



# **FORTUNE MINERALS LIMITED**

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September 30, 2003

**VIA COURIER**

**Her Majesty the Queen in Right of Canada  
Minister of Transport  
Ottawa, Ontario  
c/o Price Waterhouse Coopers Securities Inc.  
2800-1250 René Lévesque Boulevard West  
Montreal, Quebec, H3B 2G4  
Tel. (514) 205-5045**

**Attention: Andrew Edwards, Senior Vice President and Managing Director**

**Re: *Ridley Terminals Inc. ("RTI")***

Fortune Minerals Limited ("Fortune") and Federal White Cement Ltd. ("Federal"), on behalf of a corporation or limited partnership to be formed by one or both of them (the "Purchaser"), hereby offer to purchase all of RTI's Capital Assets (including sulphur assets), Inventory and Prepaid Expenses (as defined in RTI's 2002 Annual Report and audited by the Auditor General of Canada) free and clear of all liens and liabilities (collectively the "Purchased Assets").

## **1. Consideration**

- a) The purchase price for the Purchased Assets is Cdn\$20,000,000, to be adjusted at closing for variations in inventory and prepaid expenses.
- b) The purchase price shall be paid as follows:
  - \$3,000,000 in cash at closing; and
  - the balance by way of royalties starting in the 7<sup>th</sup> year from the date of closing and ending 40 years after closing, to be calculated at the rate of \$0.30 per metric tonne of commodities exported by the terminal and subject to maximum aggregate royalty payments of \$500,000 in any one year.

## **2. Planned use of the Facilities**

Commodities contemplated to be handled at the RTI facilities (the "Terminal") will be coal, anthracite, petroleum coke, sulphur, fertilizers,

liquids (natural gas, petroleum chemicals and agricultural oils), aggregates, ores and metal concentrates.

This offer is conditional upon satisfaction of the items set forth below under "Conditions" including, without limitation, obtaining an agreement with the Prince Rupert Port Authority ("PRPA") for the handling of the above commodities as well as extending the present two leases for the Terminal (covering 55 hectares and 10 hectares, respectively) (the "Leases") to December 31, 2043 on the same terms and conditions existing being applied today.

a) The types and quantities of products that the Purchaser would expect to export from the Terminal are as follows:

- Petroleum coke – 850,000 tonnes/year
- Coal – 500,000 tonnes/year
- Anthracite – 500,000 tonnes/year
- Formed sulphur – 500,000 tonnes/year
- Petroleum and related chemicals – 200,000 tonnes/year
- Agricultural oils – 30,000 tonnes/year
- Ore's and metal concentrates – 50,000 tonnes/year
- Fertilizers – 300,000 tonnes/year

b) Anticipated vessel frequency – 3-7/month  
Anticipated vessel type – bulk: 30,000 MT - 150,000 MT

The foregoing items a) and b) are not made as representations and warranties of Fortune, Federal or the Purchaser as to the actual performance of the Terminal but reflect the parties' bona fide estimates of the anticipated operations.

c) The anticipated area to be occupied by Purchaser would be similar to the area currently occupied by RTI. There are no major changes to RTI's current operations planned, except covered storage and additional tanks to be built as markets are developed. Purchaser will continue to operate the facilities in a manner, which is compliant with RTI's existing environmental policies and standards and in accordance with RTI's current environmental practices and as required for the new commodities contemplated for shipment.

### 3. Labour Issues

Purchaser shall advise RTI within 60 days after closing as to which of the RTI employees it needs to hire. All employees not hired by the Purchaser shall be terminated by RTI at RTI's expense.

#### 4. Conditions

- At closing, all assets except for sulphur-related assets to be free and clear of all liens and liabilities. RTI and the Ministry of Transport (Canada) will undertake to clear all liens and liabilities related to the sulphur assets at their expense as quickly as possible after closing and in any event by December 31, 2004.
- This offer is subject to approval by Fortune and Federal's boards of directors and all necessary regulatory approvals including, without limitation, approval of The Toronto Stock Exchange (TSX). Board and TSX approval will be sought no later than 21 business days from acceptance of this offer.
- This offer is also subject to obtaining an agreement with the PRPA for the additional commodities referred to herein and the extension of the Leases (55 and 10 hectares) to December 31, 2043 on the same terms and conditions existing today.


This offer is open for acceptance until 5:00 p.m., Eastern Standard Time, December 31, 2003. If not accepted by that time, this offer will be deemed to be withdrawn.

Yours Sincerely,

Fortune Minerals Limited

  
By: Robin E. Goad  
President

Federal White Cement Ltd.

  
By: George M. Doumet  
President

## SCHEDULE A TO THE FORTUNE/FEDERAL RTI OFFER

Written response to Questions, dated September 9, 2003

### Questions Regarding Fortune:

1. The most recent audited financial statements for Federal White Cement Ltd. were presented to Mr. Andrew Edwards of PricewaterhouseCoopers Securities Inc. by George Doumet on September 15, 2003.
2. Neither Fortune nor Federal has received any grants or contributions, directly or indirectly through any subsidiary or affiliate, from the Government of Canada, including any of its ministries, agencies or Crown Corporations.

### Questions Regarding Fortune's Proposal:

3. Fortune includes the "sulphur assets" in the assets it proposes to acquire and all such assets should be free and clear from all liens and liabilities. However, Fortune's proposal has flexibility in the timing of the removal of such liens and liabilities and Fortune/Federal would be willing to work with the government in the discharge of such liens and liabilities, provided the government assumes the cost. It is our intention to handle formed sulphur through the RTI facilities and that such sulphur would be drilled at the source. The quantities of formed sulphur we expect to ship would be ~500,000 tonnes/year.
4. Fortune and/or Federal intend to acquire the sulphur facilities and use the tanks constructed at the site to handle petroleum and agricultural liquids. Notwithstanding the intentions of the parties, Fortune and/or Federal would be prepared to entertain any proposals on alternative use of the facilities by a third party that are compatible with the intended use of the facilities.
5. Fortune and Federal have provided security for this transaction in the form of a Cdn\$3 million letter of credit (already provided).
6. The right to handle other commodities through the RTI facilities through an amendment or replacement of the lease from the Prince Rupert Port Authority is a condition to closing the transaction contemplated herein.
7. The number of employees that Fortune and Federal foresees hiring would be determined within 60 days after closing as set out in the purchase offer.
8. Because the proposed purchase of RTI's assets is a material transaction to Fortune, it is subject to the approval of The Toronto Stock Exchange. Notwithstanding the foregoing, such approval is a matter of procedure and would be sought immediately upon acceptance of the offer. It is not expected to be an issue other than a formality.

## Questions Regarding the Environment:

9. In order to handle products through RTI such as agricultural and petroleum liquids (including methanol), existing tanks and piping would require modifications and new tanks might also be constructed as the market dictates. Covered storage may also be required for handling fertilizers and other soluble products. All of these would be constructed in compliance with all government regulations and applicable environmental standards. It is also understood that permits would need to be obtained to handle such commodities.

10. Agricultural and petroleum liquids, including methanol, would be transported to the site by rail in tanker cars. It is also conceivable to take delivery of some product by truck.

11. Other petroleum and agricultural liquids are contemplated to be handled in addition to the methanol and rapeseed oil specifically mentioned. Some of these commodities were discussed over the telephone with David Rayworth of Dillon Consulting on September 29, 2003. It is understood that additional permits may be required but that such permits are obtainable.

12. The anticipated minimum lifespan of the operation is 40 years.