

WESTERN CANADIAN INVESTMENTS

NO. 95 (1999)
MAY 18, 1999

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HILLSBOROUGH RESOURCES LTD.

[HLB-T] 17,321,368 SHS.

REFINANCING ACTIVITY REPORT - Hillsborough Resources Ltd. reports its discussions with the lenders to its 67% owned subsidiary Quinsam Coal Corp. seeking greater flexibility in light of weak market

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conditions worldwide for thermal coal which have persisted for a number of months.

David Slater, president of Hillsborough and Quinsam, said, "We believe the difficulties Quinsam is facing can be overcome. We have taken steps to reduce our costs in recent months and the company is now cash flow positive."

Quinsam is in compliance with all debt service requirements to its lenders and its operating line with The Toronto-Dominion Bank is currently within margin requirements. Quinsam, however, has not been in compliance with various financial covenants in its agreements with its lenders for the past 18 months and, as a result, both the Bank and NORTHGATE EXPLORATION LTD. [NGX-T. M. NY], its other term lender, will be entitled to enforce their security positions shortly, although both have indicated their willingness to continue their participation in discussions. In addition to discussions with its existing lenders, Quinsam is evaluating other funding alternatives, some of which may involve Hillsborough becoming a party to credit facilities, as guarantor or otherwise.

In light of the position of Belkin Enterprises Ltd. as Hillsborough's major creditor by virtue of its \$5,000,000 convertible debenture, Belkin's nominee on Hillsborough's board of directors, Gordon Pow, has stepped down from the board to remove any possibility of a conflict of interest.

Mr. Slater said, "Belkin, as a major shareholder as well as creditor of Hillsborough, continues to be supportive of our efforts to get through our current difficulties and is actively involved in our discussions."

In addition, Hillsborough has received the resignation of Al Cloke as a director. Mr. Cloke also recently retired as president/CEO of mining equipment supplier of Transwest Dynequip Ltd. following the sale of that company.

The Quinsam Coal Mine is located near Campbell River, Vancouver Island BC.

In a related update, Hillsborough Resources reports Quinsam Coal had applied to the Supreme Court of BC for a protective order under the Companies' Creditors Arrangement Act (CCAA). The Court order appointed Arthur Anderson Inc. as a monitor and effectively prevents creditors from enforcing their claims while Quinsam seeks to reach agreement with its creditors on a restructuring plan under supervision.

In the interim period, continuation of mining operations will be dependent on the company securing financial support from its current lenders or alternative financial sources.

Mr. Slater said, "We have taken this precautionary step in the interests of all our stakeholders, including our employees, our customers, our creditors and our shareholders. It is essential we have an opportunity to continue the efforts we have initiated to find a solution to our current difficulties. The CCAA procedure is designed to do that and I am hopeful that we will be able to bring a proposal back to Court that will be acceptable to our creditors and will enable the company to regain profitability in the short term and take advantage of the expected improvement in world coal markets in the