VG → Wolverine

(PDAC '02)

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# ANNUAL INFORMATION FORM

OF

# WESTERN CANADIAN COAL CORP.

(the "Company")

**900 - 580 Hornby Street**
**Vancouver, B.C.**
**V6C 3B6**

**October 17, 2001**

## THE CORPORATION

The Company was incorporated on October 2, 1997, under the name Western Canadian Coal Corp. ("Western" or "the Company") by registration of its memorandum and articles under the British Columbia *Company Act*. The Company became a reporting issuer in British Columbia on December 17, 1998 upon issuance of a receipt for a prospectus filed with the British Columbia Securities Commission. On June 30, 2000, the Company became a reporting issuer in the Province of Alberta.

Western Coal Corp. ("*WCC*"), the Company's wholly-owned subsidiary, was incorporated on April 21, 1997, under the name of Western Coal Corp. by registration of its memorandum and articles under the British Columbia *Company Act.*

Ensync Resource Management Inc. ("*Ensync*"), the wholly-owned subsidiary of WCC, was incorporated on January 25, 1993, under the name of Ensync Enterprises Inc. by registration of its memorandum and articles under the British Columbia *Company Act*. On June 24, 1994, the company changed its name to Ensync Resources Inc. and on April 5, 1995, it changed its name to Ensync Resource Management Inc. Ensync is currently an inactive company.

The head office and address for service of the Company is located at Suite 900, 580 Hornby Street, Vancouver, British Columbia, V6C 3B6, and its registered and records office is located at Suite 2550, 555 West Hastings Street, Vancouver, British Columbia, V6B 4N5.

## BUSINESS AND PROPERTIES OF THE CORPORATION

### General

The Company's principal business since incorporation in October 1997 is the acquisition, exploration and development of coal licenses. David Fawcett, President and a director of the Company, and Kevin James, Vice President Exploration of the Company, began acquiring coal licenses and compiling property information and data through Ensync in 1995. In October 1997, WCC acquired Ensync at which time all of the coal licenses held by Ensync were transferred into the name of WCC in order to consolidate all coal licenses in one corporate entity, thereby leaving Ensync an inactive company. The coal licenses acquired by WCC from Ensync at this time were the Red Deer, Holtslander, Huguenot, Omega, Saxon East, and Brazion deposits.

Subsequent to WCC's acquisition of Ensync, the Company acquired WCC pursuant to a share purchase agreement dated October 31, 1997 between the Company and all of the shareholders of WCC(1). Accordingly, all licenses held by WCC were deemed held by WCC in trust for the Company. In 1998, the Company, through WCC acquired the coal licenses commonly referred to as the Lillyburt Property.

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(1) Pursuant to a share purchase agreement dated October 31, 1997, between the Company and all of the shareholders of WCC, the Company purchased all of the issued and outstanding shares of WCC from all of the shareholders of WCC in consideration for the issuance of an aggregate of 4,250,000 shares (which shares were then escrowed pursuant to the "*Proposal for a National Escrow Regime Applicable to Initial Public Distributions*" published by the Canadian Securities Administrators on May 8, 1998 (see also NIN #98/22)).

During the fiscal year 2000, the Company reached an agreement with certain shareholders of the Company, some of whom are also directors of the Company, to acquire the coal licences covering the Perry Creek and Mt. Spieker/EB deposits, the Burnt River deposit, and the West Brazion deposit. Late in the year the Company decided to forfeit the coal licenses covering the Huguenot, Omega and Saxon East deposits since the development of these deposits into commercial operations was deemed unlikely within the foreseeable future.

During the fiscal year 2001, the Company acquired coal licences covering the Hudette deposit and the Hermann deposit by making application for such licences with the Province of British Columbia.

As a result of the above transactions, at March 31, 2001, the Company holds four broad groups of coal licences which it commonly refers to as the "Belcourt Property" (consisting of the Red Deer and Holtslander deposits), the "Wolverine Property" (consisting of the Perry Creek, Mt. Spieker/EB and Hermann deposits), and the "Brazion Group Properties" (consisting of the Burnt River, West Brazion, Brazion and the Hudette deposits), all of which are located in northeast British Columbia, and the Lillyburt Property located in southeast British Columbia.

In May 2000, Norwest Mine Services Ltd. completed a preliminary feasibility study on the Belcourt Property ("Belcourt Project Preliminary Feasibility Study"). Although the study demonstrated development potential with coal price improvement, Western's management decided to focus its near term efforts on the Wolverine Property and Brazion Group Properties because of their favourable location, infrastructure, and development potential. In connection with this decision, in January 2001 Norwest Mine Services Ltd. completed a scoping study examining the potential for developing an underground mine on the Wolverine – Perry Creek deposit. The study supports the potential for development of an underground mine based on 1.0 million clean coal tonnes per year of production.

The Company is targeting completion of a bankable feasibility study on the Wolverine Property in the first half of 2002, including an assessment of operating both an underground and open-pit operation.

The Company's operations were initially funded by private placements of seed capital in 1997 and 1998 and then through the completion of an Initial Public Offering in April 1999. During fiscal 2001 the Company completed a number of private placement financings as a means of funding its ongoing operations and exploration activities. Subsequent to March 31, 2001, the Company announced a further private placement and in addition, certain warrants and stock options were exercised by certain security holders. The Company expects to continue with and requires such funding mechanisms and others over the near term in order to achieve its goal of producing 5 million product coal tonnes per year by 2006 from its coal property inventory.

**Coal Properties**

The Company acquired a number of additional coal licenses during the year ending March 31, 2001 bringing the total number of licenses in the north-eastern coalfields to 48 with a further 10 pending approval. These licenses have been grouped into three property groups – Brazion, Wolverine and Belcourt based on location and coal quality among other considerations. In south-eastern British Columbia, the Company holds the Lillyburt property that is comprised of 2 licenses. The company now holds coal property inventories that diversify development and product options, and offer an opportunity for earlier-stage development.

The Belcourt Property, Burnt River Property, and Wolverine Property had feasibility and pre-feasibility work completed on them in the late seventies/early eighties. The Company is targeting completion of a bankable feasibility study on the Wolverine Property in the first half of 2002 and a preliminary feasibility study on the Brazion Group Properties in approximately the same time frame. Development of these properties would take advantage of the infrastructure already established for the northeast coalfields - rail, port, town and other facilities. In this regard, the Wolverine Property and the Brazion Group Properties have been designated by management as "material" properties. In accordance with the provisions of National Instrument 43-101, reports prepared by a "qualified person" have been filed herewith.

The full reports have been filed with this Annual Information Form and may be reviewed at www.sedar.com.

**The Wolverine Property**

The Wolverine Property is comprised of twenty-four coal licenses that have been split into three properties within the Wolverine Group – the Mt. Spieker/EB, Perry Creek and Hermann. The properties are located about 20 kilometres west of Tumbler Ridge, British Columbia. The information contained herein is based upon two reports completed by Norwest Mine Services Ltd: "Wolverine – Perry Creek Property Scoping Study" (Sean Ennis, P.Eng. January 24, 2001); and "Summary Review of the Wolverine Group of Coal Properties" (Richard Dawson, P.Eng and Sean Ennis, P.Eng, October 17, 2001). Norwest has based their reports on property visits and a review of information from certain Coal Assessment Reports filed with the British Columbia Government and reports commissioned by Western Canadian Coal Corp. and previous license holders. Norwest has checked the reasonableness of the information, but has not verified the accuracy.

The Wolverine Property is located in the north-east coal fields of the Peace River Land District of northeast British Columbia. Primary road access to the general area is via Highway 29, an all-weather paved highway, which connects the towns of Tumbler Ridge and Chetwynd, or via Highway 52 connecting to Highway 97 to Dawson Creek. At approximately eight kilometres from Tumbler Ridge, the Mount Spieker and Perry Creek deposits can be accessed from Highway 29 via the Wolverine Forest Service Road. Secondary and tertiary forestry roads and trails provide access within the immediate property area. Access to the Hermann deposit is also via secondary roads off the Wolverine Forest Service Road or alternatively, via secondary roads of Highway 29 south of Tumbler Ridge.

The Wolverine property is all located in Lower Cretaceous strata of the coal bearing Gates and Gething Formations along the geological trend of past and currently producing coal mines "Summary Review of the Wolverine Group of Coal Properties" (Richard Dawson, P.Eng and Sean Ennis, P.Eng, October 17, 2001). The Gething and Gates coal measures have the potential for both surface and underground development. The Gething coals in the region, which rank from medium volatile to low volatile/semianthracite, show low in-seam ash contents, low sulphur values and high heating values; limited information compiled to date on the medium volatile coals shows the propensity for coking coal production. The Gates coals appear to be suitable as a hard coking coal product after beneficiation in a wash plant. To date a total of $2.5 million has been spent on drilling of Wolverine deposits primarily by previous operators, without giving consideration to other work completed (access roads, bulk samples, geological documentation).

The Company acquired the Mt. Spieker and Perry Creek deposits using funds advanced to the Company ($44,625) by certain shareholders (being David Fawcett, a director, President, and COO of the Company; Kevin James, an officer of the Company; Mark Gibson, an arms-length shareholder). As additional consideration for the acquisition of the Mt. Spieker and Perry Creek deposits, the Company agreed to pay an annual royalty of 1.0% of the selling price of coal sales from these deposits to the shareholders, such royalty to be allocated among the shareholders as follows: David Fawcett – 40.6%; Kevin James – 21.9%; and Mark Gibson – 37.5%.

*i) The Mt. Spieker Deposit*

The Mt. Spieker property consists of ten contiguous coal licenses totaling about 3,000 hectares about 25 kilometres west of Tumbler Ridge, British Columbia. The property is located in NTS Map Sheet 93-P-03/W to the North of the Wolverine River. The centre of the property is located at latitude 55° 07' 00'' N and longitude 121° 25' 00''W. The NTS coordinates of the centre of the property are 6,107,000N and 605,000E. The Mt. Spieker property lies on the coal trend between the existing Bullmoose and Quintette mines and includes four well-developed seams from the Gates Formation and two from Gething Formation. The property is accessible via a series of resource roads. Previous work on the Mt. Spieker area included 45 drill holes totaling about 8,400 metres as well as the excavation of 30 trenches and 7 adits.

Three resource areas have been identified on the Mt. Spieker property. Historical coal resource estimates for the three areas total about 53 million tonnes. The EB surface resource (the "EB Open Pit") contains the most exploration information and due to its favourable location and surface mine potential, this resource area provides the best opportunity for mine development. Historical coal resources estimates for the EB Open Pit indicate about 19 million tonnes at a strip ratio of 7.5:1 cubic metres of overburden to one tonne of raw coal. ("Summary Review of the Wolverine Group of Coal Properties" (Richard Dawson, P.Eng and Sean Ennis, P.Eng, October 17, 2001)).

A program of additional drilling in the EB surface resource area comprised of 19 new drill holes totaling 2,400 metres has been recommended in order to improve the confidence level of the resource base and to evaluate the tonnage versus strip ratio relationship for possible pit configurations. ("Summary Review of the Wolverine Group of Coal Properties" (Richard Dawson, P.Eng and Sean Ennis, P.Eng, October 17, 2001)). Completion of this work will form the basis of a feasibility study expected to be completed in the first half of 2002. As of September 30, 2001 a total of 16 of the 19 recommended holes had been completed.

As at March 31, 2001 the Company had incurred $4,212 in exploration on the Mt. Spieker property.

*ii) The Perry Creek Deposit*

The Perry Creek property consists of ten contiguous coal licenses totaling about 3,000 hectares about 23 kilometres west of Tumbler Ridge, British Columbia. The property is located in NTS Map Sheets 93-P-03/W and 93-P-03/E straddling the Wolverine River. The centre of the property is located at latitude 55° 07' 00''N and longitude 121° 15' 00''W. The NTS coordinates of the centre of the property are 6,105,000N and 612,500E. The Perry Creek property lies on the coal trend between the existing Bullmoose and Quintette mines and includes seams from the Gates Formation. Resources are contained in the Perry Creek syncline and are accessible via a series of resource roads. Previous work on the Perry Creek included 25 drill holes totaling about 4,750 metres as well as the excavation of 2 trenches.

The shallow dipping strata within the Perry Creek Syncline define an underground resource of immediate interest located directly adjacent to the rail line. Coal resource calculations carried out in accordance with Geological Survey of Canada definitions (following CIM standards) estimate an indicated and inferred resource of 22 million tonnes with an additional 18 million tonnes classified as a speculative resource. The coal quality data available indicates the coal would be suitable as a hard coking coal product after beneficiation in a wash plant. ("Summary Review of the Wolverine Group of Coal Properties" (Richard Dawson, P.Eng and Sean Ennis, P.Eng, August 17, 2001))

The scoping study completed on the deposit ("Wolverine – Perry Creek Property Scoping Study" (Sean Ennis, P.Eng. Norwest Mine Services Ltd. January 24, 2001)) focused only on the J-seam that can form up to three plies, separated by rock partings and have a total coal thickness of up to 7 metres. Three resource areas were delineated with tonnages calculated using the cross section method. The scoping study envisioned a room-and-pillar mining method utilizing three continuous miner units producing 1.3 million tonnes of raw coal (1 million tonnes of clean coal) annually.

All costs are stated in Canadian dollars. The coal price utilized is stated in US$ with an exchange rate of C$1 = US$0.68 employed. Capital costs were estimated at $40 million assuming the utilization of all new equipment and included a contingency of 10% except for the wash plant where a 25% contingency was used. Operating costs were estimated at $25.51 per clean tonne including a 10% contingency. Offsite costs including rail and port were estimated at 25% to 30% of FOB coal price. Additional offsite costs including administration, sales commissions and port costs were estimated at $1.75 per tonne.

Utilizing a coal price of US$39.00 per tonne FOBT and a 12% discount rate, the scoping study generated a pre-income tax Net Present Value ("NPV") of $13.5 million with an Internal Rate of Return ("IRR") of 22% assuming offsite Rail and Port Costs equal to 30% of Free on Board ("FOB") port price and a pre- income tax NPV of $24.7 million and an IRR of 29% assuming Rail and Port Costs equal of 25% of FOB port price. It should be noted the scoping study is not a feasibility study of Perry Creek since additional geological information is required for this purpose. The purpose of the conceptual evaluation was to justify expenditures for further work and a feasibility study, both of which are currently ongoing.

Work completed in 2001 included 5 rotary holes to delineate the shallow dipping structure that has underground mining potential. Additional drilling comprised of 11 drill holes totaling 1,650 metres has been recommended to improve the confidence in the gently dipping structures and seam continuity that is currently interpreted to be uninterrupted by faulting. ("Summary Review of the Wolverine Group of Coal Properties" (Richard Dawson, P.Eng and Sean Ennis, P.Eng, August 17, 2001)). Completion of this work will form the basis of a feasibility study targeted for completion in the first half of 2002. As of September 30, 2001 a total of 7 of the 11 recommended holes had been completed.

As at March 31, 2001 the Company had incurred $117,767 in exploration expenditures on the Perry Creek property.

### *iii) The Hermann Deposits*

The Hermann property consists of four contiguous coal licenses totaling about 1,200 hectares located 23 kilometres west of Tumbler Ridge, British Columbia. The property is located in NTS Map Sheets 93-P-03/W and 93-P-03/E to the south of the Wolverine River. The centre of the property is located at latitude 55° 00' 00''N and longitude 121° 09' 00''W. The NTS coordinates of the centre of the property are 6,096,000N and 617,800E. Coal bearing strata from both the Gates and Gething Formations are present on the property.

The three surface resource areas within the Hermann Property - Hermann North hosted in the Gates Formation, Hermann Syncline also hosted in the Gates Formation and Hermann Gething hosted in the Gething Formation. The coal seams on the Herman property are all located three to four kilometres southeast of the Mesa and Wolverine pit areas previously mined by Quintette Coal Limited and are directly correlatable with those seams from the Quintette pits.

Of the three areas, Norwest Mine Services Ltd. in their report "Summary Review of the Wolverine Group of Coal Properties" (Richard Dawson, P.Eng and Sean Ennis, P.Eng, August 17, 2001) considered the Hermann North area to provide the best opportunity for further evaluation work. Potentially mineable Gates coal occurs in the moderately dipping and faulted strata within the Mesa thrust footwall. Potentially mineable coal in the section, which includes up to seven seams, shows a total coal zone interval of about 17 metres. A rough estimate of the coal tonnage within Hermann down to a depth of 200 metres is 10 to 15 million tonnes. The other areas have not been evaluated in detail, but may provide opportunities for smaller tonnages.

Norwest Mine Services Ltd. has recommended a coal resource evaluation for the Hermann North area using existing data ("Summary Review of the Wolverine Group of Coal Properties" (Richard Dawson, P.Eng and Sean Ennis, P.Eng, August 17, 2001)). The evaluation should estimate coal tonnage available for surface mining and establish the range of coal quality within the major zones.

As at March 31, 2001 the Company had not incurred any exploration expenditures on the Hermann property.

### The Brazion Group Properties

The Brazion Group Properties are comprised of seventeen coal licenses with another ten under application. The group of licenses is split into four properties – Burnt River, West Brazion, Brazion and Hudette. The Brazion Group Properties are located 15 kilometres west of the Sukunka River, approximately 40 kilometres south-west of the town of Chetwynd, British Columbia. The Hudette, Brazion and West Brazion properties are most easily accessed via 30 kilometres of well-maintained resource roads that connect to the main highway and railway in the Pine River Valley near the Hasler townsite. The Burnt River area is currently best accessed via the Sukunka River road which extends 50 kilometres south of Chetwynd.

Given that the properties within the Brazion Group lie in close proximity to one another, one of the alternatives the Company is evaluating is centrally locating a common wash plant and loadout facility.

The information contained herein on all Brazion Group Properties is based on "Summary Review of the Brazion Group of Properties" (Richard Dawson, P.Eng and Sean Ennis, P.Eng, Norwest Mine Services, September 26, 2001). Norwest has based their review on property visits and information from certain Coal Assessment Reports filed with the British Columbia Government and reports commissioned by Western Canadian Coal Corp. and previous license holders. Norwest has checked the reasonableness of the information, but has not verified the accuracy.

The properties are all located in Lower Cretaceous Strata of the coal bearing Gething Formation along the geological trend of past and presently producing coal mines. The Gething coal measures strata on all properties have potential for surface development. The Gething coals in the region, which rank from medium volatile to low volatile/semianthracite, show low in-seam ash contents, low sulphur values and high heating values. Limited information compiled to date on the medium volatile coals shows the propensity for coking coal production. To date a total of $1.4 million has been spent on drilling of Brazion Group properties primarily by previous operators, without giving consideration to other work completed "Summary Review of the Brazion Group of Properties" (Richard Dawson, P.Eng and Sean Ennis, P.Eng, Norwest Mine Services, September 26, 2001). A comparable amount to that spent on drilling has been expended on road access and coal quality work, primarily on the Burnt River property.

### *i) The Burnt River Deposit*

The Burnt River property consists of seven contiguous coal licenses totaling about 2,100 hectares located 50 kilometres by road south of Chetwynd, British Columbia. The property is located in NTS map sheet 93-P-05/W approximately two kilometres north of Burnt River, a tributary of the Sukunka River. The centre of the property is at latitude 55° 24' 00'' N and longitude 121° 50' 00''W. The NTS coordinates of the centre of the property are 6,138,500N and 573,500E.

The Burnt River property is accessed via all-weather roads. The main deposit was explored by the previous coal license holder, Teck Cominco Limited (formerly Teck Corporation), mainly from 1977 through 1985. During the year ended March 31, 2000, the Company purchased Teck Corporation's data base on the Burnt River property for $30,000. The data base records indicate that 224 holes were drilled totaling about 12 900 metres and coal sampling/coal quality work was performed. Additional work completed included 2 trenches, 8 adits and the excavation of 5 bulk samples.

This extensive exploration was carried out to evaluate surface mining potential for low volatile /semianthracite coals located in shallow dipping lower Gething strata. The focus was on shallow dipping strata which define the Brule deposit. In this area, which forms the core of the Burnt River property, three seams with an aggregate thickness of about 12.5 metres support a historical estimate of over 30 million tonnes.

Previous feasibility work completed by Teck Corporation and documented in the "Burnt River Coal Project Stage 1 Report" prepared by Teck Corporation in 1981 identifies a resource of 23 million tonnes of coal at a low waste-to-coal ratio. This resource base was believed to be sufficient to support a 15 year mine plan with 1.3 million tonnes of high heating value thermal coal at strip ratios in the range of 5 bank metres of overburden to 1 tonne of saleable coal. Due to the low in seam ash content and potential for low dilution mining methods it was judged that the coal could be shipped as a raw product. In 1985 Teck produced a 43,000 tonne bulk sample from two shallow pit areas for test shipments to Pacific Rim customers. The raw coal product yielded ash contents less than 10% with heating values in the range of about 7,500 to 8,000 kcal/kg.

There are additional coal measure trends adjacent to the Brule deposit, which have the potential to supplement the coal resource base at Burnt River. Further drilling is planned for October 2001 to firm up the mining potential of these areas.

The Brule deposit provides sufficient information for a re-evaluation of the mining potential, especially in light of increasing coal prices and a growing market for low ash, high heating value non-coking coal (pulverized coal injection or PCI coal) used in steel production. Western plans to carry out additional drilling on the Dillon Syncline that lies to the northeast of the Brule deposit and appears to have a low strip ratio potential. Should the drilling on the Dillon Syncline verify the low ash content of the Burnt River coals identified in earlier work, Western will review the economics of a direct shipping small mine with production attainable as early as mid 2002.

As at March 31, 2001, the Company had incurred a total of $88,112 of exploration expenditures on the Burnt River Property.

### *ii) The West Brazion Deposit*

The West Brazion property consists of six contiguous coal licenses totaling about 1,800 hectares. The property is accessible by road about 35 kilometres south of the rail at Hasler, British Columbia. The property is located in NTS map sheet 93-P-05/W approximately two kilometres south of Brazion Creek, a tributary of the Burnt River. The centre of the property is at latitude 55° 22' 00''N and longitude 121° 58' 00''W. The NTS coordinates of the centre of the property are 6,136,150N and 566,000E. It has had early stage exploration work completed which has identified the Gething Formation coal measures in a favourable, flat-lying structure. The Company acquired the property from certain shareholders of the Company (being David Fawcett, a director, President, and COO of the Company; Kevin James, an officer of the Company; and Mark Gibson, an arms-length shareholder), by reimbursing them for their out-of-pocket acquisition costs, being $13,000. As additional consideration for the acquisition of the property, the Company agreed to pay an annual royalty of 1.0% of the selling price of coal sales from the property to the shareholders, such royalty to be allocated among the shareholders as follows: David Fawcett – 40.6%; Kevin James – 21.9%; and Mark Gibson – 37.5%. Previous work includes four drill holes totaling 223 metres and the excavation of two trenches.

Shallow dipping coal measures are present on the West Brazion property. The knoll that contains the coal measures appears to be an erosional remnant that preserves the Upper Gething coal measures. The coal is medium volatile in rank and also shows low in-seam ash contents. Limited drilling indicates potentially mineable coal thickness in the range of 5 to 8 metres over a depth of 75 metres. Limited information on the medium volatile coals at West Brazion show propensity for coking coal production. The area forms an exploration target with potential tonnage of up to 30 million tonnes.

The geological interpretation and coal development potential at the West Brazion coal deposit provides a basis for defining an exploration target. The geological structure appears favourable for surface mining potential provided that the coal seams are sufficiently developed. A drill program is planned for October 2001 to test portions of the West Brazion deposit to evaluate the thickness and continuity of the coal seams in the Gething section of the West Brazion property.

As at March 31, 2001, the Company had incurred exploration expenditures of $89,095 on the West Brazion Property.

### *iii) The Brazion and Hudette Deposits*

The Brazion property consists of four contiguous coal licenses totaling about 1,200 hectares, while the Hudette property is comprised of ten contiguous coal licenses totaling 3,000 hectares. Both properties are accessible by road about 30 kilometres south of the rail at Hasler, British Columbia. The Brazion property is located in NTS map sheet 93-P-05/W approximately 20 kilometres south of the Pine River on an un-named tributary of Brazion Creek. The Hudette property is located in NTS map sheet 93-O-08/E west of Hasler Creek. The centre of the Brazion property is at latitude 55° 25' 00''N and longitude 121° 58' 00''W with NTS coordinates of the centre of the property at 6,141,000N and 565,000E. The centre of the Hudette property is at latitude 55° 25' 00''N and longitude 122° 04' 00''W with NTS coordinates of the centre of the property at 6,143,000N and 560,000E. Collectively, the properties have been the focus of limited past exploration including 35 drill holes totaling 5,609 metres, 3 trenches and three bulk samples. Regional mapping shows that the Gething strata underlies the Hudette and Brazion properties offering a geological setting similar to Burnt River and West Brazion. Previous drilling and new road cuts on the property indicates several coal seams ranging from 2 to 9 metres thick with variable ash contents. The thicker intersections could be due to structural effects. A reliable geological interpretation for the area has not been completed, but it is expected that a re-interpretation would provide targets for exploration.

Work expected to be completed in the fall – winter of 2001 includes the re-compilation of the current information to produce a geological model that can be used for defining drill targets as well as field mapping and sampling of coal seams.

The Company acquired and holds coal licenses that cover the Brazion and Hudette properties by making application to the Province of British Columbia for the coal licences. As of March 31, 2001, the Company had not incurred any exploration expenditures on the Brazion or Hudette properties.

**The Belcourt Property**

The Belcourt Property is comprised of 7 coal licenses totaling 2,100 hectares located about 85 km south of Tumbler Ridge, British Columbia. The Belcourt Property was originally comprised of the Red Deer, Holtslander, Huguenot and Omega deposits. In March 2000, the Company decided to forfeit the Huguenot and Omega coal licenses so that the Belcourt Property is currently comprised of the Red Deer and Holtslander deposits. Both deposits are located in NTS map sheet 93-I-09/W. The Red Deer deposit lies at the headwaters of Triad Creek a tributary of Red Deer Creek and is centered at latitude 54° 36' 00''N and longitude 120° 28' 00''W with NTS coordinates of the centre of the property at 6,052,000N and 667,000E. The Holtslander deposit lies between Red Deer Creek and Holtslander Creek at latitude 54° 33' 00'' N and longitude 120° 21' 00''W with NTS coordinates of the centre of the property are 6,048,000N and 675,200E. Access is via Highway 29, which connects with Highway 97 at Chetwynd, British Columbia, and a series of secondary resource roads thereafter.

As part of the agreement between the shareholders of WCC and the Company which resulted in the Company acquiring WCC, the Company agreed to pay an annual royalty of 0.75% of the selling price of coal sales from the property to certain shareholders of WCC (being David Fawcett, a director, President and COO of the Company – as to a 27.5% interest in the royalty, Kevin James, an officer of the Company – as to a 27.5% interest in the royalty, and Douglas David Austin, a director of the Company – as to a 45.0% interest in the royalty.)

The Belcourt Property was extensively explored in the late seventies and early eighties by Denison Mines Ltd., culminating in the preparation in December 1982 by Wright Engineers Limited of a feasibility study on the Red Deer (northern Belcourt) deposit ("Belcourt Feasibility Study"). A preliminary feasibility study was completed by Norwest Mine Services Ltd. in May 2000 ("Belcourt Project Preliminary Feasibility Study"), assuming current market conditions. The study was based on the development of a 2 million tonne-per-year surface mine operation, initially mining the Red Deer deposit, with a shift to the Holtslander deposit for the remainder of the project life. The study identified a combined total coal resource of 141 million tonnes for the Red Deer and Holtslander blocks. Of this, the surface mineable run-of-mine (ROM) coal tonnage amounts to 44.3 million tonnes at an average strip ratio of 5.8:1 bank cubic metres of waste to 1 ROM tonne of coal.

The coal from the Belcourt deposits is classified as hard coking, with low ash, sulphur, and phosphorus contents, and with excellent coking characteristics.

The Belcourt Project Preliminary Feasibility Study concluded that the current Japanese Steel Industry benchmark price of metallurgical coal (US$ 39.10/tonne) is at a historical low and as a result the project will probably not return a positive cash flow under current market conditions. The study went on to say that sensitivity analysis indicates that, given modest concessions for rail, port and commissions, and an increase in coal prices to US$ 43/tonne, the project would achieve a breakeven net present value (NPV = 0) using a discount rate of 12%. Based on the findings of the study, it was management's opinion that development of the Belcourt Property be deferred.

As at March 31, 2001, the Company had incurred exploration expenditures of $471,950 on the Belcourt Property.

**The Lillyburt Property**

The Lillyburt Property is comprised of two coal licenses covering 2459 hectares located south of Fording Coal's Coal Mountain mine in southeast British Columbia. The property is located in NTS map sheet 82-G-07/E. The centre of the property is at latitude 49° 22' 00''N and longitude 114° 37' 00''W. The NTS coordinates of the centre of the property are 5,471,000N and 673,000E. Just east of Sparwood, a B.C. forest access road follows Michel Creek to its headwaters and the Flathead Pass and continues down Squaw Creek to its mouth at the former townsite of Flathead. Most of the property has been extensively logged, providing a dense network of roads throughout the area of interest.

Coal Assessment Report #406 prepared by Crows Nest Resources Limited in 1981 classified the coal as thermal, but in management's opinion, the coal does have coking characteristics and semi-soft coking products could potentially be produced. Coal Assessment Report #406 provides a tonnage estimate described by the following quote from the report: "Total indicated resources of coal underlying the east block of the property are estimated to be some 133 million tonnes. Geological in-place "reserves" are calculated to be 24.8 million tonnes with an overburden ratio of 3.8 cubic metres rock per tonne coal." Western has not had this estimate verified by an independent third party.

In 1997, the Company acquired the coal licenses that cover the Lillyburt Property from Morris Geological Co. Ltd. and G.S. Reeves Associates International Ltd., who were at arm's-length to the Company, by making a cash payment of $85,000 and issuing 100,000 shares at an ascribed value of $25,000. There are no underlying royalties associated with the Lillyburt Property.

As at March 31, 2001, the Company had expended $12,562 on the property with respect to the annual coal license renewal fees.

**Administrative Offices**

The Company's corporate and administrative offices are located at Suite 900, 580 Hornby Street, Vancouver, British Columbia V6C 3B6. The offices occupy approximately 2000 square feet of space and share on an office-share arrangement an additional approximate 500 square feet of space. The offices are used primarily to conduct the administrative and corporate activities of the Company. The space is occupied under a three-year lease arrangement that terminates August 31, 2004, and is renewable at that time at market rates. There are no encumbrances pledged by the Company against the office or its contents.

**Industry Segment**

The Company is involved in the exploration and development of coal properties and as such participates in the global coal industry. Future production from the Company's properties would primarily target the export market for coal products, of which Canada is a significant supplier to the market. Competitors in this market include coal-producing companies located in Canada and other major coal-producing countries including the United States, Australia and Indonesia. Management believes that coal produced from the Company's properties can compete in this market as to both coal quality and on a market price basis.

During the fiscal year ended March 31, 2001, the Company expended $319,653 (2000 - $270,987) on exploration and development of its coal property inventory. As at March 31, 2001, the Company has incurred cumulative exploration and development expenditures on its coal properties amounting to $868,205.

**Management and Employees**

At March 31, 2001, the Company had no employees but utilized four contractors / consultants to provide administrative and technical services.

# SELECTED CONSOLIDATED FINANCIAL INFORMATION

## Three Year Financial Summary

| | Year Ended March 31, 2001 $ | Year Ended March 31, 2000 $ | Year Ended March 31, 1999 $ |
|---|---|---|---|
| Revenues | nil | nil | nil |
| Operating expenses | 174,316 | 196,986 | 97,157 |
| Net income (loss) before write-down of coal licenses and deferred exploration expenditures | (174,316) | (196,986) | (97,157) |
| Net income (loss) | (174,316) | (323,742) | (97,157) |
| Basic earnings (loss) per share | (0.02) | (0.05) | (0.03) |
| Cash flow from operations before changes in non-cash working capital | (173,717) | (196,770) | (96,857) |
| Cash from operations per share (basic) | (0.02) | (0.03) | (0.03) |
| Current assets | 372,556 | 117,528 | 31,736 |
| Coal properties and deferred expenditures | 1,045,950 | 709,418 | 484,649 |
| Current liabilities | 220,365 | 200,459 | 216,283 |
| Total assets | 1,443,967 | 834,877 | 694,025 |
| Long term debt | nil | nil | nil |
| Share capital | 1,880,962 | 1,117,462 | 637,044 |
| Retained earnings (deficit) | (657,360) | (483,044) | (159,302) |
| Cash dividends declared per share | nil | nil | nil |

## Two Year Quarterly Financial Summary (unaudited)

| | Three Months Ended March 31, 2001 $ | Three Months Ended Dec. 31, 2000 $ | Three Months Ended Sept. 30, 2000 $ | Three Months Ended June 30, 2000 $ |
|---|---|---|---|---|
| Revenues | nil | nil | nil | nil |
| Net income (loss) before write-down of coal licenses and deferred exploration expenditures | (58,799) | (43,039) | (49,084) | (23,394) |
| Net income (loss) | (58,799) | (43,039) | (49,084) | (23,394) |
| Basic earnings (loss) per share | (0.01) | (0.00) | (0.01) | (0.00) |

| | Three Months Ended March 31, 2000 $ | Three Months Ended Dec. 31, 1999 $ | Three Months Ended Sept. 30, 1999 $ | Three Months Ended June 30, 1999 $ |
|---|---|---|---|---|
| Revenues | nil | nil | nil | nil |
| Net income (loss) before write-down of coal licenses and deferred exploration expenditures | (58,659) | (51,566) | (52,935) | (33,826) |
| Net income (loss) | (185,415) | (51,566) | (52,935) | (33,826) |
| Basic earnings (loss) per share | (0.02) | (0.02) | (0.01) | (0.00) |

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The disclosure required under Form 44-101F2 follows.

The following discussion and analysis explains trends in the Company's financial condition and results of operations for the year ended March 31, 2001 as compared to the year ended March 31, 2000. This discussion and analysis of the results of operations and financial condition of the Company should be read in conjunction with the audited financial statements of the Company. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

## General

Western's principal business since its incorporation in October 1997 has been the acquisition, exploration and development of coal licences. The Company's focus is the acquisition and development of favourably located, high-quality coal deposits in northeast British Columbia that are amenable to low-cost mining techniques. The Company has developed a diversified coal asset base adjacent to, or nearby existing infrastructure already established for the northeast coalfields – rail, port, town and other facilities. The Company does not have a source of revenue at this time.

Reference should be made to "Business and Properties of the Corporation" for details on Western's coal properties.

In April 1999, the Company completed its Initial Public Offering by issuing 1,100,000 common shares for net proceeds of $480,000. The Company's shares were listed on the Vancouver Stock Exchange (now the Canadian Venture Exchange) and began trading on April 27, 1999.

## Results of Operations

Western is a junior resource company primarily engaged in the acquisition, exploration and development of coal deposits. As such the Company does not have any operating revenues and its level of operating activities is largely driven by the availability of funds from the junior resource capital markets.

Western recorded a net loss of $174,316 for its fiscal year ended March 31, 2001 as compared to a loss of $323,742 recorded in fiscal 2000. The 2000 loss included a write-down of $126,756 in respect of abandoned coal properties that management deemed were unlikely to be developed into commercial production in the foreseeable future. The loss before write-downs decreased slightly from $196,986 in 2000 to $174,316 in 2001, as certain discretionary expenditures were reduced. Advertising and promotion expense decreased from $15,285 to $2,013; and travel expense decreased from $11,679 to $1,095. Included in the 2001 operating expenses are management fees of $53,000 and consulting fees of $31,736 which were paid to insiders, or companies controlled by insiders, of the Company for services rendered.

The loss from operations for fiscal 2000 before the aforementioned write-down was $196,986, which represents a significant increase compared to the fiscal 1999 net loss of $97,157. In April 1999, the Company completed its Initial Public Offering. Consequently, the fiscal 2000 general and administrative expense reflected both the costs associated with managing and maintaining a public company, and a post-financing increase in the level of corporate activity.

**Financing Activities and Capital Expenditures**

The Company financed its operations in fiscal 2001 primarily by completing three private placements of securities for aggregate net proceeds of $650,000. In total, 2,474,000 common shares were issued in respect of these private placements. A further 15,000 shares were issued for proceeds of $4,500 in respect of the exercise of stock options. In addition, the Company settled indebtedness of $109,000 through the issuance of 363,334 common shares.

In fiscal 2000, the Company completed its Initial Public Offering receiving net proceeds of $480,418. The funds from this offering were sufficient to retire the outstanding indebtedness at that time and provided working capital to fund the ongoing business plan of the Company.

The Company recorded deferred exploration expenditures of approximately $320,000 during the year ended March 31, 2001. These expenditures include approximately $82,000 expended on a preliminary feasibility study of the Belcourt Property; $89,000 incurred on the West Brazion property exploration program, including the completion of a limited drill program; $122,000 expended on the Wolverine Property, including an initial drill program and an underground scoping study; and $21,000 incurred on the Burnt River property.

In fiscal 2000, the Company's activities included the acquisition of several additional coal licenses in respect of the Burnt River property, West Brazion property, and Wolverine Property located in northeastern British Columbia, for an aggregate acquisition price of approximately $81,000. The Company incurred approximately $135,000 of exploration expenditures with respect to the completion of a pre-feasibility study on the Belcourt Property and in addition incurred $67,000 of exploration costs on the Burnt River property.

**Liquidity and Capital Resources**

The Company's aggregate operating, investing and financing activities during fiscal 2001 increased its cash balance by $181,143, and its working capital balance by $235,122. As at March 31, 2001, working capital stood at $152,191, compared to working capital deficiencies of $82,931 and $184,547, as at March 31, 2000 and 1999, respectively. The Company has no long-term liabilities.

The Company has not as yet put into commercial production any of its coal deposits and as such has no operating revenues. Accordingly, the Company is dependent on the equity markets as its sole source of operating working capital. The Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

A significant portion of the financial backing received by the Company during the fiscal year 2001 was from Deepgreen Minerals Corporation Limited, an Australian company trading on the Australian stock exchange, which has a variety of international resource based investments. By virtue of providing the Company with financing for its projects, Deepgreen has become a principal shareholder of the Company. Subsequent to year-end, the Company secured another important investor, Mitsui Matsushima Co., Ltd. of Japan, which has also been appointed the Company's exclusive agent in Japan and Taiwan for marketing coal produced from the Company's coal properties.

Subsequent to March 31, 2001, the Company completed two additional private placement aggregating 3.55 million units at $0.55 per unit, to generate net proceeds of $1.89 million. Proceeds of these financings will be used for further development of the Company's coal properties and for general working capital purposes. In addition, certain warrants and stock options were exercised after year-end, generating a further $489,000 to the corporate treasury.

**Future Prospects**

The exploration for and development of coal deposits are highly speculative activities and are subject to significant risks. The Company's ability to realize its investments in exploration projects is dependent upon a number of factors, including its ability to continue to raise the financing necessary to complete the exploration and development of those projects and the existence of economically recoverable reserves within its projects.

To date the Company has not determined if the exploration of its properties will result in the discovery of a coal deposit of commercial quality and quantity based on current coal prices and estimated mine operating and development costs.

## BUSINESS RISKS

**Stage of Development**

The Company's properties are in the exploration stage and the Company does not have an operating history. As a result, there can be no assurance that the Company will be able to develop and operate its properties, or any one of them, profitably, or that its activities will generate positive cash flow. As a result of the Company's lack of operating history, it faces many of the risks inherent in starting a new business.

Coal exploration involves a high degree of risk. The amounts attributed to the Company's interest in its properties as reflected in its financial statements represent acquisition and exploration expenses and should not be taken to represent realizable value. Hazards such as unusual or unexpected geological formations and other conditions are involved.

Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in the operation of mines and the conduct of exploration programs. Unknowns with respect to geological structures and other conditions are involved. Existing and future environmental laws may cause additional expenses and delays in the activities of the Company, and they may render the Company' properties uneconomic. The Company has no liability insurance, and the Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect on the Company's financial position.

**Profitability of Operations**

The Company is not currently operating profitably and it should be anticipated that it will operate at a loss at least until such time as production is achieved from one of the Company's properties, if production is, in fact, ever achieved. The Company has never earned a profit. Production is not scheduled to commence on any of the Company's properties in the foreseeable future. Investors also cannot expect to receive any dividends on their investment in the foreseeable future.

**Future Financings**

If the Company's exploration programs are successful, additional funds will be required for further exploration and development to place a property into commercial production. The only source of future funds presently available to the Company is through the sale of equity capital or the offering by the Company of an interest in any of its properties to be earned by another party or parties carrying out further exploration or development thereof. There is no assurance such sources will continue to be available on favourable terms or at all. If available, future equity financings may result in substantial dilution to current shareholders.

**Marketability**

The marketability of the coal which may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of coal markets and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of coal and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital with a corresponding loss of all or part of an investor's investment.

**Coal Prices**

The price of coal is affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations (including the US dollar relative to the Canadian dollar and other currencies), interest rates, global or regional consumption patterns, speculative activities and increases in production due to improved mining and production methods. The supply of and demand for coal is affected by various factors including political events, economic conditions and production costs in major coal producing regions.

**Competition**

Significant and increasing competition exists for coal mining opportunities available in British Columbia. There are a number of large established mining companies with substantial capabilities and greater financial and technical resources than the Company. No assurances can be made that the Company will be able to compete against such companies with respect to exploration and development, coal production and marketing.

**Uncertainty of Title**

The Company's properties may be subject to native land claims or government regulations.

# MANAGEMENT

## Directors and Officers of the Company

The names, municipalities of residence and principal occupations of each director, officer, promoter and other members of management of the Company are as follows:

| Name and Municipality of Residence | Position Held With the Company | Principal Occupation During the Past Five Years | Number of Shares Beneficially Owned, Controlled or Directed as of September 30, 2001 (3) |
|---|---|---|---|
| **David Fawcett (2)**<br>Delta, BC | President and Chief Operating Officer; Director of the Company since November 1997 | President of IDI Resource Technologies Inc. (July 1991 - present); Chief Operating Officer of Pine Valley Coal Ltd. (February 1996 – April 1999). | 1,373,962 |
| **(Douglas) David Austin (1)(2)**<br>North Vancouver, BC | Director of the Company since November 1997 | Terminal Agent Manager for BC Ferry Corp. (October 1974 - present); Director of Consolidated Goldbank Ventures Ltd. (March 1995 - present); Director of TDT Consolidated TranDirect.com Technologies Inc. (May 1996 – April 1999); Director of Crossroad Ventures Inc. (May 2000 – present). | 1,387,000 |
| **Peter Maher (2)**<br>Melbourne, Australia | Director of the Company since February 2001 | Director of Deepgreen Minerals Corporation Ltd. | Nil |
| **John Byrne (1) (2)**<br>Melbourne, Australia | Chairman of the Board of Directors; Director of the Company since June 2001 | Executive Chairman of Deepgreen Minerals Corporation Ltd. | 240,000 |
| **Kenneth Bates (1) (2)**<br>Toronto, Ontario | Director of the Company since June 2001 | President/Director of Cline Mining Corporation; Director of Mitsui Matsushima Canada Ltd. | Nil |
| **Shoichiro Yonezawa (2)**<br>Tokyo, Japan | Director of the Company since June 2001 | Managing Director of Energy and Fuels, Mitsui Matsushima | Nil |
| **John Conlon (2)**<br>Toronto, Ontario | Director of the Company since September 2001 | President of Webcon Equipment Inc. since 1975; Director of Driftech Inc. | Nil |
| **Kevin James**<br>Burnaby, BC | Vice President Exploration | President of Pika Geologic Inc. (August 1988 - present). | 1,031,017 |
| **Robert McMorran, C.A.**<br>Port Moody, BC | Secretary and Chief Financial Officer | President of Malaspina Consultants Inc. (July 1997 – present); Chief Financial Officer of Canada Dominion Resources Group (March 1998 – present); President and Secretary-Treasury of Cheni Resources Inc. (Dec. 1994 – May 1997) | 58,500 |

(1) The Company's audit committee is comprised of Messrs. Austin, Bates and Byrne. The Company does not have an Executive Committee.

(2) Each of the directors was elected to office at the Company's Annual General Meeting held September 7, 2001. The term of office expires at the next Annual General Meeting.

(3) All directors and senior officers of the Company, as a group, own 26.7% of the issued and outstanding shares of the Company.

## MARKET FOR SHARES OF THE COMPANY

The Company's common shares are listed and posted for trading on the Canadian Venture Exchange under the symbol "WTN".

## ADDITIONAL INFORMATION

Additional information related to directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase the Company's securities and interest of insiders in material transactions, where applicable, is contained in the Company's Information Circular for its most recent annual meeting of shareholders (and filed through SEDAR: www.sedar.com). Additional financial information is provided in the Company's most recently completed fiscal year and its subsequent quarterly and interim financial statements, all of which are filed through SEDAR (www.sedar.com).

The Company undertakes, upon request to the President or Secretary of the Company at Suite 900, 580 Hornby Street, Vancouver, British Columbia V6C 3B6, telephone (604) 608-2692, fax (604) 684-0642, to provide to any person, when the securities of the Company are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus that has been filed in respect of a distribution of its securities:

a. one copy of the Annual Information Form of the Company, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the Annual Information Form,

b. one copy of the Financial Statements of the Company for its most recently completed financial year together with the accompanying report of the auditors thereon, and one copy of any interim financial statements of the Company subsequent to the financial statements for its most recently completed financial year,

c. one copy of the Company's Information Circular – Proxy Statement in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared in lieu of that information circular, as appropriate; and

d. one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (a) to (c) above;

or, at any other time, subject to payment of a reasonable charge if the request is made by a person who is not a security holder of the Company, one copy of any document referred to in (a), (b) and (c) above.