

→ Bingay
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Normally, we would consider the Five Cabin property to be too early stage to attribute significant value. However, the probable entry of Anglo American as a joint venture partner, as announced on October 5, 2005, does set the property apart. Final details are still to be released, but the ability to substantially finance the project off Anglo American's balance sheet rather than through 100% equity or debt issue should ultimately add substantial value for Hillsborough Resources shareholders.

As an order-of-magnitude comparison, NEMI has estimated an after-tax NPV₁₀ of \$49 million at the nearby Trend Full Mine for a 2 mtpa operation and initial CAPEX of about \$50 million, based on (in our view) more than reasonable assumptions. Some Trend Small Mine costs are treated as sunk costs, so a stand-alone NPV₁₀ would probably be closer to \$30 million. Assuming for illustration that: 1) an initial 2mtpa at the Horizon deposit of Five Cabin also generated NPV₁₀ of about \$30 million, 2) Hillsborough's cost of its share of development capital was 10%, this could translate to up to \$0.60 per share, depending upon whether or not the company needed to issue new equity. At this stage, we are assuming a \$0.50 per share value in our NPV₁₀, pending an announcement of final joint venture details.

ii) Quinsam expansion

Early indications are that the summer 2005 drilling program could result in an expansion of the reserve base large enough to support a scaling-up of operations. At this stage, we have made no allowance for increased production in our modelling, but we expect the company to have a better understanding of the potential by the end of 2006.

iii) Bingay Creek

Bingay Creek is located in the Elk Valley region of southeast British Columbia, and has a measured and indicated resource of 15.5 million tonnes, in-place. An NI 43-101 compliant Geological Report was prepared in May 2005 by Westwater Mining Limited, following a 2004 and 2005 drilling programs of 14 drill holes, which brought total site drilling to 23 drill holes totaling 3,962 metres.

The Bingay Creek coal property contains at least 31 correlatable coal beds ranging in thickness from 0.3-16.2 metres, with cumulative thickness 62.6 metres over a stratigraphic interval of 460 metres. Geology type is "complex." The 16 major coal beds having thickness greater than 1 metre are included in the resource base. The coal is of medium to high volatiles. The Geological Report notes an air-dried ash range of 4-14%, and an FSI range of 2.5-8.5, but that the product mix is likely to be hard and soft coking coals, and PCI, such that we would expect a large portion of the coal to be priced at a significant discount to Fording Coal's standard coking coal product. Further, yields of as low as 28% from some parts of the deposit may result in relatively high operating costs. It is still too early-stage to make reasonable estimates of likely stripping ratio.