



Western Coal

Code of Conduct

Introduction

The Company is committed to ethical behaviour in the conduct of its business and affairs. The Company's activities locally and abroad are to be carried out with honesty and integrity and in a legal manner.

This Code of Business Conduct and Ethics ("Code") sets out basic guidelines of behaviour expected of all Company personnel, including employees, officers and members of the Board of directors. No single document can prescribe appropriate conduct in all situations. The Company expects its personnel to have read and have a good understanding of this Code and to observe the guidelines as part of their commitment to act ethically, with honesty and integrity, and in accordance with the spirit and intent of this Code.

Compliance with Laws

The Company and its directors, officers and employees shall comply with all applicable laws, rules and regulations of those jurisdictions in which it conducts business.

The Company's activities are subject to complex, changing and in some instances conflicting laws, in Canada and abroad. Ignorance of applicable law is not a defense and not acceptable.

Even where there is no written agreement or arrangement, a contravention of applicable law may in certain cases be inferred from conduct. Conduct which might be interpreted as being in contravention of laws governing the Company's affairs must be avoided. Those acting on behalf of the Company must not permit their decisions to be improperly influenced, nor shall they improperly influence the decisions of others. All actions which could be interpreted as being anti-competitive are to be avoided.

Compliance with the general laws and ethics of Canada apply to all jurisdictions where the Company conducts its operations, irrespective of local laws, business practices or customs. Bribery for example will not be tolerated.

In the event of uncertainty about applicable legal requirements, advice should be sought from the Corporate Counsel.

Fair Dealing

The Company and its personnel will deal fairly with security holders, customers, suppliers, competitors, and employees.

Everyone is to be treated with respect and dignity.

Company personnel are to treat fairly security holders, customers, suppliers, competitors and other personnel of the Company as well as members of the communities in which the Company operates. Company personnel should not take unfair advantage of anyone through manipulation, concealment, abuse of confidential information, misrepresentation of material facts or any other unfair-dealing practices.

Reports and documents filed with securities regulatory authorities shall contain full, fair, accurate, timely and understandable disclosure. Inside information obtained by Company personnel as a result of their work with the Company will not be disclosed to others nor used for personal financial gain. Company personnel must strictly comply with Company policies 1.6 Disclosure and Confidentiality and 1.4 Insider Trading.

The Company emphasizes fair competition, cooperative relationships and a sense of responsibility that will enable it to establish long-lasting business relationships with its customers, suppliers and contractors.

Honest and accurate information is to be provided in all documentation and communications. Negotiations must be carried out in good faith with no intention to mislead.

Company personnel should refrain from making false or misleading remarks to suppliers, contractors or customers about other suppliers, contractors or customers, or about company competitors, their products or services.

Company personnel should not improperly seek or make use of the proprietary or confidential information of others nor take improper or unlawful advantage of others in business dealings.

Company personnel are encouraged to support and contribute to the success of their fellow personnel in the overall achievement of the Company's goals and objectives. The Company supports and promotes a work environment free of all forms of discrimination and harassment in which individuals are treated with respect.

Health and Safety

The Company and its personnel share the responsibility of maintaining a safe work environment.

Company personnel will conduct their activities safely and without jeopardizing their own health and safety or that of other personnel.

The use of alcohol or illegal drugs and the misuse of medications can have serious adverse effects on the safety of employees and the work environment. The possession, use or sale of alcohol (except as approved by senior management for a special function) or controlled substances while on Company premises is prohibited.

Conflicts of Interest

Situations in which personal interests conflict or appear to conflict with the best interests of the Company are to be avoided.

Company personnel should avoid acquiring interests or participating in any activities that would affect their judgment or ability to act solely in the Company's best interests or detract from the proper performance of their duties. Any situation that is or could become a conflict must be disclosed.

Employees who find themselves in a situation where they may be placing their own interests or the interests of their family or others ahead of the Company's interests must seek advice from their supervisor. Where a conflict exists it must be resolved to the mutual satisfaction of the Company and the employee.

Some examples of situations where conflict may arise are indicated below. However, many other conflicts of interest can exist and the list below is not exhaustive.

- Company personnel must act impartially and objectively in purchasing goods and services and choose the supplier who offers the best-valued product or service in accordance with the Company's needs.

Personnel must not do anything that suggests the purchase price was influenced by irrelevant or improper considerations, such as a kickback, bribe, personal favour or gift.

- When choosing suppliers, company personnel must disclose any personal relationships which could influence the decision and then abstain from the decision making process.
- Company personnel must not exert any influence to obtain special treatment from a particular supplier.
- Company personnel should avoid acquiring or holding a significant financial interest in a supplier, contractor, customer or competitor. If a significant interest is held in an entity doing business or negotiating to do business with the Company, it must be disclosed and the individual involved must refrain from all decision making related to and interaction with that other entity in the course of their employment with or actions on behalf of the Company.
- Subject to legislative exceptions, the Company shall not directly or indirectly extend, arrange or renew an extension of credit in the form of a personal loan to or for any director or executive officer.
- Company personnel should not engage in outside business interests or activities that divert their time or attention from their duties and responsibilities to the Company.

Gifts and Entertainment

The giving or accepting of bribes or inappropriate gifts, entertainment or other benefits is prohibited.

The Company strives to maintain the highest standard of ethics in relations with those with whom it does business. Actions taken and decisions made by employees should be on the basis of an impartial and objective assessment free from influence by gifts or favours which may adversely affect judgment. The giving of gifts, entertainment or other benefits on behalf of the Company to persons outside the Company or their acceptance by Company personnel from persons outside the Company is discouraged. While gifts of services may foster important business relationships, the Company must avoid either the fact or the appearance of improper influence in its relationships with organizations or individuals with whom the Company deals in the course of business.

In some instances, where customary and legally permissible, social invitations appropriate to the business responsibilities of the individuals involved or items of nominal value (for example, under \$100) may be given or received provided they serve a legitimate and definite business purpose, are infrequent, within the limits of a normal business expense and no reciprocal obligations are involved. In instances where receiving or giving any gift, entertainment, hospitality or preferential treatment having greater than nominal value, you must:

- 1) identify the clear business purpose for the exchange; and
- 2) obtain prior authorization from the General Manager, a Vice-President or Corporate Counsel.

If you have any doubt about the possible application of these principles to specific circumstances consult a Vice-President or Corporate Counsel.

Protection and Use of Corporate Assets

Company personnel have an obligation to protect Company assets and to use them only for their intended corporate purposes.

Company assets include personal and intellectual property, facilities, equipment, materials, funds, records, and information.

Company assets and services are to be used only for their intended corporate purposes. Employees may not use Company assets or services for personal benefit unless prior approval has been properly given. Company assets may not be loaned or disposed of, regardless of condition or value, without authorization.

Employees must return Company assets in their possession or under their control immediately upon request or upon termination of employment.

Each employee is responsible for the prudent and effective use of Company funds, including those for travel and entertainment.

Company records should not be removed from Company premises except for business purposes.

Corporate Opportunities

Opportunities to advance the legitimate interests of the Company are to be brought to the Company's attention.

Opportunities arising out of the use of corporate property, information or an individual's position with the Company may be acted upon only after the Company determines that it does not wish to avail itself of the opportunity and has consented.

Corporate property, information or position is not to be used for personal gain.

Competition with the Company, directly or indirectly, is prohibited without the consent of the Company.

Books and Records and Conduct of Audits

The Company's books and records will reflect, in an accurate and timely manner, all Company transactions.

All financial statements and books, records and accounts of the Company must accurately reflect transactions and events and conform both to legal requirements and accounting principles and also to the Company's system of internal accounting. Company personnel have the responsibility to ensure that false or intentionally misleading entries are not made in the Company's accounting records.

Company personnel shall not fraudulently influence, coerce, manipulate or mislead any independent accountant engaged in the performance of an audit of the Company's financial statements, for the purpose of rendering such financial statements materially misleading.

Company personnel may submit concerns regarding questionable accounting and auditing matters, confidentially or anonymously, to the Chairman of the Audit Committee under the Company's Whistleblower Policy.

Confidentiality

Unless previously made public, corporate information is considered by the Company to be confidential and should not be disclosed to any person without proper authorization.

Corporate information includes all records, reports, documents, plans, studies, processes, methods, devices and improvements.

Company personnel should not discuss details of the Company's business with family, friends or others outside the Company or at social or public functions.

To ensure that all investors in the Company have equal access to material information about the business and affairs of the Company, strict compliance with Company policies: Disclosure and Confidentiality and Insider Trading is required. Failure to comply damages the reputation of the Company and may result in liability.

Except as required by law, information which might impair the Company's own competitive effectiveness or which might violate the privacy rights of employees, other individuals or institutions is to be kept confidential.

Confidential information that new personnel bring with them from outside the Company has to remain confidential and current personnel should ensure that they do not use information that is confidential or proprietary to another company or person.

Compliance and Reporting

Compliance with this Code protects the Company's assets, operations and reputation, its personnel and all other stakeholders. Potential problems or violations under the Code need to be identified and dealt with quickly to permit resolution in the best interests of the Company and all its stakeholders.

An important part of ethical behaviour is the responsibility for reporting apparent violations of this Code or any other actions felt to be a departure from appropriate standards of ethical conduct. Where there may be the appearance of a contravention of these guidelines or where the right ethical behaviour is unclear, the situation should be discussed with an individual's supervisor or the Corporate Counsel. Employees may report their concerns to their supervisor or the Company's Corporate Counsel and if they wish, any report can be forwarded anonymously.

When an act of the Company or any Company personnel, including an employee, officer or a member of the Board of directors, is reasonably believed to violate this Code, the Corporate Counsel must be informed in a timely manner so that the matter may be investigated and dealt with as quickly as possible.

You must make a report under this Policy if you are aware of information which you reasonably believe demonstrates:

- A violation of this Code or any Company policy referred to in this Code
- A contravention of any applicable law, rule or regulation
- Corruption, illegality, mismanagement or fraud
- A danger to the public or danger to an employee's health or safety.

Reports of alleged violations should be factual, rather than speculative or conclusory, and should contain as much detail as possible to allow for proper assessment. Reports should clearly set forth all the information known about the alleged violation.

Reports of alleged wrongdoing are to be communicated to:

Greg Jones
Corporate Counsel
Western Coal Corp.
900-580 Hornby Street
Vancouver, BC V6C 3B6
Direct Line: 604-630-4692
Email: greg.jones@westerncoal.com

The Company appreciates the courage and honesty of any Company personnel who voice concern over a particular course of action that they believe to be unlawful or harmful. Company personnel should feel confident to report alleged violations or to assist in investigation of alleged violations. The Company will not tolerate retaliation or discrimination of any kind by or on behalf of the Company, or by any of its directors,

officers, or employees against any Company personnel reporting an alleged violation in good faith. Any retaliation or discrimination based upon a report made in good faith pursuant to this Policy is strictly prohibited and will result in disciplinary action up to and including immediate termination.

Company personnel are encouraged to report their own wrongdoing. Such action will be taken into account when assessing the appropriate discipline. The Company will also recognize situations where personnel have made an honest mistake while acting reasonably and, in such situations, where reasonable, consider whether corrective action can be reduced or eliminated.

Groundless or unwarranted allegations of violations with an ulterior motive of vindictive intent will not be tolerated. Appropriate disciplinary measures will be taken if allegations are initiated for malicious reasons or in bad faith.

Accountability and Acknowledgment

Every employee who has executive or managerial responsibility is expected to ensure that this Code is communicated to and understood by employees reporting to them.

All Company personnel are required to acknowledge that they have read the Code and understand that it represents policy of the Company applicable to them in the conduct of the Company's business and affairs.

Failure to act in accordance with the guidelines outlined in this Code may have consequences for the individual, may create potential harm to the Company's reputation and may put the Company at risk for legal penalty. Individual consequences may include disciplinary action, up to and including dismissal. Corporate consequences may include civil and criminal penalties. Therefore, please regard the requirement to understand and act in accordance with this Code as a most serious matter.

Waivers of the Code

Any change in or waiver of this Code may be made only by the Board of directors and will be promptly disclosed as required by law or regulation.

Where to Find Assistance

Employees and others who have questions about topics in this Code or who need guidance on the subjects contained in the Code should discuss the matter with their immediate supervisor. If this is not possible, the employee's facility manager or a human resources representative, if available, should be contacted. If necessary, guidance can be obtained from the Company's Corporate Human Resources Department or the Corporate Counsel.