STATUS PRESENTATION

QUINSAM COAL LTD.

November 4th, 1979

John Tribe,
Manager Quinsam Project

PRESENTATION BY
QUINSAM COAL LTD.

Date: November 5th, 1979
Time: 11:00 a.m.
Place: 1405 Douglas Victoria

A G E N D A

1. Resource Selection
2. Historical Review
3. Market Opportunity
4. Port Facility
5. Regulatory Process
6. Timing Constraints
7. Input on Project

RESOURCE SELECTION

In the very early stages of the relationship between Weldwood of Canada Limited and Luscar Ltd. an evaluation was made of all the potential coal resources under Weldwood's control. This block of land extends from Deep Bay in the south to Campbell Lake in the north and covers approximately 118,000 acres. This area includes all the known coal measures in this portion of Vancouver Island.

Based on the best available information, which included regional geologic mapping, old workings, drillholes and test adits; an evaluation was carried out to locate the site with the greatest potential for surface mining. The potential for underground mining is very real but the extreme geologic complexity and inherent high risk severely restricts the economic viability at this time. It is worthy of note that the evaluation done in 1976 is still valid even with some three years of additional work being done.

The total assessment area was divided into five sections for the purposes of comparison and the following table shows the results of the 1976 evaluation.

Coal Reserve Potential
By Type and Area
In Short Tons

(Here are primarily the indicated resource category - Cuscio)

Area	Underground	Strippable	Total
(red) Quinsam	134,091,396	70,196,544	204,287,940
(yellow) Campbell River	108,003,456	---	108,003,456
(green) Anderson Lake	32,171,040	8,952,768	41,123,808
(blue) Cumberland	335,213,208	17,565,472	352,778,680
(mauve) Tsable River	389,530,350	---	389,530,350
TOTAL	999,009,450	96,714,784	1,095,724,234

It is obvious from this comparison that the Quinsam reserves have the greatest potential for achieving an economically viable development, both in terms of surface mining and in terms of combined surface and future underground development.

Having made this very basic assessment the partners agreed to persue an initial development in the Quinsam area and further to use the knowledge and experience gained in the initial development to guide any future developments.

HISTORICAL REVIEW

Once the initial resource review and selection was completed a development plan was adopted and work on the project began. Naturally one of the first steps was to confirm the geological assessment with further drilling and to develop some basic mine plans around this information. Marketing assessments in 1977 showed potential sales opportunities for 1981 which put the project on an extremely tight schedule with respect to regulatory matters.

BC Hydro - not sufficient reserves at a cost of interest to BCH

However, it became increasingly apparent through spring and summer of 1978 that the combination of world economics and the energy surplus of the Pacific Northwest was providing a very difficult marketing problem for the Quinsam product. In October of 1978 it was decided to de-emphasize the project and to proceed only with marketing, environmental and regulatory matters.

In May of 1979 a potential customer was provided with both a site tour and a technical presentation of the Project. His evaluation and comparison with competative alternates encouraged him to proceed with negotiations. On October 24th, 1979 these proceedings culminated in a "letter of intent" from Elsam to purchase coal in 1983 from the proposed development.

- Elsam plants - no economic advantage in switching to coal from N.G.

MARKET OPPORTUNITY

Elsam is a Danish partnership of seven power producing plants. This partnership is responsible for the purchase of fuels for the generating plants, the construction of power stations and transmission lines as well as co-ordinating the financing of these projects.

The Elsam partnership was formed in 1956 in the interests of security, continuity and economy. Elsam is responsible for the power supply for about 54% of the Danish population and in 1977 had an installed capacity of 3,356 M.W. and has had a historic expansion rate of 9-10% annually.

Most of the generating plants of the Elsam group are dual fueled plants with a total annual (1977) fuel equivalent consumption of 2.5 to 3 million tons of heavy oil. The coal yards can hold stocks of up to one year's capacity based on maximum coal firing. (8-10 million tons)

Although Elsam is willing to pay a premium for our coal, based on surety of supply and political stability, there are obviously limits to this willingness. The one major concern is Quinsam's ability to load acceptably large vessels (i.e. Panamax). Our greatest advantage of tidewater proximity could easily be totally eroded by a punitive loading facility.

55,000 M.T. (?)
(Revenue up to 70,000 M.T.)

→ 12¼ million tons total.
- would accept an initial higher rate (1.2 million)

PORT FACILITY

The port facility both in terms of sizing and site selection is difficult and controversial. It has been the subject of several studies by Quinsam and others. In an effort to simplify the selection procedure for the purposes intended here, I have posed a battery of nine questions that have been given a simple "yes" or "no" response.

Preliminary Questions

	Discovery Point	Middle Point	Oyster Bay	Menzies Bay
1. Potential dock sites for Quinsam	Yes	Yes	Yes	Yes
2. Environmental compatability	Yes	Yes	No	Yes
3. Capable of handling 10,000 DWT barges	Yes	Yes	Yes	Yes
4. Capable of handling 35,000 DWT ships	Yes	Yes	Yes	Yes
5. Capable of handling 55,000 DWT ships	Yes	No	Yes	No
6. Capable of handling 100,000 DWT ships	No	No	Yes	No
7. Potential for present land use compatibility	Yes	Yes	No	Yes
"Yes" Sub Total	6	5	5	5
Project Specific Questions				
8. Within economic framework	Yes	No	No	No
9. Facilities meeting customers requirements	Yes	No	Yes	No
"Yes" Sub Total	2	0	1	0
TOTAL	8	5	6	5

Although this grossly simplifies the evaluation the conclusion that Discovery Point must be persued as loading site is inescapable.

REGULATORY PROCESS

Quinsam is now and has been following the regulatory procedures. We are currently in the final steps of Stage II under the "Guidelines for Coal Development". It is our intent to have this submission in government hands by the end of the year.

In review, Quinsam has completed the following regulatory steps:

1. Quinsam Coal Ltd. submitted its prospectus to the B.C. government on December 8th, 1977. This provided a general outline of the proposed exploration and mining programs.
2. The Stage I - Preliminary Assessment was submitted on January 26th, 1979 with the intent of outlining the potential development impacts and identifying alternative solutions to be explored.

As well, Quinsam is proceeding with the following work:

1. Stage II - Detailed Assessment is targeted for submission later this year or early in 1980. Its purpose will be to detail the development program, analyze the alternative mitigative measures and to state the preferred approach for each aspect of the development.

2. Stage III - Operational Plans and Approval Applications will be initiated during early 1980.

TIMING CONSTRAINTS

The marketing opportunity which Quinsam wishes to act upon carries with it some very definitive time constraints. The most important of which is the Dragline. In order to satisfy the customers requirements for coal in 1983, Quinsam will commit $1,700,000.00 in Dragline prepayments. The critical dates of this unit are shown below.

Mar. 1980	Firm contract for coal sales
Apr. 1980	Detail dragline specifications
May 1980	Receive bids for dragline
Jun. 1980	Place order and commence manufacturing
Aug. 1981	Prepare erection site
Oct. 1981	Commence erection
Nov. 1982	Commission (time) dragline
Apr. 1983	Dragline is operational

Another consideration involving approximately a $200,000.00 prepayment in 1980 and which has an even longer potential lead time, is obtaining electrical power. B.C. Hydro has informed Quinsam that they would require at least three years lead time to supply electric power. The lead time would commence after Quinsam has made a firm committment to take power.

The last major consideration is the negotiating element. Quinsam must begin immediately to negotiate the costs for land, road useage, port facility useage and lease payments to the Campbell River Indian Band.

INPUT ON THE PROJECT

Based on the preceeding information, it is evident that Quinsam must obtain every possible assurance that the project will be allowed to proceed. Further both Quinsam and Elsam need assurances that the economic viability of this project will not be eroded by emotional concerns.