

BC Geological Survey
Coal Assessment Report
1023



COAL ASSESSMENT REPORT TITLE PAGE AND SUMMARY

TITLE OF REPORT: Coal Assessment Report for Licenses 418648, 418649 and 418650

TOTAL COST: \$27,730.00

AUTHOR(S): Dwight M. Kinnes, Dominic Hill

SIGNATURE(S):

NOTICE OF WORK PERMIT NUMBER(S)/DATE(S):

YEAR OF WORK: 2016

PROPERTY NAME: Elko Coal Project

COAL LICENSE(S) AND/OR LEASES ON WHICH PHYSICAL WORK WAS DONE:

MINERAL INVENTORY MINFILE NUMBER(S), IF KNOWN: 082GSE029

MINING DIVISION: Fort Steele

NTS / BCGS: 082G037

LATITUDE: 49° 17' 37" "

LONGITUDE: 114° 48' 0" " (at centre of work)

UTM Zone: EASTING: NORTHING:

OWNER(S): TEXAS AND OKLAHOMA COAL COMPANY (CANADA) LIMITED

MAILING ADDRESS: 330-500 Victoria Street, Prince George BC V2L2J9 Canada

OPERATOR(S) [who paid for the work]: Texas and Oklahoma Coal (USA) LLC

MAILING ADDRESS: 3026 Mockingbird Lane, #312, Dallas, TX, 75205

REPORT KEYWORDS (lithology, age, stratigraphy, structure, alteration, mineralization, size and attitude. **Do not use abbreviations or codes**)

Exploration planning and design, conceptual studies

REFERENCES TO PREVIOUS ASSESSMENT WORK AND ASSESSMENT REPORT NUMBERS:

N/A

SUMMARY OF TYPES OF WORK IN THIS REPORT		EXTENT OF WORK (in metric units)	ON WHICH TENURES
GEOLOGICAL (scale, area)			
	Ground, mapping		
	Photo interpretation		
GEOPHYSICAL (line-kilometres)			
	Ground		
	(Specify types)		
	Airborne		
	(Specify types)		
	Borehole		
	Gamma, Resistivity,		
	Resistivity		
	Caliper		
	Deviation		
	Dip		
	Others (specify)		
DRILLING			
	Core		
	Non-Core		
SAMPLING AND ANALYSES			
	Proximate		
	Ultimate		
	Petrographic		
	Vitrinite reflectance		
	Coking		
	Wash tests		
PROSPECTING (scale/area)			
PREPARATORY/PHYSICAL			
Line/grid (km)			
Trench (number, metres)			
Bulk sample(s)			

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COAL LICENSE(S) IN PROJECT AREA ON WHICH NO PHYSICAL WORK WAS DONE OVER THE CURRENT REPORTING PERIOD:

418648, 418649 and 418650

RATIONALE FOR NO PHYSICAL WORK DURING THE CURRENT REPORTING PERIOD:

The stagnant coal industry in 2015/2016 hindered the company's ability to implement a detailed exploration program on the Elko project area. The company took the time designing and planning a detailed drilling and sampling project for the Elko project area while also completing conceptual studies on the property

WORK PROPOSED OVER THE NEXT YEAR (SPECIFY WHICH TENURE BLOCKS WILL SEE PHYSICAL WORK, IF KNOWN):

Proposed exploration plan includes drill site preparation, continued geological mapping, improved access, baseline environmental studies, exploration drilling and bulk sampling, in 418648, 418649 & 418650

RATIONALE FOR NEXT YEAR'S PROGRAM:

Increase the company's knowledge on the coal seam attributes, coal quality, geological structure, seam structure, stratigraphy, resources and delineation of coal seams throughout the property

The Elko project requires extensive geological exploration and samples to determine if mineable reserves exist in the license areas.

Part of the Section 4 remains confidential under the terms of the Coal Act Regulation, and has been removed from the public version.

http://www.bclaws.ca/civix/document/id/complete/statreg/251_2004

Pacific American Coal Company



Coal Assessment Report for Licenses
418648, 418649 and 418650

CONFIDENTIAL

September 2016

Compiled by
Highland GeoComputing, LLC

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1.0 Introduction, Location and Statement of Costs

Introduction

The Pacific American Coal (PAK) subsidiary Texas Oklahoma Coal Company (Canada), Ltd. (TOCC), and Highland GeoComputing, LLC (HGC) prepared this coal assessment report for the Elko coal project area near Fernie, British Columbia, Canada as required by the British Columbia Coal Act.

In September 2014, The British Columbia Ministry of Energy and Mines granted PAK yearly coal title licenses for three areas that comprise the Elko coal project area. The three active coal licenses for the Elko coal project area are 418648, 418649, and 418650, Table 1.

Table 1 - Coal Licenses

Tenure No.	Owner	Tenure Type	Anniv. Date	Area (ha)
418648	Texas Oklahoma Coal Company (Canada), Ltd. (aka PAK)	Coal License	09/19/2016	1,094 ha.
418649	Texas Oklahoma Coal Company (Canada), Ltd. (aka PAK)	Coal License	09/19/2016	1,128 ha.
418650	Texas Oklahoma Coal Company (Canada), Ltd. (aka PAK)	Coal License	09/19/2016	1,349 ha.

PAK did not perform any fieldwork during the current report period (September 2015 through August 2016). The bulks of PAK's efforts focused on performing a conceptual coal handling and preparation design report and acquiring capital for detailed exploration.

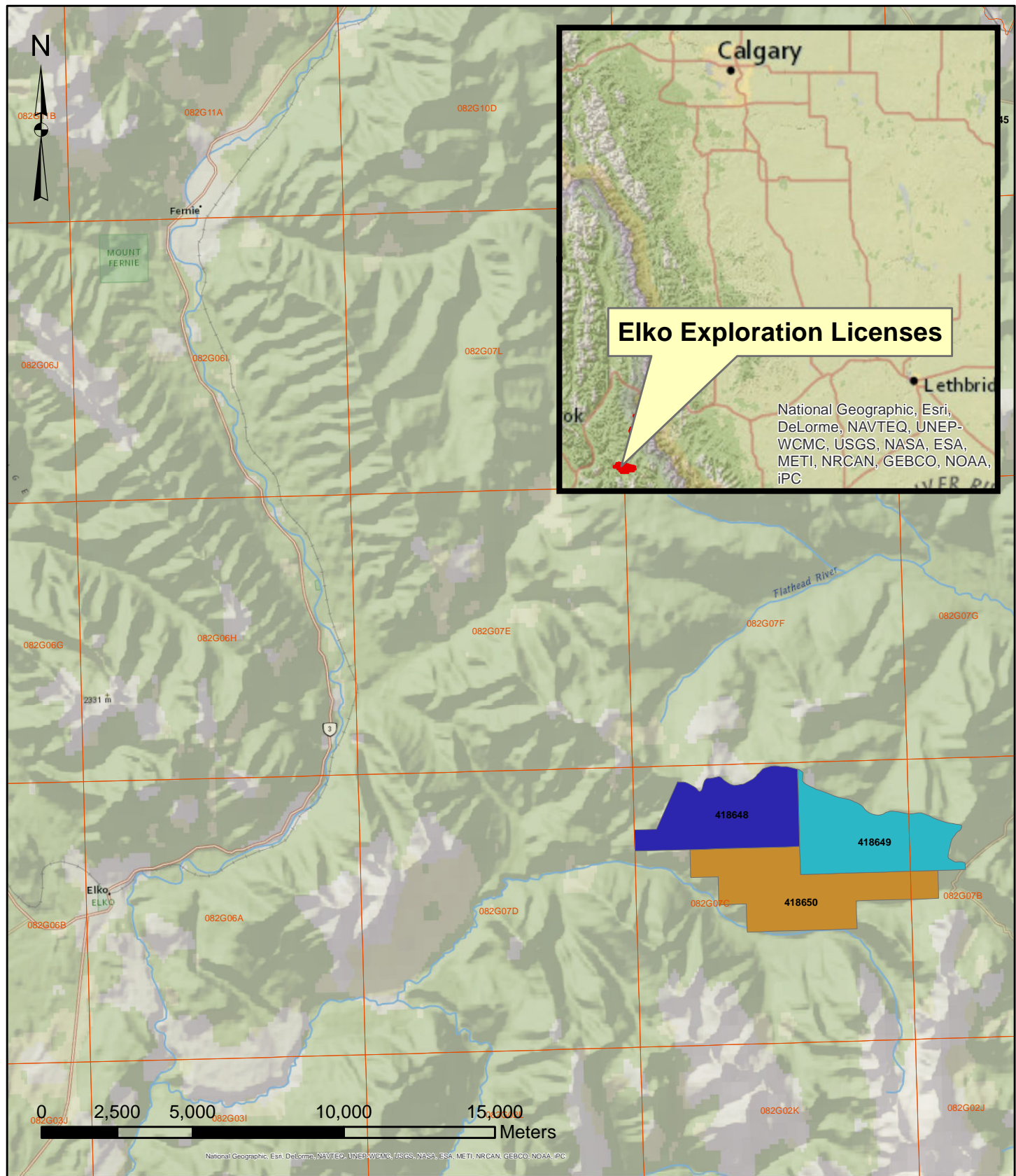
Location

The Elko coal project area is located approximately 26 kilometers east of the town of Elko, British Columbia and approximately 30 kilometers south of the town of Fernie, British Columbia, Figure 1. The Elko coal project area covers portions of four NTS maps: 082G.036, 082G.037, 082G.026, and 082G.027.

The Elko coal project area is quite remote and high in elevation. Access to the project area is restricted to logging roads, ATV trails and pipeline service roads.

Statement of Costs

A detailed statement of costs accompanies this report using the standard spreadsheet document provided by the British Columbia Ministry of Energy and Mines.



Legend

Exploration Licenses

- License 418648
- License 418649
- License 418650
- Coal Grid Map Sheet and Blocks

Elko License Area

Figure 1 Location Map

Elko, British Columbia
September 2016

2.0 Statement of Qualifications

Qualified Person

The information in this document is based on information compiled by Mr. Dwight M. Kinnes, CPG who is President and Principal Consultant of Highland GeoComputing, LLC and is a registered member of the Society of Mining and Engineering (No. 4063295). Mr. Kinnes has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Qualified Person as defined in NI 43-101.

A signed and dated Certificate of Qualified Person resides in the appendix of this report.

3.0 Exploration Program Summary

PAK did not perform any field exploration during the current reporting period. PAK and HGC prepared a phased exploration plan for the Elko project area. The exploration plan consists of exploration drilling, geological mapping, coal sampling, coal analysis and updates to resource estimates. PAK desires to implement the exploration plan during 2017.

PAK and HGC are drafting a Notice of Work for the exploration program for the British Columbia Ministry of Energy and Mines. The Notice of Work will be submitted during Q4 2016.

4.0 General Geology and Exploration History

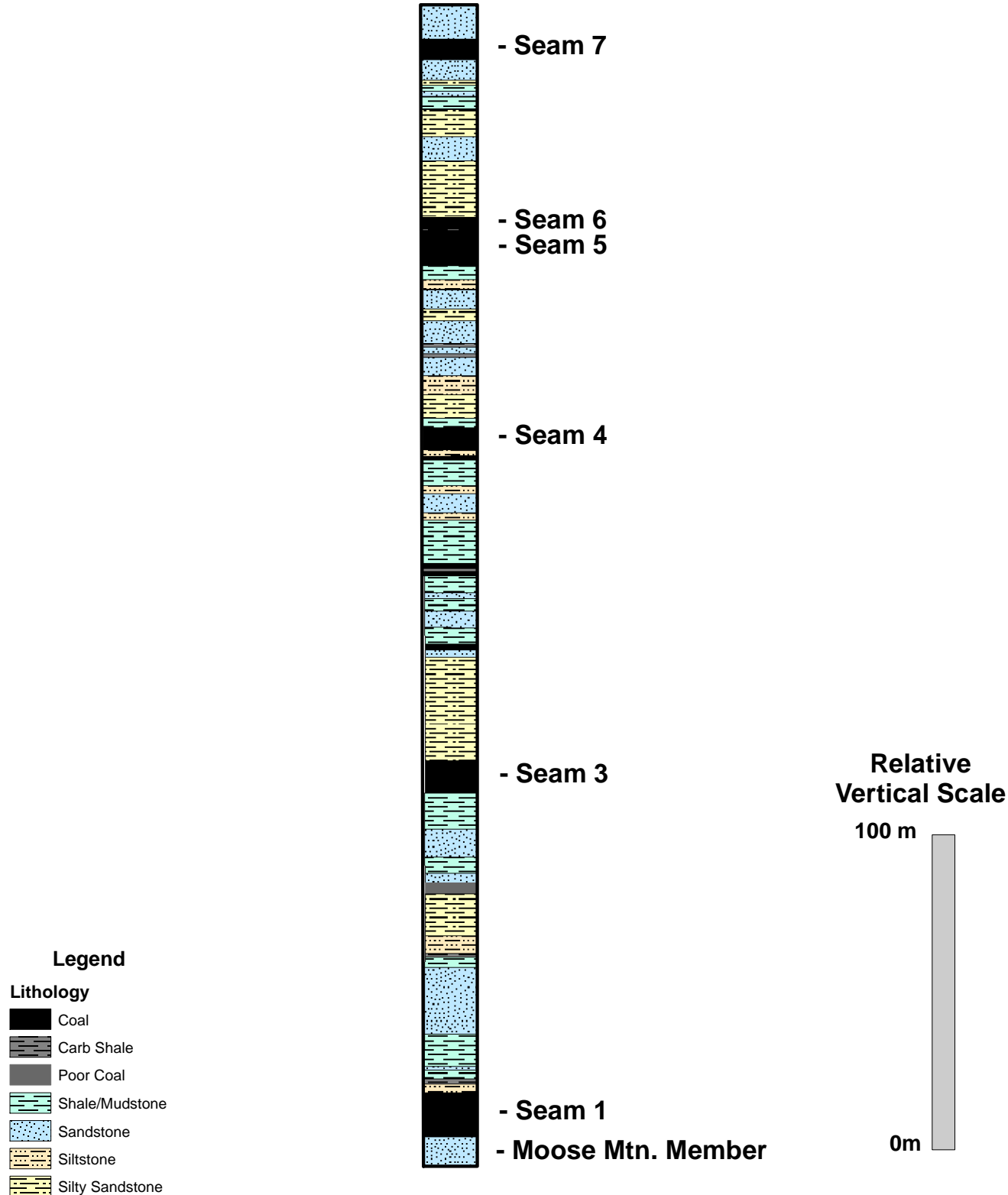
General Geology

The Elko and South Hazell license areas reside within the Crowsnest Coal basin. The Crowsnest Coal basin consists of Jurassic and Cretaceous sedimentary rocks belonging to the Fernie Formation – Jfe (mostly shales), the Kootenay Formation – JKK (interbedded sandstones, shales and coal), and the Blairmore Formation – IKTBC (conglomerates), Map 1. The Elko licenses reside at the southern end of the Crowsnest Coal basin with regional northerly dips ranging from 15 to 40 degrees.

The Fernie Formation is the lowest geological unit in the Elko mine area. The coal title licenses primarily reside in the Lower Cretaceous Kootenay Formation. The Kootenay Formation is divided into three members, the Moose Mountain Member, Mist Mountain Member, and the Elk Member. The Blairmore Group overlies the Kootenay Formation forming a prominent conglomerate cliff along the length of Flathead Ridge.

The Mist Mountain Member of the Kootenay Formation rests on the Moose Mountain sandstone with thickness between 425 to 500 meters. The unit

consists of sandstone, siltstone, mudstone and potentially economic coal seam. Conglomerate lenses up to 1 meter in thickness occur at the top of the member. BC Coal Ltd. identified at least seven coal seams with mineable thickness and quality in the Mist Mountain Member, Figure 2. The Mist Mountain coal seams frequently contain several intra-seam partings of shale and carbonaceous shale.



From J.A. Huryn, B. C Coal, 1981 (Coalfile #304a)

Elko License Area

Figure 2
Illustrative
Stratigraphic Column

Exploration History and Previous Work

BC Coal performed nearly all of the exploration within the Elko project area. According to available reports, Kaiser Resources (which became BC Coal in 1981) acquired coal rights to Flathead Ridge in 1968. In 1973, BC Coal dug 7 adits, or channels in coal outcrops along the western face of Flathead Ridge. In 1980, BC Coal performed additional geological field mapping and drilled one continuous core hole in July 1980. Table 2 lists a brief summary of reports within or near the Elko project area.

Mitsui performed extensive exploration in the area currently known as “Block 82” throughout the 1960s and early 1970s. A large portion of their work occurred on “Ridge 19” and “Ridge 20”. These ridges are very close to the PAK licenses. Therefore, the geological data is useable for modeling and resource classification.

PAK and HGC performed a geological field reconnaissance study in July 2015. This study consisted of ground truthing and geological mapping across the Elko project area. Using geological maps from historical geological studies, PAK and HGC were able to locate and resurvey numerous key data points across the Elko project area, see Table 3.

Because PAK and HGC were able to reestablish locations of exploration adits and drill holes in the Elko project area, HGC determined that these points were suitable valid data points under the JORC code. HGC used the data points to prepare the report entitled “Preliminary Geological Model and Resource Assessment of the Elko License Area”, August 2015.

[REDACTED]

[REDACTED]

Coal Assessment Report for Licenses 418648, 418649 and 418650

Table 2 - Coal File Reports Near Elko Project Area

Year	Coal File Report	Operator	Report Type
1965	289a	Nittetsu Mining Consultants for Mitsui	Preliminary Field Mapping Text- Fernie Ridge (west of PAK Properties)
1965	289b	Nittetsu Mining Consultants for Mitsui	Preliminary Field Mapping Maps - Fernie Ridge (west of PAK Properties)
1967	290a	Nittetsu Mining Consultants for Mitsui	Second Field Mapping Report Drilling and Adits - Text - Fernie Ridge (west of PAK Properties)
1967	290c	Nittetsu Mining Consultants for Mitsui	Second Field Mapping Report Drilling and Adits - Maps - Fernie Ridge (west of PAK Properties)
1967	290 Figure 19	Nittetsu Mining Consultants for Mitsui	Second Field Mapping Report Drilling and Adits - Figure - Fernie Ridge (west of PAK Properties)
1967	291	Fernie Coal Mining Co.	North end of Block 82 - Michel Ridge
1968	292	Nittetsu Mining Consultants for Mitsui	Detail Summary of Adits and Drill Holes Text, CQ - Block 82
1968	292 Appendix	Nittetsu Mining Consultants for Mitsui	Detail Summary of Adits and Drill Holes Maps, XS, Logs - Block 82
1968	293	Nittetsu Mining Consultants for Mitsui	Preliminary U/G Feasibility Study - Block 82
1970	294	Mitsui Mining Co.	Drawings Attached to Fernie Coal Mine Survey Report - Block 82
1961	295	Columbia Iron Mining Co.	Progress Report - Morrissey Ridge
1961	296a	Cropco	Morrissey Ridge - Text
1961	296b	Cropco	Morrissey Ridge - Maps and Cross Sections
1972	298	Kaiser Resources	Morrissey Ridge - Maps Only - No Text
1975	299	Kaiser Resources	Morrissey Ridge - Resource Calculation Sheets Only - No Text
1970	300	Mitsui Mining Co.	Interim Field Report "Flathead Ridge P.C.I. Project" - Block 82
1973	301a	Kaiser Resources	Resource Calculation Sheets Only - No Text - Flathead Ridge and McLatchie
1973	301c	Kaiser Resources	Maps, Cross Sections, Adit Drawings - No Text - Flathead Ridge and McLatchie
1980	302	Kaiser Resources/BC Coal	Exploration Report - Flathead Ridge - North of Tembec License
1981	303	Kaiser Resources/BC Coal	Exploration Report - Flathead Ridge - South of Tembec License
1981	304a	BC Coal	Progress Report - Flathead Ridge - Drill Hole FH1 Logs
1981	304b	BC Coal	Progress Report - Flathead Ridge - Drill Hole FH1 - Quality Data
1978	426	Shell Canada/Crows Nest Resources	Geological Report on the Lodgepole Project (text and logs)
1980	427	Shell Canada/Crows Nest Resources	Report on Coal Licenses 490 to 495 Incl. and 4729 to 4735 Incl. (Lodgepole)
1980	428	Shell Canada/Crows Nest Resources	Coal Quality Analysis/Geologists Logs/Geophysical Logs (Lodgepole)
1981	429	Shell Canada/Crows Nest Resources	Report on Coal Licenses 490 to 495 Incl. and 4729 to 4735 Incl. (Lodgepole)
2000	865	Fording Coal, Ltd.	Lodgepole Project 1997 Field Season Report (text and logs)
2006	890	Cline Mining Corp.	Technical Report – Resources and Reserves of the Lodgepole Coal Property

Table 3 - GPS Locations of Key Data Points from 2015 Study

Description	Pnt_ID	Easting	Northing
Drill Hole FH1	FH1	658,419.01	5,465,379.91
Drill Hole JB-5	JB5	655,658.37	5,467,695.89
Adit F-1	C16	656,161.51	5,465,275.83
Adit F-2	C14	656,309.44	5,465,400.41
Adit F-3	C18	656,025.78	5,465,670.46
Adit F-4	C12	655,917.86	5,465,729.58
Adit F-5	C11	655,821.58	5,466,000.97
Adit F-6	C18	656,025.78	5,465,670.46
Lodgepole Adit #1	LP Adit	664,711.42	5,464,764.67
Lodgepole Adit #2	LP Adit2	664,665.73	5,465,034.22
Lodgepole Drill Hole #101	Lp101	663,734.66	5,464,855.61
Lodgepole Drill Hole #401	Lp401	664,654.34	5,464,800.57
Lodgepole Drill Hole #102	Lp102	664,352.82	5,465,291.52
Lodgepole Drill Hole #402	Lp402	664,609.92	5,465,039.66

5.0 Geophysical Surveys

No geophysical surveys were performed during the 2015/2016 reporting period.

6.0 Geochemical Surveys

No geochemical surveys were performed or geochemical samples were collected during the 2015/2016 reporting period.

7.0 Drilling Exploration

No exploration drilling was performed during the 2015/2016 reporting period. PAK is developing exploration plans for 2017 and is in the process of drafting a Notice of Work.

8.0 Prospecting Surveys

No prospecting surveys were performed during the 2015/2016 reporting period.

9.0 Physical Work

No excavations, roads or trenches were cut or cleared during the 2015/2016 reporting period.

10.0 Geological Modeling

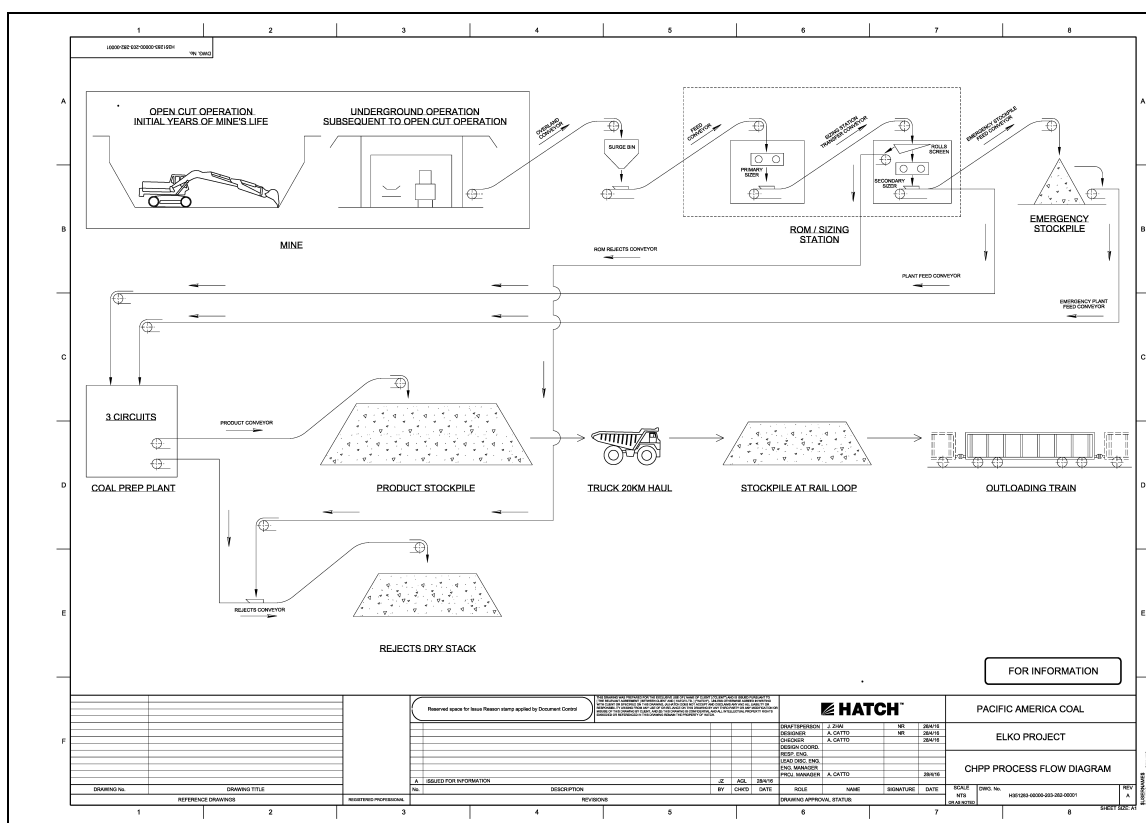
No updates to geological resource models were performed during the 2015/2016 reporting period.

11.0 Preliminary Resource Estimate

No updates to resource estimates were performed during the 2015/2016 reporting period.

12.0 Conceptual Planning

PAK retained the services of Hatch to prepare a high-level, conceptual material handling and coal preparation design for the Elko project area. The conceptual plans were developed to minimize site impacts on natural features and watercourses. The conceptual design contains an area of surface mining which would then be converted to surface facilities for underground mining. Hatch developed a flow chart based on a 1 – 2 MTPY production, see Figure 3. Hatch also developed a series of conceptual materials handling and preparation plant images located the Appendix below.

Figure 3 - Conceptual Coal Handling and Preparation Plant

13.0 Conclusions and Recommendations

The stagnant coal industry in 2015/2016 hindered the ability for procure funding for detailed exploration of the Elko project area. In late summer, 2016 global coal markets showed indications of higher coal prices. Therefore, PAK and HGC are currently designing and planning a detailed drilling and sampling project for the Elko project area. PAK and HGC will be filing a Notice of Work for the Phase 1 Elko drilling and exploration in October or November 2016.

The proposed 2017 Elko exploration program consists of the following primary components:

- Improving access to the proposed exploration staging area

- Drill site preparation
- Drilling up to 15 holes across the Elko license areas
 - The exploration holes will be a mix of core, rotary and reverse circulation (RC)
- Continued geological mapping
- Begin baseline environmental data collection
- Drill site reclamation

PAK will be improving access to the Elko Licenses in order to get exploration equipment to the exploration sites. Table 4 shows an estimated

Table 4 - Estimated Road Improvement Distances

Road Name	Length (m)
Flathead Top Access Trail	3,889
Flathead Top 2 Access Trail	3,024
North Lodgepole Lower	2,147
Pipeline Service Rd	5,191
Shofly Rd	3,789
Total	18,040

The Elko exploration program will focus on the western Elko license area. Table 5 shows the locations and estimated depths of proposed drill holes across the Elko license areas. PAK is also planning exploration the central and east license areas to determine if any mineable coal exists in these areas.

Table 5 - Proposed Elko Exploration Drill Holes

Resource Area	DHID	Easting	Northing	Hole Type	Collar Elevation	Rotary Hole Depth	Estimated Coal Thk	Core Hole Depth	Estimated Core Thk	Total Drilled Depth
Elko West	EW-17-01	655,930.20	5,466,170.71	Spot Core	2,007.32	549.03	36.59	176.00	4.94	725.03
Elko West	EW-17-02	657,055.78	5,466,242.10	Rotary/RC	2,085.25	779.65	32.12	n/a	0.00	779.65
Elko West	EW-17-03	656,902.62	5,465,597.94	Rotary/RC	2,177.75	685.73	32.08	n/a	0.00	685.73
Elko West	EW-17-04	657,693.17	5,465,611.46	Rotary/RC	2,034.01	636.77	29.38	n/a	0.00	636.77
Elko West	EW-17-05	658,366.61	5,465,032.62	Spot Core	1,964.01	480.74	29.45	180.00	9.00	660.74
Elko West	EW-17-06	658,033.27	5,464,692.52	Spot Core	2,008.44	438.32	30.83	176.00	11.87	614.32
Elko West	EW-17-07	658,990.49	5,464,485.31	Spot Core	1,934.26	520.63	31.12	200.00	4.40	720.63
Elko West	EW-17-08	658,315.12	5,466,149.33	Rotary	1,998.90	923.90	30.03	n/a	0.00	923.90
Total Elko West						5,014.79	251.59	732.00	30.21	5,746.79
Elko Central	EC-17-01	659,026.53	5,463,998.82	Rotary/RC	2,000.39	449.02	19.91	n/a	0.00	449.02
Elko Central	EC-17-02	658,362.10	5,463,636.20	Spot Core	2,046.11	393.98	27.51	218.00	7.66	611.98
Elko Central	EC-17-03	659,370.01	5,462,410.46	Spot Core	1,871.24	187.17	20.80	184.00	20.80	371.17
Elko Central	EC-17-04	659,447.71	5,463,415.47	Rotary	2,006.76	668.03	32.27	n/a	0.00	668.03
Total Elko Central						1,698.21	100.48	402.00	28.45	2,100.21
Elko East	EE-17-01	660,763.05	5,463,573.13	Spot Core	2,013.15	599.70	31.60	194.00	4.40	793.70
Elko East	EE-17-02	662,217.03	5,464,353.13	Spot Core	1,583.21	312.73	27.66	184.00	12.35	496.73
Elko East	EE-17-03	661,357.83	5,464,457.31	Rotary	1,847.14	702.51	31.78	n/a	0.00	702.51
Total Elko East						1,614.94	91.04	378.00	16.75	1,992.94
Toal All Areas						8,327.94	443.11	1,512.00	75.41	9,839.94

14.0 Documentation

"The JORC Code, 2012 Edition", The Australasian Institute of Mining and Metallurgy, Australian Institute of Geosciences and Minerals Council of Australia, December 2012.

"A Standardized Coal Resource/Reserve Reporting System for Canada", Paper 88-21, Geological Survey of Canada, 1989.

"Section 5 - NI 43-101 Standards of Disclosure for Mineral Projects, Form 43-101F1 Technical Report and Related Consequential Amendments", OSC Bulletin Volume 34, Issue 25, The Ontario Securities Commission, June 24, 2011.

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"Report on the Survey of Fernie Coal Mine, B.C., Canada", Nittetsu Mining Co. Ltd., March, 1966. (B.C. Coalfile #289).

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"Survey Report on Fernie Coal Mine, B.C., Canada", Nittetsu Mining Co. Ltd., May, 1968. (B.C. Coalfile #292).

"The Interim Report on the Field Investigation Executed in The Flathead Ridge P.C.I. Property, B.C. Canada", Mitsui Mining Co, Ltd., 1970. (B.C. Coalfile #300).

"Flathead – McLatchie Reserve Estimate Charts", Kaiser Resources Ltd., 1973. (B.C. Coalfile #301a).

"Flathead – McLatchie Maps and Cross Sections", Kaiser Resources Ltd., 1973. (B.C. Coalfile #301c).

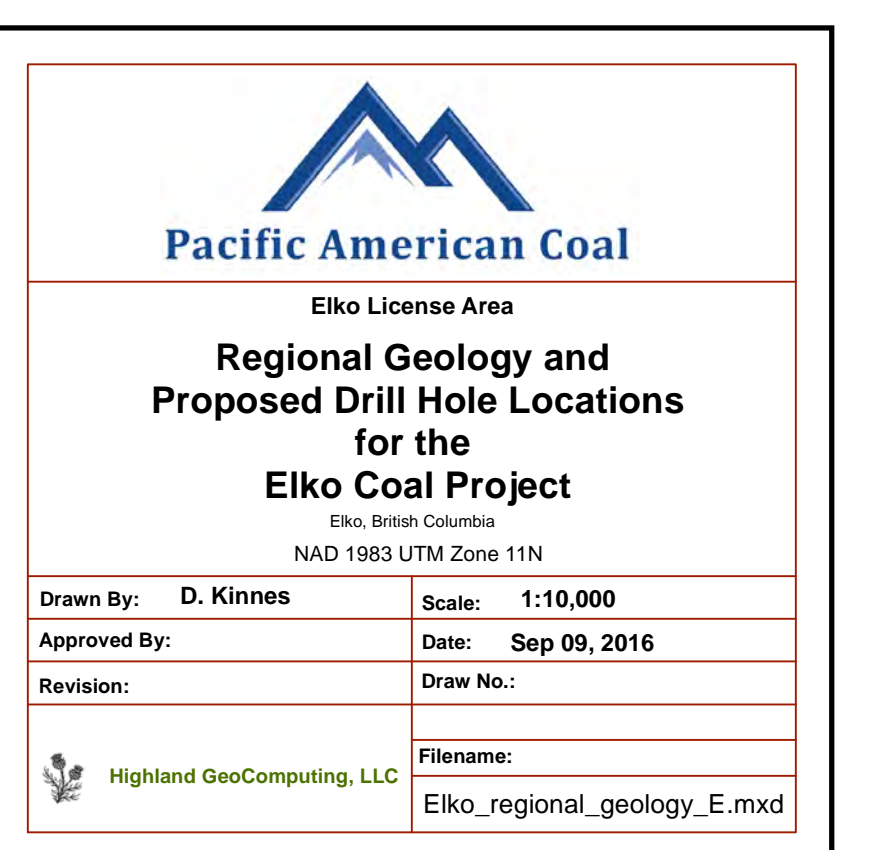
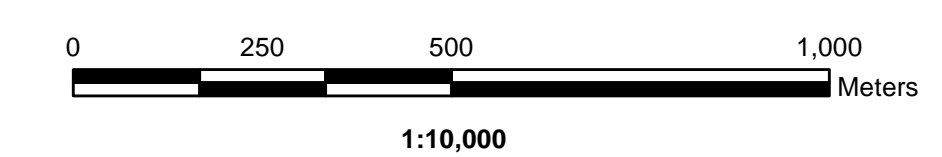
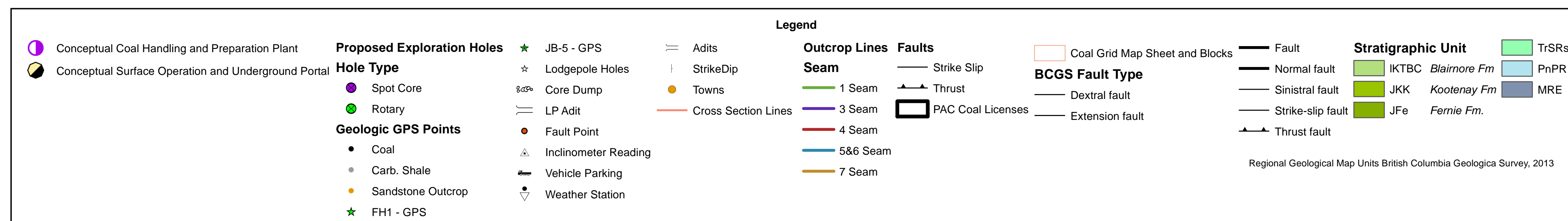
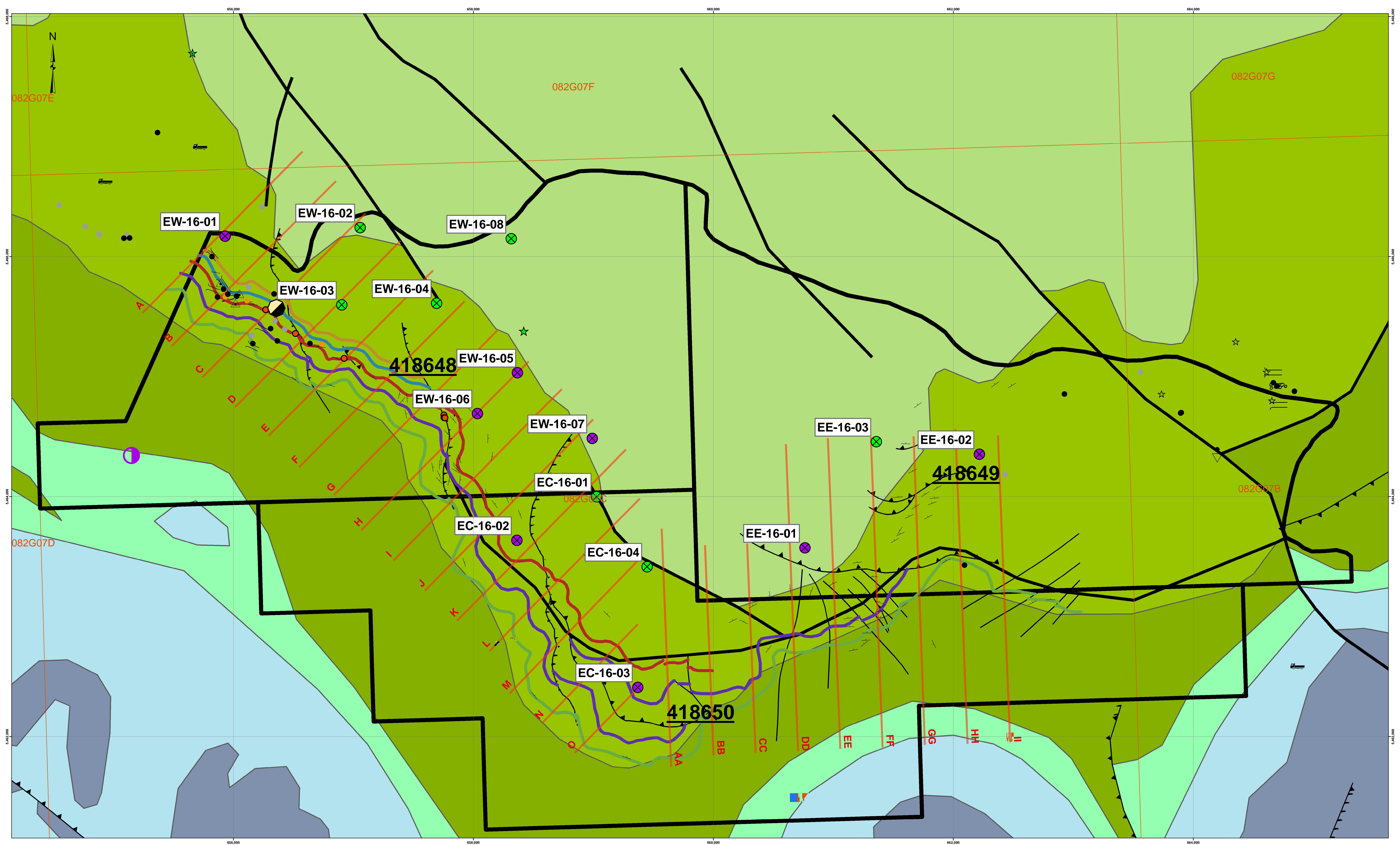
"Exploration Report Coal Licences 500-506", Kaiser Resources Ltd., July 1980. (B.C. Coalfile #302).

"Flathead Ridge Coal Licences (4188 – 4189) Progress Report", B.C. Coal Ltd., April 1981. (B.C. Coalfile #303).

"Flathead Ridge Coal Licences (500 – 506) Progress Report", B.C. Coal Ltd., May 1981. (B.C. Coalfile #304a).

Quality Data from Drill Hole FH-1, B.C. Coal Ltd. May 1981. (B.C. Coalfile #304b).

"Preliminary Geological Model and Resource Estimate for the Elko License Area", Highland GeoComputing, LLC. August 2015.



Appendix

CERTIFICATE OF QUALIFIED PERSON

Dwight M. Kinnes, CPG, SME-RM 4063295

I, Dwight Kinnes, do hereby certify that:

1. I am President and Principal Consultant of:
Highland GeoComputing, LLC
7117 S Adams Cir.
Centennial, CO 80122
2. I graduated with a Bachelor of Science degree in geology from Colorado State University in 1986. I have been a coal resource geologist for 30 years. My relevant experience includes building geological reserve models in British Columbia and Alberta Canada for coal and oil sands, building geological reserve models in every producing coal basin in the United States, building geological reserve models in select coal basins in Australia, Indonesia, Venezuela, Germany, and Thailand. I have performed exploration drilling projects in Wyoming, Montana, Texas and Thailand. I have been president and principal consultant for Highland GeoComputing, LLC since 2004.
3. I am a Registered Member of the Society of Mining, Metallurgy and Exploration (SME) No. 4063295. I am a certified profession geologist with the American Institute of Professional Geologists (AIPG) No. 10244. I am a licensed professional geologist in the state of Wyoming PG-2653.
4. I have read the definition of "qualified person" set out in National Instrument 43-101 (NI 43-101) as certify that by reason of my education, affiliation with a professional organization (as defined by NI 43-101) and past relevant work experience, I fulfill the requirements



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to be a "qualified person" for the purposes of NI 43-101.

5. I am responsible for the preparation of "Coal Assessment Report for Licenses 418648, 418649 and 418650" report, dated September 3, 2016. I visited the Elko Coal Project on July 22, 2015 through July 28, 2015.
6. I consent to the filing of this report with any stock exchange and other regulatory authority and any publication by them for regulatory purposes, including electronic publication in the public company files on their websites accessible by the public, of the report.
7. As of September 3, 2016 to the best of my knowledge, information and belief that the scientific and technical information in this report is not misleading.

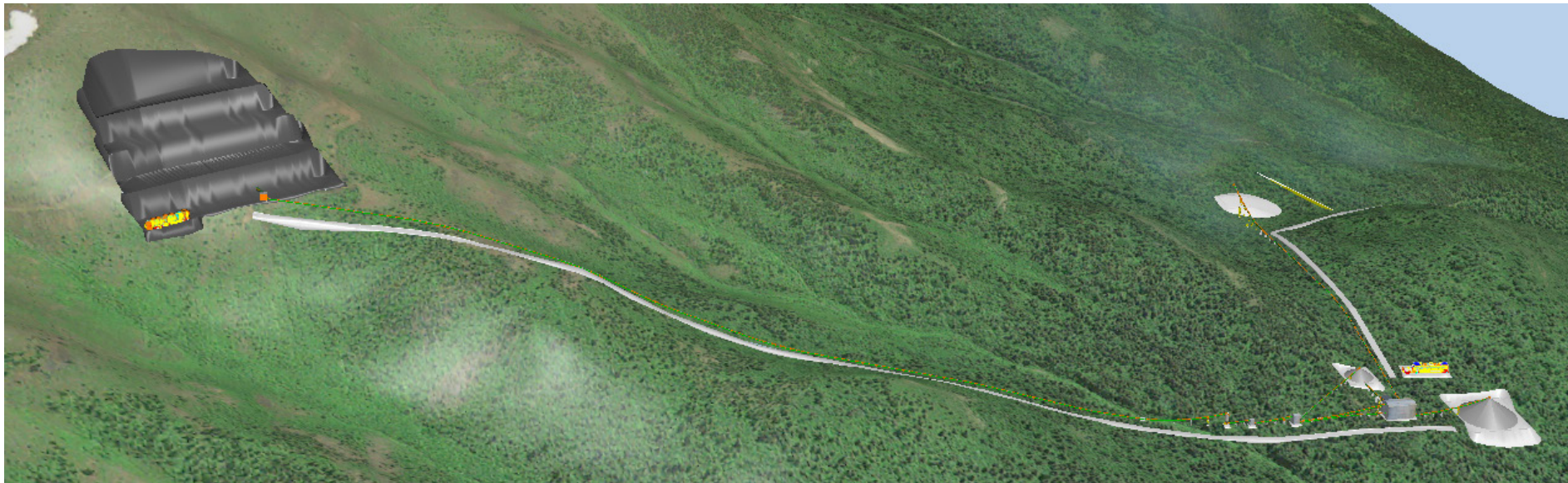
Dated this 3rd day of September 2016.



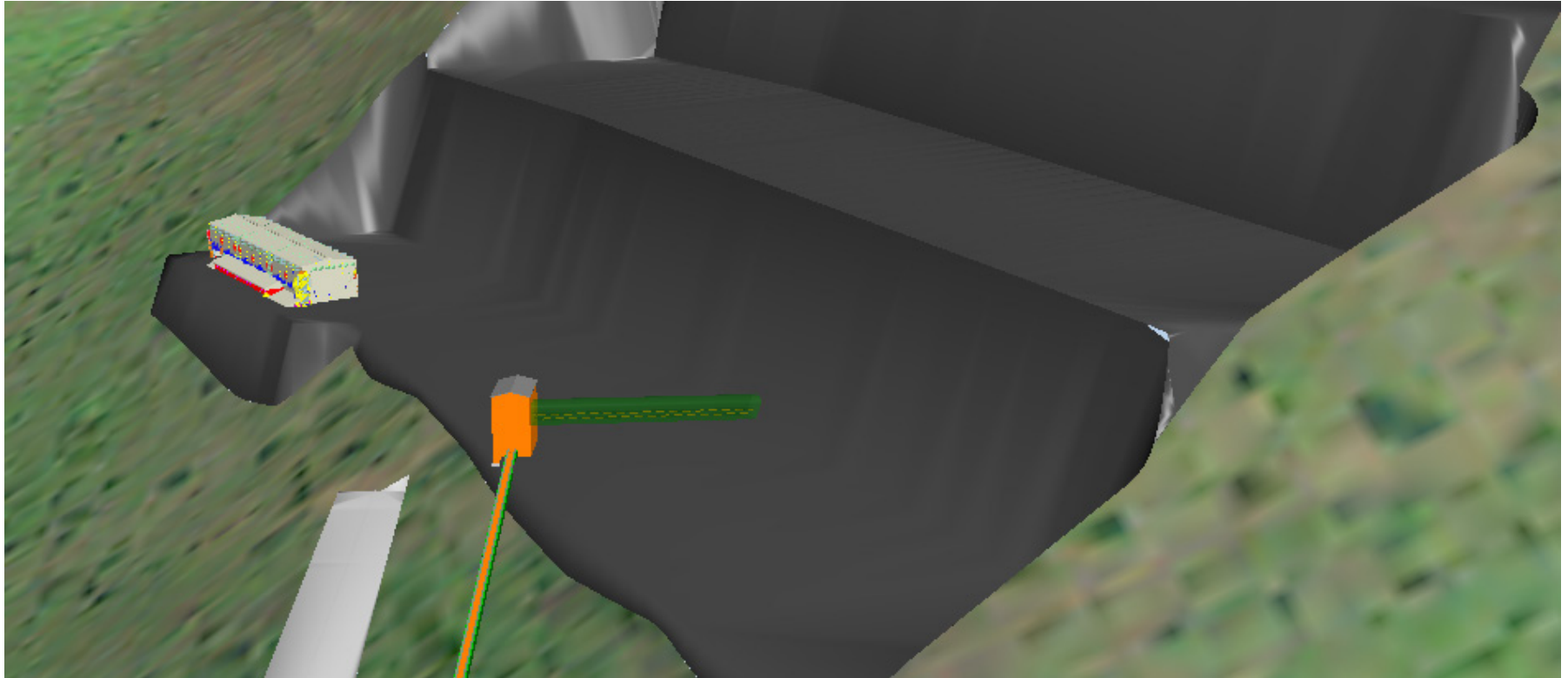
Dwight M. Kinnes, CPG, SME-RM 4063295



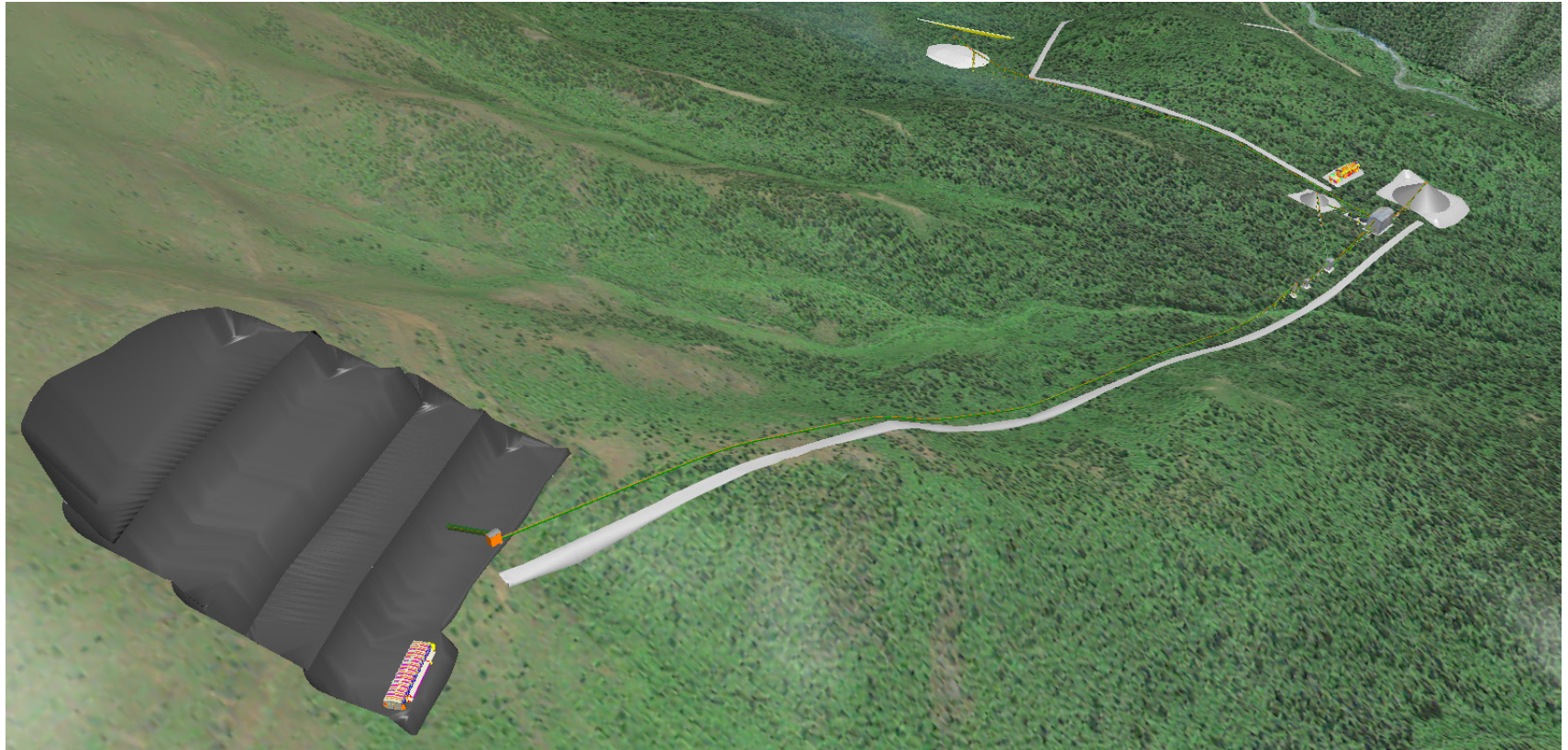
Elko Project Overview – Conceptual View



Mining – Conceptual View



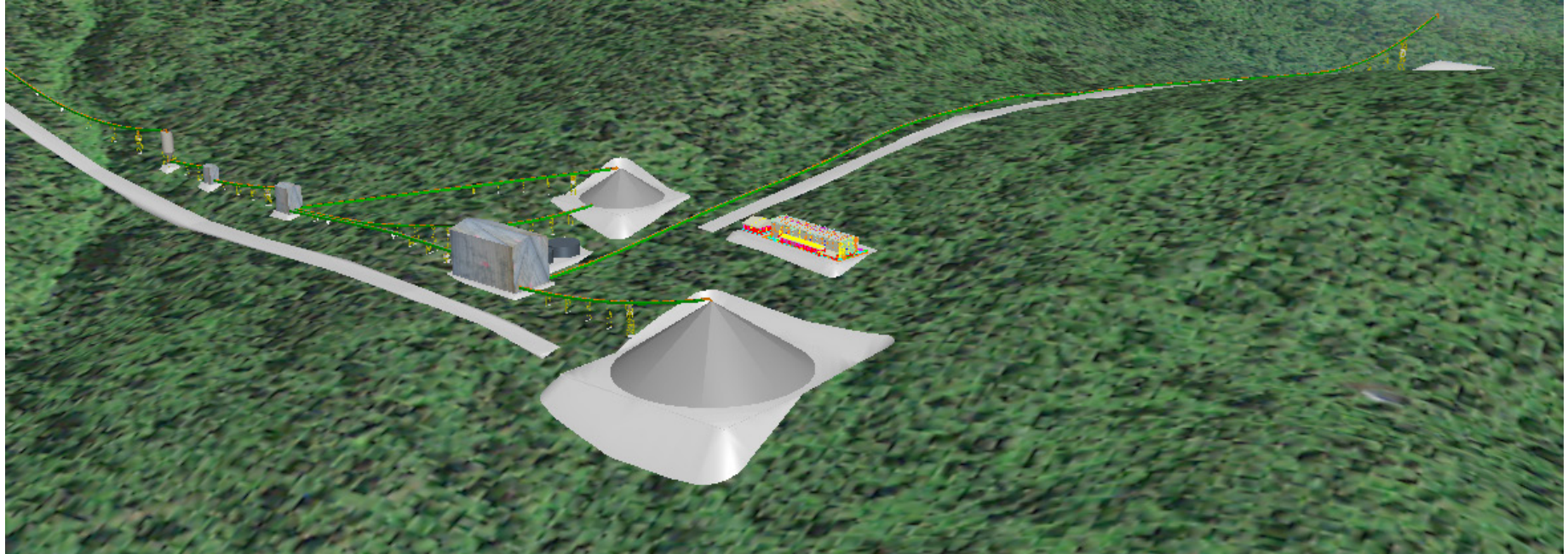
Mining – Conceptual View



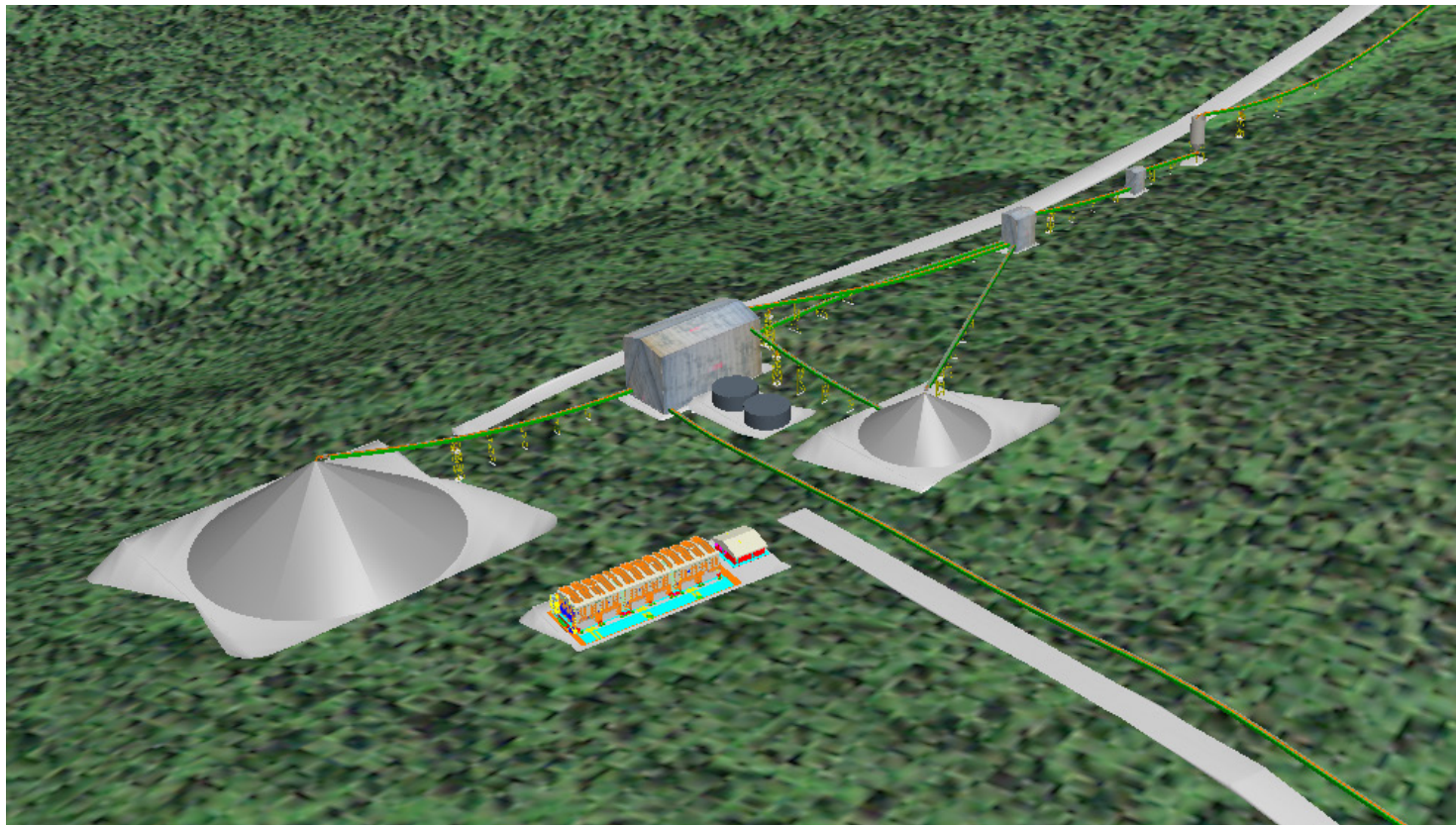
Coal Handling Preparation Plant Area – Conceptual View



Coal Handling Preparation Plant Area – Conceptual View



Coal Handling Preparation Plant Area – Conceptual View



Coal Handling Preparation Plant Area – Conceptual View



Rejects Dry Stack Stockpile – Conceptual View

