



# COMPLIANCE COAL CORPORATION

## Basin Coal Project Test Mining Program

with the overlying  
Roy Group Mineral Claims

L. Belik Mine Manager & E.W. Beresford P. Eng. Mining Consultant

BC Geological Survey  
Coal Assessment Report  
1029

GEOLOGICAL SURVEY BRANCH  
ASSESSMENT REPORT

Septem

26,953



August 1, 2002

Statement of Technical and Physical Work carried out on the  
Roy Group mineral claims. August 9, 2001 to August 8, 2002

Technical Test Mining Program - Exploration

1. Excavating and processing in test mine area for coal and bentonite as a secondary product - Basin Coal Project. Selective mining of coal, waste and bentonite product site work August 7 - 30, 2001 and report compilation September 2001.

TOTAL EXPENDITURE	<u>\$ 99,747.00</u>
(Detailed in enclosed report)	
Report preparation	<u>\$ 5,000.00</u>

Allow 20% of Expenditure attributed to the mineral claims,  
evaluation of bentonite. \$ 21,000.00

May 1, 2002. Physical Work

2. Travel to Roy claims Princeton, with Western Industrial Clay Ltd., Field Supervisor, E.W. Beresford and L. Belik, Mine Manager, May 1, 2002. Spot sampled bentonite from in-seam trenches and stockpiles for marketing and analysis.

E.W. Beresford, P.Eng. @ \$500.00 per day	\$ 500.00
L. Belik, Mine Manager @\$400.00 per day	400.00
Travel to site 385 km @ 42cents/km	162.00
Rental of Quad ATV to get to site (1 day)	600.00
Meals	<u>80.00</u>
	<u>\$1,742.00</u>

3. June 24/25, 2002 - Technical Work

Identify bentonite in cores, measure and take detail analysis of 9 drill holes in core storage building. Draw sections (enclosed), record bentonite partings.

E.W. Beresford	\$ 500.00
M.G. Harrison	500.00
L. Belik	400.00
Travel to Princeton/return Kamloops	162.00
Meals, miscellaneous expense, printing	200.00
Office time, drawing out sections (2 days)	
E.W. Beresford	<u>1,000.00</u>
	<u>\$ 2,762.00</u>

.../2

Total Expenditure for Technical and Physical Work on the Roy Claims carried out  
between August 9, 2001 and August 8, 2002

TOTAL \$25,504.00

I declare the above work and cost statements to be a true record of work carried out on the  
Roy Group in 2001/2002.

E. W. Beresford, P.Eng.  
FMC # 142962

E.W. Beresford.

August 2, 2002

**COMPLIANCE COAL CORPORATION  
BASIN COAL PROJECT  
TEST MINING PROGRAM**

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**COMPLIANCE COAL CORPORATION - BASIN COAL PROJECT  
TEST MINING PROGRAM**

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**1.0 INTRODUCTION**

On August 7- 30, 2001, Compliance Coal Corporation ("Compliance") commenced a program to test mine a portion of the Basin Coal Deposit located near Coalmont, southwestern British Columbia. This mining program was conducted to complete the following objectives:

1. Evaluate the rippability of waste rock.
2. To test selective mining of several coal seams within the resource and remove the rock partings.
3. Simulate proposed mining methods.
4. Assess equipment selection.
5. Confirm the coal seam continuity.
6. Establish procedures for sampling and analysis of the coal.
7. Collect a bulk sample of coal for customer testing.
8. Determine a reasonable indication of operating costs.
9. Test the integrity of a constructed plant site pad.
10. Develop a relationship with local contractors, vendors and suppliers.
11. Produce a marketable raw coal product.
12. Selectively mine bentonite from the coal seam.

**2.0 TEST PLAN**

During the second quarter of 2001, Compliance reached an agreement with Pacific West Coal Ltd. ("PWC") to explore, develop and mine coal from their licences. As part of Compliance's plan to develop the project, a test program was implemented to address several criteria for the design of a full-scale mining plan. The information collected during test mining was needed for the feasibility study on the project.

The plan was designed to achieve all of the above objectives by mining and collecting an estimated 10,000 tonnes of selectively mined raw coal. Equipment used to collect this material was chosen too simulate the proposed actual equipment for full-scale production.

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**3.0 TEST SCHEDULE**

The proposed schedule for the test program is presented in Table 1. This schedule involved site work starting in late July and being completed at the end of August. The actual start date at the site was August 7.

The actual schedule is presented in Table 2. A total of 20 days were required to fully complete the test program.

Weather throughout the program was very favourable and no adverse surprises were encountered. All equipment needed for the project was leased from local contractors, which involved low mobilization costs. The D8 dozer available was equipped with a rock blade rather than a U-blade, which would have reduced the mining time.







**Table 3 - Typical Coal Section**

**Coal Summary-BH No. RS 98-4**

**Bulk Sample Weighted Average**

Dip: 30 deg.

From	To	Thickness		M	A	VM	FC	S %	Cl	GCV Btu/lb.		
		meters	feet									
85.45	85.95	0.50	1.64	12.80	38.50	20.50	28.20	0.33	0.05	6.564	3,282	
68.00	68.25	0.25	0.82	6.70	47.50	19.30	26.30	0.37	0.06	6.170	1,543	
68.38	70.48	2.10	6.89	8.80	25.60	26.30	39.20	0.09	0.10	8.714	18,299	
	70.56	0.08	0.26	8.80	76.00	-	-	-	-	-	-	
	70.92	0.36	1.18	9.40	23.00	27.20	40.30	0.45	0.12	9.027	3,250	
		2.54	8.33	8.89	26.82	25.60	36.12	0.14	0.10	8.483,91	21,549,12	
70.92	71.59	0.30	0.98	Bentonite		51.70	14.80	20.30	0.25	0.06	4,046	1,214
71.94	72.09	0.15	0.49	11.00	14.90	28.20	46.00	0.47	0.09	9.828	1,474	
72.09	72.17	0.08	0.26	9.00	76.00	-	-	-	0	-	-	
72.17	73.09	0.92	3.02	9.40	11.00	32.90	46.70	0.46	0.06	10.825	9,959	
73.09	73.17	0.08	0.26	9.00	76.00	-	-	-	-	-	-	
73.17	74.32	1.15	3.77	9.30	19.90	28.90	41.90	0.41	0.06	9.507	10,933	
		2.38	7.81	9.43	19.92	28.46	41.20	0.41	0.06	9.397,58	22,366,25	
74.32	74.77											
74.77	75.87	1.10	3.61	9.30	16.00	29.90	44.70	0.44	0.06	10,047	11,052	
75.87	76.17	0.30	0.98	9.00	76.00	-	-	-	-	-	-	
76.17	76.32	0.15	0.49	10.20	26.30	27.20	36.30	0.39	0.04	8,314	1,247	
76.32	76.42	0.10	0.33	9.00	76.00	-	-	-	-	-	-	
76.42	77.72	1.30	4.27	9.10	7.70	33.20	50.00	0.44	0.06	11,245	14,619	
77.72	77.82	0.10	0.33	9.00	76.00	-	-	-	-	-	-	
77.82	78.17	0.35	1.15	10.80	24.80	27.20	37.20	1.60	0.04	8,670	3,035	
		3.40	11.15	9.37	23.01	26.37	39.01	0.49	0.05	8,609,35	29,951,80	
79.00	79.65	0.65	2.13	10.60	15.10	29.30	45.00	0.50	0.05	9,913	6,443	
		0.30	0.98	12.30	21.00	27.00	39.60	0.60	0.04	8,808	2,642	
		0.50	1.64	9.40	16.90	30.50	43.30	0.45	0.03	9,888	4,944	
		0.23	0.75	7.90	44.90	18.20	29.00	0.26	0.05	6,114	1,406	
		0.90	2.95	10.60	18.30	28.40	42.60	0.12	0.04	9,536	8,582	
		0.30	0.98	10.50	8.70	31.60	49.20	0.42	0.03	10,906	3,272	
		0.15	0.49	7.60	37.60	30.30	24.50	0.08	0.05	5,877	882	
		0.15	0.49	7.90	24.20	30.20	37.70	0.33	0.04	8,548	1,262	
		2.54	8.33	9.00	76.00	-	-	-	-	-	-	
	84.95	0.23	0.75	14.30	31.90	21.90	31.90	1.34	0.04	6,954	1,599	
High Ash Weighted Average		5.95	17.99	6.63	42.66	12.89	18.43	0.18	0.02	4,136,13	24,699,99	
85.00	88.65	3.65	11.98	9.80	18.20	30.70	41.30	0.13	0.07	9,540	35,186	
88.65	88.70	0.05	0.16	9.00	76.00	-	-	-	-	-	-	
88.70	89.45	0.75	2.46	9.70	16.40	20.20	53.80	0.63	0.04	9,837	7,378	
		4.45	14.60	9.77	18.55	26.59	42.94	0.21	0.06	9,564,89	42,563,75	
Weighted Average Saleable Coal		12.77	41.90	9.43	21.54	27.38	40.61	0.31	0.07	9,117,53	116,430,92	
Weighted Average ROM Coal		18.72	44.93	9.54	28.84	23.79	35.14	0.23	0.05	7,878,44	147,484,36	
Total In-Place Coal in Resource		24.00										
Total In-Place Coal in Resource		% Resource		% ROM		Resource Calc Based on 77-4 & 77-12 with Av Seam used 17.4M						
Weighted Average Saleable Coal		53%		12.77		68%						
High Ash Weighted Average		25%		5.95		32%						
Weighted Average ROM Coal		78%		18.72		100%						



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**4.0 TEST MINING**

The program was completed in several stages similar too what would be required for full-scale mining. The first step required the mobilization of contractor equipment to site. After equipment arrival, site preparation including grubbing, topsoil removal and rock overburden stripping were completed.

Selective mining of several coal zones was completed using a Cat D-8R dozer and Cat 322 excavator. The method of test mining by ripping, pushing, loading, hauling and dumping is similar to proposed full-scale mining.

Overall, test mining was a success in determining:

1. All materials are rippable using a two tooth ripper on a Cat D-8R dozer,
2. Selective mining is feasible to increase Run-of-Mine (ROM) coal quality,
3. Equipment and the method used was successful and is similar to that proposed for full-scale mining,
4. Coal was found to be continuous and consistent,
5. The selected local contractors were found to be very cooperative and although not skilled in coal mining, very quick to learn.
6. The length of pushing overburden with the dozer was longer than planned and more rock than anticipated to establish a suitable pad for the screening plant and stockpile needed.

**4.1 Equipment Selection for Test Mining**

All selected equipment for test mining was contractor owned and operated. The equipment included a Cat D-8R dozer, and Cat 322 Excavator and a Cat 966 Loader.

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**4.2 Mobilization and Equipment Utilization**

On August 7, 2001, equipment was mobilized to the site with the arrival of a Cat D-8R dozer and a Cat 322 excavator. All mobile equipment was transported by low-bed except the screens and conveyors, which were towed to the site.

The plant mobilization on August 14<sup>th</sup>, 2001 in a time of 3 hours and utilized the loader. The contractor included the labour and operated the screen plant and stacker operation.

The first priority was to prepare the screening plant pad and expose the coal seam for mining. A contractor Cat D-8 dozer and Cat 322 excavator was used to complete these tasks.

After minor site preparation, a Cat D-8R Dozer with rock blade and two-shank ripper was utilized to remove overburden and push the coal from various seams to a feed pile for the screening plant.

A Cat 322 excavator with a 2½ yard bucket (teeth) was instrumental in completing the hanging-wall cleanup work and preparing the coal zones to be pushed by the dozer. Some coal seams were too narrow for the dozer, therefore, the excavator was used to remove the coal from the waste partings.

Once the coal was mined and stockpiled, it was fed into a screening plant by a Cat 966F Loader with a 5-yard bucket. The coal was processed with a 100 tonne per hour Power Screen with a 6" plus grizzly, a 3" plus deck screen, and stacked with a 65' stacker (Figure 1 – Mine Plan Schematic). The Power Screen was powered by diesel engine providing hydraulic power to the screen and stacker.

Three major bentonite partings within the main coal seam were selectively mined and stockpiled for a major testing and marketing sampling program.

# Compliance Coal Corporation

## Figure 1 - Mine Plan Schematic

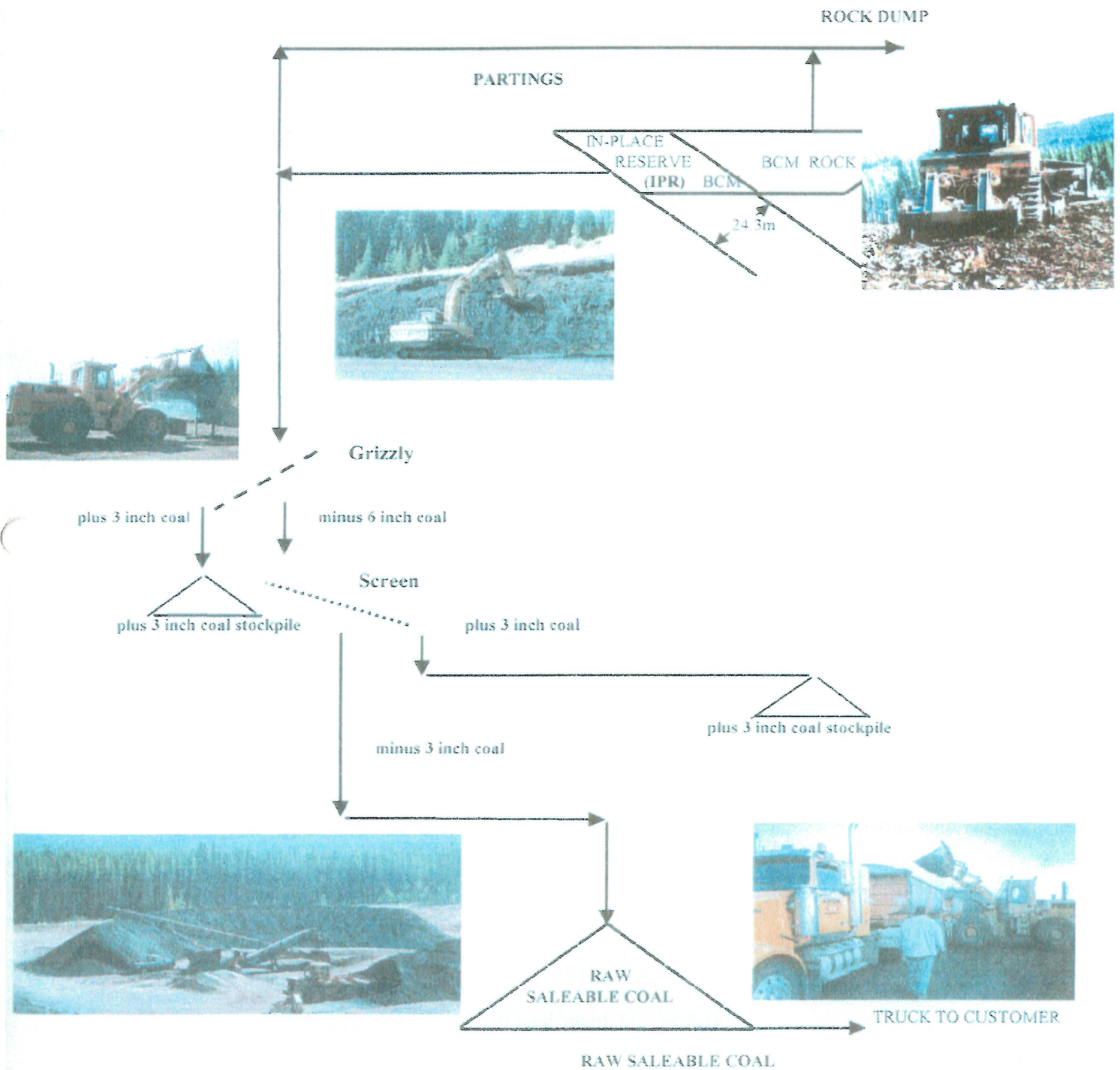
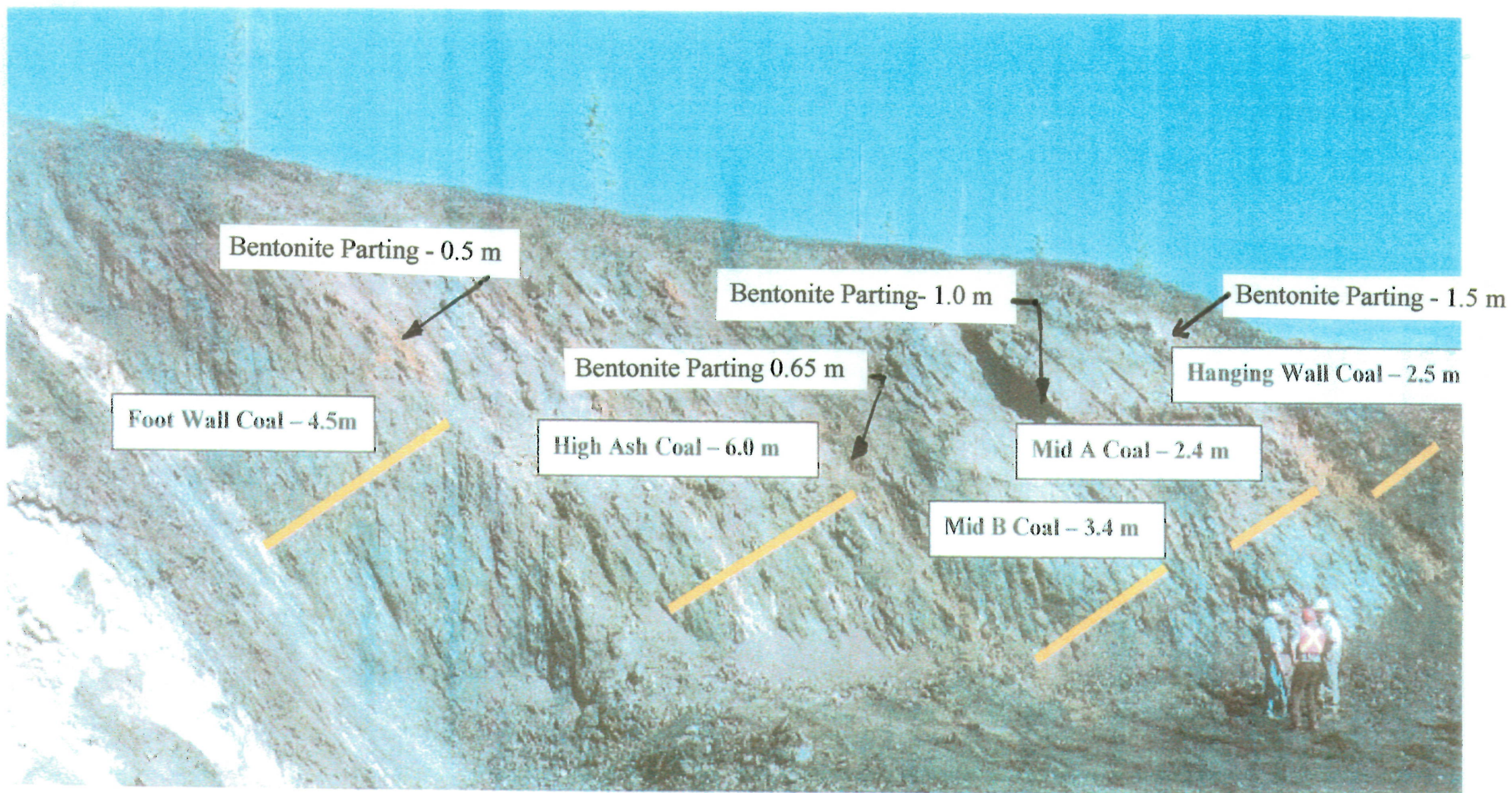




Figure 2 Coal Seam Zones



Total In-Place Coal Thickness is 24 meters

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**4.3 Grubbing**

The site had been recently logged by Tolko Industries, a logging company, but soils and brush had to be removed and stockpiled. This ensued the integrity of the screening plant pad. The contractor was utilized to complete this work. Total time to complete this was:

Dozer Time:	6 hours
Excavator Time:	7.5 hours

**4.4 Topsoil**

Approximately 0.5 metre thick of topsoil was pushed by dozer up slope from the proposed mining area and stockpiled for reclamation purposes, and to provide a safety berm. The contractor was utilized to complete this work. Total time to complete this was:

Dozer Time:	2.5 hours
Volume:	100 cubic metres of soil

**4.5 Overburden (Rock)**

The coal seam was close to the surface and approximately 1.5 metres of bloom (heavily weathered rock and coal) were removed with the overburden. The overburden was composed of thinly laminated shales, mudstones, and sandstones.

The test site was 120 metres long; 70 metres south of the existing trench #4. This allowed the dozer to work two areas and sequence overburden removal with respect to the coal seams.

The south section of overburden was dozer ripped and pushed to form a flat pad of approximately 9,000 square metres.

An excavator was used to do final hanging wall cleanup along the coal seam and cast the rock away from the coal seam for the dozer access. A contractor was used to complete this work for a total time of:

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Dozer Time: 109 hours  
Excavator Time: 53.5 hours  
(includes 10 hours to grub, build and ditch access to the pad from the existing road)  
Volume: 27,625 cubic metres of overburden

**4.6 Hanging Wall Coal Zone (2.5 M Thick)**

The progression of test mining was from the Hanging Wall Coal Zone (outer most exposed coal) to the Footwall Coal Zone (inner most coal). Refer to Figure 2 for stratigraphic sequences of zones. Test mining was implemented proximal to BH # RS 98-4 where previously collected data could be verified (Table 3).

After stripping of the overburden was completed, excavation began on the Hanging Wall Coal Zone (HWCZ). A 1.5 metres seam of bentonite was encountered above the zone and was selectively removed by the excavator. Next, a 0.6 metre wide of sandstone parting, which was the hardest rock encountered, had to be ripped before the excavator could selectively removed it. The sandstone separated from the underlying coal seam quite well which left a zone 2.5 metres thick of recoverable coal (HWCZ). The strike length of this zone was shortened due to its outcropping at pad grade on the south end and 2 metres of bloom had to be removed from the entire south end of the seam. The height of the coal seam sloped from grade at the south end to 10 metres deep at the north end of the southern half of the test area. All work was completed by the contractor for a total time of:

Dozer Time: 3 hours  
Excavator Time: 9 hours  
  
Volume: 700 banked cubic metres of coal at an estimated 27% ash  
Sampling Results show 28% Ash (Table 4)



**Table 3 - Typical Coal Section**

**Coal Summary-BH No. RS 98-4**

**Bulk Sample Weighted Average**

Dip: 30 deg.

	From	To	Thickness		M	A	VM	FC	S %	CI	GCV Btu/lb.		
			meters	feet									
HW Coal	65.45	65.95	0.50	1.64	12.80	38.50	20.50	28.20	0.33	0.05	6,584	3,282	
	68.00	68.25	0.25	0.82	6.70	47.60	19.30	26.30	0.37	0.06	6,170	1,543	
	68.38	70.48	2.10	6.89	8.80	25.60	26.30	39.20	0.09	0.10	8,714	18,299	
		70.56	0.08	0.26	8.80	76.00	-	-	-	-	-	-	
		70.92	0.36	1.18	9.40	23.00	27.20	40.30	0.45	0.12	9,027	3,250	
<b>HW Weighted Average</b>			<b>2.54</b>	<b>8.33</b>	<b>8.89</b>	<b>26.82</b>	<b>25.60</b>	<b>38.12</b>	<b>0.14</b>	<b>0.10</b>	<b>8,483.91</b>	<b>21,549.12</b>	
	70.92	71.59			Bentonite								
MID Seam A			0.30	0.98	13.20	51.70	14.80	20.30	0.25	0.06	4,046	1,214	
	71.94	72.09	0.15	0.49	11.00	14.90	28.20	46.00	0.47	0.09	9,828	1,474	
	72.09	72.17	0.08	0.26	9.00	76.00	-	-	-	0	-	-	
	72.17	73.09	0.92	3.02	9.40	11.00	32.90	46.70	0.46	0.06	10,825	9,959	
	73.09	73.17	0.08	0.26	9.00	76.00	-	-	-	-	-	-	
	73.17	74.32	1.15	3.77	9.30	19.90	28.90	41.90	0.41	0.06	9,507	10,933	
<b>MID A Weighted Average</b>			<b>2.38</b>	<b>7.81</b>	<b>9.43</b>	<b>19.62</b>	<b>28.46</b>	<b>41.20</b>	<b>0.41</b>	<b>0.06</b>	<b>9,397.58</b>	<b>22,386.25</b>	
MID Seam B	74.32	74.77											
	74.77	75.87	1.10	3.61	9.30	16.00	29.90	44.70	0.44	0.06	10,047	11,052	
	75.87	76.17	0.30	0.98	9.00	76.00	-	-	-	-	-	-	
	76.17	76.32	0.15	0.49	10.20	26.30	27.20	36.30	0.39	0.04	8,314	1,247	
	76.32	76.42	0.10	0.33	9.00	76.00	-	-	-	-	-	-	
	76.42	77.72	1.30	4.27	9.10	7.70	33.20	50.00	0.44	0.06	11,245	14,619	
	77.72	77.82	0.10	0.33	9.00	76.00	-	-	-	-	-	-	
	77.82	78.17	0.35	1.15	10.80	24.80	27.20	37.20	1.60	0.04	8,670	3,035	
<b>MID B Weighted Average</b>			<b>3.40</b>	<b>11.16</b>	<b>9.37</b>	<b>23.01</b>	<b>26.37</b>	<b>39.01</b>	<b>0.49</b>	<b>0.05</b>	<b>8,609.35</b>	<b>29,951.60</b>	
High Ash	79.00	79.65	0.65	2.13	10.60	15.10	29.30	45.00	0.50	0.05	9,913	6,443	
			0.30	0.98	12.30	21.00	27.00	39.60	0.60	0.04	8,808	2,842	
			0.50	1.64	9.40	16.90	30.50	43.30	0.45	0.03	9,888	4,944	
			0.23	0.75	7.90	44.90	18.20	29.00	0.26	0.05	8,114	1,406	
			0.90	2.95	10.60	18.30	28.40	42.60	0.12	0.04	9,536	8,582	
			0.30	0.98	10.50	8.70	31.60	49.20	0.42	0.03	10,906	3,272	
			0.15	0.49	7.60	37.60	30.30	24.50	0.08	0.05	5,877	882	
			0.15	0.49	7.90	24.20	30.20	37.70	0.33	0.04	8,548	1,282	
			2.54	8.33	9.00	76.00	-	-	-	-	-	-	
		84.95	0.23	0.75	14.30	31.90	21.90	31.90	1.34	0.04	6,954	1,599	
	<b>High Ash Weighted Average</b>			<b>5.95</b>	<b>17.39</b>	<b>8.63</b>	<b>42.66</b>	<b>12.89</b>	<b>18.48</b>	<b>0.18</b>	<b>0.02</b>	<b>4,136.13</b>	<b>24,609.99</b>
	FW Coal	85.00	88.65	3.65	11.98	9.80	18.20	30.70	41.30	0.13	0.07	9,640	35,186
		88.65	88.70	0.05	0.16	9.00	76.00	-	-	-	-	-	-
88.70		89.45	0.75	2.46	9.70	16.40	20.20	53.80	0.63	0.04	9,637	7,378	
<b>FW Weighted Average</b>			<b>4.45</b>	<b>14.60</b>	<b>9.77</b>	<b>18.55</b>	<b>28.59</b>	<b>42.94</b>	<b>0.21</b>	<b>0.06</b>	<b>9,564.89</b>	<b>42,563.75</b>	
Weighted Average Saleable Coal			12.77	41.90	9.43	21.64	27.38	40.61	0.31	0.07	9,117.53	116,430.92	
Weighted Average ROM Coal			18.72	44.03	9.54	28.84	23.79	35.14	0.28	0.05	7,878.44	147,484.36	
Total In-Place Coal in Resource			24.00										
Total In-Place Coal in Resource			% Resource		% ROM		Resource Calc. Based on 77-4 & 77-12 with Av. Seam used 17.4M						
Weighted Average Saleable Coal			53%	12.77	68%								
High Ash Weighted Average			25%	5.95	32%								
Weighted Average ROM Coal			78%	18.72	100%								

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**4.7 Bentonite (1 M Thick) and Waste Zones**

Immediately below the HWCZ was 1 metre of bentonite, which was not uniform and difficult to follow. Immediately below the bentonite was a 0.35-metre zone of coal with 52% ash content. Both the irregular bentonite bed and high ash coal were removed together and wasted.

The zone was removed with the excavator and piled using the dozer at the north interim wall between the north and south section of the test site. The contractor completed this work in:

Dozer Time:	2.5 hours
Excavator Time:	14 hours
Volume:	300 banked cubic metres of waste.

**4.8 Mid Seam Zone A (2.4 M Thick)**

Below the bentonite was the 2.4 metre thick Mid Seam Zone A. This zone was mined using the dozer. Amber occurrences were noted during excavation, which typically increase the heat value of coal. Total contractor time was:

Dozer Time:	8 hours
Excavator Time:	3 hours
Volume:	1000 banked cubic metres of coal at 21% ash
Sampling Results show 18.5% Ash (See Sample Table 4)	

**4.9 Mid Seam Zone B (3.4 M Thick)**

A rock (waste) parting of 0.5 metres separated Mid Seam A & B Zones. It was removed with the excavator and piled with the dozer against the north interim pit wall. The excavator operator had to be selective in cleaning the 3.4 metres thick Mid Seam Zone B as the waste parting was not consistent. Total contractor time was:

Dozer Time:	7.5 hours
Excavator Time:	6.5 hours

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Volume: 1800 cubic metres of coal at 21.5% ash  
Sampling Results show 21-7% Ash (See Sample Table 4)

**4.10 High Ash Zone (5.95 M Thick)**

This zone was defined by a high volume of partings between thin layers of coal. The ash content ranged between 35 – 50%. The pad had to be extended to the south to accommodate the volume of the high ash zone and was pushed far enough to allow recovery of the Footwall Zone. The high ash zone was removed in three shorter sections to allow the footwall coal to be removed and the next section of high ash to be pushed into its place. Total contractor time was:

Dozer Time: 29.5 hours

Excavator Time: 20 hours

Loader Time: 3 hours

(both loader and excavator were used to stack the high ash zone due to its high volume)

Volume: 4000 banked cubic metres of high ash coal

**4.11 Footwall Coal Zone (4.45 M Thick)**

There were areas of faulting in the 4.45 metre thick Footwall Coal Zone with displacements up to 4 metres. The coal was high in moisture content, white stains between beds and joints with in the coal, and very hard which required ripping with the dozer. The footwall was sandstone and very wet. The footwall was visually monitored for stability as the cut progressed.

The footwall coal sections were sub-excavated to increase the volume of footwall coal zone to the product pile. Total contractor time was:

Dozer Time: 9.5 hours

Excavator Time: 32 hours

Volume: 3100 cubic metres of coal at 18% ash

Sampling Results show 18% Ash (See Sample Table 4)

**Table 4 - Test Mining Coal Analysis**

SAMPLE DESCRIPTION	SAMPLE ID	ADMI%	MOIST%	ASH%	VOL%	FC%	BTU/LB	BASE
Hanging Wall Coal	TULAMEEN 01-08-13-001	10.83	3.83	31.38	28.46	36.33	8,448	adb
			14.25	27.98	25.38	32.40	7,533	arb
				32.63	29.59	37.78	8,784	db
Hanging Wall Coal	TULAMEEN 01-08-13-002	10.60	2.70	22.93	33.07	41.30	9,977	adb
			13.01	20.50	29.56	36.92	8,919	arb
				23.57	33.99	42.45	10,254	db
Hanging Wall Coal	TULAMEEN Average	10.72	5.27	27.16	30.77	38.83	9,213	adb
			11.63	24.25	27.47	34.16	8,215	arb
				28.07	31.97	40.13	9,573	db
Mid Seam A Coal	TULAMEEN 01-08-15-001	9.24	5.78	19.95	32.75	41.52	9,871	adb
			14.49	18.11	29.72	37.68	8,959	arb
				21.17	34.76	44.07	10,477	db
Mid Seam A Coal	TULAMEEN 01-08-15-003	9.35	5.97	20.92	31.93	41.18	9,648	adb
			14.76	18.96	28.94	37.33	8,746	arb
				22.25	33.96	43.79	10,261	db
Mid Seam A Coal	TULAMEEN Average	9.30	5.85	20.44	32.34	41.35	9,766	adb
			14.62	19.54	29.33	37.51	8,832	arb
				21.71	34.36	43.93	10,366	db
Mid Seam B Coal	TULAMEEN 01-08-16-002	9.11	5.71	22.75	32.11	39.43	9,526	adb
			14.30	20.68	29.18	35.84	8,658	arb
				24.13	34.05	41.82	10,103	db
Mid Seam B Coal	TULAMEEN 01-08-16-003	8.32	5.73	23.17	32.19	38.91	9,424	adb
			13.57	21.24	29.51	35.67	8,640	arb
				24.58	34.15	41.28	9,997	db
Mid Seam B Coal	TULAMEEN Average	8.72	5.72	22.96	32.15	39.17	9,175	adb
			13.94	20.96	29.35	35.76	8,646	arb
				24.35	34.16	41.55	10,050	db
High Ash Coal	TULAMEEN 01-08-21-001	10.22	7.40	34.75	26.76	31.09	7,475	adb
			16.86	31.20	24.03	27.91	6,711	arb
				37.53	28.90	33.57	8,072	db
High Ash Coal	TULAMEEN 01-08-20-002	19.78	15.46	33.21	24.88	26.45	5,726	adb
			32.18	26.64	19.96	21.22	4,593	arb
				39.28	29.43	31.29	6,773	db
High Ash Coal	TULAMEEN Average	15.00	11.43	33.98	29.92	29.77	6,900	adb
			24.71	28.55	21.93	24.43	5,610	arb
				38.57	29.15	32.48	7,432	db
Foot Wall Coal	TULAMEEN 01-08-20-003	14.59	8.56	22.39	30.30	38.75	8,775	adb
			21.90	19.12	25.88	33.10	7,495	arb
				24.49	33.14	42.38	9,597	db
Foot Wall Coal	TULAMEEN 01-08-21-002	8.07	5.96	14.24	34.72	45.08	10,788	adb
			13.55	13.09	31.92	41.44	9,917	arb
				15.14	36.92	47.94	11,472	db
Foot Wall Coal	TULAMEEN 01-08-24-001	5.70	5.38	23.10	31.18	40.34	9,566	adb
			10.77	21.78	29.40	38.04	9,021	arb
				24.41	32.95	42.63	10,110	db
Foot Wall Coal	TULAMEEN 01-08-27-001	4.82	4.37	19.55	33.57	42.51	10,210	adb
			8.98	18.61	31.95	40.46	9,718	arb
				20.44	35.10	44.45	10,677	db
Foot Wall Coal	TULAMEEN Average	6.90	6.07	19.82	32.44	41.67	9,835	adb
			11.96	18.12	29.75	38.21	9,019	arb
				21.10	34.54	44.36	10,475	db
Bulk Sample Stockpile	TULAMEEN 01-08-22-003	9.23	3.95	23.29	32.11	40.65	9,680	adb
			12.82	21.14	29.15	36.90	8,787	arb
				24.25	33.43	42.32	10,078	db

adb=air dried basis  
 arb=calculated to as received basis  
 db=calculated to dry basis

**COMPLIANCE COAL CORPORATION - BASIN COAL PROJECT  
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**5.0 TEST SAMPLING**

A total of 22 coal samples were collected for analysis from excavated zones and coal stockpiles. Coal sampling protocols and QA/QC procedures were defined during the program.

Samples were taken from each coal seam zone by chip sampling throughout the width and length of the zone in units of approximately 250 grams each from approximately 20 locations and combined into a plastic bag. Total sample weight was approximately 5 kg. The bags were sealed and tagged.

The samples were dug out of the core of the seam not close to the surface. They were taken as the zone was being worked by the dozer or the excavator.

The program was successful in collecting samples for each coal zone that made up the bulk sample. These were sent for analysis.

The bulk sample of the combined zones that were mined was taken by digging off the south end of the stockpile to get a cross section of the coal zones that were layered by the stackers. The loader trammed 20 buckets of approximately 5 yards each away from the end to allow access into the core of the stockpile. A representative sample of 10 kg was collected from the crest to the top of the stockpile down the centre of the pile profile.

**5.1 Sampling Methodology**

Between August 13 and 27, 2001, 10 kg representative samples of were taken from all coal zones and bagged and tagged. Sampling of each zone was completed by chip sampling. All samples were sent by Greyhound Bus to the Birtley Coal Lab in Calgary. Samples were analyzed for proximate analysis of ash, moisture, volatile matter, fixed carbon and BTU's per pound. The reject coal samples remain in Calgary at the Birtley Lab for potential further testing.



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A 2 drum (55 gallon) bulk sample was collected across the height of the end of the stockpile using a loader cut face into the product pile (See Table 5). The bulk sample was taken to Birtley Lab. for screen analysis and approximate analysis with BTU per pound for each size fraction of 2", 1", 3/4", 1/2", 1/4", 8 mesh and -8 mesh.

**Table 5 – Bulk Sample Screen Analysis**

HEAD RAW ANALYSIS, air dried basis							
LAB NO:	ADM%	MOIST%	ASH%	VOL%	F.C.%	BTU/LB	BASIS
11146	10.79	2.03	33.94	29.03	35.00	8,183	adb
		12.60	30.28	25.90	31.22	7,300	arb
			34.64	29.63	35.73	8,353	db

SCREEN SIZE ANALYSIS												
SCREEN SIZE	air dried basis						WT%(db)	dry basis			CUMULATIVE (db)	
	WT%	%RM	%ASH	%VOL	%F.C.	BTU/LB		WT%	%ASH	BTU/LB	WT%	ASH%
+2"	7.43	2.41	45.43	25.91	26.25	6,486	7.25	7.40	46.55	6,646	7.40	46.55
2" X 1"	15.15	1.76	37.33	29.56	31.35	7,668	14.88	15.19	38.00	7,805	22.59	40.80
1" X 3/4"	8.30	1.52	36.14	27.96	34.38	8,062	8.17	8.34	36.70	8,186	30.93	39.69
3/4" X 1/2"	10.87	1.92	33.18	28.72	36.18	8,441	10.66	10.88	33.83	8,606	41.81	38.17
1/2" X 1/4"	17.93	1.65	31.69	28.95	37.71	8,706	17.63	18.00	32.22	8,852	59.81	36.38
1/4" X 8M	19.67	2.51	29.68	29.13	38.68	8,921	19.18	19.57	30.44	9,151	79.38	34.92
8M X 0	20.65	2.16	34.85	26.86	36.13	8,035	20.20	20.62	35.62	8,212	100.00	35.06

The screen analysis reveals that the plus 1/4 inch material requires working to produce a competitive product. Raw coal from the hauling wall zone may be competitive for local cement plants when ash content is not a criteria.

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Results of the sample analysis are presented in Table 6 below.

**Table 6 – Comparative Sample Analysis vs. Drill Hole Predictions**

<b>Coal Zones</b>	<b>MOIST%</b>	<b>ASH%</b>	<b>V M%</b>	<b>F.C.%</b>	<b>BTU/LB</b>	<b>BASIS</b>
Hanging Wall Coal	13.63	24.25	27.47	34.66	8,225	arb
Predicted-Drill Data	8.89	26.82	25.60	38.12	8,484	
Mid Seam A Coal	14.62	18.54	29.33	37.51	8,852	arb
Predicted-Drill Data	9.43	19.92	28.46	41.20	9,397	
Mid Seam B Coal	13.94	20.96	29.35	35.76	8,649	arb
Predicted-Drill Data	9.37	23.01	26.37	39.01	8,809	
Foot Wall Coal	13.86	18.18	29.75	38.21	9,019	arb
Predicted-Drill Data	9.77	18.55	28.59	42.94	9,565	

**Bulk Samples**

Simple Average	14.01	20.48	28.98	36.53	8,687	arb
Bulk Sample-Stk Pile	12.82	21.14	29.15	36.90	8,787	arb
Bulk Sample-Customer	9.84	27.09	27.59	35.48	8,298	arb
Predicted-Drill Data	9.43	21.64	27.38	40.61	9,118	arb

This comparison between the samples taken from the coal zones as the coal was mined versus the analysis predicted from drill hole 98-4 is very good. Moisture content in the samples was much higher and the dampness in the coal seams was noticed in the field. Field samples were placed immediately in sealed bags while the drill core may have been partially dried in handling and preparation prior to being placed in sealed bags. Reduction of moisture in the stockpile and shipping is confirmed by the reduced moisture content (9.84%) of the coal received by a customer.

Coal mined as the bulk sample demonstrates that the coal can be selectively mined to produce a ROM coal product in the 20 percent ash range. This compares to an overall ash content of about 39 percent for the in-place coal seam reported in the reserve. The coal quality predicted from the drill holes for the test mining project compare well with the actual selectively mined coal. The program confirms that the

**COMPLIANCE COAL CORPORATION - BASIN COAL PROJECT  
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coal can be mined selectively and that the results compare favourably to the drill results.

**5.2 Sampling QA/QC**

All test sampling and handling was completed by Compliance. Analysis was completed by Birtley Lab (certified). Results are comparable to previous historical data and, therefore, are considered representative of the Basin Coal Deposit as a whole.

**5.3 Specific Gravity/Bulk Density**

No specific gravity or bulk density data was collected during the test work. Several previous samples were analysed to establish an average SG/bulk density of 1.64 (t/m<sup>3</sup>).

**6.0 GEOTECHNICAL**

**6.1 Rippability**

Overburden and partings were found to be all rippable using the D-8R dozer. The best ripping results were found when ripping down-dip perpendicular to bedding strike.

Some of the coal zones were hard enough that ripping was required.

**6.2 Cut Slopes**

The excavated exposed slope was completed at a 45° angle in the footwall of the Footwall Coal Zone. The slope consists of a thin-bedded siltstone with high moisture content. No benching was completed for the slope and no life-of-mine benching is suggested due to the dip and potential undercutting of thin-bedded sediments.

**COMPLIANCE COAL CORPORATION - BASIN COAL PROJECT  
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**6.3 Hydrology**

High moisture content was noted in the final test pit wall suggesting the potential for developing seeps in the wall as mining progresses. Monitoring of flow from this area is suggested as mining continues. Seasonal high rain and snow volumes may accelerate this flow. The wall will require monitoring as mining progresses. Pit crest diversion ditches may assist the reduction of the moisture. As mining progresses, horizontal drains may be advantageous to reduce pore water pressures in the final wall.

**7.0 TEST PROCESSING**

After stockpiling of the ROM Coal, a Cat 966 Loader was used to feed the grizzly ahead of the screening plant. The equipment was capable of hauling in excess of the 100 tonnes per hour rate processed. ROM Coal was screened on a 3-inch screen with the undersize reporting to a stocking conveyor. The 3" plus was piled and crushed with a dozer and re-screened. The 6" plus contained more rock and was not added to the raw coal stockpile.

The clean coal stockpile was built with each coal zone uniformly layered over the previous zone to form a consistent pile of all four zones (chevron pattern).

Total volume of the raw coal placed in the stockpile is estimated at 6,480 cubic metres.

**8.0 DEMOBILIZATION**

The contractor dozer and excavator were demob from site on August 30. The screening plant and stacker were disassembled and towed off site on August 30.

The loader filled oversize ramps on the pad and regraded them for the B Train truck units that required a larger turning radius.

**COMPLIANCE COAL CORPORATION - BASIN COAL PROJECT  
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**9.0 TRANSPORTATION OF COAL**

Coal was loaded with a 966 Loader into B Train trucks and covered. Each truckload was approximately 42 tonnes and weighed by means of on board air bag load cells. Each truck was also weighed at the customer's site scales.

The public portion of the road to Coalmont (0 km to 6 km) is maintained in good condition by the Department of Highways while the balance of the road from 4 km to 10 km was maintained by Tolko Industries.

Traffic radio control was maintained on all vehicles due to logging activities above and below the project site.

Road signs have been erected by Compliance to caution travelers of heavy haulage traffic. Signs were also erected adjacent to the road at the mine site to alert traffic of the local mining activity.

**10.0 OPERATING COSTS**

The project costs for the planned site program were \$99,747 versus the \$71,696 budget. The difference is mainly due to keeping the equipment on site for the extra week to allow potential customers to view the operation at their scheduled time.

A summary of actual costs versus budget is as follows in Table 7.

**COMPLIANCE COAL CORPORATION - BASIN COAL PROJECT  
TEST MINING PROGRAM**

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**Table 7 - Operating Cost Summary**

Equipment	Model	Equipment Hours			Costs	
		\$Hr.	Plan	Actual	Plan	Actual
Dozer	Cat D8R	\$180	82	171	\$14,580	\$30,780
Excavator	Cat 322	\$132	50	154	\$6,516	\$20,262
Loader	Cat 966	\$120	82	110	\$5,940	\$13,140
Screen etc.	Power screen	\$140	80	100	\$15,040	\$13,210
Site Equipment			294	535	\$42,076	\$77,392
Supervision, Samples, etc.					\$29,620	\$21,395
Total Test Mine					\$71,696	\$99,747

Production was maintained at a rate of about 100 tonnes per hour of ROM coal. The equipment combination had extra capacity had the program been ongoing. A large part of the extra equipment hours came about because of extra stripping with the dozer and the excavator. Because of the extended program to accommodate potential customers the coal seam was stripped and prepared for mining in the future. Approximately an extra 60 metres along strike was prepared for coal extraction.

**11.0 CAPITAL COSTS**

Minimal capital expenditures were made because all equipment was leased. Capital costs only included safety supplies and safety road and site signs.

**12.0 CONCLUSIONS AND RECOMMENDATIONS**

The test program was very successful with all objectives fulfilled. Mainly the program confirmed the coal continuity along strike and the quality as predicted from drill data. Additionally the program confirmed the mining method and the ability to selectively mine the various coal zones within the resource.



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Recommendations as a result of the test program include:

1. Rip overburden down-dip perpendicular to strike.
2. Monitor water sources as more water was present in the coal than anticipated.
3. Construct pit crest diversion ditches.
4. Use contractor for mining.
5. All costs should be reflected in the Feasibility Study.
6. Utilization of excavator to selectively mine coal zones and bentonite partings
7. Coal is hard and requires ripping.
8. Hard coal requires crushing for processing.
9. B Train truck units can successfully haul the coal on the current mine access road.

**COMPLIANCE COAL CORPORATION**  
**Basin Coal Project**

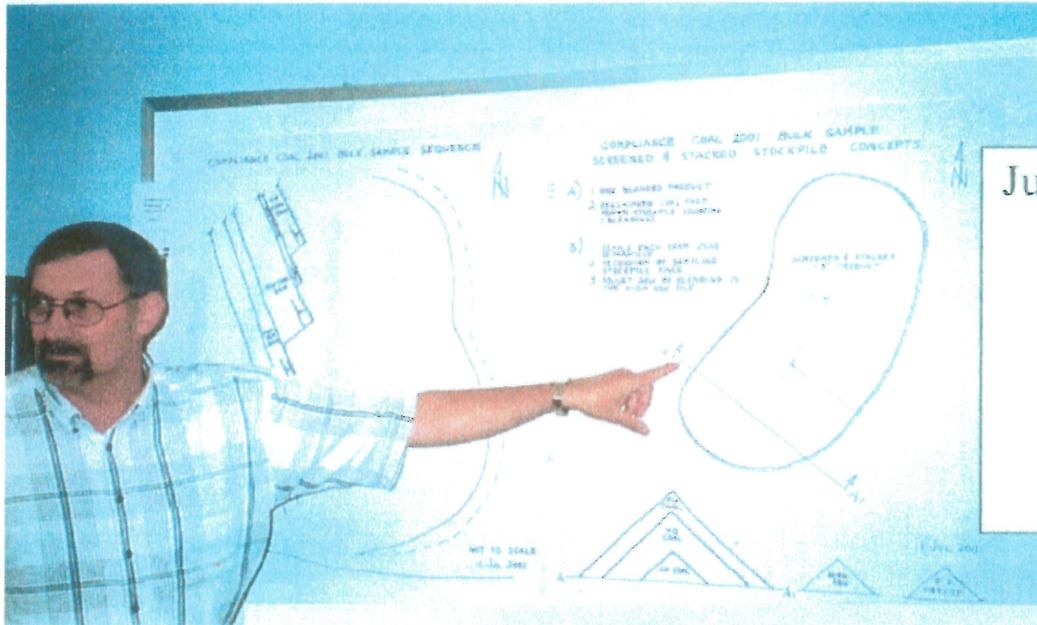
**Test Mining Program**

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**Appendix 1 — Progress Pictures**

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# Compliance Coal Corporation



## July, 2001 Plan

- Test selective mining
- Confirm coal continuity
- Test waste rock ripping
- Bulk sample blending
- Assess equipment selection
- Indicate operating costs
- Provide customers product



August 17, 2001 Test Mining Product

- The saleable coal stockpile
- Selective mining successful
- Blending successful

Selectively mined raw



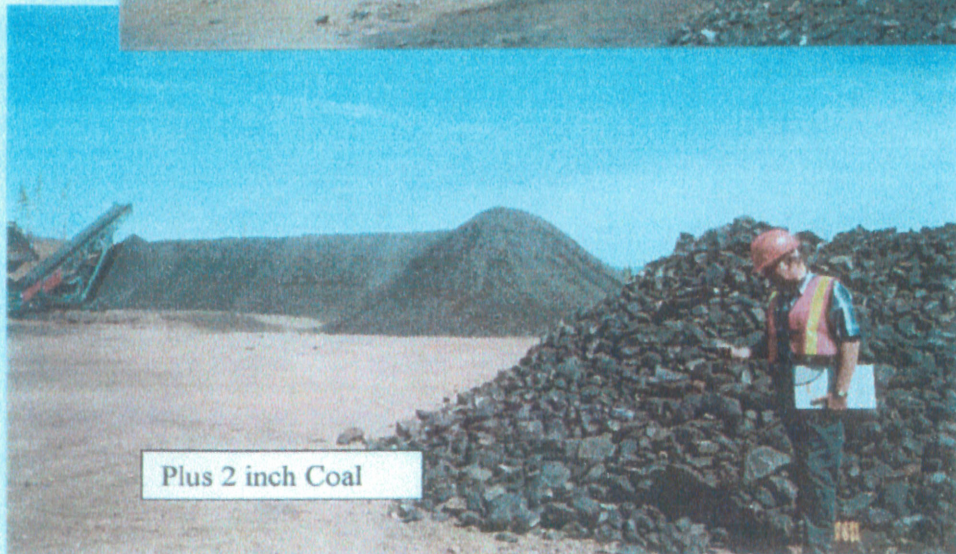
Contract trucking blended coal to customers



# Compliance Coal Corporation



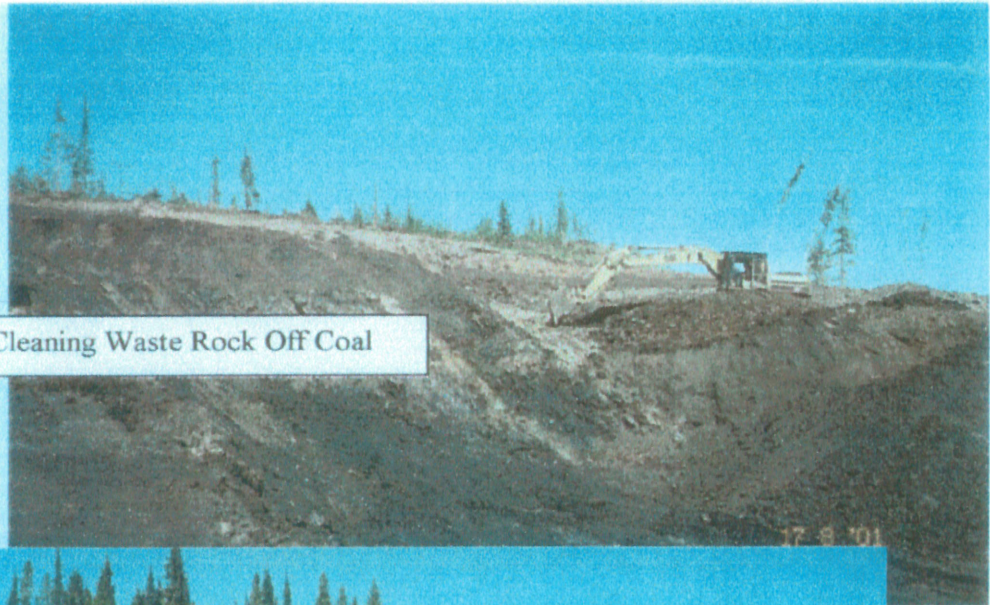
Blended Coal Stockpile



Plus 2 inch Coal



# Compliance Coal Corporation



Cleaning Waste Rock Off Coal



Selectively Mining Coal



Coal seam cleanup



# Compliance Coal Corporation



Ripping and Dozing Waste Rock to Expose Coal –August 17,2001



Ripped rock

Ripper easily penetrates rock



# Compliance Coal Corporation



Screened coal stockpile

ROM coal for screening

Dozer ripping and stripping waste rock

Coal mining and screening operation – August 17, 2001



Selectively mining coal



\*3272\*

MT. JACKSON

5488000

56X9E

(89738)

Manlyon

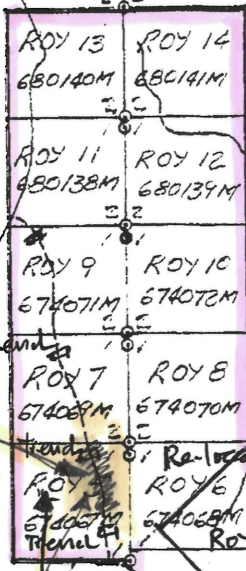
Collins

GUY CH

FROSER

92H.057

TEST SAMPLE HAMILTON PIT + HILL



Re-locate Drill Hole Locations

92H.057

49°30'00"

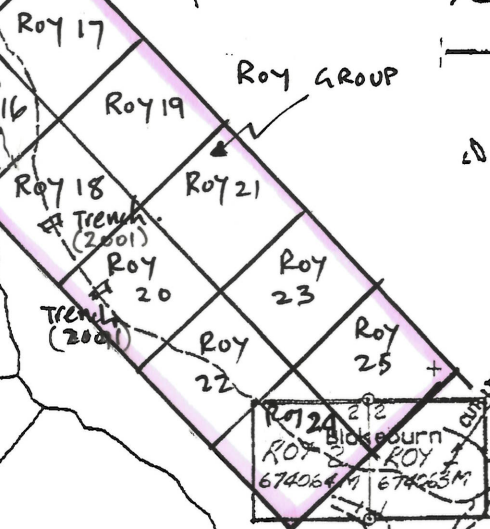
Physical Exploration Work 2002

Roy GROUP

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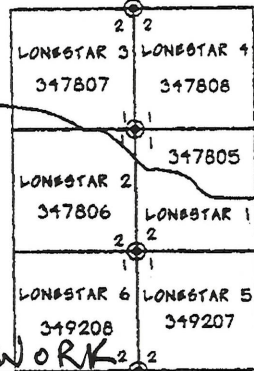
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Blackburn



Creek

Creek



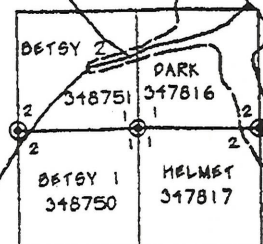
Roy GROUP

2002 TRENCHING WORK

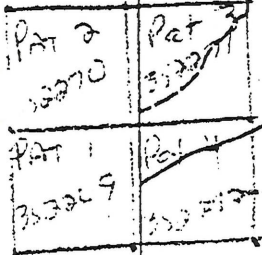
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LIFE 2



SCALE: 1/30,000 (approx)



**ROY GROUP MINERAL CLAIMS**

**overlying the**

**Basin Coal Project [ formerly the Tulameen Project ]**

**Coal Licences**

Detailed Drill Logs with Bentonite Partings  
as measured with location drill hole map.

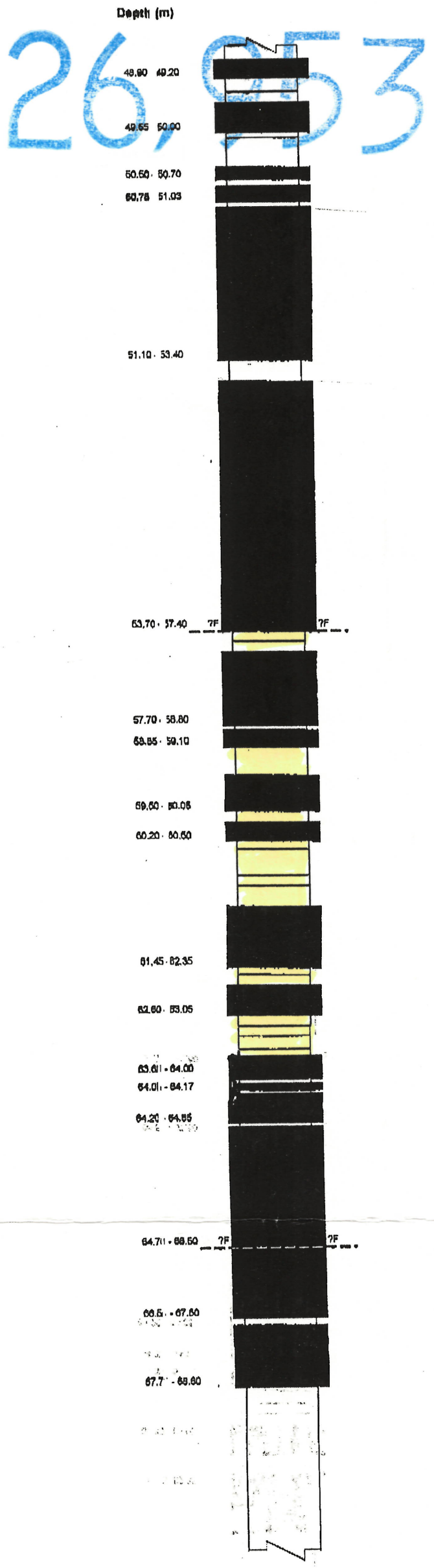
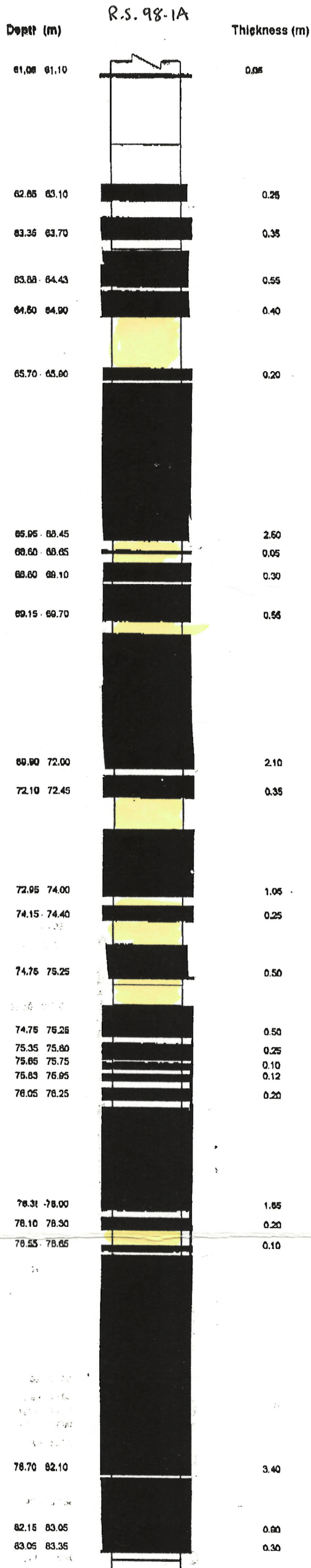
**E.W.Beresford P.Eng**

**Aug.2. 2002**







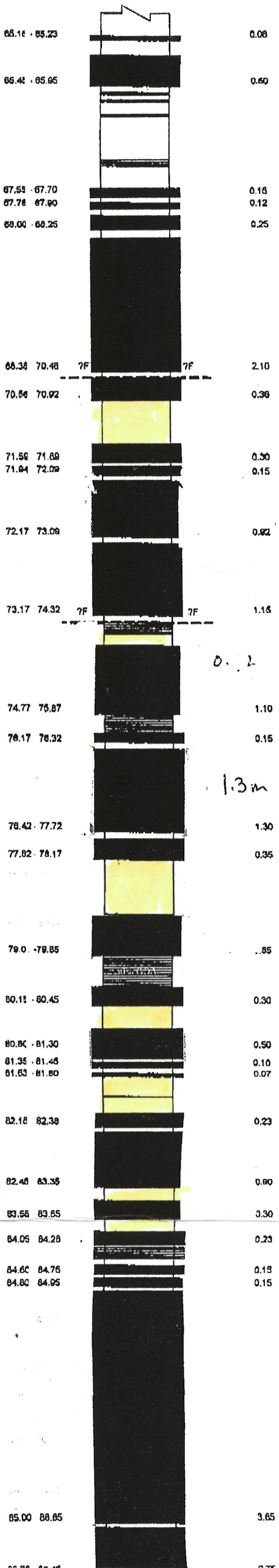




R.S. 98-4

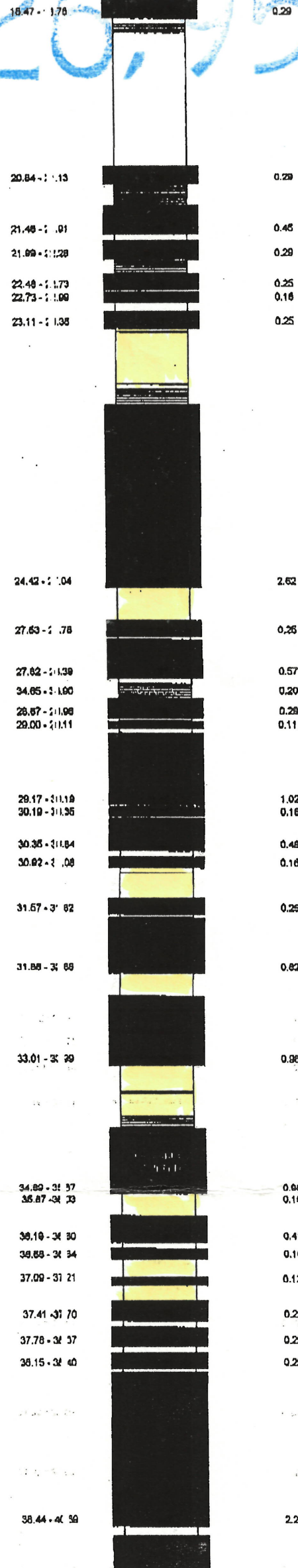
"MAIN" COAL SEAM Dip: 35° Scale 1:50  
ASSESSMENT REPORT

R.S. 98-3



Depth (m) Thickness (m)

26,953



"MAIN" COAL SEAM

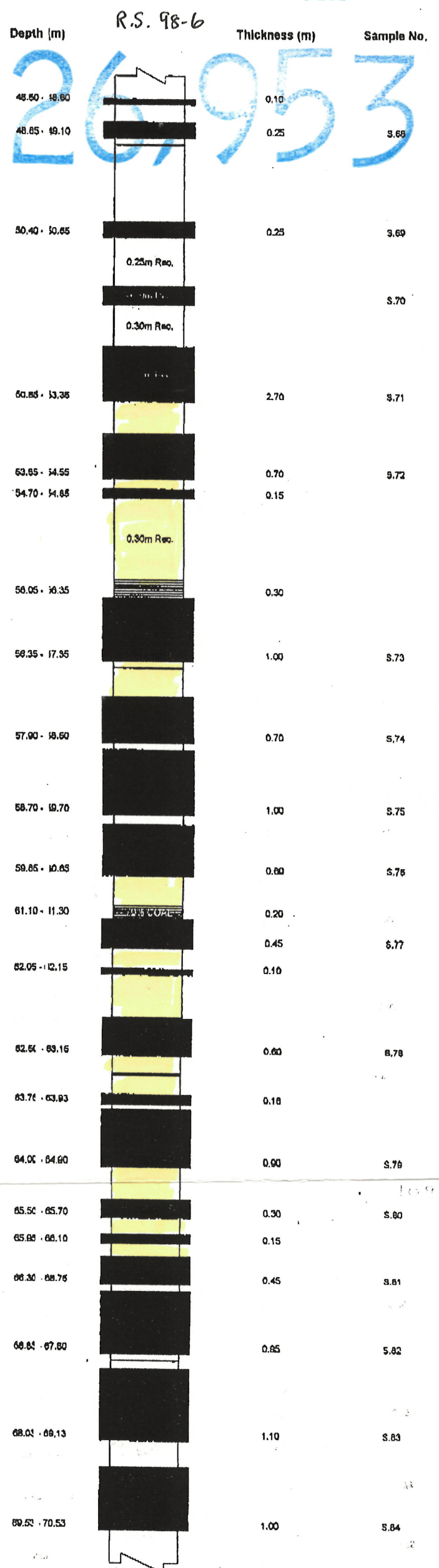
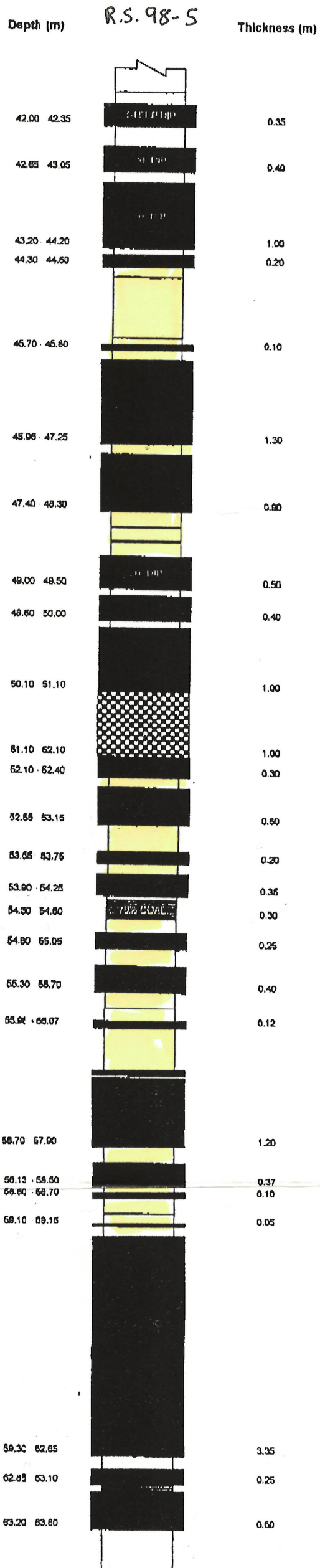
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"MAIN" COAL SEAM

Scale 1:50

GEOLOGICAL SURVEY BRANCH  
ASSESSMENT REPORT



# GEOLOGICAL SURVEY BRANCH ASSESSMENT REPORT

BH No. / S 98-7

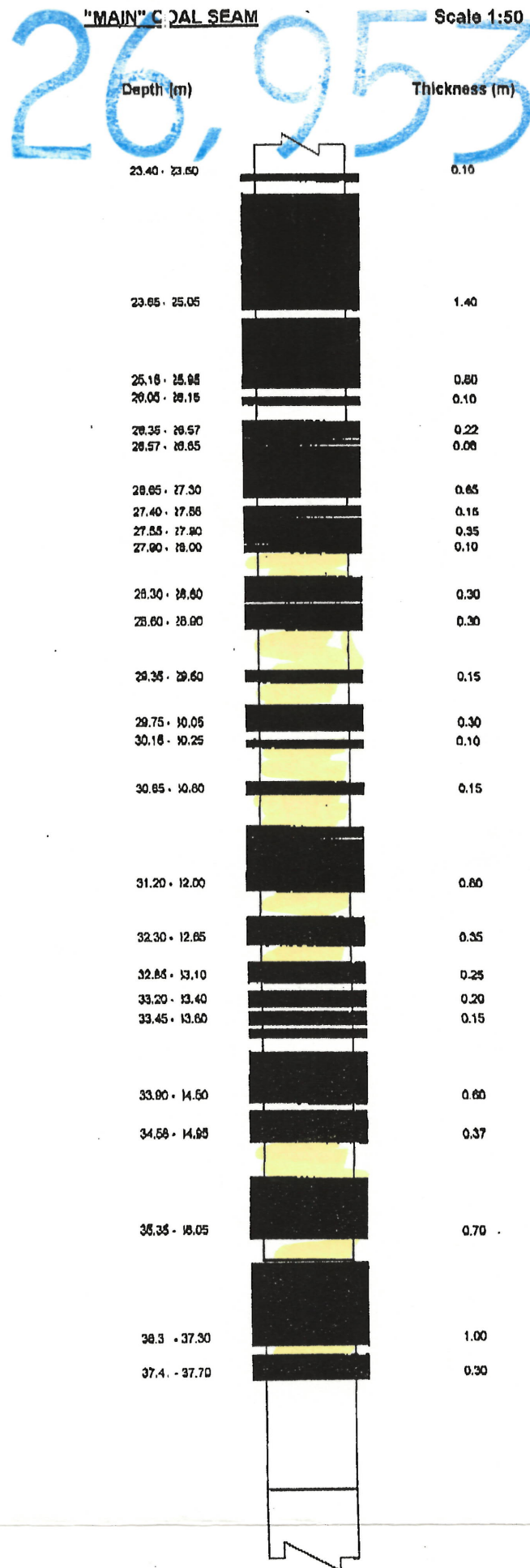
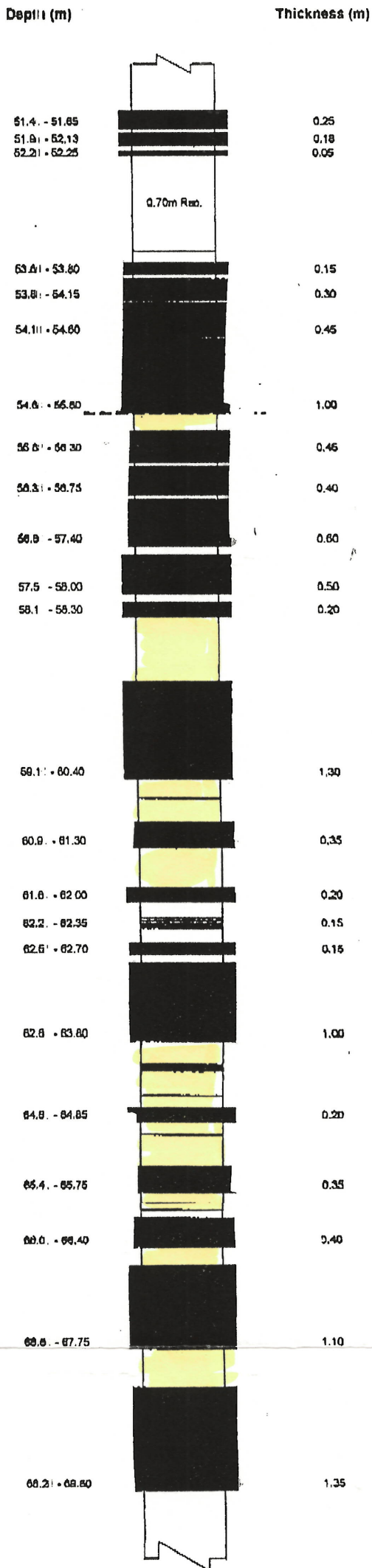
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"MAIN" COAL SEAM

Scale 1:50

"MAIN" COAL SEAM

Scale 1:50

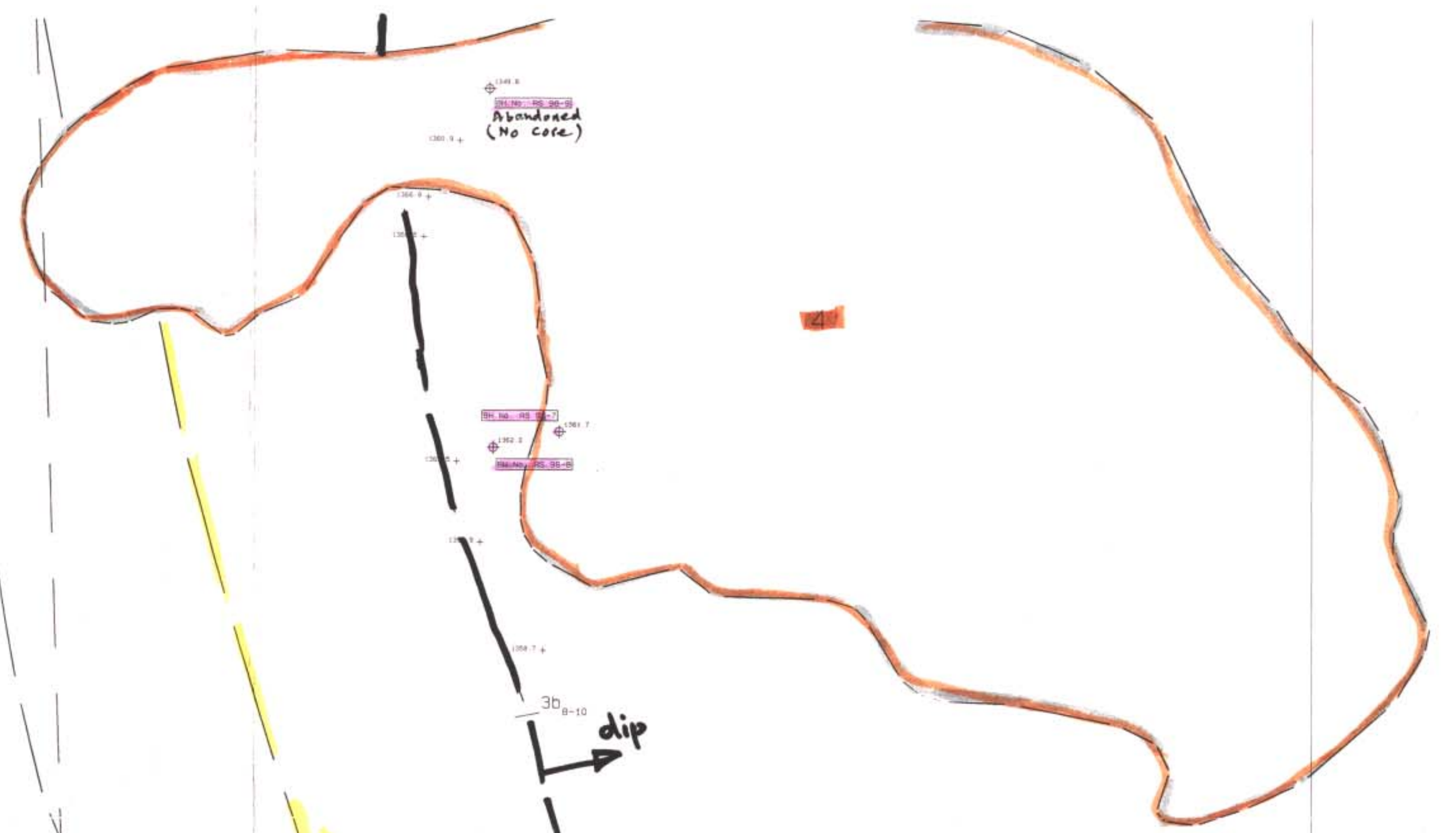




Depth (m)	Thickness (m)
104.20 - 104.25	0.05
104.95 - 105.10	0.15
105.95 - 106.05	0.10
106.45 - 107.15	0.70
108.70 - 108.35	0.35
109.40 - 110.20	0.80
110.30 - 111.10	0.80
111.20 - 114.3	3.10
114.30 - 114.80	0.50
114.80 - 116.40	0.60
115.65 - 115.75	0.20
115.75 - 115.90	0.15
116.40 - 116.60	0.50
116.95 - 117.00	0.05
117.80 - 118.15	0.35
118.50 - 118.90	0.40
119.00 - 119.10	0.10
119.10 - 119.25	0.15
119.25 - 119.45	0.20
120.20 - 20.25	0.25
120.35 - 21.15	0.80
121.30 - 21.75	0.45
121.85 - 22.10	0.25
122.10 - 22.30	0.15
122.85 - 23.15	0.25
123.15 - 23.50	0.40
123.65 - 129.20	2.55

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- MAIN SEAM - OUTCROP
- OLD UNDERGROUND WORKINGS
- LOGGING ROAD
- FAULT ZONE
- GEOLOGICAL CONTACT
- CL 356393 COAL LICENSING AREA
- 177-3 EXPLORATION DRILL HOLE
- WATER
- 1250.0 --- CONTOURS AT 50m INTERVALS

5486000N 5486000N

GEOLOGICAL STRUCTURE	
TERTIARY	
	LOWER VOLCANIC - Brown to black, fine grained basalt Unconformity
3 COAL-BEARING TERTIARY SEDIMENTS	
	UPPER SANDSTONE
3c <sub>2</sub>	Granule conglomerate, coarse sandstone, minor shale, mudstone
3c <sub>1</sub>	Transitional unit, interbedded sandstone, mudstone, minor thin coal
	COAL MEMBER - Shales, mudstone, tuffs, coal
3b <sub>10</sub>	Blocky breaking mudstone and shales
3b <sub>9</sub>	Finely laminated, fissile shales
3b <sub>8</sub>	Interbedded thin dirty coal, bentonite, shales, mudstones
3b <sub>7</sub>	Main coal seam
3b <sub>6</sub>	Light grey, medium grained sandstone, white muddy matrix
3b <sub>5</sub>	Dark grey, massive, blocky breaking mudstone
3b <sub>4</sub>	Distinctive colour banded, light to dark grey in interbedded shales, mudstones, muddy sandstone
3b <sub>3</sub>	Mudstone, medium brownish grey to dark grey, massive to medium laminated
3b <sub>2</sub>	Lower coal seam
3b <sub>1</sub>	Interbedded fragmental bentonitic tuff, thin coal seams, coaly bentonitic mudstone
	LOWER SANDSTONE - Coarse to fine sandstone, interbedded mudstone and shale
2 LOWER VOLCANIC - Massive to porphyritic, fragmental, andesitic to felsitic Unconformity	
UPPER TRIASSIC	
1 NICOLA GROUP - Highly metamorphosed volcanic and sedimentary strata	

2

**Access Road**  
**Km 10**  
**Blakeburn F.S. Road**  
**To COALMUNT 10 KMS**

GEOLOGICAL SURVEY BRANCH  
ASSESSMENT REPORT

26,953

Project Name: TULAMEEN COAL PROJECT  
 Plan Title: BOREHOLE SURVEY  
 Scale: 1 : 2500 Drawing No: 230798

LOCATION MAP &  
MAIN SEAM OUTCROP

Aug. 2/02  
 A.W. Beverford P.Eng.



## Roy Group Mineral Claims - Bentonite Analyses 2001/02

Representative samples from three of the main bentonite partings were taken at a depth of 10 metres from the original ground surface and along 100 metres of outcrop length .

The bentonite was mined by excavator to represent a typical mining situation and the sample material was placed in barrels and sent for analysis to Pacific Soil Analysis Inc. of Richmond.

Results of the samples show the bentonite to be a volcanic ash now altered to calcium Montmorillonite and Tridymite.

It is relatively pure with no sandy or silty impurities [ analyses attached ]

Western Industrial Clay Products Ltd of Kamloops have previously analysed smaller samples and get similar results as the recent bulk sample sent to Pacific Soil Analyses Inc.

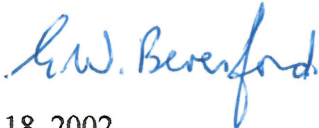
Western Industrial Clay Products Ltd requested a 5,000 to 8,000 tonne bulk test sample for processing through their Kamloops plant for blending and marketing as a cat litter and absorbent material product.

Bentonite would be excavated during the coal mining operation at the Tulameen [ Basin ] property and separately stockpiled for transportation to Kamloops.

The run of mine coal is washed in a dense medium plant and it is critical that as much bentonite as possible is removed in -pit and removed from the wash process .

Mining of coal and bentonite is scheduled for start up at the end of October 2002.

E,W,Beresford P.Eng.  
Mining Consultant



October 18, 2002



