

TOS → Klappan

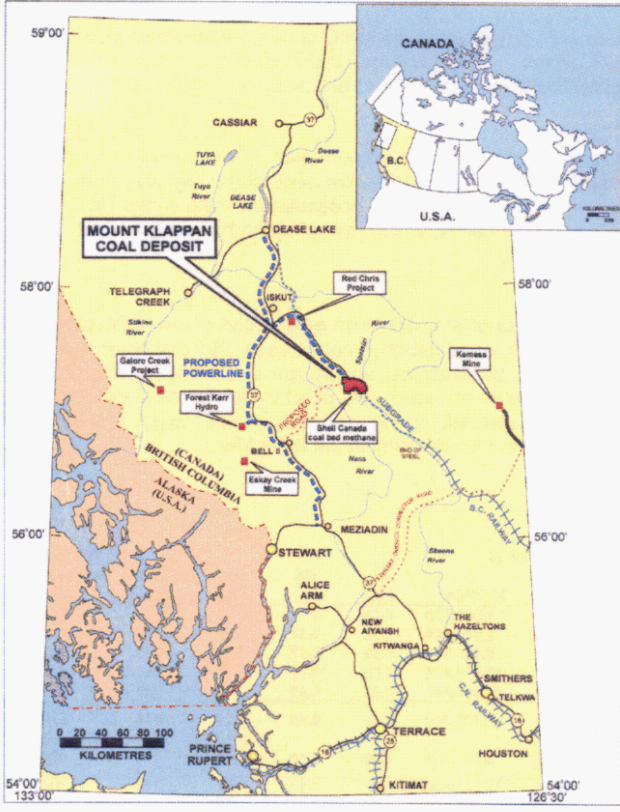


# The Mount Klappan Coal Project

## British Columbia, Canada

885527

PDAE '05



### INTRODUCTION

Fortune Minerals Limited owns a 100% interest in the Mount Klappan anthracite coal project in the Skeena area of northwest British Columbia, Canada. The project was purchased from a Canadian subsidiary of ConocoPhillips in 2002 following the takeover of Gulf Canada Resources Limited.

### LOCATION AND ACCESS

The Mount Klappan Coal Holding Lease consists of 150km<sup>2</sup> (15,094 ha) straddling the BC Rail right-of-way, 150km northeast of the port of Stewart and 330km northeast of the port of Prince Rupert. The railway sub-grade provides road access to the site from Highway 37. Track has been installed along the railway right-of-way to within 70km south of the property.

### HISTORY

The initial Mount Klappan exploration licenses were acquired by Gulf Canada Properties Limited in 1981. Gulf carried out extensive exploration on the property toward its development. Work included geology, rotary and core drilling, trenching, the driving of two exploratory adits, plus engineering, marketing, environmental and feasibility studies. A 200,000 tonne bulk sample was mined and processed in a pilot plant at the site and 100,000 tonnes of anthracite products shipped to select customers in North America, Asia and Europe.

TABLE 1 MOUNT KLAPPAN COAL RESOURCES

Area	Mineral Resource Category (millions of tonnes)					
	Measure	Indicated	Demonstrated	Inferred	Speculative	Total
Lost-Fox	107.9	109.5	217.4	91.5	749.6	1,058.5
Hobbit-Broatch	-	13.5	13.5	258.4	753.0	1,024.9
Summit	-	-	-	9.6	508.9	518.5
Nass	-	-	-	-	201.5	201.5
<b>Total</b>	<b>107.9</b>	<b>123.0</b>	<b>230.9</b>	<b>359.5</b>	<b>2,213.0</b>	<b>2,803.4</b>

### TOTAL RESOURCES IN ALL CLASSES - 2.8 BILLION TONNES

Note: Demonstrated Resources are the sum of the Measured and Indicated Resources

TABLE 2 MINING RESERVES FOR THE LOST-FOX DEPOSIT

Lost-Fox Deposit	Mining Reserve Category (millions of tonnes)		
	Proven	Probable	Total
	40.51	10.95	51.46

### FEASIBILITY STUDIES & PERMITTING

Marston Canada Ltd. is preparing an updated bankable feasibility study of the Lost-Fox deposit at Mount Klappan. The study is assessing a **phased start-up** with production of up to 3 million tonnes of clean coal/year from an open pit mine and wash plant. Products would be initially trucked to the Port of Stewart for export until a rail link is established with the Canadian National Railway. Thereafter, products would be transported by rail to the Ridley Island coal terminal at Prince Rupert.

Fortune Minerals has received its Section 10 order from the government of British Columbia initiating the environmental assessment process. Rescan Environmental Services Limited and Rescan Tahltan Environmental Consultants are assisting with permitting of the project.

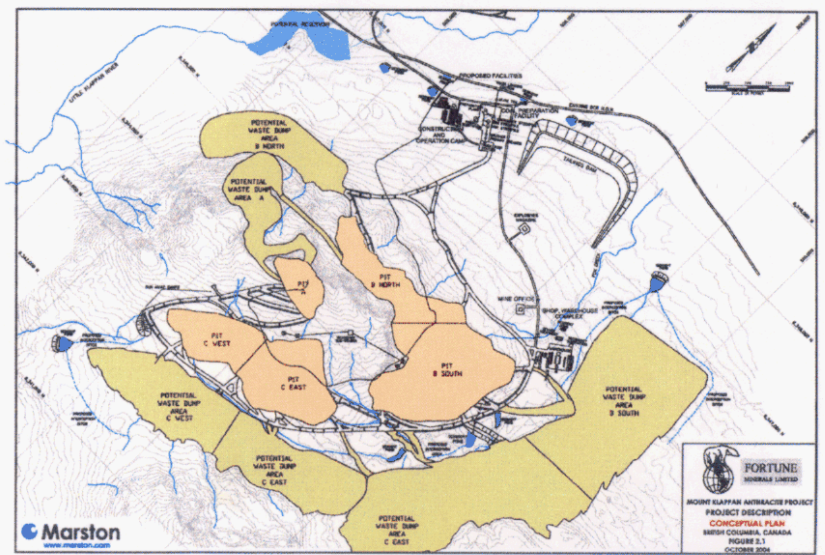


TABLE 3 MOUNT KLAPPAN PRODUCT QUALITY

Size Range	Coarse Low Ash	Fines Low Ash	Fines Med. Ash	Fines High Ash
	50 X 6 mm	6 X 15 mm	6 X 0 mm	3 X 0 mm
Residual Moisture	1-2%	1-2%	1-2%	1-2%
Ash (ar)	7.50%	7.00%	8-10%	14-22%
Volatile Matter (ad)	5-8%	5-8%	5-8%	5-8%
Fixed Carbon (ad)	85-87%	85-87%	82%	70-76%
Total Sulphur	0.50%	0.50%	0.50%	0.50%
Calorific Value (Kcal/Kg)	7300	7400	7100	5800-6600
Hardgrove Index	38	41	46	50

### PRODUCT QUALITY

Simple washing and heavy media separation of Mount Klappan anthracite produces products with high calorific values that are low in sulphur, moisture and volatiles. The main products contemplated for production are a bulk 10% ash product for use as low volatile pulverized coal injection (PCI) for the steel industry, and coarse coal with low ash for metallurgical and space heating markets. Some speciality products will also be produced.

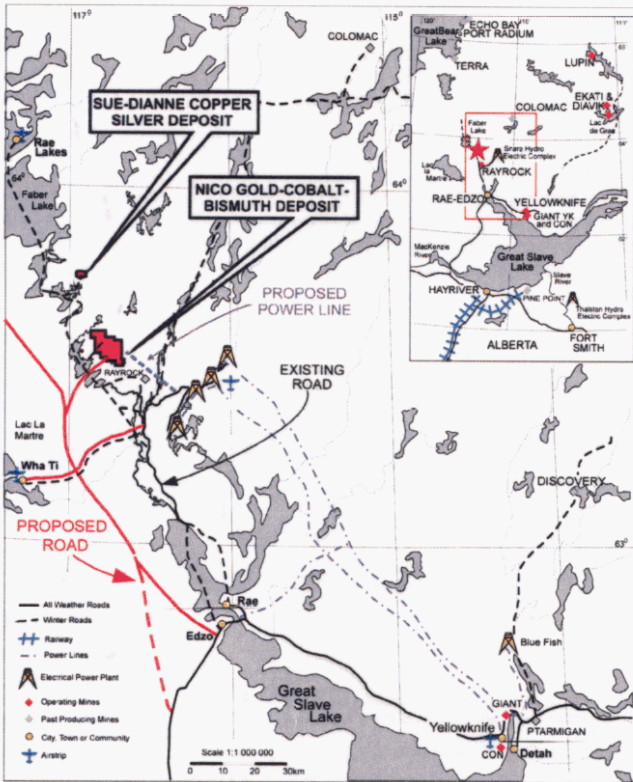


FORTUNE MINERALS LIMITED  
MOUNT KLAPPAN ANTHRACITE PROJECT  
PRODUCT DESCRIPTION  
CONCEPTUAL PLAN  
NORTH COAST, BRITISH COLUMBIA, CANADA  
FIGURE 2.1  
OCTOBER 2004



# The NICO Cobalt-Gold-Bismuth Project

## Northwest Territories, Canada



### INTRODUCTION

Fortune Minerals owns an 81% interest in the NICO cobalt-gold-bismuth deposit in the Northwest Territories, Canada. NICO is a large, near surface hydrothermal iron oxide-hosted deposit of the Olympic Dam class, which Fortune discovered in 1995.

### LOCATION AND ACCESS

The NICO deposit is located on leases 160km northwest of the City of Yellowknife, 22km west of the Snare hydro complex, and 80km north of the highway from Rae-Edzo to Yellowknife. The property is currently accessed from the winter road to the communities of Wha Ti and Rae Lakes, which is planned to be re-aligned for upgrade to all-weather capability.

### PREVIOUS WORK

Fortune has expended in excess of \$11 million on exploration of the NICO project to date. Work has included geology and geophysical surveys, 291 drill holes, and comprehensive environmental, geotechnical, metallurgical and engineering studies. A 2002 scoping study indicated an attractive rate of return for the development using a combined underground and open pit mining approach in order to get access to the gold-rich, high-grade core of the deposit early in the mine life.

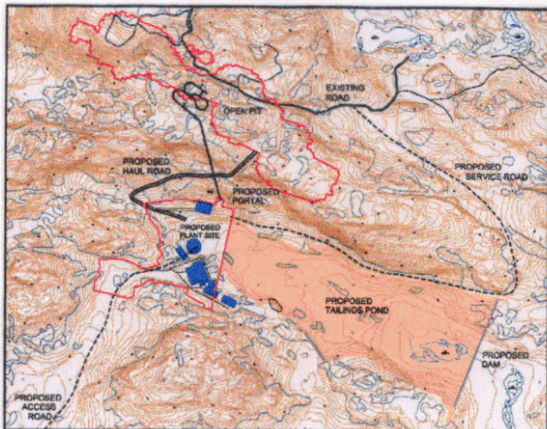
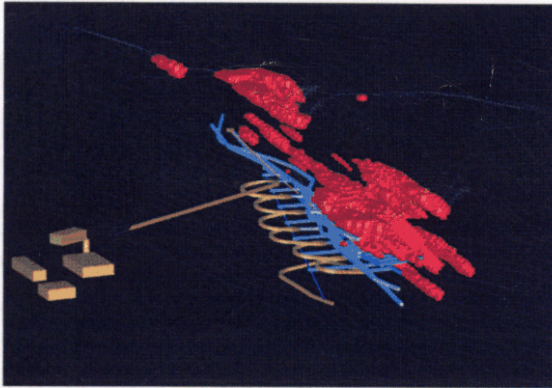
### RESOURCES

(US\$375/oz Au, US\$10/lb Co, US\$3.25/lb Bi)

NSR CUT-OFF (\$/t)	TONNES	Au (g/t)	Co (%)	Bi (%)	NSR (C\$/t)	Gross Metal Value (C\$/t)	
\$100	1,031,735	8.19	0.15	0.21	\$133	\$206	
\$70	2,924,869	5.02	0.17	0.23	\$100	\$159	
\$50	6,088,021	3.26	0.17	0.22	\$79	\$127	
\$20	29,819,415	1.09	0.12	0.14	\$40	\$67	
\$10	57,225,948	0.65	0.09	0.10	\$28	\$48	
<b>UNDERGROUND RESOURCE @ \$50 CUT-OFF</b>		5,123,000	3.44	0.16	0.21	\$79	\$127
<b>OPEN PIT RESOURCE @ \$20 CUT-OFF</b>		8,231,000	0.48	0.13	0.14	\$34	\$62
<b>TOTAL</b>		13,354,000	1.62	0.14	0.16	\$52	\$87

(US\$375/oz Au, US\$15/lb Co, US\$3.25/lb Bi)

<b>UNDERGROUND RESOURCE @ \$50 CUT-OFF</b>		9,566,000	2.14	0.15	0.19	\$82	\$124
<b>OPEN PIT RESOURCE @ \$20 CUT-OFF</b>		15,012,000	0.31	0.11	0.11	\$40	\$64
<b>TOTAL</b>		24,578,000	1.02	0.12	0.14	\$56	\$87



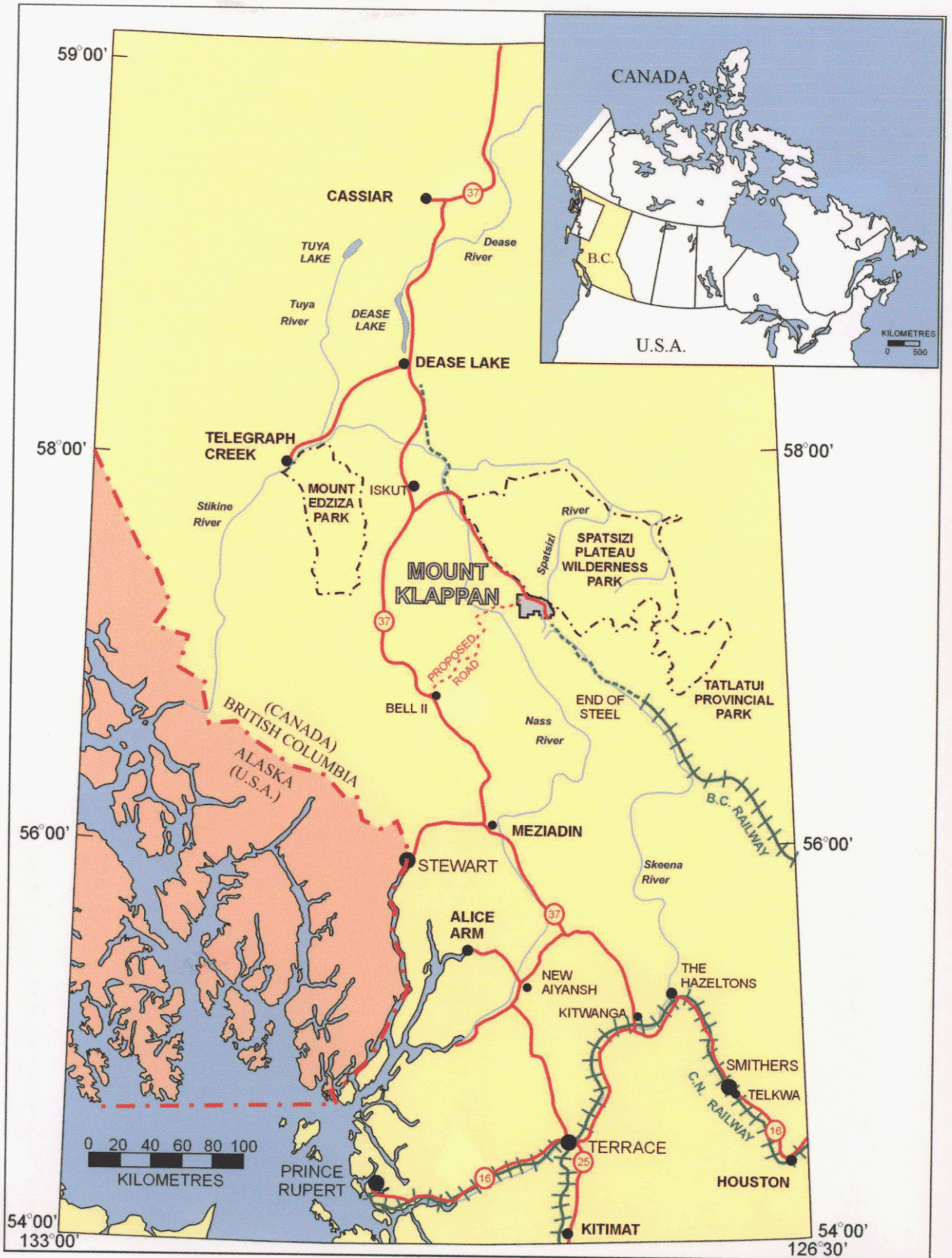
### FEASIBILITY STUDIES

Micon International Limited and Met-Chem Canada Inc. are conducting a bankable feasibility study assessing the economics of the NICO deposit. The study is based on a production rate of 3,000 tonnes of ore per day (1 million tonnes/annum) using underground and open pit mining. The underground mining method utilizes "blasthole with delayed paste backfill" with access and haulage from a decline ramp using trackless equipment. Supplemental mill feed would be sourced from an open pit using trucks and shovels. Conventional crushing and grinding followed by simple flotation produces cobalt-gold and bismuth-gold concentrates in a mill that would be constructed at the site. Processing of the cobalt-gold concentrate in an autoclave followed by electrowinning and cyanidation of the residue produces cobalt cathode and gold dore. Gold is also recovered from cyanidation of the bismuth-gold concentrate after which the bismuth is sold to smelters. The feasibility study is expected to be completed in June 2005.

Fortune has received permits to extract an underground bulk sample from the NICO deposit and intends to submit a project description to permit the project.



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## Schroeter, Tom EM:EX

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**From:** Schroeter, Tom EM:EX  
**Sent:** Thursday, May 30, 2002 4:38 PM  
**To:** 'RobinGoad'  
**Subject:** RE: Omineca-Stewart Connector road and Klappan

Thanks, Robin. Good luck! Tom.

-----Original Message-----

From: RobinGoad [mailto:rgoad@fortuneminerals.com]  
Sent: Thursday, May 30, 2002 4:12 PM  
To: Anderson, Duane EM:EX  
Cc: Koncohrada, Karen EM:EX; McKillop, Greg EM:EX; Phelan, Bill EM:EX;  
Schroeter, Tom EM:EX; Wojdak, Paul EM:EX  
Subject: Re: Omineca-Stewart Connector road and Klappan

Please find attached a location map of Mount Klappan anthracite deposits showing the proposed short-cut. Perhaps the two routes (ours and yours) could be integrated to efficiently service all of the stakeholders. I would be pleased to discuss this issue further after closing the purchase with Conoco. A copy of the news release announcing the acquisition is also attached.

Sincerely,

Robin Goad  
President  
Fortune Minerals Limited.

----- Original Message -----

From: "Anderson, Duane EM:EX" <Duane.Anderson@gems5.gov.bc.ca>  
To: "'RobinGoad'" <rgoad@fortuneminerals.com>  
Cc: "Koncohrada, Karen EM:EX" <KKoncohrada@Victorial.gov.bc.ca>; "McKillop, Greg EM:EX" <GMcKillop@Victorial.gov.bc.ca>; "Phelan, Bill EM:EX" <BPhelan@Victorial.gov.bc.ca>; "Schroeter, Tom EM:EX" <TSchroeter@Victorial.gov.bc.ca>; "Wojdak, Paul EM:EX" <PWojdak@Victorial.gov.bc.ca>  
Sent: Thursday, May 30, 2002 6:24 PM  
Subject: RE: Omineca-Stewart Connector road and Klappan

> Sounds good! Look forward to receiving.  
>  
> Press release and description legislation attached for your interest. The  
> Ministry of Energy, Mines and Petroleum Resources Act pertains to resouce  
> infrastructure:  
> <http://www.em.gov.bc.ca/Publicinfo/newsreleases/memnrs2002/memnrs001.htm>  
>  
> Neglected to mention Bill Phelan, Director of our Aboriginal Relations  
> Branch ((250) 952-0709)and Tom Schroeter ((604) 660-2812)of our Mineral  
> Development Office in Vancouver in my May 10/02 email. Bill and his group  
> can provide advice regarding possible aboriginal issues and the Klappan  
> coal  
> property. Tom was regional geologist for NW BC in the 1980s, is very  
> familiar with the Klappan property and very knowledgeable about current  
> exploration and development activities in the BC industry.  
>  
> call or email any of us anytime,  
>  
> Duane A.  
>

Blue Pearl.

### Regional Geology

**Poplar** - Second phase drilling on Cu-Mo porphyry south of Houston to begin tomorrow (10 days behind schedule).

**Lucky Ship** - Second phase drilling underway with new contractor. (Porphyry Mo project south of Houston)

Clappan  
885523

**New Polaris** - Drilling begun.

**Clappan** - Feasibility released based on reserves are 60.8 million tonnes of clean coal and mining of 1.5 to 3 million

tonnes per year. Transportation options: truck haulage to Stewart or rail haulage to Prince Rupert. Capital cost for mine development estimated at Cdn\$275 - \$522 million depending on production rate and amount of Fortune's participation in railway upgrade and extension. Cash costs estimated at Cdn \$74-75 per tonne FOB port. Pre-tax IRR ranges from 23 - 49% at current coal price. Railway upgrade (track, ballast, bridges) from Minaret to the mine site is estimated at Cdn \$217 million. In comparison, infrastructure costs required to go to Stewart are Cdn \$146 for a 100 km connector road, haul trucks, coal storage facility at the port and a 2000 tonne per hour ship loader.

**Site Visit (Oct 24)** - Core and rotary drill programs are about 70% complete that are required to collect environmental data (eg ARD assessment, hydrology). About 18 people on site including 5 Tahltan (all from Telegraph Ck) led by camp manager Bob Edzerza and consultant Paul Oldaker. Drilling is proceeding well despite blizzard conditions. Edzerza expects to conclude by mid November, including down-hole geophysics, piezometer placement etc.

**Galore Ck** - Pre-feasibility analysis released by NovaGold, based on 2004 resource estimate (ie 2005 program not included). Key points:

- 65,000 tpd, 20+ year mine life
- Capital cost of \$958 million (\$1.1 billion with 15% contingency)
- Pre-tax IRR of 11.1%, based on \$1 copper, \$400 gold, \$6 silver (current metal prices give 30% IRR)
- First 6 years mine grade of 0.79% Cu, 0.56 g/t Au, 5.18 g/t Ag (1.2% Cu equiv)
- Measured + Indicated - 516.7 million tonnes at 0.60% Cu, 0.36 g/t Au, 4.54 g/t Ag
- Indicated - 578.3 million tonnes at 0.41% Cu, 0.42 g/t Au, 4.35 g/t Ag
- Life of mine strip ratio of 2.2:1

PW - Oct 28/05

### Health & Safety

**Huckleberry** - OHS audit Oct 25-26 by Booth, Morgan, Paterson, Flynn.

### Next Week

- Oct 31 - Swamp Point Project Report teleconference (DWF?)
- Oct 31 - Office of Wetsuweten meeting re: progress on minerals information request (PJW)
- Nov 1 - Kalum LRMP meet (in Terrace) to confirm sector reps
- Nov 3 - Blue Pearl official opening of Smithers office

### Upcoming

- Nov 7 - Minerals North planning teleconference (PJW)
- Nov 9 - Skeena interagency FN consultation workshop (PJW, AJP)
- Nov 20-22 - Yukon Geoscience Forum (PJW)

Paul Wojdak, P.Geol.  
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Northwest Region, Smithers  
BC Ministry of Energy and Mines

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