton iron unit blast furnace pellet prices in U.S. currency published in the last issue of Skillings prior to the date on which Earned Royalties shall be due and payable hereunder of the following merchant sellers; CVRD (FOB Tubarao), Samarco (FOB Ponta Ubu), Cartier (FOB Port Cartier), Carol (FOB Sept-Iles) and KPBO (FOB Narvik), adjusted to gross ton units, subtracting therefrom the Wabush Penalty (.035), and the result thereof multiplied by the average iron units contained in each Gross Ton of Iron Ore Product. For example, prices published in Skillings, January 3, 1987 issue, were CVRD - $.356 + KPBO - $.3815 + Samarco - $.340 + Cartier - $.365 + Carol - $.365. The average of those is $.3615, adjusted to gross ton unit (1.016) = $.3673. The Current Seven Island Price is, therefore, in this example, ($.3673 - .035) x the average iron units contained in each Gross Ton of Iron Ore Product (assumed 63.5 for this example) = $21.1011. In the event any one or more designated merchant seller shall hereafter fail to publish a price and at least two shall publish a price, the average of those prices which are published shall be used to determine the Seven Island Price.

If Skillings shall publish a designated merchant seller's price incorrectly, or fails to publish at all, any other generally recognized similar trade publication which publishes such prices may be referred to for purposes of this subparagraph. For purposes of this subparagraph, all calculations shall be made to the fourth decimal place.

II. A new subparagraph (g) is hereby added to the granting clause as follows:

(g) "Base Seven Islands Price" shall mean U.S.$21.1011. "The Producer Price Index, Iron and Steel Subgroup", shall mean such index referred to as Code 101 (1967 = 100) published in the monthly Producer Prices and Price Indexes by the Bureau of Labor Statistics, United States Department of Labor, and the current index value shall be the average value for such Index for the calendar month next preceding X the calendar quarter year for which said royalty rates are being adjusted.

III. That portion of Clause 1 of Part A which is set out on page 4 of the Wabush Lease is hereby deleted and the following three clauses substituted therefor:

"1. The Lessee will, from and after the effective date hereof, pay to the Lessor on or before the 25th day of January, April, July and October (hereinafter called "Quarterly Payment Dates") in each and every year or if such day falls on a Sunday or a holiday, then on the next ensuing business day, as royalty for each Gross

Ton of Iron Ore Products shipped from the Demised Premises during the calendar quarter year immediately preceding the month in which payment is to be made as aforesaid, commencing with shipments from and after January 1, 1987, an amount equal to the Earned Royalty.

"2. The term "Earned Royalty" as used herein shall mean the greater of Canadian (i) $.75, or (ii) a base royalty of $1.65 which shall be adjusted for each quarter year by the respective amount that is the product of multiplying the royalty rate by a percentage that is the total of:

(a) One-half of the percentage of change, if any, that the Current Seven Islands Price for a gross ton of Iron Ore Product of 63.5% iron content shall vary from the Base Seven Islands Price (as such term is defined in sub-paragraph (g) of the granting clause),

(b) One-half of the percentage of change, if any, that the current index value of the Producer Price Index, Iron and Steel Subgroup (as such term is defined in subparagraph (g) of the granting clause shall vary from the base index of 343.7 which is the index value reported for the month of December, 1986.

As an example, should the Current Seven Islands Price for the quarter be $22.52 and the Producer Price Index, Iron and Steel Subgroup be 360.2 then the base royalty would be multiplied by a percentage equal to:

$$(.5 \times (\frac{22.52-21.1011}{21.1011}) + .5 \times (\frac{360.2-343.7}{343.7}) \times 100 = 5.76\%$$

the adjustment amount in this example becomes

$$\$1.65 \times \frac{5.76}{100} = \$.095$$

The royalty for the quarter would then be \$1.65 + \$.095 = \$1.745.

"3. For each calendar quarter during which this Indenture remains in effect, and regardless of whether the Lessee shall conduct on the Demised Premises any mining or other operations, the Lessee shall, on the Quarterly Payment Dates, pay the Lessor a quarterly minimum royalty (hereinafter called "Minimum") equal to one-quarter of an amount calculated at the rate of thirty cents (\$.30), Canadian Funds, per Gross Ton on the following tonnages:"

IV. Clauses 2 through 9 of Part A are hereby renumbered Clauses 4 through 11, respectively.

V. Except as amended herein, the Wabush Lease shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Indenture as of the day and year first above written.

JAVELIN INTERNATIONAL LTD.
NALCAP HOLDINGS INC.

By ____________________

WABUSH IRON CO. LIMITED

By ____________________

STELCO INC.

By ____________________

DOFASCO INC.

By ____________________

WABUSH IRON CO. LIMITED

By ______________________

STELCO INC.

By ______________________

DOFASCO INC.

By ______________________