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**HILLSBOROUGH RESOURCES LIMITED
QUINSAM COAL CORPORATION****HILLSBOROUGH RESOURCES ANNOUNCES AGREEMENT
FOR A COAL BED METHANE JOINT VENTURE****FOR IMMEDIATE RELEASE: July 3, 2002**

Hillsborough Resources Limited ("HLB"-TSE) is pleased to announce the finalization of an exploration and development joint venture agreement with Texas Canadian Ventures Inc. (TCV) of Lubbock, Texas for the purpose of evaluating the coal bed methane resource in Hillsborough's freehold and lease coal deposits located near Campbell River, British Columbia. This new agreement with TCV replaces the previously announced coal bed methane exploration agreement Hillsborough had concluded with a third party company. That company informed Hillsborough that it was unable to perform its obligations in accordance with the terms of the original agreement and, therefore, both parties agreed to terminate this prior arrangement.

In return for granting TCV the exclusive right to explore for and, if successful, to develop the coal bed methane resource in Hillsborough's coal deposits, TCV will grant to Hillsborough a 3/16 net wellhead royalty on all future gas production and also a 25% working interest in all future productive wells on the property. Hillsborough's 25% working interest will be fully carried for the first five wells, and thereafter Hillsborough will have the option of receiving a cash payment of (US) \$2.0 million or alternatively a 25% working interest in future methane development, for which Hillsborough's interest will be fully carried on the next (U.S.) \$8.0 million of expenditures. Subject to obtaining permits and title due diligence, it is the intent of the parties to commence drilling this year.

The successful development of a coal bed methane deposit incorporates numerous risks which are typically associated with the initial exploration for many types of mineral resources. These risk include, but may not be limited to, such things as uncertainty to title of the coal bed methane (this and other risks are discussed in detail in the Company's prospectus dated August 30, 2001), the ability to obtain all applicable permits, numerous technical and physical characteristics of the coal bed methane which would affect the recovery of the gas and the price received for the methane as that relates to its costs of recovery.

Mr. David Slater, President & CEO of Hillsborough, said that "Hillsborough is elated with the execution of this agreement. TCV brings considerable financial strength and extensive operational expertise to the joint venture having developed other coal bed methane deposits in the United States and Canada. With TCV's assistance Hillsborough should be able to fully exploit any commercial coal bed methane discoveries identified in its extensive coal holdings on Vancouver Island. Future successful development of this type of resource will provide a local energy source alleviating the energy deficit which currently exists on the island."



David Slater
President & Chief Executive Officer

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The Toronto Stock Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.

Private Placement and Discharge of Security

In May 2001 Hillsborough issued \$9,857,900 of special warrants at a price of \$0.95 per special warrant yielding net proceeds of \$9,315,715 of which \$4,488,350 was applied to retire the outstanding debt and security of Belkin Enterprises Ltd. An additional \$592,100 of special warrants at a price of \$0.95 per special warrant yielding net proceeds of \$559,533 was issued on June 5, 2001.

BUSINESS OF THE COMPANY

Business of Hillsborough

The principal business of the Company is the production of high quality, super compliant (low sulphur) steam coal. Compliant coal and low-sulphur coal are coals which, when burned, emit 1.2 pounds or less and 1.6 pounds or less of sulphur dioxide per million BTUs, respectively. Compliant coal requires no mixing with other coals or use of sulphur dioxide reduction technologies.

Hillsborough conducts this business through its ownership interest in Quinsam, which owns the Quinsam Mine, and the exploration rights in connection with the T'Sable River Property through its ownership of T'Sable River. The Company's principal long term customer contracts are with two cement manufacturers on the Pacific Northwest seaboard, of which approximately 40% is supplied to a US customer and the remaining 60% is supplied to a Canadian customer. These two contracts represent approximately 80% of Quinsam's total output, and the remaining output is currently purchased on a shipment by shipment basis at a price that historically has exceeded spot market prices by a US-based electrical power utility.

Business Strategy

Hillsborough's core competency is the sale and delivery of barge loads of thermal coal directly to customers located on the Pacific Northwest seaboard. However, from time to time, opportunities arise to take advantage of spikes in the world spot market for thermal coal, but to do so requires access to substantial amounts of working capital to finance the build-up of coal inventories. Typically, export shipments are in Panamax vessels having an average capacity of 60,000 metric tonnes, whereas, by comparison, an average barge size would be approximately 5,500 metric tonnes. Part of the use of proceeds, therefore, will be assigned to present and future working capital needs of the type described above.

As well, since coal is not a renewable resource, coal mining organizations, to ensure their survival, must constantly be exploring for new resources. In some cases this can be by way of acquisition, but generally expansion of the underlying resource comes from exploration. One such resource which has been explored but now needs to be fully tested is the company's T'Sable River Coal resource. Extensive drilling and seismic work has been performed in the past, and it is now necessary to complete the T'Sable River Bulk Sample of approximately 90,000 metric tonnes. The T'Sable River Bulk Sample will determine the efficacy and economic viability of the resource. Part of the proceeds of the private placement will be used to finance this bulk sampling. See "Use of Proceeds" and "T'Sable River Coal Exploration".

Further drilling is also required in order to expand the existing Quinsam operation and a small amount of the proceeds has been allocated to this area.

Hillsborough's strategy for the future, in addition to coal mining, is the development of electrical power generation at its various coal sites. The intention is, wherever possible, to do this in association with companies which have proven expertise in this area. Hillsborough anticipates that feasibility studies would be undertaken to assess the viability of such projects.

Finally, the exploration for and development of coal bed methane within Hillsborough's coal beds on Vancouver Island is an objective which would require an undetermined amount of capital. The legal status of methane reserves remains uncertain, but Hillsborough's position as owner/controller of the coal bed puts it in a strong position. It is the Company's objective to involve strong strategic partners in the exploration for and development of this resource.

Hillsborough entered into an interim agreement with a third party whereby the third party will explore the coal bed methane opportunities contained within the coal leases controlled by Quinsam. The interim agreement calls for the payment of US\$2.5 million, of which US\$2.0 million represents a signing bonus payment with the balance of US\$500,000 to be utilized as Hillsborough's initial capital contribution towards a 25 percent working interest in the project. The interim agreement is subject to a 60-day due diligence period with a US\$100,000 break-up fee to Hillsborough in the event a final agreement is not concluded within that period. However, if it is determined that Hillsborough has no rights to the coal bed methane, then the full US\$2.5 million is refundable. Should the parties proceed to a definitive agreement to explore for coal bed methane, the following conditions would apply: (i) Hillsborough would be entitled to a 3/16 royalty of gross project revenues; and (ii) subject to T'Sable River Coal Corporation controlling acreage to the south of Oyster River under the Weldwood Agreement, the third party would be granted a right of first refusal with respect to coal bed methane rights, if any, on that property.

Financial Information Relating to Products and Services

	FOR THE YEARS ENDED DECEMBER 31		
	2000	1999	1998
Coal sales to third party Customers:	\$10,832,707	\$14,855,336	\$29,687,244

	FOR THE 6 MONTHS ENDED JUNE 30	
	2001	2000
Coal sales to third party Customers:	\$7,708,003	\$5,523,628

Operations

Quinsam Mine

General

The Quinsam Mine produces a high volatile coal well suited for thermal power generation, industrial boilers and for cement manufacturing applications. The coal is relatively hard which ensures that it consistently contains a low fines content, thereby resulting in minimal handling problems and low dust losses.

The Company engages in room and pillar mining using continuous miners. Main airways and transportation entries are excavated and remote-controlled continuous miners extract coal from so-called rooms, leaving pillars to support the roof, by removing coal from the seam. Shuttle cars are used to transport coal to the conveyor belt for transport to the surface. This method is often used to mine smaller coal blocks or thin seams, and seam recovery is typically approximately 60%. Productivity for continuous mining averages 6 raw tons per manshift.

Once the raw coal is mined, it is crushed, sized and washed in preparation plants where the product consistency and heat content are improved. This process involves crushing the coal to the required size, removing impurities and, where necessary, blending with other coal to match customer specification. Other factors that influence coal costs are geological characteristics such as seam thickness, transportation costs, coal quality characteristics such as heat value, ash, moisture and sulphur content.

Description, Ownership and Access

The Quinsam Mine is located 27 kilometres southwest of the town of Campbell River on Vancouver Island, British Columbia. The mine site is accessed by the Argonaut Road, a Forest Service road approximately five and one-half kilometres long, and the Quinsam Mine road approximately one and one-half kilometres long, connecting with Highway 28. Quinsam holds over 17,000 hectares of subsurface coal rights north of the Oyster River. Of the total subsurface rights held, approximately 14,300 hectares are owned outright as freehold and the remaining 2,800 hectares are held as Crown coal licenses under the *Coal Act* (British Columbia). The freehold subsurface rights were acquired pursuant to an agreement (the "Weldwood Agreement") dated May 1, 1987 between Weldwood of Canada Limited and Old Quinsam. Most of the surface area of the land required for the operation of the Quinsam Mine is beneficially owned by Quinsam.

All of the surface area of the land required for the operation of the Quinsam Mine (approximately 370 acres), is beneficially owned by Quinsam. This land, which was purchased outright from Timber West, is more than sufficient for existing and planned future operations of the Quinsam coal mine.

Electrical power is available at Quinsam from BC Hydro at industrial rates. There is sufficient availability of power to allow for a tripling of Quinsam's present operation.

Water is available at Quinsam for mining operations. The tailings storage area at Quinsam is reaching a critical stage at which a decision will soon have to be made to construct another tailings dam. Engineering and permitting is in place for this dam, but the company would prefer not to have to spend the capital involved. Accordingly, together with a shareholder, exploratory discussions are underway for the development of a small electrical generation facility at Quinsam designed to burn these tailings (which consist of about 50% coal) over a period of time such that the need for a second tailings dam will never arise.

Quinsam has filed a 15 year mine and reclamation plan dated October 13, 1994 with the British Columbia Ministry of Energy, Mines and Petroleum Resources.

Profits from the Quinsam Mine are subject to a net profits interest of 25%, in favour of Weldwood of Canada Limited, payable only after preproduction costs plus interest have been recovered by Quinsam from net revenue from operations. Net revenue from operations is calculated as gross revenues less operating costs, ongoing capital costs, allocated overhead, mining taxes and government royalties. At March 31, 2000, the total balance of unrecovered cost and interest was \$111.9 million.

Geology and Reserves

Quinsam mines and processes coal from the mine site located near Middle Quinsam Lake approximately 27 km southwest of Campbell River. The mine site contains a total of four coal seams, two of which are economic to mine by underground methods. The lowest seam, called the No. 1 Seam, averages 2.5-3.0 metres of coal thickness in the underground mining areas. The No. 3 Seam is located approximately 60 metres above the No. 1 Seam and consists of an average 2.5 metre coal thickness.

No. 1 Seam is the lowest and is mined in the areas known as 2 North, 3 North and 1 and 2 South. No. 3 Seam will be mined in areas 4 South, 6 South, 7 South and part of 6 South. The 5 South mine will mine No. 1 Seam underneath part of the 6 South mine.

The coal deposits at the Quinsam Mine occur in the Comox Formation of the Late Cretaceous period. This formation rests unconformably on the basement rocks of the Triassic Karmutsen basalts and the Jurassic Vancouver Group (granitic rocks).

The strata consists of the coal, some soft clays, mudstones, siltstones and sandstones of varying coarseness. In some places the coal is interbanded with mudstones or siltstones. Glacial till is commonly two to five metres thick, but can be as much as 45 metres in zones of structural weakness.

Quinsam has a continuing program of exploration and development drilling. The exploration work consists of seismic testing, rotary drilling and coring, with downhole geophysical logging. Core samples of the coal seams are sent to an outside laboratory for analytical testwork to determine coal quality. This quality analysis assists in developing mine plans and production schedules geared toward the blending of specific raw coal feeds to the coal preparation plant in order to meet individual customer requirements. Descriptions of the core of the roof rock and the coal itself aids in determining the structural conditions that may affect mining production.

The in-situ reserves calculated by Hillsborough as of June 30, 2001 are set out in the following chart.

QUINSAM COAL CORPORATION – QUINSAM MINE
IN-SITU RESERVES as of JUNE 30, 2001
Millions tonnes

Mine Area	Measured (Proven)	Indicated (Probable)	(Proven & Probable)
2 North	3.467	1.786	5.253
3 North	5.533	2.177	7.710
4 South, 242	7.899	2.434	10.333
7 South	3.490	1.390	4.880
5 South	1.529	0.346	1.875
6 South	2.037	0.302	2.339
Total Quinsam	23.955	8.435	32.390

Production Reconciliation

From January 1, 2000 to June 30, 2001, mining operations were carried on primarily in the reserve block of the Quinsam mine site known as 3 North.

The decrease in situ reserves from January 1, 2000 to June 30, 2001 reflects the amount of raw coal that was mined in that period in 3 North, being approximately 550,000 tonnes of raw coal.

Raw coal is produced from the underground mining operations at the 3 North site is delivered to the coal preparation plant via a conveyer system underground. At the preparation plant, the coal is washed to remove ash. In the process of cleaning the coal, rock, inorganic sulphur and other contaminants are removed from the raw coal. The amount of clean coal produced is therefore less than the amount of raw coal which entered the coal preparation plant. The clean coal yield (clean coal tonnage/raw coal tonnage) at sales contract specifications, has been an average of 71.6% during the 2000 production year.

Exploration and Development

During the last two completed fiscal years the Company has not incurred any expenditures on exploration and development

Coal Transportation and Ship Loading

Currently the annual coal production is sold to cement plants in the greater Vancouver area, British Columbia and the Pacific Northwest. No export sales occurred during the year ended December 31, 2000.

The transportation and storage system for export sales involves:

- Contract or owner-operated "B-train" 42 tonne capacity truck/trailer units transporting coal from the mine to Middle Point Terminal, located 8 km north of Campbell River, on a regular 5 day per week basis.
- An efficient coal receiving, reclaiming and barge loading system at the Middle Point Terminal.
- One contract tug towing a 6,000 tonne barge making a complete round trip cycle from the Middle Point Terminal to Texada Island and back in 40 hours.
- Loading at Texada Island.

The domestic coal sales and the United States sales are barged directly to the customer from Middlepoint Terminal in Campbell River, British Columbia.

Environmental and Reclamation Control

Quinsam is active in maintaining compliance with environmental requirements and undertaking its reclamation program, and employs a full-time environmental officer to oversee that aspect of its operations. The operations at the Quinsam Mine are governed by four environmental permits. Three of the permits are British Columbia Provincial Waste Management Branch permits. Two of the three Waste Management permits govern water quality discharge (the "Water Permits") and the other governs refuse disposal (the "Refuse Permit"). The fourth permit is issued by the British Columbia Ministry of Energy, Mines and Petroleum Resources and governs reclamation (the "Reclamation Permit"). A formal annual review committee (the "Environmental Technical Review Committee") comprised of representatives of the appropriate regulatory agencies (Federal, Provincial and Regional) meets annually to examine data, to review trends, to discuss concerns and to plan necessary changes to the environmental systems, the programs and the processes employed by the Quinsam Mine.

Since the inception and implementation of the environmental and reclamation programs, there have been no instances of major noncompliances, and no fines, warnings or penalties. All reports have been submitted as and when required and have been accepted, analyzed and reviewed by the Environmental Technical Review Committee, which has published statements through the media to the public as required by regulation. All assessments by this Committee have been favourable. Quinsam has a \$900,000 bond in place with the Province of British Columbia to ensure compliance with these environmental and reclamation requirements. The annual costs of reclamation and monitoring are estimated to be approximately \$200,000 per year and the estimated cost of reclamation and restoration at the end of the Quinsam Mine's life is \$300,000.

Sales and Marketing

The Quinsam Mine's proximity to tidewater makes industrial coal consumers on the west coast of North America as well as electrical utilities, steel mills and cement plants on the Pacific Northwest seaboard, the principal potential markets for coal produced from the Quinsam Mine.

Quinsam uses Marubeni as its exclusive agent to promote the sale of Quinsam coal in Japan, Korea and certain other Asia Pacific countries. See "Relationship with Marubeni Corporation". Quinsam supplies coal to utilities and industrial companies in Japan, the United States and Chile. Quinsam's domestic sales were principally to an industrial customer in British Columbia.

All off-shore contracts, including long-term contracts, provide for annual price re-negotiations based on fluctuations in the bench-mark price.

T'Sable River Coal Exploration

In July, 2001, Hillsborough retained Gardner Exploration Consultants Ltd. ("Gardex") to prepare a report on the T'Sable River Property, Vancouver Island, British Columbia. The report has been prepared in accordance with NI 43-101 and Mr. Stephen L Gardner, P. Geo. is the designated consultant and qualified person on the project as defined in NI 43-101. The following information was taken from the Gardex report dated July 31, 2001

Property Description and Location

In December 1996, Hillsborough established T'Sable River Coal Corporation ("T'Sable River"), for the purpose of pursuing the exploration and development of the T'Sable River Property (the "Property"). The Property is located approximately 27 km south of the city of Courtenay, British Columbia about mid-way up the east coast of Vancouver Island.

T'Sable River is a wholly owned subsidiary of the Company and has the right to explore the Property pursuant to an exploration agreement (the "Weldwood Agreement") between Weldwood and HRL Coal, as amended. The coal rights to the Property (the "T'Sable River Coal Rights") are part of 35,900 hectares of subsurface rights subject to the Weldwood Agreement (the "South Block Coal Rights"). The South Block Coal Rights consist of approximately 1,480 hectares held by Weldwood as Crown coal licences under the *Coal Act* (British Columbia), with the balance being owned by Weldwood as freehold subsurface rights.

Pursuant to an Asset Purchase Agreement dated as of December 5, 1996, Quinsam transferred to T'Sable River all of its right, title and interest in and obligations and liabilities under the Weldwood Agreement in exchange for the issuance to Quinsam of 1,905,981 preference shares in the capital of T'Sable River.

Pursuant to the Weldwood Agreement, T'Sable River has an option to acquire the South Block Coal Rights including the T'Sable River Coal Rights from Weldwood. If, during the term of the option, T'Sable River, in its sole discretion, is of the opinion that the South Block Coal Rights, or any part of them, including the T'Sable River Coal Rights, are ready to be placed into commercial production, T'Sable River may give notice to Weldwood to that effect and, upon receipt of such notice, Weldwood is required to assign and transfer the South Block Coal Rights to T'Sable River subject to a 5% gross royalty in favour of Weldwood.

Pursuant to a road use agreement with Weyerhaeuser Canada Ltd., T'Sable River has the right to use 7.5 Km of logging road to access the Property and to haul the product out.

The present area of interest on the Property comprises the southernmost extent of the Weldwood T'Sable River Coal Rights package. This block of freehold coal rights covers over 20,000 hectares and extends from