



Western Coal

ANNUAL INFORMATION FORM

June 14, 2010

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WESTERN COAL CORP.
ANNUAL INFORMATION FORM

INTRODUCTORY NOTES

Date of Information

In this Annual Information Form, Western Coal Corp., together with its subsidiaries, as the context requires, is referred to as “**Western**” or the “**Company**”. All information contained in this Annual Information Form is as at March 31, 2010, unless otherwise stated, being the date of the most recently completed financial year of the Company, and the use of the present tense and of the words “is”, “are”, “current”, “currently”, “presently”, “now” and similar expressions in this Annual Information Form is to be construed as referring to information given as of that date.

Cautionary Note Regarding Forward-Looking Statements

This Annual Information Form contains forward-looking statements, which reflect management’s expectations regarding the Company’s future growth, results of operations (including, without limitation, future production and capital expenditures), performance (both operational and financial) and business prospects (including the timing and development of new deposits and the success of exploration activities) and opportunities. Wherever possible, words such as “plans”, “expects” or “does not expect”, “budget”, “scheduled”, “estimates”, “forecasts”, “anticipate” or “does not anticipate”, “believe”, “intend” and similar expressions or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved, have been used to identify these forward-looking statements. In particular, this Annual Information Form contains forward-looking statements in respect of certain matters, including, but not limited to: business plans and strategies; estimates of mineral reserves and resources; geology, size and composition of coal deposits; capital expenditure programs, operating expenses, estimated production costs, exploration expenditures and reclamation costs; coal production levels and timing; projections of market prices and costs; supply and demand for coal; market competition; exploration, development and expansion plans and objectives; expectations regarding the ability to raise capital and to add to reserves through acquisitions, exploration and/or development; strengths of various economies; and receipt of regulatory approvals and treatment under governmental regulatory regimes.

Although the forward-looking statements contained in this Annual Information Form reflect management’s current beliefs based upon information currently available to management and based upon what management believes to be reasonable assumptions, the Company cannot be certain that actual results will be consistent with these forward-looking statements. A number of factors could cause actual results, performance, or achievements to differ materially from the results expressed or implied in the forward-looking statements. Such factors include, among others: future prices of coal and marketability of coal; foreign exchange rate fluctuations; operational delays and production problems; changes in government, legislation, taxation, control, regulations and political or economic developments in Canada, the United States and the United Kingdom, or other countries in which the Company may carry on business in the future; accidents, labour disruptions, inability to obtain suitable or adequate machinery, equipment or skilled employees or contractors and other risks of the mining industry; determination of mineral reserves and resources; permits and licenses, governmental regulation and environmental regulation and liability; dependence on major customers and suppliers of products and services; economic factors affecting the coal mining industry, competition, fluctuation of securities prices and additional financing; dependence on key personnel and conflicts of interest, as well as those factors listed from time to time in the Company’s continuous disclosure documents.

Forward-looking statements necessarily involve significant known and unknown risks, assumptions and uncertainties that may cause the Company’s actual results, performance, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. With respect to forward-looking statements contained in this Annual Information Form, the Company has made assumptions regarding: anticipated financial performance; business prospects and strategies; future production and recovery; current and future commodity prices, including the price of coal; availability of skilled labour; timing and amount of capital expenditures; future exchange rates; interest rates; the availability of credit; the impact of increasing competition; conditions in general economic and financial markets; availability of mining equipment; availability

and access to rail services and port facilities; effects of regulation by government agencies; future operating costs; and the ability to add production and reserves through acquisitions, development and/or exploration.

Although the Company has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this Annual Information Form and, other than as required by applicable securities laws, the Company assumes no obligation to update or revise them to reflect new events or circumstances. All forward-looking information disclosed in this Annual Information Form is qualified by this cautionary statement.

Currency and Exchange Rate Information

The Company reports in Canadian dollars. Accordingly, all references to “C\$”, “\$” or “dollars” in this Annual Information Form refer to Canadian dollars unless otherwise indicated. References to “US\$” or “U.S. dollars” are used to indicate United States dollar values. References to “£” and “GBX” are used to indicate United Kingdom pounds and pence sterling values, respectively.

The noon exchange rate on June 11, 2010 as reported by the Bank of Canada for the conversion of Canadian dollars to United States dollars was C\$1.00 equals US\$0.9678 (C\$1.0333 = US\$1.00).

The noon exchange rate on June 11, 2010 as reported by the Bank of Canada for the conversion of Canadian dollars to United Kingdom pounds and pence sterling was C\$1.00 equals £0.6655 and GBX 66.00, respectively.

Technical Information

The estimated mineral reserves and mineral resources for the Company’s various mines and mineral projects set forth herein have been calculated in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) Council – Definitions adopted by CIM Council on December 11, 2005 (the “**CIM Standards**”), which were adopted by the Canadian Securities Administrators’ National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (“**NI 43-101**”). The following definitions are reproduced from the CIM Standards:

A **mineral resource** is a concentration or occurrence of a natural, solid, inorganic or fossilized organic material in or on the Earth’s crust in such form and quantity and of such grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are subdivided, in order of increasing geological confidence, into inferred, indicated and measured categories.

An **inferred mineral resource** means that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

An **indicated mineral resource** means that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

A **measured mineral resource** means that part of a mineral resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

A ***mineral reserve*** means the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined.

A ***probable mineral reserve*** means the economically mineable part of an indicated mineral resource and, in some circumstances, a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

A ***proven mineral reserve*** means the economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

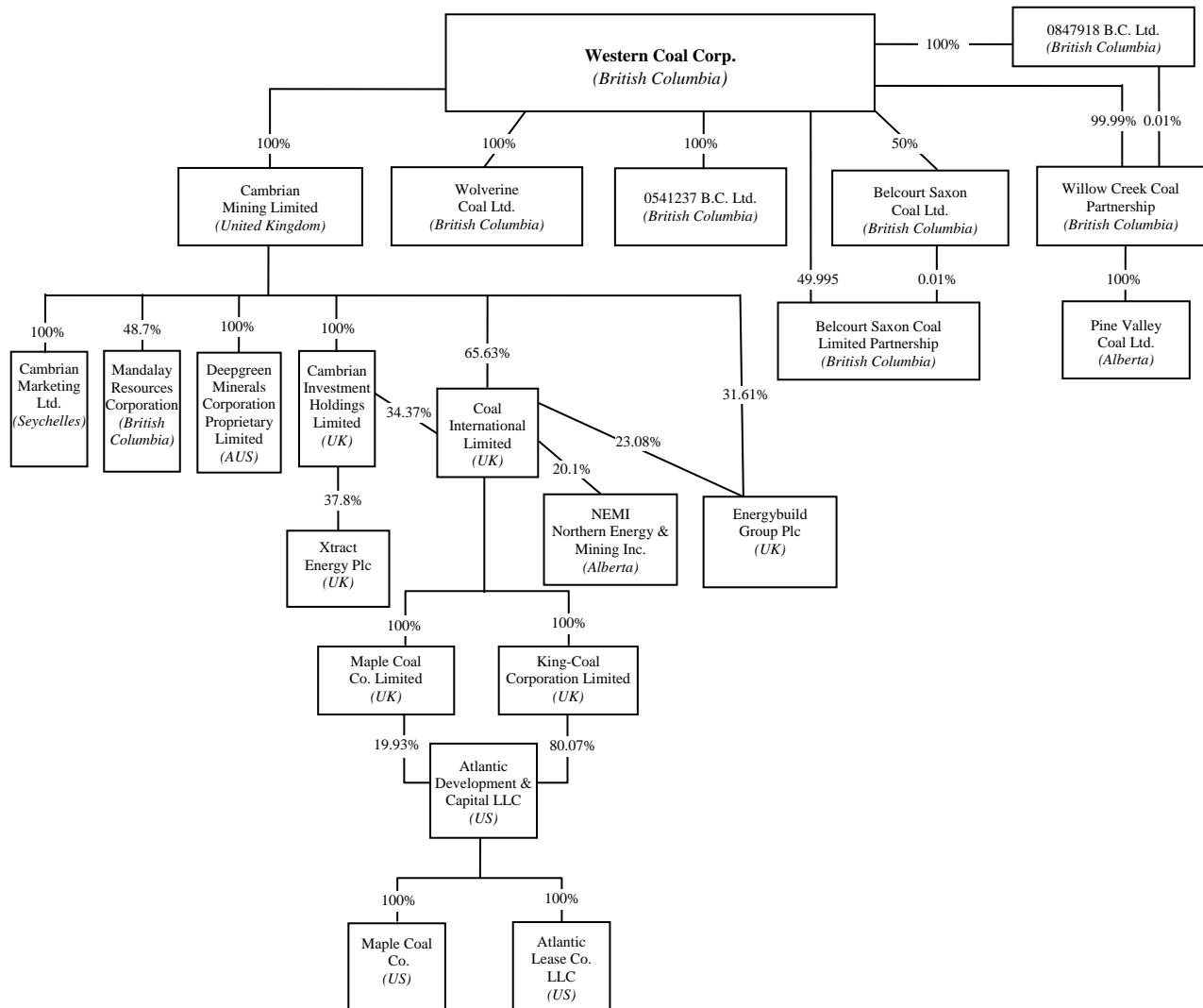
CORPORATE STRUCTURE

Western was incorporated on October 2, 1997 under the *Company Act* (British Columbia) and became a reporting issuer in British Columbia on December 17, 1998. In September 2004, the Company transitioned from the *Company Act* (British Columbia) to the *Business Corporations Act* (British Columbia).

The Company's principal and head office is located at Suite 900, 580 Hornby Street, Vancouver, British Columbia, V6C 3B6 and the Company's registered and records office is located at 1600 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2.

Intercorporate Relationships

As at the date of this Annual Information Form, the corporate structure of the Company is as follows:



GENERAL DEVELOPMENT OF THE BUSINESS

The Company was founded in October 1997 for the purpose of acquiring, exploring and developing coal mining properties for the international metallurgical coal markets. It is currently focused on the operation of its existing production facilities in northeast British Columbia, West Virginia and Wales, and bringing into production additional properties in its high quality portfolio of assets in northeastern British Columbia. Over the past five years, the Company's focus has been on demonstrating the economic viability of, and bringing into production, its Dillon and Brule open-pit mines located within the Burnt River coal deposit area, and its Perry Creek open-pit mine located within the Company's Wolverine group of coal properties. In 2009, the Company completed the acquisition of a 100% interest in Cambrian Mining plc (now Cambrian Mining Limited) ("**Cambrian**"), which owns and operates the Maple Coal and Gauley Eagle coal mines in West Virginia and has a 54.7% interest in Energybuild Group plc ("**Energybuild**"), a producer of deep mined premium anthracite and open cast coals. The Company, through Cambrian, also holds a 37.8% interest in Xtract Energy plc ("**Xtract**"), a 48.7% interest in Mandalay Resources Corporation ("**Mandalay**") and a 20.1% interest in NEMI Northern Energy & Mining Inc. ("**NEMI**").

Three Year History

Year ended March 31, 2008

On April 26, 2007, the Company entered into an agreement with Cambrian governing the respective rights of the Company and Cambrian with respect to the acquisition by Cambrian of all of the shares of Falls Mountain Coal Inc. ("**FMC**") from Pine Valley Mining Corporation ("**PVMC**") and the alternatives for the subsequent disposition of FMC by Cambrian to the Company.

Cambrian entered into a sale and purchase agreement (the "**Purchase Agreement**") dated April 27, 2007 between PVMC, FMC and Cambrian. On June 29, 2007, pursuant to the terms of the Purchase Agreement, Cambrian acquired all of the issued and outstanding shares of FMC from PVMC and acquired all debt owed by FMC. The consideration for the acquisition was: (i) approximately \$15.6 million in cash; (ii) \$11 million principal amount of 7.5% convertible unsecured subordinated debentures due March 24, 2011 issued by the Company and held by Cambrian; and (iii) a royalty payment of \$1.00/tonne, escalating at 2% per annum to a maximum of \$1.50/tonne on coal loaded through the load-out at Willow Creek, up to a maximum total royalty payment of \$26 million.

On June 1, 2007, the Company's Board of Directors approved a contribution of \$952,000 representing the Company's portion of the continuing development and feasibility related costs of the Belcourt Saxon joint venture. This contribution was made during fiscal 2008.

On June 19, 2007, the Company completed a brokered private placement of 19.2 million units at a price of \$2.35 per unit for gross proceeds of \$45 million. Each unit was comprised of one Common Share and one-quarter of one warrant, each whole warrant exercisable to purchase one Common Share at a price of \$3.25 per share until June 28, 2012. The net proceeds from the private placement were used to repay approximately \$19.6 million of the Company's existing bank debt and for general corporate purposes.

On September 14, 2007, the Company obtained a loan from Cambrian in the amount of \$5 million with a principal payment date of July 15, 2011 (the "**2007 Loan Facility**"). The 2007 Loan Facility was obtained in connection with the reduction by the Company of the principal then outstanding under the Company's credit facility and the requirement to raise additional capital to replace the liquidity impacted by the lack of access to the asset backed commercial paper held by the Company. The 2007 Loan Facility was convertible until the principal payment date, at Cambrian's option, at a conversion rate of \$2.35 per Common Share, which, pursuant to a loan amendment on May 6, 2008 that was approved by the shareholders of the Company on March 31, 2008, was reduced to \$0.75 per Common Share. Interest accrued at 8.5% per annum and was payable on the principal payment date. The fee for the 2007 Loan Facility was \$100,000 and 520,000 warrants were issued to Cambrian with an exercise price of \$3.25 per share and an expiry date of September 30, 2008. The warrants were exercised by Cambrian on September 23, 2008. On January 21, 2009, the entire amount of the 2007 Loan Facility was offset against the amount payable under the CIH Loan (as defined below) made to Cambrian Investment Holdings Limited ("**CIH**").

On November 30, 2007 and December 7, 2007, the Company completed a non-brokered private placement of US\$40,372,000 aggregate amount of senior convertible debentures. On November 30, 2007, the Company completed the first tranche of US\$30,279,000 principal amount of debentures with the Audley European

Opportunities Master Fund Limited (the “**Audley Fund**”). On December 7, 2007, the Company completed the final tranche of US\$10,093,000 principal amount of debentures to a group of investors. The convertible debentures bore interest at 8.5% per annum, payable semi-annually beginning May 31, 2008, and were to mature on November 30, 2010. The debentures were convertible into Common Shares at any time prior to maturity at a conversion price of \$0.75 per share. In connection with the private placement, the Company also issued 4,240,000 warrants to the Audley Fund as consideration for certain services rendered by the Audley Fund in connection with the private placement. Each warrant entitles the holder to purchase one Common Share at an exercise price of \$0.75 per share at any time prior to 4:30 p.m. (Vancouver time) on November 30, 2010. The net proceeds of the private placement were used for working capital requirements at the Wolverine project, to reduce the current level of the principal and interest due under the Company’s existing bank debt from \$35 million to \$27.5 million, and for general corporate purposes. During the year ended March 31, 2009, US\$40,149,675 principal amount of the convertible debentures were converted and the Company issued 53,039,620 Common Shares in connection therewith. During the year ended March 31, 2010, the remaining US\$222,325 principal amount of convertible debenture was converted and the Company issued an additional 293,701 Common Shares.

The Company and Cambrian entered into a sale and purchase agreement on November 30, 2007, as amended February 25, 2008, pursuant to which Cambrian agreed to sell and the Company agreed to purchase all of the shares of FMC, for aggregate consideration of \$28,111,347, which included: (i) the issuance of 18,740,898 Common Shares at a deemed price of \$0.75 per Common Share, which represented a premium of approximately 10.3% to the closing price of the Common Shares on November 30, 2007, for an aggregate value of \$14,055,674; and (ii) the deferred payment of \$14,055,673 on or before September 30, 2008. At Cambrian’s election on or before July 1, 2008, the deferred payment could be satisfied by the issuance of 4,534,088 Common Shares at a deemed price of \$3.10 per share. On March 31, 2008, the Company’s shareholders, other than Cambrian and its affiliates and associates, approved the acquisition of FMC, which owns the Willow Creek open pit metallurgical mine (the “**Willow Creek Mine**”). On May 6, 2008, the Company completed the acquisition and issued 18,740,898 Common Shares to Cambrian in partial satisfaction of the purchase price. On June 27, 2008, Cambrian elected to receive 4,534,088 Common Shares in full satisfaction of the deferred payment.

On March 11, 2008, the Company obtained a demand non-revolving bridge loan in the amount of \$3.5 million in order to provide liquidity for working capital pending any possible long-term solution to the liquidity issues affecting the Company’s asset backed commercial paper. The loan was repaid in full on September 28, 2008.

During the year ended March 31, 2008, \$201,000 was raised pursuant to the exercise of 140,500 stock options.

Year ended March 31, 2009

On April 30, 2008, the Company obtained a short-term bridge financing for US\$30 million from the Audley Fund (the “**Bridge Financing**”). The Bridge Financing was repayable in two tranches with US\$15 million payable on July 29, 2008 and the balance on October 29, 2008. The Bridge Financing accrued interest at a rate of LIBOR plus 450 basis points for the first three months and thereafter until maturity accrued interest at a rate of LIBOR plus 650 basis points. In connection with the Bridge Financing, the Company issued warrants to the Audley Fund to purchase up to 4,000,000 Common Shares at a price of \$4.82 per share, exercisable at any time on or before January 31, 2009. The Bridge Financing was used to repay the long-term debt outstanding as at March 31, 2008 and to accelerate the expansion plans of the Willow Creek Mine. The Bridge Financing was subsequently repaid on July 31, 2008.

On July 30, 2008, the Company entered into a reducing revolving term credit facility in the amount of US\$25 million and a revolving term credit facility in the amount of the lesser of US\$25 million and the estimated borrowing base which is based on a percentage of trade accounts receivable and coal inventory. The reducing revolving credit facility had a maturity date of July 29, 2010. In conjunction with the CIH Loan (discussed below) and the repayment of the 2007 Loan Facility, the credit facility was amended to reduce the term credit facility to nil from US\$25 million and to increase the revolving term credit facility from US\$25 million to US\$30 million. As at March 31, 2010, the Company had the full amount under the revolving term credit facility available.

On September 23, 2008, Cambrian exercised 520,000 warrants at an exercise price of \$3.25 per share for cash proceeds to the Company of \$1,690,000. These warrants were issued to Cambrian in connection with the 2007 Loan Facility.

On September 24, 2008, the Audley Fund exercised US\$10,279,000 principal amount of convertible debentures for the issuance of 13,579,000 Common Shares, and accrued interest of US\$282,000 was paid to the Audley Fund upon the conversion. On September 29, 2008, the Audley Fund exercised an additional US\$20 million principal amount of convertible debentures for the issuance of 26,420,951 Common Shares, and accrued interest of US\$571,000 was paid to the Audley Fund upon the conversion.

On January 21, 2009, the Company provided a non-revolving loan on a secured basis in the principal amount of US\$36 million to CIH, a wholly-owned subsidiary of Cambrian (the “**CIH Loan**”), less the amount equivalent to the principal repaid under the 2007 Loan Facility. CIH paid a fee of US\$600,000 in connection with the CIH Loan. The CIH Loan accrued interest at a rate of 12% per annum until repayment and became payable in full on December 31, 2009. Under the terms of the CIH Loan, the amount repayable was reduced by the amount owing by the Company under the \$5 million 2007 Loan Facility from Cambrian. In connection with the acquisition of Cambrian, the Company set-off \$29,000,000 owing under the CIH Loan against \$29,000,000 principal amount of 7.5% convertible unsecured subordinated debentures held by Cambrian. The principal receivable under the CIH Loan is US\$7,938,000.

On March 17, 2009, the Company incorporated 0847918 B.C. Ltd. (“**0847918**”) as a wholly-owned subsidiary and, together with 0847918, formed a British Columbia general partnership on March 23, 2009 under the *Partnership Act* (British Columbia) (the “**Willow Creek Coal Partnership**”). As part of the Company’s internal reorganization, all of FMC’s interests in the Willow Creek Mine and in certain adjacent properties of the Company, including all of the issued and outstanding shares of Pine Valley Coal Ltd., were transferred to the Willow Creek Coal Partnership.

During the year ended March 31, 2009, \$4,125,000 was raised pursuant to the exercise of 1,526,268 options and \$6,580,000 was raised pursuant to the exercise of 2,024,655 warrants.

During the year ended March 31, 2009, \$54,062,000 of principal from the \$125 million aggregate principal amount of the 7.5% convertible unsecured subordinate debentures due March 24, 2011 was converted into 13,515,500 Common Shares.

Year ended March 31, 2010

The Company entered into a combination agreement with Cambrian on May 20, 2009 (the “**Combination Agreement**”) to effect the acquisition by the Company of all of the issued and outstanding ordinary shares of Cambrian by way of a scheme of arrangement (the “**Scheme of Arrangement**”) under Section 899 of the United Kingdom *Companies Act 2006*, involving a reduction of the capital of Cambrian under Section 135 of the United Kingdom *Companies Act 1985*. The Scheme of Arrangement and the related reduction of capital were sanctioned by the High Court of Justice in England and Wales on July 10, 2009 and became effective on the close of business in the United Kingdom on July 13, 2009. Details of the transaction are set out under the heading “*Significant Acquisitions*” below. The Company filed a business acquisition report relating to the transaction on November 30, 2009, a copy of which is available under the Company’s profile on SEDAR at www.sedar.com.

On May 20, 2009, the Company entered into an agreement (the “**Noteholder Agreement**”) with Cambrian and the holders of the \$27 million convertible notes of Cambrian (the “**Cambrian Notes**”), pursuant to which the Company agreed that, conditional upon: (i) a written resolution being duly passed by the holders of the Cambrian Notes amending certain conditions of the Cambrian Notes; and (ii) the Scheme of Arrangement becoming effective, the Company will, or will procure that Cambrian or another member of the Company and its subsidiary, redeem the Cambrian Notes in full together with interest thereon to, but excluding, the date of such redemption in accordance with the amended conditions of the Cambrian Notes by not later than five business days from the date when the Scheme of Arrangement becomes effective. Under the terms of the Noteholder Agreement, the holders of the Cambrian Notes agreed that such redemption will constitute a full and final discharge of Cambrian’s obligations to redeem the Cambrian Notes.

On or about May 20, 2009, all of the holders of the Cambrian Notes signed a written resolution modifying and amending certain conditions of the Cambrian Notes, satisfying the first condition to the Noteholder Agreement. On July 14, 2009, the Cambrian Notes were redeemed in full by Cambrian upon payment on aggregate of \$31,380,000 to the holders of Cambrian Notes.

On August 19, 2009, the Company completed a bought deal financing and issued 24.9 million Common Shares, including 2.8 million Common Shares issued on exercise of the over-allotment option, at a price of \$2.70 per share for gross proceeds of approximately \$69.23 million. The financing was underwritten by a syndicate of investment dealers led by Cormark Securities Inc. and included GMP Securities L.P., Canaccord Capital Corporation., and Salman Partners Inc.

The Company entered into an agreement with Mandalay on September 24, 2009, pursuant to which the Company agreed to sell all of the shares of AGD Mining Pty Ltd. (“**AGD**”) to Mandalay. The sale also included Mandalay acquiring the outstanding intercompany loans owing by AGD to the Western group of companies. In consideration for all of the issued and outstanding ordinary shares of AGD and the intercompany loans, the Company received: (i) 44 million common shares of Mandalay at a price of \$0.25 per share; (ii) warrants to acquire an aggregate of 40 million common shares of Mandalay for a period of five years, of which 50% have an exercise price of \$0.31 per share and 50% have an exercise price of \$0.465 per share; and (iii) a promissory note in the principal amount of \$1.5 million. The promissory note bears interest at 7% per annum and matures December 1, 2010. The Company has granted a group of private placement investors, some of whom are related parties to the Company, an option expiring on November 30, 2010 to purchase up to 16 million common shares in Mandalay held by the Company at a price of \$0.31 per share. In addition, the Company has granted an option expiring on September 25, 2011 to Plinian Capital Ltd., a company controlled by the Chief Executive Officer of Mandalay, to purchase up to 24.7 million common shares of Mandalay held by the Company at a price of \$0.25 per share.

On December 16, 2009, the Company acquired an additional 58.2 million ordinary shares of Energybuild at a cost of 15 pence per share. Approximately 29.8 million of the ordinary shares subscribed by the Company were issued on conversion of £4.5 million in loans previously made by the Company to Energybuild. The Company now owns approximately 124 million ordinary shares of Energybuild, representing approximately 54.7%, of the Energybuild issued and outstanding ordinary shares.

On December 17, 2009, the Company announced a normal course issuer bid for up to 10,000,000 Common Shares, commencing on December 21, 2009 and terminating on December 20, 2010, unless earlier terminated by the Company. As at the date of this Annual Information Form, the Company has not made any purchases of Common Shares under the normal course issuer bid.

On February 11, 2010, the Company acquired an additional 4 million common shares of Mandalay through the exercise of 4 million warrants of Mandalay at the exercise price of \$0.31 per share. As of the date of this Annual Information Form, the Company owns 48 million common shares of Mandalay, representing approximately 48.7% of Mandalay’s issued and outstanding common shares.

During the year ended March 31, 2010, \$3,697,000 was raised pursuant to the exercise of 1,437,000 options and \$2,183,000 was raised pursuant to the exercise of 2,910,000 warrants.

During the year ended March 31, 2010, \$40,000 principal amount of the 7.5% convertible unsecured subordinated debentures due March 24, 2011 was converted into 10,000 Common Shares. In connection with the acquisition of Cambrian, the Company cancelled \$29,000,000 principal amount of convertible debentures held by Cambrian in connection with the set-off of a portion of the amount owing by Cambrian to the Company under the CIH Loan.

Subsequent to Year ended March 31, 2010

On April 28, 2010, the Company announced an intention to redeem all of the issued and outstanding 7.5% convertible unsecured subordinate debentures on May 31, 2010 (the “**Redemption Date**”). The Company agreed to pay to the holders of the 7.5% convertible unsecured subordinate debentures as at the close of business of May 19, 2010, \$1,000 per debenture plus accrued and unpaid interest on the Redemption Date. From April 1, 2010 to the Redemption Date, \$41,696,000 principal amount of the debentures was converted into 10,424,000 Common Shares. On the Redemption Date, the remaining \$202,000 principal amount of debentures was redeemed by the Company.

On June 9, 2010, the Company announced that it has reached an agreement with Energybuild on the terms of a recommended proposal for the acquisition (the “**Proposed Acquisition**”) by the Company of all of outstanding ordinary shares in the capital of Energybuild not already held, directly or indirectly, by the Company (the “**Energybuild Shares**”). The Proposed Acquisition will be effected by way of a scheme of arrangement under section 899 of the United Kingdom Companies Act 2006, involving a reduction of capital of Energybuild, pursuant

to which all of the Energybuild Shares will be cancelled and Common Shares of the Company will be issued to holders of Energybuild Shares (the “**Energybuild Shareholders**”). Upon completion of the scheme of arrangement, Energybuild will be a wholly-owned subsidiary of the Company. Under the terms of the Proposed Acquisition, Energybuild Shareholders will receive 0.0833 Common Shares for each Energybuild Share held. Upon completion of the Proposed Acquisition, the Company will issue approximately 8.6 million Common Shares to Energybuild Shareholders, representing approximately 3.1% of the Company’s issued and outstanding shares (excluding approximately 72.1 million Common Shares owned by Cambrian). The Company expects that the scheme of arrangement will become effective in August 2010, subject to the satisfaction of certain conditions, including Energybuild shareholder, court and regulatory approvals.

Significant Acquisitions

Pursuant to the terms of the Combination Agreement, the Company agreed to acquire all of the issued and outstanding ordinary shares of Cambrian in exchange for Common Shares of the Company on the basis of a ratio of 0.75 Common Shares of the Company for each ordinary share of Cambrian (the “**Combination**”). In addition, any ordinary shares of Cambrian issued to holders of options to acquire ordinary shares of Cambrian (“**Cambrian Options**”), warrants to acquire ordinary shares of Cambrian (“**Cambrian Warrants**”), or Cambrian Notes, on the exercise of such options or warrants or conversion rights in respect of the Cambrian Notes, as applicable, after the effective date of the Combination were not included in the Scheme of Arrangement and therefore such holders of Cambrian Options, Cambrian Warrants and Cambrian Notes were not bound by the Scheme of Arrangement. The amendments to the articles of association of Cambrian proposed at the meeting of the Cambrian shareholders held on June 23, 2009 (the “**Cambrian General Meeting**”) provided that any person acquiring ordinary shares of Cambrian after the effective date will be required to transfer them to Cambrian on the basis that they will receive the same number of Common Shares of the Company to which they would have been entitled had they held ordinary shares of Cambrian that were subject to the Scheme of Arrangement, subject to rounding down, as fractions of Common Shares would not be issued.

The Scheme of Arrangement was subject to satisfaction or waiver of certain conditions, including the approval of Cambrian shareholders by the passing of a resolution approved by a majority in number of the Cambrian shareholders voting, representing at least 75% of the value of the ordinary shares of Cambrian voting at the Cambrian General Meeting and the approval of the shareholders of the Company, other than Cambrian, the Audley Fund and their affiliates and associate, of an ordinary resolution to approve the Combination that was considered at the special meeting of the Company held on June 24, 2009. On June 23, 2009, the requisite majority of the shareholders of Cambrian approved the Scheme of Arrangement and on June 24, 2009, the requisite majority of the shareholders of the Company approved the Combination.

On July 13, 2009, the Company completed the acquisition of all of the issued and outstanding ordinary shares of Cambrian. As a result of the Combination, Cambrian became a wholly-owned subsidiary of the Company. Through its various subsidiaries, Cambrian owns and operates two underground and surface mines in West Virginia, USA which produce metallurgical and thermal coal. Atlantic Development & Capital LLC (“**ADC**”), also doing business as Atlantic Development & Coal, through its operating subsidiary, Atlantic LeaseCo LLC (“**Atlantic Leaseco**”), operates a surface mine (Lower Muddlety) and an underground mine (Black Pearl) located on the 20,000 acre Gauley Eagle property in the Nicholas and Webster counties of West Virginia (together, the “**Gauley Eagle Mine**”). ADC, through its operating subsidiary Maple Coal Co. (“**Maple Coal**”), operates a surface mine (Sycamore) and an underground mine (Eagle No.1) located on the 21,000 acre Maple Coal property in the Fayette and Kanawha counties of West Virginia (together, the “**Maple Coal Mine**”).

As a result of the Combination, the Company also acquired a 50.6% interest (subsequently increased to 54.7%) in Energybuild, which owns and operates the Aberpergwm underground drift mine (the “**Aberpergwm Mine**”), the associated Treforgan mine underground extension (the “**Treforgan Extension**”) and several surface opencast mines including the Nant y Mynydd opencast coal site and the Forest Quarry and Western Extension areas (collectively, the “**Surface Opencast Mines**”) and together with the Aberpergwm Mine and Treforgan Extension, the “**Energybuild Coal Properties**”) in South Wales, United Kingdom. The Company also acquired several other assets including: (i) a 100% interest in AGD, which was subsequently sold to Mandalay; (ii) a 38.7% interest in Xtract; and (iii) a 20.1% interest in NEMI.

Anticipated Change in Business

Coal Markets

Renewed strength in the global steel sector has resulted in higher demand and pricing for metallurgical coal. As a result, the Company anticipates sales volume of 6 million tonnes in fiscal 2011, a sufficient amount of which has already been contracted. The Company is continuing to aggressively pursue new markets and spot sales, and will also maintain relations with existing customers should their coal requirement change.

The average sales price for period of April 1 to June 30, 2010 for metallurgical coal is expected to be in the range of US\$170 to US\$200 per tonne. The expected average sales price may vary from quarter to quarter in fiscal 2011 depending on the Company's ability to successfully negotiate additional contracts, spot sales or sales within new markets.

Coal prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of this commodity due to the current state of the world economies and the ongoing global credit and liquidity concerns.

Operations

The Company intends to manage production levels throughout fiscal 2011 to meet the anticipated demand for coal. While it is expected that the average cost of sales will vary from quarter to quarter, the average cost of sales for fiscal 2011 is anticipated to be between \$95 and \$100 per tonne for the Company's Canadian Operations and between US\$69 and US\$74 per short ton at the Company's U.S. Operations. The Company will continue to focus on productivity improvements and cost control measures throughout the operations. An escalation of mining input costs or lower than expected production levels would have a negative impact on the anticipated cost of sales.

Capital Expenditures

The Company anticipates capital expenditures will total approximately \$300 million in fiscal 2011. This includes approximately \$170 million related to the new infrastructure required to grow the business of the Company. The anticipated capital expenditures also include new equipment, totaling approximately \$130 million. Fiscal 2011 capital expenditures are expected to be funded by existing cash and cash flow from operations.

Foreign Exchange

The recent strengthening of the Canadian dollar against the U.S. dollar is expected to have a negative impact on the Company's fiscal 2011 financial results. Substantially all of the Company's coal sales occur in U.S. dollars. Sustained or additional strengthening of the Canadian dollar against the U.S. dollar, without hedges, would continue to have a negative impact on the Company's financial results. As at March 31, 2010, the Company had entered into foreign currency forward sale contracts for US\$241 million to reduce its exposure to fluctuation in currency. Subsequent to March 31, 2010, the Company entered into a series of foreign currency forward sale contracts for an additional US\$120 million.

DESCRIPTION OF THE BUSINESS

General

The Company's principal business is the acquisition, exploration and development of coal licenses with its primary focus being favourably located, high-quality coal deposits in three distinct operational groups: the Canadian Operations, located in northeastern British Columbia (Canada), the US Operations, located in West Virginia (USA), and the UK Operations, located in South Wales (UK).

The Company's mission statement is to mine coal to maximize shareholder value while respecting the interests of its stakeholders. The Company's vision, values and strategy statements include:

- to be the premier independent coal mining company specializing in metallurgical coal and the supplier of choice to its customers;
- safety, stewardship, integrity, employee empowerment and the pursuit of excellence ; and
- to be value accretive through organic growth, acquisition of contiguous assets and geographic expansion.

Canadian Operations Overview

The Canadian Operations consist of a diversified coal asset base in northeastern British Columbia adjacent to or nearby existing infrastructure already established for the northeast coalfields, including rail, port, town and other facilities. Within British Columbia, the Company owns two large multi-deposit coal property groups — the Wolverine and Brazion groups of properties, which are comprised of approximately 35,000 hectares located in northeastern British Columbia under license or lease, including:

- (i) the Perry Creek and EB open-pit deposits (collectively, the “**Wolverine Project**”) and the Hermann open-pit deposit, located within the Wolverine group of coal properties; and
- (ii) the Brule Mine and the Willow Creek Mine, which are open-pit mines located within the Brazion group of coal properties.

Additionally, the Company holds directly and indirectly a 50% interest in the Belcourt Saxon Coal Limited Partnership (the “**Belcourt Saxon LP**”), which owns two additional multi-deposit coal property groups — the Belcourt and Saxon groups of properties, which are located approximately 65 to 125 kilometres south of the Wolverine group of coal properties. These properties include more than 50,000 hectares under license or application held by Belcourt Saxon Coal Ltd. (the “**General Partner**”), the general partner of the Belcourt Saxon LP.

The Company also owns or holds an interest in a number of other property assets located in northeast and southeast British Columbia that are at a less advanced stage of development.

US Operations Overview

The US Operations consist of the Gauley Eagle Mine located on the 20,000 acre Gauley Eagle property in the Nicholas and Webster counties of West Virginia and the Maple Coal Mine located on the 21,000 acre Maple Coal property in the Fayette and Kanawha counties of West Virginia. The Company acquired the rights to the two underground and surface mines, which produce both metallurgical and thermal coal, in July 2009 in connection with the acquisition of Cambrian.

UK Operations Overview

The UK Operations consist of the Company's 54.7% interest in Energybuild, which is primarily a coal mining company that operates in the Neath Valley and Dulais Valley of South Wales. Energybuild owns and operates the Aberpergwm Mine and the associated Treforgan Extension, and the Surface Opencast Mines, which produce high quality anthracite and thermal coal.

Principal Product and Markets

Coal is the world's most abundant fossil fuel and is more evenly distributed throughout the world than other fossil fuels. Coal is generally classified according to its heat content as either lignite, subbituminous, bituminous or anthracite. Lignite has the lowest heat content and anthracite the highest. Most coals are used primarily for their heating characteristics in the production of electricity, steam and process heat. Certain types of bituminous coals are also classified as metallurgical coals. Metallurgical coal that is used primarily for its chemical, physical and heating characteristics is an important ingredient in the steel manufacturing process and is typically sold at higher prices than thermal coal due to its special characteristics. Metallurgical coal is less abundant than thermal coal and is produced for export primarily in Australia, Canada, the United States and China. Thermal coal is found in many parts of the world. It is generally lower in carbon content and calorific value and higher in moisture content than metallurgical coal.

The Company's principal products are metallurgical coal and thermal coal. There are three main categories of metallurgical coal: hard coking coal that forms high-strength coke in a coke oven, a key component in the blast furnace; semi-soft coking coal that is used in coke oven blends and produce lesser quality coke; and pulverized coal injection ("PCI") coal that is used primarily for its heat value and carbon content in a blast furnace. Semi-soft and PCI coals have lower sales values compared to hard coking coal. PCI coal is typically unsuited to the production of good quality coke and is a lower cost alternative fuel, used for direct injection into the blast furnace. The use of low-volatile PCI coal, however, has become a major innovation in modern steelmaking, as up to 30% of the coke feed can be replaced with low-volatile PCI. Although the increased use of PCI coals reduces higher value coking coal requirements, the coking coal needs to be of a higher quality. This provides an opportunity for the steel mills to optimize the use of the lower value semi-soft and PCI coals to significantly reduce steelmaking raw material costs. Coal produced from the Company's Burnt River properties is classified as low-volatile PCI coal, as compared with coal produced from the Company's Wolverine properties, which is classified as hard coking coal. Production from the Willow Creek Mine is expected to provide both low volatile PCI and hard coking coal. The metallurgical coal produced from the Gauley Eagle Mine and the Maple Coal Mine is classified as high-volatile hard and semi-soft coking coal.

Thermal coal is primarily used by electric utilities and industrial users to produce electricity, steam and heat. Thermal coal is also used as a fuel in industrial processes such as cement manufacturing. It is generally lower in carbon content and calorific value and higher in moisture content than metallurgical coal. The quality of thermal coal is generally measured by its heating value, commonly measure in Kcal/kg, its volatility, sulphur content, moisture content and ash content. A number of countries, including the United States, produce thermal coal for the world export market. Other major producers include Canada, Australia, Indonesia, South Africa, China, Russia and certain South American countries. Coal produced from the surface mines at the Gauley Eagle Mine and the Maple Coal Mine is classified as thermal coal.

Anthracite coal is inherently a high carbon/high BTU quality energy source. In the metal's smelting and fabrication industries, anthracite is commonly used as a reduction agent for various applications such as briquetting charcoal, iron ore pellets and other uses. The primary use of anthracite is for a domestic fuel in either hand-fired stoves or automatic stoker furnaces. It delivers high energy per its weight and burns cleanly with little soot, making it ideal for this purpose. Its high value makes it prohibitively expensive for power plant use. A portion of the coal produced at the Aberpergwm Mine, the Treforgan Extension and the Surface Opencast Mines is classified as anthracite.

Competitive Conditions

Worldwide seaborne trade of metallurgical coal was approximately 227 million tonnes in 2009 of which almost two-thirds originated in Australia. Canada's metallurgical coal exports totaled approximately 22.4 million tonnes in 2009, with 73% destined for Asia, 17% to Europe, and the balance to the Americas. Teck Resources Limited, the world's second largest metallurgical coal exporter, is operating in southeastern British Columbia and central Alberta and accounted for approximately 80% of Canada's 2009 metallurgical coal production. Canada's share of the seaborne PCI coal market in 2009 was 1.2 million tonnes.

Worldwide seaborne trade of thermal coal was estimated to be approximately 694 million tonnes in 2009. Global demand for seaborne thermal coal increased by 6% in 2009, principally benefitting from the growth in the Chinese net import demand. Indonesia was the largest source of thermal coal in 2009 while North America's share was approximately 80.2 million tonnes of the total seaborne thermal coal market.

The financial performance of the Company is strongly influenced by the prices of metallurgical and thermal coal, which are set in a highly competitive marketplace and impacted by numerous factors outside the control of the Company. These include the demand for steel, developments in mining technology, infrastructure and transportation capacity constraints, fluctuations in currency, interest rates, political stability and overall economic growth.

Steel producers generally will contract with multiple coal suppliers in order to ensure security of supply. The competitiveness of coal producers is influenced by the production and transportation costs relative to other producers. Such costs are largely influenced by the location and nature of coal deposits, mining and processing costs, transportation and port costs, currency exchange rates, operating and management skills, and differing taxation systems between countries.

Cyclical Nature of Coal Markets

Coal markets are characterized by the sheer size and volume of global trade in steel raw materials. Fluctuations in supply and demand in various regions throughout the world are common. In the late 1990s, the price of hard coking coal dropped by approximately 30% due to an oversupply and general economic downturn in several Asian countries. In 2000, supply/demand returned to balance, with supply remaining tight through 2003.

The global demand for metallurgical coal rose sharply in late 2004 and early 2005, as crude steel production expanded in pace with buoyant economic growth, particularly in China, India and other developing countries. As a result, prices for hard coking coal rose sharply for the 2005/2006 coal year, to US\$125 per tonne, from the high US\$50s in the previous year. With the announcement of new coal mine developments (spurred by record coal prices) and with steel mills subsequently drawing down inventories built up in early 2005 as security against supply disruption, coking coal prices fell to between US\$95 - \$115 per tonne in the 2006/2007 coal year. Settlements for the 2007/2008 coal year resulted in coking coal prices of US\$85 - \$98 per tonne, depending on the valuation of each brand by steel producers.

A strong demand in 2007, coupled with a tightening of supply, resulted in a very tight spot market enabling Australian and Canadian producers to achieve spot prices in the range US\$120 - \$200/tonne by early December 2007. In January 2008, severe flooding in Queensland caused major disruptions in the supply of Australian metallurgical coal. Spot prices exceeded US\$350/tonne for coking coal and in 2008 coking coal prices were settled at US\$300/tonne.

By the second half of 2008, global steel production declined due to the worldwide economic shutdown and as a result steel producers were reducing their consumption of metallurgical coal. Many customers did not meet contracted volumes of coal and shipments were deferred into the following coal year.

In 2009, continued economic uncertainty and decreased global demand for steel resulted in significantly lower coal prices from 2008 levels. Metallurgical coal prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of this commodity due to the current state of world economics and ongoing global credit and liquidity concerns.

The Company's average sales price for 2009/2010 coal year were in the range of US\$90 to US\$126 per tonne, which include carryover shipments from the prior coal year. The expected average sales price for the 2010/2011 coal year will vary depending on the Company's ability to successfully negotiate additional spot sales or sales within new markets.

Market Outlook and Opportunity

Global steel production is largely reliant on metallurgical coal. According to the World Coal Institute, almost 70% of total global steel production depends on inputs of this type of coal, which is used as a source of carbon and heat in the blast furnace process. World steel output stood at 2.2 billion tonnes in 2009, a decrease of 8% compared to 2008.

A significant portion of the Company's current fiscal 2011 metallurgical coal production is under contract for sale to international steel producers. Coal prices for April to June 2010 are approximately US\$200 per tonne for hard

coking coal and US\$170 per tonne for ultra-low volatile PCI coal. The Company does not have fiscal 2010 carryover tonnages to be shipped in fiscal 2011.

Strong demand for imported coal from China and India and a recovery in demand from other Asian consumers led to improved conditions in the Pacific coal markets and also supported stronger spot prices in the final quarter of 2009. In China, imports of coking coal in 2009 reached 35 million tonnes, up from 7 million tonnes in 2008. While the spark spread currently favours gas ahead of coal in Europe, the strong growth outlook in Asia, which is attracting Atlantic coal to the Pacific basin, coupled with continuing recovery from the economic slowdown in Atlantic markets suggests a positive outlook for seaborne thermal coal demand in 2010.

The increased demand for metallurgical quality coals has also benefitted the Company's US Operations, enabling the Company to sell some of its semi-soft coking coal from the Gauley Eagle Underground Mine into the high-volatile metallurgical coal market, while at the Maple Coal Underground Mine, which produces high-volatile hard coking coal, production capacity is being reviewed in an attempt to meet the increased demand.

The market fundamentals for metallurgical coal should continue to improve, which will provide continued opportunity for the Company to increase market diversity and market share. The Company's Wolverine hard coking coal forms a key blend component with many of the world's leading steel mills, while the Brule Mine ultra low volatile PCI coal is consistently ranked among the top PCI coals worldwide. These high quality and high demand coals, in conjunction with northeastern British Columbia's highly efficient rail and port infrastructure with excess capacity, continue to provide the Company a competitive advantage to continue to grow and diversify.

In the fiscal year ended March 31, 2010, the Canadian Operations produced 1,458,000 tonnes of hard coking coal and 667,000 tonnes of low-volatile PCI coal, and 1,521,000 tonnes of hard coking coal and 848,000 tonnes of low-volatile PCI coal produced from the Canadian Operations was sold into the marketplace. The Company anticipates 3.6 to 3.8 million tonnes of production from the Canadian Operations in the fiscal 2011 period.

From July 14, 2009 to the end of the fiscal year on March 31, 2010, the U.S. Operations produced 608,000 tonnes of thermal coal and 355,000 tonnes of metallurgical coal, and 604,000 tonnes of thermal coal and 287,000 tonnes of metallurgical coal produced from the U.S. Operations was sold into the marketplace. The Company anticipates 1.6 to 1.8 million tonnes of production from the U.S. Operations in the fiscal 2011 period.

From July 14, 2009 to the end of the fiscal year on March 31, 2010, the U.K. Operations produced 114,000 tonnes of coal, and 124,000 tonnes of coal produced from the U.K. Operations was sold into the marketplace. The Company anticipates 0.3 million tonnes of production from the U.K. Operations in the fiscal 2011 period.

In the fiscal year ended March 31, 2010, the Company's total revenue from coal sales was \$438.6 million.

Economic Dependence

The coal industry is characterized by a relatively small number of customers worldwide. For the year ended March 31, 2010 the Company's four major customers each accounted for 10% or more of total revenues. While the Company continues to expand its customer base, it still expects future revenues to be derived from a relatively small number of customers. A loss of, or a significant reduction in, purchases by any one of the Company's largest customers could have a material adverse impact on the financial performance of the Company.

All of the Company's coal from its Canadian Operations in northeastern British Columbia is exported to port facilities by one rail service provider, for which there are limited alternatives. Additionally, all of the Company's export sales from northeastern British Columbia are loaded at one port facility, for which there are limited cost-effective alternatives. The cost of securing additional facilities and services of this nature could significantly increase transportation and other costs.

An interruption of rail or port services could significantly limit the Company's ability to operate effectively, and to the extent that alternate sources of transportation of port and rail services are available, it could increase transportation and port costs significantly. Further, the vagaries of the shipping industry could affect the Company's revenues as a result of delays of ocean vessels and could significantly affect the Company's costs and relative competitiveness against the supply of coal from other markets.

The growth in global mining activities has created a demand for mining equipment and related supplies that was, until recently, in excess of supply. Future operations could be adversely affected if the Company or its contractors encounter difficulties obtaining equipment, tires and other supplies on a timely basis. If the Company was unable to secure the necessary mining equipment on a timely basis, expansion activities, construction projects currently underway, production and productivity, and costs could be materially affected.

Environmental Protection

The Company's activities are subject to environmental regulation (including regulations governing environmental impact assessments and permitting) in the jurisdiction in which it operates. Such regulations typically cover a wide variety of matters including, without limitation, approval of mine plans, prevention of waste and pollution, protection and restoration of the environment, and land tenure. The Company is also subject under such regulations to clean-up costs and liability for toxic or hazardous substances that may cause contamination of its properties or that may be produced as a result of its operations and is liable for related clean-up costs. During the fiscal year ended March 31, 2010, the Company engaged in the assessment and/or remediation of site contamination due to spills and/or leaks at fuelling stations/maintenance shops at the Wolverine, Willow Creek, and Brule properties. Contamination at the Willow Creek Mine maintenance area is being assessed by the mining contractor responsible for operations during the tenure of the previous owner, PVMC. Further definition of the extent of contamination through ground water studies will be conducted in 2010 as required by the Ministry of Environment. Remediation is required and will be the responsibility of the contractor. The Company completed remediation work at one construction phase fueling location at the Wolverine Mine site, with remediation of minor spills required at two additional sites. Selenium leaching at the Canadian Operations is resulting in exceedances of water quality guidelines. Additional mitigation measures to reduce discharges to sensitive areas are planned at Willow Creek, and selenium management plans will be reviewed this year at all operations.

Recent West Virginia legislation has created a need for Maple Coal to treat for selenium at two specific water discharge sites. Industry wide, water treatment technology for the removal of selenium is not fully developed. Compliance levels have been achieved in pilot systems, however, full scale commercial systems are not yet available. Maple Coal has taken a leading role in the testing of several pilot systems. The selenium sites that are currently of issue at Maple Coal were created prior to legislation. Until recently little was known of selenium's environmental impact and laboratory testing procedures were not perfected to accurately test for the low levels of concentration that are now considered acceptable. Current mining protocol calls for material containing selenium to be identified and handled appropriately at all mining operations. Furthermore, all water discharges must be properly designed to eliminate the potential to exceed established acceptable concentrations. Underground mining must be designed to prevent gravity discharge from mine portals. Selenium is not expected to be a significant issue with respect to Maple Coal's ability to secure future permits.

The Company recognizes that environmental legislation and permitting are evolving in a manner that will require stricter standards and/or enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, a heightened degree of responsibility for companies and their directors and employees, and potentially greater financial and economic burden to the Company. In addition, the influence and impact of First Nations claims on the regulatory processes in British Columbia continues to increase.

Currently, the Company's financial obligations relating to environmental protection include ongoing management and reclamation, and the restoration and closure of the mines and roads in operation. As a condition of the mine permits and mine permit amendments issued for the Brule Mine, Wolverine Mine, and Willow Creek Mine, and as a condition for other land tenure approvals such as road and powerline right of ways, the British Columbia government requires that reclamation security deposits be provided in amounts representing the estimated maximum liabilities for restoration and closure for each project. The Company is in compliance with these requirements.

Pursuant to the terms of the British Columbia government mine permits for the Brule Mine, the Company has provided the British Columbia government with reclamation security deposits of \$3,381,000. Pursuant to the terms of the British Columbia government mine permit for the Wolverine Mine, the Company has provided the British Columbia government with reclamation security deposits of \$9,973,000. The Company is required to provide additional reclamation security deposits of \$1,370,000 by December 31, 2010, and \$330,000 by December 31, 2012. Adequacy of the reclamation security will be reviewed in 2013, concurrent with the review of an updated 5-year Mine and Reclamation plan. Pursuant to the terms of the British Columbia government mine permit for the Willow Creek Mine, the current reclamation security is \$2,250,000. The Company is required to provide additional

reclamation security deposits. The original mine permit was amended on February 19, 2009 and requires the Company to provide additional reclamation security deposits of \$1 million, 12 months after the resumption of pit operations on April 19, 2009, \$1.25 million, 21 months after the resumption of pit operations, and \$1 million, 33 months after the resumption of pit operations. The aforementioned amounts are exclusive of interest. Other reclamation securities have been posted in conjunction with regulatory permitting for various other activities, including coal exploration and road development/upgrading. In April 2010, the Company provided \$1,067,064 in reclamation security deposits with the Ministry of Forests and Range in respect of the construction of the Falling Creek Connector coal haul road.

The permits issued by the U.S. federal and West Virginia state governments for the Gauley Eagle and Maple Coal operations in West Virginia require that the permittee post reclamation bonds to ensure full restoration of disturbed lands to an approved post-mining use and full satisfaction of all regulations and requirements of the permits. Significant penalties exist for any permittee that fails to meet the obligations of the permits, including a company block on future permits and forfeiture of the bond. Bond forfeiture is monitored under the Applicant Violator System by the Federal Officer of Surface Mining and respective companies and officers are denied future permits. As of the date of this Annual Information Form, the Company has provided bonds in respect of its U.S. federal and state permits in the amount of US\$6,841,580 relating to operations at the Maple Coal Mine and bonds in the amount of US\$4,000,320 relating to operations at the Gauley Eagle Mine.

Foreign Operations

The Company has significant operations and investments outside of Canada and is exposed to various levels of political, economic and other such risks inherent in foreign operations including: extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licences, permits and contracts; illegal mining; changes in taxation and royalty policies; restrictions on foreign exchange and repatriation; acts of terrorism; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. In addition, the Company's foreign operations may be adversely affected by changes in government regulations with respect to restrictions of production, price controls, export controls, income taxes, employment standards, mine development, waste disposal, environmental requirements and health and worker safety.

The Company derives a significant portion of its revenue from production and sales by subsidiaries outside of Canada, and the payment of dividends or the making of other cash payments or advances by these subsidiaries to the Company may be subject to restrictions or exchange controls on the transfer of funds in or out of the respective countries or result in the imposition of taxes on such payments or advances. The Company has organized its foreign operations in part based on certain assumptions about various tax laws (including capital gains and withholding taxes), foreign currency exchange and capital repatriation laws and other relevant laws of a variety of foreign jurisdictions. While the Company believes that such assumptions are reasonable, it cannot provide assurance that foreign taxing or other authorities will reach the same conclusion. Further, if such foreign jurisdictions were to change or modify such laws, the Company could suffer adverse tax and financial consequences.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations and financial condition. Future changes in applicable laws and regulations or changes in their enforcement or regulatory interpretation could negatively impact current or planned exploration, development or operational activities. Any failure to comply with applicable laws and regulations, even if inadvertent, could result in the interruption of exploration, development or operational activities or material fines, penalties or other liabilities.

Employees

As at March 31, 2010, the Company, including its subsidiaries, employed a total of 992 full-time employees and 164 contract employees. The employees at each of the Company's operations are set forth in the following table:

Location	Number of Employees	
	Full-time	Contract
Wolverine Mine	434	0
Brule Mine	7	164
Willow Creek Mine	30	0
Gauley Eagle Mine	111	0
Maple Coal Mine	123	0
Aberpergwm Mine, Treforgan Extension and the Surface Opencast Mines	222	0
Vancouver, B.C. Corporate Office	48	0
ADC Regional Office	17	0

Social and Environmental Policies

In January 2010, the Company adopted a new environmental policy statement, which provides that the Company is committed to protecting human health; to mitigating mining impacts on the natural environment; and to contributing to prosperous and sustainable local economic development. The Company will endeavor to comply with all environmental legislative requirements and will diligently apply proven and economically feasible measures to protect and reclaim the environment. In all activities, the Company will:

1. Place environmental stewardship at the forefront of decision making.
2. Commit to using energy, resources and materials efficiently.
3. Return the areas in which we operate to productive use.
4. Work with stakeholders to achieve effective, efficient, equitable and scientifically sound environmental protection programs.

Environmental management systems are being implemented to achieve these guidelines.

MINERAL PROPERTIES

Summary of Mineral Reserves and Mineral Resources

The following table sets forth the mineral reserve and mineral resource estimates, as at the date indicated in the applicable NI 43-101 technical report, less any quantities removed by mining (if any) as indicated in the notes, for the Company's principal properties:

Balance at March 31, 2010	Reserves		Resources		
	Million tonnes (Run-of-Mine)		Million tonnes (in situ)		
	Proven	Probable	Measured	Indicated	Inferred
CANADA					
<i>Wolverine</i>					
Mt. Spieker (EB)	-	8.0	0.0	11.8	-
Perry Creek Surface	26.6	-	27.6	0.4	-
Hermann	10.7	3.6	15.0	15.6	9.6
<i>Brazion</i>					
Burnt River (Brule)	20.1	-	33.6	0.0	-
Burnt River (Blind)	0.0	0.0	0.0	1.6	-
Willow Creek	14.8	0.9	31.2	4.8	-
<i>Belcourt (50% Share)</i>					
Belcourt North	23.5	0.4	45.5	1.2	0.1
Belcourt South	19.4	0.0	37.9	0.9	-
TOTAL CANADA	127.9	13.9	196.9	45.2	9.7
USA					
<i>Gauley Eagle</i>					
Surface	7.0	0.7	1.0	0.6	0.0
Deep	6.2	0.8	38.1	6.0	0.0
<i>Maple</i>					
Surface	13.7	1.1	1.4	0.0	0.0
Deep	9.5	2.1	26.1	8.5	0.0
TOTAL USA	36.3	4.7	66.7	15.0	0.0
UK (55% Share)					
<i>Underground</i>					
	3.2	6.6	3.3	6.5	52.1
<i>Surface</i>					
	0.0	0.0	0.0	0.1	0.0
TOTAL UK	3.2	6.6	3.3	6.6	52.1
TOTAL Western Coal	167.5	25.2	266.9	66.8	61.8

Notes:

- (1) All coal reserves are run-of-mine ("ROM") tonnages. They include provisions for mining dilution and losses, but not effects of coal washing or processing to saleable product.
- (2) Resources are in situ and inclusive of the coal used to derive reserves. No consideration is made for mining dilution and losses.
- (3) Reserves and resources are reduced by quantities removed by mining to March 31, 2010 for each of Perry Creek, Brule, Gauley Eagle, Maple and UK properties.
- (4) Perry Creek surface resources are derived from "Technical Report on the Perry Creek Mine", February 2008, Marston Canada Ltd. The Qualified Person ("QP") for purposes of NI 43-101 is James McQuaid, P.Eng.
- (5) Perry Creek underground resources have been impacted by update of Perry Creek open pit resources and not yet re-quantified so are not included here.
- (6) EB resources are derived from "Revised Technical Report on the EB Project", November 2007, Marston Canada Ltd. The QP for purposes of NI 43-101 is Edward H. Minnes, P.E.

- (7) Hermann resources are derived from “Technical Report on the Hermann Project Feasibility Study”, December 2007, Marston Canada Ltd. The QP for purposes of NI 43-101 is Edward H. Minnes, P.E.
- (9) Brule resources are derived from “Updated Technical Report on the Brule Coal Project”, December 2007, Marston Canada Ltd. The QP for purposes of NI 43-101 is Edward H. Minnes, P.E.
- (10) Willow Creek reserves and resources are derived from “Resource and Reserve Estimate for the Willow Creek Coal Mine Property”, November 2007, Moose Mountain Member Corp. The QP for purposes of NI 43-101 is Robert Morris, P. Geo. On June 4, 2010, the Company issued a news release announcing an increase in the mineral reserve and resource estimates for the Willow Creek property. The Company intends on filing a NI 43-101 technical report in respect of the increase in mineral reserves and resources on or before July 19, 2010.
- (11) Belcourt resources are derived from “Technical Report Belcourt Project”, January 2009, and are based on the Company’s 50% interest in the Belcourt and Saxon groups of properties. The QPs for purposes of NI 43-101 are John H. Perry, P.Geo. and Robert Morris, P.Geo.
- (12) Maple Coal and Gauley Eagle reserves and resources are derived from “Technical Report on the Atlantic Leaseco, LLC and Maple Coal Company, LLC Coal Property in West Virginia, USA, for Western Canadian Coal Corp.”, April 2009 (effective date of December 31, 2008), Marshall Miller & Associates, Inc. The QPs for purposes of NI 43-101 are George Oberlick, P.E., Peter Taylor, K.P.G. and Gerard Enigk, P.E.
- (13) The mineral reserve and resource estimates for the Maple Coal and Gauley Eagle properties set out in the table have been converted from short tons to tonnes.
- (14) Wales underground (Aberpergwm and Treforgan Extension) and surface reserves and resources are derived from the “Technical Report on Coal Properties of Energybuild plc in South Wales, United Kingdom for Western Canadian Coal Corp.”, March 27, 2009, Wardell Armstrong LLP. The QPs for purposes of NI 43-101 are Stephen J. Cox, Bruce Pilcher, Dr. Richard Lowman, David Neill Hughes and Michael J. Boston.

Canadian Operations

The Company holds the rights to two large multi-deposit coal property groups in British Columbia, Canada: (i) the Wolverine group, consisting of the Perry Creek (Wolverine Mine), EB and Hermann deposits; and (ii) the Brazion group, consisting of the Brule Mine and the Willow Creek Mine and the less explored portions of their properties and the adjacent properties. The two groups of properties include approximately 47,585 hectares located in northeastern British Columbia under license or lease.

Additionally, the Company holds directly and indirectly a 50% interest in the Belcourt Saxon LP, which holds the rights to two additional multi-deposit coal property groups – the Belcourt and Saxon groups of properties, which include more than 50,000 hectares under lease or application held by the General Partner. The Company also owns or holds an interest in a number of other property assets located in northeast and southeast British Columbia that are at a less advanced stage of development.

More detailed information on the Wolverine Mine, the Brule Mine, the Willow Creek Mine and the Belcourt properties, including project description and location, climate, local resources, infrastructure, physiography, history, geological setting, exploration, mineralization, drilling, sampling, mineral resource and mineral reserve estimates and mining operations, can be found in the following technical reports available under the Company’s profile on the SEDAR website at www.sedar.com:

1. Technical Report Belcourt Project dated January 23, 2009 (the “**Belcourt Project Technical Report**”);
2. Technical Report on the Perry Creek Mine dated December 31, 2007 (the “**Technical Report on the Perry Creek Mine**”);
3. Technical Report on the Hermann Project Feasibility Study dated December 12, 2007 (the “**Hermann Project Technical Report**”);
4. Updated Technical Report on the Brule Coal Project dated December 7, 2007 (the “**Updated Brule Project Technical Report**”);
5. Revised Technical Report on the EB Project dated November 26, 2007 (the “**Revised Technical Report on the EB Project**”);
6. Resource and Reserve Estimate on the Willow Creek Mine Property dated November 19, 2007 (the “**Willow Creek Project Technical Report**”); and
7. Technical Report on the Brule Coal Project of the Burnt River Property dated October 27, 2005 (the “**Brule Coal Project Technical Report**”).

Mineral Production

Production of hard coking coal from the Canadian Operations increased 163,000 tonnes from fiscal 2009 as the demand for the Company's hard coking coal increased towards the end of the 2010 fiscal year on the back of strengthening markets.

Production of LV-PCI coal from the Brule Mine decreased 360,000 tonnes when comparing the year ended March 31, 2010 to the year ended March 31, 2009. The Company ceased its coal mining and hauling activities at the Brule Mine in mid-March 2009 in response to the downturn in the markets for PCI coal. In order to retain a core of qualified and experienced workers, the Company continued its waste stripping to expose coal. Having invested in the waste stripping in the first quarter of fiscal 2010, the Company recommenced coal hauling in mid-June 2009. The Company removed a gas pipeline in the Brule pit in December 2009, which was completed a month ahead of schedule and will extend the life of the Brule Mine.

The 21% decrease in the per unit costs of goods sold at the Canadian Operations from \$147 per tonne during the year ended March 31, 2009 compared to \$116 per tonne during the current year is mainly attributable to the Wolverine Mine. The Wolverine Mine's per unit cost of goods sold decreased 30%, which was a result of improvements in equipment availabilities, an increase in overall productivity, a significant decline in the stripping ratio, and the replacement of the mining contractor on May 18, 2009 with the direct hire of Company employees to operate and manage the pit. A reduction in fuel costs and rail fuel surcharges also contributed to the decrease. The Brule Mine's per unit cost of goods sold increased 3% in fiscal 2010 as compared to fiscal 2009.

Existing Infrastructure

A key strategic advantage of the Canadian Operations in northeast British Columbia is the proximity to existing infrastructure.

Tumbler Ridge

The Company's Wolverine properties are located in northeast British Columbia near the town of Tumbler Ridge, which was built in the early 1980s to house the region's mining employees. The current population of the town is approximately 3,700 persons (based on the District of Tumbler Ridge's Economic Development Outlook and Business Opportunity Summary report prepared by the Tumbler Ridge Economic Development, December 2008), although it has the facilities to support a population of up to 6,000 persons.

The town is close to the main highway road network and is serviced by a rail line providing all year round access to the ports of Vancouver and Ridley Terminals at Prince Rupert.

Tumbler Ridge is large enough to supply most services needed for exploration and mining operations. In addition, Bullmoose's coal load out facilities (located approximately 8 kilometres from Tumbler Ridge) have two coal storage silos each of 11,000 tonnes capacity for direct train loading in 102-car trains and are being leased by the Company from Bullmoose Operating Corporation. Upon completion of the Falling Creek Connector coal haul road (the "**Falling Creek Road**"), the Company will phase out the use of Bullmoose's coal load out facility and ship coal from the Brazion and Willow Creek properties from the Willow Creek rail load out facility.

Rail and Road

All wholly-owned properties of the Company located in northeast British Columbia are in close proximity to established rail and road networks that are available all year round.

The Wolverine properties are serviced by the Tumbler Ridge Branch Line, which offers a purpose built link between the coal properties and the region's two major rail networks, CN Rail and BCR (which has been acquired by CN Rail). This branch line joins the BCR main line north of Prince George and provides direct access to the ports of Prince Rupert and Vancouver. The Brazion properties are serviced directly from the BCR main line west of the Town of Chetwynd.

In May 2010, the Company reached an agreement with CN Rail in respect of a two year agreement covering rail shipments of coal from each of the Wolverine Mine and the Brule/Willow Creek load-out facilities to Prince Rupert, British Columbia.

The rail distance between the Company's mines and its intended terminal at Ridley Island near Prince Rupert is approximately 950 kilometres.

Port Terminals

The Company ships coal from its properties from a coal terminal facility at Ridley Terminals within the Port of Prince Rupert. Ridley Terminals, which is open all year round, has an annual shipping capability of 12 million tonnes, which is expandable to 24 million tonnes, and a stockpile capacity of 1.2 million tonnes.

In December 2004, the Company entered into a long-term port services agreement with Ridley Terminals Inc. for the shipment of coal from the Company's existing or developed mines in northeastern British Columbia. The port services agreement is for an initial term of 10 years, expiring in March 2015, and with an option to extend the agreement for two additional five-year terms. The Company and Ridley Terminals have agreed to submit for arbitration the rate determination for the coal terminal services for the period of April 1, 2010 to March 31, 2015.

Wolverine – Perry Creek, EB and Hermann

Property Description and Location

The Wolverine properties are in the Inner Foothills of the Canadian Rocky Mountains near the Town of Tumbler Ridge, British Columbia and are about 725 kilometres northeast of Vancouver, British Columbia. The Wolverine properties are readily accessible by provincial highways and an all-weather Forest Service Road. The Wolverine Mine, consisting of the Perry Creek area and the EB area, which are held respectively under a coal lease and several contiguous coal licenses with a total area of 6,106 hectares, is located within the Wolverine group of properties located in northeastern British Columbia.

History

Exploration activities in the Perry Creek and EB areas commenced in the early 1970s and exploration was conducted at various times during the late 1970s and the 1980s by various other companies. The Company acquired the Perry Creek and EB properties in 2001 and began exploration and drilling activities. The processing plant at the Wolverine Mine was commissioned in July 2006 and construction of the mine maintenance and warehouse facilities were completed in January 2008.

Geological Setting and Mineralization

The coal resources in the EB and Perry Creek areas are part of the Peace River coalfield. The coal seams are contained in the Lower Cretaceous Gates Formation and were deposited in an alluvial-deltaic environment approximately 145 million years ago. Gates Formation coals have been mined extensively in the region, and the seams at the EB and Perry Creek areas may be correlated with the seams mined nearby. Regional tectonism from post-depositional mountain building has folded the geological structures regionally and locally. In this area, significant reverse and thrust faulting are interpreted in parts of the resource area. The local structures are of complex geology, as defined by accepted Canadian standards. The main coal seams in the EB and Perry Creek areas have a cumulative average true seam thickness of approximately 11.6 and 11.8 metres, respectively.

Drilling

Early work on the EB and Perry Creek area was primarily exploratory and for the characterization of coal quality and included mapping and drilling of areas with exposed Gates Formation or the lower coal-bearing Gething Formation rocks. Since acquiring the EB and Perry Creek areas in 2001, the Company has completed drilling on over 180 holes and completed several resource estimated and feasibility studies for mine development. The Company is continuing to drill exploration holes within the Perry Creek area in order to verify structure and to increase the confidence in the expected coal qualities. Exploration for resource delineation has been completed within proposed open-pit mining areas.

Sampling, Analysis and Security of Samples

During the Company's exploration programs, geophysical logs were collected for nearly all drill holes and core samples were collected and analyzed for coal quality characteristics. The procedure used for sampling, sample

preparation, security and analytical evaluation were all adequate within industry standards. Bulk samples and composite core samples were collected for washability test work for plant design and to predict clean coal quality. In addition, during these programs, the Company collected bulk samples and conducted test work for coal processing plant design.

Mineral Resource and Mineral Reserve Estimates

The Technical Report on the Perry Creek Mine, prepared under the supervision of James McQuaid, P.Eng., of Marston Canada Ltd., a Qualified Person, reported that proven metallurgical coal reserves at Perry Creek are expected to provide 31.8 million tonnes of ROM coal. The Revised Technical Report on the EB Project, prepared under the supervision of Edward Minnes, P.E. of Marston Canada Ltd., a Qualified Person as defined in NI 43-101, reported that proven and probable metallurgical coal reserves at EB are expected to provide 8.0 million tonnes of ROM coal. A summary of the Company's estimated resources and reserves for the coal deposits to be developed under the Wolverine Mine as at March 31, 2010, can be found above under the heading "*Summary of Mineral Reserves and Mineral Resources*".

Mining Operations, Exploration and Development

The Company has developed the Wolverine Project as an open-pit mine and has obtained an Environmental Assessment ("EA") Certificate from the British Columbia Environmental Assessment Office and a Mine Permit allowing for annual coal production from the properties of 3 million tonnes. The Company developed the Wolverine Mine using an experienced mining contractor for the mining operations. Until May 18, 2009, the Wolverine Mine was operated and managed by the contractor and the Company provided overall management and engineering support and operated the coal preparation plant. On May 18, 2009, the Company replaced the contractor with direct hire of the work force to operate and manage the pit operations, which will eliminate contractor fees and thereby reduce costs. The rate of production for clean coal increased in the latter half of fiscal 2010 in response to improving coal markets.

Production statistics for the Canadian Operations for the fiscal year ended March 31, 2010 are summarized above under the heading "*Description of the Business – Market Outlook and Opportunity*".

The Hermann property, located approximately 10 kilometres southeast of Perry Creek is part of the Wolverine group of coal properties, although not part of the Wolverine project. The Hermann property could provide additional feed to the Wolverine coal preparation plant. The Hermann Project Technical Report was prepared under the direction of Edward Minnes, P.E., Senior Project Manager for Marston Canada Ltd. and a Qualified Person as defined in NI 43-101. This report identifies 10.7 million tonnes of proven and 3.6 million tonnes of probable ROM coal reserves (total 14.3 million tonnes), which are expected to provide 9 million tonnes of saleable coal product at an estimated coal preparation plant yield of 63%. While mine planning is progressing, there is currently no timetable to commence production.

Brazion – Burnt River - Brule Mine

Property Description and Location

The Brule Mine is located within the Burnt River coal property, one of the Brazion group properties, approximately 45 kilometres south by road of the British Columbia Railway Company ("BCR") mainline near Chetwynd, British Columbia. The Brule coal deposit is situated in the Liard Mining Division of the Peace River Regional Land District and consists of one coal lease and eight contiguous coal licenses totaling 3,524 hectares.

History

In January 1999, the Company gained title to the licenses when Teck Corporation ("Teck") allowed the licenses to lapse. Following the acquisition of the licenses in 1999, the Company purchased all the compiled geological information and mining studies completed by Teck relating to the licenses and commenced its own drilling and exploration program. Mining operations began on the Burnt River property in late 2004 with the Dillon mine, which has now been fully depleted. Mining operations at the Brule Mine commenced in November 2006, and the first coal from the Brule Mine was produced in January 2007.

Geological Setting and Mineralization

The Burnt River coal property contains numerous coal and marker seams interbedded with sedimentary rock units including sandstones, siltstones, mudstones and shales. Three mineable seams have been identified based on quantity and quality. Stratigraphically, Seam 60 is the uppermost, followed by Upper Seam and then the Lower Seam (basal economic coal). The coal is believed to be of Lower Cretaceous age, with the coal seams of interest being within the middle Gething Formation. The area has been subjected to faulting and folding similar to other deposits in the Peace River coalfield. The Brule deposit has been classified as of Moderate geology type, and the Blind deposit is of a Complex geology type.

Drilling

The Company commenced drilling operations in 2001. Additional drilling has been undertaken each year since the start of mining for better structural and coal quality understanding in areas of imminent mining. The drilling operations have substantially increased the Company's knowledge of the structural definition of the deposit, the limits of the seams, and have led to an improved geological model for the overall site.

Sampling, Analysis and Security of Samples

Both the Company and the previous owners of the Burnt River coal property have collected samples across the property, including drill core, chip samples, outcrop samples, and bulk tonnage samples. The sampling, sample preparation, security and analytical procedures used by the Company and the previous owners of the Burnt River coal property are based on proven industry standards.

Mineral Resource and Mineral Reserve Estimates

During fiscal 2006, the Company completed a coal reserve estimate for the Brule Mine (Brule and Blind deposits). Detailed mine designs and economic analysis developed for a feasibility study and the Brule Coal Project Technical Report were prepared under the supervision of Edward Minnes, P.E., Senior Project Manager for Marston Canada Ltd. and a Qualified Person as defined in NI 43-101. The Updated Brule Project Technical Report was also prepared by Edward Minnes, P.E. As reported in the Brule Coal Project Technical Report and the Updated Brule Project Technical Report, the Brule Mine proven reserves are expected to provide 22.5 million tonnes of ROM coal. The total amount of saleable export coal contained within the proven reserves was estimated to be 21.1 million tonnes at an estimated average preparation plant yield of 92% on a dry basis. The Brule coal project was started in October 2006 as a small pit utilizing the existing Dillon Mine infrastructure along with some additional water management structures. With depletion due to mining, there were approximately 20.1 million tonnes of ROM coal remaining as of March 31, 2010, from which approximately 18.5 million tonnes of product is expected to be produced. A summary of the Company's estimated resources and reserves for the coal deposits to be developed under the Brule Mine as at March 31, 2010 can be found above under the heading "*Summary of Mineral Reserves and Mineral Resources*".

Mining Operations, Exploration and Development

In July 2006, the Company received an EA Certificate for the Brule Mine and in February 2007, the Company received an amendment to the previously issued Dillon Mine permit encompassing the Brule Mine. These allow the Company to produce up to 2.0 million tonnes per annum of LV-PCI coal from the Brule Mine, and approved the future development of a new coal rail load-out at Falling Creek Flats in the Pine River Valley, along with associated roads and power lines. The Company has developed the Brule Mine in a manner similar to its previous operation at the Dillon Mine, where the reserve is now fully depleted. The Brule Mine is being operated and managed by a mining contractor; however, the Company retains overall management and engineering responsibility for the project and for the operation of the Bullmoose load-out facility, which is being leased from Bullmoose Operating Corporation.

LV-PCI coal from the Brule Mine is currently trucked 94 kilometres to the load-out facility, which has access to a rail line built by BCR that runs through the Wolverine Valley. Part of the road haul from the Brule Mine to the load-out facility is on industrial-use roads, which are subject to load restrictions during certain times of the year, particularly during spring break-up. Such road-bans have been allowed for in the Company's plans. Upon

completion of the Falling Creek Road, coal from the Brule Mine will be trucked 65 kilometres to the Willow Creek Mine.

Until completion of the Falling Creek Road, the Company estimates production capacity at the Brule Mine to be approximately 1.0 million tonnes of LV-PCI coal per year, and with cash costs per tonne in the range of \$88 to \$90. After completion of the Falling Creek Road and other facility upgrades, the annual capacity will be 2.0 million tonnes per year. With its high calorific value, low ash content and volatile matter of approximately 14%, LV-PCI coal from the Burnt River property is ranked as a premium PCI coal and has been sold to major steel mills in China, Japan, Korea, Taiwan, and Europe.

Production statistics for the Canadian Operations for the fiscal year ended March 31, 2010 are summarized above under the heading “*Description of the Business – Market Outlook and Opportunity*”.

Willow Creek Properties

Property Description and Location

On May 6, 2008, the Company completed the acquisition of FMC, which owns the Willow Creek Mine. The Willow Creek Mine is an open-pit metallurgical coal mine located west of the town of Chetwynd in northeastern British Columbia. In addition to the Willow Creek Mine, the Company acquired interests in certain adjacent or nearby coal properties. These properties, known as Pine Pass, Crassier Creek, Falling Creek and Fisher Creek are referred to collectively with the Willow Creek Mine as the “**Willow Creek Coal Properties**” and consist of one coal lease and 22 additional crown coal licenses. The coal properties associated with the Willow Creek Mine are located within the Pine Pass area in the Peace River District of northeast British Columbia. The coal licenses flank the Pine River Valley approximately 45 kilometres west of the town of Chetwynd, with the majority of the licenses situated on the south valley slope.

History

The Willow Creek area was the subject of various exploration programs in the 1970s through to the 1990s. Pine Valley Mining Corporation (“**Pine Valley**”) commenced construction of the Willow Creek plantsite in July 2004. Construction of the raw coal handling facilities including crush plant, stockpile and reclaim system, rail siding, rail loading system and environmental control works were completed in February 2005. Construction of a coal washing plant commenced in April 2005 and the plant was commissioned in December 2005. Coal sales of unwashed low volatile PCI started in September 2004 and the coal wash plant started in November 2005. In October 2006, the mine ceased operations after Pine Valley was granted creditor protection under the *Companies’ Credits Arrangement Act* (Canada).

Geological Setting and Mineralization

In the Pine Valley area, the coal bearing strata are exposed in a series of northwesterly trending folds that are cut by thrust faults. The Willow Creek Coal Properties are underlain by the Jurassic-Cretaceous Minnes Group, and the Lower Cretaceous Bullhead and Fort St. Johns Groups. These properties are characterized by geology that is complex, both with respect to stratigraphy and structure. The coal seams of interest are located with the Gething Formation.

Drilling

In excess of 500 drill-holes have been drilled on the Willow Creek Coal Properties, totaling over 29,900 metres, and the coal seams characteristics are well understood.

Sampling, Analysis and Security of Samples

All of the sampling, testing and security measures used in connection with Willow Creek Coal Properties were done so in a manner that is adequate for coal and is typical of current practices in the Canadian coal industry.

Mineral Resource and Mineral Reserve Estimates

The Willow Creek coal deposit (the “**Willow Creek Deposit**”) is the basis of the Willow Creek Mine. The Willow Creek Project Technical Report was prepared under the supervision of Robert J. Morris, P. Geo. and James H. Gray, principals of Moose Mountain Member Corp. and Qualified Persons as defined in NI 43-101.

The Willow Creek Project Technical Report reported that proven metallurgical coal reserves at the Willow Creek Deposit are expected to provide approximately 14.8 million tonnes of ROM coal and the probable metallurgical coal reserves at the Willow Creek Deposit are expected to provide 0.9 million tonnes of ROM coal. A summary of estimated resources and reserves for the coal deposits to be developed under the Willow Creek Deposit can be found under the heading “*Summary of Mineral Reserves and Mineral Resources*”.

On June 4, 2010, the Company issued a news release announcing an increase in the mineral reserve and resource estimates for the Willow Creek property. The Company intends on filing a NI 43-101 technical report in respect of the increase in mineral reserves and resources on or before July 19, 2010.

Mining Operations, Exploration and Development

On October 16, 2008, the Company announced that mining at the Willow Creek Mine had commenced and commercial production of low-volatile PCI coal would be available for sale early in 2009. On November 26, 2008, the Company announced that despite a successful start-up of mining operations, it was temporarily suspending the development of the Willow Creek Mine due to the current global economic uncertainty impacting the demand for metallurgical coal.

During the year ended March 31, 2009, the Company incurred demobilization costs of approximately \$3.17 million for the various contractors at the Willow Creek Mine, in addition to \$1.27 million in care and maintenance costs for the facility and the machinery taken into the Company’s possession at the Willow Creek Mine. The Company continued to incur costs of approximately \$180,000 per month for ongoing payments for contractor equipment servicing costs while the contractor attempts to sell the equipment. This equipment forms part of the equipment that the contractor at the Willow Creek Mine leased and brought on site at the Company’s request upon the commencement of mining at the Willow Creek Mine in October 2008.

During the year ended March 31, 2010, re-mobilization of a contractor commenced in preparation for restarting mining operations at the Willow Creek Mine. The Company expects that coal production will commence at the Willow Creek Mine in June 2010.

Belcourt and Saxon Properties

Property Description and Location

The Company currently has a 50% economic interest in the Belcourt Saxon LP. The Belcourt Saxon LP’s properties include the Belcourt, Belcourt West, Omega and Saxon coal properties located approximately 65 to 125 kilometres south of Tumbler Ridge, British Columbia, where the Company’s Wolverine Project is located. The Belcourt coal property includes two deposits, Belcourt North and Belcourt South (the “**Belcourt Group**”), within the same coal trend, for which the resources and topography are favourable to mining. The Saxon coal properties consist of four main deposits, Omega, Saxon East, Saxon North and Saxon South (the “**Saxon Group**”), within the same coal trend, for which the resources and topography are also favourable to mining.

History

The Saxon Group had extensive work programs carried out in the 1970s and early 1980s and feasibility reports were prepared which indicated the potential for large-scale surface coal mining operations. Similarly, the Belcourt Group was extensively explored by previous license holders in the late 1970s and early 1980s. In March 2004, the Company applied for coal licenses in an area west of the Belcourt Group. The Company has named this coal area Belcourt West. Significant improvement of the transportation infrastructure in the area is required to realize the potential of the Belcourt and Saxon properties.

Geological Setting and Mineralization

The Belcourt and Saxon properties lie within a belt of Mesozoic strata that form part of the Rocky Mountain Foothills of northeastern British Columbia. Economic coal seams are present in Lower Cretaceous strata belonging to the Bullhead and Fort St. John groups. These strata can be characterized as alternating sequences of marine and non-marine clastic lithologies deposited from a series of transgressive - regressive sedimentary cycles in response to periodic uplift of the Cordillera. The thickest coal seams, which are found within the Gates and Gething Formations, likely formed within deltaic depositional environments. These two phases of continental sedimentation are separated by marine deposits of the Moosebar Formation. Minor coal seams are also encountered within stratigraphically higher and lower formations but are not considered to hold any economic potential.

Drilling

Extensive exploration work was carried out on the property between 1970 and 1980 by Denison Mines Ltd. (“**Denison**”) and its partners. During this time, more than 10,000 meters of diamond and rotary drilling was carried out, 138 trenches were excavated and 4 adits were driven to collect bulk samples from five seams. Denison’s work confirmed the presence of potentially economic coal seams in the Gates Formation within the existing license areas. Across the Belcourt property, nine coal seams with an aggregate thickness ranging up to about 28 meters, in the Belcourt North area, were identified, but no development work was undertaken at that time.

No further field work was carried out on the property until 1998 when the Company conducted a small rotary drilling program, consisting of 8 rotary holes, at Belcourt South. A field program conducted on Belcourt in 2005 was part of a larger program that included exploration on the Saxon and Omega projects, to further define the resources previously identified by Denison. At Belcourt, a total of 100 diamond and rotary holes were completed for an aggregate length of over 15,000 meters, with an additional 12 large diameter holes being drilled and sampled for coal characterization studies and washability tests. The holes were strategically placed in the Gates Formation to meet NI 43-101 compliant resource and reserve requirements, as well as to provide additional seam correlation and geological structural data for the study.

Sampling, Analysis and Security of Samples

Sample preparation and analysis relating to the Belcourt and Saxon properties was carried out at commercial laboratories experienced with requirements for coal testing. Special security measures are not commonly employed for coal projects, due to the nature of the commodity.

Mineral Resource and Mineral Reserve Estimates

On January 28, 2009, the Company announced that the Belcourt Saxon LP had completed a NI 43-101 compliant reserve and resource estimate on the Belcourt Group. A summary of the reserve and resource estimate for the Belcourt-Saxon properties can be found under the heading “*Summary of Mineral Reserves and Mineral Resources*”.

The Belcourt Project Technical Report relating to the resource and reserve estimate on the Belcourt coal property was prepared under the supervision of John H. Perry, P. Geo., Robert J. Morris, P. Geo., of Moose Mountain Member Corp., and Jay Q.L. Horton, P. Eng., senior mining engineer with Norwest Corporation, each a Qualified Person as defined in NI 43-101.

The Belcourt Saxon LP believes that both the Belcourt Group and the Saxon Group have the potential to support significant mining operations and intend to advance these properties with a view to developing operations that can support a large-scale mining operation. However, given the uncertain economic times currently being encountered, the Belcourt Saxon LP will carefully consider the timing of developing Belcourt-Saxon properties.

Exploration and Development

No field work was conducted in fiscal 2010 on either the Belcourt Group or Saxon Group, other than maintenance of environmental monitoring stations. The Company is of the view that further progress on the properties will require resolution of the partnership situation, as the controlling partner of Peace River Coal LP, the partner in the Belcourt Saxon LP, has indicated an intent to divest of its Canadian coal assets.

Other Property Assets

The Company's other property assets in its Canadian Operations include West Brazion, Brazion, Hudette, Johnsen Creek and Lillyburt, which are at a less advanced stage of development than its principal properties. All of these properties are located in northeast British Columbia except for Lillyburt, which is located in southeast British Columbia.

Brazion

West Brazion

The West Brazion property is located west of the Burnt River property, and was added to the Company's portfolio during 1999 and 2000. Based on eight drill holes completed in 2000 and 2001, the Company believes that the results suggest further exploration should be undertaken.

Brazion

The Brazion property comprises a formation southwest of Chetwynd which is relatively unexplored by the Company.

Hudette

Exploration, including 20 drill holes, was completed in the Hudette license area in the late 1970s and early 1980s. Drilling demonstrated the presence of metallurgical coal seams in mineable situations. However, the extent of mineable areas and resource tonnages has not yet been established.

Johnsen Creek

The Johnsen Creek property licenses were granted in October 2003. The property is situated directly adjacent to the producing Willow Creek coal deposit held by Pine Valley Coal Ltd. (a wholly-owned subsidiary of the Willow Creek Coal Partnership).

Development Plans

Plans for the other properties within the Brazion group are at a less advanced stage and further exploration and feasibility studies are required to establish the full potential of these other deposits. Other than regular maintenance work, further exploration, permitting and development will be undertaken subject to revenue generated from production at the Company's other active mine properties.

Lillyburt

The Company is a party to a joint venture agreement with Wasabi Energy Limited ("**Wasabi**"), to explore and develop the Lillyburt property located approximately 58 kilometres southeast of Fernie, British Columbia in the Flathead watershed area. The property is the southern extension of the coal bearing strata mined at Elk Valley's Coal Mountain mine. Under the terms of the agreement, Wasabi has the right to earn up to 50% of the coal property by investing \$2.5 million by December 2008. More specifically, Wasabi will earn 5% of the joint venture for each \$250,000 expended. The Company will manage the exploration programs on behalf of the joint venture.

Due to the elevated environmental profile of the Flathead watershed area, which is in close proximity to the State of Montana, the State of Montana has raised concerns about mining activities in the area with the Province of British Columbia.

On February 9, 2010, the British Columbia government issued an order in council under the *Environment and Land Use Act*, prohibiting the Minister of Energy, Mines and Petroleum Resources from disposing of Crown land or issuing permits for mining activity in the Flathead watershed area. On February 18, 2010, the Province of British Columbia and the State of Montana then entered into a Memorandum of Understanding and Cooperation (the "**MOU**") regarding their mutual commitment to sustaining environmental values in the Flathead River Basin. Under the terms of the MOU, British Columbia and Montana committed to the implementation of measures necessary to prohibit the exploration for and development of mining, including coal mining, in the Flathead River Basin. The

parties agreed that the action taken to prohibit mining in the Flathead River Basin would be completed in July 2010 and that the action would be subject to an agreement on the equitable disposition of the financial implications of this action for the Province of British Columbia respecting existing mining and coal tenure holders. The Company has curtailed its activities in the area and will be considering its future options for the Lillyburt property.

US Operations

As a result of the acquisition of Cambrian, the Company acquired the rights to two underground and surface mines in West Virginia, USA, which produce both metallurgical and thermal coal: (i) the Gauley Eagle Mine; and (ii) the Maple Coal Mine. The Gauley Eagle Mine and the Maple Coal Mine were comprised principally of leasehold interests on approximately 41,000 acres located in the Nicholas, Webster, Fayette, and Kanawha counties of West Virginia.

Revenues from the U.S. Operations for the period of July 14, 2009 to March 31, 2010 are based on sales of 891,000 tonnes at a realized price of \$96 per tonne or US\$90 per tonne reflecting an average Canadian dollar/US dollar exchange rate of 1.07 during such period. Cost of goods sold from the U.S. Operations for the same period reflects a unit cost of \$83 per tonne. Cost of goods sold from the U.S. Operation, excluding depletion, amortization and accretion was \$73 per tonne, which is consistent with expected cash production costs.

More detailed information on the Gauley Eagle Mine and the Maple Coal Mine, including project description and location, climate, local resources, infrastructure, physiography, history, geological setting, exploration, mineralization, drilling sampling, and mineral resource mineral reserve estimates and mining operation, can be found in the “Technical Report on the Atlantic Leaseco, LLC and Maple Coal Company, LLC Coal Properties in West Virginia, USA, for Western Canadian Coal Corp.” dated April 28, 2009 with an effective date of December 31, 2008 (the “**West Virginia Coal Properties Technical Report**”), which is available under the Company’s profile on the SEDAR website at www.sedar.com.

Gauley Eagle Property

Property Description and Location

The Gauley Eagle property consists principally of leasehold interests on approximately 20,000 acres and is located in Nicholas and Webster counties, West Virginia, about 45 miles northeast of Charleston. Mining operations at the Gauley Eagle Mine are conducted by the Company’s wholly owned subsidiary, Atlantic Leaseco. The Company is obliged to pay the lessors a royalty on all coal produced and sold from the Gauley Eagle property as well as pay annual minimum royalties which are generally recoupable from production royalties in accordance with the terms of the individual leases. These royalties are based on a percentage of the selling price of the coal, and for the principal lessor are in the range of 6% to 10%. The coal produced from this property is sold in the high-volatile metallurgical and thermal coal markets.

History

The Gauley Eagle property lies within the Appalachian coal-producing region and has a long history of mining development and production. Among the companies to previously control the Gauley Eagle property are Moss Coal Company, Island Creek Coal Company and Gauley Eagle Holdings, Inc. Extensive mining has taken place and has included both surface and underground mining methods. The extent of previous mining and its effects on Atlantic Leaseco’s ability to exploit the reserves on the property have been examined carefully.

Geological Setting and Mineralization

The primary coal-bearing formations on Gauley Eagle is Carboniferous in age, being in the Pennsylvanian system, which includes the base of the Conemaugh Formation; the Allegheny Formation; the Kanawha Formation; and the New River Formation. The average mineable seam thickness for coal horizons in these formations ranges from 2.5 feet to 6.0 feet. Within the subject properties coal zones can locally exceed 9.8 feet where individual coal beds merge to form a single mineable unit. Structurally, the strata on the subject property exhibit a regional northeast-southwest strike, and a regional northwestward dip of approximately 1% to 4%, averaging about 3%. A total of ten coal seams have been identified as exhibiting potential surface or deep mineable reserve tonnage. There is also potential deep and surface mineable resource tonnage. These seams are, in descending order: the Upper Widen,

Widen, Lower Widen, Upper Mearns, Mearns, Kittanning A, Kittanning B, Kittanning C, Kittanning D, and Peerless.

Drilling

The Gauley Eagle property has been extensively explored by drilling. The majority of drilling took place prior to 1980 and was accomplished using vertical continuous (diamond) coring and rotary coring methods which recovered an NX-size (2 inch) core. Most of the approximately 352 drill-hole records and associated data relating to the Gauley Eagle property were generated before ADC leased the property.

Sampling, Analysis and Security of Samples

The majority of exploration programs and the associated data were generated prior to ADC's control of the Gauley Eagle property. Since acquiring the Gauley Eagle property, Atlantic Leasco has had various companies perform analysis on coal samples from the property. It is assumed that the majority of the sampling analysis for coal quality has been performed to American Society for Testing and Materials standards.

Mineral Resource and Mineral Reserve Estimates

During 2008, Cambrian commissioned a geological evaluation and reserve estimate for the Gauley Eagle and Maple Coal properties. The West Virginia Coal Properties Technical Report was prepared by George Oberlick, P.E., Peter Taylor, K.P.G. and Gerard Enigk, P.E. of Marshall Miller & Associates, Inc. Each of the individuals noted as having prepared the West Virginia Coal Properties Technical Report is a Qualified Person for the purposes of NI 43-101. The West Virginia Coal Properties Technical Report provides a geological evaluation and reserve estimate for the Gauley Eagle property as of December 31, 2008, in accordance with the requirements set forth in: (i) NI 43-101; (ii) the CIM Standards; and (iii) the SEC Industry Guide 7. A summary of the Company's estimated resources and reserves for the coal deposits to be developed under the Gauley Eagle Mine as at March 31, 2010 can be found above under the heading "*Summary of Mineral Reserves and Mineral Resources*".

Mining Operations, Exploration and Development

The mining plan at the Gauley Eagle Mine incorporates surface and underground mining methods. Multiple coal seams are exposed at the outcrop on Gauley Eagle, and the local geology presents opportunities to extract the coal reserves using contour and point removal surface mining methods. Surface mineable reserves are available at favorable overburden to coal ratios. Coal reserves present under depth of cover that exceeds the economic limit for surface mining will be extracted by the application of underground mining methods. Room-and-pillar mining methods designed around the utilization of continuous miners and supporting equipment will be employed to extract deep reserves from several coal seams.

Atlantic Leaseco has constructed a rail-loading facility at Cowen, a few miles from the Gauley Eagle Mine. Atlantic Leaseco reports that the facility is capable of loading 80-car unit trains within four hours. The trucking distance from the coal preparation plant to the rail load-out is 20 miles. Railroad service is provided by CSX Transportation, Inc. Atlantic Leaseco anticipates using the railroad access to meet a portion of its long-term transportation needs and to supply its anticipated northern U.S. markets. Atlantic Leaseco also utilizes the extensive network of public roads to transport production to markets along the Kanawha River or to independent river terminals for transfer to barges located approximately 70 miles southwest of the property along the Kanawha River.

Production statistics for the U.S. Operations for the period of July 13, 2009 to March 31, 2010 are summarized above under the heading "*Description of the Business – Market Outlook and Opportunity*".

Maple Coal Property

Property Description and Location

The Maple Coal property consists principally of leasehold interests on approximately 21,000 acres and is located in Fayette and Kanawha Counties, West Virginia, 28 miles east of Charleston. Mining operations at the Maple Coal property are conducted on behalf the Company by its wholly owned subsidiary, Maple Coal. The Company is obliged to pay its lessors a royalty on all coal produced and sold from the property as well as pay annual minimum royalties which are generally recoupable from production royalties. These royalties are based on a percentage of the

selling price of the coal, and are in the range of 6% to 11%. The coal produced from this property is sold in the high-volatile metallurgical and thermal coal markets.

History

The Maple Coal property has undergone extensive prior mining, which included both surface and underground mining methods. Previous ownership of the property includes Horizon Natural Resources, Cyprus Kanawha Corporation, Imperial-Pacific Investments and Hawks Nest Mining Company, among others. The extent of previous mining and its effects on Maple Coal's ability to exploit the reserves on the property have been examined carefully.

Geological Setting and Mineralization

The primary coal-bearing formations on the Maple Coal property are Carboniferous in age, being in the Pennsylvanian system, which includes the base of the Conemaugh Formation; the Allegheny Formation; the Kanawha Formation; and the New River Formation. The average mineable seam thickness for coal horizons in these formations ranges from 2.5 feet to 6.0 feet. Within the subject properties coal zones can locally exceed 9.8 feet where individual coal beds merge to form a single mineable unit. Structurally, the strata on the subject property exhibit a regional northeast-southwest strike, and a regional northwestward dip of approximately 1% to 4%, averaging about 3%. More than 30 coal horizons have been identified and correlated across the Maple Coal property. Seams considered for mountaintop removal reserve include the Middle Kittanning Rider, Stockton "A", Stockton-Lewiston, Upper Coalburg, Coalburg, Winifrede (Dorothy), Lower Winifrede (Dorothy), Upper Chilton Rider, Chilton Rider and Lower Chilton Rider seams.

Drilling

The Maple Coal property has been extensively explored by drilling. The majority of drilling was accomplished using vertical continuous (diamond) coring and rotary coring methods recovering an NX-size (2 inch) core. Sufficient drill holes and data points, situated on and adjacent to the Maple Coal property, have been obtained to prove a NI 43-101 compliant reserve estimate.

Sampling, Analysis and Security of Samples

The majority of exploration programs and the associated data relating to the Maple Coal property were generated prior to ADC's control of the property. Since acquiring the Maple Coal property, Maple Coal has had various companies perform analysis on coal samples from the property. It is assumed that the majority of the sampling analysis for coal quality has been performed to American Society for Testing and Materials standards.

Mineral Resource and Mineral Reserve Estimates

During 2008, Cambrian commissioned a geological evaluation and reserve estimate for the Gauley Eagle and Maple Coal properties. The West Virginia Coal Properties Technical Report was prepared by George Oberlick, P.E., Peter Taylor, K.P.G. and Gerard Enigk, P.E. of MM&A. Each of the individuals noted as having prepared the West Virginia Coal Properties Technical Report is a Qualified Person for the purposes of NI 43-101. The West Virginia Coal Properties Technical Report provides a geological evaluation and reserve estimate for the Maple Coal property as of December 31, 2008, in accordance with the requirements set forth in: (i) NI 43-101; (ii) CIMDS; and (iii) the SEC Industry Guide 7. A summary of the Company's estimated resources and reserves for the coal deposits to be developed under the Maple Coal Mine as at March 30, 2010 can be found above under the heading "*Summary of Mineral Reserves and Mineral Resources*".

Mining Operations, Exploration and Development

Surface production on Maple Coal began in 2008 on the Sycamore North permit. One mobile equipment spread and two D-11 dozers are operating at Maple Coal's surface operation. Underground production began in 2007 at the Maple Eagle No. 1 Mine. Although past surface mining has been conducted on Maple Coal, surface reserves remain that can be extracted at a favourable ratio of overburden to clean coal.

Surface reserve characteristics are such that most of the production from surface mines is expected to meet market specifications on a direct-ship basis. Seventy percent of production from surface mines is expected to be shipped directly from mining pits without processing at the coal preparation plant. Production that requires washing will be

prepared at Maple Coal's Katie Preparation Plant, which was refurbished in 2007 and began processing coal in July 2007. Thirty percent of the surface mine production will be delivered to the plant for washing. Plant recovery for the surface mine production is expected to be 50 percent. Surface production will be sold in thermal markets. In later years, surface production may be combined with underground production from the Peerless seam to serve thermal markets.

Underground operations began in the Eagle seam in July 2007. A second production unit was introduced at the Eagle No. 1 Mine in July 2008. All coal produced from underground mines will be washed at the Katie plant. Plant recovery for production from the underground mines is forecast to be about 45% from Eagle seam operations and about 60% from the Peerless seam mines.

Washed coal from the Katie Plant and direct ship coal from the surface mine is transported by highway trucks approximately 20 miles to the Kanawha River where it is transloaded to barge.

Production statistics for the U.S. Operations for the period of July 13, 2009 to March 31, 2010 are summarized above under the heading "*Description of the Business – Market Outlook and Opportunity*".

During the third quarter of fiscal 2010, the Company commenced operations under a valley fill permit at the Maple Coal property. The permit allows for over 10 million short tons of marketable high quality thermal coal to be efficiently mined. This permit will extend the life of the surface mine at Maple Coal Mine by ten years and employ over 70 people.

UK Operations

As a result of the acquisition of Cambrian, the Company acquired a 50.6% interest in Energybuild (which was subsequently increased to a 54.7% interest), which owns and operates the Aberpergwm Mine, Treforgan Extension and Surface Opencast Mines in the Neath Valley and Dulais Valley of South Wales, United Kingdom.

Revenues from the U.K. Operations for the period of July 14, 2009 to March 31, 2010 reflect the sale of 124,000 tonnes at a realized price of \$96 per tonne or £62 per tonne at a foreign exchange rate of 1.54. Cost of goods sold for the U.K. Operations for the same period was \$80 per tonne. Cost of goods sold for the U.K. Operations, excluding depletion, amortization and accretion was \$71 per tonne, which is consistent with the expected cash production costs

Property Description and Location

The Aberpergwm Mine is a drift mine located at Glyn-neath in the Neath Valley, within the middle and lower coal measures of the northern anthracite region of the South Wales coalfield. The Treforgan Extension is a drift mine in the Dulais Valley, and is located 7 kilometres to the west of the Aberpergwm Mine. The Treforgan Extension has remained closed since October 1985 when British Coal ceased operations under the national closure program. The Surface Opencast Mines are mined on conventional strip mining principles; initial box cut development to create a working void where the excavated overburden is either taken to an out of pit dump for later use in restoration of the final void or used to backfill the final void of a previously worked out adjacent site, followed by routine cut to fill operations.

Five seams of coal are currently licensed for extraction by the Coal Authority (the UK body responsible for licensing coal mining operations), within a defined lease/licence area. The Coal Authority has granted an option to Energybuild for extension of the existing Lease/Licence to encompass the coal resources within the Treforgan Extension.

History

The region around Aberpergwm has been mined for several centuries. Following nationalization of the coal industry in 1947, the Aberpergwm Mine was owned and operated by the National Coal Board ("NCB") and subsequently British Coal. In September 1986, British Coal closed the Aberpergwm Mine under its national closure program, the entries being sealed and the surface infrastructure demolished. In 2006, Energybuild acquired a conditional Coal Authority licence to mine coal seams within the Aberpergwm-Treforgan Extension subject to the grant of planning permission.

Geological Setting and Mineralization

In general, the rank of all coal seams in South Wales increases rapidly westwards and it also increases significantly with depth at any one locality. West of the Neath Valley, within which the Aberpergwm Mine and Treforgan Extension and the Surface Opencast Mines are situated, the coal seams are all anthracitic.

The coal measures of South Wales are carboniferous in age and are classified stratigraphically in terms of three divisions, lower, middle and upper coal measure. A marine band defines the base of each division. The lower and middle measures contain the principal productive coal seams. Coal seams in the upper coal measures are generally thinner and more widely spaced than coals in the lower and middle coal measures. Within the Aberpergwm Mine and the Treforgan Extension, five mineable coal seams in the middle coal measures are currently licensed within the existing lease/licence area and option area.

Drilling

Prior to Energybuild acquiring the Energybuild Coal Properties, the majority of the exploration and drilling with respect to the Aberpergwm Mine and the Treforgan Extension was conducted by the NCB in the 1970s. The drill results provide valuable information allowing a database derived from the mine records to be extrapolated across virgin areas of coal lying between the Aberpergwm Mine and Treforgan Extension. Since acquiring the Energybuild Coal Properties, Energybuild has also undertaken various additional drilling necessary for the exploration of existing coal seams and has excavated a series of trial pits.

Sampling, Analysis and Security of Samples

Historic NCB underground *in situ* coal seam coal quality data is available to Energybuild and TES Bretby (“TES”). Raw ROM and saleable coal produced from the Aberpergwm Mine and from the Surface Opencast Mines, together with any imported coal, is regularly and consistently sampled and analyzed for coal quality in order meet to coal product specifications for the industrial and sized coal markets. Independent coal sampling and coal quality analysis is undertaken by TES. TES sample and analyze all saleable coal products. TES is a UKAS accredited and long-established subsidiary of Environmental Services Group Limited that independently, regularly and consistently sample and analyze the ROM output from the coal properties and the industrial and sized coal sales products. TES is one of the UK’s largest independent testing laboratories.

Mineral Resource and Mineral Reserve Estimates

In 2009, Cambrian commissioned a reserve estimate for the Energybuild Coal Properties. The Energybuild Coal Properties Technical Report was prepared by Stephen J. Cox, Bruce Pilcher, Dr. Richard Lowman, David Neil Hughes and Michael J. Boston. Each of the individuals noted as having prepared the Energybuild Coal Properties Technical Report is a Qualified Person for the purposes of NI 43-101. A summary of the Company’s estimated resources and reserves for the coal deposits to be developed under the Energybuild Coal Properties as at March 31, 2010 can be found above under the heading “*Summary of Mineral Reserves and Mineral Resources*”.

Mining Operations, Exploration and Development

All coal mined at the Aberpergwm Mine and the Surface Opencast Mines is processed for market at Energybuild’s coal preparation plant at the nearby former Tower Colliery site. The plant, which was acquired and re-commissioned by Energybuild in 2008, has a capacity of 300 tonnes per hour (“tph”). Facilities for both road and rail coal transportation are available at the plant. Energybuild plans to construct a new 350 tph coal preparation plant on the Aberpergwm Mine surface in 2011 together with new rail loading facilities to cater for the planned increased in saleable production.

In the fiscal year ended March 31, 2010, Energybuild continued with the development of the Aberpergwm Mine with several milestones achieved, including the successful completion of the roof bolting trials. Following their completion, two “bye pass bolters” were introduced underground, with two quad bolters ordered for delivery in October and December 2010. Energybuild anticipates that successful roof bolting will allow increases in production in the second half of fiscal 2011. In addition, a cutting machine was introduced into the first production panel in the 18 foot seam with panzer chains and pans as a temporary conveying measure until the two shuttle cars and breaker are delivered and installed underground. Energybuild has commenced two drifts from the 18 feet seam to the 9 feet

seam with the intention of creating an air circuit in the 9 feet seam, which Energybuild considers to be the strike seam. Energybuild anticipates that production will commence from this seam during fiscal 2011.

With respect to the Surface Opencast Mines, having applied for planning permission to mine the No. 1 Rhondda seam within the Forest Quarry Western Extension Area 2 OCCS, Energybuild has also applied to the Coal Authority for an exploration licence to explore the seam within an adjacent southern area referred to as Western Extension Area 3. In September 2009, Energybuild was granted the planning permission for the Forest Quarry Opencast site and began producing coal in late December 2009, after planning pre-conditions were met, including the funding of a restoration bond in the sum of £571,000. Approximately 25,000 tonnes were produced by March 31, 2010, generating revenue of £1.2 million. Energybuild has identified a further estimated 600,000 tonnes of coal that it believes it can obtain planning consent for and is examining a number of other potential sites on the Aberpergwm Estate. In addition, Energybuild has planning consent to extract 800,000 tonnes of saleable high quality sandstone on its Nant y Mynydd opencast site, lying above one of its targeted coal seams. In order to exploit this reserve, Energybuild has entered into a joint venture with a local crushing plant operator to quarry, crush and process the stone.

Energybuild is currently investigating opencast coal mining prospects in 20 locations within the lease/licence area and adjacent & nearby properties. Investigations are necessarily considering environmental impact and the prospects of securing planning permission for opencast coal extraction in addition to technical and economic feasibility.

RISK FACTORS

The exploration and development of natural resources are highly speculative in nature and are subject to significant risks. The risk factors, which should be taken into account in assessing the Company's activities, include, but are not necessarily limited to, those set out below. Any one or more of these risks could have a material effect on the Company and should be taken into account in assessing the Company's activities.

Exploration, Development and Operating Risks

The exploration for and development of coal deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties that are explored are ultimately developed into producing mines. There can be no guarantee that the estimates of quantities and qualities of coal disclosed will be available to extract. With all mining operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Coal exploration is speculative in nature and there can be no assurance that any coal discovered will result in an increase in the Company's resource base.

Establishment of a coal reserve and development of a coal mine does not assure a profit on the investment or recovery of costs. In addition, mining hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from a mine. These conditions include delays in obtaining governmental approvals or consents, insufficient transportation capacity or other geological, geotechnical and mechanical conditions. While diligent mine supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

The Company's operations are subject to all of the hazards and risks normally encountered in the exploration, development and production of coal. These include unusual and unexpected geological formations, rock falls, seismic activity, flooding and other conditions involved in the extraction of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution, and consequent liability that could have a material adverse impact on the business, operations and financial performance of the Company.

Volatility of Coal Prices

The market price of coal is volatile and is affected by numerous factors that are beyond the Company's control. These include international supply and demand, the level of consumer product demand, international economic

trends, currency exchange rate fluctuations, the level of interest rates, the rate of inflation, global or regional political events and international events, as well as a range of other market forces. Sustained downward movements in coal market prices could render less economic, or uneconomic, some or all of the coal extraction and/or exploration activities to be undertaken by the Company.

Currency Risk

The Company's revenues from operations are received in U.S. dollars while a substantial portion of its operating expenses are incurred in Canadian dollars. Although the Company has taken certain steps to help mitigate foreign currency fluctuations, there is no assurance that the activities or products are or will continue to be effective. Accordingly, the inability of the Company to obtain or to put in place effective hedges could materially increase exposure to fluctuations in the value of the Canadian dollar relative to the U.S. dollar. This could adversely affect the Company's financial position and operating results.

Project Development, Expansion Targets and Operational Delays

There can be no assurance that the Company will be able to manage effectively the expansion of its operations or that the Company's current personnel, systems, procedures and controls will be adequate to support the Company's operations. Some of the Company's open-pit mines are expected to be operated and managed by contractors. Any failure of management to effectively manage the Company's growth and development could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's operational targets are subject to the completion of planned operational goals on time and according to budget, and are dependent on the effective support of the Company's personnel, systems, procedures and controls. Any failure of these may result in delays in the achievement of operational targets with a consequent material adverse impact on the business, operations and financial performance of the Company.

The locations of all of the Company's current activities dictate that climatic conditions have an impact on operations and, in particular, severe weather could disrupt the delivery of supplies, equipment and fuel. It is, therefore, possible that exploration and mining activity levels might fluctuate. Unscheduled interruptions in the Company's operations due to mechanical or other failures or industrial relations related issues or problems or issues with the supply of goods or services could have a serious impact on the financial performance of those operations.

Aboriginal Issues

Canadian judicial decisions have recognized the continued existence of Aboriginal rights in Canada, including title, to lands continuously used or occupied by Aboriginal groups. The northeast British Columbia operations are located within Treaty 8 territory, to which nine First Nations in British Columbia are signatories. Current operations are in or near the traditional territories of the West Moberly, Sauteau and Halfway River First Nations, and the McLeod Lake Indian Band. The Province of British Columbia has signed an Economic Benefits Agreement and related land and resource use agreements with several of the First Nations, including the West Moberly First Nation, over the last few years. The Treaty 8, as well as the Economic Benefits Agreement and related agreements, establish First Nations rights and define roles for their involvement in land and resource use. As a means of protecting treaty and aboriginal rights, as well as undetermined aboriginal rights, Canadian courts continue to confirm a duty to consult with Aboriginal groups when the Crown has knowledge of existing rights or the potential existence of an Aboriginal right, such as title, and contemplates conduct that might adversely impact them.

As issues relating to Aboriginal and treaty rights and consultation continue to be heard, developed and resolved in Canadian courts, the Company will continue to cooperate, communicate and exchange information and views with Aboriginal groups and government, and participate with the Crown in its consultation processes with Aboriginal groups in order to foster good relationships and minimize risks to its mineral rights and operational plans. Due to their complexity, it is not expected that the issues regarding Aboriginal and treaty rights of consultation will be finally resolved in the short term and, accordingly, the impact of these issues on mineral resources and on the Company's mining operations is unknown at this time.

The Company believes in building mutually beneficial and lasting relationships with local First Nations whose treaty rights or potential Aboriginal rights overlap with the Company's areas of operations. Some of these relationships

with Aboriginal people have been formalized through agreements that generally seek to increase First Nations' participation in the Company's planning and operational activities.

Marketability

The marketability of the coal owned by the Company, or 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. A combination of one or more of these factors may result in the Company not receiving an adequate return on invested capital.

Additional Funding Requirements

Substantial additional funds for the Company's current financial and operating commitments and for the establishment of future planned mining operations are required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Coal prices, environmental rehabilitation or restitution, revenues, taxes, transportation costs, capital expenditures and operating expenses and geological results are all factors that will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Additional debt financing, if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing would be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, forfeit its interest in some or all of its properties and licenses, incur financial penalties or reduce or terminate its operations.

Governmental Regulations and Processing Licenses and Permits

The activities of the Company are subject to government approvals, various laws governing prospecting, development, land resumptions, production taxes, labour standards and occupational health, mine safety, toxic substances and other matters, including issues affecting local, First Nations and Aboriginal populations. In Canada regulatory policy and practice related to First Nations and Aboriginal consultation are evolving as case law is established, the overall effect of which is to increase requirements and/or lead times and cost for permitting. The Company is working proactively with both First Nations and the government to manage these effects. Activities of the Company are also subject to various laws and regulations relating to the protection of the environment. No assurance can be given that new rules, regulations, or land use restrictions will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Specifically, pending development of plans for caribou protection in British Columbia may restrict granting of coal licenses in some areas, and may result restrict operations on some coal licenses held by the Company. Amendments to current laws and regulations governing operations and activities of exploration and mining, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Company. Further, the mining licenses and permits issued in respect of the Company's projects and mines may be subject to conditions which, if not satisfied, may lead to the revocation of such licenses. In the event of revocation, the value of the Company's investments in such projects may decline.

Reserve and Resource Estimates

The Company's reported coal reserves and resources are only estimates. No assurance can be given that the estimated coal reserves and resources will be recovered or that they will be recovered at the rates estimated. Coal reserve and resource estimates are based on limited sampling, and, consequently, are uncertain because the samples may not be representative. Coal reserve and resource estimates may require revision (either up or down) based on actual production experience. Market fluctuations in the price of coal, as well as increased production costs or reduced recovery rates, may render certain coal reserves and resources uneconomic and may ultimately result in a restatement of reserves and/or resources. Moreover, short-term operating factors relating to the coal reserves and resources, such as the need for subsequent development of ore bodies and the processing of new or different ore grades, may adversely affect the Company's profitability in any particular accounting period.

Environmental Regulation and Liability

The Company's activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in the jurisdictions in which it operates. Such regulations typically cover a wide variety of matters including, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances that may exist on or under any of its properties or that may be produced as a result of its operations. Environmental legislation and permitting are likely to evolve in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, more land use restrictions, a heightened degree of responsibility for companies and their directors and employees, and potentially greater financial and economic burdens.

Competition

There is competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other mining companies, many of which have greater financial resources than the Company, for the acquisition of coal claims, leases and other coal interests, as well as for the recruitment and retention of qualified employees and other personnel.

Uninsured Risks

The Company, as a participant in mining and exploration activities, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. Furthermore, the Company may incur a liability to third parties (in excess of any insurance coverage) arising from negative environmental impacts or any other damage or injury.

Dependence on Key Personnel

The Company is dependent upon its current key personnel. Although the Company has entered into contractual arrangements with the aim of securing the services of these personnel on a longer-term basis, the retention of their services cannot be guaranteed. The loss of any key executive or manager of the Company may have an adverse effect on the future of the Company's business. The Company competes with numerous other companies for the recruitment and retention of qualified employees and contractors.

Dependence on Major Customers and Suppliers of Products and Services

The coal industry is characterized by a relatively small number of customers worldwide. For the years ended March 31, 2010 and 2009, the Company recorded revenues from coal sales to four and three major customers respectively, each representing in excess of 10% of the total revenues of the Company. Although the Company expanded its customer base throughout the 2010 fiscal year with the acquisition of the US Operations and UK Operations, the Company still expects future revenues to be derived from a relatively small number of customers. A loss of, or a significant reduction in, purchases by any one of the Company's largest customers could have a material adverse impact on the financial performance of the Company.

In British Columbia, substantially all of the Company's coal is exported by one rail line, for which there are limited alternatives. Additionally, all of the Company's export sales are loaded through one port facility, for which there are limited cost-effective alternatives. The cost of securing additional facilities and services of this nature could significantly increase transportation and other costs. An interruption of rail or port services, including due to severe weather or labour disruptions, could significantly limit the Company's ability to operate and to the extent that alternate sources of transportation of port and rail services are available, it could increase transportation and port costs significantly. Further, the vagaries of the shipping industry could affect the Company's revenues as a result of delays of ocean vessels and could significantly affect the Company's costs and relative competitiveness against the supply of coal from other markets.

The growth in global mining activities has created a demand for mining equipment and related supplies that, until recently, was in excess of supply. As a result, future operations could be adversely affected if the Company or its contractors encounter difficulties obtaining equipment, tires and other supplies on a timely basis. If the Company was unable to secure the necessary mining equipment on a timely basis, expansion activities, construction projects currently underway, production and productivity, and costs could be materially affected.

Litigation

Legal proceedings may arise from time to time in the course of the Company's business. There have been a number of cases where the rights and privileges of mining and exploration companies have been the subject of litigation. Such litigation may be brought against the Company in the future from time to time or the Company may be subject to another form of litigation.

Health and Safety

The Company's activities are and will continue to be subject to health and safety standards and regulations. Failure to comply with such requirements may result in fines and/or penalties being assessed against the Company.

Directors' and Officers' Conflicts of Interest

Certain of the Company's directors and officers are directors and officers of other natural resource or mining-related companies. These associations may give rise to conflicts of interest from time to time, and as a result of such conflicts of interest, the Company may miss opportunities to participate in certain transactions which may have a material adverse effect on the Company's financial position.

ENVIRONMENTAL AND REGULATORY

Environmental and regulatory concerns, along with First Nations issues, play a significant role in the Company's operations as projects at all stages from the pre-production to construction and operations.

The Company has conducted additional baseline study programs and environmental management planning work for its Willow Creek project expansion with a view to submitting regulatory applications around the end of the first quarter of fiscal 2011. The Company has also conducted extensive environmental monitoring and worked proactively internally and with regulatory agencies and stakeholders to identify and work toward resolving environmental protection concerns at its operating mines.

Regulatory Information

Canadian Operations

Tenure 414696 located at Perry Creek is a coal lease held by Wolverine Coal Limited under the *Coal Act* (British Columbia) (the "*Coal Act*") and Tenures 412964 and 417517 in the Burnt River Property are the coal leases that 0541237 B.C. Ltd. currently holds under the *Coal Act*. Both of these tenure holders are wholly-owned subsidiaries of the Company. Tenure 389294 is located at the Willow Creek Property and is the coal lease that Pine Valley Coal Ltd. currently holds under the *Coal Act*. Pine Valley Coal Ltd. is indirectly a wholly-owned subsidiary of the Company.

Coal leases issued under the *Coal Act* carry the following rights:

- (a) Subject to (b), a lessee has the exclusive right, in accordance with the *Coal Act* and the lease, to explore for, develop and produce coal on the location of the lease in accordance with work plans approved under the *Mines Act* (British Columbia) (the "*Mines Act*").
- (b) Subject to (c), a lessee does not acquire, under the lease, any right, title or interest in the surface areas of the location of the lease. The right to surface use requires approval of work plans.
- (c) If the surface area of a lease location is owned by the government and is used or occupied by the lessee, the lessee is entitled: (i) to enter, occupy and use the surface of the location to produce coal; (ii) subject to entering into an agreement in the form of a free use permit or a license to cut under the *Forest Act* (British Columbia) (the "*Forest Act*"), to use and remove timber that, at the time the holder of the lease enters into the agreement, is on the location; and (iii) to the non-exclusive right to use sand, gravel and rock from the location for use on the location for a construction purpose approved under the *Mines Act*, without the necessity of obtaining under the *Land Act* (British Columbia) (the "*Land Act*") a license, lease, permit or other authorization.

Subject to the terms of the *Coal Act*, a coal lease is valid for the term requested by the Company, not to exceed 30 years from the date of its issue. If a lessee complies during the term of the lease with the provisions of the *Coal Act* and the lease, then the coal lease will be extended for a further term requested by the lessee, not to exceed 15 years from the date of the extension is issued. Such application must be made before the term of the lease expires and must be accompanied by an application fee, a rental fee and the information or data the government requires to evaluate the application. A lessee must pay the government, in advance of the year for which it is payable, a prescribed rent in respect of the location of the lease. Despite any provision of a lease and if requested by the Company, the government may extend the term of a lease subject to the terms and conditions the government considers appropriate.

If, in the opinion of the government, a lessee is in default of the lease because of not complying with (i) a provision of the *Coal Act* or the lease; or (ii) a provision of the *Mines Act* or a permit under it, then the government may send to the lessee a notice specifying the failure to comply and may require the lessee to comply within a certain period of time. If the failure to comply is not remedied to the satisfaction of the government within the time specified, then the government may, by order, (i) suspend the operations of the lessee until the default is remedied; (ii) refuse to renew the lease until the lessee complies; and (iii) after failure to remedy the default during a period of suspension ordered under (i), cancel the lease.

Coal Licenses

Except for the four coal leases discussed above, the rest of the coal tenures owned by the Company are coal licenses issued under the *Coal Act*.

Coal licenses issued under the *Coal Act* carry the following rights:

- (a) Under the *Coal Act* and the coal license issued there under, a licensee has the exclusive rights: (i) to explore for and develop coal on the location of the license; and (ii) with the approval of the chief inspector appointed under the *Mines Act*, to mine and remove those quantities of coal the licensee may reasonably require for testing to a maximum of 100,000 tonnes.
- (b) A licensee is entitled to explore for and develop only that coal that is inside the boundaries, continued vertically downward, of the license location.
- (c) The holder of a license is entitled: (i) to enter, occupy and use the surface of the location for the purpose of exploring for and developing coal on the location; (ii) subject to entering into an agreement in the form of a free use permit or a license to cut under the *Forest Act*, to use and remove timber that, at the time the holder of the license enters into the agreement, is on the location; and (iii) to the non-exclusive right to use sand, gravel and rock from the location for use on the location for a construction purpose approved under the *Mines Act*, without the necessity of obtaining under the *Land Act* a license, lease, permit or other authorization.

A coal license is valid for a term of one year from the date of its issue. If a licensee complies during the term of the license with the provisions of the *Coal Act* and the license, then the coal license will be extended for further one year terms on application by the licensee. Such application must be made before the license expires and must be accompanied by a rental fee and certain information or data respecting the exploration, development and production of coal. In the event a licensee has not applied to extend the term of the licence, a licensee may, not more than 30 days after the date the license expires, apply to extend the license upon payment of a late application fee.

Coal licenses will expire if renewal applications are not made in accordance with the provisions set out above. In addition, the government may suspend operations, refuse to renew a coal licence, or terminate a coal licence for failure to comply with the *Coal Act*, the licence, the *Mines Act* or a permit under it.

A restriction on the use of surface rights may be imposed by the British Columbia government if the surface area is so situated that it should be used for purposes other than mining. Under the *Coal Act*, other restrictions on the right of entry or surface use may be applicable in some instances. As well, notice requirements for surface use may be required in particular circumstances. Lands may also be expropriated under the *Park Act* (British Columbia). In addition, an area of coal land may, by government regulation, be designated as coal land reserve in which case,

unless the regulation provides otherwise, exploration, development or the production of coal must not be carried out on a reserve and a license or lease must not be issued for a reserve.

U.S. Operations

The mineral and surface interests associated with the Gauley Eagle Mine and the Maple Coal Mine are principally leasehold interests governed by lease agreements with private landowners, and are not subject to significant regulatory requirements similar to those in British Columbia.

Applicable Environmental Legislation

Canadian Operations

Mining in British Columbia is primarily regulated by provincial legislation, with some regional and federal authorizations required. The following table outlines the key environmental legislation applicable to the Company's properties disclosed under the heading "*Mineral Properties — Canadian Operations*" in this Annual Information Form. Other legislation may be applicable for specific projects or facilities, including the *Canadian Environmental Assessment Act* will be applicable to the development of the Belcourt and Saxon properties. In addition, The Company's properties in northeast British Columbia may be affected by ongoing and proposed planning to protect caribou, an identified species at risk under the federal *Species at Risk Act*.

AUTHORITY	DESCRIPTION	PROJECT FACILITIES	PURPOSE & LEGISLATION
EAO	Environmental Assessment Certificate	All	Providing environmental approval in principle and specifying conditions for the project. - <i>BC Environmental Assessment Act</i>
MEMPR	Permit Approving the Mine Plan and Reclamation Program	Pits, waste dumps, tailings impoundment, mine infrastructure, construction and reclamation plan, gravel pits	Approving the conceptual life of mine construction, operations, and reclamation and closure plan, and the detailed 5-year mine and reclamation plans. Geotechnical approval of engineering designs for dams and waste embankments - <i>Mines Act</i> .
MEMPR	Coal Lease	Pits, waste dumps, plantsite, tailings impoundment, minesite infrastructure,	Approving development and operation of a mine on Crown Land – <i>Coal Act</i>
MOE	Water Licences	Sediment ponds, dams, surface withdrawals	Required on some projects to authorize diversion, impoundment, withdrawal and use of surface water - <i>Water Act</i> .
MOE	Section 9 Approvals	Diversion and Collection Ditches, Culverts	Authorizing diversion of water, in-stream construction- <i>Water Act</i> .
MAL (ILMB)	Crown Land Lease or License of Occupation	Facilities off Coal Licenses and Leases, except roads	Authorizing use of Crown land for infrastructure development - <i>Land Act</i>
MOFR	Special Use Permit	Roads off Coal Licenses and Leases	Granting tenure for development, upgrading and operational management of roads by mining companies – <i>BC Forest & Range Practices Act</i>
MOE	Air Permit	All facilities, plus point discharges (e.g. dryer)	Authorizing air emissions and approving dust management plans – <i>Environmental Management Act</i>
MOE	Effluent Permit	Settling ponds, sewage treatment facilities	Authorizing discharge of treated water from mine-sites – <i>Environmental Management Act</i>
MOE	Wildlife Permit under Section 19 of Wildlife Act	General – project sites	Removal of beaver dams, lowering water table, beaver removal if required - <i>Wildlife Act</i> .
MOFR	License to Cut	All facilities	Authorizing harvest of merchantable timber - <i>Forest Act</i>
MOFR	Road Use Permit	Forest Service Road	Authorizing use of a Forest Service Road - <i>Forest Act</i>
NHA (PRRD HA)	Potable Water Permit	All drinking water systems	Authorizing construction and operation of a water works system - <i>Health Act, Safe Drinking Water Regulation</i>

AUTHORITY	DESCRIPTION	PROJECT FACILITIES	PURPOSE & LEGISLATION
MOE	Contaminated Site Management	Any contaminated area, i.e. Fuelling and Maintenance Shop areas	Defining methods and standards for site management- <i>Contaminated Sites Act & Regulation</i>
MOE	Facility Design/Operations	Hazardous Waste Storage, Fuel Facilities	Providing guidance on design and operation of fuel and Hazardous waste storage facilities – <i>Environmental Management Act, Hazardous Waste Regulation</i>

EAO – Environmental Assessment Office; MEMPR – Ministry of Energy, Mines and Petroleum Resources; MOFR – Ministry of Forests and Range; MOE - Ministry of Environment; MAL – Ministry of Agriculture Lands; ILMB – Integrated Land Management Bureau; PRRD – Peace River Regional District; NHA – Northern Health Authority.

U.S. Operations

Mining in West Virginia is controlled and regulated by both federal and state laws which establish policy and provide a system of enforcement. Each of the properties is thus subject to certain environmental permits authorized by federal or state mining authorities. Typically, the State of West Virginia is responsible for enforcing federal Acts with the aid of state laws and legislative rules defined in the Code of State Rules (“**CSR**”). The West Virginia Department of Environmental Protection (“**WVDEP**”) regularly conducts inspections of the mining properties. Notice of violations, often accompanied by fines, are issued during the inspections if the inspector determines that permit requirements are not fulfilled.

The West Virginia properties are subject of numerous permits for surface and underground mining, for coal preparation and related facilities, and for haul roads and other incidental permits necessary for mining to occur. The public is invited to comment during the environmental permitting process. The following table outlines the key environmental legislation applicable to the Company’s properties disclosed under the heading “*Mineral Properties – US Operations*” in this Annual Information Form. Other legislation may be applicable for specific projects or facilities.

AUTHORITY	DESCRIPTION	PURPOSE & LEGISLATION
WVDEP	Mining Permits	Federal <i>Surface Mining Control and Reclamation Act of 1977</i> – establishes operational, environmental protection, reclamation and closure standards for all aspects of the surface mining industry, as well as most aspects of deep mining; typically five-year terms with right of successive renewal. Corresponding state legislation - <i>Surface Coal Mining and Reclamation Act, West Virginia Code Chapter 22, Article 3</i>
NPDES	Water Discharge Permits	Federal <i>Clean Water Act of 1977</i> – imposes restrictions on discharges of pollutants into regulated surface waters. Permits typically require regular monitoring and compliance with effluent limitations and contain reporting obligations, and may also require treatment of discharge from coal mining properties for certain pollutants; typically five year terms. Corresponding state legislation - the National Pollutant Discharge Elimination System (NPDES) under West Virginia Code Chapter 22, Article 11; ground water protection under West Virginia Code Chapter 22, Article 12; and the <i>Dam Control Act, West Virginia Code Chapter 22, Article 14</i> New selenium discharge limits became effective in West Virginia on April 6, 2010. State legislation has been passed that would give WVDEP authority to grant extensions for compliance with the new limits but has not been endorsed by the EPA and accordingly is not yet effective. Maple Coal has filed an appeal from a compliance order and obtained a Stay in respect of the discharge limits pending the outcome of the appeal.

AUTHORITY	DESCRIPTION	PURPOSE & LEGISLATION
Mine Safety & Health Administration	Legal Identity Numbers	<i>Federal Mine Safety and Health Act</i> – sets stringent health and safety standards on all aspects of mining, including training of mine personnel, mining procedures, mine emergency equipment and mine plans, and requires mandatory inspections and the issuance of enforcement action when a standard is violated. <i>Federal Mine Improvement and New Emergency Response Act of 2006</i> – require improved emergency response capability, increased availability of emergency breathable air, enhanced communication and tracking systems, more available mine rescue teams, increased mine seal strength and monitoring of sealed areas in underground mines. The Mine Safety & Health Administration administers the requirements of the Act and publishes rules implementing provisions of the Act.
West Virginia Office of Miners’ Health, Safety & Training	Permit	The West Virginia Office of Miners’ Health Safety & Training (“WVOMHST”) is responsible for the supervision of the execution and enforcement of the provisions of the state’s underground and surface mining laws and rules pursuant to the powers granted it under West Virginia Code Chapter 22A, Article 1. WVOMHST is responsible for the issuance, review and enforcement of mining permits required by West Virginia state law.
WVDEP	Air Quality Permits	<i>Federal Clean Air Act of 1970</i> , as amended – regulate emissions into the air of particulate matter and other substances, including sulphur dioxide, nitrogen oxide and mercury; typically do not expire. Corresponding state legislation - prevention and control of air pollution in West Virginia Code Chapter 22, Article 5
US Army Corps of Engineers	Permits	The U.S. Army Corps of Engineers reviews and issues applications for Department of the Army (“DA”) permits for controlling certain activities, including excavation, dredging, and/or disposal activities in navigable waters, any activities that modify the course, condition, location, or capacity of a navigable water, and the discharge of dredged or fill material into waters of the United States. If an activity affects the waters and wetlands of the United States, DA permits must be issued before these activities can be lawfully undertaken, pursuant to 33 CFR Part 320. Section 10 of the <i>Rivers and Harbors Act of 1899</i> , codified in Chapter 33, Section 403 of the United States Code, gave the U.S. Army Corps authority over navigable waters of the United States. The U.S. Army Corps of Engineers cooperates with the EPA to enforce the <i>Clean Water Act of 1977</i> and other federal laws through the issuance or denial of DA permits.
US Nuclear Regulatory Commission	Permits	Code of Federal Regulations 10 CFR Part 31 – permits entities to receive and use certain measuring, gauging or controlling devices that contain byproduct material that were manufactured and distributed in accordance with certain specifications.

WVDEP – West Virginia Department of Environmental Protection; NPDES – National Pollutant Discharge Elimination System

Other relevant environmental laws that may impact the Company’s operations in West Virginia include:

- *Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”)* - CERCLA and corresponding state laws impose clean-up requirements for threatened or actual releases of hazardous substances that may endanger public health or welfare or the environment. Under CERCLA and corresponding state laws, joint and several liability may be imposed on waste generators, site owners and lessees and others regardless of fault or the legality of the original disposal activity. The U.S. Environmental Protection Agency excludes most wastes generated by coal mining and processing operations from hazardous waste laws, but such wastes can in certain circumstances constitute hazardous substances for the purposes of CERCLA.
- *Endangered Species Act* – The federal Act and corresponding state laws may have the effect of prohibiting or delaying mining permits and may include restrictions on harvesting of lumber, road building and other mining activities in areas frequented by threatened animal or plant species.
- *Resource Conservation and Recovery Act (“RCRA”)* – although coal combustion wastes are not regulated generally under the RCRA, certain regulations under the RCRA govern certain wastes generated from coal combustion, including coal ash, when the wastes are disposed of in surface impoundments or landfills or are used as mine-fill.

Climate Change Regulation

Global climate change continues to generate significant public and scientific interest and regulatory response. Although current greenhouse gas emissions legislation in the jurisdictions in which the Company operates do not result in material compliance costs for the Company's current level of operations, a number of governments or governmental bodies have introduced or are contemplating regulatory changes in response to the potential impacts of climate change at the international, national, state, provincial and local levels. Where legislation is already in place to regulate emissions levels and energy efficiency, regulation is becoming more stringent.

The December 1997 Kyoto Protocol, which ends in 2012, established a set of greenhouse gas emission targets for developed countries that have ratified the Protocol. On December 17, 2002, Canada ratified the Protocol, including its commitment to reduce emissions to 6% below 1990 levels during the 2008–2012 commitment period; however, the current federal government has consistently indicated that Canada will not meet its commitments under the Protocol. The United States, although a signatory, never ratified the Protocol. The Conference of Parties 15 ("COP15") of the United Nations Framework Convention on Climate Change in Copenhagen, Denmark in December 2009 was held to determine the path forward after the Kyoto Protocol ends. COP15 resulted in the Copenhagen Accord (the "Accord"), a non-binding document calling for economy-wide emissions targets for 2020. Prior to the January 31, 2010 deadline, both Canada and the United States re-affirmed their commitments to the Accord.

Canada committed under the Accord to reducing its greenhouse gas emissions by 17% below 2005 levels by 2020, to be aligned with the emissions target and base year of the United States (with which the Canadian government has committed to implementing a North American cap and trade system). The Canadian federal government has not indicated how it will achieve gas reduction and the commitments under the Accord are not binding. The Canadian federal government has publicly stated that it will delay implementing any specific federal greenhouse gas emissions legislation until after the U.S. implements its legislation so that Canadian greenhouse gas legislation is integrated and consistent with the U.S. legislation.

In British Columbia, the provincial government has announced a policy goal of reducing greenhouse gas emissions by at least 33% below current levels by 2020. In 2008, the provincial government introduced legislation imposing carbon taxes on fuel effective July 2008. The provincial government has also introduced cap and trade legislation that will come into effect at a later date, with specific emission caps set by regulation. Although the provincial government has not yet introduced the regulatory details of the proposed cap and trade system, British Columbia is a member of the Western Climate Initiative ("WCI"), which is a cooperative effort of participating U.S. states and Canadian provinces to design a comprehensive regional model cap and trade program. It is expected that any cap and trade system to be implemented under the provincial legislation will be based on the model program being developed by the WCI. As it prepares for the implementation of an emissions cap and trade system, the provincial government has recently introduced a reporting regulation that requires facilities emitting greater than 10,000 tonnes per year of carbon dioxide equivalent to register and report emissions annually for periods beginning on January 1, 2010; any facilities emitting greater than 25,000 tonnes per year are also subject to certain emissions reporting verification requirements. Reporting is required for all of the Company's current operations with details of facility boundaries under discussion with the regulators.

The U.S. Congress and several U.S. states have initiated legislation regarding climate change that will affect energy prices and demand for carbon intensive products. The federal legislation, which is currently before the U.S. Senate, includes an absolute emissions reductions target of 17% from 2005 levels by 2020. In December 2009, the U.S. Environmental Protection Agency (the "EPA") issued an endangerment finding under the U.S. Clean Air Act that current and projected concentrations of certain mixed greenhouse gases, including carbon dioxide, in the atmosphere threaten the public health and welfare. It is possible that proposed regulations may be introduced in the U.S. to address the concerns raised by this endangerment finding. The EPA also began requiring that large emitters of greenhouse gases collect and report data with respect to their greenhouse gas emissions beginning on January 1, 2010.

ROYALTIES APPLICABLE TO PROPERTIES

Canadian Operations

Pursuant to the terms of a share purchase agreement dated October 31, 1997 among the Company and the original shareholders of 0541237 B.C. Ltd., the Company acquired the shares of 0541237 B.C. Ltd., which at that time held claims comprised in the Belcourt Group of properties. As part of the consideration for the purchase of the shares of 0541237 B.C. Ltd., the Belcourt North and Belcourt South properties are subject to a 0.75% royalty of the selling price upon delivery (FOB at Port or at customer for Inland North American sales) for all coal sales relating to those properties. The royalty is to be paid on an annual basis.

Certain properties within the Wolverine group of properties are subject to a royalty sharing agreement (the “**RSA**”) dated March 31, 2000, which was entered into by former management of the Company with three individuals (two former directors and one of their business associates) (the “**Royalty Recipients**”). By its terms, as consideration for the advanced funds, the RSA provides for the payment of a royalty to the Royalty Recipients of 1% of the price (FOBT at Port) for all product tonnes of coal produced from specified properties.

In March 2005, the Company commenced legal proceedings to determine the validity of the RSA. The Company’s petition was dismissed in February 2006. The Company abandoned its appeal of the court decision, but notified the respondents that the RSA because the Company considered that the RSA was granted in consideration for advances made to the Company, the royalty constituted interest and it would, pursuant to section 347 of the *Criminal Code of Canada*, be illegal for the Royalty Recipients to receive a return which exceeds 60% per annum (compounded) for the period during which the loans were outstanding so that any further obligation under the RSA would be illegal and unenforceable. In 2007, the Royalty Recipients commenced legal proceedings to obtain a declaration as to whether the royalty under the RSA constituted interest pursuant to section 347 of the *Criminal Code of Canada*. The petitions were heard in September 2008. In March 2009, the Company reached a settlement agreement with one Royalty Recipient, Mr. Gibson. Under the terms of the settlement, Mr. Gibson provided the Company with a waiver and full release in respect of any further claims in relation to the RSA and executed an assignment transferring to the Company his 37.5% share of any royalty that may come due under the RSA. On April 1, 2009, the Supreme Court of British Columbia rendered its decision in the legal proceedings initiated by the remaining Royalty Recipients, declaring that the royalty under the RSA does not constitute interest within the meaning of Section 347 of the *Criminal Code of Canada*. On April 30, 2009, the Company initiated an appeal of the April 1, 2009 decision to the British Columbia Court of Appeal. On February 11, 2010, the Company’s appeal was allowed in part, and, as a result, the rate of the remaining royalty payable by the Company was reduced to 0.375%.

As at March 31, 2010, the Company had made payments to the Royalty Recipients totalling \$452,894, representing the maximum payment to each Royalty Recipient permitted under section 347 of the *Criminal Code of Canada* based on the advances made by each Royalty Recipient to the Company. In addition, the Company had made payments totalling \$4.7 million, representing the remaining Royalty Recipients’ share of the royalty that would have been paid in the absence of the Company’s claims, into the trust account of one of the Royalty Recipients’ counsel pending any decision rendered in any appeal relating to the claims made in relation to the RSA. Neither party sought leave to appeal the Court of Appeal decision. Following agreement on costs between the parties, on May 25, 2010 the Company filed a Notice of Discontinuance with the court. On May 27, 2010, the Company received a payment of approximately \$1.9 million, representing the overpayment into the trust account plus interest. The balance in the trust account was subsequently distributed to the Royalty Recipients.

Pursuant to the terms of a coal license agreement dated July 18, 2003, between Consolidated Goldbank Venture Ltd. (which subsequently changed its name to NEMI on August 13, 2003) and Vernon Christopher House, the Saxon East coal licenses (as defined in such agreement) are subject to a royalty of 1% of the selling price upon delivery (FOBT at Port) for all coal sales relating to those licenses. The royalty is to be paid on a quarterly basis.

Pursuant to the terms of a coal license agreement dated July 18, 2003, between Consolidated Goldbank Venture Ltd. and Deborah House, the Saxon/Omega coal licenses (as defined in such agreement) are subject to a royalty of 1% of the selling price upon delivery (FOBT at Port) for all coal sales relating to those licenses. The royalty is to be paid on a quarterly basis.

Pursuant to the terms of the limited partnership agreement dated March 2, 2005 between the General Partner, NEMI (now Peace River Coal Limited Partnership (“**Peace River Coal**”)) and the Company, each of Peace River Coal and

the Company are entitled to a royalty equal to US\$0.50 per tonne of coal produced from Saxon and Belcourt properties, respectively.

Pursuant to the terms of the acquisition agreement relating to FMC, the Company will assume the obligation to pay a royalty to Pine Valley. The royalty requires a minimum payment of \$2 million and up to a maximum of \$26 million based on the tonnage of coal processed for shipment through the FMC coal rail load-out facility. The royalty rate was \$1.00 per tonne for the first year (July 2008 to July 2009) increasing at a rate of 2% per year to a maximum rate of \$1.50 per tonne. Commencing July 2008, there was a minimum royalty payment of \$50,000 per quarter subject to a cumulative maximum amount of \$2 million comprised of royalty payments and or minimum royalty payments over the term of the royalty payment agreement. All amounts paid are credited against the aggregate royalty payment limit of \$26 million. Upon payment of the aggregate amount of \$26 million all royalty payment obligations will terminate.

US Operations

ADC leases both surface and coal mineral rights to the Gauley Eagle property and the Maple Coal property from Pardee Mineral Resources LLC (“**Pardee**”), among others. ADC is obliged to pay its lessors a royalty on all coal produced and sold from the Gauley Eagle property and the Maple Coal property as well as pay annual minimum royalties which are generally recoupable from production royalties in accordance with the terms of the individual leases. These royalties are based on a percentage of the selling price of the coal, and for the principal lessor are in the range of 6% to 11%. Coal leases from the principal lessor of Gauley Eagle require payment of wheelage charges of the greater of \$0.175 per ton or 0.5% of the gross sales price for coal mined from property not owned by the lessor.

DIVIDENDS

The Company has not paid any dividends since its incorporation. The Company does not anticipate paying any dividends in the foreseeable future while it is in the early stages of production. While it is the Company’s intention to pay dividends, the declaration of future dividends, if any, will be determined by the directors of the Company after taking into account the Company’s earnings, cash requirements and other relevant considerations.

DESCRIPTION OF CAPITAL STRUCTURE

At incorporation, the authorized share capital of the Company was 100,000,000 Common Shares without par value. In September 2004, the Company transitioned from the *Company Act* (British Columbia) to the *Business Corporations Act* (British Columbia). In connection with this transition, on September 7, 2004, the Company amended its authorized share capital to increase it from 100,000,000 Common Shares without par value to an unlimited number of Common Shares without par value.

Common Shares

As at the date of this Annual Information Form, 336,359,383 Common Shares are issued and outstanding, of which 72,122,826 Common Shares are held directly or indirectly by Cambrian and not entitled to be voted at any meeting of shareholders. Accordingly, 264,236,557 Common Shares are issued and outstanding and entitled to be voted by the holders thereof at all meetings of the shareholders.

Registered holders of Common Shares are entitled to receive notice of and to attend all meetings of the shareholders of the Company and are entitled to one vote for each Common Share held. In addition, holders of Common Shares are entitled to receive dividends if, as and when declared by the directors of the Company and to share in the property of the Company on the liquidation, dissolution or winding-up of the Company.

Stock Options and Warrants

On June 16, 2005, the Board of Directors of the Company approved the adoption of a stock option plan (the “**Stock Option Plan**”), subject to shareholder and regulatory approval. An amendment to the Stock Option Plan was approved by the shareholders of the Company at the annual and special meeting of the Company held on October 5, 2006. The amendment included certain changes to the amending procedures of the Stock Option Plan in order that the Stock Option Plan complied with the policies of the TSX. At the annual and special meeting of the shareholders of the Company held on July 28, 2005, the shareholders approved the Stock Option Plan, and, in accordance with

the requirement of the TSX, subsequently reapproved the Stock Option Plan at the annual and special meeting of the Company held on September 4, 2008. The full text of the Stock Option Plan is available under the Company's profile on the SEDAR website at www.sedar.com.

Key provisions of the Stock Option Plan include:

- (a) the maximum number of Common Shares issuable pursuant to options granted under the Stock Option Plan will be a number equal to 10% of the issued and outstanding Common Shares on a non-diluted basis at any time;
- (b) a restriction that no more than 10% of the total number of issued and outstanding Common Shares may be issuable to insiders of the Company pursuant to options granted to insiders under the Stock Option Plan, together with all of the Company's other previously established and outstanding or proposed share compensation arrangements;
- (c) a restriction that no more than 10% of the total number of issued and outstanding Common Shares are issued to insiders of the Company within a one-year period pursuant to options granted to insiders under the Plan, together with all of the Company's other previously established and outstanding or proposed share compensation arrangements;
- (d) the option price per common share is to be determined by the Board of Directors provided that such exercise price is not less than the market price on the date of grant of such options or such other minimum price as may be required by the TSX;
- (e) the vesting period of all options shall be determined by the Board;
- (f) options may be exercisable for a period of up to a maximum term of five years, such period to be determined by the Board of Directors of the Company and the options are non-transferable;
- (g) options held by individuals who are terminated without cause are subject to an accelerated expiry term for those options which requires that options held by those individuals expire on the earlier of: (a) the original expiry term of such options; (b) 30 days after the Optionee ceases active employment with the Company; or (c) 30 days after the date of delivery of written notice of retirement, resignation or termination;
- (h) options held by an individual who ceases to be employed by the Company for cause or is removed from office or becomes disqualified from being a director will terminate immediately;
- (i) options which expire unexercised or are otherwise cancelled will be returned to the Stock Option Plan and may be made available for future option grant pursuant to the provisions of the Stock Option Plan;
- (j) optionees may, rather than exercise their options, elect to terminate such option, in whole or in part, and receive either an equivalent number of Common Shares or cash payment in lieu thereof; and
- (k) the Board may, from time to time, subject to applicable law and the prior approval, if required, of the TSX or any other applicable regulatory body, suspend, terminate, discontinue or amend the Stock Option Plan.

Maximum Shares Available

The maximum number of Common Shares of the Company that may be issuable under the Stock Option Plan is a number equal to 10% of the number of issued and outstanding Common Shares of the Company on a non-diluted basis at any time. As of the date of this Annual Information Form, 16,348,680 Common Shares of the Company remain available for future stock option awards under the Stock Option Plan, as amended.

Shareholder Approval

In accordance with TSX policies, the Stock Option Plan was approved and ratified by the shareholders of the Company on September 4, 2008 and must be approved and ratified by the shareholders of the Company every three years. Accordingly, the Stock Option Plan will be placed before the shareholders for approval at the 2011 annual general meeting.

Stock Options Outstanding

As at the date of this Annual Information Form, the following options were outstanding, each exercisable to purchase one Common Share of the Company:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
60,000	\$6.10	July 28, 2010
180,000	\$6.20	July 28, 2010
79,000 ⁽¹⁾	\$3.29	July 31, 2010
200,000	\$2.26	September 7, 2011
190,000	\$1.95	November 28, 2011
471,000	\$2.02	March 5, 2012
262,500 ⁽¹⁾	\$5.34	July 31, 2012
500,000	\$2.25	November 29, 2012
475,000	\$2.53	February 20, 2013
2,011,550	\$3.37	March 28, 2013
50,000	\$1.80	October 30, 2013
50,000	\$0.62	March 19, 2014
2,130,000	\$1.95	June 24, 2014
3,000,000	\$2.68	November 13, 2014
150,000	\$2.64	November 18, 2014
190,000	\$2.35	December 4, 2014
120,000	\$3.75	January 4, 2015
300,000	\$3.71	February 12, 2015
196,153 ⁽¹⁾	\$1.87	November 30, 2017

Notes:

- (1) Under the terms of the Combination Agreement, Cambrian optionholders are entitled to receive Common Shares of the Company upon exercise of their Cambrian options on the basis of 0.75 Common Shares for each Cambrian share that the option holder is entitled to receive under the terms of the option.

Share Purchase Warrants

As at the date of this Annual Information Form, the following warrants to purchase Common Shares of the Company were outstanding:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,330,000	\$0.75	November 30, 2010
2,681,845	\$3.25	June 28, 2012

Convertible Debentures

On March 23, 2006, the Company issued \$125 million aggregate principal amount of convertible unsecured subordinated debentures. The convertible debentures bear interest at a rate of 7.5% per annum, payable semi-annually on September 24 and March 24 in each year commencing on September 24, 2006 and mature on March 24, 2011. Holders may convert their convertible debentures into Common Shares at any time prior to their maturity at a conversion price of \$4.00 per Common Share, being a conversion rate of 250 Common Shares per \$1,000 principal amount of convertible debentures. The Company may redeem all or a portion of the convertible debentures at a redemption price equal to the principal amount plus accrued and unpaid interest thereon, provided that the weighted average trading price of the Company's Common Shares on the TSX for the 30 consecutive trading days ending on the fifth trading day preceding the day prior to which the redemption notice is given, is at least 125% of the conversion price. On May 31, 2010, the Company redeemed all of the issued and outstanding convertible debentures that had not been converted into Common Shares.

On November 30, 2007, the Company issued, by way of private placement, US\$40,372,000 in unsecured convertible debentures. The convertible debentures bore interest at a rate of 8.5% per annum payable semi-annually beginning May 31, 2008 and were to mature on November 30, 2010. The debentures were convertible into Common Shares at any time prior to their maturity at a conversion price of \$0.75 per Common Share, being a conversion rate of 1,321

Common Shares per US\$1,000 principal amount of convertible debentures. The convertible debentures were not redeemable by the Company prior to maturity except in the incidence of a change of control. As of March 31, 2010, the full amount of the convertible debentures had been converted to Common Shares.

MARKET FOR SECURITIES

The Company's Common Shares are listed for trading on the TSX and AIM under the trading symbol "WTN". The Company's convertible debentures issued in March 2006 are listed on the TSX under the symbol "WTN.DB". The following table sets out the market price range and trading volumes of the Company's securities on the TSX and AIM for the periods indicated.

Toronto Stock Exchange

<u>Year</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
	(\$)	(\$)	(no. of shares)
2010			
March	6.34	3.77	124,283,758
February	4.03	2.96	57,873,328
January	4.42	3.25	90,230,337
2009			
December	3.39	2.02	74,854,173
November	3.00	2.47	53,408,784
October	3.33	2.62	50,605,600
September	3.44	2.32	98,236,178
August	3.67	2.58	131,816,205
July	3.07	1.44	168,912,901
June	2.43	1.52	105,648,531
May	1.69	1.20	71,742,928
April	1.70	0.66	78,257,208

On June 11, 2010, the closing price of the Common Shares on the TSX was \$4.90 per share.

London Stock Exchange Alternative Investment Market

<u>Year</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
	(GBX)	(GBX)	(no. of shares)
2010			
March	408.00	233.00	3,850,300
February	242.00	182.00	1,067,800
January	262.00	189.00	1,858,100
2009			
December	195.00	119.00	2,150,900
November	172.00	136.00	1,277,000
October	193.00	152.00	2,165,600
September	194.00	135.00	2,236,500
August	196.97	152.00	3,504,200
July	164.40	84.30	7,280,700
June	127.50	83.00	2,301,000
May	93.00	67.00	954,000
April	88.00	36.00	1,380,600

On June 11, 2010, the closing price of the Common Shares on the AIM was GBX 312.50 per share.

The following table sets out the market price range and trading volumes of the convertible debentures on the TSX for the periods indicated:

Toronto Stock Exchange			
<u>Year</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
	(\$)	(\$)	(no. of debentures)
2010			
March	154.85	115.00	2,426,220
February	117.50	106.00	364,000
January	117.03	105.01	4,187,200
2009			
December	109.50	103.50	196,000
November	109.00	104.00	719,000
October	111.00	105.00	1,775,000
September	109.19	100.11	235,000
August	111.00	101.28	1,672,000
July	107.00	93.00	1,638,000
June	100.00	91.00	2,481,500
May	90.00	85.00	2,192,000
April	89.00	80.00	1,648,000

On May 28, 2010, the closing price of the convertible debentures on the TSX was \$127.50 per debenture. In connection with the redemption of the convertible debentures on May 31, 2010, the convertible debentures were voluntarily delisted from the TSX effective as of the close of trading on May 31, 2010.

DIRECTORS AND EXECUTIVE OFFICERS

Directors

As of the date of this Annual Information Form, each of the persons whose name appears below is a director of the Company. Each director holds office from the date of election or appointment until immediately before the election or appointment of directors at the next annual meeting of the Company or until he sooner ceases to hold office.

<u>Name and Office Held with the Company, and Province / State and Country of Residence</u>	<u>Present Principal Occupations Within Five Preceding Years</u>	<u>Director Since</u>
David Beatty, O.B.E., Director and Chairman Ontario, Canada	Director of Bank of Montreal, First Service Corporation and Inmet Mining Corporation (Chairman); Professor of Strategic Management for Rotman School of Management and the Conway Director for the Clarkson Centre for Business Ethics & Board Effectiveness at the University of Toronto	June 2010
John R. Brodie, FCA, Director ⁽²⁾⁽³⁾ British Columbia, Canada	President of John R. Brodie Capital Inc., a private consulting firm; formerly a partner of KPMG LLP; a director of a number of other mining and manufacturing companies	May 2006
Keith Calder, Director, President and Chief Executive Officer ⁽³⁾ British Columbia, Canada	President and Chief Executive Officer of the Company; formerly Managing Director of Rio Tinto's Copper Projects	December 2009
Robert F. Chase, Director ⁽¹⁾⁽²⁾ British Columbia, Canada	Director, President and CEO of New West Energy Services Inc. and a director of several other public and private companies involved in oil and gas activities, mining exploration, financial services and forestry business	October 2006

<u>Name and Office Held with the Company, and Province / State and Country of Residence</u>	<u>Present Principal Occupations Within Five Preceding Years</u>	<u>Director Since</u>
Charles Pitcher, Director ⁽³⁾ Ontario, Canada	President of The Mining House Inc., a provider of engineering services relating to project development and management; formerly Chief Operations Officer of the Company	December 2002
Owen Ryan, Director London, England	Partner, Scarab Capital Partners; formerly Head of Group Business Development with Anglo American and Executive Director, Head of Global Mining Research and Sales at UBS Warburg	December 2009
Julian Treger, Director ⁽¹⁾⁽²⁾ London, England	Partner, Audley Capital Advisors LLP; a director of RM Auctions Inc., formerly a director for Active Value Advisors Limited	December 2007

Notes:

- (1) Member of the Corporate Governance, Nominating and Compensation Committee.
- (2) Member of the Audit Committee.
- (3) Health, Safety and Environment Committee.

Executive Officers

As of the date of this Annual Information Form, each of the persons whose name appears below is an executive officer of the Company.

<u>Name and Office Held with the Company, and Province / State and Country of Residence</u>	<u>Present Principal Occupations Within Five Preceding Years</u>	<u>Officer Since</u>
Braam Jonker, Chief Financial Officer British Columbia, Canada	Chief Financial Officer of the Company; formerly Chief Financial Officer of Cambrian	July 2009
Graham Foyle-Twining, Vice President, Human Resources and Organizational Development British Columbia, Canada	Vice President, Human Resources and Organizational Development of the Company; formerly General Manager, Human Resources of Rio Tinto Limited	February 2010
David Tingey, Vice President, Health, Safety and Environment British Columbia, Canada	Vice President, Health, Safety and Environment of the Company; formerly Health, Safety and Environment Specialist with Rio Tinto Limited	April 2010

As at the date of this Annual Information Form, the directors and executive officers as a group beneficially own, or control or direct, directly or indirectly, approximately 0.6% of the issued and outstanding Common Shares of the Company.

The information as to principal occupation and as to shares beneficially owned or controlled or directed, directly or indirectly, is based upon information provided by the nominees.

Conflicts of Interest

The directors and officers of the Company are engaged and will continue to be engaged in mineral development and exploration activities on their own behalf and on behalf of other companies, and situations may arise where the directors and officers may be in direct competition with the Company. Conflicts of interest, if any, that arise will be subject to and governed by the *Business Corporations Act* (British Columbia), which provides, among other things, that a director or senior officer of a company is liable to account to the company for any profit that accrues to the director or senior officer under or as a result of a contract or transaction in which the director or senior officer holds a “disclosable interest” (as defined in the *Business Corporations Act* (British Columbia)), unless the nature and extent of the disclosable interest has been disclosed to the board of directors and the contract or transaction has been

approved by a special resolution of the shareholders or by the directors, excluding the director with the disclosable interest. Any such transactions may also be subject to other applicable regulatory requirements and approvals.

LEGAL PROCEEDINGS

Except as outlined below, the Company is not involved in any legal or arbitration proceedings, nor, as far as the Company is aware, are any such proceedings pending or threatened by or against the Company which are having or may have a significant effect on the Company's financial position.

Potential Claim Regarding Selenium Discharge

Atlantic Leaseco and Maple Coal, two indirect wholly-owned subsidiaries of the Company with operations in West Virginia, were the subject of compliance orders issued against them on April 5, 2007 by the West Virginia Department of Environmental Protection ("WVDEP"). The orders, which are similar to compliance orders issued by the WVDEP to a number of coal mining companies in West Virginia, provided that Atlantic Leaseco and Maple Coal would have until April 5, 2010 to comply with certain water quality-based effluent limitations for selenium concentrations in discharges from mining operations. Subsequent to the issue of the orders, the selenium discharge limits against Atlantic Leaseco that were the subject of the compliance orders were removed by permit modifications and Atlantic Leaseco has no further obligations under that order.

With respect to Maple Coal, due to the fact that there is no currently available practical technology for consistently meeting the effluent limits for selenium at the point of discharge that could be installed and effective by the time permit levels established by the EPA became effective on April 6, 2010, the Company filed an appeal to the state Environmental Quality Board ("EQB") requesting an injunction to stay the WVDEP denial of the Company's application for modification of its permits. In addition, the Company asked for a stay of the deadline for the compliance schedule to bring the effluent discharges into compliance with any final water quality based effluent limits for selenium. By a letter dated April 14, 2010, the Company received a "notice of intention to sue" from three environmental groups (the "Complainants") notifying the Company of the Complainant's intent to commence a "citizens suit" in federal court if the Company does not achieve compliance with permit levels within 60 days. Subsequently, WVDEP has initiated an enforcement action in the County Circuit Court against Maple Coal in respect of alleged non-compliance with discharge permit levels. The Company has also received information to the effect that the WVDEP may also initiate similar enforcement actions against several other coal companies. The Company understands that such an action by the State officials would effectively forestall any federal proceedings and maintain enforcement actions at the State level. In the interim, the Company is vigorously contesting the claims of the WVDEP and the Complainants and pursuing appeals to obtain an extension of its selenium compliance schedule. At present, the likelihood of an unfavourable outcome is neither remote nor probable and no opinion can be offered regarding the likelihood of enforcement actions or civil penalties that may be sought.

Potential Class Action

In November 2009 the Company was named as a defendant in a statement of claim issued by a plaintiff who seeks leave of the Ontario Superior Court of Justice to proceed with a securities class action. The claim alleges that those persons who acquired or disposed of Common Shares of the Company during the period between November 14, 2007 and December 19, 2007 should be entitled to recover \$200 million for general damages and \$20 million in punitive damages. Two current directors and one former director and officer of the Company were also named as defendants. The plaintiff alleges that the financial statements for the second quarter of fiscal 2008 and the accompanying news release issued on November 14, 2007 misrepresented the Company's financial condition and that the Company failed to make full, plain and true disclosure of all material facts and changes. The action also claims that the named directors purchased shares during the proposed class period while in possession of material undisclosed information. The plaintiff was to have delivered materials in support of motions for leave to proceed with the action and for certification on or before May 14, 2010. The plaintiff however sought and obtained permission of the Court to deliver an amended claim before May 28, 2010. On May 28, 2010, the plaintiff delivered a proposed Fresh As Amended Statement of Claim. That claim indicates that the plaintiff intends to introduce new allegations that the Company, some of its current and former directors and other parties caused the Company to enter transactions between April 26, 2007 and July 13, 2009 that were oppressive. The plaintiff did not indicate an intention to claim additional damages from the Company or any other parties. At this stage in the proceedings it is not possible to assess what if any exposure the Company has to the claims being made. The Company, however

maintains that there is no merit to the claims and that the damages are without foundation and excessive and accordingly has made no provision for this claim in its financial statements.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as set forth below, no (a) director or executive officer of the Company, (b) person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the Company's outstanding Common Shares, and (c) any associate or affiliate of any of the persons or companies referred to in (a) or (b) above, has any material interest, direct or indirect, in any transaction within the three most recently completed financial years of the Company or during the current financial year that has materially affected or will materially affect the Company.

On June 28, 2007, Cambrian purchased 2,450,000 units at a cost of \$5,757,500 as part of a brokered private placement by the Company of 19.2 million units for gross proceeds of \$45.12 million. Each unit was comprised of one Common Share and one-quarter of one share purchase warrant, each whole share purchase warrant entitling the holder to acquire one additional Common Share until June 28, 2012 at an exercise price of \$3.25 per share.

On September 14, 2007, the Company entered into the 2007 Loan Facility agreement with Cambrian, pursuant to which Cambrian agreed to loan to the Company an amount of \$5 million. The loan has subsequently been repaid in full by the Company.

On November 30, 2007 the Company entered into a sale and purchase agreement with Cambrian, pursuant to which the Company agreed to acquire all of the common shares of FMC and the associated royalty obligations, for an aggregate purchase price of \$28,111,347.

In March 2008, the Company reached an agreement with Cambrian governing the scope of services and fees to be paid to Cambrian in respect of services to be provided by certain Cambrian personnel during the period of March 1, 2008 to August 31, 2008. The fees are payable up to a maximum of \$20,000 per month based on services performed at the request of the Company. In addition, the Company agreed to pay Cambrian \$175,000 in May 2008 for services rendered by Cambrian personnel during the period of November 1, 2007 through March 1, 2008.

On January 21, 2009, the Company entered into the CIH Loan with Cambrian and CIH, pursuant to which the Company provided CIH with a non-revolving loan in the amount of US\$36 million on a secured basis (See "*General Development of the Business*").

On May 20, 2009, the Company entered into the Combination Agreement with Cambrian, pursuant to which the Company proposed to acquire all of the issued and outstanding ordinary shares of Cambrian. The Combination Agreement sets out the implementation steps agreed to be taken by the Company and Cambrian to effect the Scheme of Arrangement (See "*General Development of the Business – Significant Acquisitions*").

On May 20, 2009, the Company entered into the Noteholder Agreement with Cambrian and the holders of the Cambrian Notes, pursuant to which the Company agreed that, subject to certain conditions, the Cambrian Notes would be redeemed in full, together with the applicable interest, by not later than five business days from the date the Scheme of Arrangement became effective.

The Company entered into an agreement with Audley Capital Advisors LLP pursuant to which Audley Capital Advisors LLP agreed to provide strategic and financial advisory services to the Company commencing on June 1, 2009. The agreement was subsequently terminated on March 1, 2010.

On November 30, 2009, the Company completed the sale of AGD to Mandalay. The former Chairman of the Company is the Chairman of Mandalay and one other former director of the Company is also a director of Mandalay.

TRANSFER AGENTS AND REGISTRARS

The registrar and transfer agent for the Company's Common Shares and warrants is Computershare Investor Services Inc. at its offices in Toronto, Ontario and Vancouver, British Columbia.

Computershare Investor Services plc acts as the depository and registrar for the Company's Common Shares at its offices in London, United Kingdom.

MATERIAL CONTRACTS

Set forth below is a list of material contracts, other than contracts entered into the ordinary course of business, entered into by the Company within the most recently completed financial year, or prior to the most recently completed financial year but that are still in effect.

1. The Company entered into a trust indenture dated as of March 23, 2006 with Computershare Trust Company of Canada. Each convertible debenture will be convertible into Common Shares of the Company at the option of the holder at any time prior to the close of business on the earlier of March 24, 2011 and the business day immediately preceding the date the Company specifies for the redemption of the convertible debentures at an effective conversion price of \$4.00 per common share, being a conversion rate of 250 common shares per \$1,000 principal amount of convertible debentures, subject to adjustment in certain events.
2. The Company entered into an agreement on June 28, 2007 with GMP Securities L.P. (the "GMP"), pursuant to which GMP agreed to purchase 19.2 million units on an underwritten private placement basis at a price of \$2.35 per unit for aggregate gross proceeds of \$45.12 million. Each unit consisted of one Common Share of the Company and a one-quarter Common Share purchase warrant. Each whole Common Share purchase warrant entitles the holder to acquire one additional common share for a period of five years from the date of issue at the exercise price of \$3.25. The private placement closed on June 28, 2007.
3. The Company entered into a warrant indenture on June 28, 2007 with Computershare Trust Company of Canada (the "**Warrant Indenture**") in connection with a private placement of 19.2 million units referred to above. The Warrant Indenture governs the terms of the common share purchase warrants, including their issuance, ownership, and method of exercise.
4. The Company entered into the Combination Agreement with Cambrian on May 20, 2009, pursuant to which the Company acquired all of the issued and outstanding ordinary shares of Cambrian. The Combination Agreement sets out the implementation steps agreed to be taken by the Company and Cambrian to effect the Scheme of Arrangement that completed on July 13, 2009.
5. The Company entered into an underwriting agreement on July 30, 2009 between the Cormark Securities Inc., GMP Securities L.P., Canaccord Capital Corporation and Salman Partners Inc. and the Company, pursuant to which the underwriters purchased 22.1 million Common Shares of the Company at a price of C\$2.70 per share for gross proceeds of approximately C\$59.7 million.

INTERESTS OF EXPERTS

Names of Experts

The persons referred to below have been named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 during, or relating to, the Company's financial year ended March 31, 2010.

PricewaterhouseCoopers LLP, Chartered Accountants, who have prepared an independent auditors' report dated June 9, 2010 in respect of the Company's consolidated financial statements as at March 31, 2010 and 2009, has advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

The persons referred to below have been named as having prepared or certified a statement, report or valuation described or included in this Annual Information Form.

Robert J. Morris, P. Geo., of Moose Mountain Member Corp., John H. Perry, P. Geo (internal) and Jay Q.L. Horton, P. Eng., of Norwest Corporation are the authors responsible for the preparation of the Technical Report dated January 23, 2009 entitled "Technical Report Belcourt Project".

James McQuaid, P.Eng., of Marston Canada Ltd., is the author responsible for the preparation of the Technical Report dated December 31, 2007 entitled “Technical Report on the Perry Creek Mine”.

Edward H. Minnes, P.E., of Marston Canada Ltd., is the author responsible for the preparation of the Technical Report dated November 26, 2007 entitled “Revised Technical Report on the EB Project”.

Edward H. Minnes, P.E., of Marston Canada Ltd., is the author responsible for the preparation of the Technical Report dated December 12, 2007 entitled “Technical Report on the Hermann Project Feasibility Study”.

Edward H. Minnes, P.E., of Marston Canada Ltd., is the author responsible for the preparation of the Technical Report dated December 7, 2007 entitled “Updated Technical Report on the Brule Coal Project”.

Edward H. Minnes, P.E., of Marston Canada Ltd., is the author responsible for the preparation of the Technical Report dated October 27, 2005 entitled “Technical Report on the Brule Coal Project of the Burnt River Property”.

Robert J. Morris, P. Geo. and James H. Gray, of Moose Mountain Member Corp., are the authors responsible for the preparation of the Technical Report dated November 19, 2007 entitled “Resource and Reserve Estimate for the Willow Creek Mine Property”.

George Oberlikc, P.E., Peter Taylor, K.P.G. and Gerard Enigk, P.E. of Marshall Miller & Associates, Inc., are the authors responsible for the preparation of the Technical Report dated April 28, 2009, having an effective date of December 31, 2008, entitled “Technical Report on the Atlantic Leaseco, LLC and Maple Coal Company, LLC Coal Property in West Virginia, USA, for Western Canadian Coal Corp.”.

Stephen J. Cox, Bruce Pilcher, Dr. Richard Lowman, David Neill Hughes and Michael J. Boston of Wardell Armstrong LLP, are the authors responsible for the preparation of the Technical Report dated March 27, 2009 entitled “Technical Report on Coal Properties of Energybuild plc in South Wales, United Kingdom for Western Canadian Coal Corp.”.

Interests of Experts

To the knowledge of the Company, the persons above, as a group, beneficially owned, or controlled or directed, directly or indirectly, less than 1% of the issued and outstanding Common Shares, at the time of or after such person prepared the statement, report or valuation, and none of the persons above is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

AUDIT COMMITTEE

The mandate of the Audit Committee is set out in the Audit Committee Terms of Reference that was approved by the Board of Directors. The complete text of this document is included as Schedule A to this Annual Information Form.

Composition

The Audit Committee of the Company is composed of Messrs. John R. Brodie, FCA, Julian A. Treger and Robert F. Chase. Each member of the Audit Committee is considered to be independent and financially literate under National Instrument 52-110.

Relevant Education and Experience

The education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as a member of the Audit Committee are as follows:

<u>Name</u>	<u>Relevant Education/Experience</u>
John R. Brodie, Committee Chairman	Mr. Brodie is a member of the Canadian Institute of Chartered Accountants, British Columbia Institute of Chartered Accountants and a lifetime member of Certified Fraud Examiners. Mr. Brodie was elected a Fellow and awarded the FCA designation by the Institute of Chartered Accountants of British Columbia in 2003. Mr. Brodie has been the president of a private

<u>Name</u>	<u>Relevant Education/Experience</u>
	consulting firm since 2003. From 1975 to 2003, Mr. Brodie was a partner at KPMG LLP and from 1987 to 1995 served as a director of KPMG LLP. He serves on a number of boards of public companies within the resource and manufacturing areas including being a member and Chairman of several audit committees of these companies.
Julian A. Treger	Mr. Treger is the joint Managing Director of Audley Capital Advisors LLP. He has over 20 years of experience in the finance industry, which includes working at Hambros Bank and the J Rothschild Group. He founded Active Value Advisors and co-founded Audley Capital Advisor LLP. Mr. Treger is currently a director of several other companies. He joined the Company's board in 2007.
Robert F. Chase	Mr. Chase has over 30 years of experience as the top executive or Chief Financial Officer for a number of companies whose activities included: investment/merchant banking; commercial banking; oil and gas exploration and development; mining exploration and development, forest products; and port terminal operations. He joined the Company's board in October 2006 and is a Director, President & CEO of New West Energy Services Inc. and a director of several other TSX, TSX-V and private companies involved in oil and gas activities, mining exploration, financial services and forestry operations.

Reliance on Exemption in National Instrument 52-110

In respect of the most recently completed financial year, the Company relied on the exemption set out in Section 3.5 of National Instrument 52-110 with respect to compliance with the requirements of Section 3.1 (*Composition of the Audit Committee*).

Julian Treger was appointed to the Audit Committee in November 2009 following the resignation of John Conlon from the Audit Committee. For the period of July 1, 2009 to March 1, 2010, the Company received strategic and financial advisory services from Audley Capital Advisors LLP, of which Mr. Treger is a joint Managing Director. Accordingly, during that period of time, Mr. Treger was not considered to be independent under National Instrument 52-110. During such period, the majority of the members of the Audit Committee were independent under National Instrument 52-110.

Pre-Approval Policies and Procedures

The Audit Committee is authorized by the Board to review the performance of the Company's external auditors and approve in advance provision of services other than auditing and to consider the independence of the external auditors, including reviewing the range of services provided in the context of all consulting services bought by the Company. The Audit Committee is authorized to approve any non-audit services or additional work which the Chairman of the Audit Committee deems as necessary who will notify the other members of the Audit Committee of such non-audit or additional work.

External Auditor Service Fees

Year	Audit Fees ⁽¹⁾	Audit-Related Fees ⁽²⁾	Tax Fees ⁽³⁾	All Other Fees ⁽⁴⁾
2010	\$294,395	\$117,705	\$11,000	\$186,475
2009	\$158,989	\$73,767	\$0	\$78,758

(1) The aggregate of audit fees billed.

(2) The aggregate of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements which are not included under the heading "Audit Fees".

(3) The aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning.

(4) The aggregate fees billed for products and services other than set out under the headings, "Audit Fees", "Audit Related Fees" and "Tax Fees".

ADDITIONAL INFORMATION

Additional information, including that relating to directors' and officers' remuneration, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, interests of insiders in material transactions and corporate governance practices, is contained in the Company's management proxy circular for the Annual General Meeting held on September 29, 2009, which is incorporated herein by reference.

Additional financial information is provided in the Company's comparative financial statements and management's discussion and analysis for the year ended March 31, 2010, which are also incorporated herein by reference.

Copies of all materials incorporated by reference herein and additional information relating to the Company are available under the Company's profile on the SEDAR website at www.sedar.com.

Dated at Vancouver, British Columbia, this 14th day of June, 2010.

BY ORDER OF THE BOARD OF DIRECTORS

"Keith Calder"

Keith Calder
President & Chief Executive Officer

SCHEDULE A
AUDIT COMMITTEE TERMS OF REFERENCE

A. PURPOSE

The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities, primarily through overseeing management's conduct of the Company's accounting and financial reporting process and systems of internal accounting and financial controls; selecting, retaining and monitoring the independence and performance of the Company's external auditor, including overseeing the audits of the Company's financial statements, and approving any non-audit services; and providing an avenue of communication among the external auditor, management and the Board.

B. COMPOSITION, PROCEDURES AND ORGANIZATION

1. The Board of Directors of the Company (the "Board"), at its organizational meeting held in conjunction with each annual general meeting of the shareholders, shall appoint the members and the Chair of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
2. The Committee shall consist of at least three members of the Board all of whom shall be independent as determined in accordance with applicable securities laws, rules, regulations and guidelines ("Securities Laws"). In particular but subject to the exemptions provided in National Instrument 52-110 "Audit Committees" ("NI 52-110"), a member of the Committee is independent if the member has no direct or indirect material relationship with the Company in accordance with section 1.4 of NI 52-110, which, among other things, provides that a material relationship is a relationship which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment, subject to section 1.4 of NI 52-110. The Chair of the Board shall be an ex-officio member of the Committee.
3. All Committee members shall be financially literate. For this purpose, financial literacy shall mean the ability of a member to read and understand a set of financial statements that present a breadth and level of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. At least one member should have accounting or related financial expertise.
4. If the Chair is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside at the meeting.
5. The Secretary of the Company shall be the secretary of the Committee, unless otherwise determined by the Committee.
6. The Committee shall meet at least four times annually on such dates and at such locations as may be determined by the Chair of the Committee and may also meet at any other time or times on the call of the Chair of the Committee, the external auditors or any two of the other members.
7. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other. The Committee may also act by unanimous written consent of its members.
8. The external auditors or any two Directors may request the Chair to call a meeting of the Committee and may attend at such meeting or inform the Committee of a specific matter of concern to such Directors, and may participate in such meeting.
9. Notice of the time and place of every meeting shall be given in writing or by e-mail or facsimile communication to each member of the Committee at least 24 hours prior to the time fixed for such meeting; provided, however, that a member may in any manner waive a notice of a meeting and attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the

express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

10. The Chief Financial Officer shall develop the Committee's agenda, in consultation with the Chair and other members of management. The agenda and information concerning the business to be conducted at each Committee meeting shall, to the extent practical, be communicated to the members of the Committee sufficiently in advance of each meeting to permit meaningful review.
11. At the invitation of the Chair, one or more officers or employees of the Company may, and if required by the Committee shall, attend a meeting of the Committee. The external auditors shall receive notice of and have the right to attend all meetings of the Committee.
12. The Committee shall fix its own procedure at meetings, keep records of its proceedings and report to the Board when the Committee may deem appropriate (but not later than the next meeting of the Board).
13. The Committee, when it considers it necessary or advisable, may retain, at the Company's expense, outside consultants or advisors to assist or advise the Committee independently on any matter within its mandate. The Committee shall have the sole authority to retain and terminate any such consultants or advisors, including sole authority to approve the fees and other retention terms for such persons.
14. The external auditors shall have a direct line of communication to the Committee through the Chair and may bypass management if deemed necessary. The external auditors shall report to the Committee and are ultimately accountable to the Board and the Committee.
15. The Committee, through its Chair, may contact directly the external auditors, the internal auditors, if any, and any employee of the Company as it deems necessary.
16. In discharging its responsibilities, the Committee shall have full access to all books, records, facilities and personnel of the Company, to the Company's legal counsel and to such other information respecting the Company as it considers necessary or advisable in order to perform its duties and responsibilities.

C. ROLES AND RESPONSIBILITIES

The Committee should carry out the duties set forth below for the Company, major subsidiary undertakings and the group as a whole, as appropriate. The Committee's principal responsibility is one of oversight. The Company's management is responsible for preparing the Company's financial statements and ensuring their accuracy and completeness, and the Company's external auditor is responsible for auditing and/or reviewing those financial statements. In carrying out these oversight responsibilities, the Committee is not required to provide any expert or special assurance as to the Company's financial statements or any professional certification as to the external auditor's work.

1. Overall Duties and Responsibilities

The overall duties and responsibilities of the Committee shall be as follows:

- a) to assist the Board in the discharge of its responsibilities relating to the quality, acceptability and integrity of the Company's accounting principles, reporting practices and internal controls;
- b) to assist the Board in the discharge of its responsibilities relating to compliance with disclosure requirements under applicable Securities Laws, including approval of the Company's annual and quarterly consolidated financial statements together with the Management's Discussion and Analysis;
- c) to establish and maintain a direct line of communication with the Company's external auditors and internal auditors (if any) and assess their performance;

- d) to ensure that the management of the Company has designed, implemented and is maintaining an effective system of internal controls; and
- e) to report regularly to the Board on the fulfillment of its duties and responsibilities.

2. **Public Filings, Policies and Procedures**

The Committee is charged with the responsibility to:

- (a) review and approve for recommendation to the Board:
 - i) the annual audited financial statements, with the report of the external auditors, the Management's Discussion and Analysis and the impact of unusual items and changes in accounting policies and estimates;
 - ii) the unaudited financial statements, the Management's Discussion and Analysis and the impact of unusual items and changes in accounting policies and estimates;
 - iii) financial information in earnings press releases;
 - iv) the annual information form;
 - v) prospectuses; and
 - vi) financial information in other public reports and public filings requiring approval by the Board;and report to the Board with respect thereto;
- (b) ensure adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements and periodically assess those procedures;
- (c) review with management and the external auditors:
 - i) significant variances in actual financial results for the interim period from budgeted or projected results;
 - ii) any actual or proposed changes in accounting or financial reporting practices;
 - iii) any significant or unusual events or transactions and the methods used to account for significant or unusual transactions where different approaches are possible;
 - iv) any actual or potential breaches of debt covenants;
 - v) the consistency of, and any changes to, accounting policies both on a year to year basis and across the Company/group;
 - vi) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments;
 - vii) the presentation and impact of significant risks and uncertainties
 - viii) the accuracy, completeness and clarity of disclosure in the Company's financial reports and the context in which statements are made;

- ix) any tax assessments, changes in tax legislation or any other tax matters that could have a material effect upon the financial position or operating results of the Company and the manner in which such matters have been disclosed in the consolidated financial statements;
 - x) any litigation, claim or other contingency that could have a material effect upon the financial position or operating results of the Company and the manner in which such matters have been disclosed in the consolidated financial statements;
 - xi) all material information presented in the Management's Discussion and Analysis;
 - xii) material communications between the external auditor and management, such as any management letter or schedule of unadjusted differences;
 - xiii) with the external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues; and
 - xiv) general accounting trends and issues of auditing policy, standards and practices which affect or may affect the Company;
- (d) review with management and the external auditors any correspondence with securities regulators or other regulatory or government agencies which raise material issues regarding the Company's financial reporting or accounting policies.

3. **Internal Controls, Risk Management and Compliance**

The duties and responsibilities of the Committee as they relate to the internal control, risk management and compliance are to:

- (a) evaluate whether management is setting the appropriate "control culture" by communicating the importance of internal control and the management of risk and ensuring that all employees have an understanding of their roles and responsibilities;
- (b) review the adequacy, appropriateness and effectiveness of the Company's policies and business practices which impact on the integrity, financial and otherwise, of the Company, including those relating to insurance, accounting, information services and systems and financial controls, management reporting, code of Business Ethics and risk management;
- (c) review compliance under the Company's Code of Business Ethics;
- (d) review any issues between management and the external auditors that could affect the financial reporting or internal controls of the Company;
- (e) periodically review the Company's accounting and auditing policies, practices and procedures and the extent to which recommendations made by the external auditors have been implemented;
- (f) review annually the adequacy and quality of the Company's financial and accounting staffing, including the need for and scope of internal audit reviews;
- (g) review annually with the external auditor any significant matters regarding the Company's internal controls and procedures over financial reporting, including any significant deficiencies or material weaknesses in their design or operation, that have come to their attention during the conduct of their annual audit, and review whether internal control recommendations made by the auditor have been implemented by management;

- (h) receive reports from management on assessment and management of financial risks and review major financial risk exposures and the guidelines and policies that management has put in place to govern the process of monitoring, controlling and reporting such exposures;
- (i) review and recommend for approval by the Board the appointment of the Chief Financial Officer and review appointment of any other key financial executives involved in the financial reporting process;
- (j) establish procedures for:
 - i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls, or auditing matters; and
 - ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- (k) review any correspondence from regulators or government entities or other issues relating to compliance with laws or regulations that could have an impact on the Company's financial condition;
- (l) receive a report from management on the Company's source deductions and other remittances under applicable tax or other legislation;
- (m) review and approve related party transactions.

4. **External Auditors**

The duties and responsibilities of the Committee as they relate to the external auditors shall be as follows:

- a) to consider and make recommendations to the Board, to be put to shareholders for approval at the annual meeting of shareholders, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- b) to oversee the relationship with the external auditor, including, without limitation:
 - i) to recommend to the Board for approval the engagement of the external auditors for interim reviews and their remuneration for the audit and interim reviews and to assess whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - ii) to recommend to the Board for approval, their terms of engagement and review any engagement letter issued at the start of each audit and the scope of the audit;
 - iii) to assess annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - iv) to satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);
 - v) to review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and any former external auditor of the Company;
 - vi) to monitor the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements; and

- vii) to assess annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures.
- c) to review with the external auditors, upon completion of their audit and interim reviews:
- i) contents of their report;
 - ii) scope and quality of the audit work performed;
 - iii) adequacy of the Company's financial and auditing personnel;
 - iv) co-operation received from the Company's personnel during the audit;
 - v) internal resources used;
 - vi) significant transactions outside of the normal business of the Company;
 - vii) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles and management systems;
 - viii) the quality, acceptability and integrity of the Company's accounting policies and principles;
 - ix) the non-audit services provided by the external auditors;
 - x) the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements;
 - xi) the management letter and management's response to the external auditor's findings and recommendations.
- and report to the Board in respect of the foregoing and on such other matters as they consider necessary;
- d) to implement structures and procedures to ensure that the Committee meets with the external auditors on a regular basis in the absence of management in order to review any difficulties encountered by the external auditors in carrying out the audit and to resolve disagreements between the external auditors and management; and
- e) to pre-approve the retention of the external auditor for any non-audit service and the fee for such service.

The Committee may satisfy the pre-approval requirement in subsection (e) if:

- i) the aggregate amount of all the non-audit services that were not pre-approved constitutes no more than five per cent of the total amount of revenues paid by the Company to its external auditors during the fiscal year in which the services are provided;
- ii) the services were not recognized by the Company at the time of the engagement to be non-audit services; and
- iii) the services are promptly brought to the attention of the Committee and are approved, prior to the completion of the audit, by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee.

The Committee may delegate to one or more independent members the authority to pre-approve non-audit services provided that the pre-approval of non-audit services by any member to whom authority has been delegated must be presented to the full Committee at its first scheduled meeting following such pre-approval.