LKD

LANGLOIS KRONSTRÖM DESJARDINS
s.e.n.c. AVOCATS

Québec, le 11 mai 2004

Guy de Blois
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Courriel: guy.deblois@lkdnet.com

PAR COURRIER CERTIFIÉ (LC 040 577 223)

Sous toutes réserves

HYDRO QUÉBEC
8181, de l'Esplanade
Montréal (Québec) H2P 2R5

Objet: **Mise en demeure**
Notre dossier : 326381.0002

Madame, Monsieur,

Nous sommes les procureurs de Canadian Electronic Powders Corporation ("CEPC") de qui nous recevons instructions de vous transmettre la présente lettre de mise en demeure.

En date du 23 mars 2003 ainsi que des 23, 25 et 27 septembre de la même année, certains problèmes au niveau de l'alimentation en électricité sont survenus à l'usine de CEPC, plus particulièrement des baisses de tension et/ou pertes de courant importantes, et ont eu pour effet direct d'interrompre et de nuire grandement aux activités de production de l'usine.

Les problèmes susmentionnés ont causé à CEPC d'importants dommages qui totalisent la somme de 88 361,32 $, tel que plus amplement décrit aux documents ci-joints.

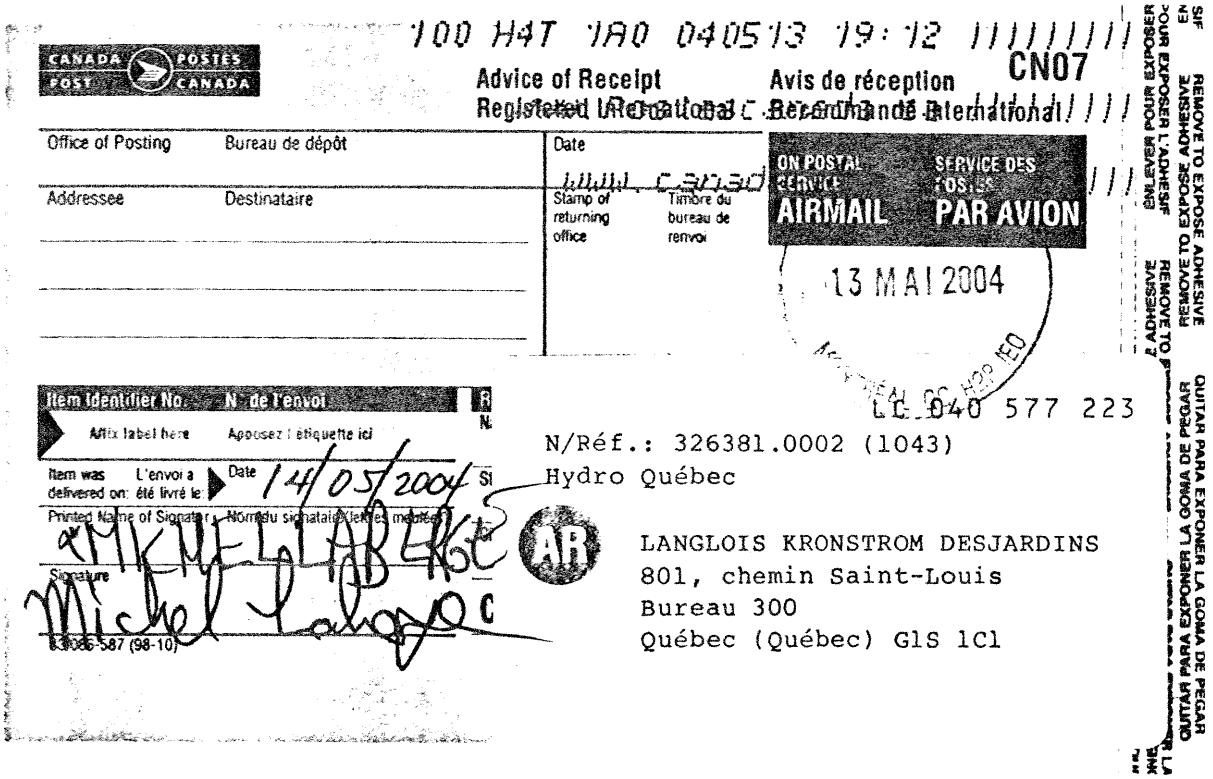
Bien que CEPC aient formulées des demandes de compensations financières pour les pertes subies à la suite des événements survenus en mars et septembre 2003, Hydro Québec refuse injustement de l'indemniser.

En conséquence, Hydro Québec est par la présente formellement mise en demeure de payer à CEPC, dans les cinq (5) jours de la signification de la présente, la somme de 88 361,32 $ par chèque certifié libellé à l'ordre de "*Langlois Kronström Desjardins, s.e.n.c., en fiducie*", à défaut de quoi nous avons instructions d'intenter contre elle toutes les procédures judiciaires qui s'imposent et ce, sans autre avis ni délai.

VEUILLEZ AGIR EN CONSÉQUENCE.

Guy de Blois
GdB/sj

7



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Michel Labrosse

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N/Réf.: 326381.0002 (1043)
Hydro Québec

LANGLOIS KRONSTROM DESJARDINS
801, chemin Saint-Louis
Bureau 300
Québec (Québec) G1S 1C1

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Exhibit 1: Losses Due to Electrical Dips

Powder losses due to bad distribution:

Losses directly after incident:			
Total Consecutive hours of production lost:	17 hrs		
Total powder lost during this phase:	35,522 kg		
Occassional Losses due to quality fluctuation and poor manageability of process			
Total number of hours affected:	19 hrs		
Total powder lost:	46,449 kg		
TOTAL LOSSES OF PRODUCT DUE TO BAD DISTRIBUTION:		81,97 kg	
Cost of manufacturing per kilogram of powder:		$ 202,00 /kg	
TOTAL COST OF LOSSES DUE TO BAD DISTRIBUTION:			$ 16 558,14

Losses incurred due to decrease in production rate:

Total hours of production:	225 hrs		
Before incident	78 hrs		
After incident	147 hrs		
Total production of Powder:			
Actual ProductionBefore Incident	179,90 kg		
Actual Production After Incident	290,28 kg		
Expected Production After Incident	339,04 kg		
Production rate:			
Before Incident:	2,31 kg/hr		
After Incident:	1,97 kg/hr		
Production Losses:	0,33 kg/hr		
TOTAL LOSS OF PRODUCTION: (Difference between expected and actual production after incident)		48,76 kg	
Cost of manufacturing per kilogram of powder:		$ 202,00 /kg	
TOTAL COST OF LOSSES DUE TO PRODUCTION RATE LOSS:			$ 9 849,68

GRAND TOTAL COST OF LOSSES **$ 26 407,83**

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Exhibit 2: Revenue Losses

Costs Associated with Loss of Power
September 23,2003
3:59:00 AM

Duration to Achieve same production level before power failure

Shut-down duration		12 hrs		
Shut-down shift lost		3 hrs		
Rebuild Duration		24 hrs		
Start-up Duration		12 hrs		
Total Hours Lost		51 hrs		

Resources Costs

Superintendent		1		
Process Engineer		1		
Lab Manager		1		
Lead Operator		1		
Technicians		5		
Total Cost for resources used			$	7 263,82

Shutdown Costs

Nitrogen consumption		70 lpm		
Duration		12 hrs		
Total Nitrogen Consumption		50,4 m3		
Consumption Cost	$	0,40 $/m3		
Total Cost of Nitrogen			$	20,16

Rebuild Costs

Consumable Costs (see attached Exhibit 1)			$	11 895,06

Start-up Costs

Nitrogen consumption		39 m3/hr		
Duration		12 hrs		
Total Nitrogen Consumption		468		
Consumption Cost	$	0,40 $/m3		
Total Cost of Nitrogen			$	187,20
Extra Delivery Surcharges for Nitrogen			$	50,00
Nickel Consumption				
Nickel for start-up		46 kg		
Nickel feeding				

Duration	8 hrs		
Production rate	2,9 kg/hr		
Total powder produced	23,2 kg		
Total Nickel Feed Required	27,3 kg		
TOTAL Nickel Requirements	73,3 kg		
Nickel Price	20,72 $/kg		
TOTAL Nickel Cost		$	1 518,65
Electrical Consumption of Production			
Power Required	150 kVA		
Power charged	135 kW		
Duration	12 hrs		
Total Consumption	1620 kWh		
Electrical Consumption Cost	$ 0,0372 $/kWh		
Total Electrical Consumption Cost		$	60,26
Extra Peak Power Charge			
Total Peak in Production	230,4 kVA		
Total Peak Charge	207,36 kW		
Peak Charge No Production	136 kW		
Difference	71,36 kW		
Peak Charge	$ 11,97 $/kW		
Total Extra Peak Charge		$	854,18
		$	21 849,34
Overhead Costs : 65%		$	14 202,07
Sub-Total with OverHead		$	**36 051,41**
Profit Margin Loss Due to Power Failure			
Missing to complete October order	250 kg		
Cost to produce powder	$ 167,00 $/kg		
Price of powder	$ 269,00 $/kg		
Difference	$ 102,00 $/kg		
TOTAL Margin loss		$	25 500,00
TOTAL Revenue Losses		$	**61 551,41**

Exhibit 1 : Revenue Loss

1) Blackout of September 27, 2003 : Loss of 1h10 minutes

207,3 kW * 11.97$ * 1 day / 30 days / 24 hr * 1hr 10 m	4.03
	4.03

Total of Revenue loss : 4.03

Exhibit 1 : Revenue Loss

1) Blackout of September 25, 2003 : Loss of 2 hours of work

1 President :
1 Superintendant
1 Engineer and Sales
1 Process Engineer
1 Accountant
1 Lab. Manager
1 Maintenance

391.15

2) High Peak rate charged :

207,3 kW * 11.97 * 1 day / 30 days / 24 hrs * 2 hrs = 6.89

Total of Revenue loss : 398.05