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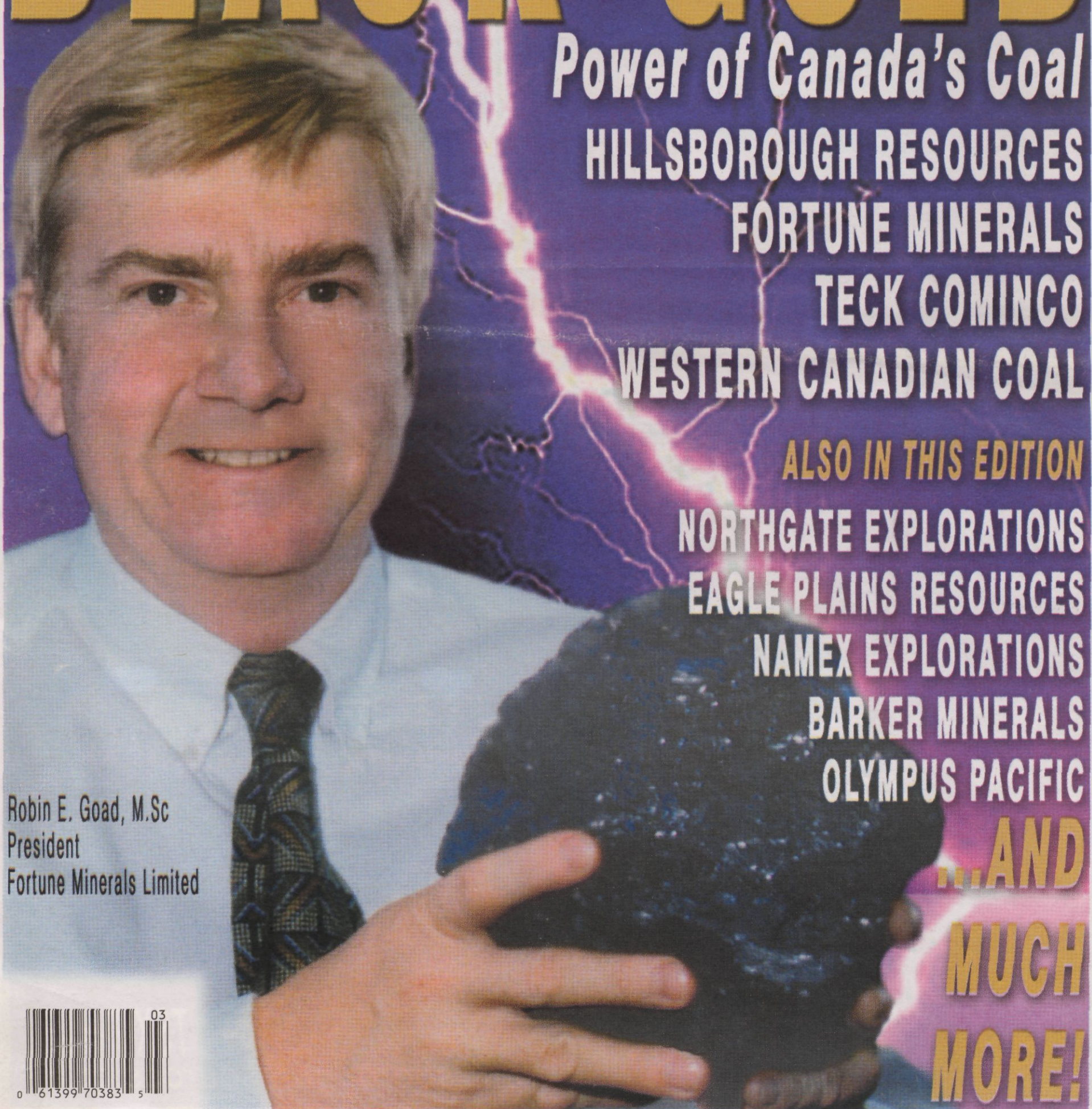
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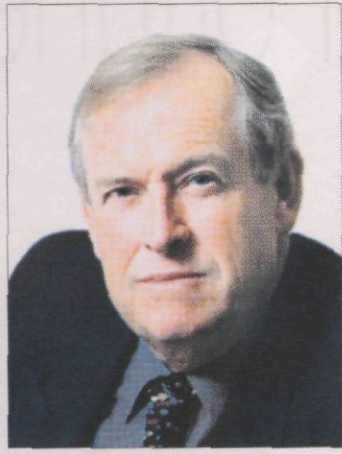
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Fortune Minerals Ltd.

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Western Canadian Coal

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"By encouraging Independent Power Producers, we can secure our power needs for the future. It is my firm belief that only through working together constructively can we build a better BC Hydro and usher in a New Era of hope and opportunity for British Columbia."

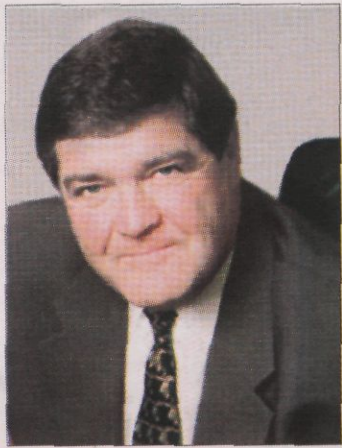
--- Gordon Campbell, March 2001.

"We firmly believe that the private sector should be out there developing the new energy source that is required...they should also be allowed to generate power so they can sell it into the grid to whomever they want to. We want to open up this market."

--- Richard Neufeld, Minister of Energy and Mines

"Over 95% of British Columbia's total hydrocarbon reserves are in coal. Other Canadian provinces and US states generate much of their electricity with coal. With all these facts, I do not believe that we can justify sterilizing British Columbia's most abundant source of energy."

--- Bill Bennett, MLA East Kootenay, British Columbia



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Northgate Exploration Ltd.

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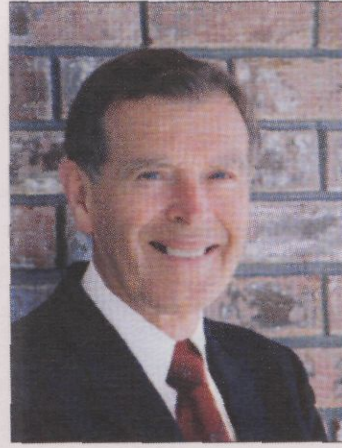
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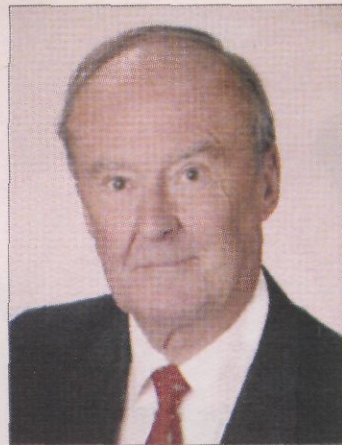
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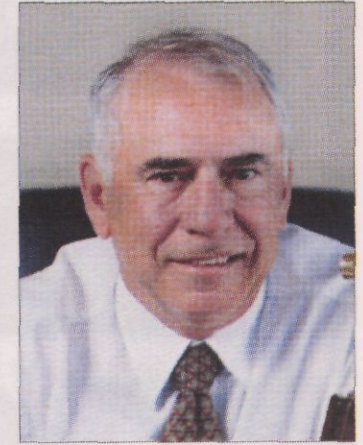
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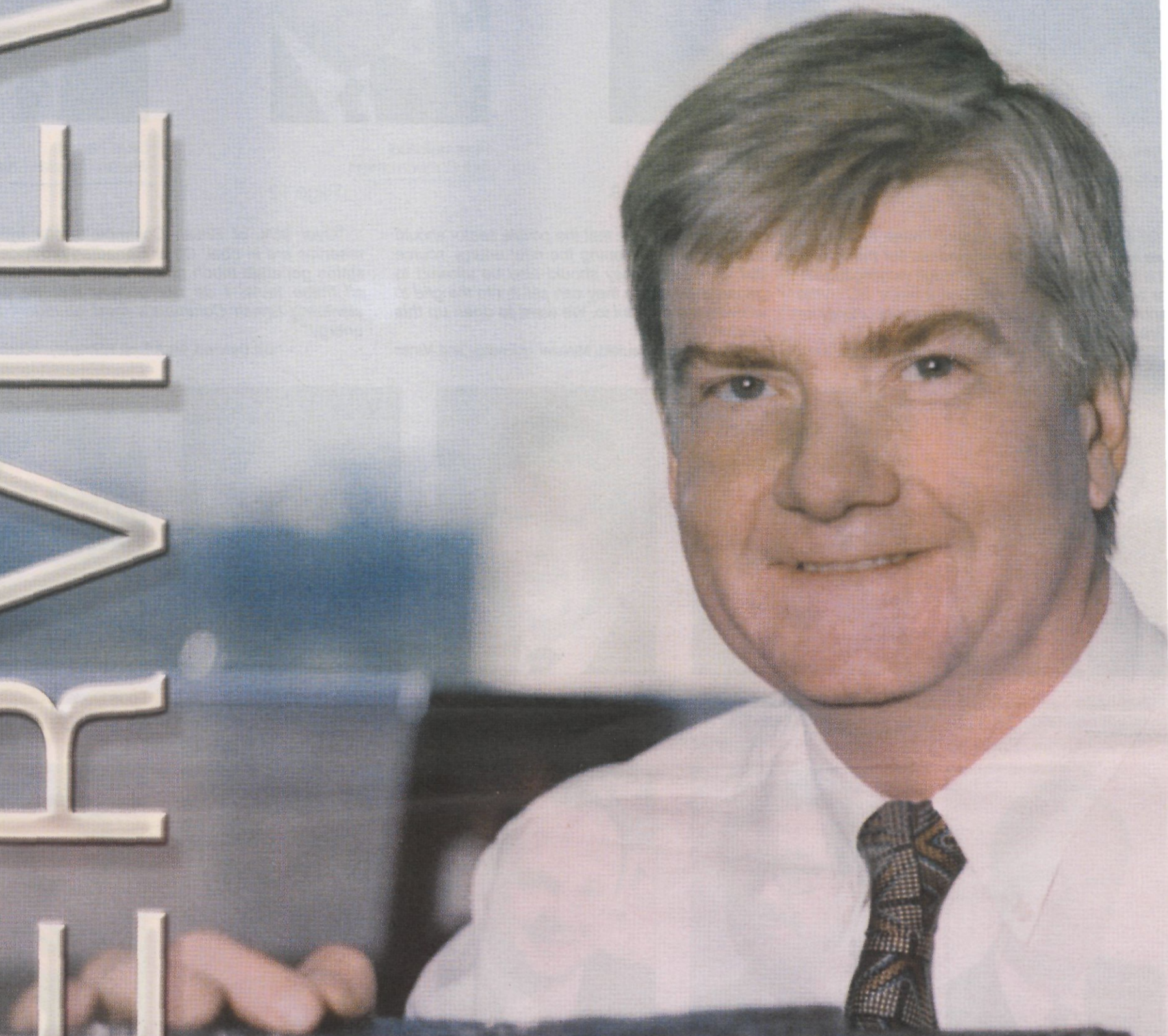
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Fortune Minerals

INTERVIEW



Robin E. Goad, M.Sc
President & CEO
Fortune Minerals Limited

Mar '03

FORTUNES IN CANADA'S COAL

FUELS SUCCESS FOR FORTUNE MINERALS

Canadian Miner

Portrait Photography by Chris Bannister

Every so often, a company makes an acquisition that its status within the industry. Fortune Minerals president and CEO Robin Goad believes his firm has achieved one of these rare corporate coups.

Fortune recently concluded a deal with Conoco Canada Resources Limited, a subsidiary of Conoco Inc. NYSE-COC, to acquire the Mount Klappan anthracite coal deposits located 150 km northeast of Stewart, British Columbia. The deal gives Fortune 100% control of the only proven anthracite deposits in Canada. If, as sole owner, they succeed in developing the project toward full production they will join the ranks of major Canadian mining companies.

According to Goad, concluding the deal was particularly satisfying because it was the culmination of a long campaign. "We've been trying to acquire this project for several years," says Goad, "and we've been aggressively trying to purchase it for a year and a half. It wasn't a project that was advertised for sale, we solicited the purchase. I can't comment about competition, however, I understand there was some, however, Conoco must have felt that we were the appropriate company to deal with."

Under the terms of the agreement, Fortune acquired the Mount Klappan Coal Holding Lease and a technical database by paying Conoco \$3 million, reimbursing it for the remaining pro rata part of the annual lease rental, and replacing a \$210,000 reclamation bond for roads constructed at the site.

It seems that when the market was waiting for the price of gold to go up, or the next kimberlite find to be announced. **Fortune Minerals had lucked out by recognizing the energy potential of Canada's black gold.**

Mount Klappan is a world-class coal district with some 260 million tonnes of identified resources and up to another 2.544 billion tonnes inferred from four deposits. In 1991, reserves in the Lost Fox deposit alone were calculated at 51.46 million tonnes of high quality anthracite.

Anthracite is the highest quality coal with the highest energy, and carbon content as well as the lowest volatility of all coals. It is also relatively uncommon, representing about 1% of world coal reserves.

According to Robin Goad, "the coal at Mount Klappan contains up to 87% pure carbon, has low sulfur content, about 0.6%, very low volatiles and an energy content up to 7400 Kcal/Kg. It also has a very wide variety of market applications and commands a premium price."

Some of these markets include water filtration, home heating, where it's valuable for its low sulfur content. The low volatility component also makes it safe for home storage. In industrial applications it is used as a reductant for processing high tech metals like titanium. The steel industry uses the product to fire highly efficient, low polluting arc furnaces. Due to the high carbon content it is an essential raw material for high tech materials such as carbon composites.

Mr. Goad points out that each of these uses requires a different grade of material, from the fine powder needed for power generation and steel making, to the evenly sized grains necessary for water purification. Mount Klappan will produce a variety of grades to meet market demands.

While more common types of coal sell for around US \$30 to US \$60 per tonne, the top grades of anthracite can cost over US \$200 per tonne. Even the lowest grade at Mt Klappan, which Fortune plans to sell into the energy market, is a premium product. Coal-fired plants supply some 37% of the world's electricity, with the big market being the U.S., where its ultra-low sulfur content makes it a premium commodity.

Though the energy market is just one of several Fortune Minerals has identified, it is one the company looked at carefully before closing the deal. It's also one of particular interest to British Columbia, and is rapidly gaining the attention of British Columbia's Ministry of Energy and Mines. To use a quote from Minister Richard Neufeld's article in this edition.

"We firmly believe that the private sector should be out there developing the new energy source that is required in British Columbia. They should also be allowed to generate power so they can sell it into



the grid to whomever they want to. We want to open up this market."

Goad points out that even the byproducts derived from processing the coal are valuable, "Some material produced as a byproduct of processing of the premium products we will produce is ideally suited for thermal electricity generation."

He enthuses, "We know there is an energy shortage in British Columbia and particularly in northwest British Columbia. There are communities in the area currently generating electricity using diesel generators and there are mines in the area using diesel generation. There are also several proposed new mines which, if developed, would require additional energy in the area as well."

If and when they come on stream, these new mines would consume large amounts of power and using diesel to generate power is expensive, both in terms of dollars and of potential environmental harm, as well as possible fuel spills and emissions.

"The previous owner of the property, Gulf Canada, did a test burn in a circulating fluidized

bed combustor, the state-of-the-art burners used in modern coal-fired power plants. The coal met all the standards for British Columbia with respect to sulfur dioxide, nitrous oxide and carbon monoxide, as well as trace element emissions. We met all existing emission standards but I understand there is talk of relaxing those standards. If that happens, fine. If it doesn't, we meet them anyway," says Goad.

The low sulfur content of Mt Klappan coal makes it very valuable in the United States energy market. Experts speculate that last year's power shortages in California may become endemic for many other parts of North America as energy demand continues to outstrip supply. The United States, especially, has embarked on a crash power plant construction program with a large number of the new plants expected to be coal fired.

As Goad has pointed out, anthracite is the best coal to use as an energy source. There are several anthracite beds in the US, especially in Pennsylvania. However, those deposits have been exploited for many years and much of the best

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coal is now either depleted or inaccessible.

A great deal of work went in the acquisition of Mt Klappan involving of a complex series of transactions. For Mr. Goad reflects on Mt Klappan's convoluted history.

"This project was initially acquired by Gulf in

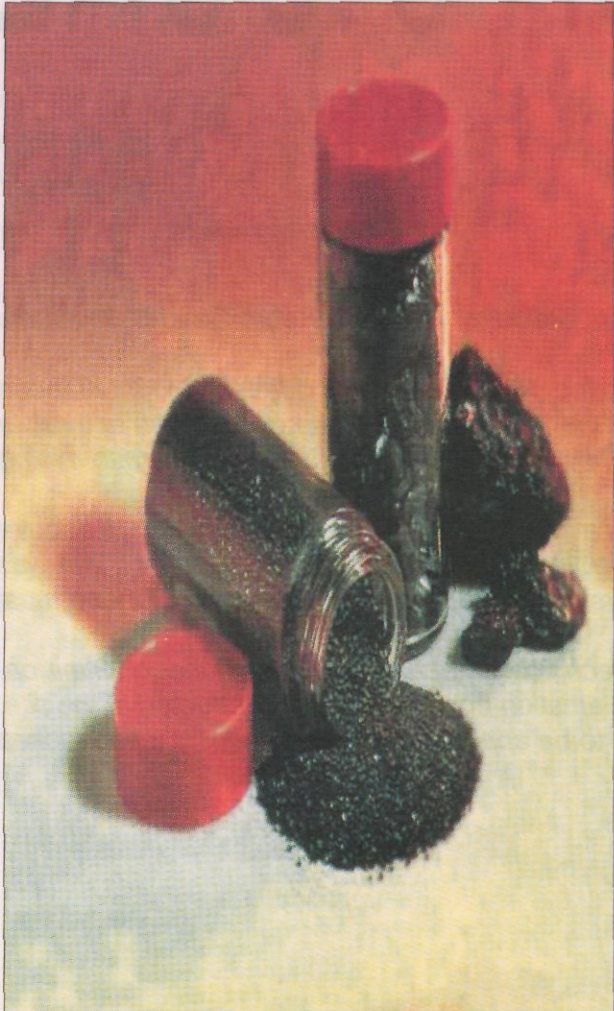


Photo courtesy of Fortune Minerals

1981. Gulf was the Canadian subsidiary of Gulf Oil in the US and when Gulf Oil was taken over, Gulf Canada was sold, to as partial payment for that transaction. Initially it was part Reichman's, Olympia & York development empire. Gulf went through various corporate reorganizations following the demise of Olympia & York and I think that has some bearing on why it became kind of a forgotten asset."

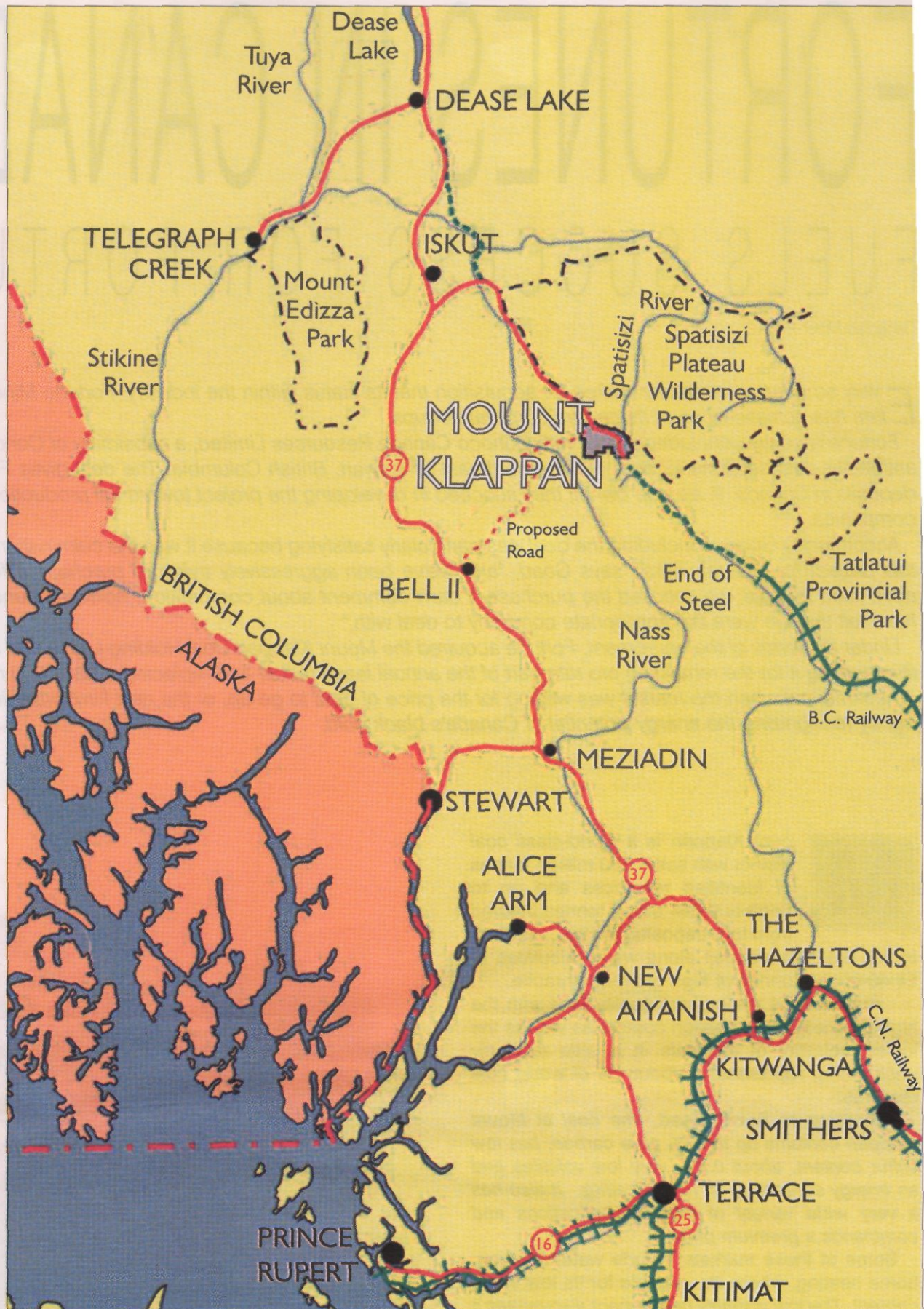
Conoco acquired the coalfield when it took over Gulf Canada Resources Ltd. last year. In assessing the assets before acquiring Gulf, Conoco decided Mount Klappan didn't fit into their development plan. Fortune, armed with knowledge of the project and its potential, was quick to react, and the rest, as they say, is history. The deal Fortune negotiated is all the more remarkable considering it has essentially acquired a property where much of the necessary preliminary work has been done. Gulf Canada spent significant amounts on exploration and assessing the resource during its ownership.

"I'm not at liberty to disclose much concerning their work, but it included delineating and evaluating the resource with drilling and trenching, as well as conducting engineering and marketing studies. The environment studies, including stage two environmental assessments have also been done." Goad continues.

"The most significant event in the exploration program was a 200,000 tonne bulk sample collected in 1985 and 1986, from which 100,000 tonnes of finished coal products were produced in a pilot plant constructed at the site. Those materials were shipped through the port of Stewart to select customers in Europe and North America."

According to Goad, the Mount Klappan deal is Fortune's first foray into British Columbia. In the past, most of its activities have been in the Northwest Territories, where it has two deposits, Nico, a cobalt, gold and bismuth project, and the Sue-Dianne copper silver deposit. It also has an interest in a high-quality, calcium-rich limestone deposit in southwest Ontario, where it expects production permits will be granted within a matter of months.

Goad describes Fortune as "a diversified company with diverse exposure to various commodities, including coal, specialty, base and precious metals, including gold, diamonds and industrial minerals". He points out that this



diversification tends to buck a recent trend for companies to specialize in individual commodities but points to Teck Cominco as one company that managed to thrive on a diversified mix of projects.

"Our view is that we pick up quality assets when they can be obtained at the right price. We don't chase something just because it's trendy. For instance, right now gold is certainly the metal of the day but we will get a good asset when we can and not necessarily chase after something because the market place is looking for that particular commodity."

As for the immediate future, Fortune plans to move Mount Klappan into production. Goad estimates it will cost between \$100 million and \$200 million to get the operation up and running. When asked about possible development partners to share the burden, he becomes a little coy and replies: "between the Company and its larger shareholders there are greater financial resources than might otherwise be apparent from our balance sheet."

The company is convinced of the value of Mount Klappan and completed purchase of the property even though it put a \$3,114,116 dent in their cash resources in the third quarter of 2002. This was offset a \$1,223,043 private placement and exercise options giving them a balance sheet with \$752,063 cash equivalents \$700,000 in short term investments and \$1,546,945 in working capital.

Their balance sheet got a further boost with the gold price, which increased the internal rate of

return on the NICO gold-cobalt-bismuth project to 31.62% and a net present value of C\$60.89 million.

High return, export oriented projects such as Mount Klappan are exactly the quality projects that British Columbia's freshman Liberal Government is anxious to promote for the province. However even with the Liberals enthusiasm for the project the process will take time.

Goad says if everything proceeds without a hitch, the first commercial loads should be delivered to the port of Stewart towards the end of 2005. That's welcome news to an area that has seen difficult economic times for more than a decade.

At the moment Fortune's plans are focussed on advancing the project toward mine development and bringing it into production. Goad admits there is a possibility of a joint venture if the right offer comes along, "ultimately, I guess, everything is for sale", but he stresses Fortune's commitment to bringing the resource on line. He emphasizes, the Company intends to press ahead toward development and continue operating the project for the foreseeable future.

Initially, Mr. Goad says Fortune Minerals will concentrate on updating the several feasibility studies done on the project. At the same time, it will identify, define and pursue new markets for its anticipated products.

British Columbia is fortunate with Fortune Minerals entering its economic scene, especially given their commitment to both the environment and employment issues.

