

This is the 27th Affidavit of  
William E. Aziz in this case and  
was made on May 10, 2019



NO. S-1510120  
VANCOUVER REGISTRY

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,  
R.S.C. 1985, c. C-36, AS AMENDED**

**AND**

**IN THE MATTER OF THE BUSINESS CORPORATIONS ACT,  
S.B.C. 2002, c. 57, AS AMENDED**

**AND**

**IN THE MATTER OF THE PLAN OF COMPROMISE AND ARRANGEMENT OF NEW  
WALTER ENERGY CANADA HOLDINGS, INC., NEW WALTER CANADIAN COAL  
CORP., NEW BRULE COAL CORP., NEW WILLOW CREEK COAL CORP., NEW  
WOLVERINE COAL CORP. AND CAMBRIAN  
ENERGYBUILD HOLDINGS ULC**

**PETITIONERS**

**AFFIDAVIT**

I, **WILLIAM E. AZIZ**, Chief Restructuring Officer, of the Town of Oakville, in the Province of Ontario,  
MAKE OATH AND SAY AS FOLLOWS:

1. I am the President of BlueTree Advisors Inc. ("**BlueTree**"), which has been retained to provide my services as Chief Restructuring Officer ("**CRO**") to the Petitioners (the "**New Walter Canada Group**"). As such I have personal knowledge of the facts hereinafter deposed, except where such facts are stated to be based upon information and belief, and where so stated I do verily believe the same to be true.
2. This Affidavit is made in support of an application by the New Walter Canada Group under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36 (the "**CCAA**") seeking an Order (i) severing the proceedings for adjudicating the claim asserted by Kevin James in these proceedings (the "**James Claim**") such that the Court will first determine whether Mr. James is entitled to any royalties and then, only if the Court determines that Mr. James is entitled to royalties, schedule a subsequent hearing to determine the quantum of royalties; and (ii) admitting into evidence the Fawcett Affidavits (defined below) in the James Claim proceeding.

3. I was initially retained by Walter Energy Canada Holdings, Inc. ("**Walter Energy Canada**") to provide my services as CRO to Walter Energy Canada, its direct and indirect subsidiaries and affiliates, and the partnerships listed on Schedule "C" to the Initial Order (collectively, the "**Old Walter Canada Group**"). I was retained pursuant to an engagement letter dated December 30, 2015, as amended in response to certain requests made by Old Walter Canada Group stakeholders. BlueTree was appointed as CRO of the Old Walter Canada Group pursuant to the Order of this Honourable Court made on January 5, 2016 (the "**SISP Order**").
4. My engagement as CRO of the Old Walter Canada Group, other than as CRO of Cambrian Energybuild Holdings ULC ("**Cambrian**"), was terminated on December 15, 2016, when the entities comprising that group filed for bankruptcy.
5. The companies comprising the New Walter Canada Group (other than Cambrian) were incorporated on December 8, 2016, pursuant to the authorization granted in paragraph 5 of the Order of this Honourable Court made on December 7, 2016 (the "**CCAA Procedure Order**"). Each such company became a Petitioner in these CCAA proceedings and subject to the CCAA Charges (as defined in the CCAA Procedure Order), and I became CRO of each new company in the New Walter Canada Group when the companies were formed.

#### Severing the James Claim Proceedings

6. The James Claim is the only remaining unresolved claim in this proceeding. On October 5, 2016, Mr. James submitted a proof of claim for a \$6,747,203 unsecured claim. Mr. James subsequently filed a Notice of Application dated October 6, 2017 (the "**James Application**") alleging that Mr. James is entitled to royalties under a Royalty Sharing Agreement (the "**RSA**") with Western Canadian Coal Corporation ("**WCC**") and seeking damages for breach of contract or unjust enrichment.
7. As noted in my twenty-sixth affidavit sworn in these proceedings on April 25, 2019 (the "**Twenty-sixth Aziz Affidavit**"), the New Walter Canada Group proposed that Mr. James consent to the Court severing the question of his entitlement to royalties from the question of quantum of those royalties. Mr. James has not consented to that proposal.
8. In the New Walter Canada Group's view, severance is prudent and cost-efficient. If the Court concludes that Mr. James is not entitled to royalties, then the claim will have been fully adjudicated without the parties having to incur costs to cross-examine experts and make arguments about valuation. If, however, the Court concludes that Mr. James is entitled to royalties, then the parties can adjudicate or settle the remaining issue of quantum. In that circumstance, the parties will be in a better position to negotiate a settlement as each side will have a clearer understanding of the

potential outcome. If the parties are still unable to settle their dispute, then the parties will incur the costs necessary to support a valuation of those royalties, which are the same costs they would have to incur without severance.

9. I am advised by the New Walter Canada Group's counsel that there is little, if any, duplication between the evidence relevant to Mr. James' entitlement to royalties (which turns on the interpretation of the RSA and on the lay evidence about the RSA's surrounding circumstances) and the quantum of damages that may be owing to Mr. James (which, I am advised, turns on the parties' competing expert evidence).
10. Severing the proceedings may avoid additional delay in resolving the James Claim and winding up the Estate. On February 25, 2019, this Honourable Court made an Order (the "**February 25 Order**") in which it ordered that the New Walter Canada Group and Mr. James "follow the schedule outlined in the agreement between counsel reached February 22, 2019 or as may be later agreed" for adjudicating the James Claim. A copy of the parties' agreed upon schedule is attached as Exhibit "**A**". This schedule contemplated a hearing in June 2019.
11. The parties have been unable to complete several pre-hearing steps by the dates contemplated in their schedule, because they spent the time working towards a statement of agreed facts that would make cross-examinations of the lay witnesses unnecessary. Given the dispute regarding severance and the admissibility of the Fawcett Affidavits, the parties must already extend the deadline for written submissions on the question of Mr. James' entitlement to royalties. If the parties must prepare for a hearing on both entitlement and damages, that will likely push back the proposed hearing date as the parties will likely require additional time to complete all the required pre-hearing steps.
12. As noted in the Twenty-sixth Aziz Affidavit, the New Walter Canada Group's Amended and Restated Plan of Compromise and Arrangement dated June 22, 2018 (the "**Amended Plan**") was implemented on April 24, 2019 and distributions under the Amended Plan commenced on the same date. In addition, the New Walter Canada Group launched the liquidation process for its remaining UK-based subsidiaries. The James Claim dispute may soon become the only reason why the New Walter Canada Group will need to extend the stay of proceedings under the Initial Order, which would result in additional costs by prolonging these proceedings. Therefore, resolving the James Claim dispute expeditiously will help bring these CCAA proceedings to a close and is in the best interests of the New Walter Canada Group and its stakeholders.

Fawcett Affidavit

13. As noted, the James Claim is based on Mr. James' assertion that he is entitled to a royalty under the RSA. I am advised by counsel that the RSA has been the subject of two prior proceedings before the British Columbia courts, including (i) the Corporate Formalities Application (Docket No. L050703) that was brought by WCC and in which WCC asserted that the RSA was invalid because there was lack of corporate compliance in the execution of the RSA; and (ii) the Criminal Interest Application (Docket No. S070436) that was brought by Mr. Fawcett (a founding director of WCC with Mr. James and others) in response to WCC's assertion that the royalty under the RSA was a criminal interest rate (collectively, the "**Prior Proceedings**").
14. The New Walter Canada Group is requesting that the Court admit into evidence in the James Claim proceedings two affidavits sworn by Mr. Fawcett in the Prior Proceedings: (i) Affidavit #1 of David Fawcett sworn June 2, 2005 in the Corporate Formalities Application (Docket No. L050703), a copy of which is attached as Exhibit "**B**" (the "**First Fawcett Affidavit**"); and (ii) Affidavit #1 of David Fawcett sworn January 19, 2007 in the Criminal Interest Application (Docket No. S070436), a copy of which is attached as Exhibit "**C**" (the "**Second Fawcett Affidavit**", and with the First Fawcett Affidavit, the "**Fawcett Affidavits**").
15. The New Walter Canada Group has also proposed to Mr. James that certain affidavits sworn by Mr. James and Mr. Austin in the Prior Proceedings be admitted into evidence as well. It is the New Walter Canada Group's understanding that Mr. James does not object to these affidavits but objects to the inclusion of the Fawcett Affidavits only.
16. I am also advised that Mr. James was a respondent in both the Corporate Formalities Application (where he opposed the relief sought by WCC) and the Criminal Interest Application (where he supported the relief sought by Mr. Fawcett). To the best of the New Walter Canada Group's knowledge, Mr. James did not challenge the accuracy of the Fawcett Affidavits in the Prior Proceedings nor did he cross-examine Mr. Fawcett on them. In fact, Mr. James explicitly relied on the Second Fawcett Affidavit in his application response in the Criminal Interest Application, a copy of which is attached as Exhibit "**D**", without exhibits.
17. I am also advised by the New Walter Canada Group's counsel that the New Walter Canada Group is not aware of Mr. Fawcett's specific current whereabouts and does not have any current contact information for him. Counsel determined that Mr. Fawcett was a non-executive director of Allegiance Coal and contacted Allegiance Coal to obtain current contact information. Mr. Reynolds, Corporate Secretary for Allegiance Coal, advised that Mr. Fawcett had retired from that position.

Mr. Reynolds offered to forward an email from counsel to Mr. Fawcett, which was done; however, there has been no response from Mr. Fawcett.

- 18. The New Walter Canada Group's counsel has previously sought Mr. James' consent to admitting the Fawcett Affidavits into evidence on several occasions. In an email dated March 20, 2019, Mr. James' counsel asked the New Walter Canada Group to confirm that Mr. Fawcett was available and willing to be cross-examined as a pre-condition. While the New Walter Canada Group's counsel took the position that cross-examination was not necessary or an appropriate pre-condition in this case, in light of Mr. James' long-standing relationship with Mr. Fawcett, the New Walter Canada Group's counsel asked Mr. James' counsel if Mr. James could provide Mr. Fawcett's contact information and confirm when Mr. James last had contact with Mr. Fawcett. Mr. James's counsel has not provided the requested information to date.

S'WORN BEFORE ME at Toronto, in the Province of Ontario, on May 10, 2019

Waleed Mubile

Commissioner for Taking Affidavits and Notary Public in the Province of Ontario

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William E. Aziz

WILLIAM E. AZIZ



NO. S-1510120  
VANCOUVER REGISTRY

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

IN THE MATTER OF THE *COMPANIES' CREDITORS*  
*ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS  
AMENDED

AND

IN THE MATTER OF THE *BUSINESS*  
*CORPORATIONS ACT*,  
S.B.C. 2002, c. 57, AS AMENDED

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IN THE MATTER OF THE PLAN OF COMPROMISE OR  
ARRANGEMENT OF NEW WALTER ENERGY  
CANADA HOLDINGS, INC., NEW WALTER CANADIAN  
COAL CORP., NEW BRULE COAL CORP., NEW  
WILLOW CREEK COAL CORP., NEW WOLVERINE  
COAL CORP. AND CAMBRIAN ENERGYBUILD  
HOLDINGS ULC

PETITIONERS

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**AFFIDAVIT #27 OF WILLIAM E. AZIZ**

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Client Matter No. 1164807

This is Exhibit "A" referred to in Affidavit #27 of **William E. Aziz** sworn May 10, 2019 at Toronto, Ontario.

*Waleed Malik*

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Commissioner for Taking Affidavits and  
Notary Public in the Province of Ontario



NO. S-1510120

VANCOUVER REGISTRY

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

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ENERGY CANADA HOLDINGS, INC., NEW WALTER CANADIAN COAL CORP., NEW BRULE COAL  
CORP., NEW WILLOW CREEK COAL CORP., NEW WOLVERINE COAL CORP. AND CAMBRIAN  
ENERGYBUILD HOLDINGS ULC

PETITIONERS

**PROPOSED JAMES CLAIM SCHEDULE**

- **March 1, 2019:** New Walter Canada Group to particularize additional affidavits to be relied upon.
- **March 8, 2019:** Mr. James to provide expert reply report.
- **March 15, 2019:** New Walter Canada Group to provide draft agreed statement of facts to Mr. James.
- **March 22, 2019:** Mr. James to provide response to draft agreed statement of facts to the New Walter Canada Group.
- **April 1, 2019:** Parties to provide 10-page submissions on disputed evidentiary issues, including any disputes related to cross-examinations, to the Court.
- **April 4 or 5, 2019:** Parties to attend hearing before Justice Fitzpatrick to resolve disputed evidentiary issues if necessary, subject to Court availability.
- **April 15, 2019:** Parties to agree on whether to suggest bifurcated proceeding to the Court and, if the parties believe bifurcation would be efficient, to write to the Court jointly proposing the approach.
- **Week of April 23, 2019:** Out-of-court examinations of fact witnesses and, if the Court prefers they be examined out of court, expert witnesses.



- **May 14, 2019:** Written argument of Mr. James on entitlement.
- **May 28, 2019:** Written argument of the New Walter Canada Group on entitlement.
- **June 2019** (exact dates to be set by Court): Hearing on entitlement and, possibly, valuation. Cross-examinations of experts if the Court prefers they be examined in court. Counsel are available June 25-28.

This is Exhibit "B" referred to in Affidavit #27 of **William E. Aziz** sworn May 10, 2019 at Toronto, Ontario.

*Waleed Malik*

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Commissioner for Taking Affidavits and  
Notary Public in the Province of Ontario



Affidavit of David Fawcett  
Affidavit # 1  
Sworn June 2, 2005

No. L050703  
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

Western Canadian Coal Corp.

Petitioner

AND:

David Fawcett, Kevin James and Mark Gibson

Respondents

**AFFIDAVIT**

I, David Fawcett, Businessman, with a place of business at Suite 1730-355 Burrard Street, Vancouver, British Columbia, MAKE OATH AND SAY AS FOLLOWS:

1. I am a Respondent to this Petition and a shareholder of the Petitioner, Western Canadian Coal Corp. ("WCCC"). I am also a former director and officer of WCCC, as described at paragraph 10 of the Petition.
2. I have personal knowledge of the matters set forth in this Affidavit, except for matters stated to be based upon information and belief, which matters I believe to be true.
3. I am a professional engineer by training, and have been actively involved in the coal industry for over thirty years. Over those years I have acquired experience in virtually every aspect of the coal mining industry, including property acquisition, exploration and geological assessment work, feasibility assessment, infrastructure development and operations, regulatory compliance and financing. I have worked my way up in the industry, and since the mid-1980's have been employed in senior management and executive positions.

4. Up to the year 2000, the principal business focus of WCCC was the exploration and development of a group of coal licences known collectively as the Belcourt property. I acquired the Belcourt property prior to 1997 through Ensync Resource Management Inc. ("Ensync"). In April 1997, the Respondent, Kevin James and I, amongst others formed Western Coal Corp. ("Subco"). Ensync became a wholly owned subsidiary of Subco, and the Belcourt property was transferred to Subco. WCCC was incorporated on October 2, 1997, as a vehicle to raise public financing to explore and develop the Belcourt property. The shareholders transferred all the shares of Subco to WCCC in return for WCCC shares.
5. In the spring of 1999, WCCC made an initial public offering of its shares through the facilities of the Vancouver Stock Exchange, and became a public company. Attached as Exhibit "A" to this Affidavit is a copy of a prospectus issued by WCCC in relation to that public financing, which accurately describes the history and business of WCCC up to that time.
6. The Belcourt property was an exploration prospect with no proven reserve. The property had undergone considerable exploration and evaluation in the late 1970's and early 1980's. The purpose of the WCCC's IPO was to finance further exploration and pre-feasibility assessment on the property to determine whether developing a mine would be economically viable under contemporary market conditions.
7. In the period from 1997 to 2000 international demand for coal was weak, and prices were steadily declining. The coal industry in British Columbia was in recession, and there was very little investor interest in coal exploration or development. Although Western had modest success with its initial public offering priced at \$0.65, it was not possible to maintain investor interest, and within a few months the share price for WCCC had fallen to the \$0.30 to \$0.40 range.
8. Regardless of the size or quality of the resource base which might be proven at Belcourt, the remote location of the property posed a significant challenge. The Belcourt property is located approximately 85km southeast of Tumbler Ridge (the nearest rail access), accessible largely through a system of gravel roads developed primarily for logging and

oil and gas exploration. In order to develop a mine at this site, one would have to invest substantial capital in order to develop a suitable transportation infrastructure.

9. Despite the poor markets and adverse business conditions in the BC coal industry in the late 90s, I remained confident that the industry would eventually recover. I believed that the depressed market conditions created significant opportunity for anyone willing to undertake the risk of further investment. Various operators became unwilling or unable to pay the fees to maintain existing coal licences. This included licences which had undergone considerable exploration and development work by the current licence holder. If a licence holder allows a licence to lapse, the subject property becomes available to be re-licensed to the first person willing to make the application and pay the required fees.
10. During 1998 through 2000, James and I spent considerable time and effort researching and assessing available geological data and development potential for many properties which had previously been explored at some time, but which had been abandoned or forfeited by the current holder. In light of the transportation issue we encountered at Belcourt, we concentrated on identifying properties with comparable resource potential, but better proximity to existing rail lines.
11. At that time, I was receiving a modest management fee in relation to the administrative work I was doing as President of WCCC (payment of which was often deferred due to our chronic shortage of cash). James was paid fees on a contract basis for geological work done on Belcourt, but had not been directed and was not being paid by WCCC to research or assess other properties.
12. James and I formed the view that a group of coal licences known as the Burnt River property (which had been extensively explored during the 1980's by Teck. Teck Corporation) had development potential due to market changes for the type of coal there, and the potential for a lower cost development and mining strategy. These licences were located southwest of Chetwynd, B.C. – a potential railhead on BC Rail's northern line within reasonable trucking distance from the property. We decided that these Burnt River licences should be acquired, and James applied for the Burnt River licences in January, 1999, using funds advanced personally by him and me (approximately \$6,000 each). We

discussed this opportunity with the other directors of WCCC, who agreed that we should attempt to acquire and develop this property through WCCC. Consequently, James agreed to assign the Burnt River licences to Subco when they were granted in return for WCCC's agreement to reimburse our expenses of acquisition. WCCC's solicitor, Pat Devlin, prepared a formal written coal property acquisition agreement for this assignment (the "CPAA"), a copy of which is attached as exhibit "B" to this affidavit. The payment to James under the CPAA (\$22,758.43) included repayment of the licence fees we had advanced, as well as payment to James for the considerable amount of work he had done researching and assessing the Burnt River property.

13. Although the CPAA provides that payment was due on closing, WCCC did not pay James when he assigned the Burnt River licences in May of 1999.
14. Over the ensuing several months, James and I continued to discuss the prospect of acquiring additional licences for WCCC with David Austin, and Pat Devlin. James and I continued to believe that additional, attractive opportunities were likely to become available, but there was considerable doubt whether WCCC could or should invest in additional licences. At the time (the latter half of 1999), the principal business focus of WCCC remained the exploration and development of the Belcourt property, as described in our prospectus. Substantially all of the money from the initial public offering had been spent, or was committed towards completing the work program described in the prospectus. David Austin advised James and I that there was virtually no investor appetite for financing of coal exploration at that time, and that he did not think it would be possible for us to raise funds to acquire licences for additional properties through WCCC. He expressed doubts about whether we could meet our existing commitments for the Belcourt properties, and some concern whether WCCC would be able to raise money to continue operating at all.
15. In or about November, 1999, another property in the Hasler Creek area (known as "West Brazion") became available. James and I considered the West Brazion property to be a desirable acquisition, and were interested in acquiring and developing the licences regardless of whether this could be done through WCCC. We applied for these licences

in the name of Elisabeth James (spouse of Kevin James), in order to tie them up while we continued to discuss whether WCCC should acquire them with Austin and Devlin. James and I each paid half the licence fees, which totalled approximately \$13,000.

16. Between December 1999 and February 2000, James and I, David Austin and Pat Devlin had continuing discussions about how to deal with the West Brazion licences. In addition, James and I had identified several more promising coal properties which we felt should be acquired, through WCCC if possible. These consisted of three properties known together as the "Wolverine Group" (individually, the "Mt. Spieker", "Perry Creek" and "Hermann" properties), which were located near the existing Quintette mine. Mt. Spieker property had previously undergone considerable development work by Teck Corporation and Ranger Oil, but had been abandoned for some time. It now appeared that Teck was possibly going to forfeit the licences for Perry Creek and Hermann as well, some time in February or March, 2000. James and I believed that together these licences represented an opportunity to acquire significant holdings with good resource potential and a desirable location - immediately adjacent to BC Rail's Tumbler Ridge line.
17. Austin never offered to invest any of his own money in the acquisition of additional licences for WCCC. However, he did indicate that Mark Gibson, a business associate of his, might be prepared to invest funds to assist WCCC in acquiring some of these licences. Austin introduced me to Gibson, and Gibson agreed to advance money to WCCC to be used to fund licence applications. Gibson actually advanced the sum of \$35,000 to WCCC for this purpose before we had a clear agreement about the terms. We subsequently reached an agreement whereby Gibson would advance \$20,000 of this money to fund the application for the Mt. Spieker licences, in return for a royalty interest and an option to acquire a working interest in the Mt. Spieker property, if developed by WCCC (this is the agreement attached as exhibit "A" to the affidavit of Mark Gibson #1).
18. Meanwhile, James and I continued our discussions with Austin and Devlin about the West Brazion property. I believe it was David Austin who proposed that we agree to grant WCCC an option to acquire the property in return for a 1% royalty on production, and reimbursement of costs. I understood this to represent compensation for the efforts

we had made to identify and secure the property on behalf of WCCC, as well as the fact that we were agreeing to effectively finance the application costs, at considerable personal risk, for an indefinite period. There was no guarantee that we would ever recover this investment, and we would not realize any benefit under the royalty unless WCCC succeeded in developing a mine on the property, which was far from certain. If WCCC ever did produce coal from the West Brazion licences, the acquisition would be tremendously beneficial to WCCC regardless of the agreement to pay a royalty to us. In the circumstances I considered the agreement to be reasonable, and fair to WCCC.

19. After we agreed to option the West Brazion licences to WCCC on these terms, Pat Devlin prepared a consent resolution to commemorate the transaction, a copy of which is attached as exhibit "C" to this affidavit.
20. Shortly after executing the consent resolution, WCCC issued a press release announcing the option agreement and royalty relating to acquisition of the West Brazion property (a copy of this press release appears as exhibit "B" to Mark Gibson's affidavit #1).
21. At about the same time we were transacting this business (mid-February, 2000), we became aware that Teck had, in fact, failed to renew the licences for Perry Creek and Hermann. This led to further discussion about whether or how WCCC might be able to acquire these licences. WCCC would need an additional amount of about \$30,000 to make these applications. Gibson was involved in these discussions, both in relation to the prospect of advancing more money for this purpose, and also in relation to concerns he had developed about the agreement we had reached over the Mt. Spieker applications. The particular concern I recall him raising was about having an interest in one property only, when WCCC would control which of the new properties might be developed, or in what order. He suggested that we should be pooling our individual contributions to various licences in return for a shared interest in a single royalty, applicable to all the properties which he and James and I were assisting the company in acquiring.
22. Eventually we reached a broader agreement with respect to all of the new licence applications we were financing. Under this agreement James and I agreed that Elisabeth James would assign the West Brazion licences to WCCC, and Gibson agreed to surrender



the separate interest he had negotiated in the Mt. Spieker licences. Gibson and I agreed to advance the additional funds required for the Perry Creek and Hermann applications. In return, WCCC agreed to grant us a single 1% royalty on production from any of these properties to Gibson, James and I, which would be shared between us in proportion to our respective contributions, once determined. This is the agreement which was eventually commemorated as the Royalty Sharing Agreement ("RSA"), and is the basis upon which Gibson and I advanced the additional money to WCCC to apply for the remaining Wolverine licences.

23. Attached as exhibit "D" to this affidavit is a copy of a summary of the basic terms agreed to respecting the royalty, which I prepared around this time. I do not recall exactly when I prepared this, but observe that it includes the amounts for the Perry Creek and Hermann applications, and so was probably prepared at or after the time those applications were made. This document reflects the fact that Gibson and I advanced a further \$10,000 and \$20,000, respectively, to finance the acquisition of the Perry Creek and Hermann licences pursuant to this agreement. We also agreed to credit James with \$5000 as compensation for the research and assessment work he had done on the Wolverine properties.
24. At the time we made this agreement, James still had not been paid the amount agreed for transfer of the Burnt River property (i.e. the \$22,758.43 payable to James under the CPAA), and we wanted to settle that account at the same time. Initially we discussed whether the royalty agreement should apply to the Burnt River property as well, but we were advised by Pat Devlin that it would be inappropriate to include Burnt River in the royalty. I cannot recall his reason for this advice, which I don't believe I questioned at the time. We simply agreed to exclude Burnt River from the royalty. However, we did include reimbursement and credit for the amount of the licence fees James and I had paid for the Burnt River application (\$6,000 each) as part of the consideration to us under the royalty agreement, and James in turn agreed to acknowledge payment in full of any amounts due to him under the CPAA. In this way, we settled the outstanding debt from the Burnt River acquisition, and James effectively abandoned his claim for payment for the work he had done in relation to that acquisition.

25. Exhibit "D" appears to be signed by David Austin only. I cannot recall if this document was ever executed by James, Gibson or me. After I prepared this document, I gave a copy to Pat Devlin and asked him to prepare a royalty agreement reflecting these terms.
  
26. I have read the affidavit of Mark Gibson in which he recounts his belief that the royalty was going to apply to the Burnt River property as well. Gibson was probably not directly involved in the discussions about excluding the Burnt River property from the royalty, described in paragraph 24 above. I believed at the time that Dave Austin was keeping him abreast of these developments, and that at the time we executed the RSA Gibson understood that it did not provide a royalty on Burnt River. Some time later I recall that Gibson, either directly or through Dave Austin, raised a question about why the royalty did not apply to Burnt River, and I explained to him that we had not included a royalty on Burnt River based upon advice from Pat Devlin. I acknowledge that Gibson expressed concern about this at the time, but he did not take any action in relation to his concerns, and I assumed he was nevertheless satisfied with the agreement. In any event, the RSA (including the exclusion of the Burnt River property) accurately reflects my understanding of the agreement we reached in the spring of 2000.
  
27. The RSA and a consent resolution authorizing the RSA (Exhibits "B" and "C" to Affidavit #1 of Fausto Taddei) are dated effective as of March 31, 2000; however, my recollection is that these transactions were not actually documented until later, sometime in May or June of 2000. I cannot now recall any particular reason why the documentation of this transaction was delayed. I believe that the documentation of this transaction became a significant concern in conjunction with the preparation of WCCC's audited financial statement for the fiscal year ended March 31, 2000, which were completed some time in June. At that time, I asked Pat Devlin to prepare appropriate documentation to give effect to the agreement, based upon my summary of the basic terms (exhibit "D"). Pat Devlin prepared the RSA and the consent resolution authorizing the RSA in response to my request. James and I were not independently represented in relation to this transaction.

28. The RSA transaction was subject to audit review in relation to the preparation of WCCC's financial statements for the year-ended March 31, 2000. The RSA was disclosed and specifically noted as a non-arm's-length transaction, as it has been in the audited financial statements filed and published by WCCC each year since.
29. In the spring of 2001, WCCC implemented a new five year business plan focusing upon development and eventual production from the licences within the Brazion Group and the Wolverine Group. These properties have been the focus of WCCC's business, both from an operational and a promotional point of view, since that time. This development is described briefly in the "chairman's message" included in WCCC's annual report to shareholders for 2001, a copy of which is attached as **Exhibit "E"** to this Affidavit. Since then, there has been a significant turn around in the coal industry in British Columbia, which continues. The international demand and price for coal has increased steadily, and is now at near record levels. Consequently, WCCC has now been able to finance and develop a producing coal mine on the Burnt River property, and it appears likely that WCCC may commence production from the properties which are subject to the RSA in the near future.
30. None of these developments were certain (or perhaps even probable) when Gibson, James and I agreed to invest our own time and money to acquire these properties on behalf of WCCC. There were numerous, obvious and significant risks associated with this investment. The fact that other operators had voluntarily abandoned the licences in question emphasises the doubtful nature of their value at the time. When James and I agreed to assign the West Brazion property to WCCC, and when Gibson, James and I began providing the work and funds necessary to allow WCCC to acquire the Wolverine licences, there was significant doubt whether we would ever be repaid any part of our investment, let alone realize any return.
31. As matters have turned out, WCCC has been able to successfully develop a producing mine at the Burnt River property, and has plans to develop further mining production from the Wolverine properties in the near future. On this basis it appears that Gibson, James and I will soon start to realize a significant return for our efforts and expenditures

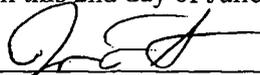
to acquire these properties for WCCC 5 years ago. Based on current projections, I would estimate the aggregate net present value of our collective royalty interest at approximately \$6 million. However, in addition to the uncertainty and risk associated with realizing this return, I believe it is also important to consider the comparative benefits realized by WCCC through these acquisitions. The relatively small mine that WCCC has developed at Burnt River (which it plans to substantially expand) is likely to generate gross revenue in excess of \$150,000,000 in the period 2004-2006, based on current coal prices. Based on a conservative view of WCCC's current development and production plans for the Wolverine Group of properties (30 million tonnes at US\$ 65/tonne), the gross resource value of these properties is almost US\$2 billion (WCCC's actual production plans are higher than this, and the current price for coal is approximately \$US 125/tonne). WCCC is reportedly planning to spend over \$200 million on development of its northeast coal properties over the next two years. These developments have had a significant impact on the equity value of WCCC. The market capitalization of the company is today in excess of \$300,000,000. Shareholders at the time of the acquisitions who have retained their shares will have achieved enormous returns. For example, the shares and warrants John Byrne acquired for his \$200,000 private placement in May of 2000, would have a market value today of almost \$8 million.

32. At the time we negotiated the RSA, we were contemplating cash repayment of the amounts contributed, if and when the company was able to raise further financing (see exhibit "D"). The amounts of our contributions were recorded as payables in our financial statements for March 31, 2000. The idea of settling these debts in return for shares came up in connection with private placement financing that Dave Austin was able to arrange later in the spring of 2000. I believe that John Byrne required that WCCC clean these debts off the balance sheet (at a price of \$0.30/share, rather than the \$0.20/share he was paying under the private placement), as a condition of investing.
33. The consent resolutions for the option agreement on the West Brazion property (exhibit "C"), the RSA (Exhibit "C" to Affidavit #1 of Fausto Taddei), and the shares for debt settlement (Exhibit "E" to Affidavit #1 of Fausto Taddei) were all prepared by Pat Devlin. As a director of WCCC, I was relying upon Pat Devlin as our counsel to prepare

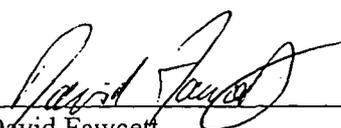
documentation that was effective to authorize the transactions we had agreed to. In particular, I understood that my disclosure of my interest in these transactions (which all parties were well aware of in any event) and abstention from voting in each of these resolutions was consistent with the requirements of the relevant legislation.

- 34. Austin, James and I met and discussed these matters several times, in person or by phone, throughout the relevant time frame. We commemorated these transactions by consent resolution because this was the procedure used by Pat Devlin. Had Mr. Devlin advised us at any time that a meeting was technically required in order to formally adopt any of these resolutions, there is no reason why we couldn't or wouldn't have held one.

SWORN BEFORE ME at Vancouver, British Columbia, on this 2nd day of June, 2005. )  
 )  
 )

  
 \_\_\_\_\_ )  
 Name (Print) JOHN FORSTROM )

A Commissioner for taking Affidavits in the Province of British Columbia. )  
 )

  
 \_\_\_\_\_  
 David Fawcett

**JOHN S. FORSTROM**  
**BARRISTER & SOLICITOR**  
**MACLEAN FORSTROM JACKSON**  
**1200 - 625 HOWE STREET**  
**VANCOUVER, B.C. V6C 2T6**  
**TEL (604) 685-8757 FAX (604) 661-0759**

**AMENDMENT #1  
TO PROSPECTUS DATED DECEMBER 17, 1998**

THIS PROSPECTUS CONSTITUTES A PUBLIC OFFERING OF THESE SECURITIES ONLY IN THOSE JURISDICTIONS WHERE THEY MAY BE LAWFULLY OFFERED FOR SALE AND THEREIN ONLY BY PERSONS PERMITTED TO SELL SUCH SECURITIES. NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE. THE SECURITIES OFFERED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 AND MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO U.S. PERSONS.

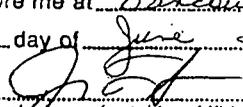
**INITIAL PUBLIC OFFERING**

Dated: February 4, 1999  
Effective Date: February 5, 1999

**WESTERN CANADIAN COAL CORP.**  
(the "Company")

Suite 200, 580 Hornby Street  
Vancouver, BC V6C 3B6  
Telephone: (604) 608-2692

**OFFERING: 1,100,000 Shares**  
**PRICE: \$0.65 per Share**

This is Exhibit "A" referred to in the affidavit of David Fawcett sworn before me at Vancouver BC this 2 day of June 2005  
  
A Commissioner for taking Affidavits for British Columbia

The Company is offering to the public through the facilities of the Vancouver Stock Exchange (the "Exchange") 1,100,000 common shares of the Company (the "Shares").

	Price to Public <sup>(1)</sup> (\$)	Agent's Commission <sup>(2)</sup> (\$)	Net Proceeds to the Company <sup>(3)</sup> (\$)
Per Share:	0.65	0.04875	0.60125
Total:	715,000	53,625	661,375

**Notes:**

- (1) The price to the public was established pursuant to negotiations between the Company and IPO Capital Corp. (the "Agent").
- (2) The Agent will also receive a corporate finance fee of 25,000 common shares of the Company, which shares are being qualified under this prospectus. In consideration for guaranteeing the Offering, the Agent will receive that number of Agent's Warrants equal to 15% of the Shares sold under the Offering. Each Agent's Warrant will entitle the holder to acquire one share for 18 months from the date of issue of the Agent's Warrants at a purchase price of \$0.65 per share during the first 12 months of the exercise period and at a purchase price of \$0.75 per share during the last 6 months of the exercise period. The Agent's Warrants and underlying shares are being qualified under this prospectus. In addition, the Agent will be paid a sponsorship fee of \$15,000 plus GST on completion of the Offering. The Company has paid a retainer of \$10,000 to the Agent to cover the Agent's costs related to the Offering, which costs will be paid out of the retainer from time to time, and any unused portion of the retainer will be returned to the Company upon closing of the Offering. See "Plan of Distribution".
- (3) Before deduction of the costs of this issue estimated at \$75,000.

The Exchange has conditionally listed the securities being offered pursuant to this prospectus. Listing is subject to the Company fulfilling all the listing requirements of the Exchange on or before March 17, 1999, including prescribed distribution and financial requirements.

There is currently no market for the Company's securities nor is there any organized market through which the securities may be sold. The securities of the Company must be considered speculative securities as the Company is in the exploration stage with respect to its properties. **AN INVESTMENT IN NATURAL RESOURCE COMPANIES INVOLVES A**

**SIGNIFICANT DEGREE OF RISK. THE DEGREE OF RISK INCREASES SUBSTANTIALLY WHERE THE COMPANY'S PROPERTIES ARE IN THE EXPLORATION AS OPPOSED TO THE DEVELOPMENT STAGE. SEE "RISK FACTORS".**

Reference is made to "*Description of the Securities of the Company Being Offered*" and "*Plan of Distribution*" for a detailed description of the offered Shares, the requirements for subscription and the commissions and fees payable thereon.

Upon completion of the Offering and the issuance of the Shares, the securities offered by this prospectus will represent 15.7% of the shares of the Company then outstanding, the aggregate number of voting securities that will then be held by the public will be 2,586,250 shares (37.0%) as compared to 4,408,813 shares (63.0%) that will then be directly or indirectly owned by the promoters, insiders, performance escrow shareholders of the Company and the Agent, as a group. See "*Aggregate Ownership of Securities*" and "*Options and Other Rights to Purchase Shares*".

No person is authorized by the Company to provide any information or to make any representation other than those contained in this prospectus in connection with this issue and the sale of the securities offered by this prospectus.

WE, AS AGENT, CONDITIONALLY OFFER THESE SECURITIES SUBJECT TO PRIOR SALE. IF, AS AND WHEN ISSUED BY THE COMPANY IN ACCORDANCE WITH THE CONDITIONS CONTAINED IN THE AGENCY AGREEMENT (SEE "*PLAN OF DISTRIBUTION*").

**IPO CAPITAL CORP.**  
Bentall Tower 3  
Suite 3000, 595 Burrard Street  
Vancouver, BC V7X 1L4

**WESTERN CANADIAN COAL CORP.**

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## PROSPECTUS SUMMARY

*This is a summary only and is qualified in its entirety by the more detailed information and financial statements, including notes thereto, contained in the body of this prospectus. Capitalized terms appearing herein and not otherwise defined have the respective meanings ascribed to them elsewhere in this prospectus.*

All dollar amounts in this prospectus are expressed in Canadian dollars except where otherwise indicated.

### The Company

The Company is a British Columbia company. Through its wholly-owned subsidiary, Western Coal Corp. ("WCC"), it carries on the business of exploring and developing coal licenses in British Columbia. WCC also has a wholly-owned subsidiary, Ensync Resource Management Inc., which is currently inactive. See "*The Company*" on page 1.

WCC owns 21 coal licenses which are contained within four blocks, the Holtslander, Red Deer, Huguenot and Omega blocks, located along the Rocky Mountain Foothills belt of northeastern British Columbia, which licenses are commonly referred to as the "*Belcourt Property*". The Company will be focusing its efforts on exploration and development of the Belcourt Property. See "*The Company's Principal Property - The Belcourt Property*" on page 4.

WCC also owns eight coal licenses located in the Rocky Mountain Foothills belt of northeastern British Columbia, which licenses are contained within the Saxon East block and which licenses are commonly referred to as the "*Saxon East Property*"; two coal licenses located in the Kootenay land district in southeastern British Columbia, which licenses are commonly referred to as the "*Lillyburt Property*"; and four coal licenses located in the Liard Mining Division in British Columbia, which licenses are commonly referred to as the "*Brazion Property*". See "*Other Properties*" on page 43.

### The Offering

Share Offering: 1,100,000 Shares.

Price per Share: \$0.65.

Total Offering: \$715,000.

See "*Plan of Distribution*" on page 59.

### Use of Proceeds

The net proceeds from the sale of the Shares will be \$661,375 (being gross proceeds of \$715,000 less the Agent's commission of \$53,625), which together with the Company's working capital deficiency as at December 31, 1998 of approximately \$(30,745), for a total of \$630,630, will be used to pay the estimated costs of this issue (\$75,000), the sponsorship fee due to the Agent (\$15,000), the work program on the Belcourt Property (\$253,000), coal license maintenance payments (\$65,400) and administrative costs and unallocated working capital to fund ongoing operations (\$222,230). See "*Use of Proceeds*" on page 45.

### Management

Management of the Company consists of David Fawcett, President, CEO and a director; (Douglas) David Austin, a director; Kevin James, a director; Conrad Swanson, a director; and David Raftery, Secretary and CFO. Mr. Fawcett, P.Eng., has approximately 24 years of mining engineering experience and has worked as an independent consultant for the past seven years, specializing in coal properties. From 1993 to 1996, Mr. Fawcett was the President of Globaltex Coal Corporation, a wholly-owned subsidiary of Globaltex Industries Inc., a public company trading on the Exchange, which company was involved in development of coal operations. From 1996 to present, Mr. Fawcett has acted as Chief Operating Officer of Pine Valley Coal Ltd., a private company involved in coal development, which is the operator of a joint venture among wholly-owned subsidiaries of BC Rail, Mitsui Matsushima Co. Ltd. and

Mr. Austin has approximately 15 years administrative experience with public companies and is currently a director of two other reporting companies, one which owns mineral and coal properties and the other which is currently inactive and seeking an acquisition. In addition, Mr. Austin maintains a management position with BC Ferry Corp., which he has been employed with since 1974. Mr. James, P. Geo., is a professional geoscientist with 17 years experience in mining and exploration, specializing in coal properties. During the past ten years, Mr. James has been a consulting geologist, prior to which time he acted as geologist for Quintette Coal Limited from 1982 to 1987 and as exploration geologist for Denison Mines Limited from 1981 to 1982. Mr. Swanson has over ten years of public company experience and is currently the President and a director of a public company which owns mineral and coal properties and a director of another public company which is currently inactive and seeking an acquisition. Mr. Raftery, C.A., worked for 21 years with Placer Dome Inc. and Wharf Resources Ltd., in Canada and internationally, during which time Mr. Raftery was a senior manager with Placer Dome Inc. and the Treasurer for Wharf Resources Ltd. Since 1986, Mr. Raftery has been in public practice with emphasis on public companies. Mr. Raftery is currently a director of three other reporting companies. See "Management" on page 48.

#### Risk Factors

Investment in the Shares involves certain risks. Prospective investors should consider carefully, among other things, that the Company's exploration of its properties involves significant risks. The Company's properties are in the exploration stage. Any mines that may be developed on the Company's coal properties are generally subject to certain types of risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected rock conditions, the risk of subsidence, flooding and other acts of God. The Company is not currently operating profitably and is not expected to do so until production is achieved on the Belcourt Property. The marketability of coal will be affected by numerous factors beyond the control of the Company (eg., market fluctuations, proximity and capacity of coal markets and government regulations). The Company's coal licenses may be affected by native land claims or government regulations. If the Company's exploration program is successful, future funds will be required for further exploration and development. The only source of future funds presently available is through the sale of equity capital or the offering by the Company of an interest in all or some of the properties, but there can be no assurance that either of these avenues will result in sufficient funds. The price of coal is dependent on market conditions and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations (including the US dollar relative to the Canadian dollar and other currencies), interest rates, global or regional consumption patterns, speculative activities and increases in production due to improved mining and production methods. The supply of and demand for coal is affected by various factors including political events, economic conditions and production costs in major coal producing regions. See "Risk Factors" on page 45.

## MEASUREMENTS

Conversion into imperial equivalents is as follows:

<u>To convert</u>	<u>To imperial measurement units</u>	<u>Multiply by</u>
hectares	acres	2.471
metres	feet	3.281
kilometres	miles	0.621
tonnes	tons	1.102

## CURRENCY

The Company's accounts are reported in Canadian dollars. In this prospectus, all amounts are stated in Canadian dollars except where otherwise indicated.

## GLOSSARY

In this prospectus the following terms shall have the following meanings:

<b>adb:</b>	Air-dried basis.
<b>adit:</b>	A nearly horizontal passage from the surface by which a mine is entered. A short adit may be used to obtain unoxidized bulk samples of a coal seam during exploration.
<b>Agency Agreement:</b>	The agency agreement dated January 27, 1999, entered into between the Agent and the Company with respect to the Offering.
<b>Agent:</b>	IPO Capital Corp.
<b>ANFO:</b>	Ammonium Nitrate and Fuel Oil – a bulk explosive.
<b>anticline:</b>	A fold that is convex-upward.
<b>anticlinorium:</b>	A series of anticlines and synclines so arranged structurally that together they form a general arch or anticline.
<b>argillite:</b>	A rock derived either from siltstone, claystone, or shale, that has undergone a somewhat higher degree of induration than is present in those rocks.
<b>ASTM:</b>	American Society for Testing and Materials. ASTM Standards are commonly applied in coal testing in North America.
<b>asymmetrical fold:</b>	A fold in which one limb dips more steeply than the other.
<b>attrition:</b>	The wear that rock (coal) particles in transit undergo through mutual rubbing, grinding, knocking, scraping, and bumping with resultant comminution in size.
<b>basal:</b>	Descriptive of an initial stratigraphic unit overlying an unconformity.
<b>BCM, bcm:</b>	Bank cubic metre.
<b>BCM:tonne:</b>	Expression of strip ratio – bank cubic metres of overburden per tonne of coal.
<b>Belcourt Property:</b>	Has the meaning ascribed to it under "The Company's Principal Property" (The Belcourt Property)".
<b>Bituminous:</b>	A term used in coal classification to describe coal high in carbon content, ranked between lignite and anthracite.

**box fold:** A fold in which the broad flat top of an anticline (or broad flat bottom of a syncline) is bordered on either side by steeply dipping limbs.

**Brazion Property:** Has the meaning ascribed to it under "*Other Properties - Brazion Property*".

**calcareous:** A substance that contains calcium carbonate.

**carbonaceous:** Carbon or graphite bearing, as in rock. The carbonaceous sediments include original organic tissues and subsequently produced derivatives of which the composition is chemically organic.

**chert:** A hard, extremely dense or compact, microcrystalline or cryptocrystalline sedimentary rock.

**claystone:** Rock in which much clay is present or which is largely composed of clay particles.

**cm:** Centimetre.

**Coal Assessment Report:** A detailed report on exploration programs conducted on mineral (coal) property in British Columbia; includes interpretative and analytical results.

**coal license:** A coal land tenure term used in British Columbia to signify a block of land granted to the holder which is maintained in good standing by payment of annual fees to the Government.

**Company:** Western Canadian Coal Corp., a British Columbia company.

**Company Act:** The *Company Act* (British Columbia).

**concretions:** A nodular or irregular concentration of certain constituents of sedimentary rocks; developed by the localized deposition of material from solution.

**conglomerate:** A coarse-grained clastic sedimentary rock, composed of rounded to subangular fragments, set in a fine-grained matrix.

**Cretaceous:** A geological period between 66 and 135 million years ago.

**cross-bedding:** The arrangement of laminations of strata transverse or oblique to the main planes of stratification of the strata concerned.

**cross-section:** A profile portraying an interpretation of a vertical section of a deposit explored by geological methods.

**ddpm:** Dial diversions per minute; the unit of measurement in the coal analysis test "*Gieseler Plasticity*".

**deltaic:** Descriptive of depositional environment that forms a delta.

**deposition:** The laying down of potential rock-forming material; sedimentation.

**detrital:** Descriptive of minerals occurring in sedimentary rocks, which were derived from pre-existing rocks.

**dilatation:** Deformation that is change in volume, but not in shape. Commonly refers to a rheological test (coal quality test) on coal samples.

**dip:** The angle at which a stratum or any planar feature is inclined from the horizontal. The dip is at a right angle to the strike.

**dmmf:** Dry mineral matter free.

**drag fold:** Minor folding of strata along the walls of a fault in which the "*drag*" of displacement has produced flexures in the beds on either side.

**drill core:** Sample of rock (coal) obtained in core drilling.

**Effective Date:** The date a receipt for the final prospectus is issued by the British Columbia Securities Commission, being December 17, 1998.

**Ensync:** Ensync Resource Management Inc., a British Columbia company which is the wholly-owned subsidiary of WCC.

**Escrow Agent:** Montreal Trust Company of Canada.

<b>Escrow Agreement:</b>	The escrow agreement dated September 30, 1998, among the Escrow Agent, the Company, David Fawcett, Kinder Deo, Kevin James, Conrad Swanson, (Douglas) David Austin, Mahmoud Afsharian, Ashia Investments and David Raftery.
<b>Exchange:</b>	The Vancouver Stock Exchange.
<b>fault:</b>	A fracture in a rock where there has been displacement of the two sides relative to one another parallel to the fracture.
<b>fixed carbon:</b>	In the case of coal, the solid residue other than the ash, obtained by destructive distillation, determined by definite prescribed methods.
<b>fluidity:</b>	Commonly refers to the result from the "Geiseler Plasticity" test on coal samples – a rheological test (coal quality test) used on metallurgical coals.
<b>fold:</b>	A bend or undulation in strata caused by compression.
<b>footwall:</b>	The mass of rock beneath a coal seam, fault plane, or vein.
<b>fossiliferous:</b>	Containing organic remains or fossils.
<b>FSI:</b>	Free Swelling Index. A measure of a coal's caking capacity; with respect to metallurgical coals, an important indication of its potential for coke making; a coal quality test.
<b>geophysical logging:</b>	Refers to the use of down hole geophysics to measure certain aspects of the strata through which the drill hole passes.
<b>glaucouitic:</b>	Containing glauconite, a green mineral closely related to the micas; commonly occurs in sedimentary rocks of marine origin.
<b>Guarantee:</b>	Has the meaning ascribed to it under "Plan of Distribution".
<b>ha:</b>	Hectare.
<b>hanging wall:</b>	The mass of rock above a coal seam, fault plane, or vein.
<b>horizon:</b>	An interface indicative of a particular position in a stratigraphic sequence.
<b>hvb:</b>	High-volatile bituminous.
<b>isoclinal fold:</b>	A fold the limbs of which have parallel dips.
<b>km:</b>	Kilometre.
<b>lens:</b>	A body of rock or coal thick in the middle and thin at the edges.
<b>Lillyburt Agreements:</b>	The acquisition agreement dated November 27, 1997, between the Company and Morris Geological Co. Ltd. together with the acquisition agreement dated November 27, 1997, between the Company and G.S. Reeves Associates International Ltd.
<b>Lillyburt Property:</b>	Has the meaning ascribed to it under "Other Properties - Lillyburt Property".
<b>Listing Day:</b>	The day on which the Company's shares are listed, posted and called for trading on the Exchange.
<b>lithic, lithologic:</b>	Refers to sediments or rocks in which rock fragments are more important proportionally than feldspar grains.
<b>lithology:</b>	The description of rocks on the basis of such rock characteristics as colour, mineralogic composition, and grain size.
<b>lvb:</b>	Low-volatile bituminous.
<b>m:</b>	Metre.
<b>mBCM:</b>	Million bank cubic metres.
<b>metallurgical coal:</b>	Coal used in iron-making processes; also referred to as "coking coal".
<b>mm:</b>	Millimetre.

<b>mt:</b>	Million tonnes.
<b>mtpy:</b>	Million tonnes per year.
<b>mvb:</b>	Medium-volatile bituminous.
<b>Offering:</b>	The offering and sale of the up to 1,100,000 Shares pursuant to this prospectus.
<b>Offering Day:</b>	Has the meaning ascribed to it under " <i>Plan of Distribution</i> ".
<b>open-pit:</b>	A mine working or excavation open to the surface.
<b>outcrop:</b>	The exposure of bedrock or strata projecting through the overlying cover of soil.
<b>oxide:</b>	Also oxidized; with reference to coal, the alteration of the coal's characteristics by weathering and exposure to oxygen.
<b>Paleozoic:</b>	An era of geologic time from about 570 to about 225 million years ago.
<b>parting:</b>	A layer of rock in a coal seam.
<b>petrography:</b>	The systematic description and classification of rocks (coal) using microscopic analysis.
<b>plunge:</b>	With reference to coal seam structures, the vertical angle between a horizontal plane and the line of maximum elongation of the structure.
<b>Pooling Agreement:</b>	The pooling agreement dated August 31, 1998, among Montreal Trust Company of Canada, the Company and certain of the Company's seed shareholders.
<b>proximate analysis:</b>	In the case of coal and coke, the determination, by prescribed methods, of moisture, volatile matter, fixed carbon (by difference), and ash.
<b>Qualification Report:</b>	The qualification report dated December 1998, entitled " <i>Belcourt Property, Western Coal Corp., Qualification Report</i> " and prepared by Beacon Hill Consultants (1988) Ltd.
<b>quartzite:</b>	In sedimentary rocks, a very hard unmetamorphosed sandstone, consisting mainly of quartz grains that have been so solidly cemented with secondary silica that the rock breaks across or through the grains rather than around them.
<b>rank:</b>	Those differences in the pure coal material due to geological processes designated as metamorphic, whereby the coal material changes from peat through lignite and bituminous coal to anthracite; degree of coalification.
<b>raw coal:</b>	Coal that has not been subjected to a cleaning process.
<b>reflectance:</b>	A petrographic measurement made on a coal sample.
<b>Regulatory Authorities:</b>	The Exchange and the British Columbia Securities Commission.
<b>reserves:</b>	That part of a resource which can be legally mined at a profit under specified conditions that are generally accepted by the mining industry as reasonable under current economic conditions, demonstrated by at least a preliminary feasibility study based on measured resources and indicated resources only.
<b>resources:</b>	A deposit or concentration of a natural, solid, inorganic or fossilized organic substance other than natural ground water, petroleum, natural gas, bitumen or related hydrocarbons, in such quantity and at such grade or quality that extraction of the material at a profit is currently or potentially possible.
<b>rheological:</b>	Descriptive of rheology, a study of the flowage of materials, particularly flow of solids and flow of non-Newtonian liquids.
<b>sandstone:</b>	A cemented or otherwise compacted detrital sediment composed predominantly of quartz grains, the grades of the latter being those of sand.
<b>Saxon East Property:</b>	Has the meaning ascribed to it under " <i>Other Properties - Saxon East Property</i> ".
<b>seam:</b>	A stratum or bed of coal.

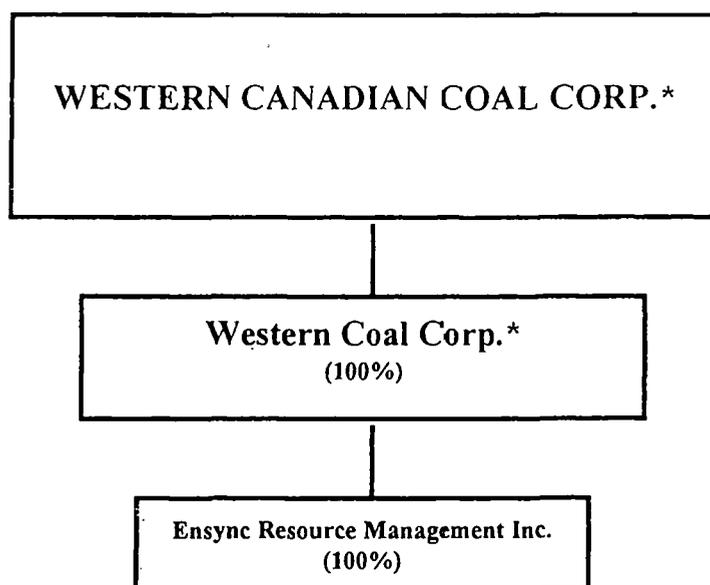
<b>Securities Act:</b>	<i>Securities Act</i> (British Columbia).
<b>sedimentary:</b>	Rock formed of sediment, such as conglomerate, sandstone and shale, formed of fragments of other rock transported from their sources and deposited in water.
<b>shale:</b>	Fine-grained sedimentary rock, formed from clay, silt or mud.
<b>share:</b>	A common share in the capital of the Company.
<b>Share:</b>	A previously unissued common share in the capital of the Company being offered hereunder.
<b>sideritic:</b>	Containing a mineral siderite, FeCO <sub>3</sub> , and commonly containing magnesium and manganese.
<b>siliceous:</b>	Descriptive of a rock containing abundant silica.
<b>siltstone:</b>	Sedimentary rock formed from silt, lacking finely laminated nature of shale.
<b>split:</b>	A coal stratum that has separated from the main seam by the development of a rock parting.
<b>Sponsorship Agreement:</b>	The sponsorship agreement dated January 27, 1999, entered into between the Agent and the Company with respect to the Company's application for listing on the Exchange.
<b>strata:</b>	Tabular or sheet-like layers of sedimentary rock, distinct from layers above and below.
<b>stratigraphy:</b>	Refers to the arrangement of the local rock strata, especially as to geographic position and chronologic order of sequence.
<b>strike:</b>	The direction or bearing of a horizontal line in the plane of an inclined stratum, fault or other structural plane. It is perpendicular to the direction of the dip.
<b>strip ratio:</b>	In the case of coal, the unit amount of overburden (soil and rock) that must be removed for each unit amount of coal mined, expressed as BCM:tonne (bank cubic metres per tonne).
<b>subcrop:</b>	A subsurface trace of bedrock or strata overlain by a layer or mantle of incoherent rock materials and soils.
<b>syncline:</b>	A fold in rocks in which the strata dip inward from both sides toward the axis.
<b>synclorium:</b>	A broad regional syncline made up of a series of minor synclines and anticlines.
<b>tailings:</b>	The fine waste portion of washed coal; includes fine rock particles and fine coal not recovered by the process.
<b>thermal coal:</b>	Coal used to produce heat, as in a coal-fired power station.
<b>thrust fault:</b>	Fault with a dip of 45 degrees or less, where the hanging wall appears to have moved up over the footwall.
<b>topographic map:</b>	Map showing the surface physical features of an area, generally by means of contour lines.
<b>Triassic:</b>	The earliest of the three geologic periods comprised in the Mesozoic era.
<b>UTM:</b>	Universal Transverse Mercator; refers to an international system of survey coordinates.
<b>volatile matter:</b>	Those products exclusive of moisture, given off by a material as gas and vapor, determined by a definite prescribed methods.
<b>washability:</b>	Refers to tests and analyses done on coal to estimate its amenability to improvement in quality by cleaning.
<b>WCC:</b>	Western Coal Corp., a British Columbia company which is the wholly-owned subsidiary of the Company.
<b>WCC Share Purchase Agreement:</b>	The share purchase agreement dated October 31, 1997, between the Company and the shareholders of WCC, being David Fawcett, Kevin James, Kinder Deo, Mahmoud Afsharian, Ashia Investments, Conrad Swanson and (Douglas) David Austin.
<b>yield, plant:</b>	The amount of product recovered in the cleaning process, expressed as a percentage of the feed material.

## THE COMPANY

The Company was incorporated on October 2, 1997, under the name Western Canadian Coal Corp. by registration of its memorandum and articles under the Company Act. The Company will become a reporting issuer in British Columbia upon issuance of a receipt for this prospectus from the British Columbia Securities Commission.

Western Coal Corp. ("WCC"), the Company's wholly-owned subsidiary, was incorporated on April 21, 1997, under the name of Western Coal Corp. by registration of its memorandum and articles under the Company Act.

Ensync Resource Management Inc. ("Ensync"), the wholly-owned subsidiary of WCC, was incorporated on January 25, 1993, under the name of Ensync Enterprises Inc. by registration of its memorandum and articles under the Company Act. On June 24, 1994, the company changed its name to Ensync Resources Inc. and on April 5, 1995, it changed its name to Ensync Resource Management Inc. Ensync is currently an inactive company.



\* See "The WCC Share Purchase Agreement" for background information on the corporate structure and the accounting treatment for the purposes of the Company's financial statements which are attached hereto.

The head office and address for service of the Company is located at Suite 200, 580 Hornby Street, Vancouver, British Columbia, V6C 3B6, and its registered and records office is located at Suite 2550, 555 West Hastings Street, Vancouver, British Columbia, V6B 4N5.

## BUSINESS OF THE COMPANY

### Description and General Development

The Company's principal business since incorporation in October, 1997, has been and continues to be the acquisition, exploration and development of coal licenses. David Fawcett and Kevin James began acquiring coal licenses and compiling property information and data through Ensync in 1995. In 1997, WCC acquired Ensync and all of the coal licenses previously held by Ensync were transferred into the name of WCC in order to keep all coal licenses in one corporate entity, thereby leaving Ensync an inactive company. From 1997 to present, WCC continued to acquire coal licenses which are all registered in the name of WCC. At present, WCC owns four groups of coal licenses, which are commonly referred to as the Belcourt Property, the Lillyburt Property, the



Saxon East Property and the Brazion Property, all of which properties are located in British Columbia and which are more particularly described under "The Company's Principal Property - The Belcourt Property" and "Other Properties".

The Company is in the exploration stage and intends to carry out a work program on the Belcourt Property which will consist of data compilation, topographic mapping, drilling, reclamation, coal characterization, environmental work and pre-feasibility studies (see "The Company's Principal Property - The Belcourt Property - Qualification Report").

The Company intends to focus its efforts on its existing properties but will also continue to seek and acquire additional coal licenses worthy of exploration and development.

### Summary and Analysis of Financial Operations

The following table sets out selected financial information for the periods indicated.

	3 Month Period Ending June 30, 1998 <sup>(1)</sup>	From Incorporation (April 21, 1997) to March 31, 1998 <sup>(1)</sup>
Revenues/ Gross Profit	nil	nil
Exploration and Development Expenses	\$74,605	\$181,355
General and Administrative Expenses	\$30,522	\$62,145
Net Income (Loss)	(\$30,522)	(\$62,145)
Working Capital <sup>(2)</sup>	(\$564,861)	(\$451,953)
<b>Properties:</b>		
Deferred Exploration and Development	\$255,960	\$181,355
Other Assets <sup>(3)</sup>	\$208,387	\$208,455
Long Term Liabilities	nil	nil
Shareholders' Equity		
Dollar Amount <sup>(2)</sup>	(\$92,664)	(\$62,143)
Number of Securities <sup>(2)(4)</sup>	1	1

**Notes:**

(1) For further details, reference should be made to the audited financial statements for the 3 month period ended June 30, 1998, and the period from incorporation (April 21, 1997) to March 31, 1998, attached to and forming part of this prospectus. For accounting purposes, the financial statements for the Company and WCC have been pooled to reflect the fact that these companies have been operated under common control. Upon completion of the WCC Share Purchase Agreement on October 5, 1998, WCC became the wholly-owned subsidiary of the Company. See "The WCC Share Purchase Agreement" for further details.

(2) As at June 30, 1998, the Company had received subscription agreements for 1,141,250 shares with an aggregate cash value of \$425,750, which subscription funds were advanced to the Company as interest free advances until such time as the subscription offers were accepted by the Company. All of these subscriptions were accepted by the Company and issued and allotted on October 5, 1998, and will be reflected as such in the Company's future financial statements for the period covering October, 1998.

In addition, during the period ended June 30, 1998, the Company agreed to issue 4,250,000 shares for an ascribed value of \$34,768 in consideration for all of the issued and outstanding shares of WCC (see "The WCC Share Purchase Agreement") and 100,000 shares at a deemed value of \$0.25 in consideration for the Lillyburt Property (see "Other Properties - Lillyburt Property"). These shares were subsequently issued and allotted on October 5, 1998 and will be reflected as such in the Company's future financial statements for the period covering October, 1998.

(3) Coal License acquisition costs and capital asset costs.

(4) There were 5,870,063 shares issued and outstanding as of December 31, 1998, of which 4,563,812 are escrowed securities that will be released from escrow as to 684,572 shares on the Effective Date, 684,572 shares on each of the first, second, third, fourth and fifth anniversaries of the Effective Date and 456,380 shares on the sixth anniversary of the Effective Date (see "Escrowed Securities"). Upon the successful completion of the Offering, assuming all Shares are sold and after issuance to the Agent of 25,000 shares in consideration of its corporate finance fee, a total of 6,995,063 shares will be issued and outstanding, prior to the exercise of the Agent's Warrants or any incentive stock options (see "Existing and Proposed Share Capital").

## Management's Discussion and Analysis of Financial Conditions and Results of Operations

The Company is in the business of acquiring, exploring and developing coal properties and does not have a source of revenue at this time.

From incorporation to June 30, 1998, the Company raised \$425,751 from the sale of 1,064,376 shares. During this period, the Company also agreed to issue 100,000 shares at a deemed value of \$0.25 per share in consideration for the acquisition of the Lillyburt Property and the Company agreed to issue 4,250,000 shares for the acquisition of all of the shares of WCC, for an ascribed value of \$34,768.

From incorporation to March 31, 1998, the Company expended \$181,355 on exploration costs related to its properties (\$177,729 on the Belcourt Property and \$3,626 in the Lillyburt Property), and during the three month period ended June 30, 1998, the Company expended an additional \$74,605 on exploration costs related to the Belcourt Property. Total exploration costs of \$255,960 consisted of consultant fees (\$72,042), drilling (\$58,025), geological and geophysical (\$41,608), maintenance costs associated with the coal licenses (\$75,520), assaying (\$2,102) and miscellaneous costs (\$7,163). The \$255,960 of exploration expenditures have been capitalized as deferred resource property expenditures in accordance with CICA accounting procedures.

From incorporation to March 31, 1998, the Company expended \$207,084 on acquisition costs related to the coal licenses (being \$25,000 in the issuance of 100,000 shares @ \$0.25 per share and cash payments of \$85,000 relating to the Lillyburt Property - see "*Other Properties - Lillyburt Property*"; and \$97,084 in the acquisition of the licenses comprising the Belcourt Property.). From incorporation to March 31, 1998, the Company also expended \$1,303 (net of accumulated amortization) on furniture and equipment.

From incorporation to March 31, 1998, the Company expended \$62,145 in administrative costs, primarily for legal and accounting expenses (\$18,218), consulting fees (\$14,195), management fees (\$12,500), travel expenses (\$9,635), rent (\$4,800), and other miscellaneous costs (\$2,797). During the three month period ended June 30, 1998, the Company expended an additional \$30,522 on administrative expenses, consisting of legal and accounting expenses (\$11,563), consulting fees (\$7,800), management fees (\$7,500), rent (\$2,400) and other miscellaneous costs (\$1,259).

During the three month period from July 1, 1998 to September 30, 1998, the Company raised \$151,525 from the sale of 378,812 shares (see Note 8(b) of the financial statements attached hereto). From July 1, 1998 to September 30, 1998, the Company did not expend any funds on exploration costs. During this three month period the Company expended \$21,962 in administrative costs, primarily for management fees (\$10,000), rent (\$2,400), consulting fees (\$7,226) and other miscellaneous costs (\$2,336).

During the three month period from October 1, 1998 to December 31, 1998 the Company paid for the continuance of coal licences (\$6,300) and incurred administrative expenses of \$16,243, primarily for management fees (\$7,500), rent \$(1,950), consulting fees (\$3,893), accounting / audit (\$1,135) and other miscellaneous costs (\$1,765). During this period the Company spent \$6,000 on exploration related costs. In addition, the Company spent \$18,226 on financing costs in the period. As at December 31, 1998, the Company had a working capital deficiency of \$(30,745).

The Company has no long term liabilities.

## THE COMPANY'S PROPERTIES

### THE WCC SHARE PURCHASE AGREEMENT

Pursuant to the WCC Share Purchase Agreement dated October 31, 1997, between the Company and all of the shareholders of WCC (David Fawcett, Kevin James, (Douglas) David Austin, Conrad Swanson, Kinder Deo, Mahmoud Afsharian and Ashia Investments), the Company purchased all of the issued and outstanding shares of WCC from all of the shareholders of WCC in consideration for the issuance of an aggregate of 4,250,000 shares which were issued into escrow pursuant to the "Proposal for a National Escrow Regime Applicable to Initial Public Distributions" published by the Canadian Securities Administrators on May 8, 1998 (see also NIN #98/22) (all of which shares are escrowed pursuant to the Escrow Agreement - see "Escrowed Securities"). (Pursuant to accounting policies, the ascribed value for the acquisition of the WCC shares was determined to be \$34,768 - see the *Financial Statements* attached to and forming part of this prospectus.) As additional consideration, the Company will pay a royalty of 0.75% of the selling price for all coal sales from the Belcourt Property on an annual basis to certain shareholders of WCC (the royalty of which is to be divided among David Fawcett as to 27.5%, Kevin James as to 27.5%, (Douglas) David Austin as to 22.5% and Conrad Swanson as to 22.5%). The 4,250,000 shares were issued on October 5, 1998, at which time WCC became the legal subsidiary of the Company. For accounting purposes the Company and WCC are considered to have been operating under common control and consequently the financial statements attached to and forming part of this prospectus have been pooled to reflect this arrangement.

### THE COMPANY'S PRINCIPAL PROPERTY - THE BELCOURT PROPERTY

#### Ownership

Pursuant to the WCC Share Purchase Agreement, the Company acquired all of the issued and outstanding shares of WCC (see "The WCC Share Purchase Agreement" for further details). WCC owns all of the following coal licenses which are located in the Rocky Mountain Foothills belt of northeastern British Columbia and which are collectively referred to as the "Belcourt Property":

<b>Block</b>	<b>Coal License</b>	<b>Area (ha)</b>	<b>Date Recorded</b>	<b>Renewal Date</b>
<b>Red Deer</b>	336921	300	June 15/95	June 15/99
	336922	300	June 15/95	June 15/99
	343944	300	Mar 11/96	Mar 11/99
	353022	300	Dec 12/96	Dec 12/99
	353023	300	Dec 12/96	Dec 12/99
	353024	300	Dec 12/96	Dec 12/99
<b>Holtslander</b>	336923	300	June 15/95	June 15/99
	336924	300	June 15/95	June 15/99
	343945	301	Mar 11/96	Mar 11/99
	356250	301	May 29/97	May 29/99
	356251	301	May 29/97	May 29/99
	356477	301	June 11/97	June 11/99
<b>Huguenot</b>	355843	301	May 14/97	May 14/99
	355844	301	May 14/97	May 14/99
	355846	301	May 14/97	May 14/99
	355847	301	May 14/97	May 14/99

Omega	356635	302	June 19/97	June 19/99
	356636	302	June 19/97	June 19/99
	356637	302	June 19/97	June 19/99
	356639	302	June 19/97	June 19/99
	356640	302	June 19/97	June 19/99

The Company has received a title report from its solicitors with respect to the Belcourt Property.

### Qualification Report

The Belcourt Property is the subject of a qualification report (the "*Qualification Report*") dated December 1998, entitled "*Belcourt Property, Western Coal Corp., Qualification Report*", prepared by Beacon Hill Consultants (1988) Ltd. A copy of the Qualification Report may be inspected at the Company's registered and records office located at Suite 2550, 555 West Hastings Street, Vancouver, British Columbia, during normal business hours while the primary distribution of the shares offered hereunder is in progress and for a period of thirty (30) days thereafter. The following italicized text has been excerpted, in part, from the Qualification Report.

**Disclaimer by Beacon Hill Consultants (1988) Ltd.:** "*Beacon Hill Consultants (1988) Ltd. has relied upon work and reports completed by others to prepare this report. Beacon Hill has not completed any checks to confirm or otherwise the results of the work or reports and while Beacon Hill has no reason to doubt the correctness of the work and reports, Beacon Hill takes no responsibility for the accuracy of work completed by others.*"

### **SUMMARY**

#### *Conclusions and Recommendations*

*It is concluded from this study that the Belcourt coal project is one of merit which contains potentially economic, open-pittable coal resources in the Holtlander and Red Deer blocks sufficient to provide for a minimum production level of 2.0 million tonnes/year, with the potential for expansion should markets warrant. Additional resources of low strip ratio coal are also available from the Omega block. These resources could be mined in conjunction with those of Holtlander and Red Deer, or developed after those resources are depleted.*

*The reports prepared by Denison Mines Limited, which discuss various exploration campaigns, provide detailed, comprehensive assessments of the project and present a fair and reasonable evaluation of the potential of the property. The work conducted by Denison justified the completion of a full feasibility study on the Red Deer area in 1982 by Wright Engineers Ltd. Exploration work carried out in February-March 1998 on part of the Holtlander block has yielded results consistent with expectations based upon Denison's previous work.*

*At this time the property is not considered to host a proven, commercial "ore" body. As any future evaluation of project feasibility will be based on a development strategy different from that envisaged in previous studies, it is recommended that further work be conducted to develop computerized geological models, undertake coal characterization studies and complete a pre-feasibility study for the combined Red Deer-Holtlander area. The recommended work program is estimated to cost \$253,000.*

## Project Synopsis

The Belcourt property is located approximately 85 km southeast of the town of Tumbler Ridge in northeastern British Columbia. It consists of 21 coal licences contained within four blocks, designated as Red Deer, Holtslander, Huguenot and Omega. The licences were originally acquired by Ensync Resource Management Inc. and 528951 B.C. Ltd. and were transferred to Western Coal Corp. in April 1998. These licences comprise portions of what was once a much larger Belcourt property acquired and explored by Denison Mines Ltd between 1970 and 1980. In a joint venture with Gulf Canada Resources, Denison carried out major exploration programs between 1978 and 1980 and commissioned pre-feasibility and full feasibility studies, which resulted in the definition of substantial coal reserves on the property.

Expenditures incurred on the property between 1970 and 1982 for exploration and feasibility studies are estimated at approximately \$10.5 million, most of which were incurred from 1978 onwards. Of the total amount, approximately \$9 million to \$9.5 million may be attributed to work conducted on and immediately adjacent to the current Belcourt property licence blocks. Most of the data collected from the exploration programs and coal quality testwork is in the public domain, having been filed as a series of comprehensive assessment reports with the Geological Survey Branch of the B.C. Ministry of Energy and Mines.

The property lies within a belt of Cretaceous strata that forms part of the Rocky Mountain Foothills. The main structural feature in the area is the broad northwesterly plunging Belcourt Anticlinorium whose western margin is bounded by a major westerly-dipping thrust fault. The coal licence blocks are located on the northeasterly limb of the anticlinorium and are underlain mostly by strata of the Lower Cretaceous Bullhead and Fort St. John Groups. Coal seams occur within several formations in the series but the seams which have the greatest potential for economic development are hosted by the Gates Formation. On the Belcourt property three areas, namely the Red Deer, Holtslander and Omega have been identified as containing potentially mineable coal deposits.

Open pitable resources for Red Deer, Holtslander and Omega licence blocks were estimated utilizing geological cross sections and other data from the Assessment Reports submitted by Denison Mines for their 1978 and 1980 exploration activities. A summary of these "open pit" resources is as follows:

• Coal resources (m tonnes)	Holtslander	Red Deer	Omega	Total
- Plant Feed	23.75	34.56	44.78	103.09
- Clean Coal	17.66	27.50	34.21	79.37
• Strip Ratio				
- Waste Stripping (MBCM)	101.4	157.1	217.6	476.1
- Stripping Ratio (Raw Coal)	4.27:1	4.55:1	4.86:1	4.62:1

Additional coal resources also underlie areas adjacent to the defined limits of the currently proposed Red Deer and Holtslander open pits. Further exploration and pit design work is expected to identify additional open pitable coal resources developed in shallow pits located on the north end of Red Deer and the south end of Holtslander.

A conceptual mining plan was developed for the Holtslander and Red Deer deposits on the basis of providing sufficient raw coal to produce 2.0 mtpy of clean metallurgical coal. The two pits would be mined by conventional methods (truck and shovel operations) with coal being hauled to a centrally located preparation plant. The pits would be mined in sequence, with Holtslander being developed first. The resources which lie within these conceptual pits would provide a combined mine life of over 20 years. No mining plan was developed for the Omega area, but an operation similar to Holtslander/Red Deer is envisaged.

The flowsheet recommended for cleaning the run-of-mine coal utilizes a dense medium bath, dense medium cyclone, water only cyclones and flotation. Expected plant yields are estimated at 73% for Holtslander and 78% for Red Deer. Flowsheet options for Omega coal were not reviewed, but an assumed yield of 75% was used in the resource estimates.

On site facilities to be constructed for the project would include coal storage and loadout, tailings storage, maintenance shops and offices. Off-site infrastructure requirements would comprise of a rail line extension from the Quintette minesite, upgrading and construction of access roads to the property and construction of a new power line.

The estimated capital and operating costs for the conceptual mining plan are summarized as follows:

• **Capital Costs (\$ millions)**

<i>Initial Capital</i>	- <i>Mining</i>	61.9
	- <i>Plant and Infrastructure</i>	81.3
	- <i>Indirects</i>	<u>30.3</u>
	<b>Total</b>	<b><u>173.5</u></b>
<i>Ongoing Capital</i>	- <i>Equipment and misc.</i>	78.9
	- <i>Reclamation</i>	8.0
	<b>Total</b>	<b><u>86.9</u></b>

• **Operating Costs (per tonne clean coal)**

	<i>Holtlander</i>	<i>Red Deer</i>
- <i>Mining</i>	\$ 13.15	\$ 13.77
- <i>Plant/G &amp; A</i>	9.98	9.98
- <i>Transportation</i>	<u>26.00</u>	<u>26.00</u>
<b>Total</b>	<b><u>\$ 49.13</u></b>	<b><u>\$ 49.75</u></b>

**PROPERTY DESCRIPTION**

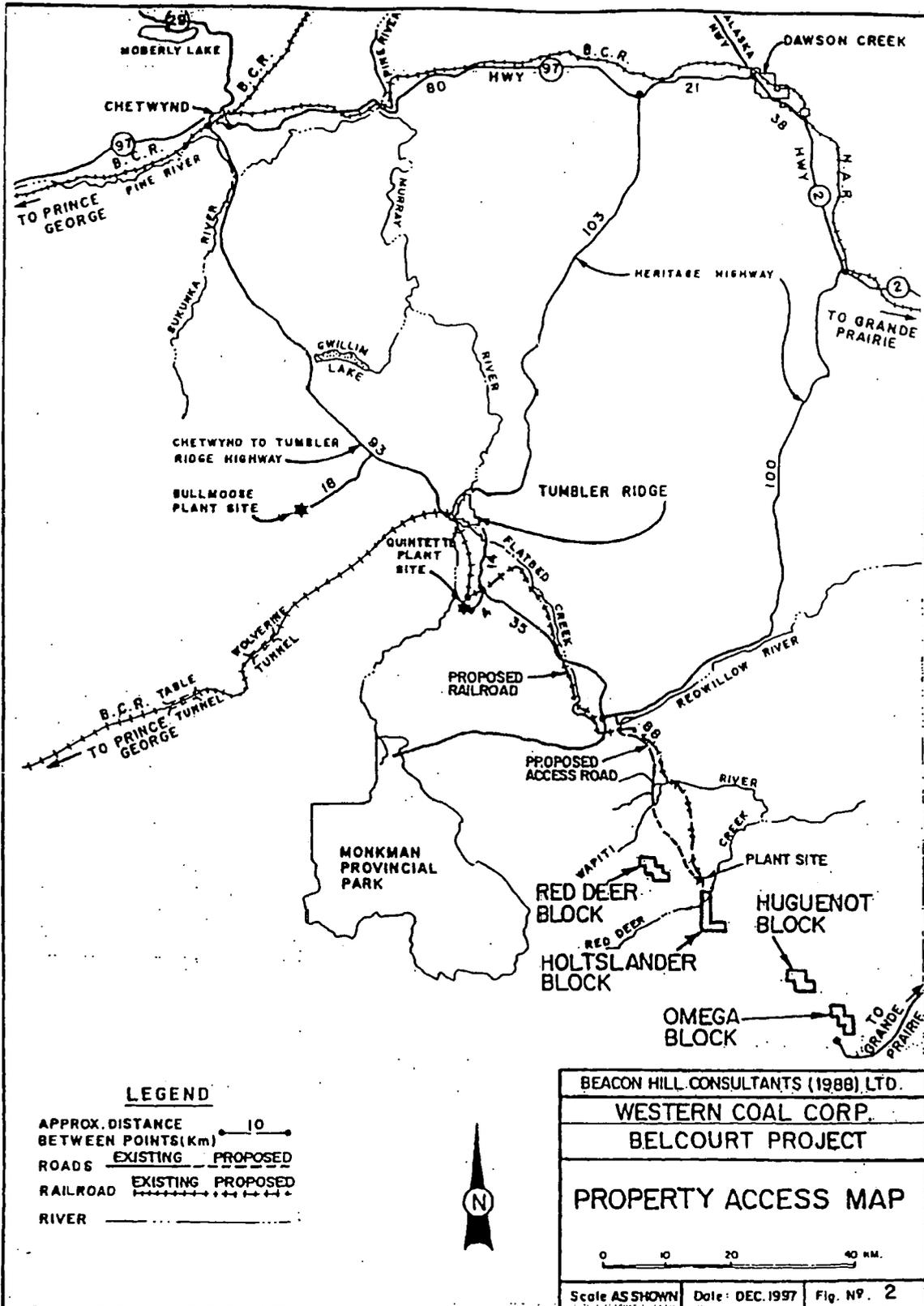
**Location and Access**

The Belcourt property is located along the Rocky Mountain Foothills belt of northeastern British Columbia between latitudes 54° 22' to 54° 38' and longitudes 120° 1' 30" to 120° 31' 15". The property is accessible by paved and gravel roads, either from Tumbler Ridge, B.C., over a distance of 85 km or from Grande Prairie, Alberta, over a distance of 170 km. Access within the property is limited to secondary and tertiary road systems constructed primarily for logging, oil/gas exploration and development and by previous coal exploration drill trails and by abandoned seismic trails. The property location is shown on Figures 1 and 2.

**Coal Licences, Property Size and Divisions**

The property comprises a total of 21 coal licences contained within four blocks, the Holtlander, Red Deer, Huguenot and Omega blocks. [Details regarding the coal licences that make up each block are outlined in "The Company's Principal Property - The Belcourt Property - Ownership" above].







## **Physiography**

*The topography of the Belcourt property is typical of the southern and central portions of the Rocky Mountain Foothills. Elevations range from approximately 960 m A.S.L. at valley floors to over 2130 m. The general drainage pattern transects the northwesterly topographic grain, with the major streams draining into the easterly flowing Wapiti River.*

*The climate in the area is characterized by long severe winters and short cool summers. Prevailing winds are from the southwest and are strong at high elevations. Annual precipitation is estimated at 800 to 1100 mm. The most common types of vegetation are boreal and subalpine coniferous trees. Alpine vegetation predominates above the tree line.*

## **WORK HISTORY**

### **Introduction**

*The current Belcourt coal licences comprise selected portions of what was once a much larger property of the same name. The original property consisted of 55 coal licences (covering 14,205 ha) granted to Denison Mines Ltd. (Denison) in autumn 1970. These licences were acquired on the basis of published regional geology which indicated the occurrence of the coal-bearing Gates Formation within the area. Exploration conducted by Denison between 1972 and 1976 confirmed the existence of thick, potentially economic coal seams within the Gates Formation.*

*In April, 1978 Denison formed a joint venture (the Belcourt Coal Joint Venture) with Gulf Canada Resources Inc. to explore and develop the property. Additional coal licences were acquired bringing the total to 144 contiguous coal licences. The property covered an area of approximately 36,500 hectares which made it the largest coal property in western Canada at that time. Denison, acting as operator for the joint venture conducted major exploration programs during the summer of 1978, 1979 and 1980. The objective of these programs was to gather adequate data on coal seam distribution, thickness, quality and geologic structure in order that coal resources could be estimated and potential open pit mining areas could be identified. Various environmental studies were also initiated.*

*All of the exploration data gathered from the work programs is available together with interpretations and various conclusions filed as Coal Assessment Reports with the British Columbia Geological Survey Branch. A preliminary feasibility study was completed in March 1980 and a full feasibility study was undertaken in 1982; these are not publically available. The exploration activities conducted on the old property are summarized below; these summaries have been taken in whole, in part or have been paraphrased from the Assessment Reports.*

### **Summary of Previous Exploration**

*Prior to the formation of the Belcourt Coal Joint Venture in 1978, work undertaken by Denison Mines Ltd included the following:*

- 1972 - aerial photography and topographic mapping*
- 1975 - aerial photography, ground control survey and geologic mapping*
- 1976 - preparation of topographic base maps, geologic mapping and the completion of two diamond drill holes totalling 112 m*
- 1977 - geologic mapping, 26 hand trenches and stratigraphic section measurement*

Major field programs were carried out between 1978 and 1980; a summary of these is outlined below. Feasibility Studies were carried out by independent consultants in 1980 and 1982. These are also listed below.

### **Photogrammetry and Ground Control**

Triangulation stations were established throughout the property prior to aerial photography. Topographic base maps utilizing a UTM grid system were prepared at scales of 1:25,000 and 1:5,000. All drill holes and adits were surveyed from the established triangulation networks.

### **Geological Mapping**

Detailed geological mapping was conducted on a scale of 1:2,500 during 1978, 1979 and 1980. Each data point was located by compass and chain traverses or by aerial photographs. Field data were compiled on 1:5,000 scale topographic base maps.

### **Trenching**

Hand trenching was carried out to define the surface trace and measure the thicknesses of the coal seams. The trenches were approximately 0.6 m wide and up to 1.5 m deep. All trenches were logged in detail and seam thicknesses measured. A total of 314 hand trenches were dug during the 1978, 1979 and 1980 programs. Three coal seams exposed in river banks were also described. Mechanized trenching was limited to a few accessible places. Six trenches were dug by a backhoe-equipped tractor; 37 seams exposed in road cuts were described and measured. The locations of the trenches were plotted on the respective geological maps.

### **Drilling**

The total amount of diamond drilling conducted on the Belcourt property, including the 1976 work, is summarized as follows:

	<b>Diamond Drilling No. of Holes</b>	<b>Total length (m)</b>
1976	2	112
1978	17	5 365
1979	15	4 987
1980	<u>12</u>	<u>3 827</u>
<b>Total</b>	<b>46</b>	<b>14 291</b>

In addition, a total of 3399 m of rotary drilling in 29 holes was completed in 1980. Of these drill holes, 23 diamond and 24 rotary holes totalling 7486 m and 2435 m, respectively are located on or lie immediately adjacent to the new Red Deer and Holtslander blocks. A further 11 diamond drill holes totalling 3565 m lie on or adjacent to the new Huguenot and Omega licences.

### **Geophysical Logging**

Most of the diamond and rotary holes drilled on the old property were geophysically logged. Apart from hole BD-7602, all diamond drill holes in Red Deer and Holtslander were logged. Wherever possible, the following suite of logs were obtained:

- Gamma Ray
- Neutron
- Sidewall Densilog
- Focussed Beam Resistivity
- Caliper
- Direction Survey

### **Drill Core Logging and Sampling**

Basic lithologies were recorded together with sedimentary structures, fossiliferous zones, marker horizons and structural features such as bedding and fractures. Coal seams, including roof and floor characteristics, were logged in detail with close reference to the detailed geophysical logs. Pictorial strip logs were prepared from the written logs.

During the core logging process, coal was classified according to a visual estimate of ash content. The relative lustre of the coal, its relative weight and the trace of the detailed density log were taken into consideration for this estimation. Coal types were thus designated as follows:

<i>Coal Type</i>	<i>Ash %</i>
C1	0 - 10
C2	11 - 20
C3	21 - 30
C4	over 30

Most drill core from coal seams of more than 0.5 m in true thickness were sampled for analysis. The analyses undertaken included chemical, thermal rheological, petrographic, washability and coke oven tests. Details of the analytical procedures and results are discussed in the section entitled "Coal Quality" below.

### **Adits**

Five adits were excavated on the property for a total driveage of 278.5 m. These adits provided bulk samples from the three major coal seams. Adit 79-1-1 in Red Deer sampled the No. 1 seam and adit 79-2-3 sampled the No. 3 and 5 seams simultaneously. In Holtslander, adits 8001 and 8002 sampled No. 1 and 5 seams, respectively. In Ptarmigan-Omega, adit 79-3-1 sampled only the No. 1 seam. All the bulk samples were submitted for washability and coke oven tests. In addition, bulk samples from No. 1, 3 and 5 seams in Red Deer and No. 1 seam in Ptarmigan-Omega were submitted for attrition tests. A combustion test was performed on a combined sample of No. 1 seam from adits 79-1-1 and 8001, and No. 5 seam from adit 8002.

The Free Swelling Index (FSI) of the coal seam was monitored while the adits were being constructed to determine the extent of oxidation. The bulk samples for coke oven test were taken at locations where FSI values ranged from 6 to 6-1/2.

All the adits are located on the current Belcourt licences.

### **Geotechnical Studies**

Initial work on the geotechnical aspects of the Red Deer and Holtslander potential pit areas was undertaken during the 1979 field season. The geotechnical data consisted of the following:

- bedding, joint and fracture measurements;
- core logging and testing;
- methane sampling and testing;
- groundwater monitoring.

*A report on the geotechnical work was compiled by Canadian Geological Inc. and forms an appendix to Denison's 1980 assessment report.*

### **Road Construction**

*Much of the work at Belcourt was helicopter-supported. This includes all of the geological mapping and much of the diamond drilling, particularly the drilling away from the Red Deer and Holtlander pit areas. During 1979, a 15.8 km long access road was built towards the proposed Red Deer open pit to haul light equipment for adit excavation. During 1980, an additional 7.05 km of access roads were constructed along abandoned seismic trails in Red Deer and Holtlander to support the adit construction and rotary drilling programs.*

### **Reclamation**

*The total disturbed area on the Belcourt property associated with the various exploration programs amounted to 29.78 ha. This area includes access roads, drill sites, adits and trenches, all of which were reclaimed in accordance with government guidelines.*

### **Feasibility Studies**

*On the basis of the exploration work conducted on the property, the following independent feasibility studies were completed.*

- *Preliminary Feasibility Study, by Wright Engineers Ltd., March 1980.*
- *Belcourt Feasibility Study, by Wright Engineers Ltd., December 1982.*

*These reports are not publicly available.*

### **Cost of Work Completed**

*The estimated cost of the exploration work completed by Denison during the period 1970 to 1977 is estimated at \$0.5 million. It is believed that exploration activities and feasibility studies carried out between 1978 and 1982 cost in excess of \$10 million giving an overall total of at least \$10.5 million. It is estimated that between \$9 million to \$9.5 million can be attributed to exploration conducted on, and immediately adjacent to the current coal licence blocks. These estimates of cost are not adjusted to 1998 values.*

## **GEOLOGY**

*The descriptions of the regional and property geology presented below have been taken mostly from Denison Mines (1980 and 1981). For brevity and ease of reading, specific references to these reports are not made below, except where the authors wish to emphasize the source of the material. Similarly, portions of passages taken in whole or in part are not placed in quotation marks unless special emphasis is intended.*

### **Regional Geologic Setting**

*The Belcourt property lies within a belt of Cretaceous strata that form part of the Rocky Mountain Foothills in northeastern British Columbia. The main structural feature in the area is a broad northwesterly plunging anticlinorium (Belcourt Anticlinorium) whose western margin is bounded by a major westerly-dipping thrust fault that has carried Paleozoic rocks over Lower Cretaceous strata (see Figure 5). Within the anticlinorium the oldest rocks belong to the Triassic Whitehorse Formation. However, these strata are restricted to limited exposures in*

valleys that cut through the core of the structure and most of the core of the anticlinorium is underlain by Lower Cretaceous Minnes Group lithologies. Eastwards from the core is a continuous succession of Cretaceous strata, the youngest of which belong to the Kaskapau Formation of the Smokey Group.

The blocks of coal licences that comprise the property are located on the northeastern limb of the anticlinorium and are underlain mostly by strata of the Lower Cretaceous Bullhead and Fort St. John Groups. Within this region, areas of primary interest are represented by a narrow northwesterly-trending belt of tightly folded synclines, anticlines and associated, commonly southwesterly-dipping thrust faults that have placed older units upon younger ones.

The coal seams of greatest economic potential are hosted by the Gates Formation. Other, thinner coal seams also occur in the Minnes Group and within the Gething and Boulder Creek Formations. At present, only the coal seams contained within the Gething and Gates Formations are considered to hold any potential for economic development.

### **Stratigraphy**

#### **Gething Formation**

The Gething Formation conformably overlies massive, coarse conglomerates of the Cadomin Formation; together, these units comprise the Bullhead Group. Gething strata consist of brown, calcareous, lithic, very fine to coarse-grained sandstone, siltstone, carbonaceous claystone, conglomerate and coal. The sandstones in the upper portion of the formation contain pebbles and coal stringers, are bioturbated and cross-laminated and show evidence of soft sediment deformation. Sandstone units average from less than 0.5 m to 1 m in thickness. Chert pebble conglomerates, 2 m to 8 m thick, with common carbonaceous partings, are found near the middle of the formation and toward its base. The sub-rounded to well-rounded pebbles are up to 5 cm in diameter and are either clast-supported or set in a coarse sandstone matrix. The Gething Formation commonly occurs in exposed limbs of folds in the western and central portions of the licence blocks. Its thickness ranges from 60 m to 90 m.

#### **Moosebar Formation**

The Moosebar Formation comprises the lowermost formation of the Fort St. John Group. It rests abruptly on carbonaceous sandstone of the Gething Formation and Stott (1968) considers this contact to be disconformable. In the Belcourt region, the base of the Moosebar is sandy to pebbly and is glauconitic. This glauconitic horizon is reportedly widespread in the Bullmoose Mountain area to the north, where it is considered equivalent to the Bluesky Formation of the Alberta Plains. The lower part of the Moosebar Formation is a marine, pro-deltaic sequence comprising dark grey, rubbly claystone with thin layers of sideritic concretions. Towards its base are thin, buff to brown bentonitic beds. The claystone grades upward through a transitional zone of laminated siltstone and claystone. Further upwards, the formation becomes a shoreline dominated sequence comprising primarily fine- to medium- to coarse-grained, thin to medium-bedded sandstone, with an attendant gradual decrease and eventual disappearance of claystone. The thickness of the Moosebar in Belcourt varies only between 66 m and 72 m.

#### **Gates Formation**

The Gates Formation is transitional with the underlying Moosebar Formation. In the Belcourt region the base of the Gates Formation is defined at the base of the lowest thick and massive sandstone unit. This lowermost portion of the Gates is characterized by fine-grained, fairly well-sorted sandstones with frequent conglomeratic units and thick beds towards the top. This basal sequence is referred to as the Torrens Member; it is readily identified in outcrop and forms resistant grey sandstone-conglomerate ridges along the length of the property.



*The middle and upper Gates are cyclic successions of carbonaceous sandstones, siltstones, claystones, coal and some conglomerates, deposited in deltaic and flood plain environments. Sandstones are the dominant rock type; they are brownish grey to grey with occasional limonitic stains, generally fine-grained with medium- to coarse-grained and conglomeratic phases, thin to medium-bedded in the upper half of the section and thick-bedded towards the lower half. They generally display tabular to lenticular cross-bedding and contain carbonaceous fragments, rootlets, plant fossils and worm burrows.*

*Pebble conglomerates occasionally occur as thin lenses within the sandstone, but can range up to 26 m in thickness. The matrix-supported pebbles consist of chert quartzite, quartzitic sandstone and siliceous argillites. They are commonly white to black in colour, but blue and green cherts may also be present (Stott, 1968). The conglomerates commonly occur 70 m to 150 m from the base of the formation. Lithologic variations in the Gates Formation on the Belcourt property are described in greater detail in three generalized stratigraphic sections that form Figures 6, 7 and 8.*

*Claystones are generally interbedded with sandstones and siltstones; they are grey, silty and carbonaceous with abundant plant fragments. Pyrite is occasionally present. The siltstones are gradational with the sandstone and claystone and frequently exhibit soft sediment deformation.*

*The interval between the base of the Gates Formation and the first significant coal seam varies from 48 m in the Holtlander block to 82 m in Red Deer block. The total thickness of the Gates Formation is approximately 310 m. Its contact with the overlying Hulcross Formation is marked by a 15 cm basal pebble conglomerate.*

#### **Hulcross Formation**

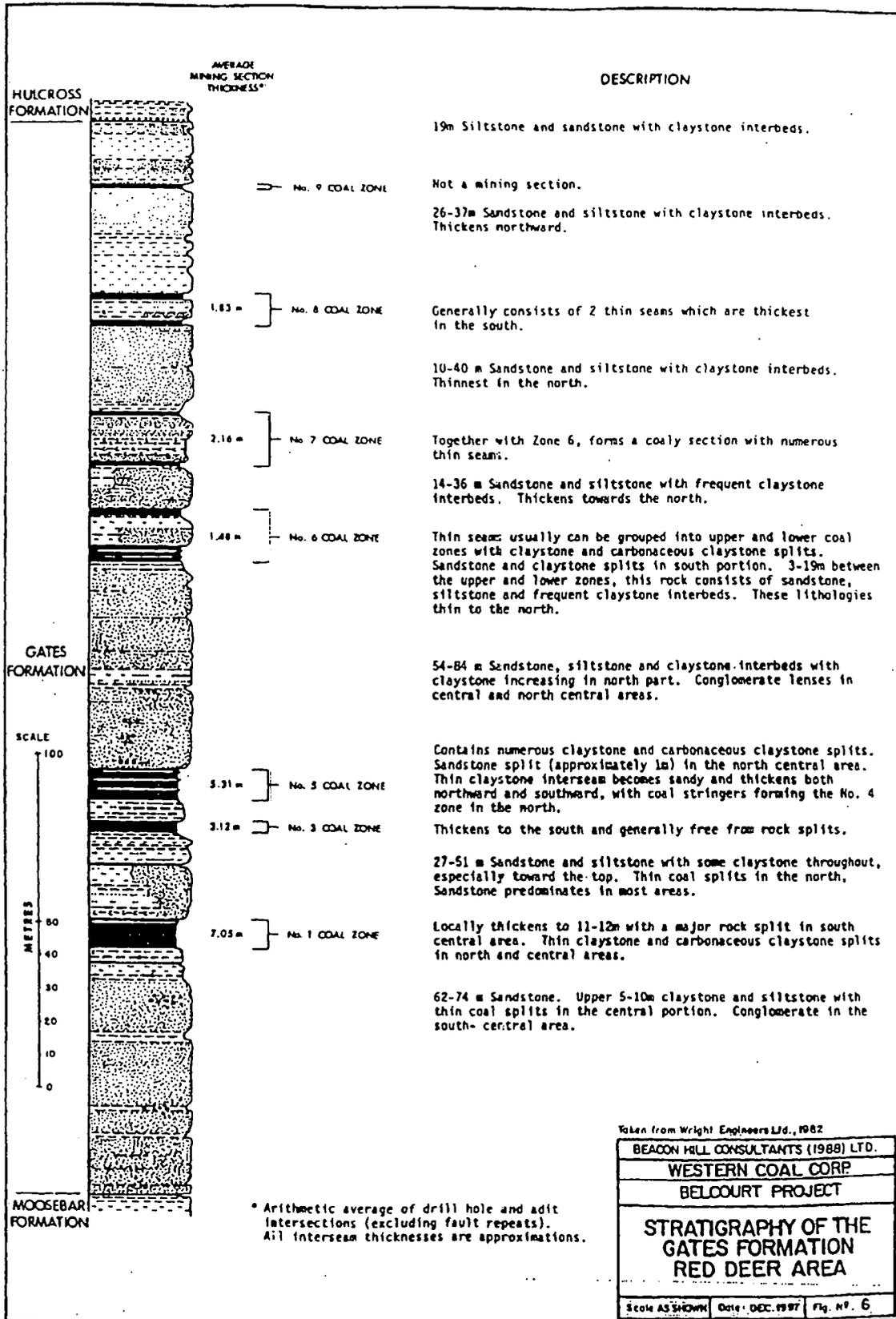
*The Hulcross Formation is a sequence of predominantly marine sediments comprising interbedded dark grey to black claystones, light to dark grey, fine-grained sandstones, grey siltstone and a basal conglomerate. The claystone-siltstone horizons commonly contain clay-ironstone concretions. This formation thins markedly to the southeast, from approximately 55 m in the Red Deer block to 30 m in the Omega block.*

#### **Boulder Creek Formation**

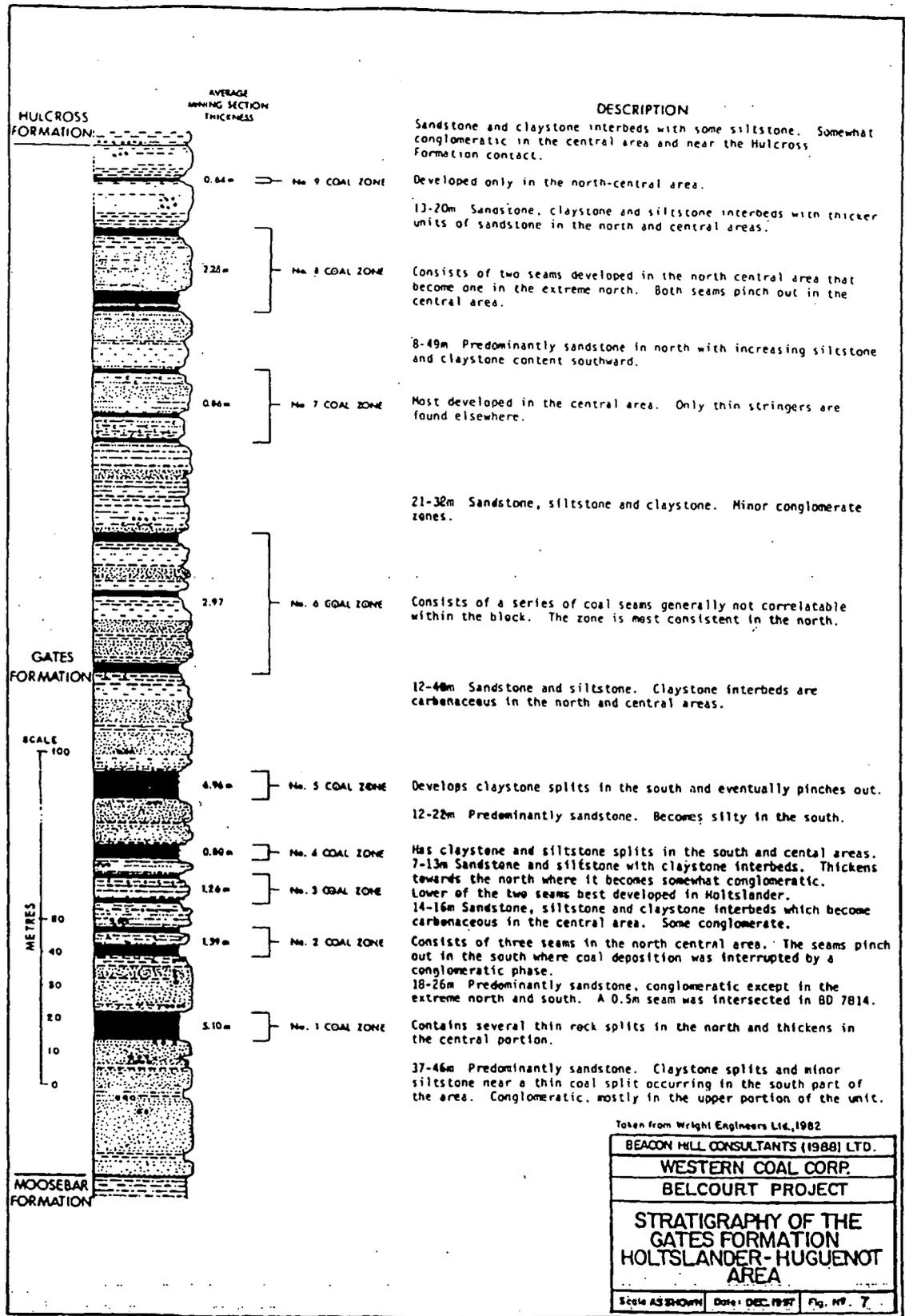
*The Boulder Creek Formation comprises predominantly non-marine sedimentary lithologies which include grey to brown, fine to coarse-grained sandstone, chert pebble conglomerate, grey to black claystone and siltstone and a number of coaly and carbonaceous horizons. The formation can be divided into three units of approximately equal thickness (i.e. 20 m to 35 m each). The lowest unit comprises mainly grey sandstones which contain conglomerate and carbonaceous horizons. Claystones and siltstones with coaly and carbonaceous layers make up the middle unit while the upper unit consists mostly of grey to brown sandstones and siltstone. The upper contact is often marked by a thin pebble conglomerate with a siltstone-claystone matrix. The Boulder Creek Formation varies in thickness from 85 m to 98 m and is usually thickest where the underlying Hulcross Formation is thinnest.*

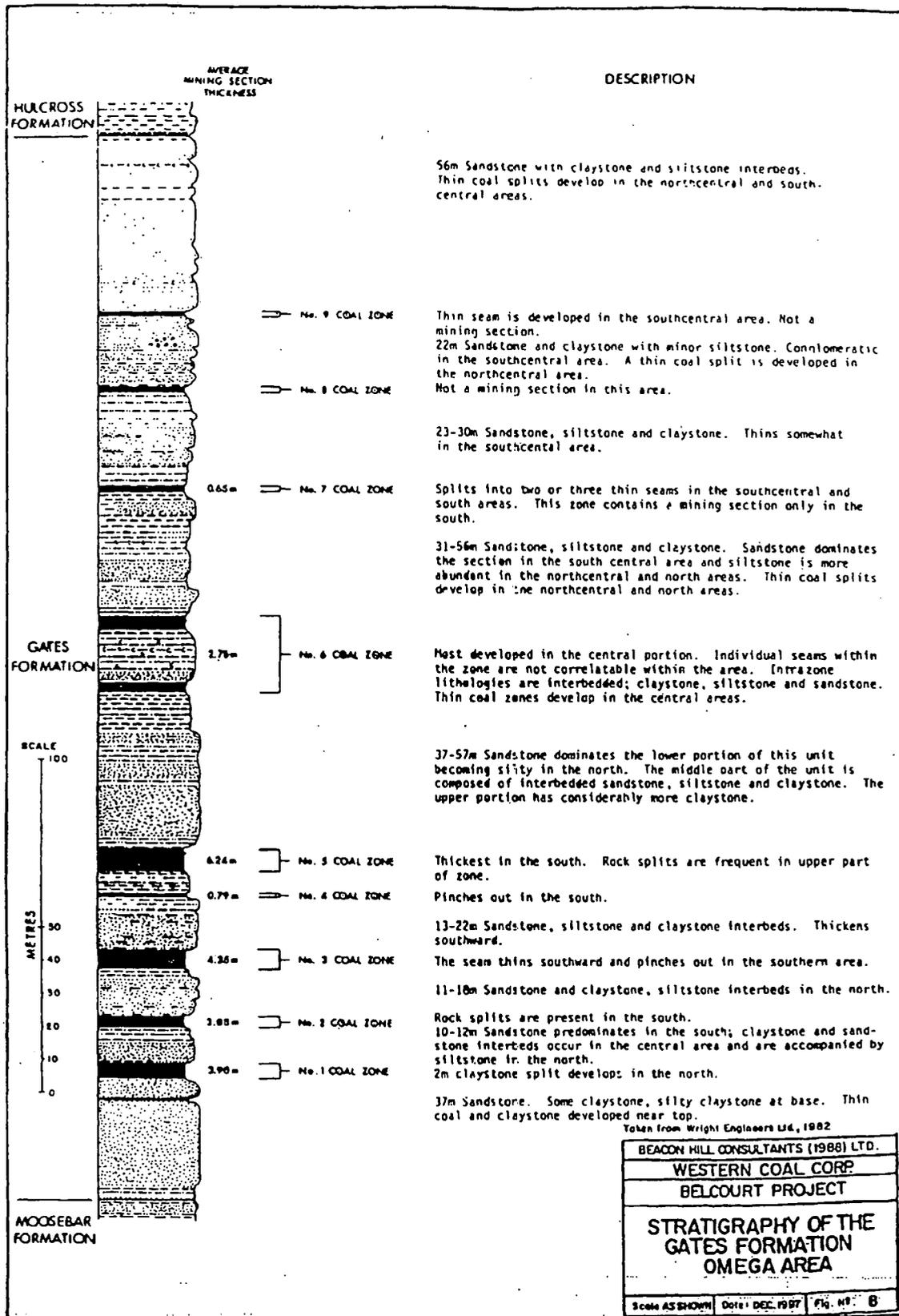
#### **Coal Seam Development and Correlation**

*Exploration conducted by Denison confirmed the presence of potentially economic coal seams in the Gates Formation within the current coal licence areas. Coal seams were also encountered during mapping and trenching within the Minnes Group and in the Gething and Boulder Creek Formations. However, due to insufficient data, their economic potential has not yet been fully evaluated, although it appears limited. Some drilling was undertaken on Gething seams which provided data for a preliminary evaluation. In this report, therefore, only Gething and Gates coal seams are discussed.*









### **Gething Coal Seams**

*There are three coal zones within the Gething Formation in the Belcourt region. The best developed appears to be the lower zone which occurs near the contact with the Cadomin Formation. In the Red Deer and Holtslander areas, the zone comprises two coal seams, each greater than 1.5 m thick. This zone seems to disappear southward before it reaches the Huguenot area. A thick sandstone sequence separates the lower from the middle zone. The latter commonly comprises several thin, poorly-developed coaly seams. In places the middle zone may be capped by a thick conglomerate unit. The upper zone comprises two to three coal seams located close to the Moosebar Formation contact. This zone appears to thicken southwards where, in the Huguenot area, it reaches 1.93 m in thickness. A seam of the Gething, 9.5 m thick, occurs just south of Holtslander Creek.*

### **Gates Coal Seams**

*The coal seams of the Gates Formation are well established as the most prolific coal-bearing strata in northeastern British Columbia. To the north, minable thicknesses of Gates coal are first encountered just south of Bullmoose Mountain and continue southeasterly to the B.C./Alberta border, a distance of nearly 140 km, and beyond. In the Belcourt region, the average aggregate thickness of the coal seams ranges from approximately 28 m in the Red Deer area to 22 m in the Omega area. Individual seam thicknesses are relatively uniform, but may vary locally in areas of greater structural disturbance. The coal seams are correlatable throughout the entire property.*

*Nine coal seams and zones were identified in the Gates Formation across the old Belcourt property, No. 1 being the lowermost and No. 9 the uppermost. The term 'zone' encompasses a number of closely-spaced coal horizons within a distinct lithologic unit. These lithologic units were used for correlation in areas where individual coal seams are difficult to recognize, due to changes in seam characteristics or their transition into carbonaceous and coaly intervals. The No. 1, 3 and 5 seams are persistent and correlatable over long distances; they maintain their respective thicknesses and stratigraphic position throughout most of the property. The coal intervals within coal zones No. 6, 7, 8 and 9 are correlatable only over short distances, although most of the coal zones, themselves, persist throughout the property.*

*In the discussion presented below, the term "potential mining section" refers to coal seams, with or without rock bands, which are equal to, or greater than 0.5 m in total true thickness.*

- **No. 1 Seam**

*This seam is defined as the first major seam resting on the uppermost massive sandstone of the Torrens Member. It is present within all four of the coal licence blocks that comprise the Belcourt property and ranges in thickness from less than 2 m to approximately 11 m. The variation in thickness is both depositional and structural. In most places the seam rests directly on sandstone, often includes a 0.5 m rock band near the top and has a carbonaceous claystone roof. The seam is best developed in the Red Deer area. At Holtslander, the lower half of the coal seam often contains rock bands that divide this part of the seam into as many as four coal splits. Only two or three of these splits are usually considered to be potentially mineable, although four mining sections are occasionally indicated.*

- **No. 2 Zone**

*Potential mining sections are present only in the Southern parts of the Omega area and in the Holtslander area. In the Omega area, Zone 2 provides up to two mining sections with thicknesses up to 2.53 m and 2.39 m. At Holtslander No. 2 Zone mining sections are very thin, reaching a maximum of 0.58 m. Elsewhere on the property, this zone is recognized only as a carbonaceous claystone horizon containing discontinuous coal lenses, lying within well-developed sandstone units. In their last filed assessment report (1981, Open File No. 466), Denison refer to a thick No. 2 Zone (or seam) as being the lowest seam within the Red Deer block and present such an*

interpretation on their drawings. However, the cross-sections show the lowest seam labelled as Seam 1. This likely reflects a revised interpretation of coal seam designation which is known to have been used in the later feasibility study. This interpretation is presented in the correlation shown in Figure 9, herein and maintained in the text discussions.

- **No. 3 Seam**

This seam is well-developed over the entire property. In the Red Deer area, it is a clean seam varying in thickness from 1.15 m to 4.92 m. In the Holtslander area, the seam remains clean but thins to less than 2 m. Further south, the seam thickens and includes rock bands. In northern parts of the Omega area, it reaches in excess of 6 m thickness but thins towards the south where it no longer forms a mining section.

- **No. 4 Zone**

This zone is similar to the No. 2 zone, where the coal seams are discontinuous. In Red Deer this zone appears only as a coaly horizon. In their 1981 report, Denison indicates that No. 4 zone contains a thick seam in Red Deer. However, this seam is shown on the cross-sections as Seam 5; and reflects the same correlation revision as discussed for No. 2 Zone above. In the Holtslander and Omega areas the seam thickness ranges from 0.75 to 1.18 m. The stratigraphic position of the zone is marked at the base of a sandstone unit underlying the No. 5 seam. No. 4 Zone does not present a consistent mining section in any of the resource areas.

- **No. 5 Seam**

This seam occurs across the entire property and has characteristics similar to Seam 1. It is thinnest on the Huguenot licences and in the northern parts of the Red Deer block. The seam reaches thicknesses of approximately 8.5 m in Omega, 10.5 m in the southern part of Red Deer and ranges between 4.8 m and 7 m thick in Holtslander.

- **No. 6, 7 and 8 Zones**

These three zones are similar in that each comprises two or more individual coal seams within a distinguishable stratigraphic unit. The coal seams are generally thin, although individual thicknesses may exceed 2 m.

The units within which they occur comprise an interbedded sequence of carbonaceous partings and rock bands of variable thickness. The correlation of these zones is, in places, quite tentative. The No. 6 zone varies in thickness from less than 3 m in Red Deer to greater than 40 m in Omega where the zone is best developed. The No. 7 zone is likewise variable in thickness, ranging from 8 m in Omega to 23 m in Holtslander and Red Deer. The No. 8 is fairly uniform in thickness except in Omega, where it thins to 2 m from an average of approximately 11 m.

- **No. 9 Zone**

This zone, which is stratigraphically 27 m below the Boulder Creek Formation, is the uppermost coal bearing unit in the Gates Formation in Belcourt. The zone includes one thin coal seam which, in the Holtslander area, exceeds 0.5 m in thickness. At present No. 9 Zone is not considered to present a potentially mineable resource.

## **Structure**

The structural style of the Belcourt region is typical of the Rocky Mountain Foothills in northeastern B.C. and is represented by large-scale thrust faulting and intense folding.

## **Folding**

*The folds in Belcourt are generally asymmetrical, with axial planes striking northwest and dipping southwest. The folds are more open to the north, but become tighter and, in places, overturned south of the Holtslander. The dominant fold style that characterizes the major anticlines in the property is the 'box fold'. In Belcourt, this type of folding occurs in the footwall of a thrust fault, by secondary folding of the more gently dipping backlimb of an asymmetrical anticline.*

*Secondary folds related to the formation of box folds and close to the plane of thrust faults are drag folds. These folds have been observed in the footwall of the main thrusts throughout the property and range in amplitude from a few metres to several tens of metres. Within the fault zones themselves, the intensity of deformation is evidenced by small isoclinal folds.*

*Irregularly-dipping beds on the overturned limb of the Red Deer Syncline are attributed to gravity folding.*

## **Faulting**

*The major thrust faults recognized in Belcourt are illustrated in Figure 5. The faults are sub-parallel and of varying magnitude, with displacements ranging up to several hundred metres.*

*The Red Deer Knob Thrust, which has placed Minnes strata against the Gates Formation in Red Deer and Gates Formation lithologies against the Shaftesbury Formation in Holtslander, has been mapped over a strike length of approximately 13 km. The surface trace of the fault is sinuous, primarily as a result of folding of the fault plane. In Red Deer, secondary splay faults arising from this thrust cut across the southwest limb of the Red Deer Syncline. From Red Deer southwards, the Red Deer Knob Thrust changes strike from northwest to west and flattens below the folded Bullhead succession, which underlies the Holtslander Synclinorium.*

*The Huguenot-Omega areas comprise a long, narrow fault block, bounded on the southwest by the Huguenot Thrust and on the northeast by the Ptarmigan Thrust. These west-dipping faults are almost parallel to one another, extending from just south of Belcourt Creek, over 17 km to the B.C./Alberta border.*

*Relatively thick beds mapped on the surface or intersected in drilling are interpreted to be thickened sections, repeated by thrust faulting. Some of the anomalously thick coal sections encountered in drilling are believed to be imbricated, particularly in areas close to major faults.*

## **Pit Area Structures**

### **Red Deer**

*The structure of the proposed Red Deer pit area is dominated by an anticline-syncline pair. Both anticline and syncline are asymmetrical, with axial planes dipping steeply west. The anticline is actually a box fold that plunges approximately 15° southeast. In the northern part of the pit area this fold is eroded to the Cadomin Formation and the Gates coal measures are present only on the steeply-dipping limbs. Southwards, however, the coal measures are under shallow cover at the top of the box fold and the coal seams occur over a large area of relatively undisturbed and gently-dipping beds.*

### **Holtslander**

*The proposed Holtslander pit area encloses three shallow synclines that, taken together, form a broad, southeasterly-plunging synclinorium. In the northern part of the mining area the coal seams lie close to the surface. Further south, along the southwestern limb of the synclinorium, the coal beds dip gently eastward, although they are cut by several splay faults from a folded and flat-lying backlimb thrust fault.*

## Omega

The proposed Omega pit area encompasses tightly folded coal measures that lie between the west-dipping Huguenot and Ptarmigan Thrust faults. The structure of this block is dominated by a compressed anticline-syncline pair with steep, westerly-dipping axial planes. The common limb is complicated by thrust faulting in the south. The fold pair opens northward where the anticline becomes more dominant and forms a box fold. The northernmost portions of the block contain the southern termination of the Huguenot syncline and underlying, folded, Ptarmigan Thrust. The proposed pits mainly form long, narrow panels along the crests and limbs of anticlines and occupy the cores of shallow synclinal troughs.

## RESOURCES

### General

Resources have been estimated from cross-sections obtained from the Coal Assessment Reports prepared by Denison Mines following the exploration work conducted between 1978 and 1980. Although no re-interpretation of the coal seam geology has been carried out in this study, random checks of the drill hole data were conducted and it was concluded that the Denison sections represented a reasonable interpretation for the purpose of this current evaluation.

The previous studies carried out by Denison and its consultants estimated the amount of in-place raw coal, 0.5 m or more in thickness, to be approximately 1,023 million tonnes within the original Belcourt property. Within this regional resource, open pit resources totalling 173 million tonnes of product coal were identified as follows:

Areas	Tonnes Clean Coal (millions)	Clean Coal Stripping Ratio
Red Deer Pit	94.2	11.7
Holtlander	49.5	12.7
Omega	<u>29.4</u>	<u>6.8</u>
	173.1	11.15

It should be noted that these open pit resources were defined as "reserves" in the previous studies since it had been demonstrated that they were economically viable based upon the level of feasibility study conducted by the owners at that time. However, the open pit resources developed in the current study, which is based on a revised concept, cannot be defined as "reserves" since this evaluation is not considered to be at a "pre-feasibility" stage, the minimum level of study required by the VSE for which economic viability can be demonstrated. Hence for the purposes of this report the coal tonnages defined as being potentially mineable are classified as "resources".

In order to assess the potential mineability of the in-situ resource, a preliminary assessment was conducted to determine the range of economic stripping ratios based on current projections of revenues and costs. A clean coal production rate of 2.0 mtpy was used as the basis for this assessment. This initial work indicated that stripping ratios would need to be in the range of 4.0 to 5.0 cubic metres of waste per tonne of raw coal in order to be potentially economic and thus a target raw coal stripping ratio of 4.5:1 was used as the basis for determining the available open pit coal resources.

### Resource Calculations

Preliminary pit plans were developed for both the Red Deer and Holtlander blocks by constructing pit outlines on vertical cross-sections at 200 m intervals utilizing the stripping ratio limitations noted above and a maximum wall slope angle of 45°. The individual coal seam lengths were measured directly on the cross-sections and the true thickness of each seam increment taken from the data shown on the section. The area of influence of the cross-section was usually 200 m, and the tonnage represented by each mining section was calculated and totalled by cross-section and pit.

Pit volumes were also determined from measurements on the cross-sections and total waste calculated after subtracting the coal volumes on each section.

The following parameters and assumptions were used in the estimation of the coal resources.

- (1) *Minimum mining thickness* - a minimum thickness of coal, or waste band which could be mined separately, was assumed to be 0.5 m. This was the same figure used in the previous work and hence there are no seams on the cross-sections showing mining sections less than 0.5 m thick.
- (2) *Specific Gravity (SG)* - in this study an overall specific gravity of 1.4 was used on all seams for both pits. Since the level of study did not allow for a detailed analysis of variation of specific gravity throughout the seams, the figure used was considered to be a reasonable average for the proposed open pit areas.
- (3) *Out of Seam Dilution (OSD)* - the amount of waste mined along the seam contacts and included with the plant feed coal was assumed to be 10% by weight of dry in-place coal.
- (4) *Mining Recovery (MR)* - it was assumed that approximately 10% of the in-place coal would be lost during mining - thus a mining recovery factor of 90% was used.
- (5) *Moisture factor (MF)* - the moisture content in the plant feed coal was assumed to be 6%.

In this conceptual study, no correction factor was applied to account for variations in the dip of the seams between sections, nor was a geological factor used to allow for the degree of confidence in the structural interpretation. For Red Deer and Holtslander pits, however, these factors should not have a significant impact on the amount of resources estimated.

The tonnage of plant feed coal (PF) resulting from the in-place coal resources, was determined as follows:

$$\begin{aligned} \text{PF tonnes} &= \text{in-place volume} \times 1.4 \text{ (SG)} \times 0.90 \text{ (MR)} \times 1.10 \text{ (OSD)} \times 1.06 \text{ (MF)} \\ &= \text{in-place tonnes} \times 1.0495 \end{aligned}$$

In determining the clean coal the following parameters were used:

- plant yield, dry basis	- Holtslander	73%
	- Red Deer	78%
- moisture content of clean coal		8%

The clean coal tonnage is thus calculated as follows:

$$\text{Clean coal} = \text{Plant feed (dry)} \times \text{yield} \times 1.08$$

Thus, for Holtslander

$$\begin{aligned} \text{Clean coal} &= \frac{\text{PF}}{1.06} \times 0.73 \times 1.08 \\ &= \text{PF} \times 0.7438 \end{aligned}$$

and, for Red Deer

$$\begin{aligned} \text{Clean coal} &= \frac{\text{PF}}{1.06} \times 0.78 \times 1.08 \\ &= \text{PF} \times 0.7947 \end{aligned}$$

**Summary of Holtslander and Red Deer Open Pit Resources**

**Holtslander**

The coal resources within the proposed Holtslander open pit are contained within six seams of the Gates Formation. The No. 5 seam is the most persistent, constituting almost 60% of the total pit resource.

The Holtslander pit contains an estimated 17.7 million tonnes clean coal at an overall clean coal stripping ratio of 5.74:1.

A summary of these resources by seam is shown in Table 6-1.

**Table 6-1  
Summary of Holtslander Pit Resource**

Seam #	Coal Tonnes (000s)			Waste Mined (000's BCM)
	In-Place	Plant Feed	Clean	
8	103	108	80	
6	3351	3517	2616	
5	13,164	13,815	10,276	
3	912	957	712	
2	322	338	251	
1	4774	5011	3727	
<b>Total</b>	<b>22,626</b>	<b>23,746</b>	<b>17,662</b>	<b>101,368</b>
Stripping ratios -	Plant Feed -	4.57:1		
	Clean Coal -	5.74:1		
Plant Yield -	73%			

**Red Deer**

The proposed Red Deer pit contains coal resources within a total of six seams, with the lowest seam, No. 1, constituting approximately 50% of the total pit resource and No. 5 seam almost 30% of the resource. The total resource at Red Deer is estimated at 27.5 million tonnes of product coal at an overall product coal stripping ratio of 5.72:1. These resources are summarized in Table 6-2

**Table 6-2  
Summary of Red Deer Pit Resource**

Seam #	Coal Tonnes (000s)			Waste Mined (000's BCM)
	In-Place	Plant Feed	Clean	
8	96	100	80	
7	412	432	344	
6	1229	1290	1025	
5	9538	10,010	7955	
3	4909	5152	4094	
1	16,746	17,575	13,967	
<b>Total</b>	<b>32,930</b>	<b>34,560</b>	<b>27,465</b>	<b>157,124</b>
Stripping ratios -	Plant Feed -	4.54		
	Clean Coal -	5.72		
Plant Yield -	78%			



## **Discussion**

*It is estimated that approximately 5% of the above resources would be classified as oxidized, or thermal coal. In previous studies the zone of oxidation was considered to extend to 15 m below surface, but it is the authors' opinion that the depth of oxidized coal would be no more than about 7 m, based on the experience of most coal operations. In this study, an oxidation depth of 7 m has therefore been used in estimating the amount of thermal coal.*

*The resources contained in the proposed Holtslander and Red Deer pits are considered to be in the indicated category.*

## **Additional Coal Resources**

*The coal resources identified at Red Deer and Holtslander are limited only by the economic stripping ratios. The existence of extensive additional coal resources in these areas has been well demonstrated by the exploration programs of the late 1970's and subsequent evaluation studies. For instance, the resources estimated for Red Deer and Holtslander in the current study represent less than one-third of the open pit resources in the 1982 feasibility study.*

*Due to the higher coal selling prices utilized in the previous studies, pit stripping ratios were higher and substantially more coal resources were defined than in the present study. In the 1982 study, a total resource of 143.7 million tonnes of clean coal was estimated for the Red Deer and Holtslander open pits, at an overall stripping ratio of 12:1.*

*From the results of the present study it can be seen that any improvements in the project costs or revenues would have a positive impact on allowable stripping ratios and thereby provide additional coal resources in both Holtslander and Red Deer pits.*

*The potential for development of additional resources also exists through further exploration and pit design work in areas immediately adjacent to the currently defined limits of the Red Deer and Holtslander open pits.*

*Some coal would likely be recovered from shallow pits on the north end of Red Deer and on the south portion of Holtslander, while additional coal resources could be developed between the two Red Deer pits.*

*In the southern part of the original Belcourt property substantial coal resources have been identified in the Huguenot-Omega licence areas. These two blocks cover an aggregate strike length of the coal measures of about 12 km. Most of the coal seams in these areas are confined to the eastern steeply-dipping limbs of the Omega anticline, with some flatter lying portions where adjacent folds raise the coal seams close to the surface. It is in these shallow dipping areas where there is the greatest potential for developing additional open pit resources.*

*An evaluation of the Huguenot-Omega data has resulted in the definition of potentially open pit resources in the Omega block, while the Huguenot block is seen as having the potential for developing resources through further work in this area. The Omega resources were estimated using similar criteria to those established for Red Deer and Holtslander, with conceptual open pit outlines being constructed on cross-section and based on approximately the same stripping ratios. For the most part, the Omega sections were developed at 400 m intervals, with occasional 200 m intermediate sections, thus areas of influence were generally much greater than for the proposed Red Deer/Holtslander mining areas.*

*A summary of the Omega resources is shown in Table 6-5. It indicates a total of approximately 34 million tonnes of clean coal could potentially be recovered at an overall clean coal stripping ratio of 6.36:1. Since no review of coal quality or possible plant flowsheet has been conducted for the coal from this part of the property, an assumed plant yield of 75% has been used.*

Table 6-5

Summary of Omega Pit Resources

Seam #	Coal Tonnes (000s)			Waste Mined (000's BCM)
	In-Place	Plant Feed	Clean	
6	2,335	2,451	1,872	
5	13,712	14,391	10,995	
4	1,565	1,643	1,255	
3	10,667	11,195	8,553	
2	4,654	4,884	3,731	
1	9,738	10,220	7,808	
	42,671	44,784	34,214	217,556

Stripping ratios - Plant feed - 4.86:1

Stripping ratios - Product coal - 6.36:1

These resources are considered to be in the indicated category

COAL QUALITY

Coal quality data presented below has been taken primarily from Denison Mines (1981 and 1980). The quality of the Gate Formation coals has been established on the basis of samples from adits and drill cores from exploration conducted by Denison between 1978 and 1980. The coal samples were subjected to physical and chemical analyses, washability studies and pilot-scale tests in order to evaluate the properties of the unoxidized coal seams as a coking coal and the oxidized portions as a thermal coal. Only the analytical procedures and the results obtained for metallurgical coal are presented below.

Analytical Procedures

For coal intersections from drill core, the sampled intervals took account of core recovery, coal splits and rock bands. Samples were divided into two categories based upon whether core recovery was greater or less than 40%. Coal analysis was done by General Testing Laboratories, Vancouver, B.C. and Cyclone Engineering & Sales, Edmonton, Alberta. Bulk samples from adits were analyzed and washed at the pilot plant of Birtley Coal & Mineral Testing, Calgary, Alberta and at the Federal Government's Western Research Laboratory (CANMET) in Edmonton. Carbonization tests were conducted on clean coal samples from the adits at the CANMET facilities in Ottawa.

Regional Coal Quality

Regional data on the quality of Gates Formation coals are summarized in Table 7-1; note that the listed licence blocks represent the nomenclature designated by Denison Mines Ltd. The most significant regional trend noted is the change in coal rank from lower rank in the northwest to higher rank in the southeast....Based on the volatile matter, the Ptarmigan and Omega blocks are ranked as low volatile bituminous (lvb), whereas all other blocks fall in the medium volatile bituminous (mvb) coal rank.

Table 7-1

Summary of Regional Clean Coal Quality\*  
Gates Formation (Denison)

		Red Deer North	Red Deer South(1)	Holtslander North(1)	Holtslander South	Huguenot	Ptarmigan(2)	Omega(2)
Proximate Analysis (adb)								
Moisture	%	0.99	0.82	0.78	0.74	0.70	0.67	0.53
Ash	%	7.04	6.66	7.46	6.95	7.15	7.78	6.76
Volatile Matter (dmmf)	%	25.71 (27.39)	25.89 (27.56)	25.37 (25.91)	23.95 (25.40)	22.25 (23.50)	19.17 (20.55)	18.84 (19.70)
Fixed Carbon	%	66.28	66.57	67.45	68.36	69.90	72.12	73.88
Sulphur	%	0.35	0.36	0.37	0.34	0.57	0.44	0.46
Phosphorus	%	0.050	0.043	0.044	0.049	0.043	0.049	0.045
Free Swelling Index (FSI)		6½	7	6½	7	6½	5	4½
Mean Maximum Reflectance (R <sub>0</sub> )	%	1.16	1.18	1.19		1.42	1.64	1.62

\* Arithmetic average from all adits and drill core samples (with greater than 40% recovery).  
Taken from Denison Mines (1981)  
R<sub>0</sub> Values, taken from Denison Mines (1980).

- (1) Essentially equivalent to Red Deer and Holtslander blocks in this study.  
(2) Essentially equivalent to Omega block in this study.

The average sulphur content shows a general increase towards the southeast, from 0.36% in Red Deer to 0.57% in Huguenot and 0.46% in Omega. The average Free Swelling Indices in the low volatile coals are generally below 6, while the medium volatile coals show F.S.I. values in the 6 to 7 range. There is no significant change in phosphorous values throughout the property. The average value is given as 0.042%. However, occasional high values (0.17%) are associated with some thin seams. The Belcourt coals have good washability characteristics with laboratory yields ranging from 75% to 83% for low ash level "products".

As past exploration on the old Belcourt property concentrated mostly on Gates Formation coals, only a limited amount of data is available on the quality of Gething coal seams. Denison (1981) provides an average analysis obtained from coal core intersections from three drill holes; these are shown in Table 7-2, below.

**Table 7-2**  
**Gething Formation Coal Quality**

Residual Moisture	%	0.71	(air dry)
Ash	%	7.76	(air dry)
Volatile Matter	%	20.39	(air dry)
Fixed Carbon	%	71.12	(air dry)
Sulphur	%	0.36	
Phosphorous	%	0.057	
FSI Range	%	2-5	

No further discussion of Gething coal quality is presented herein, as these coals are not currently targeted as providing near-term production potential.

#### **Coal Quality - Denison's Pit Areas**

The quality of "product" coals from previously proposed and engineered open pits in the Red Deer, Holtslander and Omega areas are shown in Table 7-3.

**Table 7-3**  
**Summary of Clean Coal Analysis - Pit Areas (Denison)**

		<b>Red Deer</b>	<b>Holtslander</b>	<b>Omega</b>
<b>Proximate Analysis (adb)</b>				
Moisture	%	0.82	0.77	0.60
Ash	%	6.68	7.87	7.71
Volatile Matter	%	25.37	25.28	18.49
Fixed Carbon	%	67.98	65.85	73.20
<b>Sulphur</b>	%	<b>0.32</b>	<b>0.37</b>	<b>0.44</b>
<b>Phosphorous</b>	%	<b>0.040</b>	<b>0.037</b>	<b>0.048</b>
<b>Free Swelling Index</b>		<b>6-8</b>	<b>5-8</b>	<b>3½-5½</b>

Weighted by the product coal tonnage for each seam.

Taken from Denison Mines (1980)

The projected coal quality for each "pit" area reflects the trends apparent in the regional (clean) coal quality presented in Table 7-1, above.

Table 7-4

Summary of Seam Clean Coal Analyses  
Red Deer, Holstlander and Omega Pit Areas (Denison)

		Seam					
		1	3	5	6	7	8
<b>Red Deer</b>							
Ash	%	6.76	5.29	7.57	5.65	6.71	6.30
Volatile Matter	%	25.05	24.82	25.65	26.37	28.01	29.08
Sulphur	%	0.24	0.32	0.29	0.58	0.63	0.59
Phosphorus	%	0.03	0.03	0.05	0.06	0.02	0.05
Free Swelling Index		7	6	7	7½	8	7
<b>Holstlander</b>							
Ash	%	7.71		8.43	8.13		4.96
Volatile Matter	%	24.17		25.87	25.50		27.40
Sulphur	%	0.37		0.34	0.45		0.36
Phosphorus	%	0.03		0.03	0.07		0.04
Free Swelling Index		7½		7	6½		6
		Seam					
		1	2	3	4	5	6
<b>Omega</b>							
Ash	%	7.94	7.0	9.77	12.18	6.73	5.32
Volatile Matter	%	17.85	17.88	17.11	17.26	19.77	21.64
Sulphur	%	0.44	0.49	0.43	0.49	0.39	0.68
Phosphorus	%	0.03	0.06	0.06	0.02	0.05	0.06
Free Swelling Index		4	4½	2½	3½	5½	8½

Both the drill core and adit samples were cleaned using the float-sink method. All the chemical analyses were done using ASTM coal testing procedures. Summarized coal quality data are presented for each seam in Table 7-4, below. Based on the results, the following observations can be made on the different characteristics of the various coal seams.

- The residual moisture levels are very uniform, averaging approximately 0.80%.
- Ash levels range from 4.96% to 12.18%; however, for the major seams, ash values generally range between 5.29% and 9.77%.
- Volatile matter contents within Denison's proposed pit areas fall within a narrow range of values (24.82% to 29.08%) for Holtlander and Red Deer, although this range is narrower for the major seams. At Omega, volatile contents range from 17.11% to 21.64%.
- Sulphur values for Red Deer and Holtlander are low, ranging between 0.24% to 0.63%. The sulphur contents of the main seams range between 0.24% and 0.34%. However, coal from the upper three zones (6, 7 and 8), which represent only a small proportion of the total resources, have higher levels that might require monitoring and possible blending during mining.

Denison Mines (1981) reported an average simulated product coal quality from the processed drillhole samples as:

Table 7-5  
Simulated Product Coal Qualities (Denison)

Air-Dried Basis		Medium Volatile	Low Volatile
Residual Moisture	%	0.81	0.60
Ash	%	7.05	7.24
Volatile Matter	%	24.63	19.00
Vol. Matter (DMMF)	%	25.95	20.09
Fixed Carbon	%	67.71	73.05
Sulphur	%	0.40	0.45
Phosphorous	%	0.045	0.047
FSI Range	%	6½-7	3½-5½

The weighted average quality of the metallurgical product coal from Red Deer and Holtlander the pit areas, for Denison's proposed 20-year production period (Denison Mines, 1981) was:

Table 7-6  
Overall Product Coal - Red Deer and Holtlander (Denison)

Air-Dried Basis	
Residual Moisture	0.75%
Ash	7.5%
Volatile Matter	25.56%
Fixed Carbon	66.19%
Sulphur	0.32%
Phosphorous	0.035%
FSI Range	6-7
Yield	71.8%

*The results of washability tests indicated that Belcourt coals exhibited excellent washability characteristics with resultant high yields and low ash.*

### **Discussion**

*Most of the foregoing coal quality data has been taken from Denison Mines (1980). The 1981 coal quality data are not available in their entirety in Vancouver, although they are publicly available through the Geological Survey Branch, B.C. Ministry of Energy and Mines, Victoria. Consequently, these data have not been reviewed for the purposes of this report.*

*It is understood that the most recent data do not detrimentally alter the data presented above, an indication of which can be gained by comparing Table 7-1 to Tables 7-4 with Tables 7-5 and 7-6.*

*With regards to the overall quality of Belcourt coals and their coking characteristics, Denison offers the following summations. In the Summary to their 1981 report, Denison Mines state:*

*"The results from in excess of 150 individual Gates Member (sic) seam samples taken from drill holes throughout the property consistently confirm the presence of good quality metallurgical bituminous coal."*

*Carbonization tests on drill core and adit samples have shown these coals to be good self coking as well as blend coals. Denison note that:*

*"The results indicate that all coal samples coke and further indicate the coke stabilities factors indicate that the Belcourt coals are better (superior) when compared with the standard blends."*

*In addition to the foregoing data, the location of the Belcourt property, situated between other well known coal properties on which many millions of dollars has been spent on exploration, coal quality testwork and feasibility studies (e.g. Saxon, Monkman) lends reasonable support to the acceptance of Denison's characterization of the coal quality at Belcourt.*

## **DEVELOPMENT POTENTIAL**

### **Introduction**

*In order to assess the potential of the property for economic development and to determine the scope for future work programs, a conceptual development plan was prepared. The concept envisaged a smaller scale of operation than had been previously planned, with a target production rate of two million tonnes of clean metallurgical coal per year being the basis for the study.*

*A conceptual mining plan was devised, a preliminary coal preparation flowsheet was developed, infrastructure requirements were reviewed and preliminary capital and operating costs were estimated.*

### **Mining Plan**

*A conceptual mining plan has been developed on the basis of providing sufficient raw coal to produce 2.0 mtpy of clean metallurgical coal product. The plans developed for the Holtlander and Red Deer pits indicates there is a total of some 56 mt of recoverable raw coal available, providing enough plant feed for more than 20 years of operation. As envisaged, the two open pits would be mined separately, commencing with the Holtlander. The Red Deer pit would be prepared for production as the resources at Holtlander are nearing exhaustion.*

Mining of Holtlander and Red Deer would require that approximately 260 million BCM of waste be removed during the course of operations, resulting in an overall plant feed stripping ratio of 4.4:1 and a clean coal stripping ratio of 5.7:1. Intermittent quantities of oxide coal would be mined during the initial years of operation of each open pit. This material would be stockpiled near the plant and blended with the remaining plant feed coal at a steady rate over the life of the operation. Since the oxide coal will represent no more than 5% of the total plant feed it is not expected to cause any problems in being able to meet the metallurgical coal specifications.

Although an estimate was prepared for the additional resources in the Omega block, no mining plan was prepared for this area.

#### **Holtlander Pit Plan**

The proposed Holtlander pit is a narrow crescent-shaped structure which generally follows the outcrop of coal seam 1 along its north side and seam 5 along the west and south west. The zones below seam 5 tend to thin towards the south and cannot be mined economically at stripping ratios greater than 5:1. The coal seams are relatively shallow dipping on the limbs of the Holtlander Synclinorium, averaging about 20°, with local dips exceeding 30° in some areas, but rarely more than 45°.

There are six seams identified within the Holtlander pit that contain up to a total of 13 mining sections greater than 0.5 m true thickness, as shown in Table 8-1.

**Table 8-1  
Holtlander Mining Sections**

<b>Seam #</b>	<b>Max. Number Mining Sections in Seam</b>	<b>Thickness Range of Mining Section (m)</b>
8	2	0.54 - 1.82
6	4	0.54 - 3.92
5	1	4.82 - 6.95
3	1	1.54 - 1.76
2	1	0.50 - 0.58
1	4	0.52 - 3.43

Total coal production from Holtlander is estimated at 17.7 mt of product coal, with waste stripping of 101.4 million BCM.

#### **Red Deer Pit Plan**

The main part of the proposed Red Deer pit follows the coal seam outcrops along the syncline-anticline structure to form a U-shaped pit varying in depth up to 250 m below surface. A smaller, separate pit is developed to the southeast of the main pit in the south west limb of the Red Deer syncline. The seams are near vertical in the area of the Red Deer Syncline and along the northeast limb of the Red Deer Anticline, while along the back of the anticline the seams dip down plunge at about 20°.

Along its southwest limb and across the base of the "U", the main pit follows the No. 1 seam which is the predominant seam in this area, varying up to 11 m thick and accounting for about half the total coal resources. There are a total of six seams in the main pit containing up to 10 mining sections exceeding 0.5 m thick, while the secondary pit to the south contains five seams with up to seven mining sections. These mining sections are summarized in the following tables.



**Table 8-2  
Red Deer Mining Sections**

<i>Seam #</i>	<i>Max. Number Mining Sections in Seam</i>	<i>Thickness Range of Mining Section (m)</i>
<b>Red Deer Main Pit</b>		
8	1	1.89
7	3	0.50 - 1.48
6	2	1.16 - 1.68
5	2	0.65 - 7.27
3	1	1.15 - 4.13
1	1	5.39 - 11.08
<b>Red Deer South Pit</b>		
7	2	0.68 - 1.14
6	2	0.47 - 1.33
5	1	4.80 - 10.56
3	1	3.36 - 4.92
1	1	2.05 - 6.16

The combined Red Deer pits contain a total of 27.5 mt of product coal, requiring 157.1 m BCM of waste removal.

#### **Mining Methods and Equipment**

Mining would be conducted using conventional open pit methods and equipment, with operations running two-12 hour shifts per day, 350 days per year. Mining practices would be essentially the same for both Holtslander and Red Deer pits.

Waste rock would be drilled and blasted on a working bench height of 12 m, with blast hole spacing being about 8.5 x 8.5 m for 300 mm dia. holes. Blasting would be carried out using a combination of ANFO and water resistant slurries supplied from an on-site mix plant.

Loading of waste would be by 19 m<sup>3</sup> electric cable shovels, and hauling by 136 t capacity end-dump trucks. Waste would be hauled to a series of dump sites situated around to the pit perimeter to minimize haulage distance and cycle times.

Digging of coal would be carried out using 12 m<sup>3</sup> hydraulic excavators, loading into 91 t capacity haulage trucks equipped with coal boxes for the increased volume. Trucks would haul to the plant site where the oxide coal and plant feed coal would be stockpiled separately.

#### **Mining Sequence and Schedule**

This conceptual mining plan has been developed on the basis of mining the Holtslander and Red Deer pits separately and in sequence, with Holtslander being mined first. Several reasons for mining Holtslander first are as follows:

- Easier access due to the more moderate topographic relief;
- Less pit haulage road construction and pre-production stripping;
- Slightly lower overall stripping ratio; and
- Lower coal haulage operating costs.

*The initial mining at Holtslander will take place in the northern part of the proposed pit, and proceed down-dip and along strike towards the south end of the deposit. As a result, the haulage costs for moving coal to the plant will tend to be lower in the early years of mining and increase as the haulage distance becomes longer in the latter stages of the pit operation.*

*It is estimated that approximately 4 million BCM of pit development waste will need to be removed to prepare the benches for the first year's coal production, which has been set at 1.5 mt of product coal. Planned production capacity of 2.0 mt per year would be achieved in the second year after start-up.*

*Since a detailed mining plan has not been prepared for this conceptual study, it has been assumed that a constant stripping ratio can be maintained throughout the life of each pit, resulting in an annual waste removal at Holtslander of some 11 million BCM per year.*

*During the final year of full production at Holtslander, pre-production stripping of the Red Deer Pit would commence and, once in production, waste stripping would continue at a constant rate of about 11.4 million BCM per year.*

*Although no specific mining plan was developed for Omega, the potential economics of the pit operations are projected to be similar to those at Red Deer and Holtslander. It is envisaged that the Omega deposit plus any potential resources at Huguenot, would be mined as satellite pits with ROM coal being truck hauled to the proposed plant site near Red Deer/Holtslander, a distance of about 40-45 km. The additional haulage costs would be offset by the lower capital development cost, since no additional plant would be required. An alternative concept would be to operate an independent plant at Omega and haul clean coal to the proposed Red Deer/Holtslander loadout facilities. This would increase capital cost but allow the Omega area to be brought into production earlier if coal demand justified it.*

## **Coal Handling and Preparation**

### **Flowsheets**

*In previous studies, in which Red Deer was the main focus, a preparation plant flowsheet was developed which was the most appropriate for Red Deer, but which was not suitable for Holtslander coal. Under this current concept, however, it would be necessary to have a flowsheet which is most favourable to Holtslander, since that pit is to be mined first, but which would not jeopardize the plant recovery for Red Deer.*

*During the comparisons of potential flowsheet combinations, it was determined that the most favourable for cleaning the Holtslander coal would be a dense medium bath for +10 mm, dense medium cyclone for the 10 x 0.5 mm portion, water only cyclones for the 0.5 x 0.15 mm fines and flotation for the -0.15 mm fines. It was determined that an approximate plant yield of 73% @ 9.5% air-dried ash would result. The expected yield for Red Deer, using the same flowsheet is 78%. This flowsheet combination is a proven standard in the coal fields of western Canada. It is the present flowsheet at the Bullmoose and Quintette plants, except for the dense medium bath.*

*It is recognized that some oxidised (thermal) coal will be in the deposit (possibly up to 5%, based on the current pit resource estimates). This material should be set aside at the raw coal dump area to be "bled" into the plant feed at a rate allowed to the quality constraints of the clean coal.*

### **Plant Site and Tailings**

*After reviewing several alternative plant site locations, it was determined that, for this study, the preferred location is about 4 km north of the Holtslander pit in an area of gently sloping ground just to the west of Red Deer Creek. Although this location results in a fairly long downhill coal haul from the Red Deer pit, it is reasonably close to the Holtslander pit, which is to be mined first, and is also close to a suitable area for the rail loop required for clean coal loadout. An area for tailings disposal has been sited about two km to the northeast of the plant site.*

### **Infrastructure Requirements**

In addition to the coal preparation plant, other on-site facilities required for the project would include coal storage and loadout, maintenance shops, warehouse, changehouse and offices. Site service such as water and power supply, sewage disposal and water management facilities would also be required.

Infrastructures off-site would consist of a rail line extension from the Quintette minesite, upgrading and extension of existing access roads into the property, and the construction of a new powerline from Tumbler Ridge.

### **Capital and Operating Costs**

Preliminary estimates of capital and operating costs were prepared for the open pit mine, preparation plant and associated facilities and infrastructure, for the project development concept described above. Costing data were obtained from several sources, including budget equipment and supplies quotes and in-house data files. The estimates include allowances for engineering, construction management and contingencies.

For the purpose of this study it was assumed that B. C. Hydro would bear the cost of constructing a new power line to the property from Tumbler Ridge, and that the rail line extension from Quintette would be financed and constructed by B.C. Rail. The recovery of these capital costs was allowed for under the respective operating costs for power and coal transportation.

A summary of the estimated costs is shown below:

<b>Capital Costs</b>		<b>\$ Million</b>
<i>Initial</i>	- Mining	61.9
	- Plant & Infrastructure	81.3
	- Construction Indirects	<u>30.3</u>
<i>Total</i>		173.5
<i>Ongoing</i>	- Equipment	78.9
	- Reclamation	<u>8.0</u>
		86.9
<b>Operating Costs</b>		<b>\$ Per Tonne Clean Coal</b>
	<i>Holtlander</i>	<i>Red Deer</i>
<i>Mining</i>	13.15	13.77
<i>Plant/G&amp;A</i>	9.98	9.98
<i>Coal Transportation</i>	<u>26.00</u>	<u>26.00</u>
	49.13	49.75

### **RECENT EXPLORATION**

#### **Introduction**

In part-fulfilment of stock exchange listing requirements, Western Coal Corp. carried out a drilling program on the property in February-March, 1998. Based upon a site visit conducted in October 1997, the northern end of the Holtlander block was selected for this work for the following reasons:

- *the area is at low elevations,*
- *it is readily accessible,*
- *it contains two recently logged clear-cuts that transect the proposed pit area,*
- *it is underlain by near-surface coal seams.*

*Additional drill hole data in this area enables better definition of the structural geology particularly with respect to the trend and plunge of the fold axes of the underlying anticline-syncline pair.*

### **Work Completed**

*The program consisted of the following activities:*

- *property examination and drill program planning*
- *road clearing and drill trail construction*
- *open-hole drilling*
- *sampling*
- *geophysical logging*
- *reclamation*
- *coal analysis*
- *program supervision and report preparation*

*The main elements of each of these are summarized below.*

*A site reconnaissance was conducted by B. Briggs, P. Eng., J. Perry, P. Geo., and D. Lucas, P. Geo. between October 20<sup>th</sup> and October 23<sup>rd</sup>, 1997. Approximately 2 days were spent on the property; additional time was spent in discussions with government and corporate forestry officials regarding aspects of road access and current and planned logging activities in the Belcourt area.*

*The property reconnaissance consisted of ground examination and airborne observations. The former was conducted on the northern (main) portion of the proposed Holtslander pit area. A helicopter flyover was undertaken across the Red Deer, Holtslander, Huguenot and Omega blocks, in addition to prospective access routes west of the Red Deer block and along a proposed rail line extension from Quintette to Triad Creek, at the northern end of the proposed Red Deer pit. The areas of proposed site facilities for the Red Deer pit were also examined from the air. Approximately 27 km of all-weather logging and gas-well service roads were cleared of snow prior to mobilizing the drill. An additional 1.9 km of existing drill trails were also cleared of snow and other material (deadfall, rocks, etc.) that had been pulled over the trails as part of previous reclamation efforts by Denison Mines in the early 1980's. Approximately 1.2 km of new drill trails were opened within the two clear cut areas. Most of this work entailed clearing snow and deadfall; little bulldozing of the ground was required.*

*A total of eight drill sites were established. Drilling was abandoned on two of these, BRH-98001 and 98007, due to excessive overburden and hole stability problems. A total of 618.5 m was drilled. The drilling was carried out by a track-mounted Northspan Exploration rotary drill capable of producing 540 cu ft/min at 350 psi, using a 4 1/2" hammer bit. Drill collars were located using tape and compass. Their co-ordinates are presented in Table 9-1 below, together with elevations and hole total depths.*

**Table 9-1  
1998 Drill Hole Locations**

Hole No.	Collar Coordinates		Elevation (m)	Total Depth (m)
	Northing	Easting		
BRH 98001	6050092.0	671,302.8	1176	14.63*
BRH 98002	6050209.3	670,852.0	1185	101.50
BRH 98003	6049954.5	670,194.6	1115	92.35
BRH 98004	6050066.5	670,293.7	1099	101.50
BRH 98005	6050118.9	670,120.0	1098	101.50
BRH 98006	6050192.5	670,191.9	1095	98.45
BRH 98007	6050263.6	670,290.7	1085	7.32**
BRH 98008	6049811.4	670,281.0	1125	101.22

\* Hole abandoned due to caving.

\*\* Hole abandoned in overburden.

Drilling, road clearing, drill trail and drill pad preparation and reclamation was carried out by Murfitt Contracting (Chetwynd, B.C.).

All the major coal seams were sampled except for Seam 3 in BRH 98004. The sampling method utilized a sieve to collect the sample from a diverter placed over the drill collar. The samples were bagged and left to stand and settle. Excess water was decanted; the bags collected from each seam were then mixed, a composite sample obtained and then sent for analysis. Some thin rider seams and portions of certain thinly interbedded coal and rock zones that underlie some of the major seams were also sampled, but not in every instance.

All holes were geophysically logged except for BRH 98001 and 98007, neither of which penetrated bedrock. A full suite of logs were run, which included caliper, density, gamma ray, neutron-neutron and focussed beam resistivity. All logs were produced in digital and hard copy format. Geophysical logging was provided by CGC Acquisition Corporation (dba Century Geophysical), (Calgary, Alberta).

Reclamation of drill sites and access trails was carried out immediately after drilling ceased. The disturbed sites and trails totalled approximately 1.59 hectares, distributed accordingly: drill pads, 400 m<sup>2</sup>; new drill trails, 5950 m<sup>2</sup>; old drill trails, 9500 m<sup>2</sup>. For most of the disturbed areas reclamation involved spreading the windrow material and deadfall that had been pushed to the sides, back over the trails and drill pads. Sections of new trail cut into banks were re-sloped to the original contour line. Drill casing was cut to within a few centimetres of ground level and the holes plugged with tree limbs and flagged for surveying later in the summer.

Samples from the major coal seams were selected for analysis. All analyses were performed on a 1.5 S.G. float and included proximate analysis (ash content, volatile matter, fixed carbon, residual moisture) total sulphur and FSI (free swelling index) determinations. The results from this testwork are presented in Table 9-3. Coal analyses were carried out by Loring Laboratories Ltd. (Calgary, Alberta).

Geological field supervision was provided by D. R. Lucas, P. Geo, an independent geologist, who also provided the data presented in Tables 9-1 and 9-2. Additional data handling and report preparation has been carried out by Beacon Hill Consultants (1988) Ltd.

## Results

The geological and seam thickness data together with the general coal quality characteristics of the coal seams intersected by the 1998 drilling are consistent with expectations based upon previous work.

Seam interval and thickness data are presented in Table 9-2. True thicknesses were estimated using dips taken from geological maps and cross-sections. There is good comparison between these true thickness estimates and those projected for this area by Denison Mines. Any differences are minor, and have no substantive impact on the

resources estimated in "Resources", herein. The ranges in true thicknesses projected by Denison compared to true thicknesses estimated from the 1998 geophysical logs are:

Seam	Denison Projected True thickness (m)	1998 Estimated True Thickness (m)
5	6.10 to 6.40	5.93, 6.21, 6.13
3	1.54 to 1.76	2.21, 1.56, 1.57, 1.65, 1.68
2*	0.50 to 0.52	0.61, 0.96, 1.03, 0.72
1 (main)	3.43	3.60, 4.57
1 lower (a)*	0.52 to 0.96	<0.5, <0.5, 0.84
1 lower (b)*	0.68 to 0.80	0.56, 0.95, 1.12
1 lower (c)*	1.06 to 1.15	1.11, 1.22, 1.31

\* True thicknesses for these seams and coal splits are for designated mining sections (i.e. those portions of the seam or coal zone that are anticipated to be mined), taken to a minimum of 0.5 m.

Table 9-2  
Seam Intervals and Thicknesses

Hole No.	Seam	Drilled Interval (m)		Apparent Thick. (m)	Est. True Thick. (m)
		From	To		
BRH 98002	5	20.60	26.62	6.02	5.93
	3	72.64	74.88	2.24	2.21
BRH 98003	3	16.04	17.78	1.74	1.56
	2 (main)	41.41	43.95	2.54	2.28
	1 (main)	56.00	60.00	4.00	3.60
	1 (lower)	61.70	64.45	2.75	2.47
BRH 98004	5	12.55	19.35	6.80	6.21
	3	69.30	71.02	1.72	1.57
	2 (main)	97.50	100.58	3.08	2.81
BRH 98005	1 (main)	11.09	12.89	1.8(eroded)	1.67
	1 (lower)	14.60	17.98	3.38	3.13
BRH 98006	3	17.55	19.40	1.85	1.65
	2 (main)	55.50	59.00	3.50	3.25
	1 (main)	70.31	75.20	4.89	4.57
	1 (lower)	75.76	84.38	8.62	8.05
BRH 98008	5	13.25	15.91	6.66	6.13
	3	66.58	68.40	1.82	1.68
	2 (main)	90.22	93.20	2.98	2.70

Most of the drill holes (BRH 98003, 98004, 98005, 98006 and 98008) were located along the common limb of an anticline-syncline pair. The seams were intersected at slightly greater depths (up to 25 m) than predicted from the previous structural interpretation, reflecting somewhat steeper dips than had been originally projected. Again, this modification is not anticipated to have any significant impact on the resources quoted in "Resources" above. A fault repeat of the rider split above seam 2 is present in BRH 98006.

Testwork included proximate analyses (residual moisture, volatile matter, ash, fixed carbon), total sulphur and free swelling index (FSI) tests. Good values were obtained in almost every instance for each type of analysis. The results are consistent with those reported by the previous project operators (Denison Mines) taking into account the nature of the samples and sampling process and that the work was performed on 1.5 S.G. floats.

Three samples provide low FSI values; namely, samples 98002 A, 98006 B and 98008 D. The FSI value for sample 98002 A (seam 5) is 2.0 and is taken to indicate that the seam is oxidized at this location. In this hole, seam 5 lies between 20.60 m to 26.62 m below surface. This reflects a deeper level of oxidation than that indicated by other nearby shallow coal seam intersections (c.f. seam 5, in holes BRH 98004 and 98008). The depth of oxidation in BRH 98002 may be related to the proximity of the Red Deer Knob thrust fault. The FSI values for samples 98006 B (seam 2) and 98008 D (seam 2) are related to factors other than oxidation. In part, the low FSI value (1.0) for sample 98008 D reflects its high ash content (22.83%). The FSI reported from seam 2 in hole 98006 (sample 98006B) is 3.0; this sample has an ash content of 10.19%. Other seam 2 intersections yielded FSI's of 7.0 (BRH 98003) and 5.0 (BRH 98004) for ash contents of 4.49% and 6.72%, respectively. Examination of the density log traces in Figure 22 suggests no evidence of significant amounts of near-gravity (high-ash coal) material for this seam in any of the drill holes. The low FSI values for samples 98006 B and 98008 D appear anomalous but may indicate that seam 2 has a lower coking propensity than the other seams. However, as seam 2 forms only a small portion of the resources, its FSI characteristics would have minimal impact on overall product coal quality.

#### Summary of Costs

The costs incurred for the work program, which incorporate costs attributed to the October 1997 site visit and subsequent program planning and permitting, are summarized below. These costs have been prepared from material provided by Western Coal Corp.

Activity	Cost (\$)
Property Examination	16,100
Program Planning/Permitting	7,760
Snow removal (access road)	9,570
Drill Trail Opening	4,000
Drilling	37,830
Geophysical Logging	6,660
Assays	1,600
Reclamation	2,800
Geological Supervision	13,800
Report Preparation	<u>6,000</u>
<b>Total</b>	<b>\$ 106,120</b>

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusions

From the foregoing study, it is concluded that the Belcourt coal project is one of merit which contains potentially economic, open-pittable coal resources in the Holtlander and Red Deer blocks sufficient to provide for a minimum production level of 2.0 million tonnes/year, with the potential for expansion should markets warrant. Additional resources of low strip ratio coal are also available from the Omega block. These resources could be mined in conjunction with those of Holtlander and Red Deer, or developed after those resources are depleted.

The reports prepared by Denison Mines Limited, which discuss various exploration campaigns, provide detailed, comprehensive assessments of the project and present a fair and reasonable evaluation of the potential of the property. The work conducted by Denison justified the completion of a full feasibility study on the Red Deer area in 1982 by Wright Engineers Ltd. Exploration work carried out in February-March 1998 on part of the Holtslander block has yielded results consistent with expectations based upon Denison's previous work.

**Recommendations**

The Belcourt property does not contain reserves as defined by National Instrument 43-101, Standards of Disclosure for Mineral Exploration and Development and Mining Properties (Edition 98:26, July 3, 1998) and, consequently, does not contain a body of proven, commercial "ore". As any future evaluation of project feasibility will be based on a development strategy different from that envisaged in previous studies, it is recommended that further work be conducted to advance the project towards feasibility. The initial work will include development of computerized geological models and coal characterization studies in the proposed Red Deer-Holtslander pit areas, followed by completion of a pre-feasibility study, which would define open pit reserves and would examine the economic aspects of several development options with respect to production rates, pit scheduling and infrastructure requirements. Concurrent with the pre-feasibility study, the regulatory approval process would be initiated and the requirements for environmental assessment programs would be developed.

The cost of the recommended work program is estimated to be \$ 253,000, the details of which are outlined below. It is anticipated that this program would be undertaken during 1999.

**RECOMMENDED WORK PROGRAM**

1.	<b>Data Compilation</b>	<b>\$ 15,000</b>
	<ul style="list-style-type: none"> <li>• Compilation of existing data, maps, reports, etc.</li> <li>• Conversion of relevant data to electronic format</li> <li>• Database development</li> </ul>	
2.	<b>Development of Computer Geologic Models</b>	<b>\$ 20,000</b>
3.	<b>Conversion of Topographic Maps to Electronic Format</b>	<b>\$ 10,000</b>
4.	<b>Site Geology - Detailed seam tracing by geological mapping, hand trenching and GPS survey.</b>	<b>\$ 25,000</b>
5.	<b>Coal Characterization Study</b>	<b>\$ 15,000</b>
	<ul style="list-style-type: none"> <li>• Compilation and analysis of existing coal quality data</li> </ul>	
6.	<b>Environmental Assessment</b>	<b>\$ 35,000</b>
	<ul style="list-style-type: none"> <li>• Compilation and review of previous environmental studies and data</li> <li>• General assessment of potential environmental impacts</li> <li>• Develop program to meet current regulatory review requirements</li> </ul>	
7.	<b>Pre-feasibility Studies</b>	<b>\$ 95,000</b>
	<ul style="list-style-type: none"> <li>• Geological review</li> <li>• Resource estimate</li> <li>• Mining plan</li> </ul>	



- Reserve estimates
- Coal quality review
- Coal handling and preparation
- Site services and facilities
- Infrastructure
- Environmental considerations
- Cost marketing update
- Cost estimates and financial analysis

8. Governmental/Regulatory Consultations	<u>\$ 15,000</u>
Sub-total	<u>\$ 230,000</u>
Contingency @ 10%	<u>\$ 23,000</u>
<b>Total Work Program</b>	<b>\$ 253,000</b>

**REFERENCES**

- Denison Mines Limited 1981: Belcourt Geological Report; Geological Branch Assess. Rpt., Open File No. 466.
- Denison Mines Limited 1980: Belcourt Project Geological Report, December 1979; Geol. Branch Assess. Rpt., Open File No. 465.
- Denison Mines Limited 1979 (March): Belcourt Project Geological Report; Geol. Branch Assess. Rpt., Open File No. 463.
- Denison Mines Limited 1979 (January): Belcourt Coal Ltd., 1978 Exploration Assessment Report; Geol. Branch Assess Rpt., Open File No. 462.
- Denison Coal Ltd. 1978: 1977 Geological Report, Belcourt Coal Ltd; Geol. Assess. Rpt., Open File no. 461.
- Belcourt Coal Ltd. 1977: 1976 Exploration Report, Coal Licences 2822-2850, Operator: Denison Mines Ltd; Geol. Branch Assess. Rpt., Open File No. 460.

**Proposed Exploration and Development Program**

The Company intends to follow the above work program recommended by Beacon Hill Consultants (1988) Ltd., which firm is independent of the Company. The work program is expected to commence shortly after completion of the Offering and is expected to be completed within ten months of commencing the program. An estimated time-line schedule for the recommended work program is as follows:

Activity	1999											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Data Compilation / Documentation		■	■									
Topo Maps Preparation		■	■	■								
Geologic Model Development			■	■	■							
Site Surveys						■	■	■				
Coal Characterization Assessments				■	■	■						
Prefeasibility Study						■	■	■	■	■		
Environmental / Governmental			■	■	■	■	■	■	■	■	■	

## OTHER PROPERTIES

### Lillyburt Property

Pursuant to a coal property acquisition agreement dated November 27, 1997, between the Company and Morris Geological Co. Ltd. and a coal property acquisition agreement dated November 27, 1997, between the Company and G.S. Reeves Associates International Ltd., the Company acquired, after arm's-length negotiations, a 100% interest in the Lillyburt coal licenses (Nos: 344534 and 344248) located in the Kootenay land district, British Columbia (the "*Lillyburt Property*"), for and in consideration of an aggregate \$85,000 and the issuance of 100,000 shares (issued at a deemed price of \$0.25 per share). The Company registered these coal licenses in the name of its wholly-owned subsidiary, WCC.

The Lillyburt Property is located 18 km by road south of the Coal Mountain mine in southeast British Columbia. The Company has received a title report from its solicitors with respect to the Lillyburt Property.

The Company does not intend to expend funds from the Offering to conduct a work program on this property at this time.

### Saxon East Property

Pursuant to the WCC Share Purchase Agreement, the Company acquired all of the issued and outstanding shares of WCC (see "*The WCC Share Purchase Agreement*" for further details). WCC owns the following coal licenses which are located in the Rocky Mountain Foothills belt of northeastern British Columbia and which are collectively referred to as the "*Saxon East Property*":

Block	Coal License	Area (ha)	Date Recorded	Renewal Date
Saxon East	355835	302	May 14, 1997	May 14, 1999
	355836	302	May 14, 1997	May 14, 1999
	355837	303	May 14, 1997	May 14, 1999
	355838	303	May 14, 1997	May 14, 1999
	355839	302	May 14, 1997	May 14, 1999
	355840	302	May 14, 1997	May 14, 1999
	355841	302	May 14, 1997	May 14, 1999
	355842	302	May 14, 1997	May 14, 1999

The Company has received a title report from its solicitors with respect to the Saxon East Property.

The Company does not intend to expend funds from the Offering to conduct a work program on this property at this time.

These coal licenses are registered in the name of the Company's wholly-owned subsidiary, WCC. The licenses are located at the headwaters of Hasler Creek, about 50 km southwest of Chetwynd, British Columbia. The licenses cover 1,176 ha of prospective ground containing Gething Formation coals. This property is a grassroots property in that the Company is unaware of any coal exploration having been conducted on this property.

The Company has received a title report from its solicitors with respect to the Brazion Property.

The Company does not intend to expend funds from the Offering to conduct a work program on this property at this time.

### ADMINISTRATION

The Company estimates that the total administration costs to be incurred over the next 12 months is \$141,792 (\$11,816 per month), consisting of the following:

	<u>Monthly</u> (\$)	<u>Yearly</u> (\$)
Management fees	5,000	60,000
Accounting/Audit	1,425	17,100
Legal	1,000	12,000
Office, Services, materials & supplies	1,875	22,500
Travel & Communications	1,433	17,196
Regulatory/transfer agent fees	583	6,996
Misc.	<u>500</u>	<u>6,000</u>
Total:	<u>11,816</u>	<u>141,792</u>

## USE OF PROCEEDS

The proceeds to be received by the Company from the Offering will be used to pay the costs of this issue, the Agent's commission, the sponsorship fee due to the Agent, the work program on the Belcourt Property, coal license maintenance payments and administrative costs and general working capital. The Company will invest the net proceeds in short-term term deposits or other investments deemed appropriate by management of the Company.

The Company had working capital deficit as at December 31, 1998, of \$(30,745), which together with the funds received from the Offering will be used as follows:

	(\$)	(\$)
Working capital December 31, 1998:		(30,745)
Proceeds to be received from the Offering:		<u>715,000</u>
		684,255
Less:		
Agent's commission <sup>(1)</sup>	(53,625)	
Costs of the Offering (estimated)	(75,000)	
Sponsorship fee due to the Agent <sup>(1)</sup>	(15,000)	
Work program on the Belcourt Property as recommended by Beacon Hill Consultants (1988) Ltd. in the Qualification Report <sup>(2)</sup>	(253,000)	
Coal license maintenance payments due during next 12 months	(65,400)	
Administrative costs for the next 12 months (estimated) <sup>(3)</sup>	<u>(141,792)</u>	
		(603,817)
Working capital to fund ongoing operations (being unallocated working capital at the end of 12 months, exclusive of administrative costs (estimated)):		<u>(80,438)</u>
		(684,255)

### Notes:

- (1) Other than as disclosed herein, none of the proceeds of the Offering will be applied for the benefit of the Agent (see "Plan of Distribution" and "Relationship between the Company or the Selling Security Holder and Agent").
- (2) The Company will spend the funds available on the completion of this Offering to carry out its proposed work program set out in "The Company's Principal Property - The Belcourt Property - Qualification Report". There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. The Company will only redirect the funds to other properties and will do so only on the basis of a written recommendation from an independent, professional geologist or engineer.
- (3) See "Administration". The Company's working capital to fund ongoing operations will be sufficient to meet its administrative costs for the next 12 months.

## RISK FACTORS

An investment in the Shares offered herein involves certain risks. Prospective purchasers of the Shares of the Company should consider, among other things, the following:

### Stage of Development

The Company's properties are in the exploration stage and the Company does not have an operating history. As a result, there can be no assurance that the Company will be able to develop and operate its properties, or any one of them, profitably, or that its activities will generate positive cash flow. As a result of the Company's lack of operating history, it faces many of the risks inherent in starting a new business.

Coal exploration involves a high degree of risk. The amounts attributed to the Company's interest in its properties as reflected in its financial statements represent acquisition and exploration expenses and should not be taken to represent realizable value. Hazards such as unusual or unexpected geological formations and other conditions are involved.

Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in the operation of mines and the conduct of exploration programs. Unknowns with respect to geological structures and other conditions are involved. Existing and future environmental laws may cause additional expenses and delays in the activities of the Company, and they may render the Company's properties uneconomic. The Company has no liability insurance, and the Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect on the Company's financial position. The purpose of the present Offering is to raise funds to carry out exploration and pre-feasibility on the Belcourt Property with the objective of establishing commercial viability of the deposits.

### **Profitability of Operations**

The Company is not currently operating profitably and it should be anticipated that it will operate at a loss at least until such time as production is achieved from the Company's Belcourt Property, if production is, in fact, ever achieved. The Company has never earned a profit. Production is not scheduled to commence on the Belcourt Property in the foreseeable future. Investors also cannot expect to receive any dividends on the Shares in the foreseeable future. Refer to "Summary and Analysis of Financial Operations" and "Dividend Record" for more information.

### **Future Financings**

If the Company's exploration programs are successful, additional funds will be required for further exploration and development to place it into commercial production. The only source of future funds presently available to the Company is through the sale of equity capital or the offering by the Company of an interest in any of its properties to be earned by another party or parties carrying out further exploration or development thereof. There is no assurance such sources will continue to be available on favourable terms or at all. If available, future equity financings may result in substantial dilution to purchasers under the Offering.

### **Marketability**

The marketability of the coal which may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of coal markets and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of coal and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital and a loss of all or part of an investment in the Shares may result.

### **Coal Prices**

The price of coal is affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations (including the US dollar relative to the Canadian dollar and other currencies), interest rates, global or regional consumption patterns, speculative activities and increases in production due to improved mining and production methods. The supply of and demand for coal is affected by various factors including political events, economic conditions and production costs in major coal producing regions.

### **Competition**

Significant and increasing competition exists for coal mining opportunities available in British Columbia. There are a number of large established mining companies with substantial capabilities and greater financial and technical resources than the Company. No assurances can be made that the Company will be able to compete against such companies with respect to exploration and development, coal production and marketing.

### **Uncertainty of Title**

The Company's properties may be subject to native land claims or government regulations.

### **Conflict of Interest**

The directors and officers of the Company are directors and officers of other companies (see "*Management - Directors and Officers of the Company*"). Some of the other companies are in the same or similar business as the Company and have the same or some of the same business objectives as the Company. The directors and officers of the Company are obligated as a matter of corporate law to act in the best interests of the Company. They have the same obligations to the other companies in respect of which they act as directors and officers. Discharge by the directors and officers of their obligations to the Company may result in a breach of their obligations to the other companies, and in certain circumstances this could expose the Company to liability to those companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligation to act in the best interests of the Company. As a consequence of such conflicting legal obligations, the Company may be exposed to liability to others and its ability to achieve its business objectives may be impaired.

### **No Market for Shares**

There is no current market for the shares of the Company and there can be no assurance given that one will develop. The lack of an active public market could have a material adverse effect on the market price of the Shares and may make it difficult or impossible to sell Shares.

### **Offering Price**

The price of the Shares has been determined by negotiation between the Company and the Agent and bears no relationship to earnings, book value or other criteria of value. Any real value attributable to the Shares is dependent upon the determination of commercial viability of the deposits, of which there is no assurance.

### **Year 2000 Problems**

Certain of the Company's computer programs identify years with two digits instead of four. This is likely to cause problems because the programs may recognize the year 2000 as the year 1900. These problems (the "*Year 2000 Problems*") could result in a system failure or miscalculations disrupting operations, including a temporary inability to process transactions or engage in similar normal business activities. The Company has completed an assessment of its information systems equipment to determine which programs, if any, will have to be modified or replaced in order to function properly with respect to dates in 2000 and thereafter. The Company uses Version 6 of Simply Accounting for its accounting systems. This version will process accounting information for the year 2000 and beyond. The computer hardware used by the Company will be replaced before June 30, 1999 (at an estimated maximum cost of \$5,000) in order to be compatible for the year 2000. The Company does not expect Year 2000 Problems to have a material adverse effect on its internal operations. The Company is unaware of whether any Year 2000 Problems will affect third parties such as its bank, SEDAR, its transfer agent, the VSE and the Commission, with whom the Company transacts business and therefore the Company is not able to give assurances as to the extent of the effect, if any, such third party Year 2000 Problems may have on the Company. The

Company has not received any indication that these third party companies and agencies will have significant, if any, Year 2000 Problems.

## MANAGEMENT

### Directors and Officers of the Company

The names, municipalities of residence and principal occupations of each director, officer, promoter and other members of management of the Company are as follows:

<u>Name and Municipality of Residence</u>	<u>Position held with the Company</u>	<u>Principal Occupation During the Past Five Years</u>
David Fawcett Delta, BC	President, Chief Executive Officer, and a Director of the Company	President of IDI Resource Technologies Inc. (July 1991 - present); Chief Operating Officer of Pine Valley Coal Ltd. (February 1996 - present); President of Globaltex Coal Corporation (November 1993 - February 1996); and Director of Surface Operations of Smoky River Coal Ltd. (October 1983 - February 1991).
Kevin James Burnaby, BC	Director of the Company	President of Pika Geologic Inc. (August 1988 - present).
(Douglas) David Austin North Vancouver, BC	Director of the Company	Director of Speyside Ventures Inc. (May 1996 - present); Director of Goldbank Ventures Ltd. (March 1995 - present); Terminal Agent Manager for BC Ferry Corp. (October 1974 - present); Director of Wedgewood Resources Ltd. (November 1996 - July 1998); and Vice-President of Public Relations of Leigh Resource Corp. (July 1995 - February 1997).
Conrad Swanson North Vancouver, BC	Director of the Company	Consultant (January 1993 - present); President and Director of Goldbank Ventures Ltd. (March 1995 - present); Director of Speyside Ventures Inc. (April 1996 - present); and Realtor with Sutton Group (June 1979 - January 1993).
David Raftery West Vancouver, BC	Secretary and Chief Financial Officer	Chartered Accountant (August 1963 - present); Director of LMX Resources Ltd. (December 1987 - present); Director of Goldbank Ventures Ltd. (December 1995 - present); Director of Speyside Ventures Inc. (May 1996 - present); Secretary of Leigh Resource Corp. (February 1996 - June 1997); Secretary of Loumic Resources Inc. (July 1995 - January 1998); and Chief Financial Officer of Fairlane Transportation Inc. (July 1997 - present).

The Company's audit committee is comprised of Messrs. Fawcett, Austin and Swanson.

The following is a brief biography of each of the directors, officers, promoters and other members of management of the Company and a description of their principal occupations for the past five years:

**David Fawcett, P.Eng. – President, Chief Executive Officer, director and promoter**

Mr. Fawcett, Canadian, age 48, has been the President, CEO and a director of the Company since November, 1997. Mr. Fawcett received a Bachelor of Science (Mining Engineering) from the University of Alberta in 1974. Since that time, Mr. Fawcett has worked as an engineer with various companies, specializing in coal mining. Since 1991, Mr. Fawcett has worked as an engineering consultant to various companies through his personal consulting company, IDI Resource Technologies Inc. From 1993 to 1996, Mr. Fawcett was the President of Globaltex Coal Corporation (a wholly owned subsidiary of Globaltex Industries Inc., a public company trading on the Exchange), during which time Mr. Fawcett headed up the initial design, evaluation and regulatory process for a small open pit mine in northeastern British Columbia. During this time Mr. Fawcett also established a viable resource/reserve base to sustain a long-term coal operation. Mr. Fawcett was instrumental in arranging a joint venture between the wholly-owned subsidiaries of Globaltex Industries Inc., BC Rail and Mitsui Matsushima Co. Ltd. Pine Valley Coal Ltd. is the operator of the joint venture and Mr. Fawcett has acted as the Chief Operating Officer of Pine Valley Coal Ltd. since 1996. Detailed feasibility studies have been completed on the coal properties underlying the joint venture, which properties are also located in northeastern British Columbia.

**Kevin James, P. Geo. -- Director and promoter**

Mr. James, Canadian, age 41, has been a director of the Company since November, 1997. Mr. James is a registered "Professional Geoscientist" with The Association of Professional Engineers and Geoscientists of the Province of British Columbia (1991 - present). Since receiving a Bachelor of Science (Geology) from the University of British Columbia in 1981, Mr. James has worked as a geologist for Denison Mines Limited (1981 - 1982) and Quintette Coal Limited (1982 - 1987) and as a consulting geologist through his personal consulting company, Pika Geologic Inc. (1988 - present). Through his geological career, Mr. James has gained considerable knowledge and experience in the coal deposits of Western Canada - especially northeastern British Columbia. Since 1994, Mr. James has been an integral part of the exploration, mine certification and development process for Pine Valley Coal Ltd.'s Willow Creek Coal Project.

**(Douglas) David Austin – Director and promoter**

Mr. Austin, Canadian, age 45, has been a director of the Company since November, 1997. Mr. Austin has held administrative positions with public companies for over 15 years, most of which companies had been involved in the resource industry. Most recently, Mr. Austin has acted as a director of Goldbank Ventures Ltd. (1995 - present) a public company which owns mineral and coal properties. Mr. Austin is also a director of Speyside Ventures Inc. (1996 - present), which company is currently inactive and seeking an acquisition. During the past five years Mr. Austin has also acted as a director and/or officer of Wedgewood Resources Ltd. and Leigh Resource Corp., public companies involved in the mineral resource industry. Mr. Austin is also a Terminal Agent (Manager) with BC Ferry Corp., a company with whom he has been employed since 1974.

**Conrad Swanson – Director and promoter**

Mr. Swanson, Canadian, age 50, has been a director of the Company since November, 1997. Mr. Swanson has been involved in administrative positions with public companies for over 8 years. Mr. Swanson is currently the President and a director of Goldbank Ventures Ltd. (1995 - present), a public company which owns mineral and coal properties. Mr. Swanson is also President and a director of Speyside Ventures Inc. (1996 - present), a public company which is currently inactive and seeking an acquisition of a Canadian software company. Prior to 1993, Mr. Swanson was a realtor with Sutton Group. From 1993 to present, along with his directorships in the above-mentioned companies, Mr. Swanson has also been a consultant to various companies.



## David Raftery, C.A. – Secretary & Chief Financial Officer

Mr. Raftery, Canadian, age 60, has been the Secretary of the Company since October 1997 and the Chief Financial Officer of the Company since November 1997. Mr. Raftery had 21 years service with Placer Dome Inc. and Wharf Resources Ltd. in Canada, the U.S.A., Australia, Mexico and the Philippines, during which time Mr. Raftery was a senior manager with Placer Dome Inc. and Treasurer for Wharf Resources Ltd. Since 1986, Mr. Raftery has been in public practice with emphasis on public companies in the resource sector. Mr. Raftery has held directorships and officer positions in public companies since 1983. Mr. Raftery is currently a director of LMX Resources Ltd. (since 1987), Goldbank Ventures Ltd. (since 1995) and Speyside Ventures Inc. (since 1996) and the Chief Financial Officer of Fairlane Transportation Inc. (since 1997). In the past 5 years Mr. Raftery was also the Secretary/Chief Financial Officer of Leigh Resource Corp. (1996 - 1997) and the Secretary of Loumic Resources Inc. (1995 - 1998).

### Aggregate Ownership of Securities

The number and percentage of securities of each class of voting securities of the Company beneficially owned, directly or indirectly, as at December 31, 1998, by all directors, officers, promoters and other members of management of the Company as a group is as follows:

<u>Shareholder</u>	<u>Number of Shares Owned as at December 31, 1998</u>	<u>Percentage of Class prior to Offering</u>	<u>Percentage of Class after Offering</u>
David Fawcett	1,127,795 <sup>(1)</sup> (incl. options: 1,292,795 )	19.2% <sup>(6)</sup> 19.7% <sup>(7)</sup>	16.1% <sup>(6)</sup> 16.8% <sup>(7)</sup>
Kevin James	1,096,017 <sup>(2)</sup> (incl. options: 1,261,017 )	18.7% <sup>(6)</sup> 19.2% <sup>(7)</sup>	15.7% <sup>(6)</sup> 16.4% <sup>(7)</sup>
(Douglas) David Austin	1,105,000 <sup>(3)</sup> (incl. options: 1,270,000 )	18.8% <sup>(6)</sup> 19.3% <sup>(7)</sup>	15.8% <sup>(6)</sup> 16.5% <sup>(7)</sup>
Conrad Swanson	1,055,000 <sup>(4)</sup> (incl. options: 1,220,000 )	18.0% <sup>(6)</sup> 18.6% <sup>(7)</sup>	15.1% <sup>(6)</sup> 15.9% <sup>(7)</sup>
David Raftery	1 <sup>(5)</sup> (incl. options: 40,001 )	n/a <sup>(6)</sup> 0.6% <sup>(7)</sup>	n/a <sup>(6)</sup> 0.5% <sup>(7)</sup>
<b>TOTAL:</b>	<b>4,383,813</b> (incl. options: 5,083,813 )	<b>74.7%<sup>(6)</sup></b> <b>77.4%<sup>(7)</sup></b>	<b>62.7%<sup>(6)</sup></b> <b>66.1%<sup>(7)</sup></b>

#### Notes:

- (1) These shares are held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities"). 25,000 of these shares are issued in the name of IDI Resource Technologies Inc., a private company wholly-owned by Mr. Fawcett. Mr. Fawcett has also been granted incentive stock options to purchase 165,000 shares (see "Options and Other Rights to Purchase Shares"). Any shares issued on exercise of the incentive stock options will be held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").
- (2) These shares are held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities"). Mr. James has also been granted incentive stock options to purchase 165,000 shares (see "Options and Other Rights to Purchase Shares"). Any shares issued on exercise of the incentive stock options will be held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").
- (3) These shares are held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities"). Mr. Austin has also been granted incentive stock options to purchase 165,000 shares (see "Options and Other Rights to Purchase Shares"). Any shares issued on exercise of the incentive stock options will be held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").
- (4) These shares are held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities"). Mr. Swanson has also been granted incentive stock options to purchase 165,000 shares (see "Options and Other Rights to Purchase Shares"). Any shares issued on exercise of the incentive stock options will be held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").

- (5) Subscriber's share. Mr. Raftery has also been granted incentive stock options to purchase 40,000 shares (see "Options and Other Rights to Purchase Shares"). Any shares issued on exercise of the incentive stock options will be held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").
- (6) Before the exercise of any Agent's Warrants or outstanding incentive stock options (see "Options and Other Rights to Purchase Shares").
- (7) Before the exercise of any Agent's Warrants but assuming the exercise of all outstanding incentive stock options (see "Options and Other Rights to Purchase Shares").

### Other Reporting Issuers

The following directors, officers, promoters or other members of management of the Company have held a position as a director, officer, promoter or other member of management of other reporting issuers within five years prior to the date of this prospectus:

- David Fawcett:** *Globaltex Coal Corporation* (wholly owned subsidiary of *Globaltex Industries Inc.*), President (November 1993 - February 1996).
- (Douglas) David Austin:** *Goldbank Ventures Ltd.*, a Director (March 1995 - present); *Speyside Ventures Inc.*, a Director (May 1996 - present); *Wedgewood Resources Ltd.*, a Director (November 1996 - July 1998) and *Leigh Resource Corp.*, Vice-President of Public Relations (July 1995 - February 1997).
- Conrad Swanson:** *Goldbank Ventures Ltd.*, President and a Director (March 1995 - present); and *Speyside Ventures Inc.*, a Director (April 1996 - present).
- David Raftery:** *LMX Resources Ltd.*, a Director (December 1987 - present); *Goldbank Ventures Ltd.*, a Director (December 1995 - present); *Speyside Ventures Ltd.*, a Director (May 1996 - present); *Fairlane Transportation Inc.*, Chief Financial Officer (July 1997 - present); *Loumic Resources Inc.*, Secretary (July 1995 - January 1998); and *Leigh Resource Corp.*, Secretary (February 1996 - June 1997).

### Corporate Cease Trade Orders or Bankruptcies

None of the directors, officers, promoters or other members of management of the Company are or have been, within the past five years, a director or officer of any company which:

- (a) was the subject of a cease trade or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than 30 consecutive days, except that *Wedgewood Resources Ltd.*, a company of which (Douglas) David Austin was a director, was cease traded from February 2, 1998 to April 7, 1998 for failure to file financial statements; or
- (b) was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

### Penalties or Sanctions

None of the directors, officers, promoters or other members of management of the Company have, within the ten years prior to the date of this prospectus, been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, the promotion, formation or management of a publicly traded company or involving theft or fraud.

### Individual Bankruptcies

None of the directors, officers, promoters or other members of management of the Company have, within the five years prior to the date of this prospectus, been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

### Conflicts of Interest

The directors or officers of the Company may also serve as directors or officers of other companies engaged in similar business ventures and transactions with the Company. Accordingly, it may occur that business opportunities will be offered to a director involved in both the Company and other companies. As a result there may be situations which involve a conflict of interest. The directors will at all times act honestly and in the best interests of the Company. Any interested director would be required to declare the nature and extent of this interest and would not be entitled to vote at directors' meetings which evoke any such conflict.

## EXECUTIVE COMPENSATION

### Executive Compensation

The following table details the compensation paid to the persons who held the position of Chief Executive Officer and the four most highly paid Executive Officers of the Company in addition to the Chief Executive Officer (the "Named Executive Officers").

### Compensation Summary

The following table summarizes each of the Named Executive Officers' compensation.

Summary Compensation Table								
Name and Principal Position	Year	Annual Compensation			Long Term Compensation			All Other Compensation
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards	Payouts		
					Securities under Options Granted (#)	Restricted Shares or Restricted Share Units	LTIP Payouts (\$)	
David Fawcett President, CEO and a Director	Stub <sup>(1)</sup>	nil	nil	19,120 <sup>(3)</sup>	165,000	nil	nil	nil
	1998 <sup>(2)</sup>	nil	nil	13,120 <sup>(3)</sup>	nil	nil	nil	nil
Kevin James Director	Stub <sup>(1)</sup>	nil	nil	nil	165,000	nil	nil	nil
	1998 <sup>(2)</sup>	nil	nil	nil	nil	nil	nil	nil
(Douglas) David Austin Director	Stub <sup>(1)</sup>	nil	nil	11,250 <sup>(4)</sup>	165,000	nil	nil	nil
	1998 <sup>(2)</sup>	nil	nil	6,250 <sup>(4)</sup>	nil	nil	nil	nil
Conrad Swanson Director	Stub <sup>(1)</sup>	nil	nil	11,250 <sup>(4)</sup>	165,000	nil	nil	nil
	1998 <sup>(2)</sup>	nil	nil	6,250 <sup>(4)</sup>	nil	nil	nil	nil
David Rafferty Secretary & CFO	Stub <sup>(1)</sup>	nil	nil	14,700 <sup>(5)</sup>	40,000	nil	nil	nil
	1998 <sup>(2)</sup>	nil	nil	4,633 <sup>(5)</sup>	nil	nil	nil	nil

**Notes:**

- (1) The period between April 1, 1998 and December 31, 1998.
- (2) The period from incorporation (October 2, 1997) to March 31, 1998.
- (3) Paid to IDI Resource Technologies Inc., a private company wholly-owned by Mr. Fawcett.
- (4) Paid pursuant to a management agreement between the Company and Candy Management Ltd., a private company 50% owned by (Douglas) David Austin and 50% owned by Conrad Swanson. See "Related Party Transactions" for further details of the management agreement.
- (5) Mr. Raftery is paid an hourly rate for services provided to the Company, which services include: preparation and maintenance of accounting information, including preparing financial statements for the Company, WCC and Ensync; filing of GST claims; application for and compliance with flow-through requirements exploration cost reporting and preparing and filing corporate tax returns.

The Company anticipates that during the next 12 months Mr. Fawcett will be paid \$2,500/month for management services (commencing on the date the Company is listed on the Exchange) together with consulting fees which will be invoiced to the Company at an hourly rate on a project by project basis. In addition, during the next 12 months Candy Management Ltd. (a private company owned 50% by (Douglas) David Austin and 50% by Conrad Swanson) will be paid \$2,500/month for management services. In addition, Mr. Raftery will be paid at an hourly rate on an ad hoc basis for services provided to the Company, which services include: preparing and maintaining accounting information including preparing financial statements for the Company, WCC and Ensync; filing GST claims; application for and compliance with flow-through requirements; exploration cost reporting and preparing and filing corporate tax returns.

**Options**

The following table sets out the incentive stock options granted to the Company's directors since the Company's incorporation in October, 1997 to December 31, 1998.

<u>Name and Principal Position</u>	<u>Securities Under Option (#)</u>	<u>% of Total Options Granted in Period (%)</u>	<u>Exercise Price (\$)</u>	<u>Market Value of Securities Underlying Option @ Date of Grant (\$/Security)</u>	<u>Expiry Date</u>
David Fawcett President, CEO, director	165,000	23.5%	0.65	0.65	Two years from the Listing Day
Kevin James Director	165,000	23.5%	0.65	0.65	Two years from the Listing Day
(Douglas) David Austin Director	165,000	23.5%	0.65	0.65	Two years from the Listing Day
Conrad Swanson Director	165,000	23.5%	0.65	0.65	Two years from the Listing Day
David Raftery Secretary, CFO	40,000	6%	0.65	0.65	Two years from the Listing Day

No options have been exercised to December 31, 1998.

The directors of the Company do not receive any fees for acting in such capacity.

**Defined Benefit Plans**

The Company does not have and has never had any defined benefit or actuarial plans in respect of which any of its executive officers were eligible to participate.

### Related Party Transactions

Pursuant to a management agreement dated November 30, 1997, between Candy Management Ltd. (a private company owned 50% by (Douglas) David Austin and 50% by Conrad Swanson) and the Company, Candy Management Ltd. is paid \$2,500 per month plus out-of-pocket expenses for providing administration services including liaison with brokers, financial institutions and clients and for the co-ordination of the dissemination of news of the Company to the public and to shareholders of the Company. The term of the agreement is for two years (until November 30, 1999) and will automatically renew thereafter for one year terms. The agreement may be terminated by either party on 60 days written notice.

Pursuant to a management agreement dated July 30, 1998, between IDI Resource Technologies Inc. (a private company wholly-owned by David Fawcett), commencing on the day the Company's shares are listed on the Exchange, IDI Resource Technologies Inc. will be paid \$2,500 per month plus out-of-pocket expenses for providing administration services including administration of the day to day affairs of the Company and any subsidiary and liaison with the Company's auditors, accountants and lawyers. The term of the agreement is for two years from the day the Company's shares are listed and posted for trading on the Exchange and will automatically renew thereafter for one year terms. The agreement may be terminated by either party on 60 days written notice.

There are no other existing direct or indirect material interests in respect of the Company of any director, executive officer, principal holder of securities or any associate or affiliate of the foregoing which occurred from incorporation to December 31, 1998, and no other proposed material interests except as disclosed in this prospectus.

### INDEBTEDNESS OF DIRECTORS, OFFICERS, PROMOTERS AND OTHER MANAGEMENT

None of the directors, officers, promoters and members of management of the Company are or have been indebted to the Company at any time since the Company's incorporation in October, 1997 to December 31, 1998.

### PROMOTERS

The following individuals may be considered promoters of the Company within the meaning of applicable securities legislation:

<u>Promoters</u>	<u>Position with the Company</u>	<u>Shares Owned</u>
David Fawcett	President, CEO and a director	1,127,795 <sup>(1)</sup>
Kevin James	Director	1,096,017 <sup>(2)</sup>
(Douglas) David Austin	Director	1,105,000 <sup>(3)</sup>
Conrad Swanson	Director	1,055,000 <sup>(4)</sup>
David Raftery	Secretary and CFO	1 <sup>(5)</sup>

#### Notes:

- (1) These shares are held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities"). 25,000 of these shares are issued in the name of IDI Resource Technologies Inc., a private company wholly-owned by Mr. Fawcett. Mr. Fawcett has also been granted incentive stock options to purchase 165,000 shares (see "Options and Other Rights to Purchase Shares"). Any shares issued on exercise of the incentive stock options will be held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").
- (2) These shares are held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities"). Mr. James has also been granted incentive stock options to purchase 165,000 shares (see "Options and Other Rights to Purchase Shares"). Any shares issued on exercise of the incentive stock options will be held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").

- (3) These shares are held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities"). Mr. Austin has also been granted incentive stock options to purchase 165,000 shares (see "Options and Other Rights to Purchase Shares"). Any shares issued on exercise of the incentive stock options will be held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").
- (4) These shares are held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities"). Mr. Swanson has also been granted incentive stock options to purchase 165,000 shares (see "Options and Other Rights to Purchase Shares"). Any shares issued on exercise of the incentive stock options will be held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").
- (5) Subscriber's share. Mr. Raftery has also been granted incentive stock options to purchase 40,000 shares (see "Options and Other Rights to Purchase Shares"). Any shares issued on exercise of the incentive stock options will be held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").

## SHARE CAPITAL STRUCTURE

### Existing and Proposed Share Capital

The consolidated capitalization of the Company as at the dates indicated is as follows:

	Number of Issued Securities <sup>(1)</sup>	Price per Security (\$)	Total Consideration (\$)
Prior Issuance of securities:	1 <sup>(2)</sup>	1.00	1.00
	476,250 <sup>(3)(4)</sup>	0.40	190,500.00
	838,812 <sup>(5)(6)</sup>	0.40	335,524.80
	205,000 <sup>(6)(7)</sup>	0.25	51,250.00
	100,000 <sup>(6)(7)(8)</sup>	0.25	25,000.00
	4,250,000 <sup>(6)(9)</sup>	n/a	34,768.00
Issued as of December 31, 1998	5,870,063	-	637,043.80
Offering:			
Shares	1,100,000	0.65	715,000
Corporate Finance Fee to Agent	25,000 <sup>(10)</sup>	0.65 <sup>(10)</sup>	16,250
To be issued if all securities being offered are sold <sup>(11)(12)</sup> :	6,995,063	-	1,368,293.80

Notes:

- (1) The authorized capital of the Company consists of 100,000,000 common shares without par value.
- (2) Subscriber's share.
- (3) These shares are pooled pursuant to the terms of the Pooling Agreement (see "Pooling Agreement").
- (4) Flow-through shares (see "Flow-Through Seed Shares").
- (5) 525,000 of these shares are pooled pursuant to the terms of the Pooling Agreement (see "Pooling Agreement") and 313,812 of these shares are escrowed pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").
- (6) Non-flow-through shares.
- (7) These shares are pooled pursuant to the terms of the Pooling Agreement (see "Pooling Agreement").
- (8) These shares were issued at a deemed price of \$0.25 per share, after arm's-length negotiations, as consideration for the purchase of the Lillyburt Property (see "Other Properties: Lillyburt Property").
- (9) These shares were issued to the shareholders of WCC pursuant to the WCC Share Purchase Agreement. The aggregate value ascribed to these shares, pursuant to accounting policies, was \$34,768 (see "The WCC Share Purchase Agreement"). All of these shares are escrowed pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").

- (10) These shares are to be issued to the Agent at a deemed price of \$0.65 per share, being the estimated fair market value of the Company's shares upon completion of the Offering, in payment of the Agent's corporate finance fee (see "Plan of Distribution").
- (11) Prior to the exercise of the Agent's Warrants or any outstanding incentive stock options (see "Options and Other Rights to Purchase Shares").
- (12) As at December 31, 1998, the Company had working capital deficit of approximately \$(30,745).

### Escrowed Securities

4,563,812 issued shares beneficially owned by David Fawcett (1,127,795 shares), Conrad Swanson (1,055,000 shares), (Douglas) David Austin (1,105,000 shares), Kevin James (1,096,017 shares), Kinder Deo (40,000 shares), Mahmoud Afsharian (40,000 shares) and Ashia Investment Services Ltd. (100,000 shares) and 700,000 shares that may be issued on exercise of incentive stock options granted to David Fawcett (165,000), Conrad Swanson (165,000), (Douglas) David Austin (165,000), Kevin James (165,000) and David Raftery (40,000), (all of which shares are collectively referred to as the "Escrow Shares"), are or will be held in escrow by Montreal Trust Company of Canada (the "Escrow Agent") pursuant to an escrow agreement (the "Escrow Agreement") dated September 30, 1998.

The Escrow Shares are held pursuant to the terms of the Escrow Agreement, which follows the new interim National Escrow Regime. The Escrow Agreement provides, among other things, that the Escrow Shares may not be traded in or dealt with in any manner except as allowed by the terms of the Escrow Agreement. The Escrow Shares may not be transferred except, subject to certain requirements, to a director or senior officer of the Company, to a registered retirement savings plan or registered retirement income fund or, upon bankruptcy, to the trustee in bankruptcy. Upon death, the Escrow Shares will be released from escrow and delivered to the legal representative of the deceased escrow holder.

The Escrow Shares will automatically be released, pro rata, as to 15% on the Effective Date, an additional 15% on each of the first, second, third, fourth and fifth anniversaries of the Effective Date and an additional 10% on the sixth anniversary of the Effective Date. The Escrow Shares may be released earlier should the Company meet the following graduation criteria: (i) have earnings of at least \$200,000 before taxes in its most recent financial year; or (ii) have cash flows from operating activities of at least \$400,000 in its most recent financial year; or (iii) have proven reserves of at least \$2,000,000 based on a technical report; or (iv) hold an interest in a resource property on which it has spent at least \$1,000,000 on exploration and development and have allocated at least \$1,000,000 of its unencumbered cash or cash equivalents currently available. Upon meeting the graduation criteria, the Escrowed Shares will be released as to 25% on the Effective Date and 25% on each of the first, second and third anniversaries of the Effective Date.

The Escrow Shares will represent 65.2% of the Company's issued and outstanding shares upon completion of the Offering.

### Pooling Agreement

1,306,251 shares of the Company, being all of the seed shares except the Escrow Shares (the "Pooled Shares") owned by the seed shareholders, are being pooled in accordance with the resale restrictions set out in the Exchange's Listings Policy 2.7.5 and pursuant to the terms of a pooling agreement (the "Pooling Agreement") dated August 31, 1998.

On the basis that 1,001,251 seed shares were purchased less than two years from the date of the preliminary receipt for this prospectus (being October 23, 1998) at a purchase price of \$0.40, being 61.5% of the price to be paid for the Shares sold under this prospectus (\$0.65), 61.5% of these seed shares, or 615,770 shares, may be released from the pool arrangement and resold immediately on the Listing Day and the remaining 385,481 seed shares may be resold three months after the Listing Day.

On the basis that 305,000 seed shares were purchased less than two years from the date of the preliminary receipt for this prospectus (being October 23, 1998) at a purchase price of \$0.25, being 38.5% of the price to be paid for

the Shares sold under this prospectus (\$0.65), 25% of these seed shares, or 76,250 seed shares, may be released from the pool arrangement and resold on each of three months, six months, nine months and twelve months after the Listing Day.

The Pooled Shares will represent 18.7% of the Company's issued and outstanding shares upon completion of the Offering.

### Flow-Through Seed Shares

A total of 476,250 seed shares sold at a price of \$0.40 per share for a total of \$190,500 were flow-through shares, issued pursuant to flow-through share subscription agreements to various individuals. Under the terms of the flow-through share subscription agreements, the Company agreed to renounce Canadian exploration expenses ("CEE") in favour of the subscribers (the "Flow-Through Subscribers") pursuant to the provisions of the *Income Tax Act* (Canada).

As at December 31, 1998, the Company has expended \$174,500 of the funds subscribed for by the Flow-Through Subscribers on qualified CEE and renounced \$108,000 of CEE to the Flow-Through Subscribers in the 1997 tax year. The Company will renounce the balance of \$66,500 to the Flow-Through Subscribers in the 1998 tax year. Consequently, the Company has given up potential tax benefits available to it as a result of renouncing CEE to the Flow-Through Subscribers. \$16,000 of the funds subscribed for by the Flow-Through Subscribers remains in the Company's bank account and will be dealt with by the Company in accordance with the requirements of the *Income Tax Act* (Canada), until such time as these funds are spent on CEE expenditures. The Company will then renounce these funds to the Flow-Through Subscribers in the applicable tax year.

### Options and Other Rights to Purchase Shares

- (a) The Company does not have a stock option plan for the granting of incentive stock options to its directors, officers and employees. However, the Company did grant stock options to its directors during the most recently completed financial year and to the period ended December 31, 1998. The purpose of granting such options is to assist the Company in compensating, attracting, retaining and motivating the directors, officers and employees of the Company and to attempt to align the personal interests of such persons to that of the shareholders.

As at December 31, 1998, the Company had granted the following incentive stock options to acquire an aggregate of 700,000 shares:

<u>Name of Optionee</u>	<u>Date of Agreement</u>	<u>Number Outstanding</u>	<u>Purchase Price (\$)</u>	<u>Expiry Date</u>
David Fawcett	July 31, 1998	165,000	0.65	Two years from the Listing Day
Kevin James	July 31, 1998	165,000	0.65	Two years from the Listing Day
(Douglas) David Austin	July 31, 1998	165,000	0.65	Two years from the Listing Day
Conrad Swanson	July 31, 1998	165,000	0.65	Two years from the Listing Day
David Raftery	Sept. 25, 1998	40,000	0.65	Two years from the Listing Day

There are no assurances that the above described incentive stock options will be exercised in whole or in part.

- (b) Up to 165,000 shares may be issued to the Agent pursuant to the exercise of the Agent's Warrants. See "Plan of Distribution" for further details.



### Fully Diluted Share Capital

	<u>Number of Securities</u>	<u>Percentage of Total</u>
Issued as of December 31, 1998	5,870,063	74.7%
Offered under the prospectus Corporate Finance Fee	1,100,000 25,000	14.3%
Securities reserved for future issue as of December 31, 1998 <sup>(1)</sup>	865,000	11.0%
TOTAL:	7,860,063	100%

Notes:

- (1) (a) Up to 700,000 shares may be issued pursuant to the exercise of incentive stock options.  
(b) Up to 165,000 shares may be issued pursuant to the exercise of the Agent's Warrants (see "Plan of Distribution").

### Principal Holders of Voting Securities

To the knowledge of the directors and officers of the Company, as at December 31, 1998, no person beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the issued and outstanding shares of the Company, except as outlined below:

<u>Name and Address</u>	<u>Number of Shares</u>	<u>Percentage Prior to the Offering</u>	<u>Percentage After the Offering<sup>(1)</sup></u>
David Fawcett Delta, BC	1,127,795 <sup>(2)</sup>	19.2%	16.1%
(Douglas) David Austin North Vancouver, BC	1,105,000 <sup>(3)</sup>	18.8%	15.8%
Kevin James Burnaby, BC	1,096,017 <sup>(4)</sup>	18.7%	15.7%
Conrad Swanson North Vancouver, BC	1,055,000 <sup>(5)</sup>	18.0%	15.1%

Notes:

- (1) Before the issuance of any shares on the exercise of the Agent's Warrants or any outstanding incentive stock options (see "Options and Other Rights to Purchase Shares").
- (2) All of these shares are escrowed pursuant to the terms of the Escrow Agreement (see "Escrowed Securities"). 25,000 of these shares are issued in the name of IDI Resource Technologies Inc., a private company wholly-owned by Mr. Fawcett.
- (3) All of these shares are escrowed pursuant to the terms of the Escrow Agreement (see "Escrowed Securities"). 62,500 of these shares are flow-through shares (see "Flow-Through Seed Shares").
- (4) All of these shares are escrowed pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").
- (5) All of these shares are escrowed pursuant to the terms of the Escrow Agreement (see "Escrowed Securities"). 25,000 of these shares are flow-through shares (see "Flow-Through Seed Shares").

## PLAN OF DISTRIBUTION

### The Offering

The Company, through IPO Capital Corp. (the "Agent"), hereby offers for sale to the public, on a guaranteed agency offering basis, through the facilities of the Exchange, up to 1,100,000 Shares at a price of \$0.65 per Share. The Offering will be made in accordance with the rules and policies of the Exchange and on a day (the "Offering Day") determined by the Agent and the Company, with the consent of the Exchange, within a period of 90 days from the Effective Date.

Pursuant to the Agency Agreement dated January 27, 1999, the Company agreed to pay the Agent a commission equal to 7.5% of the gross proceeds of the Offering (or \$0.04875 per Share) and a corporate finance fee of 25,000 shares, which shares are being qualified under this prospectus. The Company has paid a retainer of \$10,000 to the Agent to cover the Agent's costs related to the Offering, which costs will be paid out of the retainer from time to time, and any unused portion of the retainer will be returned to the Company upon closing of the Offering.

If the Company satisfies all its obligations under the Agency Agreement, the Agent will, within 10 business days of the Offering Day, pay the net proceeds of the Offering to the Company. The Agent reserves the right to offer selling group participation, in the normal course of the brokerage business, to selling groups of other licensed dealers, brokers and investment dealers, who may or may not be offered part of the commissions to be received by the Agent pursuant to the Agency Agreement. The obligations of the Agent under the Agency Agreement may be terminated at any time before the Listing Day at the Agent's discretion on the basis of its assessment of the state of the financial markets and may also be terminated at any time on the occurrence of certain stated events. The Company has granted the Agent a right of first refusal to provide future equity financing to the Company for a period expiring one year after the closing of the Offering.

In accordance with the rules and policies of the Exchange, the Agent is required to give full client preference of 100% of the Offering for purchase by retail clients. Clients of the Agent will have preference, to the extent there is demand, for 100% of the Offering. The Agent may allocate the Offering amongst its clients with such preference as it may determine in its sole discretion. If retail client demand is less than 100% of the Offering, the difference between the total offering and client demand may be allocated to professional trades, i.e. members of the Exchange and their partners, directors, officers, registered representatives, traders and assistant traders, introducing brokers and employees.

Other than as disclosed herein under "Plan of Distribution", there are no payments in cash, securities or other consideration being made, or to be made, to a promoter, finder, or any other person or company in connection with this Offering. There is no intention to stabilize the market following the Offering.

### Guaranteed Agency Offering and Agent's Warrants

The Agent has agreed to purchase any Shares unsubscribed for on the Offering Day (the "Guarantee"). In consideration thereof, the Company has agreed to grant and issue to the Agent that number of Agent's Warrants equal to 15% of the Shares sold under the Offering. Each Agent's Warrant will entitle the Agent to purchase one share for a period of 18 months at a purchase price of \$0.65 per share during the first 12 months of the exercise period and at a purchase price of \$0.75 per share during the last 6 months of the exercise period.

The Agent's Warrants will contain, among other things, provisions for appropriate adjustment in the class, number and price of shares issuable pursuant to any exercise thereof upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the shares of the Company, the payment of stock dividends or the amalgamation of the Company.

Any Shares acquired by the Agent pursuant to the Guarantee and any shares acquired by the Agent upon the exercise of the Agent's Warrants are being qualified under this prospectus.

### Conditional Listing

The Exchange has conditionally listed the securities being offered pursuant to this prospectus. Listing is subject to the Company fulfilling all the listing requirements of the Exchange on or before March 17, 1999, including prescribed distribution and financial requirements.

### Sponsorship Agreement

The Company and the Agent have also entered into a Sponsorship Agreement dated January 27, 1999 in respect of sponsorship by the Agent of the Company's application to the Exchange for listing. Pursuant to the Sponsorship Agreement, the Agent agreed to carry out activities to comply with the Member Sponsorship policy statement of the Exchange, including filing a sponsorship letter in respect of the Company with the Exchange and observing the oversight responsibilities set out in such policy statements including, but not limited to, reviewing correspondence between the Company and the regulatory authorities, reviewing insider reports filed by the Company's directors, officers and promoters, reviewing press releases issued by the Company, reviewing Form 27 material change reports filed by the Company, reviewing financial statements filed by the Company with the regulatory authorities, reviewing documents relating to any court proceedings, reviewing details of share issuances made by the Company, reviewing shareholder communications prepared by the Company and reviewing monthly variance reports prepared by management of the Company reconciling funds expended by the Company to the proposed use of proceeds (see "Use of Proceeds"). Unless previously terminated, the Sponsorship Agreement will expire one year from the Listing Day. The Company will pay the Agent a \$15,000 sponsorship fee plus GST for services to be provided by the Agent to the Company pursuant to the terms of the Sponsorship Agreement.

### DESCRIPTION OF SECURITIES OFFERED

All shares of the Company, both issued and unissued, are common shares of the same class and rank equally as to dividends, voting powers and participation in assets. At any general meeting, subject to the restrictions on joint registered owners of common shares of the Company, on a show of hands every shareholder who is present in person and entitled to vote has one vote and on a poll every shareholder has one vote for each share of which he or she is the registered owner and may exercise such vote either in person or by proxy. The directors of the Company may, from time to time, declare and authorize payment of dividends. No common shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights. There are no provisions for surrender, sinking or purchase funds. Provisions as to the modification, amendment or variation of such rights or such provisions are contained in the Company Act.

### DILUTION

The price of the Shares of \$0.65 exceeds the net tangible book value per common share of the Company as at June 30, 1998 (giving effect to the issuance of all seed shares as at October 5, 1998 - see "Share Capital Structure"), by \$0.511 after the Offering, after giving effect to the issuance of all Shares being sold under the Offering and issued to the Agent for its corporate finance fee (but before issuance of any shares on exercise of the Agent's Warrants or any outstanding options), representing a dilution of 78.6%. The following table illustrates this per share dilution:

#### Dilution Per Share

Price per Share:	\$0.65
Net tangible book value before the issue of the Shares on June 30, 1998 (fully diluted):	\$ 0.066
Increase in net tangible book value attributable to the shares of the Company (fully diluted):	\$ 0.073
Net tangible book value after giving effect to the issue of the Shares (fully diluted):	\$ 0.139
Dilution to holders of shares:	\$ 0.511
Percentage dilution in relation to the issue price allocated per Share:	78.6%

### **DIVIDEND POLICY**

The Company has not paid any dividends on its shares to date. The Company does not anticipate paying any dividends in the foreseeable future. The declaration of future dividends by the Company, if any, will be determined by the directors of the Company in light of the Company's earnings, cash requirements and other relevant considerations.

### **INVESTOR RELATIONS ARRANGEMENTS**

The Company has not entered into any written or oral agreement or understanding with any person to provide promotional or investor relations services for the Company or its securities, or to engage in activities for the purpose of stabilizing the market, either now or in the future.

### **RELATIONSHIP BETWEEN THE COMPANY OR THE SELLING SECURITY HOLDER AND AGENT**

The Company and the Agent are not related parties or connected parties within the meaning of applicable securities legislation.

### **RELATIONSHIP BETWEEN THE COMPANY AND PROFESSIONAL PERSONS**

No professional person, as that term is defined in applicable securities legislation, nor the responsible solicitor or any associate of the responsible solicitor's firm has any beneficial interest, direct or indirect, in any securities or in the property of the Company. No professional person, nor the responsible solicitor or any associate of the responsible solicitor's firm is, or is expected to be elected, appointed or employed as a director, senior officer or employee of the Company or of an associate, affiliate, holding company or major subsidiary thereof or is, or is expected to become, a promoter of the Company, or of an associate or affiliate thereof.

### **LEGAL PROCEEDINGS**

As at the date of this prospectus, no legal proceedings which are material to the business and affairs of the Company have been commenced by or against the Company and, to the best knowledge of the Company, no such legal proceedings are contemplated.

### **LEGAL MATTERS**

Certain legal matters relating to the securities offered hereby will be passed upon by Devlin Jensen of Vancouver, British Columbia, on behalf of the Company and by Campney & Murphy on behalf of the Agent.

### AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Company are Manning Jamison, Chartered Accountants, of Suite 200, 1645 West 7th Avenue, Vancouver, British Columbia, V6J 1S4.

The registrar and transfer agent for the common shares of the Company is Montreal Trust Company of Canada at its principal office located at 510 Burrard Street, Vancouver, British Columbia, V6C 3B9.

### MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of the Company's business, the only material contracts entered into by the Company are the following:

1. Agency Agreement dated January 27, 1999, between the Company and the Agent (see "*Plan of Distribution*", page 59).
2. Sponsorship Agreement dated January 27, 1999, between the Company and the Agent (see "*Plan of Distribution – Sponsorship Agreement*", page 60).
3. Escrow Agreement dated September 30, 1998, between Montreal Trust Company of Canada, the Company and certain shareholders of the Company (see "*Escrowed Securities*", page 56).
4. Pooling Agreement dated July 31, 1998, between Montreal Trust Company of Canada, the Company and certain shareholders of the Company (see "*Pooling Agreement*", page 56).
5. Share Purchase Agreement dated October 31, 1997, between the Company and the shareholders of Western Coal Corp. (see "*The WCC Share Purchase Agreement*", page 4).
6. Coal Property Acquisition Agreement dated November 27, 1997, between the Company and Morris Geological Co. Ltd. (see "*Other Properties - Lillyburt Property*", page 43).
7. Coal Property Acquisition Agreement dated November 27, 1997, between the Company and G.S. Reeves Associates International Ltd. (see "*Other Properties - Lillyburt Property*", page 43).
8. Management Agreement dated November 30, 1997, between Candy Management Ltd. and the Company (see "*Related Party Transactions*", page 54).
9. Management Agreement dated July 30, 1998, between IDI Resource Technologies Inc. and the Company (see "*Related Party Transactions*", page 54).
10. Transfer Agency and Registrarship Agreement dated June 5, 1998 between the Company and Montreal Trust Company of Canada.

The above contracts may be inspected at the Company's registered and records office located at Suite 2550, 555 West Hastings Street, Vancouver, British Columbia, V6B 4N5, while the primary distribution of the Shares offered under this prospectus is in progress and for a period of 30 days thereafter.

### OTHER MATERIAL FACTS

There are no other material facts relating to the Company which have not been disclosed in this prospectus.

**PURCHASERS' STATUTORY RIGHTS**

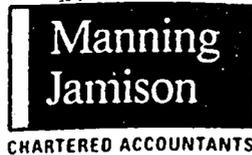
The Securities Act provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. The Securities Act further provides a purchaser with remedies for rescission or damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the Securities Act. The purchaser should refer to sections 83, 131, 135 and 140 of the Securities Act for particulars of these rights or consult with a legal advisor.

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WESTERN CANADIAN COAL CORP.  
CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 1998

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1645 W. 7th Avenue  
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V6J 1S4

Telephone  
(604) 733-1221  
Facsimile  
(604) 731-2179

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## AUDITORS' REPORT

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To the Directors of  
**WESTERN CANADIAN COAL CORP.**

We have audited the consolidated balance sheets of **WESTERN CANADIAN COAL CORP.** as at June 30, 1998 and March 31, 1998, and the statements of operations and deficit, deferred exploration expenditures and changes in financial position for the periods then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at June 30, 1998 and March 31, 1998, and the results of its operations and the changes in its financial position for the periods then ended in accordance with generally accepted accounting principles. As required by the British Columbia Company Act, we report that in our opinion these principles have been consistently applied.

*Manning Jamison*

Chartered Accountants

Vancouver, British Columbia

October 16, 1998

(except for note 8 which is as of December 17, 1998,  
and except for notes 8a) and 8b) which are as of January 27, 1999)



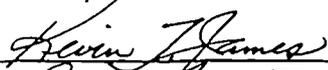
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**WESTERN CANADIAN COAL CORP.****CONSOLIDATED BALANCE SHEETS**

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	JUNE 30 1998	MARCH 31 1998
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 38,521	\$ 140,761
Accounts receivable	<u>16,514</u>	<u>17,037</u>
	55,035	157,798
DEFERRED FINANCING EXPENDITURES	7,850	
<b>FURNITURE AND EQUIPMENT</b>		
Net of accumulated amortization of \$193 (March 31 - \$125)	1,303	1,371
COAL PROPERTIES (Note 4)	207,084	207,084
DEFERRED EXPLORATION EXPENDITURES	<u>255,960</u>	<u>181,355</u>
	<u>\$ 527,232</u>	<u>\$ 547,608</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 53,853	\$ 53,708
Advances from officers and directors (Note 5)	80,525	80,525
Due to subscribing shareholders (Note 6)	<u>485,518</u>	<u>475,518</u>
	<u>619,896</u>	<u>609,751</u>
<b>SHARE CAPITAL AND DEFICIT</b>		
<b>SHARE CAPITAL</b>		
Authorized: 100,000,000 Common shares without par value		
Issued: 1 Common share without par value	2	2
DEFICIT	<u>(92,666)</u>	<u>(62,145)</u>
	<u>(92,664)</u>	<u>(62,143)</u>
	<u>\$ 527,232</u>	<u>\$ 547,608</u>

Approved by the Directors:

	Director
	Director
KEVIN JAMES	
DAVID FAWCETT	

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**WESTERN CANADIAN COAL CORP.****CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

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	THREE MONTHS ENDED JUNE 30 1998	INCEPTION (April 21, 1997) TO MARCH 31 1998
EXPENSES		
Legal and accounting	\$ 11,563	\$ 18,218
Consulting	7,800	14,195
Management fees	7,500	12,500
Rent	2,400	4,800
Office and sundry	513	1,440
Telephone	401	1,057
Interest and bank charges	276	175
Amortization	68	125
Travel	-	9,635
	<u>30,521</u>	<u>62,145</u>
LOSS FOR THE PERIOD	(30,521)	(62,145)
DEFICIT AT BEGINNING OF PERIOD	<u>(62,145)</u>	<u>-</u>
DEFICIT AT END OF PERIOD	<u>\$ (92,666)</u>	<u>\$ (62,145)</u>

## CONSOLIDATED STATEMENTS OF DEFERRED EXPLORATION EXPENDITURES

INCEPTION  
(April 21, 1997)  
TO JUNE 30  
1998

	<u>Belcourt</u>	<u>Lillyburt</u>	<u>Total</u>
EXPENDITURES			
Consultants and valuations	\$ 61,462	\$ -	\$ 61,462
Drilling	58,025	-	58,025
Geological and geophysical	41,108	-	41,108
Coal licenses	10,587	3,626	14,213
Field costs	6,322	-	6,322
Drafting	<u>225</u>	<u>-</u>	<u>225</u>
Balance at March 31, 1998	<u>177,729</u>	<u>3,626</u>	<u>181,355</u>
Coal licenses	61,307	-	61,307
Consultants and valuations	10,580	-	10,580
Assaying	2,102	-	2,102
Field costs	406	-	406
Drafting	<u>210</u>	<u>-</u>	<u>210</u>
	<u>74,605</u>	<u>-</u>	<u>74,605</u>
Balance at June 30, 1998	<u>\$ 252,334</u>	<u>\$ 3,626</u>	<u>\$ 255,960</u>

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**WESTERN CANADIAN COAL CORP.****CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION**

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	THREE MONTHS ENDED JUNE 30 1998	INCEPTION (April 21, 1997) TO MARCH 31 1998
<b>CASH PROVIDED BY (USED FOR):</b>		
<b>OPERATING ACTIVITIES</b>		
Loss for the period	\$ (30,521)	\$ (62,145)
Amortization, an item not involving cash	<u>68</u>	<u>125</u>
	(30,453)	(62,020)
Changes in non-cash working capital balances:		
Accounts receivable	523	(17,037)
Accounts payable and accrued liabilities	<u>145</u>	<u>53,708</u>
	<u>(29,785)</u>	<u>(25,349)</u>
<b>FINANCING ACTIVITIES</b>		
Advances from subscribing shareholders	10,000	475,518
Advances from officers and directors	-	80,525
Share capital issued	-	2
Deferred financing expenditure	<u>(7,850)</u>	<u>-</u>
	<u>2,150</u>	<u>556,045</u>
<b>INVESTING ACTIVITIES</b>		
Investment in coal licenses	-	(207,084)
Deferred exploration expenditures	(74,605)	(181,355)
Purchase of capital assets	<u>-</u>	<u>(1,496)</u>
	<u>(74,605)</u>	<u>(389,935)</u>
<b>CHANGE IN CASH RESOURCES DURING THE PERIOD</b>	<b>(102,240)</b>	<b>140,761</b>
<b>CASH RESOURCES AT BEGINNING OF PERIOD</b>	<u><b>140,761</b></u>	<u><b>-</b></u>
<b>CASH RESOURCES AT END OF PERIOD</b>	<u><u><b>\$ 38,521</b></u></u>	<u><u><b>\$ 140,761</b></u></u>

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**WESTERN CANADIAN COAL CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**JUNE 30, 1998**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Principles of consolidation**

The consolidated financial statements include the accounts of the company and its 100% owned subsidiary Western Coal Corp. ("WCC") and Ensync Resource Management Inc. ("Ensync"), which is 100% owned by WCC. All the companies are incorporated under the British Columbia Company Act.

The nature of the business combination was such that neither of the combining companies could be identified as the acquirer for accounting purposes. Therefore, the business combination has been accounted for using the pooling of interests method of accounting whereby the consolidated financial statements reflect the combined historical carrying values of the assets, liabilities and shareholders' equity, and the historical operating results of WCCC from its inception on October 2, 1997 and WCC from its inception on April 21, 1997 for each of the periods presented. The reporting periods and accounting policies for the two companies have been conformed in the consolidated financial statements.

All significant intercompany transactions and balances have been eliminated on consolidation.

**b) Amortization**

Furniture and equipment is recorded at historical cost and is amortized over its estimated useful life under the declining balance method at 20% per annum.

The company applies one-half of the annual amortization in the year of acquisition.

**c) Deferred Financing Expenditures** - Expenditures made to acquire financing are deferred until the funds are received at which time capital items will be charged to deficit. Should a financing project be abandoned, the costs related to it will be charged to earnings at that time.

**d) Resource properties**

**i) Deferred Exploration Expenditures** - The company is in the exploration stage and defers all exploration expenditures until such time as the projects are put into commercial production, sold or abandoned. Should a property be deemed uneconomic, the costs related to it will be charged to earnings at that time.

**ii) Valuation** - The values shown for coal licenses and for deferred exploration expenditures represent costs to date where such costs are not expected to exceed the amount to be recovered in future periods. This assessment has been made based on available information about exploration activities carried out on the properties, the work program in place to explore the properties, the results achieved to date and plans for future exploration work on the properties, and the sufficiency of the remaining lease term on the properties to conduct the necessary studies or exploration work. However, it is reasonably possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recognized amount.

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**WESTERN CANADIAN COAL CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**JUNE 30, 1998**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**d) Resource Properties (continued)**

iii) **Cost of Maintaining Resource Properties** - The company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

iv) **Amortization** - The deferred exploration expenditures and coal licenses will be amortized on a unit-of-production basis.

**e) Loss per share**

Loss per share computations have not been provided as only one share was outstanding during the period. Equivalent shares, stock options and pending subscriptions have been excluded from the calculation as their effect would be anti-dilutive.

**f) Land Reclamation and Environmental Remediation Costs**

During the course of acquiring and exploring coal properties, the company must comply with government regulations with regard to environmental protection.

The costs of complying with these requirements are capitalized, when incurred, as deferred costs until such time as the properties are put into commercial production, at which time the costs incurred will be charged to operations on a unit-of-production basis over the estimated mine life. Upon abandonment or sale of a property all deferred costs relating to the property will be expensed in the year of such abandonment or sale.

The cost and extent of future site cleanup, reclamation or remediation for work programs will be estimated during the planning stages, at which time a reclamation security bond will be provided to the British Columbia Ministry of Energy, Mines and Petroleum Resources and recorded as such.

**1. NATURE OF OPERATIONS**

The company is primarily engaged in the business of acquiring, exploring and developing coal properties.

Realization of the cost of the coal properties and exploration expenses is dependent upon the company's ability to finance and develop the coal resources, and its ability to profitably sell any coal produced. Although management believes that it is pursuing a course of action that will accomplish these objectives, the outcome of these matters is uncertain.

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**WESTERN CANADIAN COAL CORP.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**JUNE 30, 1998**

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**2. POOLING OF INTERESTS AND CONSOLIDATED FINANCIAL STATEMENTS**

Under an agreement dated October 31, 1997, Western Canadian Coal Corp. ("WCCC") undertook to acquire all the shares of Western Coal Corp. including its wholly-owned subsidiary, Ensync Resource Management Inc.

WCCC agreed to issue 4,250,000 common shares in exchange for all outstanding shares of WCC. In addition, certain WCC shareholders agreed to forgive amounts owing to them by WCC. Since WCCC and WCC were under common control at the time of the agreement, and it was not possible to identify one of the parties to the agreement as the acquirer, the business combination has been accounted for under the pooling of interests method.

Accordingly, these financial statements reflect the combined assets and liabilities of WCCC and WCC at their respective carrying values; the combined share capital and deficit reflect those of WCCC and WCC; and the results of operations reflect those of WCCC and WCC on a combined basis.

The assets, liabilities, and operations of the following companies at October 31, 1997 were:

	WCCC	WCC
Current assets	\$ 57,200	\$ 11,809
Coal properties	-	97,084
Current liabilities	(57,199)	(104,124)
Share capital	<u>(1)</u>	<u>(1)</u>
	<u>\$ -</u>	<u>\$ 4,768</u>
Management fee revenue	\$ -	\$ 10,000
Less: Administrative expenses	<u>-</u>	<u>(5,232)</u>
Net earnings	<u>\$ -</u>	<u>\$ 4,768</u>

**3. FINANCIAL INSTRUMENTS**

The company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, advances from officers and directors and amounts due to subscribing shareholders. In management's opinion the company is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

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**WESTERN CANADIAN COAL CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**JUNE 30, 1998**

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**4. COAL PROPERTIES**

**Northeastern British Columbia**

The company acquired and holds coal licenses which cover the Red Deer, Holtlander, Huguenot, Omega and Saxon East deposits and as a condition of the acquisition has agreed to pay an annual royalty of 0.75% of the selling price of coal sales from the properties to certain shareholders (see Note 7). These coal licenses are recorded at cost.

\$ 97,084

**Southeastern British Columbia**

The company acquired and holds coal licenses covering the Lillyburt deposit which are recorded at cost.

110,000

\$ 207,084

**5. ADVANCES FROM OFFICERS AND DIRECTORS**

The advances are non-interest bearing with no set terms of repayment and have been made by officers and directors of the company (see Note 8(e)).

**6. DUE TO SUBSCRIBING SHAREHOLDERS**

Funds have been advanced to the company by seed investors pursuant to subscription agreements entered into by the company and the investors. The subscription agreements stipulate that these funds constitute interest free advances to the company by the investors until such time as the subscription offer is accepted by the company's directors and the shares are allotted or issued, or until such time as the funds are returned (see Note 8(f)).

As at March 31 and June 30, 1998 none of the shares subscribed for by the seed investors for cash had been issued or allotted, nor had any of the shares to be issued for the acquisition of WCC or for the acquisition of coal licenses been issued. Amounts due to subscribing shareholders are comprised of:



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**WESTERN CANADIAN COAL CORP.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**JUNE 30, 1998**

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**6. DUE TO SUBSCRIBING SHAREHOLDERS (continued)**

	Number of shares <u>to be issued</u>	Ascribed <u>Consideration</u>
To be issued for cash received from seed investors prior to October 31, 1997	143,000	\$ 57,200
To be issued for acquisition of all the shares of WCC pursuant to an agreement entered into on October 31, 1997 (Note 2)	4,250,000	34,768
To be issued for cash received from seed investors prior to March 31, 1998	973,250	358,550
To be issued as consideration for the Lillyburt licenses	<u>100,000</u>	<u>25,000</u>
Balance at March 31, 1998	5,466,250	\$ 475,518
To be issued for cash received from seed investors prior to June 30, 1998	<u>25,000</u>	<u>10,000</u>
Balance at June 30, 1998	<u><u>5,491,250</u></u>	<u><u>\$ 485,518</u></u>

Included in the 1,141,250 shares to be issued for cash are 411,250 flow through shares for a total of \$164,500 pursuant to which the company is obligated to incur exploration expenditures and renounce these in favour of the investors.

The shares to be issued to seed investors for cash and for the Lillyburt coal licenses are subject to a pooling agreement of the shareholders. As a condition of the listing of the shares on the Vancouver Stock Exchange, these shares will be subject to the Exchange's Seed Share Resale Restrictions.

The shares to be issued for the WCC acquisition will be subject to an escrow agreement in accordance with the terms of the interim National Escrow Regime.

**7. RELATED PARTY TRANSACTIONS**

During the three month period ended June 30, 1998, the company paid management fees of \$7,500 (period ended March 31, 1998 - \$12,500) to a company with common directors. In addition, consulting fees of \$7,800 (March 31, 1998 - \$14,195) were paid to a company controlled by the president.

The company has entered into a management agreement to pay \$2,500 per month to a company controlled by common directors. Sixty days notice by the company is required to terminate the agreement.

Consulting fees are paid to a company controlled by the company's president. Fees are on an hourly basis and are negotiated on a project by project basis.

The directors of the company are the beneficiaries of the coal sale royalty described in Note 4.

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**WESTERN CANADIAN COAL CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**JUNE 30, 1998**

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**8. SUBSEQUENT EVENTS**

a) Agency and member sponsorship agreements

Pursuant to a sponsorship agreement dated January 27, 1999, the company engaged an agent for a Guaranteed Fixed Price Agency Offering for the Initial Public Offering ("IPO") of 1,100,000 common shares of the company at \$0.65 per share for an aggregate of \$715,000. The agent's commission is 7.5% of the gross proceeds of the Offering.

In consideration for conducting a guaranteed Best Efforts Offering, the agent will receive Agent's Warrants in the amount of 15% of the completed offering, exercisable for 18 months after the listing on the Vancouver Stock Exchange at the IPO price (\$0.65) in the first year and IPO price plus 15% (\$0.75) for the remaining six months.

Pursuant to an agency agreement dated January 27, 1999, the company engaged the agent to sponsor the company for its listing on the Vancouver Stock Exchange ("VSE").

b) Additional subscriptions

In July and August 1998, the company entered into additional share subscription agreements as subsequently amended on January 27, 1999, with investors for 378,812 shares for cash of \$151,525, 65,000 of which were flow-through shares for a total of \$26,000 pursuant to which the company is obligated to incur exploration expenditures and renounce these in favour of the investors.

c) Directors' and officers' stock options

In July and September 1998, stock options were granted to directors and officers to purchase an aggregate of 700,000 common shares of the company at the IPO price of \$0.65 per share expiring two years from the IPO listing date.

d) Management agreement

On July 30, 1998 the company entered into a management agreement to pay \$2,500 per month to a company controlled by the president commencing on the day the company's shares are listed on the VSE. Sixty days notice by the company is required to terminate the agreement.

e) Advances from officers and directors

On August 31, 1998 the company fully repaid the advances from officers and directors of the company (see Note 5).

f) Allotment and issuance of shares

On October 5, 1998, 5,870,062 shares were allotted and issued by the company pursuant to the subscription agreements referred to in Notes 6 and 8(b) and for the acquisition of WCC and the Lillyburt coal licenses.

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WESTERN CANADIAN COAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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JUNE 30, 1998

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8. SUBSEQUENT EVENTS (continued)

g) Additional coal licenses

Effective October 9, 1998 the company was granted four coal licenses by the British Columbia Ministry of Energy, Mines and Petroleum Resources. The licenses, referred to as the "Brazion Property", are located in the Liard Mining Division in British Columbia.

h) Filing of prospectus

The company proposes to file a final prospectus for an initial public offering on the VSE and to become listed on the exchange (see Note 8 (a)).

9. YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. As a result, many date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors or system failures when information using year 2000 dates is processed. In addition, similar errors or failures may arise in some systems which use certain dates in 1999 to represent something other than a date. As a result, the effects of the Year 2000 Issue may be experienced before, on or after January 1, 2000 and, if not addressed, their impact on operations and financial reporting may range from minor errors to significant system failures which could affect the company's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue which may affect the company, including those related to the efforts of customers, suppliers or other third parties on which it relies will be fully resolved.

**CERTIFICATE OF THE COMPANY AND PROMOTERS**

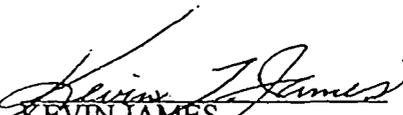
Dated: February 4, 1999

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus of **Western Canadian Coal Corp.** as required by Part 9 of the Securities Act (British Columbia) and the rules and regulations thereunder.

  
DAVID FAWCETT  
Chief Executive Officer

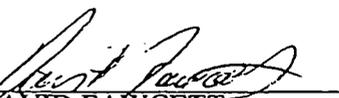
  
DAVID RAFTERY  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS**

  
KEVIN JAMES  
Director

  
DAVID AUSTIN  
Director

**THE PROMOTERS**

  
DAVID FAWCETT

  
DAVID RAFTERY

  
KEVIN JAMES

  
DAVID AUSTIN

  
CONRAD SWANSON

**COAL PROPERTY ACQUISITION AGREEMENT**

THIS AGREEMENT made as of the 30th day of April, 1999.

BETWEEN:

**WESTERN CANADIAN COAL CORP.**, a company duly incorporated under the laws of British Columbia, having an office at Suite 311 - 470 Granville Street, Vancouver, British Columbia V6C 1V3

(the "Purchaser")

OF THE FIRST PART

AND:

**KEVIN JAMES**, businessman, of 147-8400 FOREST GROVE DRIVE  
RUBENABY, B.C. V5A 4R7

(the "Vendor")

OF THE SECOND PART

WHEREAS:

A. The Vendor is the beneficial owner of a 100% interest in and to certain coal interests (the "Property"), as outlined in Schedule "A" attached hereto and forming part of this Agreement.

B. The Vendor has agreed to sell and the Purchaser has agreed to purchase all of the Vendor's interest in and to the Property on the terms and conditions herein contained.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual covenants and agreements hereinafter contained the parties hereto agree as follows:

**1.0 - REPRESENTATIONS AND WARRANTIES**

1.1 **Representations and Warranties of the Vendor:** The Vendor represents and warrants to the Purchaser that:

- (a) he is or will be at the closing the beneficial owner of all of the coal licenses comprising the Property, free and clear of all liens, charges and claims of others and no taxes or rentals are or will be at the closing due in respect of any thereof;

This is Exhibit "B" referred to in the affidavit of David Fawcett sworn before me at Vancouver, BC this 2 day of June 2003

[Signature]  
A Commissioner for taking Affidavits  
for British Columbia

- (b) the coal licenses comprising the Property have been or will as at the closing be duly and validly located and recorded pursuant to the laws in the jurisdiction in which the Property is located; and
- (c) to the best of his knowledge there is no claim or challenge against or to the ownership of or title to any of the coal licenses comprising the Property, nor to the best of his knowledge is there any basis therefor and there are no outstanding agreements or options to acquire or purchase the Property or any portion thereof, and no person has any royalty or other interest whatsoever in production from any of the coal licenses comprising the Property.

1.2 **Waiver.** The representations and warranties contained in paragraph 1.1 above are provided for the exclusive benefit of the Purchaser and any breach of any one or more thereof may be waived by the Purchaser in whole or in part at any time without prejudice to its rights in respect of any other breach of the same or any other representation or warranty and the representations and warranties contained in paragraph 1.1 shall survive the execution hereof.

1.3 **Representations and Warranties of the Purchaser:** The Purchaser represents and warrants to the Vendor that it is duly incorporated under the laws of British Columbia, is a valid and subsisting company in good standing in the Office of the Registrar of Companies for British Columbia, and has full power and authority to enter into this Agreement, and any agreement or instrument referred to in or contemplated by this Agreement, and to carry out the terms of this Agreement to the full extent.

1.4 **Waiver by the Vendor.** The representations and warranties contained in paragraph 1.3 above are provided for the exclusive benefit of the Vendor and any breach of any one or more thereof may be waived by the Vendor in whole or in part at any time without prejudice to its rights in respect of any other breach of the same or any other representation or warranty and the representations and warranties contained in paragraph 1.3 shall survive the execution hereof.

## 2.0 - ACQUISITION OF PROPERTY

2.1 **Sale:** The Vendor, subject to the terms hereof, hereby sells to the Purchaser a 100% right, title and interest in and to the Property free and clear of all charges, encumbrances and claims.

2.2 **Consideration Payable by the Purchaser to the Vendor:** In consideration for the sale to it of a 100% right, title and interest in and to the Property subject to the terms hereof, the Purchaser hereby agrees to pay the Vendor \$22,758.43, representing the Vendor's out-of-pocket expenses and costs relating to the Property.

## 3.0 - THE CLOSING

3.1 **Closing:** The purchase and sale of the Property shall occur at a closing (the "Closing") which shall occur on such date as agreed to by the parties.

- 3.2 **The Purchaser's Obligations at the Closing:** At the Closing the Purchaser shall pay to the Vendor \$22,758.43.
- 3.3 **The Vendor's Obligations at the Closing:** At the Closing the Vendor shall deliver to the Purchaser recordable transfers of a 100% right, title and interest in and to the Property in favour of the Purchaser.

**4.0 - NOTICES**

- 4.1 **Notice:** Each notice, demand or other communication required or permitted to be given under this Agreement shall be in writing and shall be sent by prepaid registered mail deposited in a Post Office in Canada addressed to the party entitled to receive the same, or delivered to such party, at the address for such party specified above. The date of receipt of such notice, demand or other communication shall be the date of delivery thereof if delivered, or, if given by registered mail as aforesaid, shall be deemed conclusively to be the third day after the same shall have been so mailed, except in the case of interruption of postal services for any reason whatsoever, in which case the date of receipt shall be the date on which the notice, demand or other communication is actually received by the addressee.
- 4.2 Either party may at any time and from time to time notify the other party in writing of a change of address and the new address to which notice shall be given to it thereafter until further change.

**5.0 - GENERAL**

- 5.1 **Total Agreement:** This Agreement shall supersede and replace any other agreement or arrangement, whether oral or written, heretofore existing between the parties in respect of the subject matter of this Agreement.
- 5.2 **Consent:** No consent or waiver expressed or implied by either party in respect of any breach or default by the other in the performance by such other of its obligations hereunder shall be deemed or construed to be a consent to or a waiver of any other breach or default.
- 5.3 **Further Assurances:** The parties shall promptly execute or cause to be executed all documents, deeds, conveyances and other instruments of further assurance which may be reasonably necessary or advisable to carry out fully the intent of this Agreement or to record wherever appropriate the respective interests from time to time of the parties in the Property.
- 5.4 **Entirement:** This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns.
- 5.5 **Governing Law:** This Agreement shall be construed in accordance with the laws in force from time to time in the Province of British Columbia.

- 5.6 **No Partnership or Agency:** The parties hereto have not created a partnership and nothing contained in this Agreement shall in any manner whatsoever constitute either party the partner, agent or legal representative of the other party, nor create any fiduciary relationship between them for any purpose whatsoever. Neither party shall have any authority to act for, or to assume any obligations or responsibility on behalf of, the other party except as may be, from time to time, agreed upon in writing between the parties or as otherwise expressly provided.
- 5.7 **Headings:** The headings, section numbers and article numbers appearing in this Agreement and the schedules attached hereto are inserted for convenience of reference only and shall in no way define, limit, construe or describe the scope or intent of this Agreement nor in any way affect this Agreement.
- 5.8 **Counterparts:** This Agreement may be signed by the parties hereto in as many counterparts or facsimiles as may be necessary, each of which so signed shall be deemed to be an original, and such counterparts or facsimiles together shall constitute one and the same instrument and notwithstanding the date of execution will be deemed to bear the date of execution set out on the front page of this Agreement.

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

THE CORPORATE SEAL of WESTERN  
CANADIAN COAL CORP.  
was hereunto affixed in the presence of:

*[Signature]*  
Authorized Signatory

*[Signature]*  
Authorized Signatory

(c/s)

SIGNED, SEALED AND DELIVERED by  
KEVIN JAMES, in the presence of:

*David Farnett*  
Name

4920 WINTER DR.  
Address

DELTA BC V4M1R6

*Kevin James*  
KEVIN JAMES



**SCHEDULE "A"**

**THIS IS SCHEDULE "A" to the Coal Property Acquisition Agreement dated the 30th day of April, 1999, between Western Canadian Coal Corp. and Kevin James.**

## ASSIGNMENT OF COAL LICENCES

This Assignment Agreement dated for reference the 1st day of May, 1999.

**BETWEEN:**

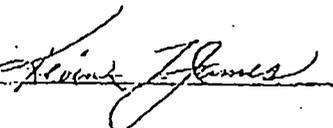
Kevin T. James, a businessman residing at 147 - 8400 Forest Grove Drive, Burnaby, British Columbia V5A 4B7

**AND**

Western Coal Corp., a company incorporated pursuant to the laws of British Columbia with its registered and records office located at 2550-555 West Hastings Street, Vancouver, B.C. V6B 4N5

Kevin T. James, holder of Free Miner Certificate #112962, hereby assigns the coal licenses described in Schedule "A" attached hereto to Western Coal Corp., holder of Free Miner Certificate #140768, to hold such licenses, and Western Coal Corp. hereby accepts the assignment.

Kevin T. James

Per: 

Western Coal Corp.

Per: 

## SCHEDULE A

### COAL LICENCES

Coal Licence No.	Map Reference	Group	PNG Description	
			Block	Units
368865	093P05W	093P/05	F	45,46,55,56
368866	093P05W	093P/05	F	47,47,57,58
368867	093P05W	093P/05	F	65,66,75,76
368868	093P05W	093P/05	F	67,68,77,78
368869	093P05W	093P/05	F	89,70,79,80
368870	093P05W	093P/05	F	87,88,97,98
368871	093P05W	093P/05	F	89,90,99,100

**KEVIN T. JAMES**  
147-8400 Forest Grove Drive  
Burnaby, British Columbia  
V5A 4B7

January 19, 1999

Mrs. Kim Stone  
Coal Administrator  
Room 3001 - 1810 Blanshard Street  
Victoria, British Columbia

Dear Mrs. Stone:

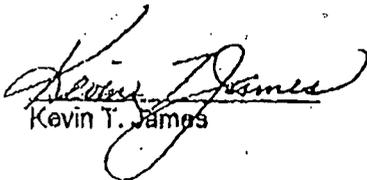
Application For Licence

Please find attached an Application for Licence for 7 coal licences located in northeastern BC. Also attached is a cheque for \$14,616.00, which should cover the application fee and annual rental for about 2,048 ha.

If you have any questions regarding the above, please call. I can be reached at (604) 808-2692 or (604) 420-9743.

Thank you.

Yours truly,

  
Kevin T. James





This is Exhibit "C" referred to in the affidavit of David Fawcett

**WESTERN CANADIAN COAL CORP.  
(the "Corporation")  
CONSENT RESOLUTIONS**

Sworn before me at Vancouver  
this 2 day of June 2005

[Signature]  
A Commissioner for taking Affidavits  
for British Columbia

**WHEREAS:**

- A. The Corporation does not have sufficient unallocated capital to finance the acquisition of additional Coal Licenses in the general vicinity of its current portfolio of coal properties;
- B. Kevin James and David Fawcett, directors of the Corporation, have funded and made application for certain Coal Licenses referred to as the West Brazion Property;
- C. The above referenced funding was made by Kevin James and IDI Resource Technologies Inc. ("IDI"), a private company owned by David Fawcett; and
- D. Kevin James and IDI have agreed to grant the Corporation an option to acquire the West Brazion Property at cost.

**BE IT RESOLVED THAT:**

- 1. The Corporation be and is hereby authorized to enter into an agreement ("the Agreement") with IDI and Kevin James whereby the Corporation has the option to acquire the West Brazion Property at cost from IDI and Kevin James in exchange for granting IDI and Kevin James a 1% royalty (in the aggregate) calculated on the selling price per product tonne FOBT on all coal product produced from the West Brazion Property.
- 2. David Fawcett, for and on behalf of the Corporation, be and is hereby authorized to execute the Agreement.
- 3. These resolutions may be signed by the directors in as many counterparts as may be necessary each of which so signed shall be deemed to be an original, and such counterparts together, either original or facsimile, shall constitute one and the same instrument and notwithstanding the date of execution shall be deemed to bear the date set forth below.

The foregoing resolutions are hereby consented to by the following directors of the Corporation as of February 16, 2000.

[Signature]  
David Austin

[Signature]  
David Fawcett\*

[Signature]  
Kevin James\*

\* Due to a material interest, Messrs. Fawcett and James abstained from voting on the approval of the Agreement - executed only to comply with S. 125(3) of the Company Act (BC).

*Pat Austin has been asked to prepare formal agreement.*

## Royalty Sharing Agreement

Present position with respect to cash and work contributed.

<u>James</u>		<u>Gibson</u>		<u>Fawcett</u>	
West Brazion:	\$6,500	Mount Spieker:	\$20,000	Wolverine:	\$20,000
Burnt River:	\$6,000	Wolverine:	\$10,000	West Brazion:	\$6,500
Work (Wolverine):	\$5,000			Burnt River:	\$6,000
James:	\$17,500		21.9 %		
Fawcett:	\$32,500		40.6 %		
Gibson:	<u>\$30,000</u>		37.5 %		
	\$80,000				

A royalty is to be paid to the investors for advancing the above funds. The royalty to be paid is 1 % of FOBT port price on all product tonnes produced from the West Brazion, Mount Spieker, and Wolverine properties, payable on a quarterly basis.

Should any of the coal licenses not be granted, or Western decides to cancel any applications before the licenses are granted, the investors will be repaid proportionately once the funds have been returned by the Government.

Should Western need to apply for additional coal licenses and require additional funds from investors, the break down of above percentages would be adjusted accordingly.

The funds are to be paid back to investors upon Western receiving adequate financing to advance the projects. The cash contribution for the Burnt River property was repaid at the time of the vend-in.

Agreed:

\_\_\_\_\_  
David Fawcett

\_\_\_\_\_  
Kevin James

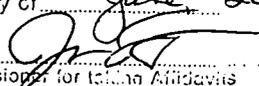
  
\_\_\_\_\_  
David Austin

\_\_\_\_\_  
Mark Gibson

Date: \_\_\_\_\_

ROYALTY SHARING

This is Exhibit " D " referred to in the affidavit of David Fawcett sworn before me at Vancouver, BC this 2 day of June 2005

  
A Commissioner for Taking Affidavits for British Columbia



This is Exhibit " E " referred to in the  
affidavit of Daniel Fawcett  
sworn before me at Vancouver BC  
this 2 day of June 2003

[Signature]  
A Commissioner for Taking Affidavits  
for British Columbia

(see page following)

JSF

# CHAIRMAN'S MESSAGE

BRAZION PROJECT

The past 16 months has been notable for establishing your Company in a strong position to lead a revival of coal mining and export activity from the north eastern coal fields of British Columbia.

A number of factors have contributed to this achievement. The prime one is that Western Canadian Coal's management has had the foresight to obtain title to the best coal resources in the Peace River coal field at a time when the coal industry was in a long period of recession.

This foresight and persistence during a difficult period leaves Western strategically well placed:

- Extensive coal tonnage, possibly in excess of 250 million tonnes, has been acquired at minimal cost.
- The coal is well located in regard to long-established township, road, rail, port and power facilities.
- The long-term decline in real prices for energy appears to have ended, with demand for thermal and coking coal lifting prices to a sustainable higher level.
- The consolidation of control of the seaborne coal trade is causing import-reliant power stations and steel mills to look for alternatives to the dominant Australian, Indonesian and South African supply sources.

Western's prospects have attracted new investors and allies who have committed to subscribe sufficient funds to take the Wolverine coal deposits through to the full feasibility phase early next year and to advance significantly Western's pre-development work on the Brazion coal deposits. Under a new five-year business plan, Western aims to produce at a rate of 5 million tonnes of coal annually by 2006 and to advance assessment of other deposits with medium to long term development potential.

With its funding arrangements in place and a better outlook for the coal industry generally, your Company is well placed to move forward at an even more rapid pace in the next 12 months.



John Byrne, Chairman

A handwritten signature in black ink, appearing to be 'John Byrne', written over a white background.

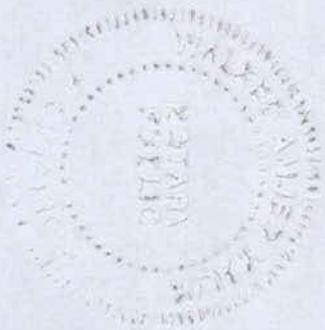
John Byrne  
(Chairman)

This is Exhibit "C" referred to in Affidavit #27 of **William E. Aziz** sworn May 10, 2019 at Toronto, Ontario.

*Waleed Malik*

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Commissioner for Taking Affidavits and  
Notary Public in the Province of Ontario



D. Fawcett, Affidavit # 1  
Sworn January 19, 2007

S = 070436

No.  
Vancouver Registry



IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN

DAVID FAWCETT

Petitioner

AND:

WESTERN CANADIAN COAL CORP., KEVIN JAMES and  
MARK GIBSON

Respondents

**AFFIDAVIT**

I, David Fawcett, Businessman, with a place of business at Suite 1100 - 355 Burrard Street, Vancouver, British Columbia, MAKE OATH AND SAY AS FOLLOWS:

1. I am the Petitioner. I am also a shareholder and former director and officer of the Respondent, Western Canadian Coal Corp. ("Western"). I am a professional engineer by training, and have been actively involved in the coal industry in western Canada for over thirty years, working in senior management and executive positions since the 1980's. I have personal knowledge of the matters set forth in this Affidavit, except for matters stated to be based upon information and belief, which matters I believe to be true.
2. Western is a company incorporated pursuant to the laws of British Columbia, which has its registered and records office at 2550 - 555 West Hastings Street, Vancouver, British Columbia. Western is engaged in the business of exploration and development of coal mining properties in British Columbia.
3. The Respondent Kevin James ("James") is a geologist, and a former director of and consultant to Western. James is a party to the Royalty Sharing Agreement which is the subject matter of this Petition.

4. The Respondent Mark Gibson ("Gibson") is a businessman, and is also a party to the Royalty Sharing Agreement which is the subject matter of this Petition.
5. Prior to 1997, James and I acquired (indirectly through a company called Ensync Resource Management Inc.) a group of coal licences known collectively as the Belcourt property. Between 1997 and 1999, James and I, amongst others, formed Western (and its subsidiary, Western Coal Corp.) in order to raise public financing to explore and develop the Belcourt property.
6. In the spring of 1999, Western made an initial public offering of its shares through the facilities of the Vancouver Stock Exchange. Attached as **Exhibit "A"** to this Affidavit is a copy of a prospectus issued by Western in relation to that public financing, which accurately describes the history and business of Western up to that time. The purpose of Western's IPO was to finance further exploration and pre-feasibility assessment on the Belcourt property to determine whether developing a mine would be economically feasible under contemporary market conditions. Exploration and development of the Belcourt Property remained the principal business objective of Western until approximately May, 2000.
7. The following is an accurate description of the management structure and responsibilities within Western in the period from January 1999 through March, 2000:
  - a. I was the president of Western (and was appointed a director of Western in or about September, 1999), and was primarily responsible for the administrative management of the company;
  - b. James was a director of Western, and was primarily responsible for geological and technical matters;
  - c. David Austin ("Austin"), was a third director of Western, who was primarily responsible for communications with investors and brokers, and fundraising on behalf of Western;
  - d. I had a contract, through my consulting company IDI Resource Technologies Inc. ("IDI"), under which I was paid a management fee of \$2,500 per month by Western and \$2500 per month by Western's subsidiary, Western Coal Corp. in relation to the administrative work I was doing on behalf of these companies;

however, the actual payment of these fees was frequently deferred due to Western's chronic shortage of working capital;

- e. James was paid fees on a contract basis, through his consulting company, Pika Geologic Inc. ("Pika"), for geological work done in relation to the Belcourt Property;
  - f. Neither James nor I had any specific mandate or was paid any remuneration to seek out or evaluate other exploration properties on behalf of Western.
8. In 1999 and 2000 international demand for coal was weak, and prices were low. The coal industry in British Columbia was in deep recession, and there was very little investor interest in coal exploration or development.
  9. Despite poor markets and adverse business conditions in the BC coal industry, I remained confident that the industry would eventually recover. I believed that the depressed market conditions created significant opportunity for anyone willing to undertake the risk of further investment. Various operators became unwilling or unable to pay the fees required to maintain their existing coal licences. This included licences which had undergone considerable exploration and development work by current or previous holders. If a licence holder allows a coal licence to lapse, the subject property becomes available to be re-licensed to the first person willing to make the application and pay the required fees.
  10. During 1998 through 2000, James and I spent considerable time and effort researching and assessing available geological data and development potential for many coal licences which had previously been explored at some time, but which had been or might be abandoned by the current holders.
  11. James and I formed the view that a group of coal licences known as the Burnt River property (which had been extensively explored during the 1980's by Teck Corporation) had favourable exploration and development potential due to market changes for the type of coal there, and the potential for a lower cost development and mining strategy. James applied for the Burnt River licences in January, 1999. James and I personally paid the required application fees and expenses to acquire the Burnt River licences, which totalled \$14,616.

12. We discussed the opportunity to acquire the Burnt River licences with Austin, and agreed that we should attempt to explore and develop this property through Western. Consequently, James agreed to assign the Burnt River licences to Western in return for payment of \$22,758.43, which included repayment of the fees and expenses we had paid, as well as payment to James for the geological and consulting work he had done in researching and applying for these licences. Western's solicitor, Pat Devlin, prepared a formal written Coal Property Acquisition Agreement for this transaction, a copy of which is attached as exhibit "B" to this affidavit.
13. During the balance of 1999, James and I continued to assess opportunities to acquire additional coal licences; however, there was some doubt whether Western could or should invest in additional licences at that time. The principal business focus of Western remained the exploration and development of the Belcourt property, as described in our prospectus. Substantially all of the money from the initial public offering had been spent, or was committed towards completing the work program described in the prospectus. David Austin advised James and I that there was virtually no investor appetite for financing of coal exploration at that time, and that he did not think it would be possible for us to raise funds to acquire licences for additional properties through Western. He expressed doubts about whether Western could meet its existing commitments for the Belcourt properties, and some concern whether Western would be able to raise money to continue operating at all.
14. In or about November, 1999, another group of licences (known as the "West Brazion" licences) became available. James and I considered the West Brazion licences to represent a favourable opportunity, and were interested in acquiring and developing the West Brazion licences regardless of whether this could be done through Western. We applied for these licences in the name of Elizabeth James (the spouse of Kevin James). James and I each paid half the licence fees, which totalled approximately \$13,000. We told Austin that we were applying for the West Brazion licences and between December, 1999 and February, 2000, David Austin, Pat Devlin, James and I had continuing discussions about whether Western could or should acquire these licences from James and me.

15. Meanwhile, in late 1999 and early 2000, James and I identified several other promising coal properties which we felt should be acquired. These consisted of three properties known together as the "Wolverine" group of licences (individually, the "Mt. Spieker", "Perry Creek" and "Hermann" licences), which were located near the existing Quintette mine. The Mt. Spieker property had previously undergone considerable development work by Teck Corporation and Ranger Oil, but had been abandoned for some time. It now appeared likely that some time in February or March, 2000 Teck was going to forfeit the Perry Creek and Hermann licences as well. James and I believed that together these licences represented an opportunity to acquire significant holdings with good resource potential and a desirable location - immediately adjacent to BC Rail's Tumbler Ridge line. If possible, we hoped to acquire these properties through Western.
16. In late January, 2000, Austin identified Mark Gibson, a business associate of his, as an investor willing to assist Western in acquiring additional licences. Pursuant to a written agreement dated January 28, 2000 (the "Gibson Agreement"), Gibson agreed to provide \$20,000 to fund Western's application for the Mt. Spieker licences. In return, Gibson obtained the right to acquire a 20% working interest in the Mt. Spieker property when the licences were issued to Western. He also had the contingent right and obligation to participate in any joint venture Western might enter into on the Mt. Spieker property. The Gibson Agreement also granted Gibson a royalty on coal produced from any of the Mt. Spieker licences. A copy of the Gibson Agreement is attached as exhibit "C" to this affidavit.
17. James and I continued our discussions with Austin and Devlin about whether Western wished to acquire the West Brazion licences, which remained under application in the name of Elisabeth James. Sometime in mid-February, 2000, James and I agreed to grant Western an option to acquire the West Brazion licences from us at cost (i.e., by paying us our out of pocket costs for acquiring the licences) in exchange for a 1% royalty on any coal produced by Western from these licences in future. Neither James nor I ever loaned money to Western to acquire the West Brazion licences. Western's obligation to repay our out of pocket expenses arose pursuant to its exercise of the option to acquire our interest in the licences. I understood that Western's agreement to grant us a royalty in



relation to the option was intended, at least in part, to compensate us for our initiative and work in identifying, assessing and acquiring the rights to these licences, for which we received no other remuneration from Western, and agreeing to give up our interest in these licences at cost.

18. After we agreed to option the West Brazion licences to Western, Pat Devlin prepared a consent resolution of Western's directors to authorize the transaction, a copy of which is attached as exhibit "D" to this affidavit.
19. Attached as exhibit "E" to this affidavit is a copy of a press release issued by Western on February 24, 2000 announcing, amongst other things, the terms of Western's option to acquire the West Brazion licences from James and me.
20. James continued to monitor the status of the Wolverine licences. Sometime in February, 2000 he advised us that Teck had, in fact, failed to renew the Perry Creek licences. James, Austin, and Devlin and I continued to discuss whether and how Western might be able to acquire the remaining Wolverine licences. We anticipated that Western would need about \$30,000 more to apply for the Perry Creek and Hermann licences.
21. Gibson became involved in these discussions as a potential source of further funds. In the course of our discussions, Gibson also expressed some dissatisfaction with the terms of the Gibson Agreement. I recall him saying he was concerned about having a separate interest in only some of the licences that Western was acquiring, when Western would have unilateral control over which of the new properties might be explored and developed, when, or in what order. He felt it would be preferable to have a shared interest in all of the new licences acquired or to be acquired by Western. He suggested that in conjunction with any agreement to provide further funding to enable Western to acquire the Perry Creek and Hermann licences, we (Gibson, James and I) should be pooling our several interests in the West Brazion and Mt. Spieker licences, and creating a shared interest in all the licences acquired or to be acquired.
22. Eventually we reached a new agreement (the "February Agreement"), under which Gibson and I agreed to provide a further \$30,000 to be used by Western to apply for the

Perry Creek and Hermann licences. In addition to providing more money for new licence applications, Gibson gave up his royalty and right to acquire a working or joint venture interest in the Mt. Spieker licences under the Gibson Agreement. James and I gave up our right to acquire a separate royalty interest in the West Brazion licences if Western exercised the option to acquire them. In return, Western agreed to grant a 1% royalty which would apply to coal produced from any of the West Brazion or Wolverine licences which it acquired, and which would be shared between Gibson, James and me in proportion to our respective contributions to the acquisition of these licences; once determined

23. Attached as exhibit "F" to this affidavit is a copy of a summary of the basic terms of the royalty we negotiated as part of the February Agreement. I prepared this document around the time the February Agreement was negotiated. The table at the top of this document details the basis upon which Gibson, James and I agreed to share the 1% royalty between us. For the purposes of allocating of the royalty, we agreed to recognize the following contributions:
- (a) the out of pocket expenses paid by James and me to apply for the West Brazion licences ( \$13,000 which would become payable if the licences were granted, and Western exercised the option to acquire them);
  - (b) a portion of the amounts paid by James and me to acquire the Burnt River licences (\$6,000 to each of James and me, which was part of the amount Western paid us when we assigned the Burnt River licences – see paragraphs 11, 12 and exhibit "B", above);
  - (c) the \$20,000 previously provided to Western by Gibson to apply for the Mt. Spieker licences under the Gibson Agreement;
  - (d) the new amounts of \$10,000 and \$20,000 being provided by Gibson and myself, respectively, to apply for the Perry Creek and Hermann licences; and
  - (e) An amount of \$5000 reflecting the value of the work James did to assist Western in assessing and applying for the Wolverine licences.

24. Pursuant to the February Agreement, Gibson and I provided the further \$30,000 required by Western to apply for the Perry Creek and Hermann licences.
25. At the time we reached the February Agreement, the actual amount of money provided to Western to apply for the Wolverine licences totalled \$50,000. We were not yet certain whether any of these applications would be successful. We agreed that if any of these licences was not granted (or an application was withdrawn by Western) Western would return any refunded application fees to the investors (i.e. myself, James and Gibson) in proportion to our interest in the royalty. The money would be returned to us upon receipt from the government.
26. On or about June 15, 2006 I faxed a copy of my summary of the terms of the royalty provided for under the February Agreement (exhibit "F") to Pat Devlin, and directed him to prepare a written agreement to confirm the terms of the royalty and our agreement respecting sharing of the royalty. A copy of my faxed direction to him (which attached exhibit "F") is attached as exhibit "G" to this affidavit.
27. Pursuant to these instructions, Pat Devlin prepared the Royalty Sharing Agreement, a copy of which is attached as exhibit "H" to this affidavit. Mr. Devlin also prepared a consent resolution for the directors of Western, authorising Western to enter into the Royalty Sharing Agreement, a copy of which is attached as exhibit "I" to this affidavit. Mr. Devlin prepared these documents to reflect that they were made as of March 31, 2000, although they were not executed until sometime in June. I don't recall any specific discussion about the point, but I believe that this was intended to reflect the fact that Western's obligations under this agreement arose prior to the end of Western's preceding fiscal year. Western's obligations under the Royalty Sharing Agreement were recorded in Western's audited financial statements for the year ended March 31, 2000, which were being prepared around the same time.
28. In the meantime, there were significant changes in Western's business focus in April and May, 2000. Western received the results of its feasibility study on the Belcourt property, which indicated that it was not economically feasible to develop a mine on the property under then current market conditions. Western discontinued development work on the

Belcourt property, and announced its intention to focus efforts on the Wolverine project and the Burnt River project (which included West Brazion). In May, 2000 Western was able to negotiate private placement financing in order to advance these new projects.

29. At the time we negotiated the February Agreement, we contemplated that if the licence applications were withdrawn or rejected the monies which Gibson and I provided to Western to apply for the Wolverine licences would be returned immediately. With respect to such of the Wolverine licences as were actually granted, the monies provided to fund those applications would be repaid to us when Western raised sufficient financing to advance the projects (see exhibit "F"). These intentions are reflected in the formal Royalty Sharing Agreement prepared by Pat Devlin (see exhibit "H", ss. 4.2 and 6.1).
30. I cannot now recall any specific discussion about the wording of section 6.1 of the Royalty Sharing Agreement. However, I believe Pat Devlin suggested we clarify that the question whether Western had adequate financing to repay us was subject to the reasonable discretion of the company, but also provide an effective deadline for repayment by March 31, 2002. In addition, my understanding of s. 6.1 was that, insofar as the repayment obligation related to the "Wolverine and Mount Spieker" properties, this was subject to the obligation in s. 4.2 to simply return any money we had provided to apply for any licences which were not granted. Likewise, with respect to West Brazion, no funds had yet been advanced to Western and any refunded application fees would go directly to the applicant, Elisabeth James – the repayment obligation would only arise if the licences were granted to Elisabeth James, and then assigned to Western. In either event, the repayment terms in s. 6.1 were not intended to apply until Western had actually acquired the licence(s) to which the "funds advanced" were applied.
31. Mr. Devlin also suggested we include s. 4.3 of the Royalty Sharing Agreement in order to protect the interests of the investors in any licences actually acquired by Western. As discussed above, these licences remain subject to periodic renewal obligations, involving significant expense. In the event that Western actually acquired any of the licences, but then proved unwilling or unable to develop or maintain the licensed properties, Gibson, James and I retained the right to recover the licences on our own behalf.

32. As events transpired, the repayment obligation provided in s. 6.1 of the Royalty Sharing Agreement never became applicable to any of the "funds advanced". This is because, as a condition of the private placement financing negotiated by Western in May, 2000, the new investor, John Byrne, required that certain liabilities recorded on Western's balance sheet be settled on a shares-for-debt basis (at a price of \$0.30/share, rather than the \$0.20/share he was paying under the private placement). This included the amounts provided by Gibson and me to fund the applications for the Wolverine licences, which were apparently recorded simply as debt obligations in Western's financial statements. I am advised by James and believe that he believes that any claim he had for payment for the work he did to assist Western in assessing and applying for the Wolverine licences was settled in this shares-for-debt transaction.
33. Attached as exhibit "J" to this affidavit is a copy of the consent resolution of the directors of Western, dated June 19, 2000, authorising the shares-for-debt settlement with Gibson and me. On or about July 11, 2000, Western issued shares under the shares-for-debt settlement, which included 100,000 shares to Gibson relating to the \$30,000 he paid to fund licence applications by Western, and 66,667 shares to IDI, relating to the \$20,000 I paid to fund licence applications by Western. This transaction effectively extinguished our rights to return or repayment of these funds under the February Agreement, as reflected in the Royalty Sharing Agreement. There was no provision to rescind any part of our shares-for-debt subscriptions if any of the Wolverine licences was not subsequently granted.
34. The shares-for-debt settlement did not affect the amount of \$13,000 which James and I had paid to apply the West Brazion licences. Western hadn't yet exercised its option to acquire them, so this money was not yet owed to us.
35. I have had the opportunity to review paragraphs 6, 10 to 12 and 18 of (and exhibits "C", "D", "E" and "I" to) Affidavit No. 2 of Fausto Taddei sworn September 19, 2005 in Supreme Court of British Columbia, Vancouver Registry Action No. L050703 (the "Taddei Affidavit"). A copy of the Taddei Affidavit is attached as exhibit "K" to this affidavit. On the basis of Mr. Taddei's evidence I believe that:

- (i) Western applied for the Mt. Spieker licences on February 2, 2000;
  - (ii) Western applied for the Perry Creek licences on February 22 and April 17, 2000;
  - (iii) Western applied for the Hermann licences on March 24, 2000;
  - (iv) the West Brazion licences were issued to Elisabeth James on August 11, 2000;
  - (v) the Perry Creek licences were issued to Western partly on August 11, 2000 and partly on December 18, 2000
  - (vi) the Mt. Spieker licences were issued to Western on October 30, 2000;
  - (vii) the West Brazion licences were assigned to Western by Elisabeth James on or about November 20, 2000
  - (viii) the Hermann licences were issued to Western on December 18, 2000; and
  - (ix) James and I were reimbursed by Western for our out of pocket expenses to acquire the West Brazion licences on or about May 28, 2001.
36. Counsel has brought to my attention the fact that s. 2.1 of the Royalty Sharing Agreement says that Western agrees to pay a royalty to James, Gibson and I "as consideration for advancing the funds". While it is true that advancing funding for certain licence applications was part of the consideration for the royalty, I do not consider (and did not understand at the time) that this was intended as a complete or exhaustive statement of the consideration we provided for the royalty. Under the February Agreement, in order to induce Gibson and me to provide \$30,000 to fund the Perry Creek and Hermann licence applications, David Austin agreed on behalf of Western to grant the 1% royalty provided for in the Royalty Sharing Agreement, and to allocate it amongst Gibson, James and I in the manner we had agreed. I understood the consideration for this agreement to include:
- a) Gibson's surrender of his rights under the Gibson Agreement, including his right to acquire a 20% working interest, his potential joint venture interest, and his separate royalty interest in the Mt. Spieker licences;

- b) agreement by James and me to give up our separate royalty interest in the West Brazion licences;
  - c) my agreement to provide \$20,000 to Western to fund further licence applications;
  - d) Gibson's agreement to provide a further \$10,000 to Western to fund further licence applications; and
  - e) reward to James and I for our initiative and work in identifying and assisting Western in acquiring the subject licences, for which we were not otherwise compensated by Western.
37. The Royalty Sharing Agreement was drafted by Pat Devlin, Western's corporate solicitor, approximately 4 months after the February Agreement was negotiated. None of Gibson, James or I was separately represented. I was relying on Mr. Devlin to prepare an agreement to give effect to the bargain we had struck in February.
38. As will be apparent from the foregoing, the characterisation of amounts, totalling \$80,000, as funds "advanced...to the Company" in s. 1.1 of the Royalty Sharing Agreement is not strictly accurate. The amounts referenced in this section represent amounts contributed directly or indirectly by the royalty holders to assist Western in acquiring the "Properties" (which included Burnt River). Of these amounts only \$50,000 had actually been paid to Western to fund applications for licences which were subject to the royalty, and any part of this money not required to acquire a licence was to be immediately refunded. Gibson and I had agreed to accept shares in relation to this part of our investment before the repayment term in s. 6.1 of the Royalty Sharing Agreement ever became applicable to any of the "funds advanced".
39. The amounts recited in section 1.1 of the Agreement accurately confirm the recognized contributions of the royalty holders for the purpose of allocating the royalty between them.

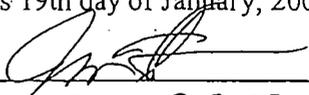
40. The terms of ss. 1.1 and 2.1 of the Royalty Sharing Agreement presumably represent Mr. Devlin's interpretation of the written instructions I provided to him in June, 2000 (exhibit "F"). I don't recall any discussion about the specific wording of these provisions. I did not consider these provisions to be inconsistent with what we had agreed in February, and did not understand that these provisions were intended to alter the terms of the antecedent transactions leading up to the February Agreement, or the amounts owing to the Royalty Holders from those transactions. The actual amounts owing by Western to the Royalty Holders were paid or settled as described above.
41. On March 21, 2005, Western petitioned this Honourable Court for an Order that the Royalty Sharing Agreement be set aside pursuant to Section 150 (2) of the *Business Corporations Act*, S.B.C. 2002, c. 57. A copy of Western's petition is attached as exhibit "L" to this Affidavit.
42. On February 24, 2006, the Honourable Mr. Justice Tysoe dismissed Western's petition. A copy of the order dismissing the Petition is attached as exhibit "M" to this Affidavit. A copy of the Reasons for Judgment of Mr. Justice Tysoe is attached as exhibit "N" to this Affidavit.
43. Western appealed from the order of Mr. Justice Tysoe, but abandoned the appeal shortly before it was scheduled to be heard.
44. On October 23, 2006, Western issued a press release announcing that it had abandoned the appeal; however, Western also stated its belief that the royalty provided for under the Royalty Sharing Agreement represents "a return on ... loans", and that consequently:

"Based on Western's assessment of the matter and its interpretation of Section 347 of the Criminal Code of Canada, it would ... be illegal for Western to pay, or for the royalty holders to receive, a return which exceeds 60% per annum (compounded) for the period during which the loans were outstanding. Western expects that sales from the Wolverine Mine in the third and fourth quarters of Western's 2007 fiscal year (i.e. to March 31, 2007) will exceed C\$50 million, so that payments under the RSA aggregating up to C\$500,000 in the first half of 2007 would reach the limit of permissible payment, after which any further obligation under the RSA would be illegal and unenforceable."

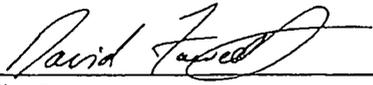


45. On December 29, 2005, Western made a payment to me for the quarter ended December 31, 2006 - the first payment made to me under the Royalty Sharing Agreement. The covering letter enclosing that payment represented that the total royalty accrued in the quarter was \$406,553.10, and I was paid 40.6% of this amount, or \$165,060.56.
46. Nevertheless, Western has not announced any change to the position described in its press release of October 23, 2006, and I understand that Western maintains its intention to stop paying the royalty at the point it considers that further payment would violate section 347 of the Criminal Code of Canada. I am advised by Gibson (indirectly, through counsel) and believe that Western withheld a portion of the royalty amount due to him for the quarter ended December 29, 2006, on the basis that receipt of the payment by Gibson would contravene Section 347 of the Criminal Code of Canada.
47. I swear this affidavit in support of the relief claimed in the Petition herein. I have read the Petition and to the best of my information and belief the facts set forth in the Petition are true.

SWORN BEFORE ME at Vancouver, British Columbia, on this 19th day of January, 2007. )

  
Name (Print): JOHN FORSTROM )

A Commissioner for taking Affidavits in the Province of British Columbia. )

  
\_\_\_\_\_  
David Fawcett

**AMENDMENT #1  
TO PROSPECTUS DATED DECEMBER 17, 1998**

THIS PROSPECTUS CONSTITUTES A PUBLIC OFFERING OF THESE SECURITIES ONLY IN THOSE JURISDICTIONS WHERE THEY MAY BE LAWFULLY OFFERED FOR SALE AND THEREIN ONLY BY PERSONS PERMITTED TO SELL SUCH SECURITIES. NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE. THE SECURITIES OFFERED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 AND MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO U.S. PERSONS.

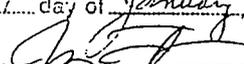
INITIAL PUBLIC OFFERING

Dated: February 4, 1999  
Effective Date: February 5, 1999

WESTERN CANADIAN COAL CORP.  
(the "Company")

Suite 200, 580 Hornby Street  
Vancouver, BC V6C 3B6  
Telephone: (604) 608-2692

**OFFERING: 1,100,000 Shares  
PRICE: \$0.65 per Share**

This is Exhibit "A" referred to in the affidavit of David Jewett sworn before me at Vancouver, BC this 19 day of January, 2007.  
  
A Commissioner for taking Affidavits for British Columbia

The Company is offering to the public through the facilities of the Vancouver Stock Exchange (the "Exchange") 1,100,000 common shares of the Company (the "Shares").

	Price to Public <sup>(1)</sup> (\$)	Agent's Commission <sup>(2)</sup> (\$)	Net Proceeds to the Company <sup>(3)</sup> (\$)
Per Share:	0.65	0.04875	0.60125
Total:	715,000	53,625	661,375

Notes:

- (1) The price to the public was established pursuant to negotiations between the Company and IPO Capital Corp. (the "Agent").
- (2) The Agent will also receive a corporate finance fee of 25,000 common shares of the Company, which shares are being qualified under this prospectus. In consideration for guaranteeing the Offering, the Agent will receive that number of Agent's Warrants equal to 15% of the Shares sold under the Offering. Each Agent's Warrant will entitle the holder to acquire one share for 18 months from the date of issue of the Agent's Warrants at a purchase price of \$0.65 per share during the first 12 months of the exercise period and at a purchase price of \$0.75 per share during the last 6 months of the exercise period. The Agent's Warrants and underlying shares are being qualified under this prospectus. In addition, the Agent will be paid a sponsorship fee of \$15,000 plus GST on completion of the Offering. The Company has paid a retainer of \$10,000 to the Agent to cover the Agent's costs related to the Offering, which costs will be paid out of the retainer from time to time, and any unused portion of the retainer will be returned to the Company upon closing of the Offering. See "Plan of Distribution".
- (3) Before deduction of the costs of this issue estimated at \$75,000.

The Exchange has conditionally listed the securities being offered pursuant to this prospectus. Listing is subject to the Company fulfilling all the listing requirements of the Exchange on or before March 17, 1999, including prescribed distribution and financial requirements.

There is currently no market for the Company's securities nor is there any organized market through which the securities may be sold. The securities of the Company must be considered speculative securities as the Company is in the exploration stage with respect to its properties. AN INVESTMENT IN NATURAL RESOURCE COMPANIES INVOLVES A

**SIGNIFICANT DEGREE OF RISK. THE DEGREE OF RISK INCREASES SUBSTANTIALLY WHERE THE COMPANY'S PROPERTIES ARE IN THE EXPLORATION AS OPPOSED TO THE DEVELOPMENT STAGE. SEE "RISK FACTORS".**

Reference is made to "*Description of the Securities of the Company Being Offered*" and "*Plan of Distribution*" for a detailed description of the offered Shares, the requirements for subscription and the commissions and fees payable thereon.

Upon completion of the Offering and the issuance of the Shares, the securities offered by this prospectus will represent 15.7% of the shares of the Company then outstanding, the aggregate number of voting securities that will then be held by the public will be 2,586,250 shares (37.0%) as compared to 4,408,313 shares (63.0%) that will then be directly or indirectly owned by the promoters, insiders, performance escrow shareholders of the Company and the Agent, as a group. See "*Aggregate Ownership of Securities*" and "*Options and Other Rights to Purchase Shares*".

No person is authorized by the Company to provide any information or to make any representation other than those contained in this prospectus in connection with this issue and the sale of the securities offered by this prospectus.

WE, AS AGENT, CONDITIONALLY OFFER THESE SECURITIES SUBJECT TO PRIOR SALE, IF, AS AND WHEN ISSUED BY THE COMPANY IN ACCORDANCE WITH THE CONDITIONS CONTAINED IN THE AGENCY AGREEMENT (SEE "*PLAN OF DISTRIBUTION*").

**IPO CAPITAL CORP.**  
Bentall Tower 3  
Suite 3000, 595 Burrard Street  
Vancouver, BC V7X 1L4

WESTERN CANADIAN COAL CORP.

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## PROSPECTUS SUMMARY

*This is a summary only and is qualified in its entirety by the more detailed information and financial statements, including notes thereto, contained in the body of this prospectus. Capitalized terms appearing herein and not otherwise defined have the respective meanings ascribed to them elsewhere in this prospectus.*

All dollar amounts in this prospectus are expressed in Canadian dollars except where otherwise indicated.

### The Company

The Company is a British Columbia company. Through its wholly-owned subsidiary, Western Coal Corp. ("WCC"), it carries on the business of exploring and developing coal licenses in British Columbia. WCC also has a wholly-owned subsidiary, Ensync Resource Management Inc., which is currently inactive. See "*The Company*" on page 1.

WCC owns 21 coal licenses which are contained within four blocks, the Holtslander, Red Deer, Huguenot and Omega blocks, located along the Rocky Mountain Foothills belt of northeastern British Columbia, which licenses are commonly referred to as the "*Belcourt Property*". The Company will be focusing its efforts on exploration and development of the Belcourt Property. See "*The Company's Principal Property - The Belcourt Property*" on page 4.

WCC also owns eight coal licenses located in the Rocky Mountain Foothills belt of northeastern British Columbia, which licenses are contained within the Saxon East block and which licenses are commonly referred to as the "*Saxon East Property*"; two coal licenses located in the Kootenay land district in southeastern British Columbia, which licenses are commonly referred to as the "*Lillyburt Property*"; and four coal licenses located in the Liard Mining Division in British Columbia, which licenses are commonly referred to as the "*Brazion Property*". See "*Other Properties*" on page 43.

### The Offering

Share Offering: 1,100,000 Shares.

Price per Share: \$0.65.

Total Offering: \$715,000.

See "*Plan of Distribution*" on page 59.

### Use of Proceeds

The net proceeds from the sale of the Shares will be \$661,375 (being gross proceeds of \$715,000 less the Agent's commission of \$53,625), which together with the Company's working capital deficiency as at December 31, 1998 of approximately \$(30,745), for a total of \$630,630, will be used to pay the estimated costs of this issue (\$75,000), the sponsorship fee due to the Agent (\$15,000), the work program on the Belcourt Property (\$253,000), coal license maintenance payments (\$65,400) and administrative costs and unallocated working capital to fund ongoing operations (\$222,230). See "*Use of Proceeds*" on page 45.

### Management

Management of the Company consists of David Fawcett, President, CEO and a director; (Douglas) David Austin, a director; Kevin James, a director; Conrad Swanson, a director; and David Raflery, Secretary and CFO. Mr. Fawcett, P.Eng., has approximately 24 years of mining engineering experience and has worked as an independent consultant for the past seven years, specializing in coal properties. From 1993 to 1996, Mr. Fawcett was the President of Globaltex Coal Corporation, a wholly-owned subsidiary of Globaltex Industries Inc., a public company trading on the Exchange, which company was involved in development of coal operations. From 1996 to present, Mr. Fawcett has acted as Chief Operating Officer of Pine Valley Coal Ltd., a private company involved in coal development, which is the operator of a joint venture among wholly-owned subsidiaries of BC Rail, Mitsui Matsushima Co. Ltd. and

Mr. Austin has approximately 15 years administrative experience with public companies and is currently a director of two other reporting companies, one which owns mineral and coal properties and the other which is currently inactive and seeking an acquisition. In addition, Mr. Austin maintains a management position with BC Ferry Corp., which he has been employed with since 1974. Mr. James, P.Geo., is a professional geoscientist with 17 years experience in mining and exploration, specializing in coal properties. During the past ten years, Mr. James has been a consulting geologist, prior to which time he acted as geologist for Quintette Coal Limited from 1982 to 1987 and as exploration geologist for Denison Mines Limited from 1981 to 1982. Mr. Swanson has over ten years of public company experience and is currently the President and a director of a public company which owns mineral and coal properties and a director of another public company which is currently inactive and seeking an acquisition. Mr. Raftery, C.A., worked for 21 years with Placer Dome Inc. and Wharf Resources Ltd., in Canada and internationally, during which time Mr. Raftery was a senior manager with Placer Dome Inc. and the Treasurer for Wharf Resources Ltd. Since 1986, Mr. Raftery has been in public practice with emphasis on public companies. Mr. Raftery is currently a director of three other reporting companies. See "Management" on page 48.

Risk Factors

Investment in the Shares involves certain risks. Prospective investors should consider carefully, among other things, that the Company's exploration of its properties involves significant risks. The Company's properties are in the exploration stage. Any mines that may be developed on the Company's coal properties are generally subject to certain types of risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected rock conditions, the risk of subsidence, flooding and other acts of God. The Company is not currently operating profitably and is not expected to do so until production is achieved on the Belcourt Property. The marketability of coal will be affected by numerous factors beyond the control of the Company (eg., market fluctuations, proximity and capacity of coal markets and government regulations). The Company's coal licenses may be affected by native land claims or government regulations. If the Company's exploration program is successful, future funds will be required for further exploration and development. The only source of future funds presently available is through the sale of equity capital or the offering by the Company of an interest in all or some of the properties, but there can be no assurance that either of these avenues will result in sufficient funds. The price of coal is dependent on market conditions and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations (including the US dollar relative to the Canadian dollar and other currencies), interest rates, global or regional consumption patterns, speculative activities and increases in production due to improved mining and production methods. The supply of and demand for coal is affected by various factors including political events, economic conditions and production costs in major coal producing regions. See "Risk Factors" on page 45.

## MEASUREMENTS

Conversion into imperial equivalents is as follows:

<u>To convert</u>	<u>To imperial measurement units</u>	<u>Multiply by</u>
hectares	acres	2.471
metres	feet	3.281
kilometres	miles	0.621
tonnes	tons	1.102

## CURRENCY

The Company's accounts are reported in Canadian dollars. In this prospectus, all amounts are stated in Canadian dollars except where otherwise indicated.

## GLOSSARY

In this prospectus the following terms shall have the following meanings:

<b>adb:</b>	Air-dried basis.
<b>adit:</b>	A nearly horizontal passage from the surface by which a mine is entered. A short adit may be used to obtain unoxidized bulk samples of a coal seam during exploration.
<b>Agency Agreement:</b>	The agency agreement dated January 27, 1999, entered into between the Agent and the Company with respect to the Offering.
<b>Agent:</b>	IPO Capital Corp.
<b>ANFO:</b>	Ammonium Nitrate and Fuel Oil – a bulk explosive.
<b>anticline:</b>	A fold that is convex-upward.
<b>anticlinorium:</b>	A series of anticlines and synclines so arranged structurally that together they form a general arch or anticline.
<b>argillite:</b>	A rock derived either from siltstone, claystone, or shale, that has undergone a somewhat higher degree of induration than is present in those rocks.
<b>ASTM:</b>	American Society for Testing and Materials. ASTM Standards are commonly applied in coal testing in North America.
<b>asymmetrical fold:</b>	A fold in which one limb dips more steeply than the other.
<b>attrition:</b>	The wear that rock (coal) particles in transit undergo through mutual rubbing, grinding, knocking, scraping, and bumping with resultant comminution in size.
<b>basal:</b>	Descriptive of an initial stratigraphic unit overlying an unconformity.
<b>BCM, bcm:</b>	Bank cubic metre.
<b>BCM:tonne:</b>	Expression of strip ratio – bank cubic metres of overburden per tonne of coal.
<b>Belcourt Property:</b>	Has the meaning ascribed to it under "The Company's Principal Property: The Belcourt Property"
<b>bituminous:</b>	A term used in coal classification (see coal rank) to describe coal ranked between lignite and anthracite.

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<b>box fold:</b>	A fold in which the broad flat top of an anticline (or broad flat bottom of a syncline) is bordered on either side by steeply dipping limbs.
<b>Brazion Property:</b>	Has the meaning ascribed to it under "Other Properties - Brazion Property".
<b>calcareous:</b>	A substance that contains calcium carbonate.
<b>carbonaceous:</b>	Carbon or graphite bearing, as in rock. The carbonaceous sediments include original organic tissues and subsequently produced derivatives of which the composition is chemically organic.
<b>chert:</b>	A hard, extremely dense or compact, microcrystalline or cryptocrystalline sedimentary rock.
<b>claystone:</b>	Rock in which much clay is present or which is largely composed of clay particles.
<b>cm:</b>	Centimetre.
<b>Coal Assessment Report:</b>	A detailed report on exploration programs conducted on mineral (coal) property in British Columbia; includes interpretative and analytical results.
<b>coal license:</b>	A coal land tenure term used in British Columbia to signify a block of land granted to the holder which is maintained in good standing by payment of annual fees to the Government.
<b>Company:</b>	Western Canadian Coal Corp., a British Columbia company.
<b>Company Act:</b>	The <i>Company Act</i> (British Columbia).
<b>concretions:</b>	A nodular or irregular concentration of certain constituents of sedimentary rocks; developed by the localized deposition of material from solution.
<b>conglomerate:</b>	A coarse-grained clastic sedimentary rock, composed of rounded to subangular fragments, set in a fine-grained matrix.
<b>Cretaceous:</b>	A geological period between 66 and 135 million years ago.
<b>cross-bedding:</b>	The arrangement of laminations of strata transverse or oblique to the main planes of stratification of the strata concerned.
<b>cross-section:</b>	A profile portraying an interpretation of a vertical section of a deposit explored by geological methods.
<b>ddpm:</b>	Dial diversions per minute; the unit of measurement in the coal analysis test " <i>Gieseler Plasticity</i> ".
<b>deltaic:</b>	Descriptive of depositional environment that forms a delta.
<b>deposition:</b>	The laying down of potential rock-forming material; sedimentation.
<b>detrital:</b>	Descriptive of minerals occurring in sedimentary rocks, which were derived from pre-existing rocks.
<b>dilatation:</b>	Deformation that is change in volume, but not in shape. Commonly refers to a rheological test (coal quality test) on coal samples.
<b>dip:</b>	The angle at which a stratum or any planar feature is inclined from the horizontal. The dip is at a right angle to the strike.
<b>dmmf:</b>	Dry mineral matter free.
<b>drag fold:</b>	Minor folding of strata along the walls of a fault in which the "drag" of displacement has produced flexures in the beds on either side.
<b>drill core:</b>	Sample of rock (coal) obtained in core drilling.
<b>Effective Date:</b>	The date a receipt for the final prospectus is issued by the British Columbia Securities Commission, being December 17, 1998.
<b>Ensync:</b>	Ensync Resource Management Inc., a British Columbia company which is the wholly-owned subsidiary of WCC.
<b>Escrow Agent:</b>	Montreal Trust Company of Canada.



<b>Escrow Agreement:</b>	The escrow agreement dated September 30, 1998, among the Escrow Agent, the Company, David Fawcett, Kinder Deo, Kevin James, Conrad Swanson, (Douglas) David Austin, Mahmoud Afsharian, Ashia Investments and David Raftery.
<b>Exchange:</b>	The Vancouver Stock Exchange.
<b>fault:</b>	A fracture in a rock where there has been displacement of the two sides relative to one another parallel to the fracture.
<b>fixed carbon:</b>	In the case of coal, the solid residue other than the ash, obtained by destructive distillation, determined by definite prescribed methods.
<b>fluidity:</b>	Commonly refers to the result from the "Geiseler Plasticity" test on coal samples – a rheological test (coal quality test) used on metallurgical coals.
<b>fold:</b>	A bend or undulation in strata caused by compression.
<b>footwall:</b>	The mass of rock beneath a coal seam, fault plane, or vein.
<b>fossiliferous:</b>	Containing organic remains or fossils.
<b>FSI:</b>	Free Swelling Index: A measure of a coal's caking capacity; with respect to metallurgical coals, an important indication of its potential for coke making; a coal quality test.
<b>geophysical logging:</b>	Refers to the use of down hole geophysics to measure certain aspects of the strata through which the drill hole passes.
<b>glauconitic:</b>	Containing glauconite, a green mineral closely related to the micas; commonly occurs in sedimentary rocks of marine origin.
<b>Guarantee:</b>	Has the meaning ascribed to it under " <i>Plan of Distribution</i> ".
<b>ha:</b>	Hectare.
<b>hanging wall:</b>	The mass of rock above a coal seam, fault plane, or vein.
<b>horizon:</b>	An interface indicative of a particular position in a stratigraphic sequence.
<b>hvb:</b>	High-volatile bituminous.
<b>isoclinal fold:</b>	A fold the limbs of which have parallel dips.
<b>km:</b>	Kilometre.
<b>lens:</b>	A body of rock or coal thick in the middle and thin at the edges.
<b>Lillyburt Agreements:</b>	The acquisition agreement dated November 27, 1997, between the Company and Morris Geological Co. Ltd. together with the acquisition agreement dated November 27, 1997, between the Company and G.S. Reeves Associates International Ltd.
<b>Lillyburt Property:</b>	Has the meaning ascribed to it under " <i>Other Properties - Lillyburt Property</i> ".
<b>Listing Day:</b>	The day on which the Company's shares are listed, posted and called for trading on the Exchange.
<b>lithic, lithologic:</b>	Refers to sediments or rocks in which rock fragments are more important proportionally than feldspar grains.
<b>lithology:</b>	The description of rocks on the basis of such rock characteristics as colour, mineralogic composition, and grain size.
<b>lvb:</b>	Low-volatile bituminous.
<b>m:</b>	Metre.
<b>mBCM:</b>	Million bank cubic metres.
<b>metallurgical coal:</b>	Coal used in iron-making processes; also referred to as " <i>coking coal</i> ".
<b>mm:</b>	Millimetre.

<b>mt:</b>	Million tonnes.
<b>mtpy:</b>	Million tonnes per year.
<b>mvb:</b>	Medium-volatile bituminous.
<b>Offering:</b>	The offering and sale of the up to 1,100,000 Shares pursuant to this prospectus.
<b>Offering Day:</b>	Has the meaning ascribed to it under " <i>Plan of Distribution</i> ".
<b>open-pit:</b>	A mine working or excavation open to the surface.
<b>outcrop:</b>	The exposure of bedrock or strata projecting through the overlying cover of soil.
<b>oxide:</b>	Also oxidized; with reference to coal, the alteration of the coal's characteristics by weathering and exposure to oxygen.
<b>Paleozoic:</b>	An era of geologic time from about 570 to about 225 million years ago.
<b>parting:</b>	A layer of rock in a coal seam.
<b>petrography:</b>	The systematic description and classification of rocks (coal) using microscopic analysis.
<b>plunge:</b>	With reference to coal seam structures, the vertical angle between a horizontal plane and the line of maximum elongation of the structure.
<b>Pooling Agreement:</b>	The pooling agreement dated August 31, 1998, among Montreal Trust Company of Canada, the Company and certain of the Company's seed shareholders.
<b>proximate analysis:</b>	In the case of coal and coke, the determination, by prescribed methods, of moisture, volatile matter, fixed carbon (by difference), and ash.
<b>Qualification Report:</b>	The qualification report dated December 1998, entitled " <i>Belcourt Property, Western Coal Corp., Qualification Report</i> " and prepared by Beacon Hill Consultants (1988) Ltd.
<b>quartzite:</b>	In sedimentary rocks, a very hard unmetamorphosed sandstone, consisting mainly of quartz grains that have been so solidly cemented with secondary silica that the rock breaks across or through the grains rather than around them.
<b>rank:</b>	Those differences in the pure coal material due to geological processes designated as metamorphic, whereby the coal material changes from peat through lignite and bituminous coal to anthracite; degree of coalification.
<b>raw coal:</b>	Coal that has not been subjected to a cleaning process.
<b>reflectance:</b>	A petrographic measurement made on a coal sample.
<b>Regulatory Authorities:</b>	The Exchange and the British Columbia Securities Commission.
<b>reserves:</b>	That part of a resource which can be legally mined at a profit under specified conditions that are generally accepted by the mining industry as reasonable under current economic conditions, demonstrated by at least a preliminary feasibility study based on measured resources and indicated resources only.
<b>resources:</b>	A deposit or concentration of a natural, solid, inorganic or fossilized organic substance other than natural ground water, petroleum, natural gas, bitumen or related hydrocarbons, in such quantity and at such grade or quality that extraction of the material at a profit is currently or potentially possible.
<b>rheological:</b>	Descriptive of rheology, a study of the flowage of materials, particularly flow of solids and flow of non-Newtonian liquids.
<b>sandstone:</b>	A cemented or otherwise compacted detrital sediment composed predominantly of quartz grains, the grades of the latter being those of sand.
<b>Saxon East Property:</b>	Has the meaning ascribed to it under " <i>Other Properties - Saxon East Property</i> ".
<b>seam:</b>	A stratum or bed of coal.

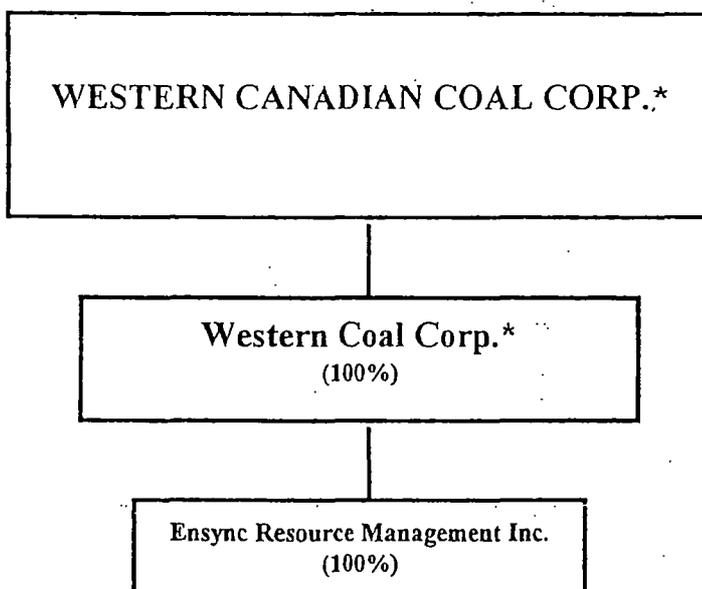
<b>Securities Act:</b>	<i>Securities Act</i> (British Columbia).
<b>sedimentary:</b>	Rock formed of sediment, such as conglomerate, sandstone and shale, formed of fragments of other rock transported from their sources and deposited in water.
<b>shale:</b>	Fine-grained sedimentary rock, formed from clay, silt or mud.
<b>share:</b>	A common share in the capital of the Company.
<b>Share:</b>	A previously unissued common share in the capital of the Company being offered hereunder.
<b>sideritic:</b>	Containing a mineral siderite, FeCO <sub>3</sub> , and commonly containing magnesium and manganese.
<b>siliceous:</b>	Descriptive of a rock containing abundant silica.
<b>siltstone:</b>	Sedimentary rock formed from silt, lacking finely laminated nature of shale.
<b>split:</b>	A coal stratum that has separated from the main seam by the development of a rock parting.
<b>Sponsorship Agreement:</b>	The sponsorship agreement dated January 27, 1999, entered into between the Agent and the Company with respect to the Company's application for listing on the Exchange.
<b>strata:</b>	Tabular or sheet-like layers of sedimentary rock, distinct from layers above and below.
<b>stratigraphy:</b>	Refers to the arrangement of the local rock strata, especially as to geographic position and chronologic order of sequence.
<b>strike:</b>	The direction or bearing of a horizontal line in the plane of an inclined stratum, fault or other structural plane. It is perpendicular to the direction of the dip.
<b>strip ratio:</b>	In the case of coal, the unit amount of overburden (soil and rock) that must be removed for each unit amount of coal mined, expressed as BCM:tonne (bank cubic metres per tonne).
<b>subcrop:</b>	A subsurface trace of bedrock or strata overlain by a layer or mantle of incoherent rock materials and soils.
<b>syncline:</b>	A fold in rocks in which the strata dip inward from both sides toward the axis.
<b>synclorium:</b>	A broad regional syncline made up of a series of minor synclines and anticlines.
<b>tailings:</b>	The fine waste portion of washed coal; includes fine rock particles and fine coal not recovered by the process.
<b>thermal coal:</b>	Coal used to produce heat, as in a coal-fired power station.
<b>thrust fault:</b>	Fault with a dip of 45 degrees or less, where the hanging wall appears to have moved up over the footwall.
<b>topographic map:</b>	Map showing the surface physical features of an area, generally by means of contour lines.
<b>Triassic:</b>	The earliest of the three geologic periods comprised in the Mesozoic era.
<b>UTM:</b>	Universal Transverse Mercator, refers to an international system of survey coordinates.
<b>volatile matter:</b>	Those products exclusive of moisture, given off by a material as gas and vapor, determined by a definite prescribed methods.
<b>washability:</b>	Refers to tests and analyses done on coal to estimate its amenability to improvement in quality by cleaning.
<b>WCC:</b>	Western Coal Corp., a British Columbia company which is the wholly-owned subsidiary of the Company.
<b>WCC Share Purchase Agreement:</b>	The share purchase agreement dated October 31, 1997, between the Company and the shareholders of WCC, being David Fawcett, Kevin James, Kinder Deo, Mahmoud Afsharian, Ashia Investments, Conrad Swanson and (Douglas) David Austin.
<b>yield, plant:</b>	The amount of product recovered in the cleaning process, expressed as a percentage of the feed material.

**THE COMPANY**

The Company was incorporated on October 2, 1997, under the name Western Canadian Coal Corp. by registration of its memorandum and articles under the Company Act. The Company will become a reporting issuer in British Columbia upon issuance of a receipt for this prospectus from the British Columbia Securities Commission.

Western Coal Corp. ("WCC"), the Company's wholly-owned subsidiary, was incorporated on April 21, 1997, under the name of Western Coal Corp. by registration of its memorandum and articles under the Company Act.

Ensync Resource Management Inc. ("Ensync"), the wholly-owned subsidiary of WCC, was incorporated on January 25, 1993, under the name of Ensync Enterprises Inc. by registration of its memorandum and articles under the Company Act. On June 24, 1994, the company changed its name to Ensync Resources Inc. and on April 5, 1995, it changed its name to Ensync Resource Management Inc. Ensync is currently an inactive company.



See "The WCC Share Purchase Agreement" for background information on the corporate structure and the accounting treatment for the purposes of the Company's financial statements which are attached hereto.

The head office and address for service of the Company is located at Suite 200, 580 Hornby Street, Vancouver, British Columbia, V6C 3B6, and its registered and records office is located at Suite 2550, 555 West Hastings Street, Vancouver, British Columbia, V6B 4N5.

**BUSINESS OF THE COMPANY**

**Description and General Development**

The Company's principal business since incorporation in October, 1997, has been and continues to be the acquisition, exploration and development of coal licenses. David Fawcett and Kevin James began acquiring coal licenses and compiling property information and data through Ensync in 1995. In 1997, WCC acquired Ensync and all of the coal licenses previously held by Ensync were transferred into the name of WCC in order to keep all coal licenses in one corporate entity, thereby leaving Ensync an inactive company. From 1997 to present, WCC continued to acquire coal licenses which are all registered in the name of WCC. At present, WCC owns four groups of coal licenses, which are commonly referred to as the Belcourt Property, the Lillyburt Property, the

Saxon East Property and the Brazion Property, all of which properties are located in British Columbia and which are more particularly described under "The Company's Principal Property - The Belcourt Property" and "Other Properties".

The Company is in the exploration stage and intends to carry out a work program on the Belcourt Property which will consist of data compilation, topographic mapping, drilling, reclamation, coal characterization, environmental work and pre-feasibility studies (see "The Company's Principal Property - The Belcourt Property - Qualification Report").

The Company intends to focus its efforts on its existing properties but will also continue to seek and acquire additional coal licenses worthy of exploration and development.

### Summary and Analysis of Financial Operations

The following table sets out selected financial information for the periods indicated.

	3 Month Period-Ending June 30, 1998 <sup>(1)</sup>	From Incorporation (April 21, 1997) to March 31, 1998 <sup>(1)</sup>
Revenues/ Gross Profit	nil	nil
Exploration and Development Expenses	\$74,605	\$181,355
General and Administrative Expenses	\$30,522	\$62,145
Net Income (Loss)	(\$30,522)	(\$62,145)
Working Capital <sup>(2)</sup>	(\$564,861)	(\$451,953)
<b>Properties:</b>		
Deferred Exploration and Development	\$255,960	\$181,355
Other Assets <sup>(3)</sup>	\$208,387	\$208,455
Long Term Liabilities	nil	nil
Shareholders' Equity		
Dollar Amount <sup>(2)</sup>	(\$92,664)	(\$62,143)
Number of Securities <sup>(2)(4)</sup>	1	1

**Notes:**

(1) For further details, reference should be made to the audited financial statements for the 3 month period ended June 30, 1998, and the period from incorporation (April 21, 1997) to March 31, 1998, attached to and forming part of this prospectus. For accounting purposes, the financial statements for the Company and WCC have been pooled to reflect the fact that these companies have been operated under common control. Upon completion of the WCC Share Purchase Agreement on October 5, 1998, WCC became the wholly-owned subsidiary of the Company. See "The WCC Share Purchase Agreement" for further details.

(2) As at June 30, 1998, the Company had received subscription agreements for 1,141,250 shares with an aggregate cash value of \$425,750, which subscription funds were advanced to the Company as interest free advances until such time as the subscription offers were accepted by the Company. All of these subscriptions were accepted by the Company and issued and allotted on October 5, 1998, and will be reflected as such in the Company's future financial statements for the period covering October, 1998.

In addition, during the period ended June 30, 1998, the Company agreed to issue 4,250,000 shares for an ascribed value of \$34,768 in consideration for all of the issued and outstanding shares of WCC (see "The WCC Share Purchase Agreement") and 100,000 shares at a deemed value of \$0.25 in consideration for the Lillyburt Property (see "Other Properties - Lillyburt Property"). These shares were subsequently issued and allotted on October 5, 1998 and will be reflected as such in the Company's future financial statements for the period covering October, 1998.

(3) Coal License acquisition costs and capital asset costs.

(4) There were 5,870,063 shares issued and outstanding as of December 31, 1998, of which 4,563,812 are escrowed securities that will be released from escrow as to 684,572 shares on the Effective Date, 684,572 shares on each of the first, second, third, fourth and fifth anniversaries of the Effective Date and 456,380 shares on the sixth anniversary of the Effective Date (see "Escrowed Securities"). Upon the successful completion of the Offering, assuming all Shares are sold and after issuance to the Agent of 25,000 shares in consideration of its corporate finance fee, a total of 6,995,063 shares will be issued and outstanding, prior to the exercise of the Agent's Warrants or any incentive stock options (see "Existing and Proposed Share Capital").

## Management's Discussion and Analysis of Financial Conditions and Results of Operations

The Company is in the business of acquiring, exploring and developing coal properties and does not have a source of revenue at this time.

From incorporation to June 30, 1998, the Company raised \$425,751 from the sale of 1,064,376 shares. During this period, the Company also agreed to issue 100,000 shares at a deemed value of \$0.25 per share in consideration for the acquisition of the Lillyburt Property and the Company agreed to issue 4,250,000 shares for the acquisition of all of the shares of WCC, for an ascribed value of \$34,768.

From incorporation to March 31, 1998, the Company expended \$181,355 on exploration costs related to its properties (\$177,729 on the Belcourt Property and \$3,626 in the Lillyburt Property), and during the three month period ended June 30, 1998, the Company expended an additional \$74,605 on exploration costs related to the Belcourt Property. Total exploration costs of \$255,960 consisted of consultant fees (\$72,042); drilling (\$58,025); geological and geophysical (\$41,608); maintenance costs associated with the coal licenses (\$75,520); assaying (\$2,102) and miscellaneous costs (\$7,163). The \$255,960 of exploration expenditures have been capitalized as deferred resource property expenditures in accordance with CICA accounting procedures.

From incorporation to March 31, 1998, the Company expended \$207,084 on acquisition costs related to the coal licenses (being \$25,000 in the issuance of 100,000 shares @ \$0.25 per share and cash payments of \$85,000 relating to the Lillyburt Property - see "*Other Properties - Lillyburt Property*"; and \$97,084 in the acquisition of the licenses comprising the Belcourt Property.). From incorporation to March 31, 1998, the Company also expended \$1,303 (net of accumulated amortization) on furniture and equipment.

From incorporation to March 31, 1998, the Company expended \$62,145 in administrative costs, primarily for legal and accounting expenses (\$18,218); consulting fees (\$14,195); management fees (\$12,500); travel expenses (\$9,635); rent (\$4,800); and other miscellaneous costs (\$2,797). During the three month period ended June 30, 1998, the Company expended an additional \$30,522 on administrative expenses, consisting of legal and accounting expenses (\$11,563); consulting fees (\$7,800); management fees (\$7,500); rent (\$2,400) and other miscellaneous costs (\$1,259).

During the three month period from July 1, 1998 to September 30, 1998, the Company raised \$151,525 from the sale of 378,812 shares (see Note 8(b) of the financial statements attached hereto). From July 1, 1998 to September 30, 1998, the Company did not expend any funds on exploration costs. During this three month period the Company expended \$21,962 in administrative costs, primarily for management fees (\$10,000); rent (\$2,400); consulting fees (\$7,226) and other miscellaneous costs (\$2,336).

During the three month period from October 1, 1998 to December 31, 1998 the Company paid for the continuance of coal licences (\$6,300) and incurred administrative expenses of \$16,243, primarily for management fees (\$7,500); rent \$(1,950); consulting fees (\$3,893); accounting / audit (\$1,135) and other miscellaneous costs (\$1,765). During this period the Company spent \$6,000 on exploration related costs. In addition, the Company spent \$18,226 on financing costs in the period. As at December 31, 1998, the Company had a working capital deficiency of \$(30,745).

The Company has no long term liabilities.

## THE COMPANY'S PROPERTIES

### THE WCC SHARE PURCHASE AGREEMENT

Pursuant to the WCC Share Purchase Agreement dated October 31, 1997, between the Company and all of the shareholders of WCC (David Fawcett, Kevin James, (Douglas) David Austin, Conrad Swanson, Kinder Deo, Mahmoud Afsharian and Ashia Investments), the Company purchased all of the issued and outstanding shares of WCC from all of the shareholders of WCC in consideration for the issuance of an aggregate of 4,250,000 shares which were issued into escrow pursuant to the "Proposal for a National Escrow Regime Applicable to Initial Public Distributions" published by the Canadian Securities Administrators on May 8, 1998 (see also NIN #98/22) (all of which shares are escrowed pursuant to the Escrow Agreement - see "Escrowed Securities"). (Pursuant to accounting policies, the ascribed value for the acquisition of the WCC shares was determined to be \$34,768 - see the *Financial Statements* attached to and forming part of this prospectus.) As additional consideration, the Company will pay a royalty of 0.75% of the selling price for all coal sales from the Belcourt Property on an annual basis to certain shareholders of WCC (the royalty of which is to be divided among David Fawcett as to 27.5%, Kevin James as to 27.5%, (Douglas) David Austin as to 22.5% and Conrad Swanson as to 22.5%). The 4,250,000 shares were issued on October 5, 1998, at which time WCC became the legal subsidiary of the Company. For accounting purposes the Company and WCC are considered to have been operating under common control and consequently the financial statements attached to and forming part of this prospectus have been pooled to reflect this arrangement.

### THE COMPANY'S PRINCIPAL PROPERTY - THE BELCOURT PROPERTY

#### Ownership

Pursuant to the WCC Share Purchase Agreement, the Company acquired all of the issued and outstanding shares of WCC (see "The WCC Share Purchase Agreement" for further details). WCC owns all of the following coal licenses which are located in the Rocky Mountain Foothills belt of northeastern British Columbia and which are collectively referred to as the "Belcourt Property":

Block	Coal License	Area (ha)	Date Recorded	Renewal Date
Red Deer	336921	300	June 15/95	June 15/99
	336922	300	June 15/95	June 15/99
	343944	300	Mar 11/96	Mar 11/99
	353022	300	Dec 12/96	Dec 12/99
	353023	300	Dec 12/96	Dec 12/99
	353024	300	Dec 12/96	Dec 12/99
Holtslander	336923	300	June 15/95	June 15/99
	336924	300	June 15/95	June 15/99
	343945	301	Mar 11/96	Mar 11/99
	356250	301	May 29/97	May 29/99
	356251	301	May 29/97	May 29/99
	356477	301	June 11/97	June 11/99
Huguenot	355843	301	May 14/97	May 14/99
	355844	301	May 14/97	May 14/99
	355846	301	May 14/97	May 14/99
	355847	301	May 14/97	May 14/99

Omega	356635	302	June 19/97	June 19/99
	356636	302	June 19/97	June 19/99
	356637	302	June 19/97	June 19/99
	356639	302	June 19/97	June 19/99
	356640	302	June 19/97	June 19/99

The Company has received a title report from its solicitors with respect to the Belcourt Property.

### Qualification Report

The Belcourt Property is the subject of a qualification report (the "*Qualification Report*") dated December 1998, entitled "*Belcourt Property, Western Coal Corp., Qualification Report*", prepared by Beacon Hill Consultants (1988) Ltd. A copy of the Qualification Report may be inspected at the Company's registered and records office located at Suite 2550, 555 West Hastings Street, Vancouver, British Columbia, during normal business hours while the primary distribution of the shares offered hereunder is in progress and for a period of thirty (30) days thereafter. The following italicized text has been excerpted, in part, from the Qualification Report.

**Disclaimer by Beacon Hill Consultants (1988) Ltd.:** "Beacon Hill Consultants (1988) Ltd. has relied upon work and reports completed by others to prepare this report. Beacon Hill has not completed any checks to confirm or otherwise the results of the work or reports and while Beacon Hill has no reason to doubt the correctness of the work and reports, Beacon Hill takes no responsibility for the accuracy of work completed by others."

### *SUMMARY*

#### *Conclusions and Recommendations*

*It is concluded from this study that the Belcourt coal project is one of merit which contains potentially economic, open-pittable coal resources in the Holtslander and Red Deer blocks sufficient to provide for a minimum production level of 2.0 million tonnes/year, with the potential for expansion should markets warrant. Additional resources of low strip ratio coal are also available from the Omega block. These resources could be mined in conjunction with those of Holtslander and Red Deer, or developed after those resources are depleted.*

*The reports prepared by Denison Mines Limited, which discuss various exploration campaigns, provide detailed, comprehensive assessments of the project and present a fair and reasonable evaluation of the potential of the property. The work conducted by Denison justified the completion of a full feasibility study on the Red Deer area in 1982 by Wright Engineers Ltd. Exploration work carried out in February-March 1998 on part of the Holtslander block has yielded results consistent with expectations based upon Denison's previous work.*

*At this time the property is not considered to host a proven, commercial "ore" body. As any future evaluation of project feasibility will be based on a development strategy different from that envisaged in previous studies, it is recommended that further work be conducted to develop computerized geological models, undertake coal characterization studies and complete a pre-feasibility study for the combined Red Deer-Holtslander area. The recommended work program is estimated to cost \$253,000.*



## Project Synopsis

The Belcourt property is located approximately 85 km southeast of the town of Tumbler Ridge in northeastern British Columbia. It consists of 21 coal licences contained within four blocks, designated as Red Deer, Holtslander, Huguenot and Omega. The licences were originally acquired by Ensync Resource Management Inc. and 528951 B.C. Ltd. and were transferred to Western Coal Corp. in April 1998. These licences comprise portions of what was once a much larger Belcourt property acquired and explored by Denison Mines Ltd between 1970 and 1980. In a joint venture with Gulf Canada Resources, Denison carried out major exploration programs between 1978 and 1980 and commissioned pre-feasibility and full feasibility studies, which resulted in the definition of substantial coal reserves on the property.

Expenditures incurred on the property between 1970 and 1982 for exploration and feasibility studies are estimated at approximately \$10.5 million, most of which were incurred from 1978 onwards. Of the total amount, approximately \$9 million to \$9.5 million may be attributed to work conducted on and immediately adjacent to the current Belcourt property licence blocks. Most of the data collected from the exploration programs and coal quality testwork is in the public domain, having been filed as a series of comprehensive assessment reports with the Geological Survey Branch of the B.C. Ministry of Energy and Mines.

The property lies within a belt of Cretaceous strata that forms part of the Rocky Mountain Foothills. The main structural feature in the area is the broad northwesterly plunging Belcourt Anticlinorium whose western margin is bounded by a major westerly-dipping thrust fault. The coal licence blocks are located on the northeasterly limb of the anticlinorium and are underlain mostly by strata of the Lower Cretaceous Bullhead and Fort-St. John Groups. Coal seams occur within several formations in the series but the seams which have the greatest potential for economic development are hosted by the Gates Formation. On the Belcourt property three areas, namely the Red Deer, Holtslander and Omega have been identified as containing potentially mineable coal deposits.

Open pit resources for Red Deer, Holtslander and Omega licence blocks were estimated utilizing geological cross sections and other data from the Assessment Reports submitted by Denison Mines for their 1978 and 1980 exploration activities. A summary of these "open pit" resources is as follows:

Coal resources (m tonnes)	Holtslander	Red Deer	Omega	Total
- Plant Feed	23.75	34.56	44.78	103.09
- Clean Coal	17.66	27.50	34.21	79.37
<b>Strip Ratio:</b>				
- Waste Stripping (MBCM)	101.4	157.1	217.6	476.1
- Stripping Ratio (Raw Coal)	4.27:1	4.55:1	4.86:1	4.62:1

Additional coal resources also underlie areas adjacent to the defined limits of the currently proposed Red Deer and Holtslander open pits. Further exploration and pit design work is expected to identify additional open pit resources developed in shallow pits located on the north end of Red Deer and the south end of Holtslander.

A conceptual mining plan was developed for the Holtslander and Red Deer deposits on the basis of providing sufficient raw coal to produce 2.0 mtpy of clean metallurgical coal. The two pits would be mined by conventional methods (truck and shovel operations) with coal being hauled to a centrally located preparation plant. The pits would be mined in sequence, with Holtslander being developed first. The resources which lie within these conceptual pits would provide a combined mine life of over 20 years. No mining plan was developed for the Omega area, but an operation similar to Holtslander/Red Deer is envisaged.

The flowsheet recommended for cleaning the run-of-mine coal utilizes a dense medium bath, dense medium cyclone, water only cyclones and flotation. Expected plant yields are estimated at 73% for Holtslander and 78% for Red Deer. Flowsheet options for Omega coal were not reviewed, but an assumed yield of 75% was used in the resource estimates.

On site facilities to be constructed for the project would include coal storage and loadout, tailings storage, maintenance shops and offices. Off-site infrastructure requirements would comprise of a rail line extension from the Quintette minesite, upgrading and construction of access roads to the property and construction of a new power line.

The estimated capital and operating costs for the conceptual mining plan are summarized as follows:

- **Capital Costs (\$ millions)**

<i>Initial Capital</i>	- <i>Mining</i>	61.9
	- <i>Plant and Infrastructure</i>	81.3
	- <i>Indirects</i>	<u>30.3</u>
	<i>Total</i>	<u>173.5</u>
<i>Ongoing Capital</i>	- <i>Equipment and misc.</i>	78.9
	- <i>Reclamation</i>	8.0
	<i>Total</i>	<u>86.9</u>

- **Operating Costs (per tonne clean coal)**

	<i>Holtslander</i>	<i>Red Deer</i>
- <i>Mining</i>	\$ 13.15	\$ 13.77
- <i>Plant/G &amp; A</i>	9.98	9.98
- <i>Transportation</i>	<u>26.00</u>	<u>26.00</u>
<i>Total</i>	<u>\$ 49.13</u>	<u>\$ 49.75</u>

**PROPERTY DESCRIPTION**

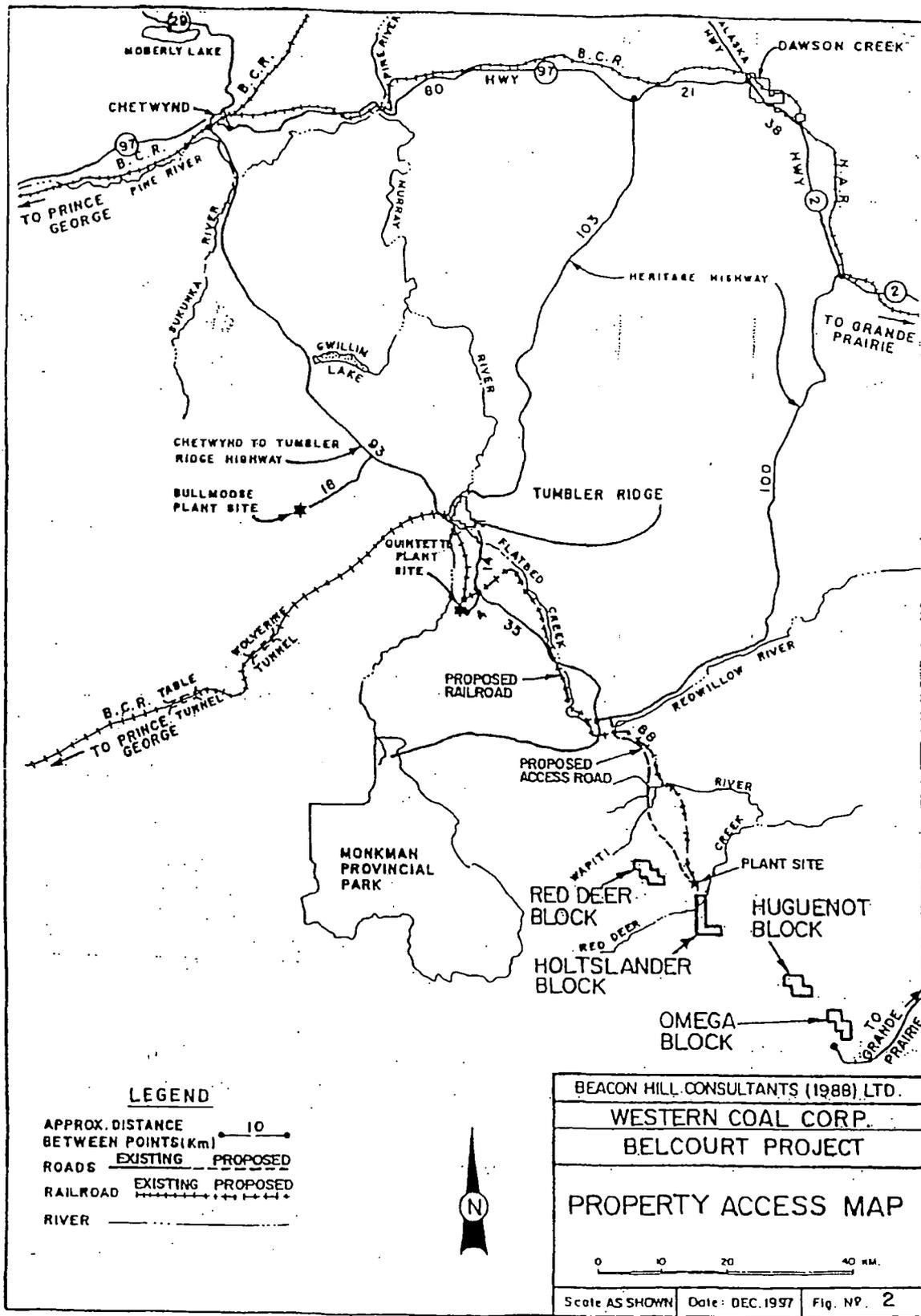
**Location and Access**

The Belcourt property is located along the Rocky Mountain Foothills belt of northeastern British Columbia between latitudes 54° 22' to 54° 38' and longitudes 120° 1' 30" to 120° 31' 15". The property is accessible by paved and gravel roads, either from Tumbler Ridge, B.C., over a distance of 85 km or from Grande Prairie, Alberta, over a distance of 170 km. Access within the property is limited to secondary and tertiary road systems constructed primarily for logging, oil/gas exploration and development and by previous coal exploration drill trails and by abandoned seismic trails. The property location is shown on Figures 1 and 2.

**Coal Licences, Property Size and Divisions**

The property comprises a total of 21 coal licences contained within four blocks, the Holtslander, Red Deer, Huguenot and Omega blocks. [Details regarding the coal licences that make up each block are outlined in "The Company's Principal Property - The Belcourt Property - Ownership" above].





**LEGEND**

APPROX. DISTANCE BETWEEN POINTS (km) 10

ROADS EXISTING PROPOSED

RAILROAD EXISTING PROPOSED

RIVER EXISTING PROPOSED



BEACON HILL CONSULTANTS (1988) LTD.		
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PROPERTY ACCESS MAP		
0 10 20 40 KM.		
Scale AS SHOWN	Date: DEC. 1997	Fig. N <sup>o</sup> . 2

## **Physiography**

The topography of the Belcourt property is typical of the southern and central portions of the Rocky Mountain Foothills. Elevations range from approximately 960 m A.S.L. at valley floors to over 2130 m. The general drainage pattern transects the north-westerly topographic grain, with the major streams draining into the easterly flowing Wapiti River.

The climate in the area is characterized by long severe winters and short cool summers. Prevailing winds are from the southwest and are strong at high elevations. Annual precipitation is estimated at 800 to 1100 mm. The most common types of vegetation are boreal and subalpine coniferous trees. Alpine vegetation predominates above the tree line.

## **WORK HISTORY**

### **Introduction**

The current Belcourt coal licences comprise selected portions of what was once a much larger property of the same name. The original property consisted of 55 coal licences (covering 14,205 ha) granted to Denison Mines Ltd. (Denison) in autumn 1970. These licences were acquired on the basis of published regional geology which indicated the occurrence of the coal-bearing Gates Formation within the area. Exploration conducted by Denison between 1972 and 1976 confirmed the existence of thick, potentially economic coal seams within the Gates Formation.

In April, 1978 Denison formed a joint venture (the Belcourt Coal Joint Venture) with Gulf Canada Resources Inc. to explore and develop the property. Additional coal licences were acquired bringing the total to 144 contiguous coal licences. The property covered an area of approximately 36,500 hectares which made it the largest coal property in western Canada at that time. Denison, acting as operator for the joint venture, conducted major exploration programs during the summer of 1978, 1979 and 1980. The objective of these programs was to gather adequate data on coal seam distribution, thickness, quality and geologic structure in order that coal resources could be estimated and potential open pit mining areas could be identified. Various environmental studies were also initiated.

All of the exploration data gathered from the work programs is available together with interpretations and various conclusions filed as Coal Assessment Reports with the British Columbia Geological Survey Branch. A preliminary feasibility study was completed in March 1980 and a full feasibility study was undertaken in 1982; these are not publically available. The exploration activities conducted on the old property are summarized below; these summaries have been taken in whole, in part or have been paraphrased from the Assessment Reports.

### **Summary of Previous Exploration**

Prior to the formation of the Belcourt Coal Joint Venture in 1978, work undertaken by Denison Mines Ltd included the following:

- 1972 - aerial photography and topographic mapping
- 1975 - aerial photography, ground control survey and geologic mapping
- 1976 - preparation of topographic base maps, geologic mapping and the completion of two diamond drill holes totalling 112 m
- 1977 - geologic mapping, 26 hand trenches and stratigraphic section measurement

Major field programs were carried out between 1978 and 1980; a summary of these is outlined below. Feasibility Studies were carried out by independent consultants in 1980 and 1982. These are also listed below.

**Photogrammetry and Ground Control**

Triangulation stations were established throughout the property prior to aerial photography. Topographic base maps utilizing a UTM grid system were prepared at scales of 1:25,000 and 1:5,000. All drill holes and adits were surveyed from the established triangulation networks.

**Geological Mapping**

Detailed geological mapping was conducted on a scale of 1:2,500 during 1978, 1979 and 1980. Each data point was located by compass and chain traverses or by aerial photographs. Field data were compiled on 1:5,000 scale topographic base maps.

**Trenching**

Hand trenching was carried out to define the surface trace and measure the thicknesses of the coal seams. The trenches were approximately 0.6 m wide and up to 1.5 m deep. All trenches were logged in detail and seam thicknesses measured. A total of 314 hand trenches were dug during the 1978, 1979 and 1980 programs. Three coal seams exposed in river banks were also described. Mechanized trenching was limited to a few accessible places. Six trenches were dug by a backhoe-equipped tractor; 37 seams exposed in road cuts were described and measured. The locations of the trenches were plotted on the respective geological maps.

**Drilling**

The total amount of diamond drilling conducted on the Belcourt property, including the 1976 work, is summarized as follows:

	Diamond Drilling No. of Holes	Total length (m)
1976	2	112
1978	17	5 365
1979	15	4 987
1980	<u>12</u>	<u>3 827</u>
Total	46	14 291

In addition, a total of 3399 m of rotary drilling in 29 holes was completed in 1980. Of these drill holes, 23 diamond and 24 rotary holes totalling 7486 m and 2435 m, respectively are located on or lie immediately adjacent to the new Red Deer and Holslander blocks. A further 11 diamond drill holes totalling 3565 m lie on or adjacent to the new Huguenot and Omega licences.

**Geophysical Logging**

Most of the diamond and rotary holes drilled on the old property were geophysically logged. Apart from hole BD-7602, all diamond drill holes in Red Deer and Holslander were logged. Wherever possible, the following suite of logs were obtained:

- Gamma Ray
- Neutron
- Sidewall Densilog
- Focussed Beam Resistivity
- Caliper
- Direction Survey

### **Drill Core Logging and Sampling**

Basic lithologies were recorded together with sedimentary structures, fossiliferous zones, marker horizons and structural features such as bedding and fractures. Coal seams, including roof and floor characteristics, were logged in detail with close reference to the detailed geophysical logs. Pictorial strip logs were prepared from the written logs.

During the core logging process, coal was classified according to a visual estimate of ash content. The relative lustre of the coal, its relative weight and the trace of the detailed density log were taken into consideration for this estimation. Coal types were thus designated as follows:

Coal Type	Ash %
C1	0 - 10
C2	11 - 20
C3	21 - 30
C4	over 30

Most drill core from coal seams of more than 0.5 m in true thickness were sampled for analysis. The analyses undertaken included chemical, thermal rheological, petrographic, washability and coke oven tests. Details of the analytical procedures and results are discussed in the section entitled "Coal Quality" below.

### **Adits**

Five adits were excavated on the property for a total driveage of 278.5 m. These adits provided bulk samples from the three major coal seams. Adit 79-1-1 in Red Deer sampled the No. 1 seam and adit 79-2-3 sampled the No. 3 and 5 seams simultaneously. In Holtslander, adits 8001 and 8002 sampled No. 1 and 5 seams, respectively. In Ptarmigan-Omega, adit 79-3-1 sampled only the No. 1 seam. All the bulk samples were submitted for washability and coke oven tests. In addition, bulk samples from No. 1, 3 and 5 seams in Red Deer and No. 1 seam in Ptarmigan-Omega were submitted for attrition tests. A combustion test was performed on a combined sample of No. 1 seam from adits 79-1-1 and 8001, and No. 5 seam from adit 8002.

The Free Swelling Index (FSI) of the coal seam was monitored while the adits were being constructed to determine the extent of oxidation. The bulk samples for coke oven test were taken at locations where FSI values ranged from 6 to 6-1/2.

All the adits are located on the current Belcourt licences.

### **Geotechnical Studies**

Initial work on the geotechnical aspects of the Red Deer and Holtslander potential pit areas was undertaken during the 1979 field season. The geotechnical data consisted of the following:

- bedding, joint and fracture measurements;
- core logging and testing;
- methane sampling and testing;
- groundwater monitoring.

A report on the geotechnical work was compiled by Canadian Geological Inc. and forms an appendix to Denison's 1980 assessment report.

**Road Construction**

Much of the work at Belcourt was helicopter-supported. This includes all of the geological mapping and much of the diamond drilling, particularly the drilling away from the Red Deer and Holtslander pit areas. During 1979, a 15.8 km long access road was built towards the proposed Red Deer open pit to haul light equipment for adit excavation. During 1980, an additional 7.05 km of access roads were constructed along abandoned seismic trails in Red Deer and Holtslander to support the adit construction and rotary drilling programs.

**Reclamation**

The total disturbed area on the Belcourt property associated with the various exploration programs amounted to 29.78 ha. This area includes access roads, drill sites, adits and trenches, all of which were reclaimed in accordance with government guidelines.

**Feasibility Studies**

On the basis of the exploration work conducted on the property, the following independent feasibility studies were completed.

- Preliminary Feasibility Study, by Wright Engineers Ltd., March 1980.
- Belcourt Feasibility Study, by Wright Engineers Ltd., December 1982.

These reports are not publicly available.

**Cost of Work Completed**

The estimated cost of the exploration work completed by Denison during the period 1970 to 1977 is estimated at \$0.5 million. It is believed that exploration activities and feasibility studies carried out between 1978 and 1982 cost in excess of \$10 million giving an overall total of at least \$10.5 million. It is estimated that between \$9 million to \$9.5 million can be attributed to exploration conducted on, and immediately adjacent to the current coal licence blocks. These estimates of cost are not adjusted to 1998 values.

**GEOLOGY**

The descriptions of the regional and property geology presented below have been taken mostly from Denison Mines (1980 and 1981). For brevity and ease of reading, specific references to these reports are not made below, except where the authors wish to emphasize the source of the material. Similarly, portions of passages taken in whole or in part are not placed in quotation marks unless special emphasis is intended.

**Regional Geologic Setting**

The Belcourt property lies within a belt of Cretaceous strata that form part of the Rocky Mountain Foothills in northeastern British Columbia. The main structural feature in the area is a broad northwesterly plunging anticlinorium (Belcourt Anticlinorium) whose western margin is bounded by a major westerly-dipping thrust fault that has carried Paleozoic rocks over Lower Cretaceous strata (see Figure 5). Within the anticlinorium the oldest rocks belong to the Triassic Whitehorse Formation. However, these strata are restricted to limited exposures in



valleys that cut through the core of the structure and most of the core of the anticlinorium is underlain by Lower Cretaceous Minnes Group lithologies. Eastwards from the core is a continuous succession of Cretaceous strata, the youngest of which belong to the Kaskapau Formation of the Smokey Group.

The blocks of coal licences that comprise the property are located on the northeastern limb of the anticlinorium and are underlain mostly by strata of the Lower Cretaceous Bullhead and Fort St. John Groups. Within this region, areas of primary interest are represented by a narrow northwesterly-trending belt of tightly folded synclines, anticlines and associated, commonly southwesterly-dipping thrust faults that have placed older units upon younger ones.

The coal seams of greatest economic potential are hosted by the Gates Formation. Other, thinner coal seams also occur in the Minnes Group and within the Gething and Boulder Creek Formations. At present, only the coal seams contained within the Gething and Gates Formations are considered to hold any potential for economic development.

## **Stratigraphy**

### **Gething Formation**

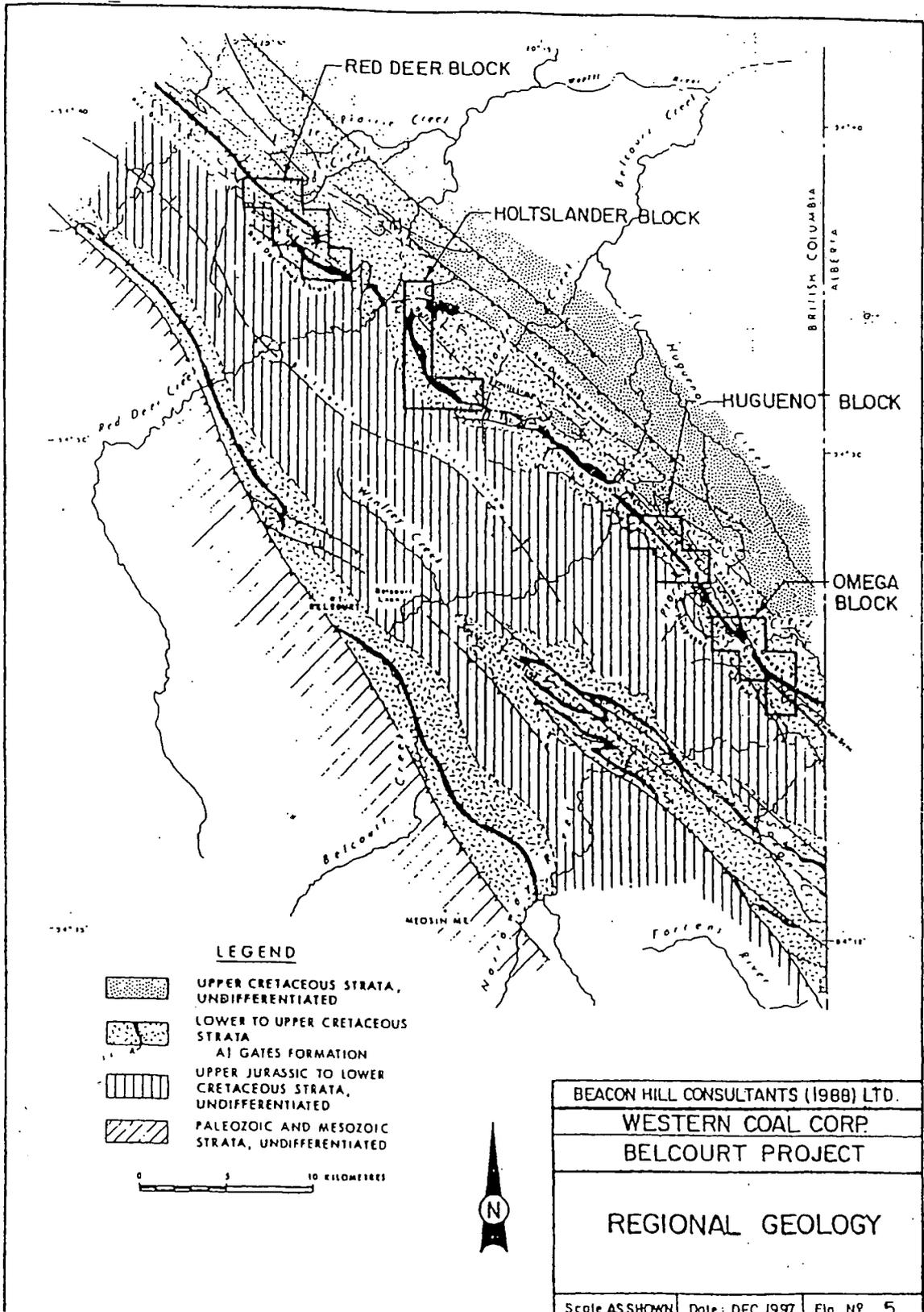
The Gething Formation conformably overlies massive, coarse conglomerates of the Cadomin Formation; together, these units comprise the Bullhead Group. Gething strata consist of brown, calcareous, lithic, very fine to coarse-grained sandstone, siltstone, carbonaceous claystone, conglomerate and coal. The sandstones in the upper portion of the formation contain pebbles and coal stringers, are bioturbated and cross-laminated and show evidence of soft sediment deformation. Sandstone units average from less than 0.5 m to 1 m in thickness. Chert pebble conglomerates, 2 m to 8 m thick, with common carbonaceous partings, are found near the middle of the formation and toward its base. The sub-rounded to well-rounded pebbles are up to 5 cm in diameter and are either clast-supported or set in a coarse sandstone matrix. The Gething Formation commonly occurs in exposed limbs of folds in the western and central portions of the licence blocks. Its thickness ranges from 60 m to 90 m.

### **Moosebar Formation**

The Moosebar Formation comprises the lowermost formation of the Fort St. John Group. It rests abruptly on carbonaceous sandstone of the Gething Formation and Stott (1968) considers this contact to be disconformable. In the Belcourt region, the base of the Moosebar is sandy to pebbly and is glauconitic. This glauconitic horizon is reportedly widespread in the Bullmoose Mountain area to the north, where it is considered equivalent to the Bluesky Formation of the Alberta Plains. The lower part of the Moosebar Formation is a marine, pro-deltaic sequence comprising dark grey, rubbly claystone with thin layers of sideritic concretions. Towards its base are thin, buff to brown bentonitic beds. The claystone grades upward through a transitional zone of laminated siltstone and claystone. Further upwards, the formation becomes a shoreline dominated sequence comprising primarily fine- to medium- to coarse-grained, thin to medium-bedded sandstone, with an attendant gradual decrease and eventual disappearance of claystone. The thickness of the Moosebar in Belcourt varies only between 66 m and 72 m.

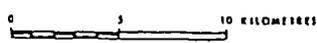
### **Gates Formation**

The Gates Formation is transitional with the underlying Moosebar Formation. In the Belcourt region the base of the Gates Formation is defined at the base of the lowest thick and massive sandstone unit. This lowermost portion of the Gates is characterized by fine-grained, fairly well-sorted sandstones with frequent conglomeratic units and thick beds towards the top. This basal sequence is referred to as the Torrens Member; it is readily identified in outcrop and forms resistant grey sandstone-conglomerate ridges along the length of the property.



**LEGEND**

-  UPPER CRETACEOUS STRATA, UNDIFFERENTIATED
-  LOWER TO UPPER CRETACEOUS STRATA  
A) GATES FORMATION
-  UPPER JURASSIC TO LOWER CRETACEOUS STRATA, UNDIFFERENTIATED
-  PALEOZOIC AND MESOZOIC STRATA, UNDIFFERENTIATED



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<b>REGIONAL GEOLOGY</b>		
Scale AS SHOWN	Date: DEC. 1997	Fig. No. 5

The middle and upper Gates are cyclic successions of carbonaceous sandstones, siltstones, claystones, coal and some conglomerates, deposited in deltaic and flood plain environments. Sandstones are the dominant rock type; they are brownish grey to grey with occasional limonitic stains, generally fine-grained with medium- to coarse-grained and conglomeratic phases, thin to medium-bedded in the upper half of the section and thick-bedded towards the lower half. They generally display tabular to lenticular cross-bedding and contain carbonaceous fragments, rootlets, plant fossils and worm burrows.

Pebble conglomerates occasionally occur as thin lenses within the sandstone, but can range up to 26 m in thickness. The matrix-supported pebbles consist of chert quartzite, quartzitic sandstone and siliceous argillites. They are commonly white to black in colour, but blue and green cherts may also be present (Stott, 1968). The conglomerates commonly occur 70 m to 150 m from the base of the formation. Lithologic variations in the Gates Formation on the Belcourt property are described in greater detail in three generalized stratigraphic sections that form Figures 6, 7 and 8.

Claystones are generally interbedded with sandstones and siltstones; they are grey, silty and carbonaceous with abundant plant fragments. Pyrite is occasionally present. The siltstones are gradational with the sandstone and claystone and frequently exhibit soft sediment deformation.

The interval between the base of the Gates Formation and the first significant coal seam varies from 48 m in the Holtslander block to 82 m in Red Deer block. The total thickness of the Gates Formation is approximately 310 m. Its contact with the overlying Hulcross Formation is marked by a 15 cm basal pebble conglomerate.

#### **Hulcross Formation**

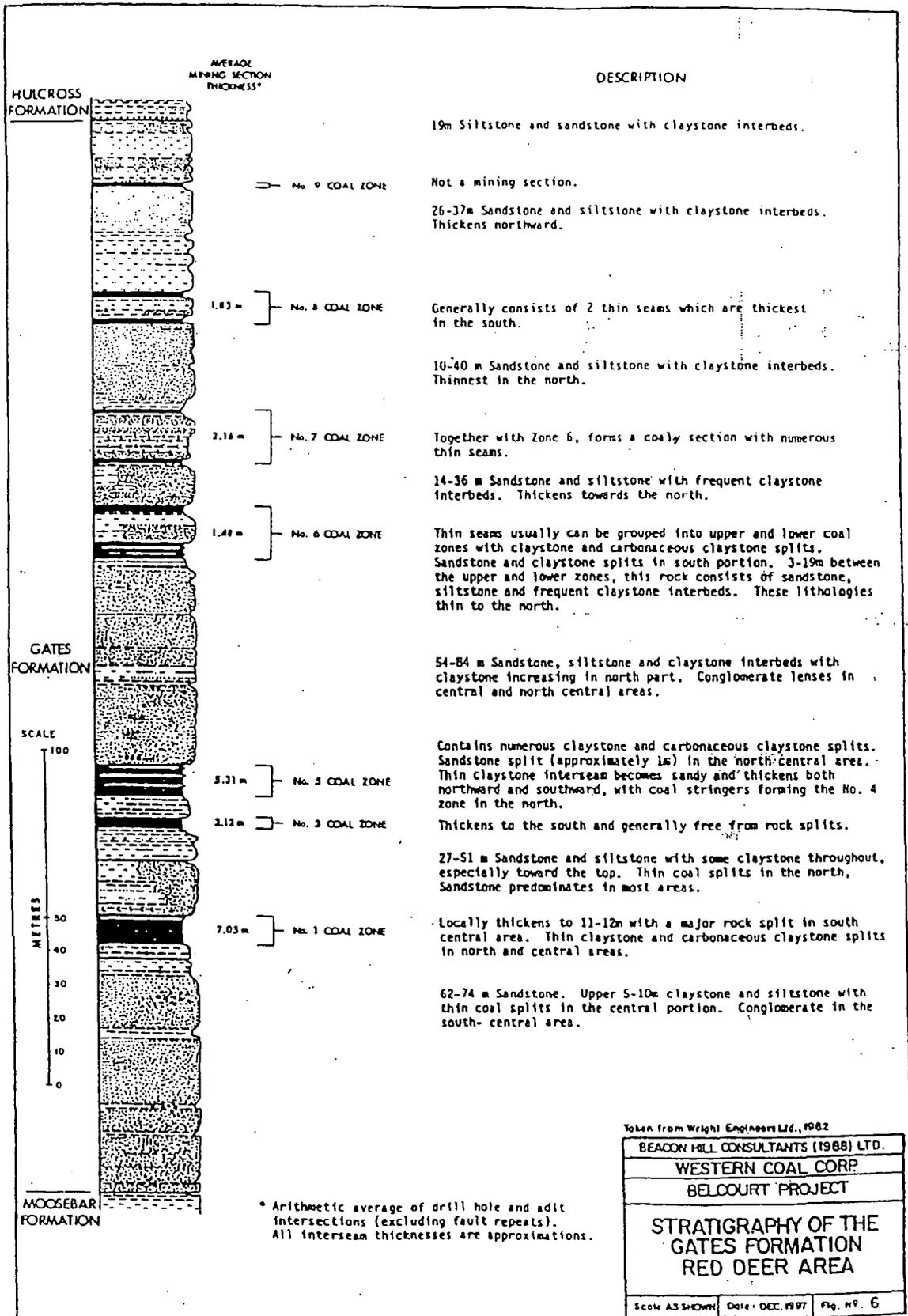
The Hulcross Formation is a sequence of predominantly marine sediments comprising interbedded dark grey to black claystones, light to dark grey, fine-grained sandstones, grey siltstone and a basal conglomerate. The claystone-siltstone horizons commonly contain clay-ironstone concretions. This formation thins markedly to the southeast, from approximately 55 m in the Red Deer block to 30 m in the Omega block.

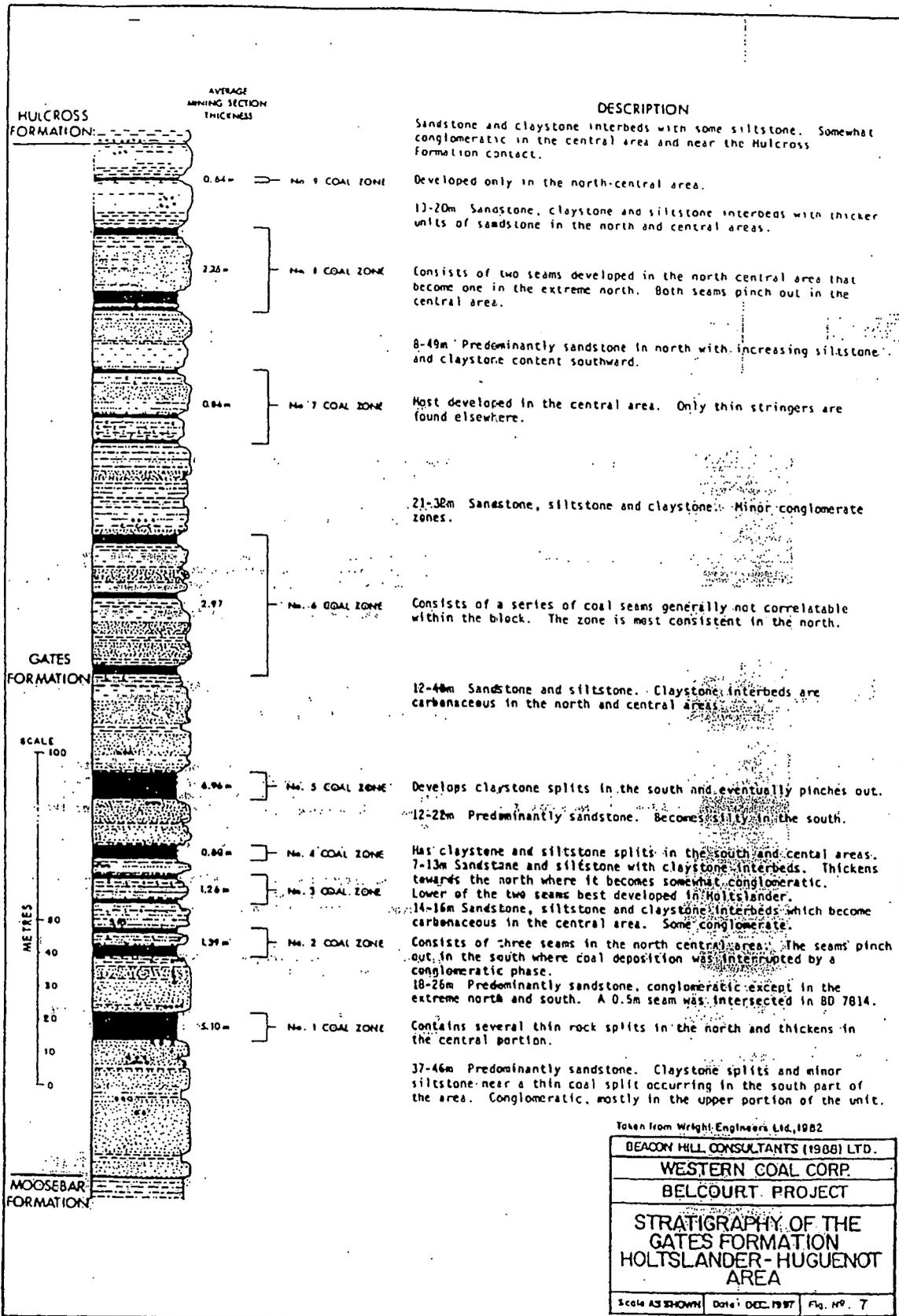
#### **Boulder Creek Formation**

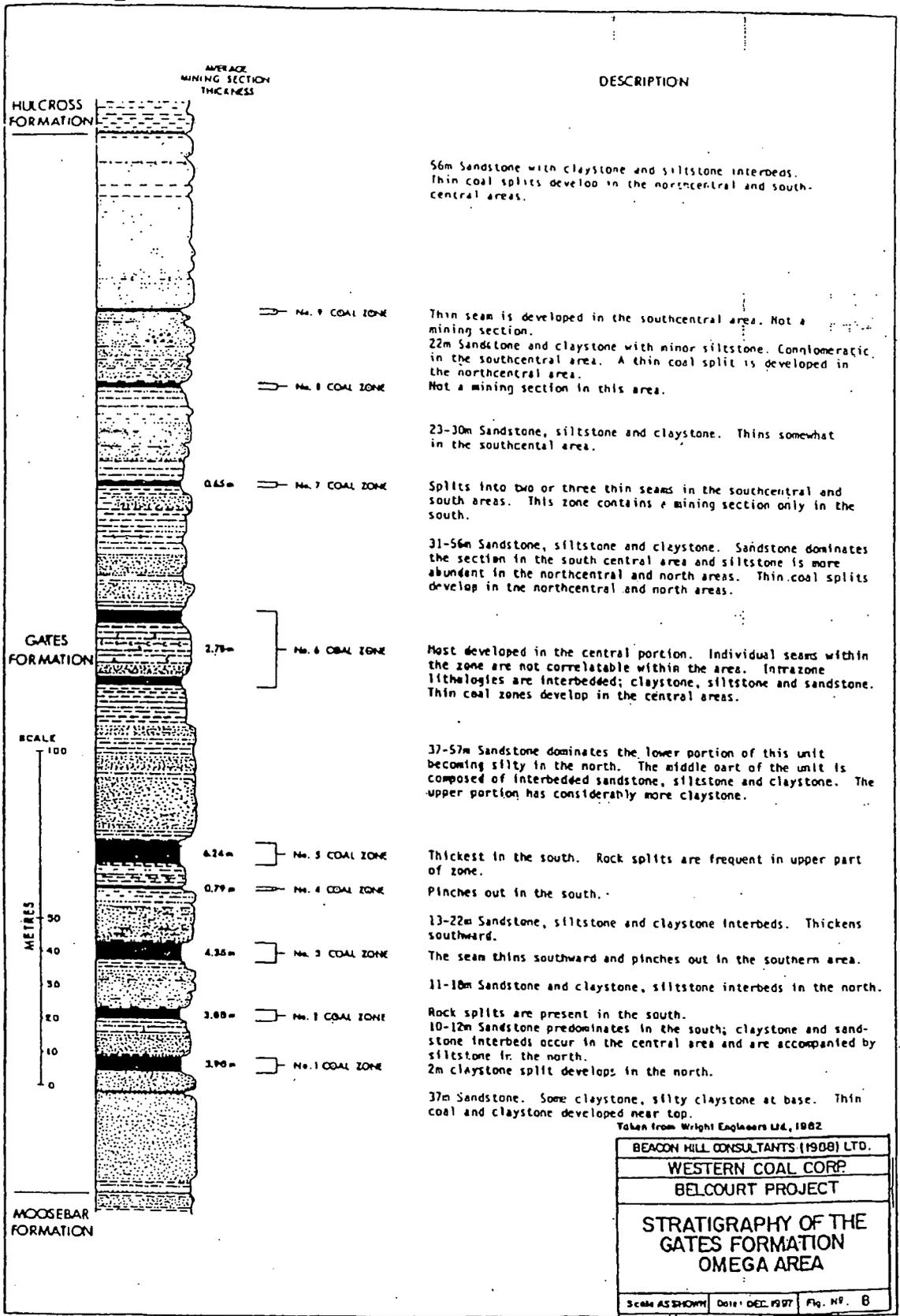
The Boulder Creek Formation comprises predominantly non-marine sedimentary lithologies which include grey to brown, fine to coarse-grained sandstone, chert pebble conglomerate, grey to black claystone and siltstone and a number of coaly and carbonaceous horizons. The formation can be divided into three units of approximately equal thickness (i.e. 20 m to 35 m each). The lowest unit comprises mainly grey sandstones which contain conglomerate and carbonaceous horizons. Claystones and siltstones with coaly and carbonaceous layers make up the middle unit while the upper unit consists mostly of grey to brown sandstones and siltstone. The upper contact is often marked by a thin pebble conglomerate with a siltstone-claystone matrix. The Boulder Creek Formation varies in thickness from 85 m to 98 m and is usually thickest where the underlying Hulcross Formation is thinnest.

#### **Coal Seam Development and Correlation**

Exploration conducted by Denison confirmed the presence of potentially economic coal seams in the Gates Formation within the current coal licence areas. Coal seams were also encountered during mapping and trenching within the Minnes Group and in the Gething and Boulder Creek Formations. However, due to insufficient data, their economic potential has not yet been fully evaluated, although it appears limited. Some drilling was undertaken on Gething seams which provided data for a preliminary evaluation. In this report, therefore, only Gething and Gates coal seams are discussed.







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**STRATIGRAPHY OF THE GATES FORMATION OMEGA AREA**

Scale AS SHOWN Date: DEC. 1957 Page No. 8

### **Gething Coal Seams**

There are three coal zones within the Gething Formation in the Belcourt region. The best developed appears to be the lower zone which occurs near the contact with the Cadomin Formation. In the Red Deer and Holslander areas, the zone comprises two coal seams, each greater than 1.5 m thick. This zone seems to disappear southward before it reaches the Huguenot area. A thick sandstone sequence separates the lower from the middle zone. The latter commonly comprises several thin, poorly-developed coaly seams. In places the middle zone may be capped by a thick conglomerate unit. The upper zone comprises two to three coal seams located close to the Moosebar Formation contact. This zone appears to thicken southwards where, in the Huguenot area, it reaches 1.93 m in thickness. A seam of the Gething, 9.5 m thick, occurs just south of Holslander Creek.

### **Gates Coal Seams**

Gates Coal Seams

The coal seams of the Gates Formation are well established as the most prolific coal-bearing strata in northeastern British Columbia. To the north, minable thicknesses of Gates coal are first encountered just south of Bullmoose Mountain and continue southeastwards to the B.C./Alberta border, a distance of nearly 140 km, and beyond. In the Belcourt region, the average aggregate thickness of the coal seams ranges from approximately 28 m in the Red Deer area to 22 m in the Omega area. Individual seam thicknesses are relatively uniform, but may vary locally in areas of greater structural disturbance. The coal seams are correlatable throughout the entire property.

Nine coal seams and zones were identified in the Gates Formation across the old Belcourt property, No. 1 being the lowermost and No. 9 the uppermost. The term "zone" encompasses a number of closely-spaced coal horizons within a distinct lithologic unit. These lithologic units were used for correlation in areas where individual coal seams are difficult to recognize, due to changes in seam characteristics or their transition into carbonaceous and coaly intervals. The No. 1, 3 and 5 seams are persistent and correlatable over long distances; they maintain their respective thicknesses and stratigraphic position throughout most of the property. The coal intervals within coal zones No. 6, 7, 8 and 9 are correlatable only over short distances, although most of the coal zones, themselves, persist throughout the property.

In the discussion presented below, the term "potential mining section" refers to coal seams, with or without rock bands, which are equal to, or greater than 0.5 m in total true thickness.

#### **• No. 1 Seam**

This seam is defined as the first major seam resting on the uppermost massive sandstone of the Torrens Member. It is present within all four of the coal licence blocks that comprise the Belcourt property and ranges in thickness from less than 2 m to approximately 11 m. The variation in thickness is both depositional and structural. In most places the seam rests directly on sandstone, often includes a 6.5 m rock band near the top, and has a carbonaceous claystone roof. The seam is best developed in the Red Deer area. At Holslander, the lower half of the coal seam often contains rock bands that divide this part of the seam into as many as four coal splits. Only two or three of these splits are usually considered to be potentially mineable, although four mining sections are occasionally indicated.

#### **• No. 2 Zone**

Potential mining sections are present only in the Southern parts of the Omega area and in the Holslander area. In the Omega area, Zone 2 provides up to two mining sections with thicknesses up to 2.53 m and 2.39 m. At Holslander No. 2 Zone mining sections are very thin, reaching a maximum of 0.58 m. Elsewhere on the property, this zone is recognized only as a carbonaceous claystone horizon containing discontinuous coal lenses, lying within well-developed sandstone units. In their last filed assessment report (1981, Open File No. 466), Denison refer to a thick No. 2 Zone (or seam) as being the lowest seam within the Red Deer block and present such an

interpretation on their drawings. However, the cross-sections show the lowest seam labelled as Seam 1. This likely reflects a revised interpretation of coal seam designation which is known to have been used in the later feasibility study. This interpretation is presented in the correlation shown in Figure 9, herein and maintained in the text discussions.

- **No. 3 Seam**

This seam is well-developed over the entire property. In the Red Deer area, it is a clean seam varying in thickness from 1.15 m to 4.92 m. In the Holtslander area, the seam remains clean but thins to less than 2 m. Further south, the seam thickens and includes rock bands. In northern parts of the Omega area, it reaches in excess of 6 m thickness but thins towards the south where it no longer forms a mining section.

- **No. 4 Zone**

This zone is similar to the No. 2 zone, where the coal seams are discontinuous. In Red Deer this zone appears only as a coaly horizon. In their 1981 report, Denison indicates that No. 4 zone contains a thick seam in Red Deer. However, this seam is shown on the cross-sections as Seam 5; and reflects the same correlation revision as discussed for No. 2 Zone above. In the Holtslander and Omega areas the seam thickness ranges from 0.75 to 1.18 m. The stratigraphic position of the zone is marked at the base of a sandstone unit underlying the No. 5 seam. No. 4 Zone does not present a consistent mining section in any of the resource areas.

- **No. 5 Seam**

This seam occurs across the entire property and has characteristics similar to Seam 1. It is thinnest on the Huguenot licences and in the northern parts of the Red Deer block. The seam reaches thicknesses of approximately 8.5 m in Omega, 10.5 m in the southern part of Red Deer and ranges between 4.8 m and 7 m thick in Holtslander.

- **No. 6, 7 and 8 Zones**

These three zones are similar in that each comprises two or more individual coal seams within a distinguishable stratigraphic unit. The coal seams are generally thin, although individual thicknesses may exceed 2 m.

The units within which they occur comprise an interbedded sequence of carbonaceous partings and rock bands of variable thickness. The correlation of these zones is, in places, quite tentative. The No. 6 zone varies in thickness from less than 3 m in Red Deer to greater than 40 m in Omega where the zone is best developed. The No. 7 zone is likewise variable in thickness, ranging from 8 m in Omega to 23 m in Holtslander and Red Deer. The No. 8 is fairly uniform in thickness except in Omega, where it thins to 2 m from an average of approximately 11 m.

- **No. 9 Zone**

This zone, which is stratigraphically 27 m below the Boulder Creek Formation, is the uppermost coal bearing unit in the Gates Formation in Belcourt. The zone includes one thin coal seam which, in the Holtslander area, exceeds 0.5 m in thickness. At present No. 9 Zone is not considered to present a potentially mineable resource.

### **Structure**

The structural style of the Belcourt region is typical of the Rocky Mountain Foothills in northeastern B.C. and is represented by large-scale thrust faulting and intense folding.



## **Folding**

The folds in Belcourt are generally asymmetrical, with axial planes striking northwest and dipping southwest. The folds are more open to the north, but become tighter and, in places, overturned south of the Holtslander. The dominant fold style that characterizes the major anticlines in the property is the 'box fold'. In Belcourt, this type of folding occurs in the footwall of a thrust fault, by secondary folding of the more gently dipping backlimb of an asymmetrical anticline.

Secondary folds related to the formation of box folds and close to the plane of thrust faults are drag folds. These folds have been observed in the footwall of the main thrusts throughout the property and range in amplitude from a few metres to several tens of metres. Within the fault zones themselves, the intensity of deformation is evidenced by small isoclinal folds.

Irregularly-dipping beds on the overturned limb of the Red Deer Syncline are attributed to gravity folding.

## **Faulting**

The major thrust faults recognized in Belcourt are illustrated in Figure 5. The faults are sub-parallel and of varying magnitude, with displacements ranging up to several hundred metres.

The Red Deer Knob Thrust, which has placed Minnes strata against the Gates Formation in Red Deer and Gates Formation lithologies against the Skafesbury Formation in Holtslander, has been mapped over a strike length of approximately 13 km. The surface trace of the fault is sinuous, primarily as a result of folding of the fault plane. In Red Deer, secondary splay faults arising from this thrust cut across the southwest limb of the Red Deer Syncline. From Red Deer southwards, the Red Deer Knob Thrust changes strike from northwest to west and flattens below the folded Bullhead succession, which underlies the Holtslander Synclinorium.

The Huguenot-Omega areas comprise a long, narrow fault block, bounded on the southwest by the Huguenot Thrust and on the northeast by the Ptarmigan Thrust. These west-dipping faults are almost parallel to one another, extending from just south of Belcourt Creek, over 17 km to the B.C./Alberta border.

Relatively thick beds mapped on the surface or intersected in drilling are interpreted to be thickened sections, repeated by thrust faulting. Some of the anomalously thick coal sections encountered in drilling are believed to be imbricated, particularly in areas close to major faults.

## **Pit Area Structures**

### **Red Deer**

The structure of the proposed Red Deer pit area is dominated by an anticline-syncline pair. Both anticline and syncline are asymmetrical, with axial planes dipping steeply west. The anticline is actually a box fold that plunges approximately 15° southeast. In the northern part of the pit area this fold is eroded to the Cadomin Formation and the Gates coal measures are present only on the steeply-dipping limbs. Southwards, however, the coal measures are under shallow cover at the top of the box fold and the coal seams occur over a large area of relatively undisturbed and gently-dipping beds.

### **Holtslander**

The proposed Holtslander pit area encloses three shallow synclines that, taken together, form a broad, southeasterly-plunging synclinorium. In the northern part of the mining area the coal seams lie close to the surface. Further south, along the southwestern limb of the synclinorium, the coal beds dip gently eastward, although they are cut by several splay faults from a folded and flat-lying backlimb thrust fault.

## Omega

The proposed Omega pit area encompasses tightly folded coal measures that lie between the west-dipping Huguenot and Ptarmigan Thrust faults. The structure of this block is dominated by a compressed anticline-syncline pair with steep, westerly-dipping axial planes. The common limb is complicated by thrust faulting in the south. The fold pair opens northward where the anticline becomes more dominant and forms a box fold. The northernmost portions of the block contain the southern termination of the Huguenot syncline and underlying, folded, Ptarmigan Thrust. The proposed pits mainly form long, narrow panels along the crests and limbs of anticlines and occupy the cores of shallow synclinal troughs.

## RESOURCES

### General

Resources have been estimated from cross-sections obtained from the Coal Assessment Reports prepared by Denison Mines following the exploration work conducted between 1978 and 1980. Although no re-interpretation of the coal seam geology has been carried out in this study, random checks of the drill hole data were conducted and it was concluded that the Denison sections represented a reasonable interpretation for the purpose of this current evaluation.

The previous studies carried out by Denison and its consultants estimated the amount of in-place raw coal, 0.5 m or more in thickness, to be approximately 1,023 million tonnes within the original Belcourt property. Within this regional resource, open pit resources totalling 173 million tonnes of product coal were identified as follows:

Areas	Tonnes Clean Coal (millions)	Clean Coal Stripping Ratio
Red Deer Pit	94.2	11.7
Holtlander	49.5	12.7
Omega	<u>29.4</u>	<u>6.8</u>
	173.1	11.15

It should be noted that these open pit resources were defined as "reserves" in the previous studies since it had been demonstrated that they were economically viable based upon the level of feasibility study conducted by the owners at that time. However, the open pit resources developed in the current study, which is based on a revised concept, cannot be defined as "reserves" since this evaluation is not considered to be at a "pre-feasibility" stage, the minimum level of study required by the VSE for which economic viability can be demonstrated. Hence for the purposes of this report the coal tonnages defined as being potentially mineable are classified as "resources".

In order to assess the potential mineability of the in-situ resource, a preliminary assessment was conducted to determine the range of economic stripping ratios based on current projections of revenues and costs. A clean coal production rate of 2.0 mtpy was used as the basis for this assessment. This initial work indicated that stripping ratios would need to be in the range of 4.0 to 5.0 cubic metres of waste per tonne of raw coal in order to be potentially economic and thus a target raw coal stripping ratio of 4.5:1 was used as the basis for determining the available open pit coal resources.

### Resource Calculations

Preliminary pit plans were developed for both the Red Deer and Holtlander blocks by constructing pit outlines on vertical cross-sections at 200 m intervals utilizing the stripping ratio limitations noted above and a maximum wall slope angle of 45°. The individual coal seam lengths were measured directly on the cross-sections and the true thickness of each seam increment taken from the data shown on the section. The area of influence of the cross-section was usually 200 m, and the tonnage represented by each mining section was calculated and totalled by cross-section and pit.

Pit volumes were also determined from measurements on the cross-sections and total waste calculated after subtracting the coal volumes on each section.

The following parameters and assumptions were used in the estimation of the coal resources.

- (1) Minimum mining thickness - a minimum thickness of coal, or waste band which could be mined separately, was assumed to be 0.5 m. This was the same figure used in the previous work and hence there are no seams on the cross-sections showing mining sections less than 0.5 m thick.
- (2) Specific Gravity (SG) - in this study an overall specific gravity of 1.4 was used on all seams for both pits. Since the level of study did not allow for a detailed analysis of variation of specific gravity throughout the seams, the figure used was considered to be a reasonable average for the proposed open pit areas.
- (3) Out of Seam Dilution (OSD) - the amount of waste mined along the seam contacts and included with the plant feed coal was assumed to be 10% by weight of dry in-place coal.
- (4) Mining Recovery (MR) - it was assumed that approximately 10% of the in-place coal would be lost during mining - thus a mining recovery factor of 90% was used.
- (5) Moisture factor (MF) - the moisture content in the plant feed coal was assumed to be 6%.

In this conceptual study, no correction factor was applied to account for variations in the dip of the seams between sections, nor was a geological factor used to allow for the degree of confidence in the structural interpretation. For Red Deer and Holtslander pits, however, these factors should not have a significant impact on the amount of resources estimated.

The tonnage of plant feed coal (PF) resulting from the in-place coal resources, was determined as follows:

$$\begin{aligned} \text{PF tonnes} &= \text{in-place volume} \times 1.4 \text{ (SG)} \times 0.90 \text{ (MR)} \times 1.10 \text{ (OSD)} \times 1.06 \text{ (MF)} \\ &= \text{in-place tonnes} \times 1.0495 \end{aligned}$$

In determining the clean coal the following parameters were used:

- plant yield, dry basis	- Holtslander	73%
	- Red Deer	78%
- moisture content of clean coal		8%

The clean coal tonnage is thus calculated as follows:

$$\text{Clean coal} = \text{Plant feed (dry)} \times \text{yield} \times 1.08$$

Thus, for Holtslander

$$\begin{aligned} \text{Clean coal} &= \frac{\text{PF} \times 0.73 \times 1.08}{1.06} \\ &= \text{PF} \times 0.7438 \end{aligned}$$

and, for Red Deer

$$\begin{aligned} \text{Clean coal} &= \frac{\text{PF} \times 0.78 \times 1.08}{1.06} \\ &= \text{PF} \times 0.7947 \end{aligned}$$

*Summary of Holtslander and Red Deer Open Pit Resources*

**Holtslander**

The coal resources within the proposed Holtslander open pit are contained within six seams of the Gates Formation. The No. 5 seam is the most persistent, constituting almost 60% of the total pit resource.

The Holtslander pit contains an estimated 17.7 million tonnes clean coal at an overall clean coal stripping ratio of 5.74:1.

A summary of these resources by seam is shown in Table 6-1.

*Table 6-1  
Summary of Holtslander Pit Resource*

Seam #	Coal Tonnes (000s)			Waste Mined (000's BCM)
	In-Place	Plant Feed	Clean	
8	103	108	80	
6	3351	3517	2616	
5	13,164	13,815	10,276	
3	912	957	712	
2	322	338	251	
1	4774	5011	3727	
<b>Total</b>	<b>22,626</b>	<b>23,746</b>	<b>17,662</b>	<b>101,368</b>

Stripping ratios - Plant Feed - 4.57:1  
Clean Coal - 5.74:1

Plant Yield - 73%

**Red Deer**

The proposed Red Deer pit contains coal resources within a total of six seams, with the lowest seam, No. 1, constituting approximately 50% of the total pit resource and No. 5 seam almost 30% of the resource. The total resource at Red Deer is estimated at 27.5 million tonnes of product coal at an overall product coal stripping ratio of 5.72:1. These resources are summarized in Table 6-2

*Table 6-2  
Summary of Red Deer Pit Resource*

Seam #	Coal Tonnes (000s)			Waste Mined (000's BCM)
	In-Place	Plant Feed	Clean	
8	96	100	80	
7	412	432	344	
6	1229	1290	1025	
5	9538	10,010	7955	
3	4909	5152	4094	
1	16,746	17,575	13,967	
<b>Total</b>	<b>32,930</b>	<b>34,560</b>	<b>27,465</b>	<b>157,124</b>

Stripping ratios - Plant Feed - 4.54  
Clean Coal - 5.72

Plant Yield - 78%

## *Discussion*

*It is estimated that approximately 5% of the above resources would be classified as oxidized, or thermal coal. In previous studies the zone of oxidation was considered to extend to 15 m below surface, but it is the authors' opinion that the depth of oxidized coal would be no more than about 7 m, based on the experience of most coal operations. In this study, an oxidation depth of 7 m has therefore been used in estimating the amount of thermal coal.*

*The resources contained in the proposed Holtslander and Red Deer pits are considered to be in the indicated category.*

## *Additional Coal Resources*

*The coal resources identified at Red Deer and Holtslander are limited only by the economic stripping ratios. The existence of extensive additional coal resources in these areas has been well demonstrated by the exploration programs of the late 1970's and subsequent evaluation studies. For instance, the resources estimated for Red Deer and Holtslander in the current study represent less than one-third of the open pit resources in the 1982 feasibility study.*

*Due to the higher coal selling prices utilized in the previous studies, pit stripping ratios were higher and substantially more coal resources were defined than in the present study. In the 1982 study, a total resource of 143.7 million tonnes of clean coal was estimated for the Red Deer and Holtslander open pits, at an overall stripping ratio of 12:1.*

*From the results of the present study it can be seen that any improvements in the project costs or revenues would have a positive impact on allowable stripping ratios and thereby provide additional coal resources in both Holtslander and Red Deer pits.*

*The potential for development of additional resources also exists through further exploration and pit design work in areas immediately adjacent to the currently defined limits of the Red Deer and Holtslander open pits.*

*Some coal would likely be recovered from shallow pits on the north end of Red Deer and on the south portion of Holtslander, while additional coal resources could be developed between the two Red Deer pits.*

*In the southern part of the original Belcourt property substantial coal resources have been identified in the Huguenot-Omega licence areas. These two blocks cover an aggregate strike length of the coal measures of about 12 km. Most of the coal seams in these areas are confined to the eastern steeply-dipping limbs of the Omega anticline, with some flatter lying portions where adjacent folds raise the coal seams close to the surface. It is in these shallow dipping areas where there is the greatest potential for developing additional open pit resources.*

*An evaluation of the Huguenot-Omega data has resulted in the definition of potentially open pit resources in the Omega block, while the Huguenot block is seen as having the potential for developing resources through further work in this area. The Omega resources were estimated using similar criteria to those established for Red Deer and Holtslander, with conceptual open pit outlines being constructed on cross-section and based on approximately the same stripping ratios. For the most part, the Omega sections were developed at 400 m intervals, with occasional 200 m intermediate sections, thus areas of influence were generally much greater than for the proposed Red Deer/Holtslander mining areas.*

*A summary of the Omega resources is shown in Table 6-5. It indicates a total of approximately 34 million tonnes of clean coal could potentially be recovered at an overall clean coal stripping ratio of 6.36:1. Since no review of coal quality or possible plant flow sheet has been conducted for the coal from this part of the property, an assumed plant yield of 75% has been used.*

Table 6-5

Summary of Omega Pit Resources

Seam #	Coal Tonnes (000s)			Waste Mined (000's BCM)
	In-Place	Plant Feed	Clean	
6	2,335	2,451	1,872	
5	13,712	14,391	10,995	
4	1,565	1,643	1,255	
3	10,667	11,195	8,553	
2	4,654	4,884	3,731	
1	9,738	10,220	7,808	
	42,671	44,784	34,214	217,556

Stripping ratios - Plant feed - 4.86:1  
 Stripping ratios - Product coal - 6.36:1

These resources are considered to be in the indicated category

**COAL QUALITY**

Coal quality data presented below has been taken primarily from Denison Mines (1981 and 1980). The quality of the Gate Formation coals has been established on the basis of samples from adits and drill cores from exploration conducted by Denison between 1978 and 1980. The coal samples were subjected to physical and chemical analyses, washability studies and pilot-scale tests in order to evaluate the properties of the unoxidized coal seams as a coking coal and the oxidized portions as a thermal coal. Only the analytical procedures and the results obtained for metallurgical coal are presented below.

**Analytical Procedures**

For coal intersections from drill core, the sampled intervals took account of core recovery, coal splits and rock bands. Samples were divided into two categories based upon whether core recovery was greater or less than 40%. Coal analysis was done by General Testing Laboratories, Vancouver, B.C. and Cyclone Engineering & Sales, Edmonton, Alberta. Bulk samples from adits were analyzed and washed at the pilot plant of Birtley Coal & Mineral Testing, Calgary, Alberta and at the Federal Government's Western Research Laboratory (CANMET) in Edmonton. Carbonization tests were conducted on clean coal samples from the adits at the CANMET facilities in Ottawa.

**Regional Coal Quality**

Regional data on the quality of Gates Formation coals are summarized in Table 7-1; note that the listed licence blocks represent the nomenclature designated by Denison Mines Ltd. The most significant regional trend noted is the change in coal rank from lower rank in the northwest to higher rank in the southeast....Based on the volatile matter, the Ptarmigan and Omega blocks are ranked as low volatile bituminous (lvb), whereas all other blocks fall in the medium volatile bituminous (mvb) coal rank.

Table 7-1

**Summary of Regional Clean Coal Quality\*  
Gates Formation (Denison)**

		Red Deer North	Red Deer South(1)	Holtlander North(1)	Holtlander South	Huguenot	Ptarmigan(2)	Omega(2)
Proximate Analysis (adb)								
Moisture	%	0.99	0.82	0.78	0.74	0.70	0.67	0.53
Ash	%	7.04	6.66	7.46	6.95	7.15	7.78	6.76
Volatile Matter (dmmf)	%	25.71 (27.39)	25.89 (27.56)	25.37 (25.91)	23.95 (25.40)	22.25 (23.50)	19.17 (20.55)	18.84 (19.70)
Fixed Carbon	%	66.28	66.57	67.45	68.36	69.90	72.12	73.88
Sulphur	%	0.35	0.36	0.37	0.34	0.57	0.44	0.46
Phosphorus	%	0.050	0.043	0.044	0.049	0.043	0.049	0.045
Free Swelling Index (FSI)		6½	7	6½	7	6½	5	4½
Mean Maximum Reflectance (R <sub>0</sub> )	%	1.16	1.18	1.19		1.42	1.64	1.62

\* Arithmetic average from all adits and drill core samples (with greater than 40% recovery).  
Taken from Denison Mines (1981)  
R<sub>0</sub> Values, taken from Denison Mines (1980).

- (1) Essentially equivalent to Red Deer and Holtlander blocks in this study.  
(2) Essentially equivalent to Omega block in this study.

The average sulphur content shows a general increase towards the southeast, from 0.36% in Red Deer to 0.57% in Huguenot and 0.46% in Omega. The average Free Swelling Indices in the low volatile coals are generally below 6, while the medium volatile coals show F.S.I. values in the 6 to 7 range. There is no significant change in phosphorous values throughout the property. The average value is given as 0.042%. However, occasional high values (0.17%) are associated with some thin seams. The Belcourt coals have good washability characteristics with laboratory yields ranging from 75% to 83% for low ash level "products".

As past exploration on the old Belcourt property concentrated mostly on Gates Formation coals, only a limited amount of data is available on the quality of Gething coal seams. Denison (1981) provides an average analysis obtained from coal core intersections from three drill holes; these are shown in Table 7-2, below.

Table 7-2  
Gething Formation Coal Quality

Residual Moisture	%	0.71	(air dry)
Ash	%	7.76	(air dry)
Volatile Matter	%	20.39	(air dry)
Fixed Carbon	%	71.12	(air dry)
Sulphur	%	0.36	
Phosphorous	%	0.057	
FSI Range	%	2-6	

No further discussion of Gething coal quality is presented herein, as these coals are not currently targeted as providing near-term production potential.

#### Coal Quality - Denison's Pit Areas

The quality of "product" coals from previously proposed and engineered open pits in the Red Deer, Holtslander and Omega areas are shown in Table 7-3.

Table 7-3  
Summary of Clean Coal Analysis - Pit Areas (Denison)

		Red Deer	Holtslander	Omega
<i>Proximate Analysis (adb)</i>				
Moisture	%	0.82	0.77	0.60
Ash	%	6.68	7.87	7.71
Volatile Matter	%	25.37	25.28	18.49
Fixed Carbon	%	67.08	65.85	73.20
Sulphur	%	0.32	0.37	0.44
Phosphorous	%	0.040	0.037	0.048
Free Swelling Index		6-8	5-8	3½-5½

Weighted by the product coal tonnage for each seam.

Taken from Denison Mines (1980)

The projected coal quality for each "pit" area reflects the trends apparent in the regional (clean) coal quality presented in Table 7-1, above.



Table 7-4

Summary of Seam Clean Coal Analyses  
 Red Deer, Holstlander and Omega Pit Areas (Denison)

		Seam					
		1	3	5	6	7	8
<b>Red Deer</b>							
Ash	%	6.76	5.29	7.57	5.65	6.71	6.30
Volatile Matter	%	25.05	24.82	25.65	26.37	28.01	29.08
Sulphur	%	0.24	0.32	0.29	0.58	0.63	0.59
Phosphorus	%	0.03	0.03	0.05	0.06	0.02	0.05
Free Swelling Index		7	6	7	7½	8	7
<b>Holstlander</b>							
Ash	%	7.71		8.43	8.13		4.96
Volatile Matter	%	24.17		25.87	25.50		27.40
Sulphur	%	0.37		0.34	0.45		0.36
Phosphorus	%	0.03		0.03	0.07		0.04
Free Swelling Index		7½		7	6½		6
		Seam					
		1	2	3	4	5	6
<b>Omega</b>							
Ash	%	7.94	7.0	9.77	12.18	6.73	5.32
Volatile Matter	%	17.85	17.88	17.11	17.26	19.77	21.64
Sulphur	%	0.44	0.49	0.43	0.49	0.39	0.68
Phosphorus	%	0.03	0.06	0.06	0.02	0.05	0.06
Free Swelling Index		4	4½	2½	3½	5½	8½

Both the drill core and adit samples were cleaned using the float-sink method. All the chemical analyses were done using ASTM coal testing procedures. Summarized coal quality data are presented for each seam in Table 7-4, below. Based on the results, the following observations can be made on the different characteristics of the various coal seams.

- The residual moisture levels are very uniform, averaging approximately 0.80%.
- Ash levels range from 4.96% to 12.18%; however, for the major seams, ash values generally range between 5.29% and 9.77%.
- Volatile matter contents within Denison's proposed pit areas fall within a narrow range of values (24.82% to 29.08%) for Holtslander and Red Deer, although this range is narrower for the major seams. At Omega, volatile contents range from 17.11% to 21.64%.
- Sulphur values for Red Deer and Holtslander are low, ranging between 0.24% to 0.63%. The sulphur contents of the main seams range between 0.24% and 0.34%. However, coal from the upper three zones (6, 7 and 8), which represent only a small proportion of the total resources, have higher levels that might require monitoring and possible blending during mining.

Denison Mines (1981) reported an average simulated product coal quality from the processed drillhole samples as:

Table 7-5  
Simulated Product Coal Qualities (Denison)

Air-Dried Basis		Medium Volatile	Low Volatile
Residual Moisture	%	0.81	0.60
Ash	%	7.05	7.24
Volatile Matter	%	24.63	19.00
Vol. Matter (DMMF)	%	25.95	20.09
Fixed Carbon	%	67.71	73.05
Sulphur	%	0.40	0.45
Phosphorous	%	0.045	0.047
FSI Range	%	6½-7	3½-5½

The weighted average quality of the metallurgical product coal from Red Deer and Holtslander the pit areas, for Denison's proposed 20-year production period (Denison Mines, 1981) was:

Table 7-6  
Overall Product Coal - Red Deer and Holtslander (Denison)

Air-Dried Basis	
Residual Moisture	0.75%
Ash	7.5%
Volatile Matter	25.56%
Fixed Carbon	66.19%
Sulphur	0.32%
Phosphorus	0.035%
FSI Range	6-7
Yield	71.8%

*The results of washability tests indicated that Belcourt coals exhibited excellent washability characteristics with resultant high yields and low ash.*

### **Discussion**

*Most of the foregoing coal quality data has been taken from Denison Mines (1980). The 1981 coal quality data are not available in their entirety in Vancouver, although they are publicly available through the Geological Survey Branch, B.C. Ministry of Energy and Mines, Victoria. Consequently, these data have not been reviewed for the purposes of this report.*

*It is understood that the most recent data do not detrimentally alter the data presented above, an indication of which can be gained by comparing Table 7-1 to Tables 7-4 with Tables 7-5 and 7-6.*

*With regards to the overall quality of Belcourt coals and their coking characteristics, Denison offers the following summations. In the Summary to their 1981 report, Denison Mines state:*

*"The results from in excess of 150 individual Gates Member (sic) seam samples taken from drill holes throughout the property consistently confirm the presence of good quality metallurgical bituminous coal."*

*Carbonization tests on drill core and adit samples have shown these coals to be good self coking as well as blend coals. Denison note that:*

*"The results indicate that all coal samples coke and further indicate the coke stabilities factors indicate that the Belcourt coals are better (superior) when compared with the standard blends."*

*In addition to the foregoing data, the location of the Belcourt property, situated between other well known coal properties on which many millions of dollars has been spent on exploration, coal quality testwork and feasibility studies (e.g. Saxon, Monkman) lends reasonable support to the acceptance of Denison's characterization of the coal quality at Belcourt.*

## **DEVELOPMENT POTENTIAL**

### **Introduction**

*In order to assess the potential of the property for economic development and to determine the scope for future work programs, a conceptual development plan was prepared. The concept envisaged a smaller scale of operation than had been previously planned, with a target production rate of two million tonnes of clean metallurgical coal per year being the basis for the study.*

*A conceptual mining plan was devised, a preliminary coal preparation flowsheet was developed, infrastructure requirements were reviewed and preliminary capital and operating costs were estimated.*

### **Mining Plan**

*A conceptual mining plan has been developed on the basis of providing sufficient raw coal to produce 2.0 mtpy of clean metallurgical coal product. The plans developed for the Holtslander and Red Deer pits indicates there is a total of some 56 mt of recoverable raw coal available, providing enough plant feed for more than 20 years of operation. As envisaged, the two open pits would be mined separately, commencing with the Holtslander. The Red Deer pit would be prepared for production as the resources at Holtslander are nearing exhaustion.*

Mining of Holtslander and Red Deer would require that approximately 260 million BCM of waste be removed during the course of operations, resulting in an overall plant feed stripping ratio of 4.4:1 and a clean coal stripping ratio of 5.7:1. Intermittent quantities of oxide coal would be mined during the initial years of operation of each open pit. This material would be stockpiled near the plant and blended with the remaining plant feed coal at a steady rate over the life of the operation. Since the oxide coal will represent no more than 5% of the total plant feed it is not expected to cause any problems in being able to meet the metallurgical coal specifications.

Although an estimate was prepared for the additional resources in the Omega block, no mining plan was prepared for this area.

**Holtslander Pit Plan**

The proposed Holtslander pit is a narrow crescent-shaped structure which generally follows the outcrop of coal seam 1 along its north side and seam 5 along the west and south west. The zones below seam 5 tend to thin towards the south and cannot be mined economically at stripping ratios greater than 5:1. The coal seams are relatively shallow dipping on the limbs of the Holtslander Synclinorium, averaging about 20°, with local dips exceeding 30° in some areas, but rarely more than 45°.

There are six seams identified within the Holtslander pit that contain up to a total of 13 mining sections greater than 0.5 m true thickness, as shown in Table 8-1.

Table 8-1  
Holtslander Mining Sections

Seam #	Max. Number Mining Sections in Seam	Thickness Range of Mining Section (m)
8	2	0.54 - 1.82
6	4	0.54 - 3.92
5	1	4.82 - 6.95
3	1	1.54 - 1.76
2	1	0.50 - 0.58
1	4	0.52 - 3.43

Total coal production from Holtslander is estimated at 17.7 mt of product coal, with waste stripping of 101.4 million BCM.

**Red Deer Pit Plan**

The main part of the proposed Red Deer pit follows the coal seam outcrops along the syncline-anticline structure to form a U-shaped pit varying in depth up to 250 m below surface. A smaller, separate pit is developed to the southeast of the main pit in the south west limb of the Red Deer syncline. The seams are near vertical in the area of the Red Deer Syncline and along the northeast limb of the Red Deer Anticline, while along the back of the anticline the seams dip down plunge at about 20°.

Along its southwest limb and across the base of the "U", the main pit follows the No. 1 seam which is the predominant seam in this area, varying up to 11 m thick and accounting for about half the total coal resources. There are a total of six seams in the main pit containing up to 10 mining sections exceeding 0.5 m thick, while the secondary pit to the south contains five seams with up to seven mining sections. These mining sections are summarized in the following tables.

**Table 8-2  
Red Deer Mining Sections**

<i>Seam #</i>	<i>Max. Number Mining Sections in Seam</i>	<i>Thickness Range of Mining Section (m)</i>
<i>Red Deer Main Pit</i>		
8	1	1.89
7	3	0.50 - 1.48
6	2	1.16 - 1.68
5	2	0.65 - 7.27
3	1	1.15 - 4.13
1	1	5.39 - 11.08
<i>Red Deer South Pit</i>		
7	2	0.68 - 1.14
6	2	0.47 - 1.33
5	1	4.80 - 10.56
3	1	3.36 - 4.92
1	1	2.05 - 6.16

*The combined Red Deer pits contain a total of 27.5 mt of product coal, requiring 157.1 m BCM of waste removal.*

#### ***Mining Methods and Equipment***

*Mining would be conducted using conventional open pit methods and equipment, with operations running two-12 hour shifts per day, 350 days per year. Mining practices would be essentially the same for both Holtslander and Red Deer pits.*

*Waste rock would be drilled and blasted on a working bench height of 12 m, with blast hole spacing being about 8.5 x 8.5 m for 300 mm dia. holes. Blasting would be carried out using a combination of ANFO and water resistant slurries supplied from an on-site mix plant.*

*Loading of waste would be by 19 m<sup>3</sup> electric cable shovels, and hauling by 136 t capacity end-dump trucks. Waste would be hauled to a series of dump sites situated around to the pit perimeter to minimize haulage distance and cycle times.*

*Digging of coal would be carried out using 12 m<sup>3</sup> hydraulic excavators, loading into 91 t capacity haulage trucks equipped with coal boxes for the increased volume. Trucks would haul to the plant site where the oxide coal and plant feed coal would be stockpiled separately.*

#### ***Mining Sequence and Schedule***

*This conceptual mining plan has been developed on the basis of mining the Holtslander and Red Deer pits separately and in sequence, with Holtslander being mined first. Several reasons for mining Holtslander first are as follows:*

- Easier access due to the more moderate topographic relief;*
- Less pit haulage road construction and pre-production stripping;*
- Slightly lower overall stripping ratio; and*
- Lower coal haulage operating costs.*

The initial mining at Holtslander will take place in the northern part of the proposed pit, and proceed down-dip and along strike towards the south end of the deposit. As a result, the haulage costs for moving coal to the plant will tend to be lower in the early years of mining and increase as the haulage distance becomes longer in the latter stages of the pit operation.

It is estimated that approximately 4 million BCM of pit development waste will need to be removed to prepare the benches for the first year's coal production, which has been set at 1.5 mt of product coal. Planned production capacity of 2.0 mt per year would be achieved in the second year after start-up.

Since a detailed mining plan has not been prepared for this conceptual study, it has been assumed that a constant stripping ratio can be maintained throughout the life of each pit, resulting in an annual waste removal at Holtslander of some 11 million BCM per year.

During the final year of full production at Holtslander, pre-production stripping of the Red Deer Pit would commence and, once in production, waste stripping would continue at a constant rate of about 11.4 million BCM per year.

Although no specific mining plan was developed for Omega, the potential economics of the pit operations are projected to be similar to those at Red Deer and Holtslander. It is envisaged that the Omega deposit plus any potential resources at Huguenot, would be mined as satellite pits with ROM coal being truck hauled to the proposed plant site near Red Deer/Holtslander, a distance of about 40-45 km. The additional haulage costs would be offset by the lower capital development cost, since no additional plant would be required. An alternative concept would be to operate an independent plant at Omega and haul clean coal to the proposed Red Deer/Holtslander loadout facilities. This would increase capital cost but allow the Omega area to be brought into production earlier if coal demand justified it.

## **Coal Handling and Preparation**

### **Flowsheets**

In previous studies, in which Red Deer was the main focus, a preparation plant flowsheet was developed which was the most appropriate for Red Deer, but which was not suitable for Holtslander coal. Under this current concept, however, it would be necessary to have a flowsheet which is most favourable to Holtslander, since that pit is to be mined first, but which would not jeopardize the plant recovery for Red Deer.

During the comparisons of potential flowsheet combinations, it was determined that the most favourable for cleaning the Holtslander coal would be a dense medium bath for +10 mm, dense medium cyclone for the 10 x 0.5 mm portion, water only cyclones for the 0.5 x 0.15 mm fines and flotation for the -0.15 mm fines. It was determined that an approximate plant yield of 73% @ 9.5% air-dried ash would result. The expected yield for Red Deer, using the same flowsheet is 78%. This flowsheet combination is a proven standard in the coal fields of western Canada. It is the present flowsheet at the Bullmoose and Quintette plants, except for the dense medium bath.

It is recognized that some oxidised (thermal) coal will be in the deposit (possibly up to 5%, based on the current pit resource estimates). This material should be set aside at the raw coal dump area to be "bled" into the plant feed at a rate allowed to the quality constraints of the clean coal.

### **Plant Site and Tailings**

After reviewing several alternative plant site locations, it was determined that, for this study, the preferred location is about 4 km north of the Holtslander pit in an area of gently sloping ground just to the west of Red Deer Creek. Although this location results in a fairly long downhill coal haul from the Red Deer pit, it is reasonably close to the Holtslander pit, which is to be mined first, and is also close to a suitable area for the rail loop required for clean coal loadout. An area for tailings disposal has been sited about two km to the northeast of the plant site.

### **Infrastructure Requirements**

In addition to the coal preparation plant, other on-site facilities required for the project would include coal storage and loadout, maintenance shops, warehouse, changehouse and offices. Site service such as water and power supply, sewage disposal and water management facilities would also be required.

Infrastructures off-site would consist of a rail line extension from the Quintette minesite, upgrading and extension of existing access roads into the property, and the construction of a new powerline from Tumbler Ridge.

### **Capital and Operating Costs**

Preliminary estimates of capital and operating costs were prepared for the open pit mine, preparation plant and associated facilities and infrastructure, for the project development concept described above. Costing data were obtained from several sources, including budget equipment and supplies quotes and in-house data files. The estimates include allowances for engineering, construction management and contingencies.

For the purpose of this study it was assumed that B. C. Hydro would bear the cost of constructing a new power line to the property from Tumbler Ridge, and that the rail line extension from Quintette would be financed and constructed by B.C. Rail. The recovery of these capital costs was allowed for under the respective operating costs for power and coal transportation.

A summary of the estimated costs is shown below:

<b>Capital Costs</b>		<b>\$ Million</b>
<b>Initial</b>	- Mining	61.9
	- Plant & Infrastructure	81.3
	- Construction Indirects	<u>30.3</u>
<b>Total</b>		173.5
<b>Ongoing</b>	- Equipment	78.9
	- Reclamation	<u>8.0</u>
		86.9
<b>Operating Costs</b>		<b>\$ Per Tonne Clean Coal</b>
	Holtlander	Red Deer
Mining	13.15	13.77
Plant/G&A	9.98	9.98
Coal Transportation	<u>26.00</u>	<u>26.00</u>
	49.13	49.75

### **RECENT EXPLORATION**

#### **Introduction**

In part fulfilment of stock exchange listing requirements, Western Coal Corp. carried out a drilling program on the property in February-March, 1998. Based upon a site visit conducted in October 1997, the northern end of the Holtlander block was selected for this work for the following reasons:

- the area is at low elevations,
- it is readily accessible,
- it contains two recently logged clear-cuts that transect the proposed pit area,
- it is underlain by near-surface coal seams.

*Additional drill hole data in this area enables better definition of the structural geology particularly with respect to the trend and plunge of the fold axes of the underlying anticline-syncline pair.*

### *Work Completed*

*The program consisted of the following activities:*

- property examination and drill program planning
- road clearing and drill trail construction
- open-hole drilling
- sampling
- geophysical logging
- reclamation
- coal analysis
- program supervision and report preparation

*The main elements of each of these are summarized below.*

*A site reconnaissance was conducted by B. Briggs, P. Eng., J. Perry, P. Geo., and D. Lucas, P. Geo. between October 20<sup>th</sup> and October 23<sup>rd</sup>, 1997. Approximately 2 days were spent on the property; additional time was spent in discussions with government and corporate forestry officials regarding aspects of road access and current and planned logging activities in the Belcourt area.*

*The property reconnaissance consisted of ground examination and airborne observations. The former was conducted on the northern (main) portion of the proposed Holtslander pit area. A helicopter flyover was undertaken across the Red Deer, Holtslander, Huguenot and Omega blocks, in addition to prospective access routes west of the Red Deer block and along a proposed rail line extension from Quintette to Triad Creek, at the northern end of the proposed Red Deer pit. The areas of proposed site facilities for the Red Deer pit were also examined from the air. Approximately 27 km of all-weather logging and gas-well service roads were cleared of snow prior to mobilizing the drill. An additional 1.9 km of existing drill trails were also cleared of snow and other material (deadfall, rocks, etc.) that had been pulled over the trails as part of previous reclamation efforts by Denison Mines in the early 1980's. Approximately 1.2 km of new drill trails were opened within the two clear cut areas. Most of this work entailed clearing snow and deadfall; little bulldozing of the ground was required.*

*A total of eight drill sites were established. Drilling was abandoned on two of these, BRH-98001 and 98007, due to excessive overburden and hole stability problems. A total of 618.5 m was drilled. The drilling was carried out by a track-mounted Northspan Exploration rotary drill capable of producing 540 cu ft/min at 350 psi, using a 4 1/2" hammer bit. Drill collars were located using tape and compass. Their co-ordinates are presented in Table 9-1 below, together with elevations and hole total depths.*



**Table 9-1  
1998 Drill Hole Locations**

Hole No.	Collar Coordinates		Elevation (m)	Total Depth (m)
	Northing	Easting		
BRH 98001	6050092.0	671,302.8	1176	14.63*
BRH 98002	6050209.3	670,852.0	1185	101.50
BRH 98003	6049954.5	670,194.6	1115	92.35
BRH 98004	6050066.5	670,293.7	1099	101.50
BRH 98005	6050118.9	670,120.0	1098	101.50
BRH 98006	6050192.5	670,191.9	1095	98.45
BRH 98007	6050263.6	670,290.7	1085	7.32**
BRH 98008	6049811.4	670,281.0	1125	101.22

\* Hole abandoned due to caving.

\*\* Hole abandoned in overburden.

Drilling, road clearing, drill trail and drill pad preparation and reclamation was carried out by Murfitt Contracting (Chetwynd, B.C.).

All the major coal seams were sampled except for Seam 3 in BRH 98004. The sampling method utilized a sieve to collect the sample from a diverter placed over the drill collar. The samples were bagged and left to stand and settle. Excess water was decanted; the bags collected from each seam were then mixed, a composite sample obtained and then sent for analysis. Some thin rider seams and portions of certain thinly interbedded coal and rock zones that underlie some of the major seams were also sampled, but not in every instance.

All holes were geophysically logged except for BRH 98001 and 98007, neither of which penetrated bedrock. A full suite of logs were run, which included caliper, density, gamma ray, neutron-neutron and focussed beam resistivity. All logs were produced in digital and hard copy format. Geophysical logging was provided by CGC Acquisition Corporation (dba Century Geophysical), (Calgary, Alberta).

Reclamation of drill sites and access trails was carried out immediately after drilling ceased. The disturbed sites and trails totalled approximately 1.59 hectares, distributed accordingly: drill pads, 400 m<sup>2</sup>, new drill trails, 5950 m<sup>2</sup>; old, drill trails, 9500 m<sup>2</sup>. For most of the disturbed areas reclamation involved spreading the windrow material and deadfall that had been pushed to the sides, back over the trails and drill pads. Sections of new trail cut into banks were re-sloped to the original contour line. Drill casing was cut to within a few centimetres of ground level and the holes plugged with tree limbs and flagged for surveying later in the summer.

Samples from the major coal seams were selected for analysis. All analyses were performed on a 1.5 S.G. float and included proximate analysis (ash content, volatile matter, fixed carbon, residual moisture) total sulphur and FSI (free swelling index) determinations. The results from this testwork are presented in Table 9-3. Coal analyses were carried out by Loring Laboratories Ltd. (Calgary, Alberta).

Geological field supervision was provided by D. R. Lucas, P. Geo, an independent geologist, who also provided the data presented in Tables 9-1 and 9-2. Additional data handling and report preparation has been carried out by Beacon Hill Consultants (1988) Ltd.

## Results

The geological and seam thickness data together with the general coal quality characteristics of the coal seams intersected by the 1998 drilling are consistent with expectations based upon previous work.

Seam interval and thickness data are presented in Table 9-2. True thicknesses were estimated using dips taken from geological maps and cross-sections. There is good comparison between these true thickness estimates and those projected for this area by Denison Mines. Any differences are minor, and have no substantive impact on the

resources estimated in "Resources", herein. The ranges in true thicknesses projected by Denison compared to true thicknesses estimated from the 1998 geophysical logs are:

Seam	Denison Projected True thickness (m)	1998 Estimated True Thickness (m)
5	6.10 to 6.40	5.93, 6.21, 6.13
3	1.54 to 1.76	2.21, 1.56, 1.57, 1.65, 1.68
2*	0.50 to 0.52	0.61, 0.96, 1.03, 0.72
1 (main)	3.43	3.60, 4.57
1 lower (a)*	0.52 to 0.96	<0.5, <0.5, 0.84
1 lower (b)*	0.68 to 0.80	0.56, 0.95, 1.12
1 lower (c)*	1.06 to 1.15	1.11, 1.22, 1.31

\* True thicknesses for these seams and coal splits are for designated mining sections (i.e. those portions of the seam or coal zone that are anticipated to be mined), taken to a minimum of 0.5 m.

Table 9-2  
Seam Intervals and Thicknesses

Hole No.	Seam	Drilled Interval (m)		Apparent Thick. (m)	Est. True Thick. (m)
		From	To		
BRH 98002	5	20.60	26.62	6.02	5.93
	3	72.64	74.88	2.24	2.21
BRH 98003	3	16.04	17.78	1.74	1.56
	2 (main)	41.41	43.95	2.54	2.28
	1 (main)	56.00	60.00	4.00	3.60
	1 (lower)	61.70	64.45	2.75	2.47
BRH 98004	5	12.55	19.35	6.80	6.21
	3	69.30	71.02	1.72	1.57
	2 (main)	97.50	100.58	3.08	2.81
BRH 98005	1 (main)	11.09	12.89	1.8(eroded)	1.67
	1 (lower)	14.60	17.98	3.38	3.13
BRH 98006	3	17.55	19.40	1.85	1.65
	2 (main)	55.50	59.00	3.50	3.25
	1 (main)	70.31	75.20	4.89	4.57
	1 (lower)	75.76	84.38	8.62	8.05
BRH 98008	5	13.25	19.91	6.66	6.13
	3	66.58	68.40	1.82	1.68
	2 (main)	90.22	93.20	2.98	2.70

Most of the drill holes (BRH 98003, 98004, 98005, 98006 and 98008) were located along the common limb of an anticline-syncline pair. The seams were intersected at slightly greater depths (up to 25 m) than predicted from the previous structural interpretation, reflecting somewhat steeper dips than had been originally projected. Again, this modification is not anticipated to have any significant impact on the resources quoted in "Resources" above. A fault repeat of the rider split above seam 2 is present in BRH 98006.

Testwork included proximate analyses (residual moisture, volatile matter, ash, fixed carbon), total sulphur and free swelling index (FSI) tests. Good values were obtained in almost every instance for each type of analysis. The results are consistent with those reported by the previous project operators (Denison Mines) taking into account the nature of the samples and sampling process and that the work was performed on 1.5 S.G. floats.

Three samples provide low FSI values; namely, samples 98002 A, 98006 B and 98008 D. The FSI value for sample 98002 A (seam 5) is 2.0 and is taken to indicate that the seam is oxidized at this location. In this hole, seam 5 lies between 20.60 m to 26.62 m below surface. This reflects a deeper level of oxidation than that indicated by other nearby shallow coal seam intersections (c.f. seam 5, in holes BRH 98004 and 98008). The depth of oxidation in BRH 98002 may be related to the proximity of the Red Deer Knob thrust fault. The FSI values for samples 98006 B (seam 2) and 98008 D (seam 2) are related to factors other than oxidation. In part, the low FSI value (1.0) for sample 98008 D reflects its high ash content (22.83%). The FSI reported from seam 2 in hole 98006 (sample 98006B) is 3.0; this sample has an ash content of 10.19%. Other seam 2 intersections yielded FSI's of 7.0 (BRH 98003) and 5.0 (BRH 98004) for ash contents of 4.49% and 6.72%, respectively. Examination of the density log traces in Figure 22 suggests no evidence of significant amounts of near-gravity (high-ash coal) material for this seam in any of the drill holes. The low FSI values for samples 98006 B and 98008 D appear anomalous but may indicate that seam 2 has a lower coking propensity than the other seams. However, as seam 2 forms only a small portion of the resources, its FSI characteristics would have minimal impact on overall product coal quality.

### Summary of Costs

The costs incurred for the work program, which incorporate costs attributed to the October 1997 site visit and subsequent program planning and permitting, are summarized below. These costs have been prepared from material provided by Western Coal Corp.

Activity	Cost (\$)
Property Examination	16,100
Program Planning/Permitting	7,760
Snow removal (access road)	9,570
Drill Trail Opening	4,000
Drilling	37,830
Geophysical Logging	6,660
Assays	1,600
Reclamation	2,800
Geological Supervision	13,800
Report Preparation	<u>6,000</u>
<b>Total</b>	<b>\$ 106,120</b>

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusions

From the foregoing study, it is concluded that the Belcourt coal project is one of merit which contains potentially economic, open-pittable coal resources in the Holtslander and Red Deer blocks sufficient to provide for a minimum production level of 2.0 million tonnes/year, with the potential for expansion should markets warrant. Additional resources of low strip ratio coal are also available from the Omega block. These resources could be mined in conjunction with those of Holtslander and Red Deer, or developed after those resources are depleted.

The reports prepared by Denison Mines Limited, which discuss various exploration campaigns, provide detailed, comprehensive assessments of the project and present a fair and reasonable evaluation of the potential of the property. The work conducted by Denison justified the completion of a full feasibility study on the Red Deer area in 1982 by Wright Engineers Ltd. Exploration work carried out in February-March 1998 on part of the Holtlander block has yielded results consistent with expectations based upon Denison's previous work.

**Recommendations**

The Belcourt property does not contain reserves as defined by National Instrument 43-101, Standards of Disclosure for Mineral Exploration and Development and Mining Properties (Edition 98-26, July 3, 1998) and, consequently, does not contain a body of proven, commercial "ore". As any future evaluation of project feasibility will be based on a development strategy different from that envisaged in previous studies, it is recommended that further work be conducted to advance the project towards feasibility. The initial work will include development of computerized geological models and coal characterization studies in the proposed Red Deer-Holtlander pit areas, followed by completion of a pre-feasibility study, which would define open pit reserves and would examine the economic aspects of several development options with respect to production rates, pit scheduling and infrastructure requirements. Concurrent with the pre-feasibility study, the regulatory approval process would be initiated and the requirements for environmental assessment programs would be developed.

The cost of the recommended work program is estimated to be \$ 253,000, the details of which are outlined below. It is anticipated that this program would be undertaken during 1999.

**RECOMMENDED WORK PROGRAM**

1.	<b>Data Compilation</b>	<b>\$ 15,000</b>
	<ul style="list-style-type: none"> <li>• <i>Compilation of existing data, maps, reports, etc.</i></li> <li>• <i>Conversion of relevant data to electronic format</i></li> <li>• <i>Database development</i></li> </ul>	
2.	<b>Development of Computer Geologic Models</b>	<b>\$ 20,000</b>
3.	<b>Conversion of Topographic Maps to Electronic Format</b>	<b>\$ 10,000</b>
4.	<b>Site Geology - Detailed seam tracing by geological mapping, hand trenching and GPS survey.</b>	<b>\$ 25,000</b>
5.	<b>Coal Characterization Study</b>	<b>\$ 15,000</b>
	<ul style="list-style-type: none"> <li>• <i>Compilation and analysis of existing coal quality data</i></li> </ul>	
6.	<b>Environmental Assessment</b>	<b>\$ 35,000</b>
	<ul style="list-style-type: none"> <li>• <i>Compilation and review of previous environmental studies and data</i></li> <li>• <i>General assessment of potential environmental impacts</i></li> <li>• <i>Develop program to meet current regulatory review requirements</i></li> </ul>	
7.	<b>Pre-feasibility Studies</b>	<b>\$ 95,000</b>
	<ul style="list-style-type: none"> <li>• <i>Geological review</i></li> <li>• <i>Resource estimate</i></li> <li>• <i>Mining plan</i></li> </ul>	

- Reserve estimates
- Coal quality review
- Coal handling and preparation
- Site services and facilities
- Infrastructure
- Environmental considerations
- Cost marketing update
- Cost estimates and financial analysis

8. <b>Governmental/Regulatory Consultations</b>	<b>\$ 15,000</b>
<b>Sub-total</b>	<b>\$ 230,000</b>
<b>Contingency @ 10%</b>	<b>\$ 23,000</b>
<b>Total Work Program</b>	<b>\$ 253,000</b>

**REFERENCES**

- *Denison Mines Limited 1981: Belcourt Geological Report; Geological Branch Assess. Rpt., Open File No. 466.*
- *Denison Mines Limited 1980: Belcourt Project Geological Report, December 1979; Geol. Branch Assess. Rpt., Open File No. 465.*
- *Denison Mines Limited 1979 (March): Belcourt Project Geological Report; Geol. Branch Assess. Rpt., Open File No. 463.*
- *Denison Mines Limited 1979 (January): Belcourt Coal Ltd., 1978 Exploration Assessment Report; Geol. Branch Assess. Rpt., Open File No. 462.*
- *Denison Coal Ltd. 1978: 1977 Geological Report, Belcourt Coal Ltd; Geol. Assess. Rpt., Open File no. 461.*
- *Belcourt Coal Ltd, 1977: 1976 Exploration Report, Coal Licences 2822-2850, Operator: Denison Mines Ltd; Geol. Branch Assess. Rpt., Open File No. 460.*

**Proposed Exploration and Development Program**

The Company intends to follow the above work program recommended by Beacon Hill Consultants (1988) Ltd., which firm is independent of the Company. The work program is expected to commence shortly after completion of the Offering and is expected to be completed within ten months of commencing the program. An estimated time-line schedule for the recommended work program is as follows:

Activity	1999											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Data Compilation / Documentation		■	■	■	■	■	■	■	■	■	■	■
Topo Maps Preparation		■	■	■	■	■	■	■	■	■	■	■
Geologic Model Development			■	■	■	■	■	■	■	■	■	■
Site Surveys						■	■	■	■	■	■	■
Coal Characterization Assessments				■	■	■	■	■	■	■	■	■
Prefeasibility Study						■	■	■	■	■	■	■
Environmental / Governmental			■	■	■	■	■	■	■	■	■	■

**OTHER PROPERTIES**

**Lillyburt Property**

Pursuant to a coal property acquisition agreement dated November 27, 1997, between the Company and Morris Geological Co. Ltd. and a coal property acquisition agreement dated November 27, 1997, between the Company and G.S. Reeves Associates International Ltd., the Company acquired, after arm's-length negotiations, a 100% interest in the Lillyburt coal licenses (Nos: 344534 and 344248) located in the Kootenay land district, British Columbia (the "Lillyburt Property"), for and in consideration of an aggregate \$85,000 and the issuance of 100,000 shares (issued at a deemed price of \$0.25 per share). The Company registered these coal licenses in the name of its wholly-owned subsidiary, WCC.

The Lillyburt Property is located 18 km by road south of the Coal Mountain mine in southeast British Columbia. The Company has received a title report from its solicitors with respect to the Lillyburt Property.

The Company does not intend to expend funds from the Offering to conduct a work program on this property at this time.

**Saxon East Property**

Pursuant to the WCC Share Purchase Agreement, the Company acquired all of the issued and outstanding shares of WCC (see "The WCC Share Purchase Agreement" for further details). WCC owns the following coal licenses which are located in the Rocky Mountain Foothills belt of northeastern British Columbia and which are collectively referred to as the "Saxon East Property":

Block	Coal License	Area (ha)	Date Recorded	Renewal Date
Saxon East	355835	302	May 14, 1997	May 14, 1999
	355836	302	May 14, 1997	May 14, 1999
	355837	303	May 14, 1997	May 14, 1999
	355838	303	May 14, 1997	May 14, 1999
	355839	302	May 14, 1997	May 14, 1999
	355840	302	May 14, 1997	May 14, 1999
	355841	302	May 14, 1997	May 14, 1999
	355842	302	May 14, 1997	May 14, 1999

The Company has received a title report from its solicitors with respect to the Saxon East Property.

The Company does not intend to expend funds from the Offering to conduct a work program on this property at this time.

These coal licenses are registered in the name of the Company's wholly-owned subsidiary, WCC. The licenses are located at the headwaters of Hasler Creek, about 50 km southwest of Chetwynd, British Columbia. The licenses cover 1,176 ha of prospective ground containing Gething Formation coals. This property is a grassroots property in that the Company is unaware of any coal exploration having been conducted on this property.

The Company has received a title report from its solicitors with respect to the Brazion Property.

The Company does not intend to expend funds from the Offering to conduct a work program on this property at this time.

#### ADMINISTRATION

The Company estimates that the total administration costs to be incurred over the next 12 months is \$141,792 (\$11,816 per month), consisting of the following:

	<u>Monthly</u> (S)	<u>Yearly</u> (S)
Management fees	5,000	60,000
Accounting/Audit	1,425	17,100
Legal	1,000	12,000
Office, Services, materials & supplies	1,875	22,500
Travel & Communications	1,433	17,196
Regulatory/transfer agent fees	583	6,996
Misc.	<u>500</u>	<u>6,000</u>
Total:	<u>11,816</u>	<u>141,792</u>

**USE OF PROCEEDS**

The proceeds to be received by the Company from the Offering will be used to pay the costs of this issue, the Agent's commission, the sponsorship fee due to the Agent, the work program on the Belcourt Property, coal license maintenance payments and administrative costs and general working capital. The Company will invest the net proceeds in short-term term deposits or other investments deemed appropriate by management of the Company.

The Company had working capital deficit as at December 31, 1998, of \$(30,745), which together with the funds received from the Offering will be used as follows:

	(\$)	(\$)
Working capital December 31, 1998:		(30,745)
Proceeds to be received from the Offering:		<u>715,000</u>
		684,255
Less:		
Agent's commission <sup>(1)</sup>	(53,625)	
Costs of the Offering (estimated)	(75,000)	
Sponsorship fee due to the Agent <sup>(1)</sup>	(15,000)	
Work program on the Belcourt Property as recommended by Beacon Hill Consultants (1988) Ltd. in the Qualification Report <sup>(2)</sup>	(253,000)	
Coal license maintenance payments due during next 12 months	(65,400)	
Administrative costs for the next 12 months (estimated) <sup>(3)</sup>	<u>(141,792)</u>	
		(603,817)
Working capital to fund ongoing operations (being unallocated working capital at the end of 12 months, exclusive of administrative costs (estimated)):		<u>(80,438)</u>
		(684,255)

**Notes:**

- (1) Other than as disclosed herein, none of the proceeds of the Offering will be applied for the benefit of the Agent (see "Plan of Distribution" and "Relationship between the Company or the Selling Security Holder and Agent").
- (2) The Company will spend the funds available on the completion of this Offering to carry out its proposed work program set out in "The Company's Principal Property - The Belcourt Property - Qualification Report". There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. The Company will only redirect the funds to other properties and will do so only on the basis of a written recommendation from an independent, professional geologist or engineer.
- (3) See "Administration". The Company's working capital to fund ongoing operations will be sufficient to meet its administrative costs for the next 12 months.

**RISK FACTORS**

An investment in the Shares offered herein involves certain risks. Prospective purchasers of the Shares of the Company should consider, among other things, the following:

**Stage of Development**

The Company's properties are in the exploration stage and the Company does not have an operating history. As a result, there can be no assurance that the Company will be able to develop and operate its properties, or any one of them, profitably, or that its activities will generate positive cash flow. As a result of the Company's lack of operating history, it faces many of the risks inherent in starting a new business.

Coal exploration involves a high degree of risk. The amounts attributed to the Company's interest in its properties as reflected in its financial statements represent acquisition and exploration expenses and should not be taken to represent realizable value. Hazards such as unusual or unexpected geological formations and other conditions are involved.



Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in the operation of mines and the conduct of exploration programs. Unknowns with respect to geological structures and other conditions are involved. Existing and future environmental laws may cause additional expenses and delays in the activities of the Company, and they may render the Company's properties uneconomic. The Company has no liability insurance, and the Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect on the Company's financial position. The purpose of the present Offering is to raise funds to carry out exploration and pre-feasibility on the Belcourt Property with the objective of establishing commercial viability of the deposits.

### Profitability of Operations

The Company is not currently operating profitably and it should be anticipated that it will operate at a loss at least until such time as production is achieved from the Company's Belcourt Property, if production is, in fact, ever achieved. The Company has never earned a profit. Production is not scheduled to commence on the Belcourt Property in the foreseeable future. Investors also cannot expect to receive any dividends on the Shares in the foreseeable future. Refer to "Summary and Analysis of Financial Operations" and "Dividend Record" for more information.

### Future Financings

If the Company's exploration programs are successful, additional funds will be required for further exploration and development to place it into commercial production. The only source of future funds presently available to the Company is through the sale of equity capital or the offering by the Company of an interest in any of its properties to be earned by another party or parties carrying out further exploration or development thereof. There is no assurance such sources will continue to be available on favourable terms or at all. If available, future equity financings may result in substantial dilution to purchasers under the Offering.

### Marketability

The marketability of the coal which may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of coal markets and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of coal and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital and a loss of all or part of an investment in the Shares may result.

### Coal Prices

The price of coal is affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations (including the US dollar relative to the Canadian dollar and other currencies), interest rates, global or regional consumption patterns, speculative activities and increases in production due to improved mining and production methods. The supply of and demand for coal is affected by various factors including political events, economic conditions and production costs in major coal producing regions.

Competition

Significant and increasing competition exists for coal mining opportunities available in British Columbia. There are a number of large established mining companies with substantial capabilities and greater financial and technical resources than the Company. No assurances can be made that the Company will be able to compete against such companies with respect to exploration and development, coal production and marketing.

Uncertainty of Title

The Company's properties may be subject to native land claims or government regulations.

Conflict of Interest

The directors and officers of the Company are directors and officers of other companies (see "*Management - Directors and Officers of the Company*"). Some of the other companies are in the same or similar business as the Company and have the same or some of the same business objectives as the Company. The directors and officers of the Company are obligated as a matter of corporate law to act in the best interests of the Company. They have the same obligations to the other companies in respect of which they act as directors and officers. Discharge by the directors and officers of their obligations to the Company may result in a breach of their obligations to the other companies, and in certain circumstances this could expose the Company to liability to those companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligation to act in the best interests of the Company. As a consequence of such conflicting legal obligations, the Company may be exposed to liability to others and its ability to achieve its business objectives may be impaired.

No Market for Shares

There is no current market for the shares of the Company and there can be no assurance given that one will develop. The lack of an active public market could have a material adverse effect on the market price of the Shares and may make it difficult or impossible to sell Shares.

Offering Price

The price of the Shares has been determined by negotiation between the Company and the Agent and bears no relationship to earnings, book value or other criteria of value. Any real value attributable to the Shares is dependent upon the determination of commercial viability of the deposits, of which there is no assurance.

Year 2000 Problems

Certain of the Company's computer programs identify years with two digits instead of four. This is likely to cause problems because the programs may recognize the year 2000 as the year 1900. These problems (the "*Year 2000 Problems*") could result in a system failure or miscalculations disrupting operations, including a temporary inability to process transactions or engage in similar normal business activities. The Company has completed an assessment of its information systems equipment to determine which programs, if any, will have to be modified or replaced in order to function properly with respect to dates in 2000 and thereafter. The Company uses Version 6 of Simply Accounting for its accounting systems. This version will process accounting information for the year 2000 and beyond. The computer hardware used by the Company will be replaced before June 30, 1999 (at an estimated maximum cost of \$5,000) in order to be compatible for the year 2000. The Company does not expect Year 2000 Problems to have a material adverse effect on its internal operations. The Company is unaware of whether any Year 2000 Problems will effect third parties such as its bank, SEDAR, its transfer agent, the VSE and the Commission, with whom the Company transacts business and therefore the Company is not able to give assurances as to the extent of the effect, if any, such third party Year 2000 Problems may have on the Company. The

Company has not received any indication that these third party companies and agencies will have significant, if any, Year 2000 Problems.

## MANAGEMENT

### Directors and Officers of the Company

The names, municipalities of residence and principal occupations of each director, officer, promoter and other members of management of the Company are as follows:

<u>Name and Municipality of Residence</u>	<u>Position held with the Company</u>	<u>Principal Occupation During the Past Five Years</u>
David Fawcett Delta, BC	President, Chief Executive Officer, and a Director of the Company	President of IDI Resource Technologies Inc. (July 1991 - present); Chief Operating Officer of Pine Valley Coal Ltd. (February 1996 - present); President of Globaltex Coal Corporation (November 1993 - February 1996); and Director of Surface Operations of Smoky River Coal Ltd. (October 1983 - February 1991);
Kevin James Burnaby, BC	Director of the Company	President of Pika Geologic Inc. (August 1988 - present).
(Douglas) David Austin North Vancouver, BC	Director of the Company	Director of Speyside Ventures Inc. (May 1996 - present); Director of Goldbank Ventures Ltd. (March 1995 - present); Terminal Agent Manager for BC Ferry Corp. (October 1974 - present); Director of Wedgewood Resources Ltd. (November 1996 - July 1998); and Vice-President of Public Relations of Leigh Resource Corp. (July 1995 - February 1997).
Conrad Swanson North Vancouver, BC	Director of the Company	Consultant (January 1993 - present); President and Director of Goldbank Ventures Ltd. (March 1995 - present); Director of Speyside Ventures Inc. (April 1996 - present); and Realtor with Sutton Group (June 1979 - January 1993).
David Rafferty West Vancouver, BC	Secretary and Chief Financial Officer	Chartered Accountant (August 1963 - present); Director of LMX Resources Ltd. (December 1987 - present); Director of Goldbank Ventures Ltd. (December 1995 - present); Director of Speyside Ventures Inc. (May 1996 - present); Secretary of Leigh Resource Corp. (February 1996 - June 1997); Secretary of Loumic Resources Inc. (July 1995 - January 1998); and Chief Financial Officer of Fairlane Transportation Inc. (July 1997 - present).

The Company's audit committee is comprised of Messrs. Fawcett, Austin and Swanson.

The following is a brief biography of each of the directors, officers, promoters and other members of management of the Company and a description of their principal occupations for the past five years:

**David Fawcett, P.Eng. -- President, Chief Executive Officer, director and promoter**

Mr. Fawcett, Canadian, age 48, has been the President, CEO and a director of the Company since November, 1997. Mr. Fawcett received a Bachelor of Science (Mining Engineering) from the University of Alberta in 1974. Since that time, Mr. Fawcett has worked as an engineer with various companies, specializing in coal mining. Since 1991, Mr. Fawcett has worked as an engineering consultant to various companies through his personal consulting company, IDI Resource Technologies Inc. From 1993 to 1996, Mr. Fawcett was the President of Globaltex Coal Corporation (a wholly owned subsidiary of Globaltex Industries Inc., a public company trading on the Exchange), during which time Mr. Fawcett headed up the initial design, evaluation and regulatory process for a small open pit mine in northeastern British Columbia. During this time Mr. Fawcett also established a viable resource/reserve base to sustain a long-term coal operation. Mr. Fawcett was instrumental in arranging a joint venture between the wholly-owned subsidiaries of Globaltex Industries Inc., BC Rail and Mitsui Matsushima Co. Ltd. Pine Valley Coal Ltd. is the operator of the joint venture and Mr. Fawcett has acted as the Chief Operating Officer of Pine Valley Coal Ltd. since 1996. Detailed feasibility studies have been completed on the coal properties underlying the joint venture, which properties are also located in northeastern British Columbia.

**Kevin James, P. Geo. -- Director and promoter**

Mr. James, Canadian, age 41, has been a director of the Company since November, 1997. Mr. James is a registered "Professional Geoscientist" with The Association of Professional Engineers and Geoscientists of the Province of British Columbia (1991 - present). Since receiving a Bachelor of Science (Geology) from the University of British Columbia in 1981, Mr. James has worked as a geologist for Denison Mines Limited (1981 - 1982) and Quintette Coal Limited (1982 - 1987) and as a consulting geologist through his personal consulting company, Pika Geologic Inc. (1988 - present). Through his geological career, Mr. James has gained considerable knowledge and experience in the coal deposits of Western Canada - especially northeastern British Columbia. Since 1994, Mr. James has been an integral part of the exploration, mine certification and development process for Pine Valley Coal Ltd.'s Willow Creek Coal Project.

**(Douglas) David Austin -- Director and promoter**

Mr. Austin, Canadian, age 45, has been a director of the Company since November, 1997. Mr. Austin has held administrative positions with public companies for over 15 years, most of which companies had been involved in the resource industry. Most recently, Mr. Austin has acted as a director of Goldbank Ventures Ltd. (1995 - present) a public company which owns mineral and coal properties. Mr. Austin is also a director of Speyside Ventures Inc. (1996 - present), which company is currently inactive and seeking an acquisition. During the past five years Mr. Austin has also acted as a director and/or officer of Wedgewood Resources Ltd. and Leigh Resource Corp., public companies involved in the mineral resource industry. Mr. Austin is also a Terminal Agent (Manager) with BC Ferry Corp., a company with whom he has been employed since 1974.

**Conrad Swanson -- Director and promoter**

Mr. Swanson, Canadian, age 50, has been a director of the Company since November, 1997. Mr. Swanson has been involved in administrative positions with public companies for over 8 years. Mr. Swanson is currently the President and a director of Goldbank Ventures Ltd. (1995 - present), a public company which owns mineral and coal properties. Mr. Swanson is also President and a director of Speyside Ventures Inc. (1996 - present), a public company which is currently inactive and seeking an acquisition of a Canadian software company. Prior to 1993, Mr. Swanson was a realtor with Sutton Group. From 1993 to present, along with his directorships in the above-mentioned companies, Mr. Swanson has also been a consultant to various companies.

## David Raftery, C.A. – Secretary & Chief Financial Officer

Mr. Raftery, Canadian, age 60, has been the Secretary of the Company since October 1997 and the Chief Financial Officer of the Company since November 1997. Mr. Raftery had 21 years service with Placer Dome Inc. and Wharf Resources Ltd. in Canada, the U.S.A., Australia, Mexico and the Philippines, during which time Mr. Raftery was a senior manager with Placer Dome Inc. and Treasurer for Wharf Resources Ltd. Since 1986, Mr. Raftery has been in public practice with emphasis on public companies in the resource sector. Mr. Raftery has held directorships and officer positions in public companies since 1983. Mr. Raftery is currently a director of LMX Resources Ltd. (since 1987), Goldbank Ventures Ltd. (since 1995) and Speyside Ventures Inc. (since 1996) and the Chief Financial Officer of Fairlane Transportation Inc. (since 1997). In the past 5 years Mr. Raftery was also the Secretary/Chief Financial Officer of Leigh Resource Corp. (1996 - 1997) and the Secretary of Loumic Resources Inc. (1995 - 1998).

### Aggregate Ownership of Securities

The number and percentage of securities of each class of voting securities of the Company beneficially owned, directly or indirectly, as at December 31, 1998, by all directors, officers, promoters and other members of management of the Company as a group is as follows:

<u>Shareholder</u>	<u>Number of Shares Owned as at December 31, 1998</u>	<u>Percentage of Class prior to Offering</u>	<u>Percentage of Class after Offering</u>
David Fawcett	1,127,795 <sup>(1)</sup> (incl. options: 1,292,795)	19.2% <sup>(6)</sup> 19.7% <sup>(7)</sup>	16.1% <sup>(6)</sup> 16.8% <sup>(7)</sup>
Kevin James	1,096,017 <sup>(2)</sup> (incl. options: 1,261,017)	18.7% <sup>(6)</sup> 19.2% <sup>(7)</sup>	15.7% <sup>(6)</sup> 16.4% <sup>(7)</sup>
(Douglas)-David Austin	1,105,000 <sup>(3)</sup> (incl. options: 1,270,000)	18.8% <sup>(6)</sup> 19.3% <sup>(7)</sup>	15.8% <sup>(6)</sup> 16.5% <sup>(7)</sup>
Conrad Swanson	1,055,000 <sup>(4)</sup> (incl. options: 1,220,000)	18.0% <sup>(6)</sup> 18.6% <sup>(7)</sup>	15.1% <sup>(6)</sup> 15.9% <sup>(7)</sup>
David Raftery	1 <sup>(5)</sup> (incl. options: 40,001)	n/a <sup>(6)</sup> 0.6% <sup>(7)</sup>	n/a <sup>(6)</sup> 0.5% <sup>(7)</sup>
<b>TOTAL:</b>	<b>4,383,813</b> (incl. options: 5,083,813)	<b>74.7%<sup>(6)</sup></b> <b>77.4%<sup>(7)</sup></b>	<b>62.7%<sup>(6)</sup></b> <b>66.1%<sup>(7)</sup></b>

#### Notes:

- (1) These shares are held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities"). 25,000 of these shares are issued in the name of IDI Resource Technologies Inc., a private company wholly-owned by Mr. Fawcett. Mr. Fawcett has also been granted incentive stock options to purchase 165,000 shares (see "Options and Other Rights to Purchase Shares"). Any shares issued on exercise of the incentive stock options will be held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").
- (2) These shares are held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities"). Mr. James has also been granted incentive stock options to purchase 165,000 shares (see "Options and Other Rights to Purchase Shares"). Any shares issued on exercise of the incentive stock options will be held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").
- (3) These shares are held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities"). Mr. Austin has also been granted incentive stock options to purchase 165,000 shares (see "Options and Other Rights to Purchase Shares"). Any shares issued on exercise of the incentive stock options will be held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").
- (4) These shares are held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities"). Mr. Swanson has also been granted incentive stock options to purchase 165,000 shares (see "Options and Other Rights to Purchase Shares"). Any shares issued on exercise of the incentive stock options will be held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").

- (5) Subscriber's share. Mr. Raftery has also been granted incentive stock options to purchase 40,000 shares (see "Options and Other Rights to Purchase Shares"). Any shares issued on exercise of the incentive stock options will be held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").
- (6) Before the exercise of any Agent's Warrants or outstanding incentive stock options (see "Options and Other Rights to Purchase Shares").
- (7) Before the exercise of any Agent's Warrants but assuming the exercise of all outstanding incentive stock options (see "Options and Other Rights to Purchase Shares").

**Other Reporting Issuers**

The following directors, officers, promoters or other members of management of the Company have held a position as a director, officer, promoter or other member of management of other reporting issuers within five years prior to the date of this prospectus:

- David Fawcett:** *Globaltex Coal Corporation* (wholly owned subsidiary of *Globaltex Industries Inc.*), President (November 1993 - February 1996).
- (Douglas) David Austin:** *Goldbank Ventures Ltd.*, a Director (March 1995 - present); *Speyside Ventures Inc.*, a Director (May 1996 - present); *Wedgewood Resources Ltd.*, a Director (November 1996 - July 1998) and *Leigh Resource Corp.*, Vice-President of Public Relations (July 1995 - February 1997).
- Conrad Swanson:** *Goldbank Ventures Ltd.*, President and a Director (March 1995 - present); and *Speyside Ventures Inc.*, a Director (April 1996 - present).
- David Raftery:** *LMX Resources Ltd.*, a Director (December 1987 - present); *Goldbank Ventures Ltd.*, a Director (December 1995 - present); *Speyside Ventures Ltd.*, a Director (May 1996 - present); *Fairlane Transportation Inc.*, Chief Financial Officer (July 1997 - present); *Loumic Resources Inc.*, Secretary (July 1995 - January 1998); and *Leigh Resource Corp.*, Secretary (February 1996 - June 1997).

**Corporate Cease Trade Orders or Bankruptcies**

None of the directors, officers, promoters or other members of management of the Company are or have been, within the past five years, a director or officer of any company which:

- (a) was the subject of a cease trade or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than 30 consecutive days, except that *Wedgewood Resources Ltd.*, a company of which (Douglas) David Austin was a director, was cease traded from February 2, 1998 to April 7, 1998 for failure to file financial statements; or
- (b) was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

**Penalties or Sanctions**

None of the directors, officers, promoters or other members of management of the Company have, within the ten years prior to the date of this prospectus, been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, the promotion, formation or management of a publicly traded company or involving theft or fraud.

### Individual Bankruptcies

None of the directors, officers, promoters or other members of management of the Company have, within the five years prior to the date of this prospectus, been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

### Conflicts of Interest

The directors or officers of the Company may also serve as directors or officers of other companies engaged in similar business ventures and transactions with the Company. Accordingly, it may occur that business opportunities will be offered to a director involved in both the Company and other companies. As a result there may be situations which involve a conflict of interest. The directors will at all times act honestly and in the best interests of the Company. Any interested director would be required to declare the nature and extent of this interest and would not be entitled to vote at directors' meetings which evoke any such conflict.

## EXECUTIVE COMPENSATION

### Executive Compensation

The following table details the compensation paid to the persons who held the position of Chief Executive Officer and the four most highly paid Executive Officers of the Company in addition to the Chief Executive Officer (the "Named Executive Officers").

### Compensation Summary

The following table summarizes each of the Named Executive Officers' compensation.

Summary Compensation Table								
Name and Principal Position	Year	Annual Compensation			Long Term Compensation			All Other Compensation
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards	Payouts		
					Securities under Options Granted (#)	Restricted Shares or Restricted Share Units	LTIP Payouts (\$)	
David Fawcett President, CEO and a Director	Stub <sup>(1)</sup>	nil	nil	19,120 <sup>(3)</sup>	165,000	nil	nil	nil
	1998 <sup>(2)</sup>	nil	nil	13,120 <sup>(3)</sup>	nil	nil	nil	nil
Kevin James Director	Stub <sup>(1)</sup>	nil	nil	nil	165,000	nil	nil	nil
	1998 <sup>(2)</sup>	nil	nil	nil	nil	nil	nil	nil
(Douglas) David Austin Director	Stub <sup>(1)</sup>	nil	nil	11,250 <sup>(4)</sup>	165,000	nil	nil	nil
	1998 <sup>(2)</sup>	nil	nil	6,250 <sup>(4)</sup>	nil	nil	nil	nil
Conrad Swanson Director	Stub <sup>(1)</sup>	nil	nil	11,250 <sup>(4)</sup>	165,000	nil	nil	nil
	1998 <sup>(2)</sup>	nil	nil	6,250 <sup>(4)</sup>	nil	nil	nil	nil
David Rafferty Secretary & CFO	Stub <sup>(1)</sup>	nil	nil	14,700 <sup>(5)</sup>	40,000	nil	nil	nil
	1998 <sup>(2)</sup>	nil	nil	4,633 <sup>(5)</sup>	nil	nil	nil	nil

Notes:

- (1) The period between April 1, 1998 and December 31, 1998.
- (2) The period from incorporation (October 2, 1997) to March 31, 1998.
- (3) Paid to IDI Resource Technologies Inc., a private company wholly-owned by Mr. Fawcett.
- (4) Paid pursuant to a management agreement between the Company and Candy Management Ltd., a private company 50% owned by (Douglas) David Austin and 50% owned by Conrad Swanson. See "Related Party Transactions" for further details of the management agreement.
- (5) Mr. Raftery is paid an hourly rate for services provided to the Company, which services include: preparation and maintenance of accounting information, including preparing financial statements for the Company, WCC and Ensync; filing of GST claims; application for and compliance with flow-through requirements exploration cost reporting and preparing and filing corporate tax returns.

The Company anticipates that during the next 12 months Mr. Fawcett will be paid \$2,500/month for management services (commencing on the date the Company is listed on the Exchange) together with consulting fees which will be invoiced to the Company at an hourly rate on a project by project basis. In addition, during the next 12 months Candy Management Ltd. (a private company owned 50% by (Douglas) David Austin and 50% by Conrad Swanson) will be paid \$2,500/month for management services. In addition, Mr. Raftery will be paid at an hourly rate on an ad hoc basis for services provided to the Company, which services include: preparing and maintaining accounting information including preparing financial statements for the Company, WCC and Ensync; filing GST claims; application for and compliance with flow-through requirements; exploration cost reporting and preparing and filing corporate tax returns.

Options

The following table sets out the incentive stock options granted to the Company's directors since the Company's incorporation in October, 1997 to December 31, 1998.

<u>Name and Principal Position</u>	<u>Securities Under Option</u> (#)	<u>% of Total Options Granted in Period</u> (%)	<u>Exercise Price</u> (\$)	<u>Market Value of Securities Underlying Option @ Date of Grant</u> (\$/Security)	<u>Expiry Date</u>
David Fawcett President, CEO, director	165,000	23.5%	0.65	0.65	Two years from the Listing Day
Kevin James Director	165,000	23.5%	0.65	0.65	Two years from the Listing Day
(Douglas) David Austin Director	165,000	23.5%	0.65	0.65	Two years from the Listing Day
Conrad Swanson Director	165,000	23.5%	0.65	0.65	Two years from the Listing Day
David Raftery Secretary, CFO	40,000	6%	0.65	0.65	Two years from the Listing Day

No options have been exercised to December 31, 1998.

The directors of the Company do not receive any fees for acting in such capacity.

Defined Benefit Plans

The Company does not have and has never had any defined benefit or actuarial plans in respect of which any of its executive officers were eligible to participate.



### Related Party Transactions

Pursuant to a management agreement dated November 30, 1997, between Candy Management Ltd. (a private company owned 50% by (Douglas) David Austin and 50% by Conrad Swanson) and the Company, Candy Management Ltd. is paid \$2,500 per month plus out-of-pocket expenses for providing administration services including liaison with brokers, financial institutions and clients and for the co-ordination of the dissemination of news of the Company to the public and to shareholders of the Company. The term of the agreement is for two years (until November 30, 1999) and will automatically renew thereafter for one year terms. The agreement may be terminated by either party on 60 days written notice.

Pursuant to a management agreement dated July 30, 1998, between IDI Resource Technologies Inc. (a private company wholly-owned by David Fawcett), commencing on the day the Company's shares are listed on the Exchange, IDI Resource Technologies Inc. will be paid \$2,500 per month plus out-of-pocket expenses for providing administration services including administration of the day to day affairs of the Company and any subsidiary and liaison with the Company's auditors, accountants and lawyers. The term of the agreement is for two years from the day the Company's shares are listed and posted for trading on the Exchange and will automatically renew thereafter for one year terms. The agreement may be terminated by either party on 60 days written notice.

There are no other existing direct or indirect material interests in respect of the Company of any director, executive officer, principal holder of securities or any associate or affiliate of the foregoing which occurred from incorporation to December 31, 1998, and no other proposed material interests except as disclosed in this prospectus.

### INDEBTEDNESS OF DIRECTORS, OFFICERS, PROMOTERS AND OTHER MANAGEMENT

None of the directors, officers, promoters and members of management of the Company are or have been indebted to the Company at any time since the Company's incorporation in October, 1997 to December 31, 1998.

### PROMOTERS

The following individuals may be considered promoters of the Company within the meaning of applicable securities legislation:

<u>Promoters</u>	<u>Position with the Company</u>	<u>Shares Owned</u>
David Fawcett	President, CEO and a director	1,127,795 <sup>(1)</sup>
Kevin James	Director	1,096,017 <sup>(2)</sup>
(Douglas) David Austin	Director	1,105,000 <sup>(2)</sup>
Conrad Swanson	Director	1,055,000 <sup>(4)</sup>
David Raftery	Secretary and CFO	1 <sup>(3)</sup>

#### Notes:

- (1) These shares are held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities"). 25,000 of these shares are issued in the name of IDI Resource Technologies Inc., a private company wholly-owned by Mr. Fawcett. Mr. Fawcett has also been granted incentive stock options to purchase 165,000 shares (see "Options and Other Rights to Purchase Shares"). Any shares issued on exercise of the incentive stock options will be held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").
- (2) These shares are held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities"). Mr. James has also been granted incentive stock options to purchase 165,000 shares (see "Options and Other Rights to Purchase Shares"). Any shares issued on exercise of the incentive stock options will be held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").

- (3) These shares are held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities"). Mr. Austin has also been granted incentive stock options to purchase 165,000 shares (see "Options and Other Rights to Purchase Shares"). Any shares issued on exercise of the incentive stock options will be held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").
- (4) These shares are held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities"). Mr. Swanson has also been granted incentive stock options to purchase 165,000 shares (see "Options and Other Rights to Purchase Shares"). Any shares issued on exercise of the incentive stock options will be held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").
- (5) Subscriber's share. Mr. Raftery has also been granted incentive stock options to purchase 40,000 shares (see "Options and Other Rights to Purchase Shares"). Any shares issued on exercise of the incentive stock options will be held in escrow pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").

### SHARE CAPITAL STRUCTURE

#### Existing and Proposed Share Capital

The consolidated capitalization of the Company as at the dates indicated is as follows:

	Number of Issued Securities <sup>(1)</sup>	Price per Security (\$)	Total Consideration (\$)
Prior Issuance of securities:	1 <sup>(2)</sup>	1.00	1.00
	476,250 <sup>(3)(4)</sup>	0.40	190,500.00
	838,812 <sup>(5)(6)</sup>	0.40	335,524.80
	205,000 <sup>(6)(7)</sup>	0.25	51,250.00
	100,000 <sup>(6)(7)(8)</sup>	0.25	25,000.00
	4,250,000 <sup>(6)(9)</sup>	n/a	34,768.00
Issued as of December 31, 1998	5,870,063	-	637,043.80
Offering:			
Shares	1,100,000	0.65	715,000
Corporate Finance Fee to Agent	25,000 <sup>(10)</sup>	0.65 <sup>(10)</sup>	16,250
To be issued if all securities being offered are sold <sup>(11)(12)</sup> :	6,995,063	-	1,368,293.80

Notes:

- (1) The authorized capital of the Company consists of 100,000,000 common shares without par value.
- (2) Subscriber's share.
- (3) These shares are pooled pursuant to the terms of the Pooling Agreement (see "Pooling Agreement").
- (4) Flow-through shares (see "Flow-Through Seed Shares").
- (5) 525,000 of these shares are pooled pursuant to the terms of the Pooling Agreement (see "Pooling Agreement") and 313,812 of these shares are escrowed pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").
- (6) Non-flow-through shares.
- (7) These shares are pooled pursuant to the terms of the Pooling Agreement (see "Pooling Agreement").
- (8) These shares were issued at a deemed price of \$0.25 per share, after arm's-length negotiations, as consideration for the purchase of the Lillyburt Property (see "Other Properties - Lillyburt Property").
- (9) These shares were issued to the shareholders of WCC pursuant to the WCC Share Purchase Agreement. The aggregate value ascribed to these shares, pursuant to accounting policies, was \$34,768 (see "The WCC Share Purchase Agreement"). All of these shares are escrowed pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").

- (10) These shares are to be issued to the Agent at a deemed price of \$0.65 per share, being the estimated fair market value of the Company's shares upon completion of the Offering, in payment of the Agent's corporate finance fee (see "Plan of Distribution").
- (11) Prior to the exercise of the Agent's Warrants or any outstanding incentive stock options (see "Options and Other Rights to Purchase Shares").
- (12) As at December 31, 1993, the Company had working capital deficit of approximately \$(30,745).

### Escrowed Securities

4,563,812 issued shares beneficially owned by David Fawcett (1,127,795 shares), Conrad Swanson (1,055,000 shares), (Douglas) David Austin (1,105,000 shares), Kevin James (1,096,017 shares), Kinder Deo (40,000 shares), Mahmoud Afsharian (40,000 shares) and Ashia Investment Services Ltd. (100,000 shares) and 700,000 shares that may be issued on exercise of incentive stock options granted to David Fawcett (165,000), Conrad Swanson (165,000), (Douglas) David Austin (165,000), Kevin James (165,000) and David Raftery (40,000), (all of which shares are collectively referred to as the "Escrow Shares"), are or will be held in escrow by Montreal Trust Company of Canada (the "Escrow Agent") pursuant to an escrow agreement (the "Escrow Agreement") dated September 30, 1998.

The Escrow Shares are held pursuant to the terms of the Escrow Agreement, which follows the new interim National Escrow Regime. The Escrow Agreement provides, among other things, that the Escrow Shares may not be traded in or dealt with in any manner except as allowed by the terms of the Escrow Agreement. The Escrow Shares may not be transferred except, subject to certain requirements, to a director or senior officer of the Company, to a registered retirement savings plan or registered retirement income fund or, upon bankruptcy, to the trustee in bankruptcy. Upon death, the Escrow Shares will be released from escrow and delivered to the legal representative of the deceased escrow holder.

The Escrow Shares will automatically be released, pro rata, as to 15% on the Effective Date, an additional 15% on each of the first, second, third, fourth and fifth anniversaries of the Effective Date and an additional 10% on the sixth anniversary of the Effective Date. The Escrow Shares may be released earlier should the Company meet the following graduation criteria: (i) have earnings of at least \$200,000 before taxes in its most recent financial year; or (ii) have cash flows from operating activities of at least \$400,000 in its most recent financial year; or (iii) have proven reserves of at least \$2,000,000 based on a technical report; or (iv) hold an interest in a resource property on which it has spent at least \$1,000,000 on exploration and development and have allocated at least \$1,000,000 of its unencumbered cash or cash equivalents currently available. Upon meeting the graduation criteria, the Escrowed Shares will be released as to 25% on the Effective Date and 25% on each of the first, second and third anniversaries of the Effective Date.

The Escrow Shares will represent 65.2% of the Company's issued and outstanding shares upon completion of the Offering.

### Pooling Agreement

1,306,251 shares of the Company, being all of the seed shares except the Escrow Shares (the "Pooled Shares") owned by the seed shareholders, are being pooled in accordance with the resale restrictions set out in the Exchange's Listings Policy 2.7.5 and pursuant to the terms of a pooling agreement (the "Pooling Agreement") dated August 31, 1998.

On the basis that 1,001,251 seed shares were purchased less than two years from the date of the preliminary receipt for this prospectus (being October 23, 1998) at a purchase price of \$0.40, being 61.5% of the price to be paid for the Shares sold under this prospectus (\$0.65), 61.5% of these seed shares, or 615,770 shares, may be released from the pool arrangement and resold immediately on the Listing Day and the remaining 385,481 seed shares may be resold three months after the Listing Day.

On the basis that 305,000 seed shares were purchased less than two years from the date of the preliminary receipt for this prospectus (being October 23, 1998) at a purchase price of \$0.25, being 38.5% of the price to be paid for

the Shares sold under this prospectus (\$0.65), 25% of these seed shares, or 76,250 seed shares, may be released from the pool arrangement and resold on each of three months, six months, nine months and twelve months after the Listing Day.

The Pooled Shares will represent 18.7% of the Company's issued and outstanding shares upon completion of the Offering.

#### Flow-Through Seed Shares

A total of 476,250 seed shares sold at a price of \$0.40 per share for a total of \$190,500 were flow-through shares, issued pursuant to flow-through share subscription agreements to various individuals. Under the terms of the flow-through share subscription agreements, the Company agreed to renounce Canadian exploration expenses ("CEE") in favour of the subscribers (the "Flow-Through Subscribers") pursuant to the provisions of the *Income Tax Act* (Canada).

As at December 31, 1998, the Company has expended \$174,500 of the funds subscribed for by the Flow-Through Subscribers on qualified CEE and renounced \$108,000 of CEE to the Flow-Through Subscribers in the 1997 tax year. The Company will renounce the balance of \$66,500 to the Flow-Through Subscribers in the 1998 tax year. Consequently, the Company has given up potential tax benefits available to it as a result of renouncing CEE to the Flow-Through Subscribers. \$16,000 of the funds subscribed for by the Flow-Through Subscribers remains in the Company's bank account and will be dealt with by the Company in accordance with the requirements of the *Income Tax Act* (Canada), until such time as these funds are spent on CEE expenditures. The Company will then renounce these funds to the Flow-Through Subscribers in the applicable tax year.

#### Options and Other Rights to Purchase Shares

- (a) The Company does not have a stock option plan for the granting of incentive stock options to its directors, officers and employees. However, the Company did grant stock options to its directors during the most recently completed financial year and to the period ended December 31, 1998. The purpose of granting such options is to assist the Company in compensating, attracting, retaining and motivating the directors, officers and employees of the Company and to attempt to align the personal interests of such persons to that of the shareholders.

As at December 31, 1998, the Company had granted the following incentive stock options to acquire an aggregate of 700,000 shares:

<u>Name of Optionee</u>	<u>Date of Agreement</u>	<u>Number Outstanding</u>	<u>Purchase Price</u> (\$)	<u>Expiry Date</u>
David Fawcett	July 31, 1998	165,000	0.65	Two years from the Listing Day
Kevin James	July 31, 1998	165,000	0.65	Two years from the Listing Day
(Douglas) David Austin	July 31, 1998	165,000	0.65	Two years from the Listing Day
Conrad Swanson	July 31, 1998	165,000	0.65	Two years from the Listing Day
David Raflery	Sept. 25, 1998	40,000	0.65	Two years from the Listing Day

There are no assurances that the above described incentive stock options will be exercised in whole or in part.

- (b) Up to 165,000 shares may be issued to the Agent pursuant to the exercise of the Agent's Warrants. See "Plan of Distribution" for further details.

**Fully Diluted Share Capital**

	<u>Number of Securities</u>	<u>Percentage of Total</u>
Issued as of December 31, 1998	5,870,063	74.7%
Offered under the prospectus Corporate Finance Fee	1,100,000 25,000	14.3%
Securities reserved for future issue as of December 31, 1998 <sup>(1)</sup>	865,000	11.0%
<b>TOTAL:</b>	<b>7,860,063</b>	<b>100%</b>

**Notes:**

- (1) (a) Up to 700,000 shares may be issued pursuant to the exercise of incentive stock options.
- (b) Up to 165,000 shares may be issued pursuant to the exercise of the Agent's Warrants (see "Plan of Distribution").

**Principal Holders of Voting Securities:**

To the knowledge of the directors and officers of the Company, as at December 31, 1998, no person beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the issued and outstanding shares of the Company, except as outlined below:

<u>Name and Address</u>	<u>Number of Shares</u>	<u>Percentage Prior to the Offering</u>	<u>Percentage After the Offering<sup>(1)</sup></u>
David Fawcett Delta, BC	1,127,795 <sup>(2)</sup>	19.2%	16.1%
(Douglas) David Austin North Vancouver, BC	1,105,000 <sup>(3)</sup>	18.8%	15.8%
Kevin James Burnaby, BC	1,096,017 <sup>(4)</sup>	18.7%	15.7%
Conrad Swanson North Vancouver, BC	1,055,000 <sup>(5)</sup>	18.0%	15.1%

**Notes:**

- (1) Before the issuance of any shares on the exercise of the Agent's Warrants or any outstanding incentive stock options (see "Options and Other Rights to Purchase Shares").
- (2) All of these shares are escrowed pursuant to the terms of the Escrow Agreement (see "Escrowed Securities"). 25,000 of these shares are issued in the name of IDI Resource Technologies Inc., a private company wholly-owned by Mr. Fawcett.
- (3) All of these shares are escrowed pursuant to the terms of the Escrow Agreement (see "Escrowed Securities"). 62,500 of these shares are flow-through shares (see "Flow-Through Seed Shares").
- (4) All of these shares are escrowed pursuant to the terms of the Escrow Agreement (see "Escrowed Securities").
- (5) All of these shares are escrowed pursuant to the terms of the Escrow Agreement (see "Escrowed Securities"). 25,000 of these shares are flow-through shares (see "Flow-Through Seed Shares").

## PLAN OF DISTRIBUTION

### The Offering

The Company, through IPO Capital Corp. (the "Agent"), hereby offers for sale to the public, on a guaranteed agency offering basis, through the facilities of the Exchange, up to 1,100,000 Shares at a price of \$0.65 per Share. The Offering will be made in accordance with the rules and policies of the Exchange and on a day (the "Offering Day") determined by the Agent and the Company, with the consent of the Exchange, within a period of 90 days from the Effective Date.

Pursuant to the Agency Agreement dated January 27, 1999, the Company agreed to pay the Agent a commission equal to 7.5% of the gross proceeds of the Offering (or \$0.04875 per Share) and a corporate finance fee of 25,000 shares, which shares are being qualified under this prospectus. The Company has paid a retainer of \$10,000 to the Agent to cover the Agent's costs related to the Offering, which costs will be paid out of the retainer from time to time, and any unused portion of the retainer will be returned to the Company upon closing of the Offering.

If the Company satisfies all its obligations under the Agency Agreement, the Agent will, within 10 business days of the Offering Day, pay the net proceeds of the Offering to the Company. The Agent reserves the right to offer selling group participation, in the normal course of the brokerage business, to selling groups of other licensed dealers, brokers and investment dealers, who may or may not be offered part of the commissions to be received by the Agent pursuant to the Agency Agreement. The obligations of the Agent under the Agency Agreement may be terminated at any time before the Listing Day at the Agent's discretion on the basis of its assessment of the state of the financial markets and may also be terminated at any time on the occurrence of certain stated events. The Company has granted the Agent a right of first refusal to provide future equity financing to the Company for a period expiring one year after the closing of the Offering.

In accordance with the rules and policies of the Exchange, the Agent is required to give full client preference of 100% of the Offering for purchase by retail clients. Clients of the Agent will have preference, to the extent there is demand, for 100% of the Offering. The Agent may allocate the Offering amongst its clients with such preference as it may determine in its sole discretion. If retail client demand is less than 100% of the Offering, the difference between the total offering and client demand may be allocated to professional trades, i.e. members of the Exchange and their partners, directors, officers, registered representatives, traders and assistant traders, introducing brokers and employees.

Other than as disclosed herein under "Plan of Distribution", there are no payments in cash, securities or other consideration being made, or to be made, to a promoter, finder, or any other person or company in connection with this Offering. There is no intention to stabilize the market following the Offering.

### Guaranteed Agency Offering and Agent's Warrants

The Agent has agreed to purchase any Shares unsubscribed for on the Offering Day (the "Guarantee"). In consideration thereof, the Company has agreed to grant and issue to the Agent that number of Agent's Warrants equal to 15% of the Shares sold under the Offering. Each Agent's Warrant will entitle the Agent to purchase one share for a period of 18 months at a purchase price of \$0.65 per share during the first 12 months of the exercise period and at a purchase price of \$0.75 per share during the last 6 months of the exercise period.

The Agent's Warrants will contain, among other things, provisions for appropriate adjustment in the class, number and price of shares issuable pursuant to any exercise thereof upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the shares of the Company, the payment of stock dividends or the amalgamation of the Company.

Any Shares acquired by the Agent pursuant to the Guarantee and any shares acquired by the Agent upon the exercise of the Agent's Warrants are being qualified under this prospectus.

### Conditional Listing

The Exchange has conditionally listed the securities being offered pursuant to this prospectus. Listing is subject to the Company fulfilling all the listing requirements of the Exchange on or before March 17, 1999, including prescribed distribution and financial requirements.

### Sponsorship Agreement

The Company and the Agent have also entered into a Sponsorship Agreement dated January 27, 1999 in respect of sponsorship by the Agent of the Company's application to the Exchange for listing. Pursuant to the Sponsorship Agreement, the Agent agreed to carry out activities to comply with the Member Sponsorship policy statement of the Exchange, including filing a sponsorship letter in respect of the Company with the Exchange and observing the oversight responsibilities set out in such policy statements including, but not limited to, reviewing correspondence between the Company and the regulatory authorities, reviewing insider reports filed by the Company's directors, officers and promoters, reviewing press releases issued by the Company, reviewing Form 27 material change reports filed by the Company, reviewing financial statements filed by the Company with the regulatory authorities, reviewing documents relating to any court proceedings, reviewing details of share issuances made by the Company, reviewing shareholder communications prepared by the Company and reviewing monthly variance reports prepared by management of the Company reconciling funds expended by the Company to the proposed use of proceeds (see "Use of Proceeds"). Unless previously terminated, the Sponsorship Agreement will expire one year from the Listing Day. The Company will pay the Agent a \$15,000 sponsorship fee plus GST for services to be provided by the Agent to the Company pursuant to the terms of the Sponsorship Agreement.

### DESCRIPTION OF SECURITIES OFFERED

All shares of the Company, both issued and unissued, are common shares of the same class and rank equally as to dividends, voting powers and participation in assets. At any general meeting, subject to the restrictions on joint registered owners of common shares of the Company, on a show of hands every shareholder who is present in person and entitled to vote has one vote and on a poll every shareholder has one vote for each share of which he or she is the registered owner and may exercise such vote either in person or by proxy. The directors of the Company may, from time to time, declare and authorize payment of dividends. No common shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights. There are no provisions for surrender, sinking or purchase funds. Provisions as to the modification, amendment or variation of such rights or such provisions are contained in the Company Act.

### DILUTION

The price of the Shares of \$0.65 exceeds the net tangible book value per common share of the Company as at June 30, 1998 (giving effect to the issuance of all seed shares as at October 5, 1998 - see "Share Capital Structure"), by \$0.511 after the Offering, after giving effect to the issuance of all Shares being sold under the Offering and issued to the Agent for its corporate finance fee (but before issuance of any shares on exercise of the Agent's Warrants or any outstanding options), representing a dilution of 78.6%. The following table illustrates this per share dilution:

#### Dilution Per Share

Price per Share:	\$0.65
Net tangible book value before the issue of the Shares on June 30, 1998 (fully diluted):	\$ 0.066
Increase in net tangible book value attributable to the shares of the Company (fully diluted):	\$ 0.073
Net tangible book value after giving effect to the issue of the Shares (fully diluted):	\$ 0.139
Dilution to holders of shares:	\$ 0.511
Percentage dilution in relation to the issue price allocated per Share:	78.6%

### DIVIDEND POLICY

The Company has not paid any dividends on its shares to date. The Company does not anticipate paying any dividends in the foreseeable future. The declaration of future dividends by the Company, if any, will be determined by the directors of the Company in light of the Company's earnings, cash requirements and other relevant considerations.

### INVESTOR RELATIONS ARRANGEMENTS

The Company has not entered into any written or oral agreement or understanding with any person to provide promotional or investor relations services for the Company or its securities, or to engage in activities for the purpose of stabilizing the market, either now or in the future.

### RELATIONSHIP BETWEEN THE COMPANY OR THE SELLING SECURITY HOLDER AND AGENT

The Company and the Agent are not related parties or connected parties within the meaning of applicable securities legislation.

### RELATIONSHIP BETWEEN THE COMPANY AND PROFESSIONAL PERSONS

No professional person, as that term is defined in applicable securities legislation, nor the responsible solicitor or any associate of the responsible solicitor's firm has any beneficial interest, direct or indirect, in any securities or in the property of the Company. No professional person, nor the responsible solicitor or any associate of the responsible solicitor's firm is, or is expected to be elected, appointed or employed as a director, senior officer or employee of the Company or of an associate, affiliate, holding company or major subsidiary thereof or is, or is expected to become, a promoter of the Company, or of an associate or affiliate thereof.

### LEGAL PROCEEDINGS

As at the date of this prospectus, no legal proceedings which are material to the business and affairs of the Company have been commenced by or against the Company and, to the best knowledge of the Company, no such legal proceedings are contemplated.

### LEGAL MATTERS

Certain legal matters relating to the securities offered hereby will be passed upon by Devlin Jensen of Vancouver, British Columbia, on behalf of the Company and by Campney & Murphy on behalf of the Agent.



## AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Company are Manning Jamison, Chartered Accountants, of Suite 200, 1645 West 7th Avenue, Vancouver, British Columbia, V6J 1S4.

The registrar and transfer agent for the common shares of the Company is Montreal Trust Company of Canada at its principal office located at 510 Burrard Street, Vancouver, British Columbia, V6C 3B9.

## MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of the Company's business, the only material contracts entered into by the Company are the following:

1. Agency Agreement dated January 27, 1999, between the Company and the Agent (see "*Plan of Distribution*", page 59).
2. Sponsorship Agreement dated January 27, 1999, between the Company and the Agent (see "*Plan of Distribution - Sponsorship Agreement*", page 60).
3. Escrow Agreement dated September 30, 1998, between Montreal Trust Company of Canada, the Company and certain shareholders of the Company (see "*Escrowed Securities*", page 56).
4. Pooling Agreement dated July 31, 1998, between Montreal Trust Company of Canada, the Company and certain shareholders of the Company (see "*Pooling Agreement*", page 56).
5. Share Purchase Agreement dated October 31, 1997, between the Company and the shareholders of Western Coal Corp. (see "*The WCC Share Purchase Agreement*", page 4).
6. Coal Property Acquisition Agreement dated November 27, 1997, between the Company and Morris Geological Co. Ltd. (see "*Other Properties - Lillyburt Property*", page 43).
7. Coal Property Acquisition Agreement dated November 27, 1997, between the Company and G.S. Reeves Associates International Ltd. (see "*Other Properties - Lillyburt Property*", page 43).
8. Management Agreement dated November 30, 1997, between Candy Management Ltd. and the Company (see "*Related Party Transactions*", page 54).
9. Management Agreement dated July 30, 1998, between IDI Resource Technologies Inc. and the Company (see "*Related Party Transactions*", page 54).
10. Transfer Agency and Registrarship Agreement dated June 5, 1998 between the Company and Montreal Trust Company of Canada.

The above contracts may be inspected at the Company's registered and records office located at Suite 2550, 555 West Hastings Street, Vancouver, British Columbia, V6B 4N5, while the primary distribution of the Shares offered under this prospectus is in progress and for a period of 30 days thereafter.

## OTHER MATERIAL FACTS

There are no other material facts relating to the Company which have not been disclosed in this prospectus.

**PURCHASERS' STATUTORY RIGHTS**

The Securities Act provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. The Securities Act further provides a purchaser with remedies for rescission or damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the Securities Act. The purchaser should refer to sections 83, 131, 135 and 140 of the Securities Act for particulars of these rights or consult with a legal advisor.

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## AUDITORS' REPORT

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To the Directors of  
**WESTERN CANADIAN COAL CORP.**

We have audited the consolidated balance sheets of **WESTERN CANADIAN COAL CORP.** as at June 30, 1998 and March 31, 1998, and the statements of operations and deficit, deferred exploration expenditures and changes in financial position for the periods then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at June 30, 1998 and March 31, 1998, and the results of its operations and the changes in its financial position for the periods then ended in accordance with generally accepted accounting principles. As required by the British Columbia Company Act, we report that in our opinion these principles have been consistently applied.

A handwritten signature in cursive script that reads "Manning Jamison".

Chartered Accountants

Vancouver, British Columbia

October 16, 1998

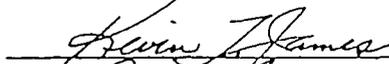
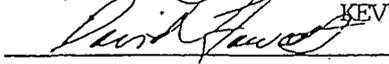
(except for note 8 which is as of December 17, 1998,  
and except for notes 8a) and 8b) which are as of January 27, 1999)

WESTERN CANADIAN COAL CORP.

CONSOLIDATED BALANCE SHEETS

	JUNE 30 1998	MARCH 31 1998
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 38,521	\$ 140,761
Accounts receivable	<u>16,514</u>	<u>17,037</u>
	55,035	157,798
<b>DEFERRED FINANCING EXPENDITURES</b>	7,850	-
<b>FURNITURE AND EQUIPMENT</b>		
Net of accumulated amortization of \$193 (March 31 - \$125)	1,303	1,371
<b>COAL PROPERTIES (Note 4)</b>	207,084	207,084
<b>DEFERRED EXPLORATION EXPENDITURES</b>	<u>255,960</u>	<u>181,355</u>
	<u>\$ 527,232</u>	<u>\$ 547,608</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 53,853	\$ 53,708
Advances from officers and directors (Note 5)	80,525	80,525
Due to subscribing shareholders (Note 6)	<u>485,518</u>	<u>475,518</u>
	<u>619,896</u>	<u>609,751</u>
<b>SHARE CAPITAL AND DEFICIT</b>		
<b>SHARE CAPITAL</b>		
Authorized: 100,000,000 Common shares without par value		
Issued: 1 Common share without par value	2	2
<b>DEFICIT</b>	<u>(92,666)</u>	<u>(62,145)</u>
	<u>(92,664)</u>	<u>(62,143)</u>
	<u>\$ 527,232</u>	<u>\$ 547,608</u>

Approved by the Directors:

 Director  
 KEVIN JAMES  
 Director  
 DAVID FAWCETT

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 WESTERN CANADIAN COAL CORP.

 CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
 

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	THREE MONTHS ENDED JUNE 30 1998	INCEPTION (April 21, 1997) TO MARCH 31 1998
EXPENSES		
Legal and accounting	\$ 11,563	\$ 18,218
Consulting	7,800	14,195
Management fees	7,500	12,500
Rent	2,400	4,800
Office and sundry	513	1,440
Telephone	401	1,057
Interest and bank charges	276	175
Amortization	68	125
Travel	-	9,635
	<u>30,521</u>	<u>62,145</u>
LOSS FOR THE PERIOD	(30,521)	(62,145)
DEFICIT AT BEGINNING OF PERIOD	<u>(62,145)</u>	<u>-</u>
DEFICIT AT END OF PERIOD	<u>\$ (92,666)</u>	<u>\$ (62,145)</u>

## CONSOLIDATED STATEMENTS OF DEFERRED EXPLORATION EXPENDITURES

INCEPTION  
(April 21, 1997)  
TO JUNE 30  
1998

	<u>Belcourt</u>	<u>Lillyburt</u>	<u>Total</u>
<b>EXPENDITURES</b>			
Consultants and valuations	\$ 61,462	\$ -	\$ 61,462
Drilling	58,025	-	58,025
Geological and geophysical	41,108	-	41,108
Coal licenses	10,587	3,626	14,213
Field costs	6,322	-	6,322
Drafting	<u>225</u>	<u>-</u>	<u>225</u>
Balance at March 31, 1998	<u>177,729</u>	<u>3,626</u>	<u>181,355</u>
Coal licenses	61,307	-	61,307
Consultants and valuations	10,580	-	10,580
Assaying	2,102	-	2,102
Field costs	406	-	406
Drafting	<u>210</u>	<u>-</u>	<u>210</u>
	<u>74,605</u>	<u>-</u>	<u>74,605</u>
Balance at June 30, 1998	<u>\$ 252,334</u>	<u>\$ 3,626</u>	<u>\$ 255,960</u>

## WESTERN CANADIAN COAL CORP.

## CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

	THREE MONTHS ENDED JUNE 30 1998	INCEPTION (April 21, 1997) TO MARCH 31 1998
<b>CASH PROVIDED BY (USED FOR):</b>		
<b>OPERATING ACTIVITIES</b>		
Loss for the period	\$ (30,521)	\$ (62,145)
Amortization, an item not involving cash	<u>68</u>	<u>125</u>
	(30,453)	(62,020)
Changes in non-cash working capital balances:		
Accounts receivable	523	(17,037)
Accounts payable and accrued liabilities	<u>145</u>	<u>53,708</u>
	<u>(29,785)</u>	<u>(25,349)</u>
<b>FINANCING ACTIVITIES</b>		
Advances from subscribing shareholders	10,000	475,518
Advances from officers and directors	-	80,525
Share capital issued	-	2
Deferred financing expenditure	<u>(7,850)</u>	<u>-</u>
	<u>2,150</u>	<u>556,045</u>
<b>INVESTING ACTIVITIES</b>		
Investment in coal licenses	-	(207,084)
Deferred exploration expenditures	(74,605)	(181,355)
Purchase of capital assets	<u>-</u>	<u>(1,496)</u>
	<u>(74,605)</u>	<u>(389,935)</u>
<b>CHANGE IN CASH RESOURCES DURING THE PERIOD</b>	<b>(102,240)</b>	<b>140,761</b>
<b>CASH RESOURCES AT BEGINNING OF PERIOD</b>	<b><u>140,761</u></b>	<b><u>-</u></b>
<b>CASH RESOURCES AT END OF PERIOD</b>	<b><u>\$ 38,521</u></b>	<b><u>\$ 140,761</u></b>

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WESTERN CANADIAN COAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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JUNE 30, 1998

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

The consolidated financial statements include the accounts of the company and its 100% owned subsidiary Western Coal Corp. ("WCC") and Ensync Resource Management Inc. ("Ensync"), which is 100% owned by WCC. All the companies are incorporated under the British Columbia Company Act.

The nature of the business combination was such that neither of the combining companies could be identified as the acquirer for accounting purposes. Therefore, the business combination has been accounted for using the pooling of interests method of accounting whereby the consolidated financial statements reflect the combined historical carrying values of the assets, liabilities and shareholders' equity, and the historical operating results of WCCC from its inception on October 2, 1997 and WCC from its inception on April 21, 1997 for each of the periods presented. The reporting periods and accounting policies for the two companies have been conformed in the consolidated financial statements.

All significant intercompany transactions and balances have been eliminated on consolidation.

b) Amortization

Furniture and equipment is recorded at historical cost and is amortized over its estimated useful life under the declining balance method at 20% per annum.

The company applies one-half of the annual amortization in the year of acquisition.

c) Deferred Financing Expenditures - Expenditures made to acquire financing are deferred until the funds are received at which time capital items will be charged to deficit. Should a financing project be abandoned, the costs related to it will be charged to earnings at that time.

d) Resource properties

i) Deferred Exploration Expenditures - The company is in the exploration stage and defers all exploration expenditures until such time as the projects are put into commercial production, sold or abandoned. Should a property be deemed uneconomic, the costs related to it will be charged to earnings at that time.

ii) Valuation - The values shown for coal licenses and for deferred exploration expenditures represent costs to date where such costs are not expected to exceed the amount to be recovered in future periods. This assessment has been made based on available information about exploration activities carried out on the properties, the work program in place to explore the properties, the results achieved to date and plans for future exploration work on the properties, and the sufficiency of the remaining lease term on the properties to conduct the necessary studies or exploration work. However, it is reasonably possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recognized amount.



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WESTERN CANADIAN COAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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JUNE 30, 1998

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Resource Properties (continued)

iii) Cost of Maintaining Resource Properties - The company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

iv) Amortization - The deferred exploration expenditures and coal licenses will be amortized on a unit-of-production basis.

e) Loss per share

Loss per share computations have not been provided as only one share was outstanding during the period. Equivalent shares, stock options and pending subscriptions have been excluded from the calculation as their effect would be anti-dilutive.

f) Land Reclamation and Environmental Remediation Costs

During the course of acquiring and exploring coal properties, the company must comply with government regulations with regard to environmental protection.

The costs of complying with these requirements are capitalized, when incurred, as deferred costs until such time as the properties are put into commercial production, at which time the costs incurred will be charged to operations on a unit-of-production basis over the estimated mine life. Upon abandonment or sale of a property all deferred costs relating to the property will be expensed in the year of such abandonment or sale.

The cost and extent of future site cleanup, reclamation or remediation for work programs will be estimated during the planning stages, at which time a reclamation security bond will be provided to the British Columbia Ministry of Energy, Mines and Petroleum Resources and recorded as such.

1. NATURE OF OPERATIONS

The company is primarily engaged in the business of acquiring, exploring and developing coal properties.

Realization of the cost of the coal properties and exploration expenses is dependent upon the company's ability to finance and develop the coal resources, and its ability to profitably sell any coal produced. Although management believes that it is pursuing a course of action that will accomplish these objectives, the outcome of these matters is uncertain.

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WESTERN CANADIAN COAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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JUNE 30, 1998

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2. POOLING OF INTERESTS AND CONSOLIDATED FINANCIAL STATEMENTS

Under an agreement dated October 31, 1997, Western Canadian Coal Corp. ("WCCC") undertook to acquire all the shares of Western Coal Corp. including its wholly-owned subsidiary, Ensync Resource Management Inc.

WCCC agreed to issue 4,250,000 common shares in exchange for all outstanding shares of WCC. In addition, certain WCC shareholders agreed to forgive amounts owing to them by WCC. Since WCCC and WCC were under common control at the time of the agreement, and it was not possible to identify one of the parties to the agreement as the acquirer, the business combination has been accounted for under the pooling of interests method.

Accordingly, these financial statements reflect the combined assets and liabilities of WCCC and WCC at their respective carrying values; the combined share capital and deficit reflect those of WCCC and WCC; and the results of operations reflect those of WCCC and WCC on a combined basis.

The assets, liabilities, and operations of the following companies at October 31, 1997 were:

	WCCC	WCC
Current assets:	\$ 57,200	\$ 11,809
Coal properties	-	97,084
Current liabilities	(57,199)	(104,124)
Share capital	(1)	(1)
	<u>\$ -</u>	<u>\$ 4,768</u>
Management fee revenue	\$ -	\$ 10,000
Less: Administrative expenses	-	(5,232)
Net earnings	<u>\$ -</u>	<u>\$ 4,768</u>

3. FINANCIAL INSTRUMENTS

The company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, advances from officers and directors and amounts due to subscribing shareholders. In management's opinion the company is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

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WESTERN CANADIAN COAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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JUNE 30, 1998

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4. COAL PROPERTIES

Northeastern British Columbia

The company acquired and holds coal licenses which cover the Red Deer, Holtslander, Huguenot, Omega and Saxon East deposits and as a condition of the acquisition has agreed to pay an annual royalty of 0.75% of the selling price of coal sales from the properties to certain shareholders (see Note 7). These coal licenses are recorded at cost.

\$ 97,084

Southeastern British Columbia

The company acquired and holds coal licenses covering the Lillyburt deposit which are recorded at cost.

110,000

\$ 207,084

5. ADVANCES FROM OFFICERS AND DIRECTORS

The advances are non-interest bearing with no set terms of repayment and have been made by officers and directors of the company (see Note 8(e)).

6. DUE TO SUBSCRIBING SHAREHOLDERS

Funds have been advanced to the company by seed investors pursuant to subscription agreements entered into by the company and the investors. The subscription agreements stipulate that these funds constitute interest free advances to the company by the investors until such time as the subscription offer is accepted by the company's directors and the shares are allotted or issued, or until such time as the funds are returned (see Note 8(f)).

As at March 31 and June 30, 1998 none of the shares subscribed for by the seed investors for cash had been issued or allotted, nor had any of the shares to be issued for the acquisition of WCC or for the acquisition of coal licenses been issued. Amounts due to subscribing shareholders are comprised of:

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WESTERN CANADIAN COAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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JUNE 30, 1998

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6. DUE TO SUBSCRIBING SHAREHOLDERS (continued)

	Number of shares to be issued	Ascribed Consideration
To be issued for cash received from seed investors prior to October 31, 1997	143,000	\$ 57,200
To be issued for acquisition of all the shares of WCC pursuant to an agreement entered into on October 31, 1997 (Note 2)	4,250,000	34,768
To be issued for cash received from seed investors prior to March 31, 1998	973,250	358,550
To be issued as consideration for the Lillyburt licenses	<u>100,000</u>	<u>25,000</u>
Balance at March 31, 1998	5,466,250	\$ 475,518
To be issued for cash received from seed investors prior to June 30, 1998	<u>25,000</u>	<u>10,000</u>
Balance at June 30, 1998	<u>5,491,250</u>	<u>\$ 485,518</u>

Included in the 1,141,250 shares to be issued for cash are 411,250 flow through shares for a total of \$164,500 pursuant to which the company is obligated to incur exploration expenditures and renounce these in favour of the investors.

The shares to be issued to seed investors for cash and for the Lillyburt coal licenses are subject to a pooling agreement of the shareholders. As a condition of the listing of the shares on the Vancouver Stock Exchange, these shares will be subject to the Exchange's Seed Share Resale Restrictions.

The shares to be issued for the WCC acquisition will be subject to an escrow agreement in accordance with the terms of the interim National Escrow Regime.

7. RELATED PARTY TRANSACTIONS

During the three month period ended June 30, 1998, the company paid management fees of \$7,500 (period ended March 31, 1998 - \$12,500) to a company with common directors. In addition, consulting fees of \$7,800 (March 31, 1998 - \$14,195) were paid to a company controlled by the president.

The company has entered into a management agreement to pay \$2,500 per month to a company controlled by common directors. Sixty days notice by the company is required to terminate the agreement.

Consulting fees are paid to a company controlled by the company's president. Fees are on an hourly basis and are negotiated on a project by project basis.

The directors of the company are the beneficiaries of the coal sale royalty described in Note 4.

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WESTERN CANADIAN COAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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JUNE 30, 1998

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8. SUBSEQUENT EVENTS

a) Agency and member sponsorship agreements

Pursuant to a sponsorship agreement dated January 27, 1999, the company engaged an agent for a Guaranteed Fixed Price Agency Offering for the Initial Public Offering ("IPO") of 1,100,000 common shares of the company at \$0.65 per share for an aggregate of \$715,000. The agent's commission is 7.5% of the gross proceeds of the Offering.

In consideration for conducting a guaranteed Best Efforts Offering, the agent will receive Agent's Warrants in the amount of 15% of the completed offering, exercisable for 18 months after the listing on the Vancouver Stock Exchange at the IPO price (\$0.65) in the first year and IPO price plus 15% (\$0.75) for the remaining six months.

Pursuant to an agency agreement dated January 27, 1999, the company engaged the agent to sponsor the company for its listing on the Vancouver Stock Exchange ("VSE").

b) Additional subscriptions

In July and August 1998, the company entered into additional share subscription agreements as subsequently amended on January 27, 1999, with investors for 378,812 shares for cash of \$151,525, 65,000 of which were flow-through shares for a total of \$26,000 pursuant to which the company is obligated to incur exploration expenditures and renounce these in favour of the investors.

c) Directors' and officers' stock options

In July and September 1998, stock options were granted to directors and officers to purchase an aggregate of 700,000 common shares of the company at the IPO price of \$0.65 per share expiring two years from the IPO listing date.

d) Management agreement

On July 30, 1998 the company entered into a management agreement to pay \$2,500 per month to a company controlled by the president commencing on the day the company's shares are listed on the VSE. Sixty days notice by the company is required to terminate the agreement.

e) Advances from officers and directors

On August 31, 1998 the company fully repaid the advances from officers and directors of the company (see Note 5).

f) Allotment and issuance of shares

On October 5, 1998, 5,870,062 shares were allotted and issued by the company pursuant to the subscription agreements referred to in Notes 6 and 8(b) and for the acquisition of WCC and the Lillyburt coal licenses.

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WESTERN CANADIAN COAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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JUNE 30, 1998

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8. SUBSEQUENT EVENTS (continued)

g) Additional coal licenses

Effective October 9, 1998 the company was granted four coal licenses by the British Columbia Ministry of Energy, Mines and Petroleum Resources. The licenses, referred to as the "Brazion Property", are located in the Liard Mining Division in British Columbia.

h) Filing of prospectus

The company proposes to file a final prospectus for an initial public offering on the VSE and to become listed on the exchange (see Note 8 (a)).

9. YEAR 2000 ISSUE

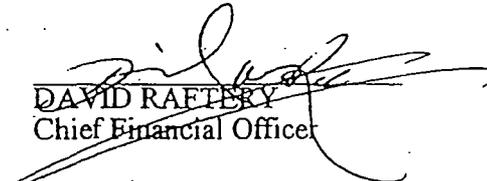
The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. As a result, many date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors or system failures when information using year 2000 dates is processed. In addition, similar errors or failures may arise in some systems which use certain dates in 1999 to represent something other than a date. As a result, the effects of the Year 2000 Issue may be experienced before, on or after January 1, 2000 and, if not addressed, their impact on operations and financial reporting may range from minor errors to significant system failures which could affect the company's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue which may affect the company, including those related to the efforts of customers, suppliers or other third parties on which it relies will be fully resolved.

CERTIFICATE OF THE COMPANY AND PROMOTERS

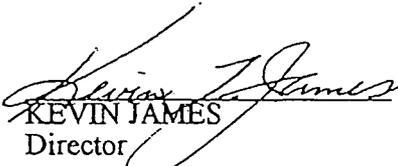
Dated: February 4, 1999

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus of Western Canadian Coal Corp. as required by Part 9 of the Securities Act (British Columbia) and the rules and regulations thereunder.

  
DAVID FAWCETT  
Chief Executive Officer

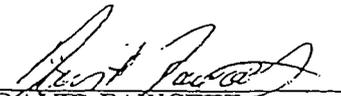
  
DAVID RAFTERY  
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

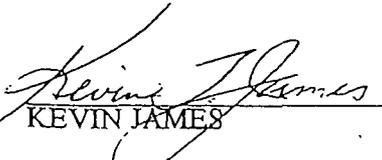
  
KEVIN JAMES  
Director

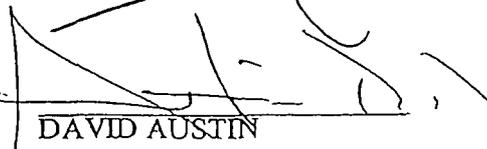
  
DAVID AUSTIN  
Director

THE PROMOTERS

  
DAVID FAWCETT

  
DAVID RAFTERY

  
KEVIN JAMES

  
DAVID AUSTIN

  
CONRAD SWANSON

COAL PROPERTY ACQUISITION AGREEMENT

THIS AGREEMENT made as of the 30th day of April, 1999.

BETWEEN:

WESTERN CANADIAN COAL CORP., a company duly incorporated under the laws of British Columbia, having an office at Suite 311 - 470 Granville Street, Vancouver, British Columbia V6C 1V5

(the "Purchaser")

OF THE FIRST PART

AND:

KEVIN JAMES, businessman, of 147-8400 FOREST GROVE DRIVE  
BLUENBY, B.C. V5A 4B7

(the "Vendor")

OF THE SECOND PART

WHEREAS:

A. The Vendor is the beneficial owner of a 100% interest in and to certain coal interests (the "Property"), as outlined in Schedule "A" attached hereto and forming part of this Agreement.

B. The Vendor has agreed to sell and the Purchaser has agreed to purchase all of the Vendor's interest in and to the Property on the terms and conditions herein contained.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual covenants and agreements hereinafter contained the parties hereto agree as follows:

1.0 - REPRESENTATIONS AND WARRANTIES

1.1 Representations and Warranties of the Vendor: The Vendor represents and warrants to the Purchaser that:

- (a) he is or will be at the closing the beneficial owner of all of the coal licenses comprising the Property, free and clear of all liens, charges and claims of others and no taxes or rentals are or will be at the closing due in respect of any thereof;

This is Exhibit " B " referred to in the affidavit of Daniel Fawcett sworn before me at Vancouver B.C this 19th day of January, 2007

*[Signature]*



- (b) the coal licenses comprising the Property have been or will as at the closing be duly and validly located and recorded pursuant to the laws in the jurisdiction in which the Property is located; and
- (c) to the best of his knowledge there is no claim or challenge against or to the ownership of or title to any of the coal licenses comprising the Property, nor to the best of his knowledge is there any basis therefor and there are no outstanding agreements or options to acquire or purchase the Property or any portion thereof, and no person has any royalty or other interest whatsoever in production from any of the coal licenses comprising the Property.

1.2 **Waiver.** The representations and warranties contained in paragraph 1.1 above are provided for the exclusive benefit of the Purchaser and any breach of any one or more thereof may be waived by the Purchaser in whole or in part at any time without prejudice to its rights in respect of any other breach of the same or any other representation or warranty and the representations and warranties contained in paragraph 1.1 shall survive the execution hereof.

1.3 **Representations and Warranties of the Purchaser:** The Purchaser represents and warrants to the Vendor that it is duly incorporated under the laws of British Columbia, is a valid and subsisting company in good standing in the Office of the Registrar of Companies for British Columbia, and has full power and authority to enter into this Agreement, and any agreement or instrument referred to in or contemplated by this Agreement, and to carry out the terms of this Agreement to the full extent.

1.4 **Waiver by the Vendor.** The representations and warranties contained in paragraph 1.3 above are provided for the exclusive benefit of the Vendor and any breach of any one or more thereof may be waived by the Vendor in whole or in part at any time without prejudice to its rights in respect of any other breach of the same or any other representation or warranty and the representations and warranties contained in paragraph 1.3 shall survive the execution hereof.

**2.0 - ACQUISITION OF PROPERTY**

2.1 **Sale:** The Vendor, subject to the terms hereof, hereby sells to the Purchaser a 100% right, title and interest in and to the Property free and clear of all charges, encumbrances and claims.

2.2 **Consideration Payable by the Purchaser to the Vendor:** In consideration for the sale to it of a 100% right, title and interest in and to the Property subject to the terms hereof, the Purchaser hereby agrees to pay the Vendor \$22,758.43, representing the Vendor's out-of-pocket expenses and costs relating to the Property.

**3.0 - THE CLOSING**

3.1 **Closing:** The purchase and sale of the Property shall occur at a closing (the "Closing") which shall occur on such date as agreed to by the parties.

- 3.2 **The Purchaser's Obligations at the Closing:** At the Closing the Purchaser shall pay to the Vendor \$22,758.43.
- 3.3 **The Vendor's Obligations at the Closing:** At the Closing the Vendor shall deliver to the Purchaser recordable transfers of a 100% right, title and interest in and to the Property in favour of the Purchaser.

#### 4.0 - NOTICES

- 4.1 **Notice:** Each notice, demand or other communication required or permitted to be given under this Agreement shall be in writing and shall be sent by prepaid registered mail deposited in a Post Office in Canada addressed to the party entitled to receive the same, or delivered to such party, at the address for such party specified above. The date of receipt of such notice, demand or other communication shall be the date of delivery thereof if delivered, or, if given by registered mail as aforesaid, shall be deemed conclusively to be the third day after the same shall have been so mailed, except in the case of interruption of postal services for any reason whatsoever, in which case the date of receipt shall be the date on which the notice, demand or other communication is actually received by the addressee.
- 4.2 Either party may at any time and from time to time notify the other party in writing of a change of address and the new address to which notice shall be given to it thereafter until further change.

#### 5.0 - GENERAL

- 5.1 **Total Agreement:** This Agreement shall supersede and replace any other agreement or arrangement, whether oral or written, heretofore existing between the parties in respect of the subject matter of this Agreement.
- 5.2 **Consent:** No consent or waiver expressed or implied by either party in respect of any breach or default by the other in the performance by such other of its obligations hereunder shall be deemed or construed to be a consent to or a waiver of any other breach or default.
- 5.3 **Further Assurances:** The parties shall promptly execute or cause to be executed all documents, deeds, conveyances and other instruments of further assurance which may be reasonably necessary or advisable to carry out fully the intent of this Agreement or to record wherever appropriate the respective interests from time to time of the parties in the Property.
- 5.4 **Enurement:** This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns.
- 5.5 **Governing Law:** This Agreement shall be construed in accordance with the laws in force from time to time in the Province of British Columbia.

- 3.6 **No Partnership or Agency:** The parties hereto have not created a partnership and nothing contained in this Agreement shall in any manner whatsoever constitute either party the partner, agent or legal representative of the other party, nor create any fiduciary relationship between them for any purpose whatsoever. Neither party shall have any authority to act for, or to assume any obligations or responsibility on behalf of, the other party except as may be, from time to time, agreed upon in writing between the parties or as otherwise expressly provided.
- 3.7 **Headings:** The headings, section numbers and article numbers appearing in this Agreement and the schedules attached hereto are inserted for convenience of reference only and shall in no way define, limit, construe or describe the scope or intent of this Agreement nor in any way affect this Agreement.
- 3.8 **Counterparts:** This Agreement may be signed by the parties hereto in as many counterparts or facsimiles as may be necessary, each of which so signed shall be deemed to be an original, and such counterparts or facsimiles together shall constitute one and the same instrument and notwithstanding the date of execution will be deemed to bear the date of execution set out on the front page of this Agreement.

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

THE CORPORATE SEAL OF WESTERN  
CANADIAN COAL CORP.  
was herunto affixed in the presence of:

*[Signature]*  
Authorized Signatory

*[Signature]*  
Authorized Signatory

(c/a)

SIGNED, SEALED AND DELIVERED by  
KEVIN JAMES, in the presence of:

*David Forett*  
Name

4920 QUINCY DR.  
Address

DELTA BC V4M1R6

*[Signature]*  
KEVIN JAMES

- 5.6 **No Partnership or Agency:** The parties hereto have not created a partnership and nothing contained in this Agreement shall in any manner whatsoever constitute either party the partner, agent or legal representative of the other party, nor create any fiduciary relationship between them for any purpose whatsoever. Neither party shall have any authority to act for, or to assume any obligations or responsibility on behalf of, the other party except as may be, from time to time, agreed upon in writing between the parties or as otherwise expressly provided.
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IN WITNESS WHEREOF the parties have executed this agreement as of the day and year first above written.

THE CORPORATE SEAL of WESTERN  
CANADIAN COAL CORP.  
was herewith affixed in the presence of:

*[Signature]*  
Authorized Signatory

*[Signature]*  
Authorized Signatory

(c/s)

SIGNED, SEALED AND DELIVERED by  
KEVIN JAMES, in the presence of:

*Paul Frazett*  
Name

4970 WINDY DR.  
Address

DELTA BC V4M1R6

*[Signature]*  
KEVIN JAMES

**SCHEDULE "A"**

**THIS IS SCHEDULE "A" to the Coal Property Acquisition Agreement dated the 30th day of April, 1999, between Western Canadian Coal Corp. and Kevin James.**

ASSIGNMENT OF COAL LICENCES

This Assignment Agreement dated for reference the 1st day of May, 1999.

BETWEEN:

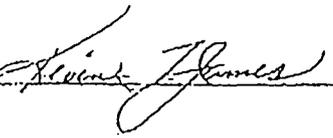
Kevin T. James, a businessman residing at 147 - 8400 Forest Grove Drive, Burnaby, British Columbia V5A 4B7

AND

Western Coal Corp., a company incorporated pursuant to the laws of British Columbia with its registered and records office located at 2550-555 West Hastings Street, Vancouver, B.C. V6B 4N5

Kevin T. James, holder of Free Miner Certificate #112962, hereby assigns the coal licenses described in Schedule "A" attached hereto to Western Coal Corp., holder of Free Miner Certificate #140768, to hold such licenses, and Western Coal Corp. hereby accepts the assignment.

Kevin T. James

Per: 

Western Coal Corp.

Per: 

SCHEDULE A  
COAL LICENCES

Coal Licence No.	Map Reference	Group	PNG Description	
			Block	Units
368865	093P05W	093P/05	F	45,46,55,56
368866	093P05W	093P/05	F	47,47,57,58
368867	093P05W	093P/05	F	65,66,75,76
368868	093P05W	093P/05	F	67,68,77,78
368869	093P05W	093P/05	F	89,70,79,80
368870	093P05W	093P/05	F	87,88,97,98
368871	093P05W	093P/05	F	89,90,99,100

**KEVIN T. JAMES**  
147-8400 Forest Grove Drive  
Burnaby, British Columbia  
V5A 4B7

January 19, 1989

Mrs. Kim Stone  
Coal Administrator  
Room 3001 - 1810 Blanshard Street  
Victoria, British Columbia

Dear Mrs. Stone:

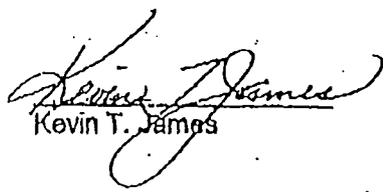
Application For Licence

Please find attached an Application for Licence for 7 coal licences located in northeastern BC. Also attached is a cheque for \$14,616.00, which should cover the application fee and annual rental for about 2,048 ha.

(If you have any questions regarding the above, please call. I can be reached at (604) 808-2692 or (604) 420-9743.

Thank you.

Yours truly,

  
Kevin T. James





Province of British Columbia  
Ministry of Energy, Mines and Petroleum Resources

APPLICATION FOR LICENCE

I, Kevin T. James (Name) report for Kevin T. James (Name)  
147-8400 Forest Grove Drive (Address) 147-8400 FOREST GROVE DR. (Address)  
Burnaby, B.C. BURNABY, B.C.

Valid FMC No. \_\_\_\_\_

I hereby apply to the Ministry of Energy, Mines and Petroleum Resources for a licence(s) to explore for and develop coal in the following coal lands situated in the Peace River Land District.

Description	MAP Series	Block	Units	Hectares
	93-P-05	F	45, 46, 55, 56	294
	93-P-05	F	47, 48, 57, 58	294
	93-P-05	F	65, 66, 75, 76	294
	93-P-05	F	67, 68, 77, 78	294
	93-P-05	F	69, 70, 79, 80	294
	93-P-05	F	87, 88, 97, 98	294
	93-P-05	F	89, 90, 99, 100	294

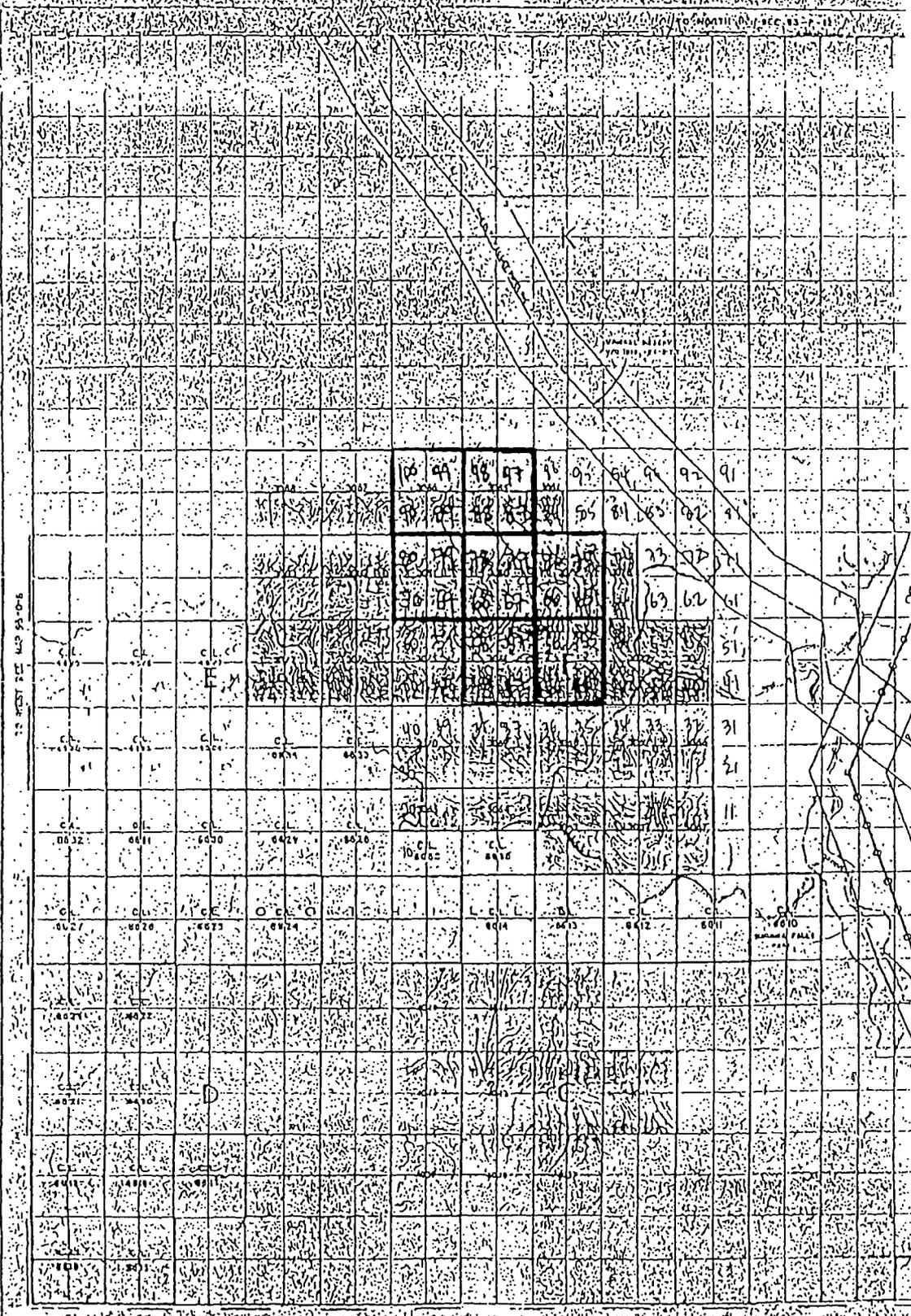
Total Area (hectares) 2058

Property name Burnt River  
 Plan of location as identified on Map No. 93 P 5 W is attached.

January 19, 1999  
 (Date)

Kevin James  
 (Signature)

COAL 93-F-5W



MOUNT RIVER

AGREEMENT

Between

Western Canadian Coal Corp. ("Western")  
Suite 200, 580 Hornby Street  
Vancouver, B.C. V6C 3 B6

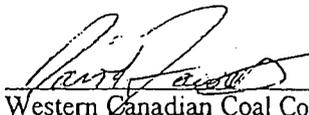
and

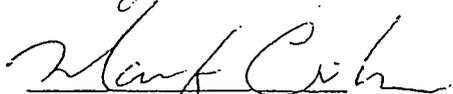
Mark Gibson ("the Investor")

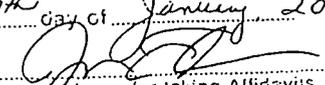
Western and the Investor agree as follows:

1. The Investor agrees to make a loan of \$20,000 (the "loan") to Western, repayable on January 31, 2002, to be used to acquire eight (8) Mount Speiker Coal Licenses (as described in Schedule A and referred to herein as "the Property") based on \$2,500 per Coal License. The loan may be converted to a 20 % working interest in the property at the time the Coal Licenses are granted by the Government.
2. The Investor will also receive a royalty payment based on \$0.25 CDN per product tonne FOBT port on the first 2.5 million tonnes of product sold from the Property. This royalty may be bought out prior to a production decision by payment of a discounted value based on average production being 500,000 tonnes per year over 5 years starting one year after buyout decision, and the discount rate being 10 %.
3. If the Investor exercises his right to convert the loan to a 20 % interest in the property, Western will have the right at any time to acquire such interest (not including the royalty) held by the Investor in the Property based on a mutually agreed upon price, or if a mutually acceptable price cannot be established, the Investor, at its cost, has a right to retain Norwest Mine Services Ltd., or similar mutually acceptable company, to ascertain the fair market value.
4. The Investor may not sell his interest in the Property to any third party without the approval of Western.
5. Should Western enter into a joint venture agreement on the Property, the Investor and Western agree that interest to be earned by a third party would be provided pro-rata from each of Western and the Investor; and any payments received to purchase interest would be divided pro-rata between Western and the Investor.
6. If the Investor does not convert the loan to an interest in the property, and Western has not repaid the loan on or before the due date, the Investor and Western will consider repaying the loan by the issuance of shares of Western at a discount from the market price.
7. Western will carry out work programs on the Property. Western will fund the first \$5,000 per Coal License after which the funding of future programs will be pro-rata.
8. All parties agree to cooperate fully on resolution of any new issues that may arise in the best interests of advancing and developing the Property.

In witness whereof, as of this date, January 28, 2000, the parties have executed this agreement.

  
Western Canadian Coal Corp.

  
The Investor

This is Exhibit "C" referred to in the affidavit of David Fairclough sworn before me at Vancouver BC this 19th day of January 2007  
  
Notary Public for taking Affidavits

WESTERN CANADIAN COAL CORP.  
(the "Corporation")  
CONSENT RESOLUTIONS

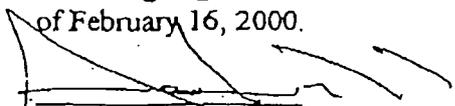
WHEREAS:

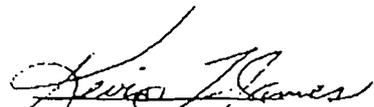
- A. The Corporation does not have sufficient unallocated capital to finance the acquisition of additional Coal Licenses in the general vicinity of its current portfolio of coal properties;
- B. Kevin James and David Fawcett, directors of the Corporation, have funded and made application for certain Coal Licenses referred to as the West Brazion Property;
- C. The above referenced funding was made by Kevin James and IDI Resource Technologies Inc. ("IDI"), a private company owned by David Fawcett; and
- D. Kevin James and IDI have agreed to grant the Corporation an option to acquire the West Brazion Property at cost.

BE IT RESOLVED THAT:

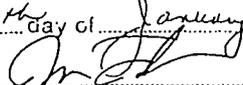
- 1. The Corporation be and is hereby authorized to enter into an agreement ("the Agreement") with IDI and Kevin James whereby the Corporation has the option to acquire the West Brazion Property at cost from IDI and Kevin James in exchange for granting IDI and Kevin James a 1% royalty (in the aggregate) calculated on the selling price per product tonne FOBT on all coal product produced from the West Brazion Property.
- 2. David Fawcett, for and on behalf of the Corporation, be and is hereby authorized to execute the Agreement.
- 3. These resolutions may be signed by the directors in as many counterparts as may be necessary each of which so signed shall be deemed to be an original, and such counterparts together, either original or facsimile, shall constitute one and the same instrument and notwithstanding the date of execution shall be deemed to bear the date set forth below.

The foregoing resolutions are hereby consented to by the following directors of the Corporation as of February 16, 2000.

  
David Austin

  
Kevin James\*

This is Exhibit "D" referred to in the affidavit of David Fawcett sworn before me at Vancouver B.C. this 19th day of January 2000.

  
A Commissioner for taking Affidavits for British Columbia

\* Due to a material interest, Messrs. Fawcett and James abstained from voting on the approval of the Agreement - executed only to comply with S. 125(3) of the Company Act (BC).

# WESTERN CANADIAN COAL CORP.

200 – 580 Hornby Street  
Vancouver, BC, V6C 3B6

Phone 604-608-2692 Fax 604-684-0642  
Email: info@westerncoal.com

WTN 00-02

CDNX:WTN

## CORPORATE UPDATE

Vancouver, BC, February 24, 2000, Western Canadian Coal Corp (the "Company") (CDNX:WTN) continues to make progress with feasibility work on its Belcourt project, and is acquiring additional property with favourable resource potential and mining conditions.

The Company has made application for a block of coal licenses referred to as the Mount Spieker property about 20 km west of the town of Tumbler Ridge. Substantial exploration was done on this property in the seventies and early eighties, with identification of resources suited to open-pit and underground mining. The mining area is within 10 km of BC Rail's line to Tumbler Ridge and is accessed by an existing road.

The Company has negotiated an option to acquire certain coal licenses, referred to as the West Brazion property, located 3 km west of the Burnt River property and 50 km southwest of Chetwynd. Pursuant to the terms of the agreement, the Company can acquire the West Brazion property by reimbursing the non-arms-length vendors their out-of-pocket acquisition costs and granting the vendors a 1% royalty. The coal licenses are currently under application by the vendors who paid the initial assessment and application costs. The West Brazion block has had early stage exploration work – geological mapping, 2 drill holes and a trench, which have identified the coal seams in a favourable, flat-lying structure.

After examining alternative mining strategies, the Company believes that there is good potential for application of highwall mining methods, in combination with open-pit mining, to the Burnt River, West Brazion and Mount Spieker deposits to increase resource recovery and to achieve a very competitive cost structure.

Highwall mining involves mining parallel entries (tunnels) in a coal seam working from the final wall (highwall) of an open-pit. The equipment is operated from surface; no manpower is required underground. Highwall mining technology and systems have seen major advancement over the past ten years, with today's systems achieving high productivity and long entry lengths. There are several equipment manufacturers supplying systems to an increasing number of operations in the US, Australia, and South Africa. These highly

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This is Exhibit "E" referred to in the  
The Canadian Venture Exchange has not reviewed and certified of David Fawcett  
does not accept responsibility for the adequacy or accuracy of this release sworn before me at Vancouver, B.C.  
this 19th day of January 2007

productive, efficient systems can produce coal at costs competitive with low-ratio open-pit mining, while recovering coal well beyond economic limits of open-pit mining with no additional surface disturbance.

The Company is continuing early stage discussions on joint venturing work programs on the Bumt River and West Brazion projects. Talks with coal trading companies have been stalled while the Year 2000 price negotiations are ongoing between the Japanese mills and major producers. Separate to talks with the coal trading companies, discussions with respect to participation by highwall and equipment interests have also been initiated. The Company remains encouraged by discussions to date and is optimistic that joint venture participants will be attracted to its projects.

With respect to the Belcourt project, the preliminary feasibility study is ongoing with completion expected by mid-March. Our consultant requires more time than expected to complete the project.

Contact Barry Girling at 604-608-2692 or visit our website at [www.westerncoal.com](http://www.westerncoal.com) for further information.

**ON BEHALF OF THE BOARD OF DIRECTORS OF  
WESTERN CANADIAN COAL CORP.**

*"David Fawcett"*

David Fawcett,  
President

visit our web site at [www.westerncoal.com](http://www.westerncoal.com)

*Pat Austin has been asked to prepare formal agreement.*

### Royalty Sharing Agreement

Present position with respect to cash and work contributed.

<u>James</u>		<u>Gibson</u>		<u>Fawcett</u>	
West Brazion:	\$6,500	Mount Spieker:	\$20,000	Wolverine:	\$20,000
Burnt River:	\$6,000	Wolverine:	\$10,000	West Brazion:	\$6,500
Work (Wolverine):	\$5,000			Burnt River:	\$6,000
James:	\$17,500	21.9 %			
Fawcett:	\$32,500	40.6 %			
Gibson:	<u>\$30,000</u>	37.5 %			
	\$80,000				

A royalty is to be paid to the investors for advancing the above funds. The royalty to be paid is 1 % of FOBT port price on all product tonnes produced from the West Brazion, Mount Spieker, and Wolverine properties, payable on a quarterly basis.

Should any of the coal licenses not be granted, or Western decides to cancel any applications before the licenses are granted, the investors will be repaid proportionately once the funds have been returned by the Government.

Should Western need to apply for additional coal licenses and require additional funds from investors, the break down of above percentages would be adjusted accordingly.

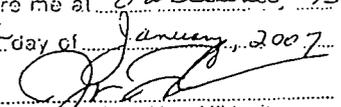
The funds are to be paid back to investors upon Western receiving adequate financing to advance the projects. The cash contribution for the Burnt River property was repaid at the time of the vend-in.

Agreed:

  
 \_\_\_\_\_  
 David Fawcett      Kevin James      David Austin      Mark Gibson

Date: \_\_\_\_\_

ROYALTY SHARING

This is Exhibit " *F* " referred to in the  
 affidavit of *David Fawcett*  
 sworn before me at *Warsaw, IN*  
 this *19th* day of *January*, 2007.  
  
 A Commissioner for taking Affidavits

**WESTERN  
CANADIAN  
COAL CORP.**

Suite 200 – 580 Hornby Street  
Vancouver, B.C. Canada V6C 3B6  
Tel: 604-608-2692 Fax: 604-684-0642

**FAX 684-0916**

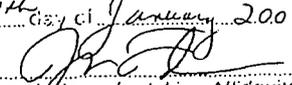
To: Pat Devlin, Devlin Jensen  
From: David Fawcett  
Subject: Royalty Sharing Agreement  
Date: June 15, 2000

Pages: 2

As discussed on Tuesday, I am faxing herewith the basic terms for a royalty and royalty sharing agreement. Please prepare a formal agreement for execution.

Thanks,



This is Exhibit "B" referred to in  
affidavit of David Fawcett  
sworn before me at Vancouver,  
this 19th day of January, 2007  
  
A Commissioner for Taking Affidavits



ROYALTY SHARING AGREEMENT

THIS AGREEMENT made this 31<sup>st</sup> day of March, 2000.

AMONG:

DAVID FAWCETT, businessman of 4920 Weaver Drive, Delta,  
British Columbia V4M 1R6

("Fawcett")

AND:

KEVIN JAMES, businessman of 147 - 8400 Forest Grove Drive,  
Burnaby, British Columbia V5A 4B7

("James")

AND:

MARK GIBSON, businessman of RR4 S107 C21, Summerland,  
British Columbia, V0H 1Z0

("Gibson")

(Fawcett, James, and Gibson are collectively referred to as the  
"Investors")

OF THE FIRST PART

AND:

WESTERN CANADIAN COAL CORP., a British Columbia  
company having an office at Suite 200, 580 Hornby Street, Vancouver,  
British Columbia, V6C 3B6

(the "Company")

OF THE SECOND PART

WHEREAS:

A. The Company has made application for and expects to become the beneficial owner of a 100% interest in and to certain coal interests in the West Brazion, Burnt River, Wolverine and Mount Spieker properties set out in Schedule "A" (collectively, the "Properties");

B. Each of the Investors have assisted the Company in acquiring and maintaining the Properties; and

This is Exhibit "A" referred to in the affidavit of David Fawcett sworn before me at Vancouver BC this 19<sup>th</sup> day of January 2007.

C. The Company wishes to pay a royalty to the Investors for the Investors' contributions on the terms and conditions herein contained.

**THIS AGREEMENT WITNESSES THAT** in consideration of the payment by the Purchaser to the Vendors of \$1.00 and other good and valuable consideration, receipt of which is hereby acknowledged, the parties mutually covenant and agree as follows:

## 1. INVESTMENT

1.1 Each of the Investors represent and warrant to the Company that they have advanced funds to the Company for the Properties as follows:

<u>Investor:</u>	<u>Amount:</u>
Fawcett	\$32,500
James	\$17,500
Gibson	\$30,000

## 2. CONSIDERATION

2.1 As consideration for advancing the funds, the Company will pay a royalty (the "Royalty") of one percent (1%) of the price (FOBT at Port) for all product tonnes produced from the West Brazion, Mount Spieker and Wolverine coal properties on a quarterly basis to the Investors as set out in Schedule "2.1" attached hereto and forming a material part hereof.

## 3. THE COMPANY'S REPRESENTATIONS AND WARRANTIES

3.1 The Company represents and warrants to and covenants with the Investors as follows:

- (a) the Company is a company duly incorporated, validly existing and in good standing under the laws of British Columbia;
- (b) the Company has the power and authority to enter into this Agreement, and any agreement or instrument referred to in or contemplated by this Agreement, and to carry out the terms of this Agreement to the full extent;
- (c) the Company is or will be the beneficial owner of all of the coal licenses comprising the Properties (the "Coal Licenses"), free and clear of all liens, charges and claims of others and no taxes or rentals are or will be due in respect of any thereof;
- (d) the Coal Licenses comprising the Properties have been or will be duly and validly located and recorded pursuant to the laws in the jurisdiction in which the Properties are located and the Properties are in good standing with the mining recorder, or such other entity with jurisdiction over such matters, on the date of this Agreement; and

(e) to the best of its knowledge there is no claim or challenge against or to the ownership of or title to any of the coal licenses comprising the Properties, nor to the best of its knowledge is there any basis therefor and there are no outstanding agreements or options to acquire or purchase the Properties or any portion thereof, and no person has any royalty or other interest whatsoever in production from any of the coal licenses comprising the Properties.

3.2 The representations and warranties contained in paragraph 3.1 above are provided for the exclusive benefit of the Investors and any breach of any one or more thereof may be waived by the Investors in whole or in part at any time without prejudice to its rights in respect of any other breach of the same or any other representation or warranty and the representations and warranties contained in paragraph 3.1 shall survive the execution hereof.

4. COAL LICENSES

4.1 Upon the Coal Licences being granted and recorded under the Company's name, the Company will maintain the Coal Licenses in good standing with the mining recorder, or such other entity with jurisdiction over such matters.

4.2 In the event that any of the Coal Licenses comprising the Properties are not granted or the Company decides to cancel any applications prior to the Coal Licenses being granted, the Investors will be repaid proportionately immediately upon the funds being returned by the government.

4.3 Any forfeiture of the Coal Licenses shall be by mutual consent of the Parties to this Agreement, and such consent shall not be unreasonably withheld. In the event that the Company forfeits the Coal Licenses, the Company will assign the Coal Licenses to the Investors for a minimum period of 30 days prior to the date the forfeiture is to become effective.

5. ADDITIONAL FUNDING

5.1 In the event that the Company needs to apply for additional coal licenses and requires additional funds from the Investors, each of the Investors' percentage break down of the Royalty as set out in Schedule "2.1" will be adjusted proportionately.

6. REPAYMENT OF FUNDS

6.1 Within two years from the date of this Agreement, or upon the Company receiving adequate financing, to be reasonably determined by the Company, whichever date is earlier, the Company will pay back to the Investors all funds advanced by the Investors for the West Brazion, Wolverine and Mount Spieker properties.

6.2 The funds advanced for the Burnt River property have been repaid.

## 7. NOTICE

- 7.1 Each notice, demand or other communication required or permitted to be given under this Agreement shall be in writing and shall be sent by prepaid registered mail deposited in a Post Office in Canada addressed to the party entitled to receive the same, or delivered to such party, at the address for such party specified above. The date of receipt of such notice, demand or other communication shall be the date of delivery thereof if delivered; or, if given by registered mail as aforesaid, shall be deemed conclusively to be the third day after the same shall have been so mailed, except in the case of interruption of postal services for any reason whatsoever, in which case the date of receipt shall be the date on which the notice, demand or other communication is actually received by the addressee.
- 7.2 Either party may at any time and from time to time notify the other party in writing of a change of address and the new address to which notice shall be given to it thereafter until further change.

## 8. ASSIGNMENT

- 8.1 This Agreement may not be assigned without the written consent of all the parties, which consent shall not be unreasonably withheld.

## 9. GENERAL

- 9.1 This Agreement will enure to the benefit of and be binding upon the parties and their respective successors, heirs, executives, administrators and permitted assigns.
- 9.2 Time will be of the essence of this Agreement.
- 9.3 This Agreement will be governed in accordance with the laws of the Province of British Columbia.
- 9.4 The terms and provisions herein contained constitute the entire agreement between the parties and will supersede all previous oral or written communications.
- 9.5 The parties hereto have not created a partnership and nothing contained in this Agreement will in any manner whatsoever constitute either party the partner, agent or legal representative of the other party, nor create any fiduciary relationship between them for any purpose whatsoever. Neither party will have any authority to act for, or to assume any obligations or responsibility on behalf of, the other party except as may be, from time to time, agreed upon in writing between the parties or as otherwise expressly provided.
- 9.6 The parties will promptly execute or cause to be executed all documents, deeds and other instruments of further assurance which may be reasonably necessary or advisable to carry out fully the intent of this Agreement.
- 9.7 This Agreement may be executed in counterparts, and if so executed, all such parts will be read as constituting one agreement in the same manner as if all parties executing this Agreement in counterparts were signatories to one copy of this Agreement.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

Signed, Sealed and Delivered by DAVID FAWCETT in the presence of:

Kevin James Kevin James  
Name  
147-84ce Forest Grove Dr., Burnaby, B.C.  
Address V5A 4K7  
BUSINESSMAN  
Occupation

David Fawcett  
DAVID FAWCETT

Signed, Sealed and Delivered by KEVIN JAMES in the presence of:

DAVID FAWCETT  
Name  
4920 WENNER DR.  
Address DELTA B.C. V4M 1R6  
Occupation

Kevin James  
KEVIN JAMES

Signed, Sealed and Delivered by MARK GIBSON in the presence of:

Robert G. McMorran  
Name ROBERT G. MCMORRAN  
105 TIMBERCROFT PLACE  
Address PART MOODY, B.C. V3H 4V5  
BUSINESSMAN  
Occupation

Mark Gibson  
MARK GIBSON

The Corporate Seal of WESTERN CANADIAN COAL CORP. was hereto affixed in the presence of:

[Signature]  
Authorized Signatory  
[Signature]  
Authorized Signatory

c/s

62 6

Schedule "2.1"

The Royalty will be divided among the parties as follows:

David Fawcett	40.6%
Kevin James	21.9%
Mark Gibson	37.5%

WESTERN CANADIAN COAL CORP.  
(the "Corporation")  
CONSENT RESOLUTIONS

WHEREAS:

- A. The Corporation has made application for and expects to become the beneficial owner of a 100% interest in and to certain coal interests in the West Brazion, Wolverine and Mount Spieker properties (collectively, the "Properties");
- B. Kevin James and David Fawcett, directors of the Corporation, and Mark Gibson, an arms-length third party, (collectively, the "Investors"), have funded or assisted the Corporation in acquiring and maintaining the Properties;
- C. The Corporation desires to pay a royalty to the Investors for the Investors' contributions in the Corporation acquiring the Properties; and
- D. David Fawcett and Kevin James declare their interests in the transactions contemplated by the resolutions contained herein and abstain from voting on such matters, their signatures below being provided only to comply with s. 125(3) of the Company Act.

BE IT RESOLVED THAT:

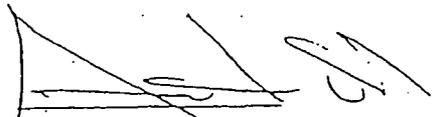
- 1. The Corporation be and is hereby authorized to enter into an agreement (the "Royalty Sharing Agreement") with the Investors whereby the Corporation agrees to pay the Investors a 1% royalty (in the aggregate) calculated on the FOBT port price on all coal product produced from the Properties, payable on a quarterly basis in arrears, as consideration for the Investors having advanced funds to the Corporation to acquire and maintain the Properties.
- 2. The royalty payable to the Vendors or their nominees shall be allocated as to 21.9% to Kevin James; 40.6% to David Fawcett; and 37.5% to Mark Gibson.
- 3. The President, for and on behalf of the Corporation, be and is hereby authorized to execute the Royalty Sharing Agreement.

This is Exhibit " I " referred to in the affidavit of David Fawcett sworn before me at Wassenaar, BC this 19th day of January 2007.

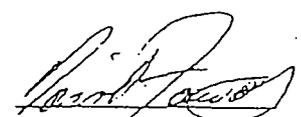
*[Signature]*

- 4. These resolutions may be signed by the directors in as many counterparts as may be necessary each of which so signed shall be deemed to be an original, and such counterparts together, either original or facsimile, shall constitute one and the same instrument and notwithstanding the date of execution shall be deemed to bear the date set forth below.

The foregoing resolutions are hereby consented to by the following directors of the Corporation as of March 31, 2000.



David Austin



David Fawcett



Kevin James



## COMPANY ACT

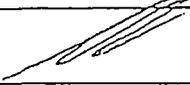
## MEMORANDUM

OF

## WESTERN CANADIAN COAL CORP.

I wish to be formed into a Company with limited liability under the Company Act in pursuance of this Memorandum.

1. The name of the Company is WESTERN CANADIAN COAL CORP.
2. The authorized capital of the Company consists of 100,000,000 Common shares without par value.
3. I agree to take the number of shares in the Company set opposite my name below.

FULL NAME, RESIDENT ADDRESS AND OCCUPATION OF SUBSCRIBER	NUMBER OF SHARES TAKEN BY SUBSCRIBER
	One Common Share without par value
Signature	
Patrick C. Devlin	
Name of Subscriber	
5600 Grousewoods Place	
Address	
North Vancouver, B.C., V7R 4T4	
Solicitor	
Occupation	
TOTAL SHARES TAKEN:	One Common Share without par value
DATED at Vancouver, B.C., this 24th day of September 1997.	

WESTERN CANADIAN COAL CORP.  
(the "Corporation")  
CONSENT RESOLUTIONS

WHEREAS:

- A. The Corporation is indebted as at May 31, 2000 to certain shareholders, trade creditors and directors in the aggregate amount of \$152,226, being \$30,000 payable to Mark Gibson; \$58,151 payable to Devlin Jensen; \$21,500 payable to Pika Geologic Inc. and or Kevin James; and \$42,575 payable to IDI Resource Technologies Inc.;
- B. The Corporation deems it in its best interest to settle some or all of these obligations by issuing shares for debt;
- C. All of the parties named herein are prepared to settle some or all of the indebtedness, as the case may be, by way of shares for debt. and
- D. Kevin James and David Fawcett declare their respective interest in the matters contemplated herein and abstain from voting on such matters, their signatures below being provided only to comply with s. 125(3) of the Company Act.

BE IT RESOLVED THAT:

- 1. The Corporation be and is hereby authorized to enter into agreements with each of Mark Gibson; Devlin Jensen; Pika Geologic Inc.; and IDI Resource Technologies Inc. to issue shares of the Corporation at a price of \$0.30 per share to settle in full the amounts set opposite their names below:

Mark Gibson	\$30,000
Devlin Jensen	\$29,000
Pika Geologic Inc.	\$15,000
IDI Resource Technologies Inc.	\$35,000

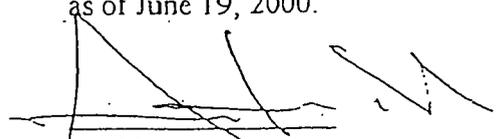
all such share issuances being subject to the approval of the Canadian Venture Exchange.

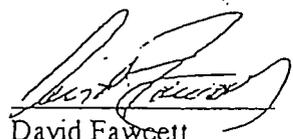
- 2. The President or Chief Financial Officer be and are hereby authorized for and on behalf of the Corporation to execute such shares-for-debt agreements and to make any filings, execute any documents or take any steps necessary that he feels necessary or prudent to give effect to the resolutions contained herein.

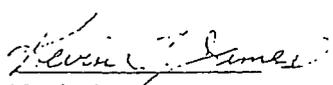
This is Exhibit " J " referred to in the  
 affidavit of David Fawcett  
 sworn before me at Vancouver, BC  
 this 19th day of January 2007  
 \_\_\_\_\_  
 \_\_\_\_\_

- 3. These resolutions may be signed by the directors in as many counterparts as may be necessary each of which so signed shall be deemed to be an original, and such counterparts together, either original or facsimile, shall constitute one and the same instrument and notwithstanding the date of execution shall be deemed to bear the date set forth below.

The foregoing resolutions are hereby consented to by the following directors of the Corporation as of June 19, 2000.

  
David Austin

  
David Fawcett

  
Kevin James

Affidavit No. 2 of Fausto Taddei  
Sworn September 19<sup>th</sup>, 2005

NO. L050703  
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

WESTERN CANADIAN COAL CORP.

PETITIONER

AND:

DAVID FAWCETT, KEVIN JAMES and MARK GIBSON

RESPONDENTS

AFFIDAVIT NO. 2 OF FAUSTO TADDEI

I, FAUSTO TADDEI, Businessman, of 900-580 Hornby Street, in the City of Vancouver, in the Province of British Columbia, MAKE OATH AND SAY AS FOLLOWS:

1. I am the Chief Financial Officer and Corporate Secretary of Western Canadian Coal Corp. ("Western"), and as such have personal knowledge of the facts and matters hereinafter deposed to, save and except where the same are stated to be made upon information and belief, and, as to such facts, I verily believe the same to be true.

2. I swear this Affidavit in response to the following affidavits filed by the Respondents:

- (a) Kevin James' Affidavit No. 1 sworn June 4, 2005 ("James' Affidavit");
- (b) David Fawcett's Affidavit No. 1 sworn June 2, 2005 ("Fawcett's Affidavit");
- (c) Mark Gibson's Affidavit No. 1 sworn May 27, 2005 ("Gibson's Affidavit");

is exhibited referred to in the  
 of David Fawcett  
 before me at Vancouver, B.C.  
 19<sup>th</sup> day of September, 2005  
*[Signature]*

(d) David Austin's Affidavit No. 1 sworn June 2, 2005 ("Austin's Affidavit").

3. In response to paragraph 12 of James' Affidavit, and paragraphs 12, 13, 24 and 32 of Fawcett's Affidavit, attached and marked Exhibit "A" to this my Affidavit is a true copy of cheque #0138 from Western Coal Corp. payable to Kevin James, signed by David Fawcett, and dated May 27, 1999 in the amount of \$22,758.43 (the "May 27 Cheque"). The May 27 Cheque is regarding "Burnt River Acquisition" and represents, to the best of my knowledge, payment in full for the amount agreed under the Coal Property Acquisition Agreement, attached as Exhibit "B" to James' Affidavit, for the assignment of the coal licences comprising the Burnt River property.

4. In further response to the paragraphs noted above in James' and Fawcett's affidavits, attached and marked Exhibit "B" to this my Affidavit is a true copy of Western Coal Corp.'s HongKong Bank of Canada Statement of Account, dated May 31, 1999, showing the May 27 Cheque was cashed on May 31, 1999.

5. In response to paragraphs 23 and 32 of Fawcett's Affidavit, I have performed a diligent search of Western's accounts and files and have found no invoice(s) from Kevin James nor any recorded liability in Western's financial statements as at March 31, 2000 in respect of a \$5,000 credit to Kevin James for research and assessment work he did on the Wolverine properties.

6. In response to the references in the Respondents' affidavits regarding a separate royalty payable on coal production from the West Brazion coal licences, and by way of introduction for the following six paragraphs of this my Affidavit, the West Brazion coal licences were applied for and held in the name of Elisabeth James as nominee. The West Brazion coal licences were then transferred to Western in a very brief assignment agreement on November 20, 2000. This is consistent with Elisabeth James holding the licences on behalf of Western. In its financial books, Western consistently treated James' and Fawcett's acquisition of the West Brazion coal licences as a shareholder loan to Western.

7. In response to paragraph 19 of Fawcett's Affidavit, paragraphs 21 and 26 of Austin's Affidavit and paragraph 18 of James' Affidavit, I have performed a diligent search of

Western's Minute Books containing all of Western's consent resolutions and Minutes of Meetings of Western's Board of Directors and have found no copy of the February 16, 2000 Consent Resolutions regarding the option and royalty on the West Brazion coal licences and marked Exhibit C to Fawcett's Affidavit.

8. In response to paragraph 26 of Austin's Affidavit and his reference to a February 2000 press release announcing an agreement regarding a royalty payable on the West Brazion coal licences; I have performed a diligent search of Western's files and have found no separate, written agreement regarding a royalty payable on coal production from the West Brazion coal licences to Fawcett and James.

9. The West Brazion coal licences are not producing coal at this time. Western has no plans to develop the West Brazion coal licences in the near future.

10. Attached and marked Exhibit "C" to this my Affidavit are true copies of Western's Cheque Requisition forms dated May 28, 2001, requesting cheques payable to Kevin James and IDI Resource Technologies Inc. ("IDI") in the amounts of \$6,500.00 each to repay a shareholder loan. The Cheque Requisition for IDI incorrectly states the shareholder loan was regarding Burnt River. The shareholder loans referenced in Exhibit "C" are, to the best of my knowledge, with respect to the acquisition of the West Brazion coal licences. I am not aware of any other shareholder loans to Western in the amount of \$6,500 in the years 1999 - 2001.

11. Attached and marked Exhibit "D" to this my Affidavit are true copies of cheque #000223 and cheque #000224 from Western Canadian Coal Corp. payable to Kevin James and IDI respectively, and signed by David Fawcett and Rob McMorran, dated May 28, 2001 in the amounts of \$6,500.00 and \$12,000.50 respectively (the "May 28 Cheques").

12. Attached and marked Exhibit "E" to this my Affidavit is a true copy of an A/P slip and work order in the amount of \$5,500.50 and signed by David Fawcett. Cheque #000224 payable to IDI is repayment for the \$5,500.50 amount plus the \$6,500.00 shareholder advance referred to in Exhibit "D" above.

13. The May 28 Cheques represent, to the best of my knowledge, repayment in full to Fawcett and James for the advances they made to Western for the acquisition of the West Brazion coal licences.

14. Attached and marked Exhibit "F" to this my Affidavit is a true and accurate summary which I prepared from Western's and Western Coal Corp.'s General Ledgers setting out the amounts advanced by and repaid to the Respondents for the applications for the coal licences referred to in these proceedings.

15. Attached and marked Exhibit "G" to this my Affidavit are true copies of letters dated July 31, 2000 and addressed to Fawcett, James and Gibson, confirming the balance of their shareholder's accounts with Western and Western Coal Corp. as at March 31, 2000. Those letters state the following balances due to Fawcett, James and Gibson:

- (a) balance due to Fawcett with respect to advances only : \$26,500.00;
- (b) balance due to James with respect to advances only: \$6,500.00;
- (c) balance due to Gibson: \$30,000.00.

The total of these amounts is \$63,000.

16. As announced in a press release dated July 26, 2005, Western is currently constructing a coal preparation plant and rail load-out for the Wolverine properties and has accelerated the estimated completion date for the plant's construction to July 2006. Western's goal is to produce 3.0 million tonnes of hard coking coal per year from the Wolverine group of properties. Western's current estimate of the total capital cost to bring the Wolverine plant into existence is \$242 million. Attached hereto and marked Exhibit "H" to this my Affidavit is a true copy of the July 26, 2005 press release.

17. In its first 12 months of production, the coal preparation plant for the Wolverine properties is expected to produce approximately 2.4 million tonnes of hard coking coal. With

sales commencing no later than October 1, 2006, if the price of hard coking coal were at least CDN \$100 per tonne for the last six months of 2006, Western estimates that the total revenue earned from the first three month's sales would be approximately CDN \$60,000,000. One percent of the total revenue (the Royalty stipulated in the RSA) would then be \$600,000.

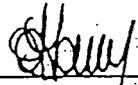
18. Attached and marked Exhibit "I" to this my Affidavit is a true and accurate summary of the coal licences relating to the West Brazion and Wolverine coal properties, their dates of application, and dates of issuance.

19. Attached and marked Exhibit "J" to this my Affidavit are true copies of the following:

- (a) all applications for the coal licences referred to in Exhibit "H" above,
- (b) the Assignment Agreement from Elisabeth James to Western Coal Corp. for the West Brazion group of coal licences; and
- (c) one of the coal licences, provided as a sample.

20. I swear this Affidavit in support of the relief sought by Western in the Petition.

SWORN BEFORE ME at the City )  
of Vancouver, in the Province of British )  
Columbia, this 10<sup>th</sup> day of September, 2005. )

  
\_\_\_\_\_  
A Commissioner for taking Affidavits within )  
British Columbia. )

  
\_\_\_\_\_  
Fausto Taddei

SARAH M. TARRY  
Barrister & Solicitor  
1600 - 925 WEST GEORGIA ST.  
VANCOUVER, B.C. V6C 3L2  
(604) 685-3456



00001

THIS DOCUMENT CONTAINS SECURITY FEATURES - SEE REVERSE

**WESTERN COAL CORP.**  
502 - 1200 PENDER ST. W.  
VANCOUVER, B.C. V6E 2S9

0138  
Sept 27 1999

PAY TO THE ORDER OF Karen James

Twenty Two Thousand Seven Hundred & Fifty Eight — 43<sup>100</sup> \$ 22,758.43  
DOLLARS

RE Beal River Argentina

Hongkong Bank of Canada   
885 WEST GEORGIA STREET TEL: 685-1000  
VANCOUVER, B.C. V6C 3G1

PER [Signature]  
PER \_\_\_\_\_

WESTERN COAL CORP.

⑈000138⑈ ⑆10020⑈0161⑆ 054998⑈001⑈ ⑆0002275843⑆

This is Exhibit " A " referred to in the  
affidavit of FAUSTO TADDEI  
made before me at Vancouver  
this 19<sup>th</sup> day of September 2005.

[Signature]  
A Commissioner for taking Affidavits  
within British Columbia

000027

*Kevin James*

DATE DEP.)19990527<<20:28 00600 003 11132 VE29 5142323 DATE PROC.)19990531<<

CONV 19996531  
ROYAL BANK  
BRITISH COLUMBIA PC

6/31/99  
HONOLULU BANK OF CANADA  
VANCOUVER BC

0208148997

64153550



# HONGKONG BANK OF CANADA

# STATEMENT OF ACCOUNT

885 WEST GEORGIA STREET, VANCOUVER, B.C., V6C 3G1 (604)685-1000

00003

786 020-054998

WESTERN COAL CORP.  
200-580 HORNBY STREET  
VANCOUVER BC V6C 3B6

Date		Page
31 MAY 1999		1
Account Number	Account Type	Currency
020-054998-001	CUI	CAD

Date	Details	Debit	Credit	Balance
MAY	1999 BALANCE FORWARD			86,448.17
4MAY	CHEQUE 000123	1,551.50		84,896.67
5MAY	CHEQUE 000125	156.62		
MAY	CHEQUE 000126	391.02		84,349.03
MAY	CHEQUE 000127	101.22		84,247.81
OMAY	CHEQUE 000128	8,107.93		76,139.88
MAY	DEPOSIT			
	CQ DEP		50,000.00	
1MAY	CHEQUE 000124	25.00		126,114.88
4MAY	CHEQUE 000129	50,631.00		75,483.88
MAY	CHEQUE 000133	13,094.67		62,389.21
UMAY	CHEQUE 000131	16.00		62,373.21
Y	CHEQUE 000132	1,391.00		60,982.21
	CHEQUE 000130	508.25		60,473.96
	CHEQUE 000139	10,165.00		50,308.96
1MAY	CHEQUE 000138	22,758.43		
1MAY	*INTEREST			
	INT TO 31-05-99		134.52	
MAY	*SERVICE CHARGE			
	FLAT FEE	10.00		
MAY	*SERVICE CHARGE			
	ACTIVITY SERVICE CHARGE	10.50		27,664.55

This is Exhibit "B" referred to in the affidavit of FAUSTO TADDEI made before me at Vancouver this 19<sup>th</sup> day of September 2005.

*[Signature]*  
A Commissioner for taking Affidavits within British Columbia

FOR CUSTOMERS BORROWING AT RATES BASED ON PRIME, PRIME IS 6.25%

FOR ONLY \$39.95, PURCHASE TRAVEL PROTECTION THAT COVERS YOU FOR AN UNLIMITED NUMBER OF 15 TRIPS YOU MAKE IN THE NEXT YEAR. THIS IS A LIMITED TIME OFFER, SO DON'T DELAY! CALL 387-5290 AND SPEAK WITH AN INGLE HEALTH REPRESENTATIVE FOR MORE DETAILS TODAY.

Debits	108,918.14	Balance
Total Credits	50,134.52	27,664.55

WESTERN CANADIAN COAL CORP. C

This is EXHIBIT "C" referred to in the  
 affidavit of FAUSTO TADDEI  
 made before me at Vancouver  
 this 19<sup>th</sup> day of September 2005.

CHEQUE REQUISITION

*Obuy*  
 A Commissioner for taking Affidavits  
 within British Columbia

Date: May 28/01

Amount: \$ 6500.00

Payable to: Kevin James

Justification: repay shareholder loan

Supplier	Invoice #	Invoice Date	Inv. Amount	JV #	Date Posted	Prepared By
KEVIN JAMES	REPAY LOAN	May 29	\$ 6500.00	J47	May 29	LMC
Amount	Account Name			GL #	tr	
\$ 6500.00	Advance from Shareholder			2105		
	GST Receivable			2470		

POSTED

# WESTERN CANADIAN COAL CORP.

00005

## CHEQUE REQUISITION

Date: May 28/01 Amount: \$ 6500.00

Payable to: IDI Resource Tech

Justification: repay shareholder loan from June, 2000  
re: West Basin Burnt River

Supplier	Invoice #	Invoice Date	Inv. Amount	JV #	Date Posted	Prepared By
IDI RESOURCE	REPAY LOAN	May 28	\$ 6500.00	J46	May 28	Cell
Amount	Account Name			G/L #	Cr	
\$ 6500.00	Advance from Shareholder			2105		
	GST Receivable			2470		

**POSTED**

82

00006

This is Exhibit "D" referred to in the  
 affidavit of FAUSTO TADDEI  
 made before me at Vancouver  
 this 19<sup>th</sup> day of September 2005  
 [Signature]  
 A Commissioner for taking Affidavits  
 within British Columbia

<b>WESTERN CANADIAN COAL CORP.</b> 580 HORNBY ST., SUITE 200 VANCOUVER, BC V6C 3B6 Tel: (604) 608-2692 Fax: (604) 684-0642		<b>HSBC BANK CANADA</b> 885 WEST GEORGIA STREET VANCOUVER, BC V6C 3G1	00022
		223 CHEQUE NO.	
PAY Six Thousand Five Hundred		DATE 5/28/01	AMOUNT \$6,500.00
TO THE ORDER OF	Kevin James 147 - 8400 Forest Grove Dr. Burnaby, B.C. V5A 4B7	WESTERN CANADIAN COAL CORP. PER [Signature] PER [Signature]	
⑈000223⑈ ⑆10020⑈016⑆01⑆084⑈001⑈		⑈0000650000	

<b>WESTERN CANADIAN COAL CORP.</b> 580 HORNBY ST., SUITE 200 VANCOUVER, BC V6C 3B6 Tel: (604) 608-2692 Fax: (604) 684-0642		<b>HSBC BANK CANADA</b> 885 WEST GEORGIA STREET VANCOUVER, BC V6C 3G1	00022
		224 CHEQUE NO.	
PAY Twelve Thousand		DATE 5/28/01	AMOUNT \$12,000.50
TO THE ORDER OF	IDI Resource Technologies Inc. 4920 Weaver Dr. Delta, B.C. V4M 1R6	WESTERN CANADIAN COAL CORP. PER [Signature] PER [Signature]	
⑈000224⑈ ⑆10020⑈016⑆01⑆083084⑈001⑈		⑈0001200050	

83

CK# 223

00007

Teller Stamp Here

Étampe du caissier ici

DATE DEP 11/20/01 0523/110107 00000 00  
 COM 20019530  
 ROYAL BANK  
 BRITISH COLUMBIA, P.C.  
 0200486732

*Henry James*  
 Endorsement - Signature / Endorsement - Signature ou Étampe

Feature / Caractéristique	Description
MP Microprint	Any type of mark on front of cheque will lift in when scanned or photocopied.
MI Micro-impresion	Caractères minuscules de l'avant du chèque se soulèvent lorsque balayés électroniquement ou photocopiés.
Security Ink Message	"Document Original" visible on front of cheque when viewed under black light.
Message "Encre sécurisée"	"Document Original" visible à l'avant du chèque, sous rayon ultra-violet.
Security Screen	"Original Document" test, and wave pattern visible on back of cheque, should not appear if scanned or photocopied.
Trame sécurisée	Les mots "Document Original" formant un motif de vague visible à l'endos du chèque ne devraient pas apparaître lorsque balayés électroniquement ou photocopiés.

CK# 224

Teller Stamp Here

Étampe du caissier ici

10001  
 830 001  
 05/29/01  
 ROYAL BANK CANADA  
 VANCOUVER B.C.  
 0200486732

Endorsement - Signature or Stamp / Endorsement - Signature ou Étampe

Feature / Caractéristique	Description
MP Microprint	Any type of mark on front of cheque will lift in when scanned or photocopied.
MI Micro-impresion	Caractères minuscules de l'avant du chèque se soulèvent lorsque balayés électroniquement ou photocopiés.
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Security Screen	"Original Document" test, and wave pattern visible on back of cheque, should not appear if scanned or photocopied.
Trame sécurisée	Les mots "Document Original" formant un motif de vague visible à l'endos du chèque ne devraient pas apparaître lorsque balayés électroniquement ou photocopiés.

## A/P Slip

Supplier	Invoice #	Invoice Date	Inv. Amount	JV #	Date Posted	Prepared By
IDI RESOURCE	PRECISION CAMERA	May '01	\$ 5500.50	J41	May 28	Call

Account Code	Account Name	Amount	Cr
1580	Furniture & equip.	\$ 5500.50	
2470	GST.	337.75	

This is Exhibit " E " referred to in the  
 affidavit of FAUSTO TADDEI  
 made before me at Vancouver  
 this 19<sup>th</sup> day of September 2005  
[Signature]  
 A Commissioner for taking Affidavits  
 within British Columbia





**ESTERN CANADIAN COAL CORP.**

Summary of Amounts Owning to Shareholders from April 30, 1999 to May 31, 2001

Date	Description	David Fawcett (DFI)		Kevin James (PIKA)		M. Gibson	TOTAL
		Amounts Owning	Consulting Fees	Amounts Owning	Consulting Fees	Amounts Owning	
4/30/1999	Sale of Burnt River property from K. James to WCCC						22,758.43
5/27/1999	Repayment to K. James of amount owing for Burnt River			22,758.43			(22,758.43)
1/20/2000	Advance by Mark Gibson					35,000.00	35,000.00
1/31/2000	Repayment to Mark Gibson					(15,000.00)	(15,000.00)
2/23/2000	Advance by David Fawcett	20,000.00					20,000.00
3/18/2000	Advance by Mark Gibson					10,000.00	10,000.00
3/31/2000	Advance by K. James and D. Fawcett			6,500.00			13,000.00
3/31/2000	Outstanding consulting fees (In A/P or accrued liabilities)	6,500.00	15,000.00		12,500.00		27,500.00
<i>Balance March 31, 2000</i>		26,500.00	15,000.00	6,500.00	12,500.00	30,000.00	90,500.00
4/03/2000	Advance by D. Fawcett	8,500.00					8,500.00
4/30/2000	April consulting fee for K. James				2,500.00		2,500.00
6/16/2000	Repaid advance to D. Fawcett	(8,500.00)					(8,500.00)
<i>Balance June 30, 2000</i>		26,500.00	15,000.00	6,500.00	15,000.00	30,000.00	93,000.00
7/11/2000	Issuance of Shares for Debt (at \$0.30/share)	(20,000.00)	(15,000.00)		(15,000.00)	(30,000.00)	(80,000.00)
8/28/2001	Repay outstanding amounts re: West Brazeon property	(6,600.00)		(6,500.00)			(13,000.00)
<i>Balance May 31, 2001</i>							

This is Exhibit "F" referred to in the affidavit of **FAUSTO TADDEI** made before me at Vancouver, B.C. this 10<sup>th</sup> day of September, 2005.

*[Signature]*  
A Commissioner for taking Affidavits within British Columbia

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876

**Western  
Canadian  
Coal Corp.**

July 31, 2000

Mr. Kevin James  
147 - 8400 Forest Grove Drive  
Burnaby, B.C.  
V5A 4B7

Dear Mr. James:

Re: Western Canadian Coal Corp. (Consolidated)

The following is an analysis of your shareholder's account with respect to advances only as at the year ended March 31, 2000:

Balance due to you from Western Canadian Coal Corp.                    \$ 6,500.00

CONFIRMED CORRECT:

*Kevin James*  
Date: Aug 2, 2000

This is Exhibit " G " referred to in the  
affidavit of FAUSTO TADDEI  
made before me at Vancouver  
this 10<sup>th</sup> day of September 2000  
*[Signature]*  
A Commissioner for taking Affidavits  
within British Columbia

147 FOREST GROVE DRIVE  
BURNABY, B.C. V5A 4B7  
TEL: 404.684.2692  
FAX: 404.684.0642



Western Canadian Coal Corp.

July 31, 2000

Mr. David Fawcett  
4920 Weaver Drive  
Delta, B.C.  
V4M 1R6

Dear Mr. Fawcett:

Re: Western Canadian Coal Corp. (Consolidated)

The following is an analysis of your shareholder's account with respect to advances only as at year ended March 31, 2000:

Balance due to you from Western Coal Corp.	\$ 20,000.00
Balance due to you from Western Canadian Coal Corp.	<u>6,500.00</u>
	<u>\$ 26,500.00</u>

CONFIRMED CORRECT:

David Fawcett

Date: Aug 2, 2000





Western Canadian Coal "H" referred to in the

900 - 580 Hornby Street  
 Vancouver, B.C. V6C 3B6  
 Phone 604-608-2692  
 Fax 604-629-0075  
 Email [info@westerncoal.com](mailto:info@westerncoal.com)

This Affidavit of FAUSTO TADDEI  
 made before me at Vancouver  
 this 19<sup>th</sup> day of September 2005.



WTN 05-13

*[Signature]*  
 A Commissioner for taking Affidavits  
 within British Columbia

TSX: WTN and AIM: WTN

**WESTERN CANADIAN COAL ANNOUNCES ACCELERATED WOLVERINE CONSTRUCTION SCHEDULE AND UPDATES ON CAPITAL COSTS**

Vancouver, B.C. July 26, 2005 - Western Canadian Coal Corp. (TSX: WTN and AIM: WTN) ("WCCC" or the "Company") announces that it has accelerated the estimated completion date for the construction of the Wolverine coal preparation plant and rail load-out by six months, from early 2007 to July 2006. The accelerated construction schedule is primarily a result of a letter of intent entered into with the Sedgman group of companies, pursuant to which Sedgman will build a turnkey coal preparation plant for WCCC by July 2006. Sedgman, an international company headquartered in Pittsburgh, Pennsylvania, specializes in the design, engineering, construction and operation of coal preparation plants and material handling systems worldwide.

The plant is designed and will be built to handle 3.0 million tonnes of hard coking coal per annum, however its initial throughput will be 2.4 million tonnes. Currently, the Company's mine permit allows for the production of 1.6 million tonnes of clean metallurgical coal per annum on the Perry Creek and EB open-pit properties over an 11-year period. The Company however has applied to the BC government for an increase to the allowable production to 2.4 million tonnes per annum. A decision is expected on the application by the fourth quarter of 2005. The estimated marketable coal from the Perry Creek and EB open-pits is 15.6 million tonnes of metallurgical coal and 0.3 million tonnes of thermal coal. The Company's goal is to increase production from the Wolverine group of properties from 2.4 million tonnes per year to 3.0 million tonnes per year with the inclusion of production from future mining activities at the nearby Hermann property and the Perry Creek underground resource.

WCCC previously reported that the capital cost to construct a 2.4 million tonne capacity plant and related facilities for Wolverine would be approximately \$180 million. This included approximately \$27 million in pre-production stripping to remove sufficient overburden to enable the Company to mine at the rate of 1.6 million tonnes per year. With planned initial production being increased by 50%, to 2.4 million tonnes per year, pre-production stripping costs are estimated to increase to \$55 million. The incremental stripping costs of \$28 million would otherwise be incurred as ongoing mining costs over the life of the mine were the Company to mine at the rate of 1.6 million tonnes per year. The pre-stripping costs, combined with the costs of constructing the larger plant, are expected to bring the total Wolverine capital costs to \$242 million, including contingencies of approximately \$30 million.

The Company does not anticipate that further equity financings will be required to fund these capital costs. Cash on hand, cash flow being generated from the Dillon Mine and project finance, on which the Company continues to work with its financial advisors, are anticipated to be sufficient to fund the construction of the Wolverine project and provide for the Company's remaining liquidity requirements.

Gary Livingstone, President and CEO, stated, "Being able to accelerate Wolverine's hard coking coal production and sales by six months is positive news. Half a year's production of Wolverine hard coking coal at the increased annual level of 2.4 million tonnes will result in significant and accelerated cash flow for our Company."

#### **Forward-Looking Information**

This release may contain forward-looking statements that may involve risks and uncertainties. Such statements relate to the Company's expectations, intentions, plans and beliefs. As a result, actual future events or results could differ materially from those suggested by the forward-looking statements. Readers are referred to the documents filed by the Company on SEDAR. Such risk factors include, but are not limited to, changes in commodity prices; strengths of various economies; the effects of competition and pricing pressures; the oversupply of, or lack of demand for, the Company's products; currency and interest rate fluctuations; various events which could disrupt operations; the Company's ability to obtain additional funding on favourable terms, if at all; and the Company's ability to anticipate and manage the foregoing factors and risks. Additionally, statements related to the quantity or magnitude of coal deposits are deemed to be forward-looking statements. The reliability of such information is affected by, among other things, uncertainties involving geology of coal deposits; uncertainties of estimates of their size or composition; uncertainties of projections related to costs of production; the possibilities in delays in mining activities; changes in plans with respect to exploration, development projects or capital expenditures; and various other risks including those related to health, safety and environmental matters.

#### **WESTERN CANADIAN COAL CORP.**

*"Gary K. Livingstone"*

**President and Chief Executive Officer**

For further information please contact:

Gary K. Livingstone, President & CEO or Fausto Taddei, CFO & Corporate Secretary,  
Western Canadian Coal Corp., 900 - 580 Hornby Street, Vancouver, B.C. V6C 3B6  
Phone 604-608-2692  
Fax 604-629-0075  
Email [info@westerncoal.com](mailto:info@westerncoal.com), [www.westerncoal.com](http://www.westerncoal.com)

COAL LICENCES

Name of Property	Number of Coal Licences	Coal Licence Numbers	Date Licences Applied For	Date Licences Issued
<b>BRAZION GROUP</b>				
West Brazion	6	379579 – 379582, 379584, 379585	November 30, 1999*	August 11, 2000*
<b>WOLVERINE GROUP</b>				
Mt. Spieker	7	381711 – 381717,	February 2, 2000	October 30, 2000
Perry Creek (Described as Wolverine on Coal Licences)	10	379594 – 379598, 379600, 379601, and 383177- 383179	February 22, 2000 and April 17, 2000	August 11, 2000 and December 18, 2000
Hermann	4	383180-383183	March 24, 2000	December 18, 2000

\* Licences applied for by Elisabeth James as nominee for Western and assigned to Western on November 20, 2000.

This is Exhibit " I " referred to in the  
affidavit of FAUSTO TADDEI  
made before me at Vancouver  
this 19<sup>th</sup> day of September 2005.  
[Signature]  
A Commissioner for taking Affidavits  
within British Columbia



000017

This is Exhibit "J" referred to in the  
Affidavit of FAUSTO TADDEI  
made before me at Vancouver  
this 19<sup>th</sup> day of September 2005



APP 333

Province of British Columbia  
Ministry of Energy, Mines and Petroleum Resources

A Commissioner for taking Affidavits  
within British Columbia

APPLICATION FOR LICENCE

I, Elisabeth E. James agent for Elisabeth E. James  
147-8400 Forest Grove Dr. 147-8400 Forest Grove Dr.  
Burnaby, B.C. V5A 4B7 Burnaby, B.C. V5A 4B7  
VABD FMC No. 112949

I hereby apply to the Ministry of Energy, Mines and Petroleum Resources for a licence(s) to explore for and develop coal in the  
following coal lands situated in the Peace River Land District

Description	Hectares
Group 93P 5 Block E Units 25, 26, 35, 36	300
Group 93P 5 Block E Units 27, 28, 37, 38	300
Group 93P 5 Block E Units 29, 30, 39, 40	300
Group 93P 5 Block E Units 45, 46, 55, 56	300
Group 93P 5 Block E Units 47, 48, 57, 58	300
Group 93P 5 Block E Units 49, 50, 59, 60	300

GOLD COMMISSIONER  
RECEIVED and RECORDED  
DEC 13 1999  
M.R. # Trans #1  
VICTORIA B.C.

Total Area (hectares) 1800

Property name West Bragdon

Plan of location as identified on Map No. 93P 5 v1 is attached.

Nov. 30, 1999

E. James  
off









Province of British Columbia  
Ministry of Energy, Mines and Petroleum Resources

APP 340

APPLICATION FOR LICENCE

I, Kevin T. James agent for Western Coal Corp.  
(Name) (Name)  
147-8400 Forest St. Dr. 200-580 HORNBY ST.  
(Address) (Address)  
BURNABY, B.C. V5A 4B7 VANCOUVER, B.C. V6C 3B6  
Valid FMC No. 140768

hereby apply to the Ministry of Energy, Mines and Petroleum Resources for a licence(s) to explore for and develop coal in the following coal lands situated in the Peace River Land District.

OLD LICENSE

Description	Hectares
093-P-3E BLOCK B UNITS 1, 2, 11, 12	300
093-P-3E BLOCK B UNITS 3, 4, 13, 14	300
093-I-14 BLOCK J UNITS 81, 82, 91, 92	300 297 ha.
093-I-14 BLOCK J UNITS 83, 84, 93, 94	300 297 ha.

GOLD COMMISSIONER  
RECEIVED AND RECORDED  
MAY 5 2000  
Trans 1  
VICTORIA, B.C.

Total Area (hectares)

1200

Property name HERMANN  
Plan of location as identified on Map No. 93P3-93I142 is attached.

March 24, 2000  
(Date)

Kevin James  
(Signature)  
Director  
(Position)

### ASSIGNMENT OF COAL LICENSES

This Assignment Agreement dated for reference the 20<sup>th</sup> day of November, 2000.

BETWEEN:

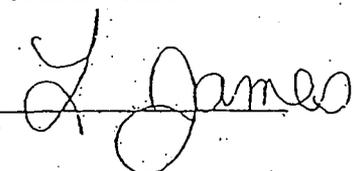
Elisabeth E. James, a businesswoman residing at 147 – 8400 Forest Grove Drive, Burnaby, British Columbia V5A 4B7

AND

Western Coal Corp., a company incorporated pursuant to the laws of British Columbia with its registered and records office located at 2550-555 West Hasting Street, Vancouver, British Columbia V6B 4N5

Elisabeth E. James, holder of Free Miner Certificate #112949, hereby assigns 100 percent of the coal licenses described in Schedule "A" attached hereto to Western Coal Corp., holder of Free Miner Certificate #140768, to hold such licenses, and Western Coal Corp., hereby accepts the assignment.

Elisabeth E. James

Per: 

Western Coal Corp.

Per: 

000023

SCHEDULE A

Coal License Number

379579

379580

379581

379582

379584

379585



Coal Licence Number 379594 99

000024

Province of British Columbia  
Ministry of Energy, Mines and Petroleum Resources  
MINERAL RESOURCES DIVISION — TITLES BRANCH

COAL ACT

LICENCE

Map reference 93P/03W Hectares 300 Date Issued: August 11, 2000  
Licensee Western Coal Corporation  
200-580 Homby Street  
Vancouver, British Columbia  
V6C 3B6

The licensor grants to the licensee, in accordance with and subject to the provisions of the Act, the right to do exploration and development work of every kind for all coal in the location described, and the licensee covenants and agrees at all times to perform, observe, and comply with the provisions of the Act, and amendments and the provisions of any regulations which may be made under the Act, and all such provisions as are enacted or made be deemed to be incorporated into this licence and shall bind the licensee in the same manner and to the same extent as if the same, as they are enacted, made, or amended, were set out herein as covenants on the part of the licensee.

The licensee shall keep the licensor indemnified against all actions, claims, and demands that may be brought or made against the licensor by reason of anything done by the licensee, his servants, workmen, or agents, in the exercise or purported exercise of the rights, powers, and privileges hereby granted.

This licence is further subject to

- (a) the provisos hereinafter enumerated (if any),
- (b) the prior rights of the Crown and any agency thereof, and
- (c) the prior rights of all persons entitled thereto by virtue of any other Statute.

IN WITNESS WHEREOF the licensor and licensee have hereunto set their hands and seals the day and year first above written.

[Signature]  
Witness

Western Coal Corporation  
[Signature]  
Licensee

[Signature]  
Witness

[Signature]  
Licensee

Minister of Energy, Mines and Petroleum Resources, Licensor  
DELEGATED BY ORDER IN COUNCIL NUMBER  
1411/94 AND MINISTER'S ORDER NUMBER 351/94  
TO THE CHIEF GOLD COMMISSIONER

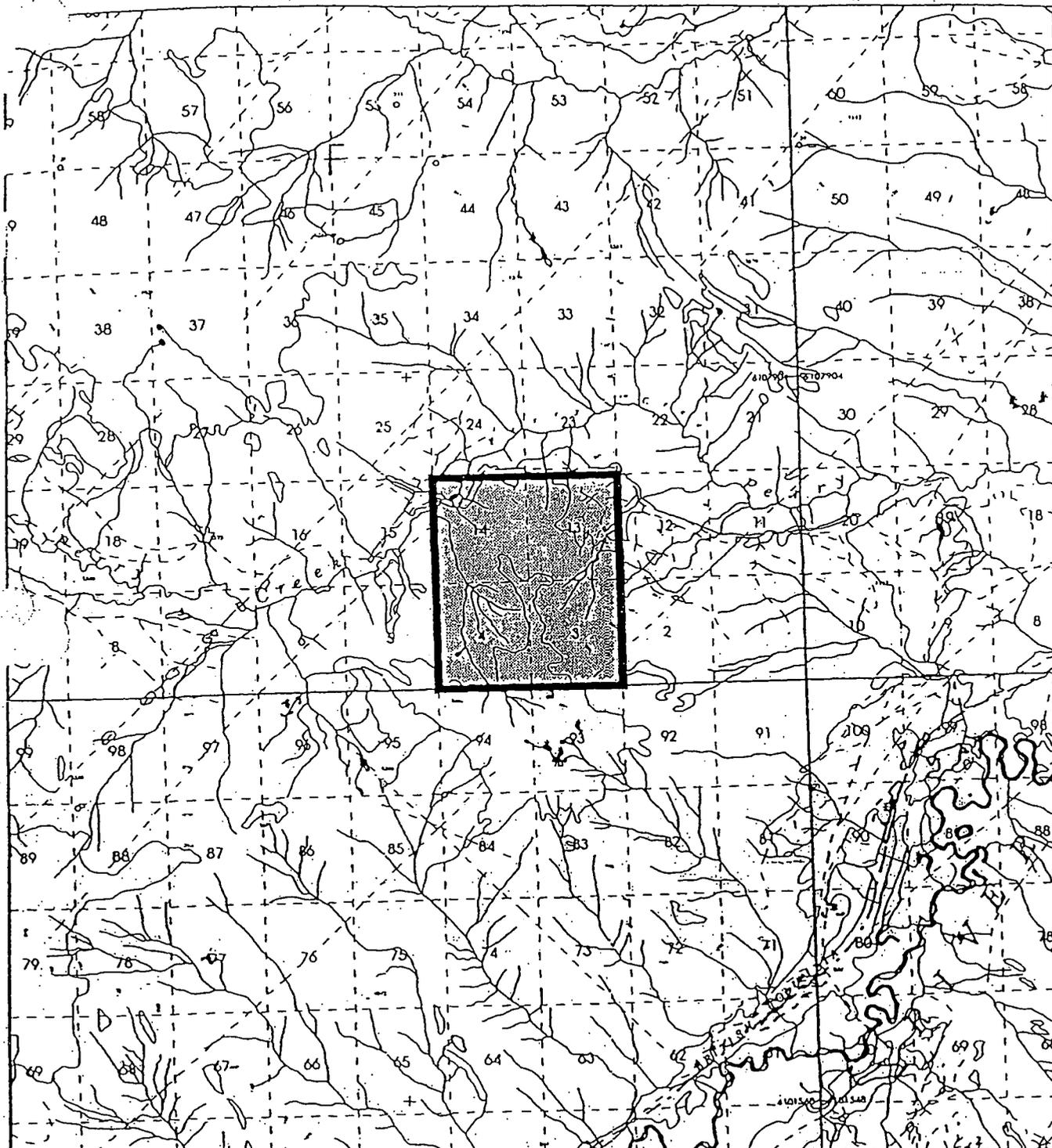


Description of location:

000025

100

Units 3, 4, 13, and 14 of Block F of Group 093P/3



 <b>BRITISH COLUMBIA</b> Ministry of Employment and Investment Mineral Titles Branch	<b>DESCRIPTION</b> WOLVERINE PARCEL - 1	<b>COAL LICENCE NO.</b> 379594	
	<b>MINING DIVISION:</b> LIARD	<b>PREPARED BY:</b> KWD	
	<b>LAND DISTRICT:</b> PEACE RIVER	<b>SCALE</b> 1: 50 000	<b>FILE NUMBER:</b> 13755 02 80
	<b>MAPS:</b> 093P03W	<b>HECTARES:</b> 300	

Provisos:

(1) For the purpose of section 7 of the *Coal Act*, before commencing any exploration or development work on location, a search is to be conducted in the Prince George Registry for any privately owned land; and a search of the records of Ministry of Crown Lands, Water Management Branch of the Ministry of Environment and the Ministry of Forests, Parliament Buildings, Victoria, British Columbia, must be made to determine any tenures issued by the Crown.

(2) The licensee acknowledges that this licence does not grant to the licensee the right to do exploration or development work of any kind for any natural gas in the location herein described, and further acknowledges that such exploration or development work shall be pursuant to the *Petroleum and Natural Gas Act* R.S.B.C. 1979, C. 323.

NO. L050703  
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

WESTERN CANADIAN COAL CORP.

PETITIONER

AND:

DAVID FAWCETT, KEVIN JAMES and MARK  
GIBSON

RESPONDENTS

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AFFIDAVIT No. 2 OF  
FAUSTO TADDEI

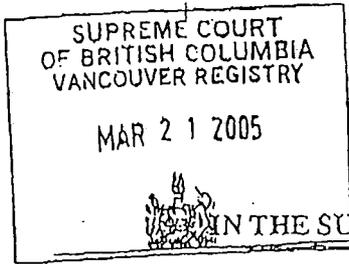
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LAWSON LUNDELL LLP

Barristers & Solicitors  
1600 Cathedral Place  
925 West Georgia Street  
Vancouver, British Columbia  
V6C 3L2  
Phone: (604) 685-3456  
Attention: William M. Everett, Q.C.

SMT/

100



NO. L050703  
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

WESTERN CANADIAN COAL CORP.

PETITIONER

AND:

DAVID FAWCETT, KEVIN JAMES and MARK GIBSON

RESPONDENTS

RE: APPLICATION PURSUANT TO SECTION 150(2) OF THE *BUSINESS  
CORPORATIONS ACT*, S.B.C. 2002, c. 57

PETITION TO THE COURT

THIS IS THE PETITION OF:

Western Canadian Coal Corp.  
900-580 Hornby Street  
Vancouver, B.C. V6C 3B6

ON NOTICE TO:

David Fawcett  
4920 Weaver Drive  
Delta, B.C. V4M 1R6

Kevin James  
147 - 8400 Forest Grove Drive  
Burnaby, B.C. V5A 4B7

Mark Gibson  
RR4 S107 C21  
Summerland, B.C. V0H 1Z0

This is Exhibit "L" referred to in the  
affidavit of David Fawcett  
sworn before me at Vancouver B.C.  
this 19th day of January 2007

2149205 L050703 RISS 208

Let all persons whose interests may be affected by the order sought TAKE NOTICE that the Petitioner, Western Canadian Coal Corp., applies to court for the relief set out in this Petition.

#### APPEARANCE REQUIRED

IF YOU WISH TO BE NOTIFIED of any further proceedings, YOU MUST GIVE NOTICE of your intention by filing a form entitled "Appearance" in the above registry of this court within the Time for Appearance and YOU MUST ALSO DELIVER a copy of the "Appearance" to the Petitioner's address for delivery, which is set out in this Petition.

YOU OR YOUR SOLICITOR may file the "Appearance". You may obtain a form of "Appearance" at the registry.

IF YOU FAIL to file the "Appearance" within the proper Time for Appearance, the Petitioner may continue this application without further notice.

#### TIME FOR APPEARANCE

Where this Petition is served on a person in British Columbia, the time for appearance by that person is 7 days from the service (not including the day of service).

Where this Petition is served on a person outside British Columbia, the time for appearance by that person after service, is 21 days in the case of a person residing anywhere within Canada, 28 days in the case of a person residing in the United States of America, and 42 days in the case of a person residing elsewhere.

#### TIME FOR RESPONSE

IF YOU WISH TO RESPOND to the application, you must, on or before the 8<sup>th</sup> day after you have entered an Appearance:

- (a) Deliver to the Petitioner
  - (i) 2 copies of a Response in Form 124; and
  - (ii) 2 copies of each Affidavit on which you intend to rely at the hearing, and
- (b) Deliver to every other party of record
  - (i) one copy of a Response in Form 124; and
  - (ii) one copy of each Affidavit on which you intend to rely at the hearing.

The address of the registry is: 800 Smithe Street, Vancouver, British Columbia.

The address for delivery is: c/o Lawson Lundell LLP, 1600 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2. (Attention: William M. Everett, Q.C.)

Fax number for delivery is: (604) 669-1620.

The name and office address of the Petitioner's solicitor is: Lawson Lundell LLP, 1600 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2 (Attention: William M. Everett, Q.C.).

The Petitioner, Western Canadian Coal Corp., applies for an order pursuant to s. 150(2) of the *Business Corporations Act*, S.B.C. 2002, c.57 that:

- (a) the Royalty Sharing Agreement made March 31, 2000, between David Fawcett, Kevin James and Mark Gibson, (collectively, the "Respondents") of the First Part, and Western Canadian Coal Corp., of the Second Part, be set aside; or,
- (b) alternatively, that the Respondents David Fawcett and Kevin James are liable to account for any profit that accrues to them as a result of the Royalty Sharing Agreement; and/or

- (c) any other order that the Court considers appropriate; and
- (d) costs.

The Petitioner will rely on Rule 10 of the Rules of Court, ss. 147, 148, 149 and 150(2) of the *Business Corporations Act*, S.B.C. 2002, c. 57 and ss. 120, 121 and 122 of the *Company Act*, R.S.B.C. 1996, c. 62.

At the hearing of this Petition will be read the Affidavits of John Byrne, Fausto Taddei, and Charles Pitcher, copies of which are served herewith.

The facts upon which this Petition is based are as follows:

1. The Petitioner Western Canadian Coal Corp. ("Western") is a company incorporated pursuant to the laws of the Province of British Columbia, and has its corporate and administrative offices at 900-580 Hornby Street, Vancouver, British Columbia. Western's registered and records office is located at 2550 - 555 W. Hastings Street, Vancouver, British Columbia.
2. The Respondent David Fawcett ("Fawcett") is a businessman who resides at 4920 Weaver Drive, Delta, British Columbia.
3. The Respondent Kevin James ("James") is a businessman who resides at 147-8400 Forest Grove Drive, Burnaby, British Columbia.
4. The Respondent Mark Gibson ("Gibson") is a businessman who resides at R.R. 4, S. 107, C. 21, Summerland, British Columbia.

The Petitioner

5. Western was founded in October 1997 for the purpose of acquiring, exploring and developing coal mining properties for the international metallurgical markets. The current focus of the company is on bringing into production a high quality, low cost portfolio of assets in

northeast British Columbia which will take advantage of the infrastructure already established for the northeast coal fields.

6. Western owns three large multi-deposit coal property groups: the Wolverine; Brazion; and Belcourt and West Belcourt properties, covering more than 50,000 hectares under license or application and prospective for coal.

7. Western's most developed assets are:

(a) the Dillon open-pit mine located within the Burnt River coal deposit area, which forms part of the larger Brazion group of coal properties; and,

(b) the Perry Creek open-pit and underground deposits and E.B. Trend open-pit deposit located within the Wolverine group of properties.

8. Western is a publicly traded company listed on the TSX Venture Exchange and the Alternative Investment Market of the London Stock Exchange.

9. On June 22, 2004, upon filing its transition application with the Corporate Registry, Western became a British Columbia corporation pursuant to the British Columbia *Business Corporations Act*.

#### The Respondents

10. Fawcett was a director of Western from September 22, 1999 until June 30, 2003, President from November 30, 1997 until June 30, 2003, Chief Executive Officer from November 30, 1997 until mid-2001, and Chief Operating Officer of Western from mid-2001 until June 30, 2003.



11. James was a director of Western from November 30, 1997 until June, 2001, Secretary from October 2000 until June 2001 and Vice-President, Exploration of Western from June 2001 to October 2004.

12. Gibson is a shareholder of Western and was a shareholder at the time the Royalty Sharing Agreement was entered into but has never been a director or officer of Western.

The Loans and Royalty Sharing Agreement

13. Prior to March 31, 2000, Western had made application for and expected to become the beneficial owner of 100% interest in and to certain coal interests in the West Brazion, Wolverine and Mount Spieker properties in northeast British Columbia (collectively, the "Properties").

14. Western entered into a Royalty Sharing Agreement dated March 31, 2000, with the Respondents, (the "RSA") which agreement provides, *inter alia*, at paragraph 1.1 that each of the Respondents "represent and warrant to the Company that they have advanced funds to the Company for the Properties as follows:"

Fawcett	\$32,500.00
James	\$17,500.00
Gibson	\$30,000.00
TOTAL	<u>\$80,000.00</u>

15. Paragraph 2.1 of the Agreement provides that "as consideration for advancing the funds, the Company will pay a royalty (the "Royalty") of one percent (1%) of the price (FOBT at Port) for all product tonnes produced from the West Brazion, Mount Spieker and Wolverine coal properties on a quarterly basis to the Investors as set out in Schedule "2.1" attached hereto and forming a material part hereof."

16. Schedule "2.1" of the RSA provides that "the Royalty will be divided among the parties as follows:"

David Fawcett	40.6%
Kevin James	21.9%
Mark Gibson	37.5%

17. Paragraph 6.1 of the RSA provides that "within two years from the date of this Agreement, or upon the Company receiving adequate financing, to be reasonably determined by the company, whichever date is earlier, the Company will pay back to the Investors all funds advanced by the Investors for the West Brazion, Wolverine and Mount Spieker properties."

18. Paragraph 8.1 of the RSA provides that the RSA "may not be assigned without the written consent of all the parties, which consent shall not be unreasonably withheld."

19. As of the date of this Petition, there has been no production from the Properties and no royalty payments have been or are due and owing to the Respondents under the RSA.

The Directors' Consent Resolutions

20. The directors of Western purported to authorize Western to enter into the RSA with the Respondents pursuant to Directors' Consent Resolutions dated as of March 31, 2000 (the "March 31, 2000 Consent Resolutions").

21. The directors of Western at the date of the March 31, 2000 Consent Resolutions were Fawcett, James and David Austin, who, at that time, was a Terminal Agent Manager for B.C. Ferry Corp.

22. Western's Articles of Incorporation at the time of the March 31, 2000 Consent Resolutions provided the following:

53. The board may from time to time fix the quorum necessary for the transaction of business and until so fixed the quorum will be a majority of the number last elected at the annual general meeting.

55. A meeting of directors at which a quorum is present is competent to exercise all or any of the authorities, powers and discretions for the time being vested in or exercisable by the board generally.

58. A director who is interested in a proposed contract or transaction or other business to be considered or conducted at a meeting of the board and who has disclosed his interest in accordance with the provisions of the Company Act will be counted in the quorum at any meeting of the board at which the proposed contract or transaction or such other business is considered, approved or otherwise acted upon.

23. Fawcett and James did not disclose their interest in the RSA at a meeting of the Board of Directors of Western. Rather, Western was purportedly authorized to enter into the RSA by the March 31, 2000 Consent Resolutions to which Fawcett and James affixed their signatures.

24. The RSA was not, and has not, been approved by a special resolution of the shareholders of Western.

25. The RSA is material to Western. Both Fawcett and James, had, at the time Western entered into the RSA, and continue to have, a material interest in the RSA.

26. The RSA has been mentioned in Western's consolidated financial statements.

27. At the time of entering into the RSA, Western did not file the RSA with the Canadian Venture Exchange (now called the TSX Venture Exchange) (the "Exchange") nor did it obtain acceptance from the Exchange of the filing of the RSA in accordance with then Exchange Policy 1.1 and 5.3.

Repayment of the Loan

28. By consent resolutions dated June 19, 2000, the Board of Directors of Western, being Fawcett, James and Austin, resolved "to issue shares of the Corporation at a price of \$0.30 per share to settle in full the amounts set opposite their names below:

Mark Gibson	\$30,000
...	
Pika Geologic Inc.	\$15,000
IDI Resource Technologies Inc.	\$35,000

all such share issuances being subject to the approval of the Canadian Venture Exchange" (the "June 19, 2000 Consent Resolutions").

29. Western issued, in aggregate, 266,667 common shares in its capital at a deemed price of \$0.30 per share. The common shares were issued in the following amounts:

Fawcett, through IDI Resource Technologies Inc.	116,667	(\$35,000)
James, through Pika Geologic Inc.	50,000	(\$15,000)
Gibson	100,000	(\$30,000)
TOTAL	266,667	(\$80,000)

30. Regulatory approval of the issuance of the 266,667 common shares was given on July 11, 2000 by letter of the same date from the Exchange to Western. The shares were issued on that date.

31. The RSA and the June 19, 2000 Consent Resolutions do not square precisely in the breakdown of the total funds advanced. Both indicate a total of \$80,000 had been advanced by the Respondents. However, the RSA indicates that Fawcett and James advanced \$32,500 and \$17,500 respectively, while the June 19, 2000 Consent Resolutions indicate Fawcett and James received shares worth \$35,000 and \$15,000 respectively.

July 2001 Audit Committee and Board Meetings

32. On July 16, 2001, the Audit Committee of the Board of Directors of Western met and reviewed the Consolidated Financial Statements of Western as at March 31, 2001.

33. On July 17, 2001, the Board of Directors of Western met, and the Audit Committee expressed concerns regarding the legal standing and enforceability of the RSA.

Management of Western

34. At the time the RSA was entered into, in March of 2000, James and Fawcett were the only two Officers of Western. Fawcett was President and Chief Executive Officer of Western and James was Secretary of Western.

35. Fawcett's role in management changed to President and Chief Operating Officer in 2001 and James was appointed VP Exploration in that same year. Also in 2001 Robert McMorran was appointed Chief Financial Officer and Corporate Secretary.

36. In June 2001 John Byrne was appointed a director and Chair of the Board of Western.

37. In December of 2002 Charles Pitcher was appointed Chief Executive Officer of Western.

38. Fawcett resigned as a Director and as President and Chief Operating Officer in June of 2003 and Charles Pitcher was appointed Interim President.

39. In May of 2004, Pitcher resigned as CEO and President of Western and was appointed Chief Operating Officer. Gary Livingstone was appointed in Pitcher's place as CEO and President.

40. In August of 2004 Fausto Taddei was appointed in Rob McMorran's place as Chief Financial Officer and Corporate Secretary.

41. In October of 2004 James resigned as a Director, Pitcher resigned as Chief Operating Officer and John Hogg was appointed Vice President and Chief Operating Officer.

42. The Directors of Western as of the date of this Petition are the following:

- (a) Colin Benner,
- (b) Gordon Bub,
- (c) John Byrne,
- (d) John Conlon,
- (e) Gary Livingstone, and
- (f) Charles Pitcher.

None of the Directors were directors of Western at the time the RSA was entered into and the Consent Resolutions signed.

43. The Officers of Western as of the date of this Petition are the following:

- (a) John Byrne - Chair of the Board,
- (b) Gary Livingstone - C.E.O. and President,
- (c) William Burton - Vice President,
- (d) John Hogg - Chief Operating Officer,
- (e) Kathleen Pomeroy - Vice President, and
- (f) Fausto Taddei - C.F.O. and Secretary.

None of the current Officers were with Western at the time the RSA was entered into and the Consent Resolutions signed.

Request to Assign Fawcett's Interest in the RSA

44. By letter dated February 10, 2005, from counsel for Fawcett to Western, Fawcett requested Western's written consent to his intention to assign a 50% portion of his royalty interest under the RSA to International Royalty Corporation ("IRC").

45. By letter dated February 17, 2005, from Western to counsel for Fawcett, Western advised that none of its present senior management were involved with Western at the time the RSA was entered into and the March 31, 2000 Consent Resolutions were signed and advised that Fawcett's request that Western consent to his proposed assignment to International Royalty Corporation would be considered by Western's Board of Directors.

46. By e-mail dated February 18, 2005, from counsel for IRC to Western, counsel for IRC further requested Western provide its consent to Fawcett's proposed assignment to IRC and enclosed royalty assignment agreements for Western's execution.

47. By letter dated March 3, 2005, from counsel for Western to counsel for Fawcett, counsel for Western advised that it had been obtaining background information relating to the proposed assignment and advised that Western's Board of Directors were scheduled to meet on March 15, 2005, at which time it was expected that the matter would be dealt with.

48. The Board of Directors of Western met on March 15, 2005. At that meeting, the Board, *inter alia*, unanimously resolved that:

- (a) Western petition the Court to have the Royalty Sharing Agreement set aside; and
- (b) Western not seek ratification of the Royalty Sharing Agreement by the shareholders since the directors do not consider the agreement to be in Western's best interests and would recommend against such ratification.

The Petitioner estimates that the application will take one day.

DATED at the City of Vancouver, in the Province of British Columbia, this 21<sup>st</sup> day of March, 2005.

  
\_\_\_\_\_  
Lawson Lundell LLP  
Solicitors for the Petitioner



NO. L050703  
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

WESTERN CANADIAN COAL CORP

PETITIONER

AND:

DAVID FAWCETT, KEVIN JAMES AND MARK GIBSON

RESPONDENTS

ORDER

BEFORE THE HONOURABLE MR. ) THIS 24<sup>th</sup> DAY OF February, 2006.  
JUSTICE TYSOE )  
)

THIS APPLICATION coming on for hearing at Vancouver, British Columbia, on February 20 to 24, 2006, and on hearing William M. Everett, Q.C., counsel for the Petitioner, and Murray A. Clemens, Q.C., counsel for the Respondent Kevin James, Howard Shapray, Q.C. counsel for the Respondent Mark Gibson, and John Forstrom, counsel for the Respondent David Fawcett;

AND JUDGMENT being rendered on February 24, 2006;

THIS COURT ORDERS that:

1. The Petition be dismissed; and

This is Exhibit " M " referred to in the  
affidavit of David Fawcett  
sworn before me at Vancouver, B.C.  
this 19<sup>th</sup> day of January 2007  
  
A Commissioner for taking Affidavits



2. The matter of costs be reserved to be reviewed and determined by the Court at a later date.

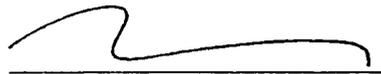
APPROVED AS TO FORM:



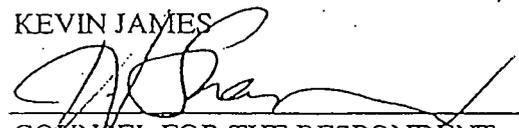
COUNSEL FOR THE PETITIONER



COUNSEL FOR THE RESPONDENT,  
DAVID FAWCETT

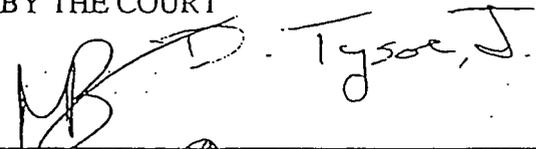


COUNSEL FOR THE RESPONDENT,  
KEVIN JAMES



COUNSEL FOR THE RESPONDENT,  
MARK GIBSON

BY THE COURT



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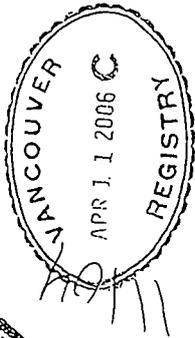
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NO. L050703  
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IN THE SUPREME COURT OF BRITISH COLUMBIA



BETWEEN:

WESTERN CANADIAN COAL CORP

PETITIONER

AND:

DAVID FAWCETT, KEVIN JAMES AND MARK  
GIBSON

RESPONDENTS

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ORDER

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WME/baw

West Coast

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IN THE SUPREME COURT OF BRITISH COLUMBIA

Citation: *Western Canadian Coal Corp. v. Fawcett*,  
2006 BCSC 463

Date: 20060224  
Docket: L050703  
Registry: Vancouver

Between:

**Western Canadian Coal Corp.**

Petitioner

And:

**David Fawcett, Kevin James and Mark Gibson**

Respondents

Before: The Honourable Mr. Justice Tysoe

**Oral Reasons for Judgment**

In Chambers  
February 24, 2006

Counsel for the Petitioner:

W.M. Everett, Q.C.  
and S.J. Gregory

Counsel for the Respondent,  
David Fawcett:

J.S. Forstrom

Counsel for the Respondent,  
Kevin James:

M.A. Clemens, Q.C.

Counsel for the Respondent,  
Mark Gibson:

H. Shapray, Q.C.

Place of Hearing:

Vancouver, B.C.

This is Exhibit " *N* " referred to in the  
affidavit of *David Fawcett*  
sworn before me at *Vancouver, BC*  
this *19th* day of *January 2007*

*[Signature]*  
A Commissioner for taking Affidavits

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[1] - **THE COURT:** In or about the month of June 2000, the Petitioner and the Respondents entered into an agreement dated March 31, 2000 (the "Royalty Sharing Agreement" or the "Agreement") which provided that, among other things, the Petitioner would pay the Respondents a royalty of 1% of the price for all product tonnes produced from three sets of coal properties acquired by the Petitioner with the assistance of the Respondents. The Petitioner now applies to set aside the Royalty Sharing Agreement on the basis that there was a lack of compliance with the provisions of the *Company Act*, R.S.B.C. 1996, c. 62, dealing with transactions in which directors have an interest.

[2] The Petitioner was incorporated in 1997. Its founding directors were the Respondent, Kevin James and David Austin. The Respondent, David Fawcett, was its President, and became the third director in 1999. The Petitioner is a publicly traded company and it was initially intended that the Petitioner would raise public equity funds to finance the exploration and development of a coal property known as Belcourt. Mr. Fawcett had acquired the coal licence for the Belcourt property and had transferred it to a company which became a wholly owned subsidiary of the Petitioner. Public funds were raised for the purpose of exploring the Belcourt property, but it was ultimately determined that a mine on the property would not be economically viable.

[3] In late 1998, Mr. James and Mr. Fawcett began looking for other properties having potential for development as coal mines. At the time and during the following 1 1/2 year period, the coal industry in British Columbia was depressed as a result of low coal prices. Established mining companies were declining to renew coal

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licences which they held. The Petitioner did not have funds of any significance that had not been dedicated to the Belcourt property. The Petitioner made inquiries about the prospect of raising funds by way of a public offering, but there was little or no investor appetite for coal exploration or development during this period.

[4] In January 1999, Mr. James and Mr. Fawcett each paid \$6,000 from their personal funds to acquire, in the name of Mr. James, the coal licences for a property known as Burnt River. It was decided by the Petitioner's three directors that the Petitioner would attempt to develop the Burnt River property and the licences were transferred from Mr. James to the Petitioner's subsidiary. Around that time Mr. James was paid the sum of \$22,758.43, which included reimbursement of the \$12,000 paid by Mr. James and Mr. Fawcett for the coal licences.

[5] In November 1999, Mr. James and Mr. Fawcett identified a property known as West Brazion to be a potentially desirable acquisition. They acquired the coal licences for the property in the name of Mr. James' wife by using \$13,000 of their personal funds in order to tie up the licences pending discussion among the Petitioner's directors as to whether the Petitioner wanted to acquire the licences. While those discussions were ongoing, Mr. James and Mr. Fawcett identified three other promising properties known as Mt. Spieker, Perry Creek and Hermann, and collectively called the Wolverine Group.

[6] The Petitioner's directors were desirous of utilizing funds of third parties to acquire the coal licences for the Wolverine Group properties. A business associate of Mr. Austin, the Respondent, Mark Gibson, indicated a willingness to provide up to

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\$35,000 for that purpose. It was ultimately agreed between the Petitioner and Mr. Gibson that he would provide the sum of \$20,000 for the purpose of enabling the Petitioner to acquire the licence for the Mt. Spieker property.

[7] The Petitioner and Mr. Gibson entered into an agreement dated as of January 28, 2000 (the "Gibson Agreement"), which contained the following provisions:

- (a) the \$20,000 advance was characterized as a loan, which was repayable on January 31, 2002;
- (b) Mr. Gibson had the option of converting the loan into a 20% working interest in the Mt. Spieker property;
- (c) Mr. Gibson was to be paid a royalty equal to \$0.25 per product tonne on the first 2.5 million tonnes of product sold from the Mt. Spieker property; and
- (d) the royalty right could be bought out by the Petitioner prior to a production decision on the basis of production of 500,000 tonnes a year for five years and a discount of 10%.

[8] Discussions continued with respect to the acquisition of the licences for the West Brazion property by the Petitioner. It is agreed in or about February 2000 that the Petitioner would have the option of acquiring the licences from Messrs. James and Fawcett in exchange for reimbursing their acquisition costs plus the payment of a 1% royalty on the selling price of all coal produced from the West Brazion property. The Petitioner disputes this agreement on the basis that the consent resolution

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documenting the agreement is not contained in the Petitioner's minute book, but nothing turns on it other than to provide a possible explanation of the genesis of a 1% royalty. The preponderance of the evidence is that it was Mr. Austin who was the one who suggested the amount of a 1% royalty.

[9] It also became known in February 2000 that the previous holder of the licences for the other two properties in the Wolverine Group, the Perry Creek and the Hermann properties, had not renewed the licences. The licences could be obtained at a cost of \$30,000. Funds were required in this regard and Mr. Gibson indicated a willingness to advance a further sum of \$10,000. Around the same time, Mr. Gibson raised a concern about his royalty being restricted to one property because he had no control over the order in which the various properties would be developed. Mr. Gibson suggested that there should be a pooling of the contributions of himself, Mr. Fawcett and Mr. James in respect of the various licences in exchange for a collective royalty.

[10] Negotiations ensued between Mr. Gibson, Mr. Fawcett, Mr. James and Mr. Austin. Mr. Austin has deposed that he participated in the negotiations as the disinterested director of the Petitioner and discussed the matter with the Petitioner's solicitors, Devlin Jensen. It was orally agreed that in addition to the further \$10,000 funding by Mr. Gibson, Mr. Fawcett would provide the additional \$20,000 required to pay for the Perry Creek and Hermann licences. It was also agreed that a royalty of 1% of the price of coal produced from the West Brazion, Mt. Spleker and other Wolverine Group properties would be paid by the Petitioner to Messrs. James, Gibson and Fawcett in proportion to their respective advances to acquire the

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licences for these properties as well as the Burnt River property, plus an additional \$5,000 credited to Mr. James as compensation for the research and assessment work he had done on the Wolverine Group properties.

[11] The evidence indicates that this oral agreement was reached in February 2000, before Mr. Gibson advanced his further \$10,000. The applications to acquire the Perry Creek and Hermann licences were made by Mr. James in February, March and April, 2000.

[12] There is some doubt on the evidence whether the oral agreement had included the payment of a royalty from the coal produced from the Burnt River property. At some point Mr. Fawcett prepared a one page document summarizing the business terms of the oral agreement (which did not include a royalty in respect of the Burnt River property). Mr. Fawcett cannot recall with certainty when he prepared this document but he believes that he prepared it around the time of the oral agreement.

[13] On June 15, 2000 Mr. Fawcett faxed the one page document to Devlin Jensen and requested the firm to prepare a formal agreement. Mr. Fawcett cannot recall the reason for the delay, but he believes that a need for formal documentation was identified during the preparation of the Petitioner's audited financial statements in the spring of 2000.

[14] Devlin Jensen prepared the Royalty Sharing Agreement and consent resolutions of the Petitioner's three directors approving the Royalty Sharing



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Agreement. The parties to the Royalty Sharing Agreement were the Petitioner and Messrs. Fawcett, James and Gibson. Its relevant provisions included the following:

**WHEREAS:**

- A. The company has made application for and expects to become the beneficial owner of 100% interest in and to certain coal interests in the West Brazlon, Burnt River, Wolverine and Mount Spleker properties set out in Schedule "A" (collectively, the "Properties");
- B. Each of the Investors have assisted the Company in acquiring and maintaining the Properties; and
- C. The company wishes to pay a royalty to the Investors for the Investors' contributions on the terms and conditions herein contained.

**1. INVESTMENT**

- 1.1 Each of the Investors represent and warrant to the Company that they have advanced funds to the Company for the Properties as follows:

Investor	Amount
Fawcett	\$32,500
James	\$17,500
Gibson	\$30,000

**2. CONSIDERATION**

- 2.1 As consideration for advancing the funds, the Company will pay a royalty (the "Royalty") of one percent (1%) of the price (FOBT at Port) for all product tonnes produced from the West Brazlon, Mount Spleker and Wolverine coal properties on a quarterly basis to the Investors as set out in Schedule "2.1" attached hereto and forming a material part hereof.

**6. REPAYMENT OF FUNDS**

- 6.1 Within two years from the date of this Agreement, or upon the Company receiving adequate financing, to be reasonably determined by the Company, whichever date is earlier, the

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Company will pay back to the Investors all funds advanced by the Investors for the West Brazion, Wolverine and Mount Spieker properties.

6.2 The funds advanced for the Burnt River property have been repaid.

**Schedule 2.1:**

The Royalty will be divided among the parties as follows:

David Fawcett:	40.6%
Kevin James:	21.9%
Mark Gibson:	37.5%

[15] The consent resolutions were dated as of March 31, 2000 and were signed by the Petitioner's three directors, including Messrs. Fawcett and James. The recitals of the resolutions stated that Messrs. Fawcett and James declared their interests in the transactions contemplated by the resolutions and abstained from voting on them, their signatures being provided only to comply with s. 125(3) of the *Company Act*. The consent resolutions authorized the Petitioner to enter into an agreement whereby it would agree to pay a 1% royalty on all coal product produced from the West Brazion, Wolverine and Mt. Spieker properties as consideration for Messrs. James, Fawcett and Gibson having advanced funds to acquire and maintain these properties.

[16] In the spring of 2000, Mr. Austin was able to make arrangements for private placement financing to assist the Petitioner in pursuing the exploration of its properties. Although the evidence is not entirely clear in this regard, it appears that it was a requirement of the private placement that the indebtedness owing to Messrs. Fawcett, James and Gibson be removed from the Petitioner's balance

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sheet. Arrangements were made to have this occur in July 2000 by way of the issuance of shares in the capital of the Petitioner to Messrs. Fawcett, James and Gibson on the basis of a price of \$0.30 per share. This substitution of shares for indebtedness did not include the sum of \$13,000 advanced by Messrs. Fawcett and James in respect of the West Brazion licences, which was not paid until May 2001 when the Petitioner exercised its option to acquire those licences from Messrs. Fawcett and James.

[17] A question regarding the validity of the Royalty Sharing Agreement was raised within the Petitioner in July 2001. No steps to challenge it were taken at that time. In 2003, the Petitioner requested another law firm to consider whether the entering into of the Royalty Sharing Agreement was in compliance with the applicable securities regulatory policies. The law firm wrote a letter expressing the view that the policies of the Canadian Venture Exchange required the Exchange to accept the Royalty Sharing Agreement for filing and that it was likely the Exchange would require the Royalty Sharing Agreement to be approved by the Petitioner's shareholders. Devlin Jensen then requested the Exchange to accept the Royalty Sharing Agreement for filing but, despite an indication from the Exchange that there would not be a problem with approving it, the Petitioner instructed Devlin Jensen to withdraw the request.

[18] The matter lay in abeyance until early 2005 when Mr. Fawcett requested the Petitioner to consent to an assignment of one-half of his share of the royalty under the Royalty Sharing Agreement to a third party. After considering the request in

March 2005, the then directors of the Petitioner decided to instruct counsel to apply to court to have the Royalty Sharing Agreement set aside.

[19] The fortunes of the B.C. coal industry and, the Petitioner's fortunes in particular, have improved dramatically in the past five years. I gather that the Burnt River property, which is not subject to the royalty pursuant to the Royalty Sharing Agreement, is now in production. Construction is underway at the Wolverine Group properties and the Petitioner estimates that it will produce 2.4 million tonnes of coal for the year commencing October 1, 2006. I infer from the affidavit evidence that the price of coal is currently in the range of \$100 per tonne.

[20] The issues that were raised by counsel's submissions on this application are as follows:

- (a) was there a lack of compliance with the provisions of the *Company Act* dealing with transactions in which directors have an interest?
- (b) If there was a lack of compliance, was there an irregularity which the court should correct pursuant to s. 229(1) of the *Business Corporations Act*, S.B.C. 2002, c. 57?
- (c) if there was a lack of compliance which is not rectified, was the Royalty Sharing Agreement unfair or unreasonable to the Petitioner? and
- (d) If the pre-conditions set out in s. 150 of the *Business Corporations Act* have been satisfied, should the court exercise its discretion to set

aside the Royalty Sharing Agreement or grant other relief to the  
Petitioner?

[21] I have made reference to both the *Company Act* and the *Business Corporations Act*. The *Business Corporations Act* came into force on March 29, 2004, replacing the *Company Act*. It is necessary to look to the *Company Act* in order to determine whether there was compliance with the legislation in force at the time the parties entered into the Royalty Sharing Agreement. If there was a lack of compliance, it is necessary to look to the *Business Corporations Act* to determine the consequences, if any, of the non-compliance. The provision of the *Business Corporations Act* dealing with the consequences of non-compliance is similar, but not identical, to the corresponding provision in the *Company Act*.

[22] I will set out the relevant legislative provisions. The first three subsections of s. 120 of the *Company Act* read as follows:

- (1) Every director of a company who, in any way, directly or indirectly, is interested in a proposed contract or transaction with the company must disclose the nature and extent of the director's interest at a meeting of the directors.
- (2) The disclosure required by subsection (1) must be made
  - (a) at the meeting at which a proposed contract or transaction is first considered,
  - (b) if the director was not, at the time of the meeting referred to in paragraph (a), interested in a proposed contract or transaction, at the first meeting after the director becomes interested, or
  - (c) at the first meeting after the relevant facts come to the director's knowledge.

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- (3) For the purpose of this section, a general notice in writing given by a director of a company to the other directors of the company to the effect that the director is a member, director or officer of a specified corporation, or that the director is a partner in, or owner of, a specified firm, and that the director has an interest in a specified corporation or firm, is a sufficient disclosure of interest to comply with this section.

[23] Section 121(1) provided, in part, as follows:

- (1) Every director referred to in section 120 (1) must account to the company for any profit made as a consequence of the company entering into or performing the proposed contract or transaction, unless
  - (a) he or she discloses his or her interest as required by section 120,
  - (b) after his or her disclosure the proposed contract or transaction is approved by the directors, and
  - (c) he or she abstains from voting on the approval of the proposed contract or transaction...

Section 121(1) also provided an exception to the requirement to account for profit if the contract or transaction was approved by a special resolution of the shareholders, but there was no such resolution in this case.

[24] Subsections (1) and (3) of s. 125 provided as follows:

- (1) A resolution of the directors or of any committee of them may not be passed without a meeting, except as permitted by subsection (3).
- (3) Unless the articles provide otherwise, a resolution of the directors ... may be passed without a meeting if all the directors ... consent to the resolution in writing and the consent is filed with the minutes of proceedings of the directors...

[25] The *Business Corporations Act* uses the expression "disclosable interest" and it incorporates the requirements of the predecessor legislation. Section 148 imposes an obligation on directors and senior officers to account to the company for

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any profit resulting from a contract or transaction in which they hold a disclosable interest unless there is compliance with the requirements of the section. Section 150(2) provides as follows:

- (2) Unless a contract or transaction in which a director or senior officer has a disclosable interest has been approved in accordance with section 148 (2), the court may, on an application by the company or by a director, senior officer, shareholder, or beneficial owner of shares of the company, make one or more of the following orders if the court determines that the contract or transaction was not fair and reasonable to the company:
  - (a) enjoin the company from entering into the proposed contract or transaction;
  - (b) order that the director or senior officer is liable to account for any profit that accrues to the director or senior officer under or as a result of the contract or transaction;
  - (c) make any other order that the court considers appropriate.

[26] Subsections (1) and (2) of s. 229 of the *Business Corporations Act* reads in part, as follows:

- (1) In this section, "corporate mistake" means an omission, defect, error or irregularity that has occurred in the conduct of the business or affairs of a company as a result of which  
...
  - (c) proceedings at or in connection with any of the following have been rendered ineffective:
    - (i) a meeting of shareholders;
    - (ii) a meeting of the directors or of a committee of directors;
    - (iii) any assembly purporting to be a meeting referred to in subparagraph (i) or (ii), or

- (d) a consent resolution or records purporting to be a consent resolution have been rendered ineffective.
- (2) Despite any other provision of this Act, the court, either on its own motion or on the application of any interested person, may make an order to correct or cause to be corrected, to negative or to modify or cause to be modified the consequences in law of a corporate mistake or to validate any act, matter or thing rendered or alleged to have been rendered invalid by or as a result of the corporate mistake, and may give ancillary or consequential directions it considers necessary.

[27] In preparing the consent resolutions in question, Devlin Jensen apparently believed that there could be compliance with s. 120 of the *Company Act* by way of a consent resolution signed by the directors having an interest in the contract or transaction only for the purposes of meeting the criteria of a consent resolution as set out in s. 125(3) of the *Company Act*. In my opinion, Devlin Jensen was mistaken in its belief.

[28] Section 120 is clear that the disclosure of a director's interest in a proposed contract or transaction must be made at a meeting of directors unless it is given by a notice in writing under s-s. (3). In the present case, disclosure by Messrs. Fawcett and James was not made at a meeting of directors or by a notice under s-s. (3).

[29] In addition, a resolution of the directors must be passed at a meeting of the directors unless it is a consent resolution under s. 125(3). There can only be a consent resolution if all directors consent to the resolution. If the directors having an interest in the proposed contract or transaction consent to the resolution, they cannot be considered to have abstained from voting. In my view, it is not possible to



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consent to a resolution under s. 125(3) while at the same time purporting to abstain from voting for the purpose of s. 121(1).

[30] There are only two ways for directors to pass a resolution. The first way is for a majority of directors present at a meeting having a quorum to vote in favour of the resolution. The second way is for all of the directors to consent to the resolution. By consenting to the resolution, all of the directors are effectively voting in favour of the resolution and it is not necessary to put the resolution to a vote at a directors meeting. If, however, some of the directors are abstaining from voting, the resolution can only be passed at a meeting of directors. A consent resolution cannot be passed in that circumstance because not all of the directors of the company can signify their approval of the resolution by consenting to it.

[31] I disagree with the submission of counsel for Mr. Gibson that it is possible to have a consent resolution under s. 125(3) in a circumstance where one or more directors may abstain or dissent. Subsection (3) of s. 125 does not merely require that all of the directors consent to the resolution being in writing. All of the directors must also consent to the resolution itself.

[32] I also disagree with the submission of counsel for Mr. Fawcett that it was not necessary to have a meeting of the directors of the Petitioner. It may be that a director may not be required to disclose his or her interest in a proposed contract or transaction at a meeting of directors if a notice has been given under s. 120(3) or if full disclosure was made prior to the approval of the proposed contract or transaction (see *Brian Mountford & Associates Ltd. v. Lucero Resource Corp.*, [1991] B.C.J.

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No. 194 (Q.L.) (S.C.)). However, a meeting is required for the directors to approve the proposed contract or transaction because the directors having an interest in the matter are required to abstain from voting and cannot participate in a consent resolution.

[33] The essence of the submissions made by the Respondents' counsel is that there was substantial compliance with the requirements of sections 120 and 121 of the *Company Act*, or, in other words, there was compliance with the spirit of those provisions. Counsel say that such compliance should be sufficient. While I accept that there was compliance with the spirit of sections 120 and 121, I do not agree that it is sufficient.

[34] As was observed by Madam Justice Ryan in *Rhyolite Resources Inc. v. CanQuest Resource Corporation*, (1990) 50 B.L.R. 275 (B.C.S.C.), the common law provided that a director could not obtain a profit from a transaction with the company in which he or she had an interest unless the shareholders approved of the transaction after being informed of all material facts. Madam Justice Ryan went on to hold that the predecessors to sections 120, 121 and 122 of the *Company Act* superseded the common law. As a result, in my view, a director who sought the protection of sections 120 and 121 had to fully comply with the requirements of those sections. This conclusion is reinforced by the mandatory language of those sections. Section 120 set out a mandatory requirement of disclosure in a particular manner and s. 121 provided that a director must account for any profit unless there had been compliance with one of two specific procedures.

[35] Counsel for Mr. Gibson made the submission that the court should correct any technical non-compliance pursuant to its powers under s. 229 of the *Business Corporations Act*. In my view, those powers are not open to the court in these circumstances. In order for there to be a "corporate mistake" capable of correction, there must in the context of this case be an omission, defect, error or irregularity which results in either: (a) proceedings at a meeting of the directors being rendered ineffective, or (b) a consent resolution or records purporting to be a consent resolution being rendered ineffective. In this case, there was no meeting of the directors and the consent resolution was not rendered ineffective by an omission, defect, error or irregularity. In the latter regard, the consent resolution was not ineffective as a consent resolution but, rather, it simply did not satisfy the requirements of clauses (b) and (c) of s. 121 of the *Company Act*. Section 229 of the *Business Corporations Act* does not give the court the ability to rectify non-compliance with s. 121 of the *Company Act*.

[36] I conclude that there was a lack of compliance with the requirements of sections 120 and 121 of the *Company Act* in respect of the Royalty Sharing Agreement and that the court does not have the ability to rectify the non-compliance. Hence, it is necessary to consider s. 150 of the *Business Corporations Act*.

[37] Under s. 150(2), it is first necessary to determine whether the contract in question was not fair and reasonable to the company. Although this point was not raised by any of the Respondents, a literal interpretation of the wording of s. 150(2) suggests that the threshold is for the court to determine that the contract was both unfair and unreasonable to the company. It is my view, which I assume is shared by

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counsel for the Respondents, that the word "and" in the phrase "fair and reasonable" in s. 150(2) must be construed disjunctively. I say this because the same phrase is used in s. 150(1), which allows the court to order that a director or officer is not liable to account for profit if it determines that the contract or transaction was fair and reasonable to the company. It would not make sense for a court to be able to decline to make an order under s. 150(1) that a director is not liable to account for profit on the basis that it determined the contract or transaction was either unfair or unreasonable to a company, but to be unable to make an order under s. 150(2) that a director is liable to account for profit unless the contract or transaction was determined to be both unfair and unreasonable.

[38] There is similarly no dispute between counsel that the fairness and reasonableness of a contract or transaction must be assessed from both a procedural and substantive perspective: see *UPM-Kymmene Corp. v. UPM-Kymmene Miramichi Inc.* (2002), 27 B.L.R. (3d) 53 (Ont. S.C.J.). There is a dispute between counsel, however, whether in addition to being procedurally fair, the contract or transaction must simply be substantively reasonable or must be both substantively fair and reasonable. In my opinion, this is a matter of semantics without any practical consequence in this case. If the Royalty Sharing Agreement is substantively reasonable, I have difficulty conceiving how it could be found to be substantively unfair.

[39] In my opinion, the entering into of the Royalty Sharing Agreement was procedurally fair to the Petitioner. The Agreement was negotiated with Mr. Austin, the director who had no interest in it. He was in communication with the Petitioner's

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solicitors with respect to the transaction. Mr. Austin was fully aware of the nature and extent of the interests of Messrs. Fawcett and James in the Agreement. Although the oral agreement was reached in a relatively short period of time, this was necessary in order to acquire the expired licences for the Perry Creek and Hermann properties. There was no undue haste in documenting the oral agreement. Messrs. Fawcett and James left it entirely in the hands of the Petitioner's solicitors to prepare the Royalty Sharing Agreement and to take any other appropriate steps.

[40] Counsel for the Petitioner relies on five matters to argue that there was an absence of procedural fairness. The evidence does not support his first and second contentions that there was no arm's length negotiation of the Royalty Sharing Agreement and that the Petitioner did not receive independent advice.

[41] His third and fourth points are that the Respondents chose not to submit the Royalty Sharing Agreement to the shareholders of the Petitioner or to the Canadian Venture Exchange for approval. However, there is no legal requirement for approval by the shareholders or the Exchange, and there is no evidence that Devlin Jensen advised that it would have been necessary or advisable to obtain approval of the shareholders or the Exchange. In addition, the obligation to obtain approval from the Exchange was a condition of the Petitioner's listing agreement with the Exchange, and the obligation to obtain the approval lay with the Petitioner, not the Respondents. Further, the evidence indicates that the Exchange would likely have approved the Agreement without the requirement of obtaining shareholder approval.

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[42] The fifth point made by counsel for the Petitioner is that there was no independent opinion as to the fairness or the value of the Agreement. In the circumstances at the time, where the Petitioner had little in the way of financial resources and an Independent director had negotiated the Agreement, it was not incumbent, in my view, to obtain an independent valuation. In addition, the value of the royalty was so speculative that it was probably incapable of a proper valuation at any reasonable cost. Indeed, I find it interesting that the Petitioner suggests that there should have been an independent valuation at a time when the Petitioner did not have available financial resources while, on this application to set the Agreement aside, the Petitioner, having considerably more financial resources than it did in 2000, has not seen fit to place an independent valuation before the court.

[43] I am also satisfied that the Royalty Sharing Agreement was substantively fair and reasonable to the Petitioner. The substantive fairness and reasonableness of the Royalty Sharing Agreement must be assessed at the time the parties reached their agreement. It is not appropriate to assess the substantive fairness and reasonableness of the Agreement on the basis of subsequent events. The Petitioner has not put any evidence before the court to demonstrate any substantive unfairness or unreasonableness, and relies primarily on events which have occurred since the parties reached their agreement.

[44] Counsel are not in agreement regarding the party bearing the onus of proof under s. 150(2) of the *Business Corporations Act*. I tend to agree with the position of counsel for the Petitioner that the onus lay with the Respondents but I need not decide the point because the Respondents have proved that the Royalty Sharing

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Agreement was substantively fair and reasonable to the Petitioner by providing the opinions of two experts. The first expert is Mr. Wetherup, a geologist and exploration manager in the mining industry. He opined that the arrangement comprised in the Agreement was consistent with Canadian mining industry practice, both from an economic perspective and from the perspective of the structure of the transactions. He also deposed that the amount of royalty under the Agreement is in the low range of royalty payments for similar transactions in the Canadian mining industry.

[45] The second expert is Mr. Gordon, a corporate finance consultant, who held various positions with the Vancouver Stock Exchange and Canadian Venture Exchange. He opined that the transaction would have been considered within the norms of practice in the resource development industry in Canada. He pointed out that, although such royalty arrangements may ultimately prove to be very lucrative to the royalty holders in the relatively rare cases such as the present one where the company is able to develop or produce a mine, they are considered fair by the Exchange because of the contingent nature of the payment obligation and the fact that the transaction enables the shareholders of the company to participate in the value generated by development of the resource.

[46] The Petitioner did not challenge the opinions of Messrs. Wetherup and Gordon by cross-examining them or introducing contrary opinions. Much of the Petitioner's argument on this issue was based on events which took place after the parties reached their agreement. For example, counsel for the Petitioner relies on the fact that most of the monies advanced by the Respondents were repaid by July

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2000 when shares were issued to the Respondents for all but \$13,000 of the advances. Counsel also relies on the fact that the Wolverine properties now appear likely to generate a royalty in the millions of dollars while ignoring the highly speculative nature of the transaction in 2000.

[47] Similarly, counsel for the Petitioner relies on the fact that it now appears that the return on the Respondents' investments will exceed the criminal rate of interest under s. 347 of the *Criminal Code*. The Petitioner has filed an expert opinion of an actuary, Mr. Karp, that a payment of \$432,000 to the Respondents on January 1, 2007, would constitute a return in excess of 60% per annum and points to the fact that it is anticipated that a royalty payment in the range of \$600,000 will become due under the Royalty Sharing Agreement on January 1, 2007. I am not persuaded by this submission for two reasons. First, the Royalty Sharing Agreement itself does not provide for payment of a return in excess of 60% per annum and s. 347 will only become engaged when and if interest in excess of 60% per annum is paid. If that occurs, the Petitioner will then be entitled to pursue a remedy to limit the payments which it is obliged to make under the Agreement. Second, it is not clear from the evidence that the royalty payments will constitute interest within the meaning of s. 347. While it does appear that some of the advances were in the form of loans to the Petitioner, it also appears that some of the advances were made by Messrs. Fawcett and James to initially acquire the licences in their own names.

[48] Counsel for the Petitioner also asserted that the Royalty Sharing Agreement was based on inflated contributions. In this regard, counsel points to the fact that Messrs. Fawcett and James had already been reimbursed for their \$12,000



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contribution to acquire the Burnt River licences and the fact that there was no notation in the Petitioner's financial records of \$5,000 being due to Mr. James for his work in connection with the Wolverine Group properties. Although there was some confusion in the earlier stages of this proceeding resulting from faded memories, I am satisfied that there was no uncertainty with respect to the contributions made by the Respondents at the time the Royalty Sharing Agreement was entered into. It is apparent from the definition of the term "Properties" in the Agreement and the wording of paragraphs 6.1 and 6.2 of the Agreement that it was recognized at the time that Messrs. Fawcett and James had previously been reimbursed for their contribution to the Burnt River licences. The fact that the amount of \$5,000 was not noted in the Petitioner's financial records does not mean that the work was not done or that the Petitioner was misled. The one page document prepared by Mr. Fawcett set out the business terms of the oral agreement (which was signed by Mr. Austin) reflected that \$5,000 was being credited to Mr. James for his work in connection with the Wolverine Group properties.

[49] The last of the submissions made by the Petitioner's counsel on this issue is that the Royalty Sharing Agreement was substantively unfair and unreasonable to the Petitioner because it was more lucrative than the royalty arrangement contained in the Gibson Agreement, which was superceded by the Royalty Sharing Agreement. Counsel relies essentially on the facts that the Gibson Agreement had a buyout provision, and that there was a maximum or a cap on the royalty under the Gibson Agreement in the amount of \$625,000. However, this submission ignores the aspect of the Gibson Agreement entitling Mr. Gibson to convert the loan into a

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20% working interest in the Mt. Spieker property. There is insufficient evidence before the court to enable me to properly compare the Gibson Agreement with the Royalty Sharing Agreement. In addition, while it may be that the Gibson Agreement is more advantageous to the Petitioner than the Royalty Sharing Agreement, it does not necessarily follow that the Royalty Sharing Agreement was substantively unfair or unreasonable to the Petitioner.

[50] As I have not determined that the Royalty Sharing Agreement was not fair and reasonable to the Petitioner, there is no basis for me to make an order under s. 150(2) of the *Business Corporations Act*. I add, however, that if I had concluded that the Royalty Sharing Agreement was unfair or unreasonable to the Petitioner, I would have declined to exercise my discretion under s. 150(2) in favour of the Petitioner for a combination of the following reasons:

1. Although I have concluded that there must have been technical compliance with the provisions of sections 120 and 121 of the *Company Act*, I am satisfied that the only reason there was not technical compliance was the fault of the Petitioner's solicitors and that no fault lay with the Respondents. I have no doubt whatsoever that Mr. Austin had full knowledge of the nature and extent of the interest of Messrs. Fawcett and James in the Royalty Sharing Agreement and that, if Devlin Jensen had given the advice that a meeting of directors was required to properly approve the Royalty Sharing Agreement, such a meeting would have taken place and the approval would have been given by Mr. Austin with Messrs. Fawcett and James disclosing their

interest and abstaining from the vote. If such a meeting had taken place, the Petitioner could not have applied to set aside the Royalty Sharing Agreement under s. 150(2) of the *Business Corporations Act* even if it had been unfair or unreasonable. It would be inequitable, in my view, to allow the Petitioner to benefit from the mistake of its own solicitors.

2. The remedies sought by the Petitioner is to set aside the royalty aspect of the Royalty Sharing Agreement or, in the alternative, to have Messrs. Fawcett and James account for their profit. If I had determined that the Royalty Sharing Agreement was not fair and reasonable to the Petitioner, the order which I would have made in the circumstances of this case is an order that the Royalty Sharing Agreement be set aside to the extent that it was substantively unfair or unreasonable. In other words, I would have permitted the Royalty Sharing Agreement to stand to the extent that it was fair and reasonable. However, the Petitioner chose not to put any evidence before the court as to what type of agreement would have been fair and reasonable in the circumstances.
3. An issue regarding the Royalty Sharing Agreement was identified by the Petitioner in 2001. The Petitioner made the deliberate decision not to take any steps for a period of four years. The explanation provided for the delay was that there was no pressing need to resolve the issue as production from the properties was still some time away and it

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would have resulted in unnecessary litigation expense. While the Respondents were not able to point to any particular prejudice resulting from the delay, there is no doubt that memories have faded and the Respondents may have been able to recall information of assistance to them if there had not been a delay. In particular, it is possible that they may have been able to recall that there was actually a meeting of directors when the consent resolution relating to the Royalty Sharing Agreement was signed. In raising this possibility, I appreciate that not all meetings of persons who are directors of a company constitute directors meetings.

[51] For these reasons, I dismiss the Petition. I make no order as to costs at this time and reserve the matter of costs to a further hearing if counsel so desire.

D. Tysoe, J.

Tysoe J.

This is Exhibit "D" referred to in Affidavit #27 of **William E. Aziz** sworn May 10, 2019 at Toronto, Ontario.

*Waleed Malik*

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Commissioner for Taking Affidavits and  
Notary Public in the Province of Ontario





ACTION NO. S070436  
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

DAVID FAWCETT

PETITIONER

AND:

WESTERN CANADIAN COAL CORP., KEVIN JAMES  
and MARK GIBSON

RESPONDENTS

**RESPONSE OF KEVIN JAMES**  
(Hearing of Petition)

The respondent, Kevin James, supports the granting of the relief set out in paragraph (a) of the petition.

This respondent will rely on s 347 of the *Criminal Code*, Rule 10 of the Rules of Court and the inherent jurisdiction of the Court.

This respondent will rely on the following affidavits and other documents:

- Affidavits #1 and #2 of David Fawcett sworn January 19, 2007 and April 17, 2007;
- Affidavits #1 and #2 of Fausto Taddei sworn March 1, 2007 and June 12, 2007;
- Affidavit #1 of Kevin James sworn May 15, 2008, a copy of which is delivered herewith.

The respondent estimates that the petition will take 2 days to be heard.

Dated: 15 May 2008

  
Solicitor for the respondent, Kevin James

This Response was prepared by Geoffrey B. Gomery of the firm of Nathanson, Schachter & Thompson LLP, Barristers and Solicitors, whose place of business and address for service is Suite 750 – 900 Howe Street, Vancouver, B.C. V6Z 2M4 and whose fax number for delivery is (604) 684-1598.

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