THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Up Energy Development Group Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

UP ENERGY

UP ENERGY DEVELOPMENT GROUP LIMITED
優派能源發展集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 307)

(1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF APPROXIMATELY 82.74% INTERESTS IN GRANDE CACHE COAL CORPORATION AND GRANDE CACHE COAL LP RESPECTIVELY; (2) POSSIBLE MAJOR TRANSACTION IN RELATION TO THE MARUBENI BUY-BACK RIGHT AGREEMENT; (3) POSSIBLE MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE WINSWAY BUY-BACK RIGHT AGREEMENT; AND (4) THE PROPOSED CONTINUING CONNECTED TRANSACTION IN RELATION TO THE WINSWAY MARKETING AGENCY AGREEMENT

Financial Advisers

建银国际 CCB International

平安證券有限公司 Ping An Securities Limited

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Donvex 富域資本

Donvex Capital Limited 富域資本有限公司

The letter from the board of directors of the Company is set out on pages 23 to 107 of this circular. A letter from Donvex Capital containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 110 to 132 of this circular.

A notice convening a special general meeting of the Company to be held at Room No. 1, United Conference Centre, 10/F., United Centre, 95 Queensway, Hong Kong on 17 July 2015, at 11:00 a.m.. is set out on pages SGM-1 to SGM-3 of this circular. If you are not able to attend and/or vote at the meeting, you are strongly urged to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Secretaries Ltd at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

* *For identification purposes only*

30 June 2015

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following respective meanings.

"Acquisition"	the proposed acquisition of the Marubeni Sale Interests and Winsway Sale Interests by the Purchaser pursuant to the Marubeni SPA and the Winsway SPA
"Act"	the Business Corporations Act (Alberta) R.S.A. 2000, C.B-9, as amended or replaced from time to time
"Administrative Agent" or "CMBC HK"	China Minsheng Banking Corp., Ltd., Hong Kong Branch
"Advance"	the principal amount of each advance made or to be made under the Bridge Loan Agreement or the principal amount of any such advance outstanding under the Bridge Loan Agreement from time to time
"Advance Payment Guarantee"	the advance payment guarantee from CMBC HK to Marubeni dated 30 September 2014
"Affiliates"	in respect of any person, a person which directly or indirectly Controls, or is Controlled by, or is under common Control with, such person, and each of them an "Affiliate"
"Amended and Restated Bridge Loan Agreement"	means the US$50,000,000 facility under the amended and restated bridge loan agreement entered into by the Company, the Purchaser, GCC, GCC LP, the Marubeni Seller and the Winsway Seller on 17 December 2014 as supplemented by the letter agreements among the same parties dated 24 December 2014 and 13 May 2015, amending and restating the Bridge Loan Agreement as amended by the Amendment Agreement
"Amended Bridge Loan"	means the Initial Loan and the Additional Loan
"Amended Bridge Loan Security"	means the security granted pursuant to the Marubeni Securities Pledge Agreement and the security granted pursuant to the Winsway Securities Pledge Agreement and (from the time the additional security is in place) the additional security to be granted to the Purchaser as new lender under the Amended and Restated Bridge Loan Agreement
"Amendment Agreement"	means an amendment agreement dated 2 December 2014 entered into between the parties to the Bridge Loan Agreement

"Applicable Laws (as defined under the Interim Support Agreement)"	any domestic or foreign, federal, state, provincial or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority, and any terms and conditions of any grant of approval, permission, authority or license of any Governmental Authority as are applicable to such person or persons or its or their business, undertaking, property or securities and emanate from a person having jurisdiction over the person or persons or its or their business, undertaking, property or securities
"Applicable Law (as defined under the Amended and Restated Bridge Loan Agreement)"	all public laws, statutes, ordinances, decrees, judgments, codes, standards, acts, orders, by-laws, rules, regulations, Official Body Consents, permits, binding policies and guidelines, and requirements of all Official Bodies, which now or hereafter may be lawfully applicable to and enforceable against any Loan Party or its property or any part thereof
"Applicable Law (as defined under the Marubeni SPA, the Winsway SPA and the New Shareholder Agreement)"	with respect to any Person, property or event: (a) all laws, ordinances, codes, rules, regulations, by-laws, orders, writs, injunctions, decrees, rulings, determinations, awards or standards of any Governmental Authority; (b) the terms and conditions of all Governmental Authorisations; (c) any requirements under or prescribed by applicable common law; and (d) all agreements with Governmental Authorities; applicable to or binding on such Person, property or event at the relevant time
"ARC"	an advance ruling certificate pursuant to Section 102 of the Competition Act
"Assignee"	any Person that acquires shares, any bond, debenture, note or other evidence of indebtedness or subscription issued by GCC or a Partnership Interest through a Transfer in accordance with the terms of New Shareholder Agreement, provided however, that an Assignee shall not have any right to be registered on the books of GCC as a GCC Shareholder or under the Partnership Agreement as a Partner, except in accordance with the provisions of Transfer under the New Shareholder Agreement
"Associate(s)"	has the meaning ascribed to it under the Listing Rules

"Availability Period"	means the period from and including the date on which the Condition Precedent is satisfied until the Final Repayment Date, unless extended by mutual consent by the parties
"Board"	the board of Directors
"Bridge Loan"	the loan in the principal amount of US$10 million made pursuant to the Bridge Loan Agreement
"Bridge Loan Agreement"	the bridge loan agreement dated 6 September 2014 entered into among the Company, GCC LP, Marubeni Seller and Winsway Seller
"Bridge Loan Security"	in respect of the interest of Marubeni Seller in GCC LP and GCC and the interest of Winsway Seller in GCC LP and GCC a second ranking security over such respective interests to be granted to the Company, as security for GCC LP's obligations under the Bridge Loan Agreement
"Business Day(s)"	any day (other than a Saturday or Sunday) on which banks are open for general business in the City of Calgary, Alberta, Canada, Hong Kong and Beijing
"BVI"	the British Virgin Islands
"C$"	Canadian dollar(s), the lawful currency of Canada
"Capital"	means, at any time, the aggregate amount of capital contributed by the Partners to the Partnership after the SPA completion as capital at that time and not withdrawn, distributed or otherwise returned to them as a return of capital
"Capital Contribution"	means the amount of money and the net value of any other property contributed to: (a) the capital of the GCC by a GCC Shareholder; and (b) any capital account by a Partner
"Capital Contribution Waiver"	means a waiver granted by CMBC on 2 December 2014 such that GCC LP is no longer required to procure Winsway Seller and the Company to commit to the December 2014 capital contribution schedule set forth in the Fourth Amendment Deed
"Capital Lease Obligation"	means, with respect to a Person, the obligation of the Person to pay rent or other amounts under a capital lease and for the purposes of this definition, the amount of such obligation at any date shall be the capitalized amount of such obligation at such date as determined in accordance with generally accepted accounting principles or the IFRS, as applicable

"Capital Stock"	means (a) common shares, preferred shares or other equivalent equity interests (howsoever designated) of capital stock of a body corporate, (b) equity preferred or common interests in a limited liability company, (c) member or shareholder interests in an unlimited company or unlimited liability company, (d) limited or general partnership interests in a partnership, (e) any other interest that confers the right to receive a share of the profits and/or losses of, or the distribution of assets of, any Person, and (f) any other interest equivalent to any of the interests referred to in any of clauses (a), (b), (c), (d) and (e) of this definition
"Change of Control"	means the occurrence of any of the following events: (a) any offeror has acquired beneficial ownership of, or the power to exercise control or direction over, or securities convertible into, any voting Capital Stock of any Loan Party, that together with the offeror's securities in relation to the voting Capital Stock of such Loan Party, would constitute voting Capital Stock of such Loan Party representing more than 50% of the total voting power attached to all voting Capital Stock of such Loan Party then outstanding, (b) there is consummated any amalgamation, consolidation, statutory arrangement (involving a business combination) or merger of any Loan Party (I) in which such Loan Party is not the continuing or surviving corporation/partnership, or (2) pursuant to which any voting Capital Stock of such Loan Party would be reclassified, changed or converted into or exchanged for cash, securities or other property, other than (in each case) an amalgamation, consolidation, statutory arrangement or merger of such Loan Party in which the holders of the voting Capital Stock of such Loan Party immediately prior to the amalgamation, consolidation, statutory arrangement or merger have, directly or indirectly, more than 50% of the voting Capital Stock of the continuing or surviving corporation/partnership immediately after such transaction, (c) any Person or group of Persons, other than the sponsor of any Loan Party, shall succeed in having a sufficient number of its nominees elected as directors of the general partner such that such nominees, when added to any existing directors after such election who was a nominee of or is an Affiliate or related Person of such Person or group of Persons, will constitute a majority of the directors, or (d) any acquisition by any Person or Persons, of the power, whether acting alone or jointly and in concert to, directly or indirectly, direct, or cause the direction of, management, business or policies of any Loan Party, whether through the ability to exercise voting power, by contract or otherwise

"Charge"	first fixed charge of the Company's entire right, title and interest (both present and future) in and to the Deposit and all rights and benefits accruing to or arising in connection with the Deposit
"CMBC"	China Minsheng Banking Corp., Ltd. Shanghai Branch
"Commissioner"	the Commissioner of Competition under the Competition Act
"Company"	Up Energy Development Group Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
"Competent Person's Report"	a technical report prepared in accordance with the requirements of Chapter 18 of the Listing Rules on the Grande Cache mine for the purpose of inclusion in this circular
"Competition Act"	the Competition Act, R.S.C. 1985, c. C 34, as amended
"Competition Act Approval"	that any one of the following shall have occurred (i) the Commissioner shall have issued an ARC pursuant to Section 102 of the Competition Act in respect of the transactions contemplated by the Marubeni SPA and the Winsway SPA which ARC shall remain in force, unamended, at the date on which the last of the Conditions under the Marubeni SPA and the Winsway SPA has been satisfied or waived (as applicable), (ii) if applicable, the waiting period under Section 123(1) of the Competition Act shall have expired or been earlier terminated or waived and the Commissioner shall have advised the Marubeni Seller and the Purchaser that he does not, at that time, intend to make an application for an order under Section 92 of the Competition Act in respect of the transactions contemplated by the Marubeni SPA and the Winsway SPA on terms and conditions satisfactory to the Purchaser, which advice shall not have been rescinded at the date on which the last of the Conditions under the Marubeni SPA and the Winsway SPA has been satisfied or waived (as applicable), or (iii) the Commissioner shall have, pursuant to Section 113(c) of the Competition Act, waived the obligation of the Marubeni Seller and the Purchaser to provide notice of the transactions contemplated by the Marubeni SPA and the Winsway SPA pursuant to Section 114(1) of the Competition Act, and advised the Marubeni Seller and the Purchaser that he does not, at that time, intend to make an application for an order under Section 92 of the Competition Act in respect of the transactions contemplated by the Marubeni SPA and the Winsway SPA on terms and conditions satisfactory to the Purchaser, which advice shall not have been rescinded at the date on which the last of the Conditions under the Marubeni SPA and the Winsway SPA has been satisfied or waived (as applicable)

"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Control"	the ownership of more than 50% of the voting shares or the ability to (directly or indirectly) direct the management, policies, affairs and matters and/or to control the composition of the board of directors, board of commissioners or equivalent body of a person, whether pursuant to shareholding, contract, arrangement or otherwise (and "Controlled by" and "under common Control" shall be construed accordingly)
"Credit Facility"	any limited recourse project finance credit facility made available to GCC or GCC LP, including pursuant to the Minsheng Facilities Agreement, as amended by the Fourth Amendment Deed and any amendment, substitution or replacement, in whole or part, of such facility
"December Longstop Date"	2 December 2014 which has been extended until 31 December 2014 as agreed by the Company, the Purchaser, the Marubeni Seller and the Winsway Seller on 8 December 2014
"Defaulting Shareholder"	A GCC Shareholder shall be a "**Defaulting Shareholder**" in the following circumstances: (i) it commits a material breach of a term of the New Shareholder Agreement or the New Partnership Agreement and that breach: (a) is incapable of remedy; or (b) if capable of remedy, is not remedied within 20 Business Days for a financial breach, and 60 Business Days for other breaches, of being notified in writing by the other party of the breach; (ii) an Insolvency Event occurs with respect to such GCC Shareholder or its principal; (iii) any event which shall make it unlawful for that GCC Shareholder to remain a GCC Shareholder; (iv) it disposes, or purports to dispose, of any interest in GCC or GCC LP in breach of the New Shareholder Agreement; or in each circumstance (a "**Default**") and GCC or any other GCC Shareholder has given a notice to such GCC Shareholder (a "**Default Notice**") specifying particulars of the Default and the GCC Shareholder has not cured the Default within any applicable cure period

"Deposit"	all sums deposited and from time to time standing to the credit of every account opened and/or maintained in the name of the Company with CMBC HK, all other sums deposited by the Company, and all other deposits placed by the Company with CMBC HK together with all interest, rights, benefits and assets at any time accruing or accrued
"Derivative Exposures"	means, in relation to any Person (the "**relevant party**") and any counterparty of the relevant party at any time means the amount which would be payable by the relevant party to that counterparty, or by that counterparty to the relevant party, as the case may be, pursuant to the agreement governing the derivatives entered into between them and in effect at that time if those derivatives were to be terminated as the result of the default of the relevant party. If the Derivative Exposure is payable by the relevant party to any counterparty of the relevant party, it is referred to herein as "Out-of-the-Money Derivative Exposure"
"Director(s)"	the director(s) of the Company
"Disposition"	means, with respect to any asset of any Person, any direct or indirect sale, lease (where such Person is the lessor of such asset), assignment, cession, transfer (including any transfer of title or possession), exchange, conveyance, release or gift of such asset, or any reorganization, consolidation, amalgamation or merger of such Person pursuant to which such asset becomes the property of any other Person; and "Dispose" and "Disposed" have meanings correlative thereto; provided that any related series of transactions involving the Disposition of the same asset or similar assets shall be deemed to be a single Disposition
"Donvex Capital"	Donvex Capital Limited
"Encumbrance"	means any deed of trust, mortgage, charge (whether fixed or floating), hypothec, assignment, deposit arrangement, pledge, preference, priority, lien, vendor's privilege, supplier's right of repossession or other security interest or encumbrance of whatever kind or nature (including, without limitation, any conditional sale or other title retention agreement, and any financing lease having substantially the same economic effect as any of the foregoing), regardless of form and whether consensual or arising by law (statutory or otherwise), that secures the payment of any indebtedness or liability or the observance or performance of any obligation
"Enlarged Group"	the Group as enlarged by the Target Group upon completion of the Acquisition

"Extraordinary Resolution"	(a) a resolution receiving the approval of a Partner or Partners not in default (and in the case of resignation of the general Partner, excluding the general Partner to be removed), holding Partnership Interests totalling in excess of 85% by votes casted in person or by proxy at a duly constituted meeting of the Partners or at any adjournment thereof called in accordance with the New Partnership Agreement; or (b) a written resolution signed in one or more counterparts by a Partner or Partners not in default (and in the case of resignation of the general Partner, excluding the general Partner to be removed) holding Partnership Interests in excess of 85%
"Final Repayment Date"	means the earlier of (i) SPA Completion and (ii) the termination of either or both of the Marubeni SPA and the Winsway SPA, unless extended by mutual consent by the parties to the Amendment Agreement and Amended and Restated Bridge Loan Agreement
"Fourth Amendment Deed"	the amendment deed dated 1 October 2014 executed by between (amongst others), Marubeni Seller, Winsway Seller, GCC LP and CMBC to amend the terms of the Minsheng Facilities Agreement
"GCC"	Grande Cache Coal Corporation, a corporation incorporated under the laws of the Province of Alberta, Canada being owned as to 60% by the Winsway Seller and as to 40% by the Marubeni Seller as at the date of the Marubeni SPA and the Winsway SPA
"GCC Coal"	means the coal produced by GCC at its Grande Cache Coal mines located in Alberta, Canada
"GCC LP"	Grande Cache Coal LP, a limited partnership established under the laws of Alberta, Canada being held as to 59.994% by the Winsway Seller, 0.01% by GCC and 39.996% by the Marubeni Seller as at the date of the Marubeni SPA and the Winsway SPA
"GCC Shareholder(s)"	any Person who is a registered holder of shares in GCC from time to time and its respective successors, assigns and legal representatives and where the context requires shall mean one or more such Persons

"Governmental Authority"	(i) any court, judicial body, tribunal or arbitral body, (ii) any domestic or foreign government whether multinational, national, federal, provincial, territorial, state, municipal or local and any governmental agency, governmental authority, governmental tribunal or governmental commission of any kind whatever, (iii) any subdivision or authority of any of the foregoing, (iv) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above, (v) any supranational or regional body such as the World Trade Organization, having jurisdiction in the relevant circumstances and any person acting under the authority of any such government authority and for the avoidance of doubt Governmental Authority shall not include any Securities Exchange
"Governmental Authorisations"	any authorization, consent, approval, licence, ruling, permit, certification, grant, right, privilege, order, judgment, ruling, directive, ordinance, decree, exemption, exoneration, filing or registration issued or required by any Governmental Authority
"Group"	the Company and its subsidiaries
"HCC Benchmark Price"	the quarterly agreed US$ FOB price of a top-tier Australian Hard Coking Coal for the Asian market, such as BMA's Peak Downs or Anglo American's German Creek, being published in the Platts' "Coal Trader International" or "SBB Steel Markets daily" from time to time. If such quarterly benchmark price is not published for any reason, the spot price of the Platts Daily Metallurgical Coal Assessments under HCC Peak Downs Region FOB Australia shall apply
"HCC Ceiling Benchmark Price"	in year the price set out in the Marubeni Buy-back Right Agreement and the Winsway Buy-back Right Agreement respectively
"HCC Floor Benchmark Price"	in year the price set out in the Marubeni Buy-back Right Agreement and the Winsway Buy-back Right Agreement respectively
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKMA"	Hong Kong Monetary Authority
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HSBC"	means HSBC Bank Canada
"HSBC Loan Documents"	means all of the loan and security documents which the Loan Parties or any Loan Party has granted in favour of HSBC in connection with any Indebtedness to HSBC

"IFRS"	means international financial reporting standards, approved by the International Accounting Standards Board or each successor thereto ("IASB"), adopted by the Loan Parties, as applicable, as at the date on which any calculation or determination is required to be made, provided that, in accordance with the international financial reporting standards, where the IASB includes a recommendation concerning the treatment of any accounting matter, such recommendation shall be regarded as the only international financial reporting standard
"Indebtedness"	of any Person means and includes, without duplication, (a) indebtedness for borrowed money or indebtedness issued or incurred in substitution or exchange for indebtedness for borrowed money, (b) amounts owing as deferred purchase price for property or services, other than trade payables incurred in the ordinary course of business and payable in accordance with customary practices, (c) indebtedness evidenced by any note, bond, debenture, mortgage or other debt instrument or financial debt security, (d) Capital Lease Obligations, (e) all obligations arising from cash/book overdrafts, (f) reimbursement obligations of such Person under bankers' acceptances and contingent obligations of such Person in respect of any letter of credit, bank guarantee or surety bond, (g) indebtedness secured by an Encumbrance on assets or property of such Person, (h) Out-of-the-Money Derivative Exposure, (i) any change of control payments or prepayment premiums, penalties, charges or equivalents thereof with respect to any indebtedness, obligation, or liability of the type described in clauses (a) through (h) above, or (j) the contingent obligations of such Person under any guarantee or other agreement assuring payment of any obligations of any Person of the type described in the foregoing clauses (a) to (i) above
"Independent Board Committee"	a committee of the Board comprising all the independent non-executive Directors, namely Mr. Chau Shing Yim, David, Mr. Li Bao Guo, Mr. Lien Jown Jing, Vincent and Dr. Shen Shiao-Ming, established for the purpose of advising and giving recommendation to the Independent Shareholders in relation to the Acquisition
"Independent Shareholders"	the Shareholders other than UEGL and UECL and their respective Associates and those who are involved in or interested in the Acquisition
"Independent Third Party"	a third party independent of the Company and the connected persons of the Company

"Insolvency Event" in respect of a party to the Marubeni SPA, Winsway SPA, the New Shareholder Agreement, the Interim Support Agreement and the Amended and Restated Bridge Loan Agreement or a Person that is deemed to be bound by the New Shareholder Agreement pursuant to the Act (the "**Party**"), any one or more of the following:

(a) if a Party files a petition in bankruptcy or for reorganization or for an arrangement pursuant to any applicable Insolvency Law now or hereafter in effect;

(b) if a Party is adjudged bankrupt by a court of competent jurisdiction, or becomes insolvent, makes an assignment for the benefit of its creditors, admits in writing its inability to pay its debts generally as they become due, is dissolved or suspends payment generally of its obligations;

(c) if a petition is filed proposing the adjudication of a Party as bankrupt or its reorganization pursuant to any applicable Insolvency Law or any similar Applicable Law (as separately defined under the Amended and Restated Bridge Loan Agreement, the Interim Support Agreement, now or hereafter in effect, and:

(i) the Party consents to that filing;

(ii) the petition is not discharged or denied within 60 days after that filing; or

(iii) the petition is not diligently defended against;

(d) if a receiver, trustee, liquidator, or other similar official is appointed to take charge of a Party or of all or substantially all of the business or assets of a Party, and:

(i) that Party consents to such appointment; or

(ii) the appointment is not discharged or withdrawn or action is not taken by that Party to secure the discharge of that official within 60 days after the appointment

"Interim Period" means the period commencing on the date of the Interim Support Agreement and ending on the earlier of the date of (x) SPA Completion and (y) the termination of the Acquisition under either or both of the Winsway SPA and Marubeni SPA

"Interim Support Agreement"	the agreement entered into between the Purchaser, the Company, Winsway Seller, Marubeni Seller, GCC and GCC LP on 17 December 2014 (after trading hours), as supplemented by the letter agreements among the same parties on 24 December 2014 and 13 May 2015, pursuant to which the Company and the Purchaser agreed to provide additional funds for GCC and GCC LP to continue operations until SPA Completion on the condition that the interim operational plan is implemented
"Investment Canada Act"	the Investment Canada Act, R.S.C. 1985, c.28 (1^{st} Supp.), as amended
"Investment Canada Act Approval"	either the Minister designated for the purposes of the Investment Canada Act shall have sent a notice pursuant to subsection 21(1) of the Investment Canada Act to the Purchaser, on terms and conditions satisfactory to the Purchaser and the Marubeni Seller, each acting reasonably, stating that the Minister is satisfied that the transaction(s) contemplated in the Marubeni SPA is or are likely to be of net benefit to Canada, or alternatively, the time period provided for the giving of such notice pursuant to the Investment Canada Act (including any extensions) shall have expired such that the Minister shall be deemed, pursuant to subsection 21(9) of the Investment Canada Act, to be satisfied that the transaction(s) contemplated herein is or are of net benefit to Canada
"Latest Practicable Date"	26 June 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan Obligations"	means the Indebtedness and other liabilities and obligations (including all indemnity obligations) of any Loan Party owing to the financing party incurred under, pursuant to or otherwise in respect of each Transaction Document, and any item or part thereof. For certainty, "Loan Obligations" shall include interest accruing subsequent to the commencement of, or which would have accrued but for the commencement of, any bankruptcy proceeding in accordance with and at the rate specified therein or in another applicable Transaction Document, whether or not such interest is an allowable claim in such bankruptcy proceeding
"Loan Parties"	means GCC and GCC LP, and each one of them is a "Loan Party"
"Longstop Date"	Longstop Date has been extended to 20 July 2015, pursuant to mutual agreements made by the Company, Purchaser, Marubeni and Winsway on 26 June 2015

"Management Services Agreement"	the management, operations and administrative services agreement entered into between GCC LP and GCC and made effective as of 14 February 2012 pursuant to which GCC agreed to provide certain management, operational and administrative services to the GCC LP, as it may be amended, supplemented, restated or otherwise modified from time to time
"Marubeni"	Marubeni Corporation, a company incorporated in Japan
"Marubeni Buy-back Interests"	(a) the Marubeni Buy-back Partnership Interests; and (b) the Marubeni Buy-back Shares
"Marubeni Buy-back Longstop Date"	the date which is 120 days after the date of the Marubeni Buy-back Notice and as extended for the time period for any approvals required under the Investment Canada Act and the Competition Act for the purchase of the Marubeni Buy-back Shares
"Marubeni Buy-back Notice"	notice in writing made by Marubeni to the Purchaser in order to exercise the Marubeni Buy-back Right
"Marubeni Buy-back Partnership Interests"	a Partnership Interest of up to approximately 15.78%
"Marubeni Buy-back Period"	the period commencing on the date upon which the SPA Completion occurs and ending on the later to occur of: (a) the date which is three years from the date upon which the SPA Completion occurred; or (b) the date upon which the first principal repayment is due payable under the Minsheng Facilities Agreement after the date of the Marubeni Buy-back Right Agreement, currently 5 September 2017
"Marubeni Buy-back Right"	the irrevocable and unconditional right of Marubeni to purchase the Marubeni Buy-back Interest in accordance with the Marubeni Buy-back Right Agreement
"Marubeni Buy-back Right Agreement"	the agreement substantially in the form set out in the Marubeni SPA between Marubeni, the Purchaser and the Company which grants a buy-back right in favour of Marubeni (or its wholly-owned subsidiary) to purchase up to approximately 15.78% Partnership Interest and approximately 15.78% shareholding in GCC
"Marubeni Buy-back Right Completion"	completion of the sale and purchase of all the Marubeni Transfer Buy-back Interests

"Marubeni Buy-back Right Conditions"	the conditions set out in the Marubeni Buy-back Right Agreement
"Marubeni Buy-back Shares"	means a number of ordinary shares in the capital of GCC beneficially owned by and registered in the name of the Purchaser representing up to approximately 15.78% of the total issued ordinary shares in the capital of GCC
"Marubeni Consideration"	US$1 for the acquisition of the Marubeni Sale Interests
"Marubeni Due Diligence Period"	a period of sixty (60) days from the date of the Marubeni Buy-back Notice
"Marubeni Marketing Agency Agreement"	the agreement to be entered into among Marubeni, GCC and the Company which grants certain marketing rights to Marubeni in respect of the products produced by GCC at its Grande Cache coal mine located in Alberta, Canada
"Marubeni MOU"	the memorandum of understanding dated 30 September 2014 entered into between the Company and Marubeni in respect of the Marubeni Sale Interests, as disclosed in the announcement of the Company dated 30 September 2014
"Marubeni Notice"	a written notice which Marubeni may elect to issue to proceed or not to proceed with the transfer of the Marubeni Transfer Buy-back Interests
"Marubeni Purchase Price"	is the purchase price of Marubeni to purchase the Marubeni Buy-back Interest in accordance with the Marubeni Buy-back Right Agreement
"Marubeni Sale Interests"	276,310,916 common shares in the capital of GCC registered in the name of the Marubeni Seller, being 40% in the total issued share capital of GCC, and a 39.996% partnership interest in GCC LP
"Marubeni Securities Pledge Agreement"	means the securities pledge agreement made as of 12 September 2014 between Marubeni Seller and the Purchaser as new lender, as may be amended from time to time
"Marubeni Seller"	Marubeni Coal Canada Limited, a company incorporated under the laws of British Columbia, Canada and an indirect wholly-owned subsidiary of Marubeni

"Marubeni Seller Claims"	a claim (except a claim in relation to the Interim Support Agreement) against the Purchaser whether in contract or otherwise in respect of any of the Purchaser warranties and any other claim by the Marubeni Seller, under the provisions of Marubeni SPA or in connection with the subject matter of Marubeni SPA
"Marubeni SPA"	the conditional sale and purchase agreement dated 14 November 2014 entered into between the Purchaser, Marubeni and the Marubeni Seller in respect of the acquisition by the Purchaser of all of the Marubeni Seller's interest in GCC and GCC LP on terms substantially similar to the Winsway SPA which was entered into on the same date as the Marubeni SPA
"Marubeni Three Month Period"	a three month period immediately following any date upon which the HCC Benchmark Price is within the Marubeni Trigger Price Range during the Marubeni Buy-back Period
"Marubeni Trigger Price Range"	a price range determined in accordance with the Marubeni Buy-back Right Agreement
"Material Contract"	means any present and future agreements, contracts, declarations of trust, deeds, instruments or other documents entered into by any Loan Party or other Person which are binding upon such Loan Party or its property and are material to the operation of its business
"Minimum Purchases"	purchases of not less than 40% of GCC LP's annual production of GCC Coal by the Winsway Marketing Agent
"Minimum Sales"	sales of not less than 40% of GCC LP's annual production of GCC Coal by GCC LP
"Minister"	such member of the Queen's Privy Council for Canada as is designated by the Governor in Council as the Minister for the purposes of the Investment Canada Act
"Minsheng Facilities Agreement"	the US$430,000,000 Senior Facilities Agreement dated 1 March 2012 between (amongst others), Marubeni Seller, Winsway Seller, GCC LP and CMBC, as subsequently restated and amended
"MTPA"	million tons per annum
"New Partnership Agreement"	the amended and restated limited partnership agreement to be entered into among GCC, the Purchaser and Winsway Seller and delivered at SPA Completion

"New Shareholder Agreement"	a shareholder agreement to be entered into among GCC, the Purchaser, the Company, the Winsway Seller and Winsway and delivered at SPA Completion
"NI43-101 Technical Report"	a National Instrument 43-101 Technical Report prepared in accordance with Form 43-101F1 (2011) for GCC LP by a team composed of qualified persons employed by Norwest Corporation dated 27 March 2015 and effective as at 31 December 2014
"Obligations"	of a party to the New Shareholder Agreement or a Person that is deemed to be bound by the New Shareholder Agreement pursuant to the Act means all of its covenants, agreements, obligations, duties, liabilities, representations and warranties under the New Shareholder Agreement, the Partnership Agreement, the New Partnership Agreement, the Act or otherwise incurred in its capacity as a Partner or a GCC Shareholder, including any guarantees provided by a GCC Shareholder or Partner of any obligations of GCC or GCC LP
"Official Body(ies)"	any national, provincial, state or municipal government or government of any political subdivision thereof, or any parliament, legislature, council, agency, authority, board, central bank, monetary authority, commission, department or instrumentality thereof, or any court, tribunal, grand jury, mediator or arbitrator, whether foreign or domestic, in each case having or purporting to have jurisdiction in the relevant circumstances
"Official Body Consent(s)"	any licence, right, permit, franchise, privilege, registration, direction, decree, consent, order, permission, approval or authority to be issued or provided by an Official Body
"Partner"	the parties to the Partnership Agreement, and any person (including a partnership) that becomes a Partner in the partnership pursuant to the terms of the Partnership Agreement
"Partnership Agreement"	the limited partnership agreement entered into between GCC and Smoky River International Inc. made effective 14 February 2012, as amended and restated on 1 March 2012 and entered into among GCC, the Marubeni Seller and Winsway Seller as it may be amended, supplemented, restated or otherwise modified from time to time
"Partnership Interest"	in respect of a Partner, the right, title, estate and interest of that Partner in the Partnership, at any particular time, which Partnership Interest is described in Schedule "A" of the Partnership Agreement, identified as a General Partnership Interest or a Limited Partnership Interest therein, expressed as a percentage and determined in accordance with the provisions of the Partnership Agreement

"Person"	means an individual, a corporation, voluntary association, joint stock company, trust, limited or general partnership, joint venture, trust, trustee, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted or other entity and the heirs, executors, administrators, legal representatives, successors and assigns of such Person as the context may require
"PRC"	the People's Republic of China, which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Purchaser"	Up Energy Resources Company Limited, a company incorporated under the laws of the BVI and a wholly-owned subsidiary of the Company, or an Affiliate if such assignment is made
"Purchaser Claims"	a claim against the Marubeni Seller or the Winsway Seller whether in contract or otherwise in respect of any of the Marubeni Seller or Winsway Seller warranties and any other claim by the Purchaser, under the provisions of the Marubeni SPA and the Winsway SPA or in connection with the subject matter of the Marubeni SPA and the Winsway SPA
"Review Year"	from 1 April 2014 to 31 March 2015
"RMB or Renminbi"	Renminbi, the lawful currency of the PRC
"Secured Liabilities"	all or any money and liabilities which shall from time to time (and whether on or at any time after demand) be due, owing or incurred and/or payable in whatsoever manner to CMBC HK by GCC LP whether actually or contingently, solely or jointly and whether as principal or surety including among other things any money owing, due or payable to CMBC HK in respect of any facility granted to GCC LP
"Secured Obligation"	means all present and future debts, liabilities and obligations of any Loan Party to the Company and the Purchaser (including all future Advances, whether direct or indirect, absolute or contingent, joint or several, matured or not, extended or renewed, wherever and however incurred, of whatsoever nature or kind, whether or not provided for herein, and whether owed as principal, guarantor, indemnitor or otherwise, including all loan obligations and all Indebtedness and other liabilities and obligations of GCC LP under the Bridge Loan Agreement, as amended by the Amendment Agreement)

"Securities Exchange"	any securities exchange or regulatory or governmental body to which any party is subject or reasonably submits, wherever situated and for purposes of the Company and the Winsway Seller and the Marubeni Seller include the Stock Exchange and the Tokyo Stock Exchange respectively
"Security Agent"	China Minsheng Banking Corp., Ltd., Hong Kong Branch
"Security Assets"	the assets from time to time charged (or expressed to be charged) by or pursuant to the Charge
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) as amended from time to time
"SGM"	the special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Marubeni SPA, the Winsway SPA, the Marubeni Buy-back Right Agreement, the Winsway Buy-back Right Agreement and the Winsway Marketing Agency Agreement
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholder Agreement"	the amended and restated unanimous shareholder agreement of GCC entered by the Marubeni Seller, Winsway Seller, Marubeni, Winsway and GCC, effective as of 1 March 2012, as amended and restated on 26 April 2012
"Shareholder Interest"	with respect to a GCC Shareholder, all of that GCC Shareholder's interest in GCC and all of that GCC Shareholder's interest in GCC LP
"Shares"	share(s) of the Company of HK$0.20 each
"SPA Completion"	the completion of the Acquisition in accordance with the Marubeni SPA and the Winsway SPA
"SPA Completion Date"	the date on which the SPA Completion occurs
"SPA Completion Time"	9:00 p.m. (Hong Kong time) on the SPA Completion Date or such other time on the SPA Completion Date as the parties agree in writing that SPA Completion shall take place
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Group"	GCC and GCC LP

"Third Party Approvals"	consents, waivers, permissions and approvals necessary to complete the transactions contemplated by the Marubeni SPA and the Winsway SPA by or from relevant third parties (including the GCC and the GCC LP's financiers, shareholder of GCC and Partner (other than the Marubeni Seller and the Winsway Seller)) and Governmental Authorities and, for certainty, excludes the Competition Act Approval and the Investment Canada Act Approval
"Three-Month Deadline"	means the date that is the same numeric day of the third calendar month after the date of the Amended and Restated Bridge Loan Agreement
"Transaction Documents"	the Amended and Restated Bridge Loan Agreement, the Interim Support Agreement and the security documents specified in the Amended and Restated Bridge Loan Agreement
"Transfer" or "Transferred"	any transfer, sale, exchange, assignment, gift, mortgage, pledge, encumbrance, hypothecation, alienation or other disposition by which the legal or beneficial ownership of a share in GCC or Partnership Interest passes from one Person to another or to the same Person in a different capacity or to a successor of such Person, whether or not for value, whether voluntary, involuntary, by operation of law or in accordance with the New Shareholder Agreement, and in the case of a Transfer to Affiliates, shall be limited to a transfer and assignment of the legal ownership of a Shareholder Interest.
"Transferee"	any Person to whom a GCC Shareholder or Partner has made or agreed (conditionally or otherwise) to make a Transfer
"Transferor"	a GCC Shareholder or Partner that has made or agreed (conditionally or otherwise) to make a Transfer
"Two-Month Deadline"	means the date that is the same numeric day of the second calendar month after the date of the Amended and Restated Bridge Loan Agreement
"UECL"	Up Energy Capital Limited, a company wholly owned by Mr. Qin Jun, an executive director of the Company
"UEGL"	Up Energy Group Limited, a company being indirectly 100% beneficially held in trust by J & J Trust, of which Mr. Qin Jun and his wife are beneficiaries
"US$"	United States dollar(s), the lawful currency of the United States of America

"Valuation Report"	a valuation report prepared in accordance with the requirements of Chapter 18 of the Listing Rules on the mineral assets (as defined under Chapter 18 of the Listing Rules) held by the Target Group, the Target Group and the buy-back shares and partnership interests in GCC and GCC LP for the purpose of inclusion in this circular
"Winsway"	Winsway Enterprises Holdings Limited, a company incorporated under the laws of the BVI with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (Stock Code:1733)
"Winsway Buy-back Interests"	(a) the Winsway Buy-back Partnership Interest; and (b) the Winsway Buy-back Shares
"Winsway Buy-back Longstop Date"	the date which is 120 days after the date of the Winsway Buy-back Notice and as extended for the time period for any approvals required under the Investment Canada Act and the Competition Act for the purchase of the Winsway Buy-back Shares
"Winsway Buy-back Notice"	notice in writing made by Winsway to the Purchaser in order to exercise the Winsway Buy-back Right
"Winsway Buy-back Partnership Interests"	a Partnership Interest of up to approximately 16.86%
"Winsway Buy-back Period"	the period commencing on the date upon which the SPA Completion occurs and ending on the later to occur of: (a) the date which is three years from the date upon which the SPA Completion occurred; or (b) the date upon which the first principal repayment is due payable under the Minsheng Facilities Agreement after the date of the Winsway Buy-back Right Agreement, currently 5 September 2017
"Winsway Buy-back Right"	the irrevocable and unconditional right of Winsway to purchase the Winsway Buy-back Interests for the Winsway Purchase Price in accordance to the Winsway Buy-back Right Agreement
"Winsway Buy-back Right Agreement"	the agreement substantially in the form set out in the Winsway SPA between Winsway, the Purchaser and the Company which grants a buy-back right in favour of Winsway to purchase up to approximately 16.86% Partnership Interest and approximately 16.86% shareholding in GCC

"Winsway Buy-back Right Completion"	completion of the sale and purchase of all the Winsway Transfer Buy-back Interests
"Winsway Buy-back Right Conditions"	the conditions set out in the Winsway Buy-back Right Agreement
"Winsway Buy-back Shares"	means a number of ordinary shares in the capital of GCC beneficially owned by and registered in the name of the Purchaser representing up to approximately 16.86% of the total issued ordinary shares in the capital of GCC
"Winsway Consideration"	US$1 for the acquisition of the Winsway Sale Interests
"Winsway Due Diligence Period"	a period of thirty (30) days from the date of the Winsway Buy-back Notice
"Winsway Marketing Agency Agreement"	the agreement to be entered into among Winsway, GCC and the Company which grants certain marketing rights to Marubeni in respect of the products produced by GCC at its Grande Cache coal mine located in Alberta, Canada
"Winsway MOU"	the memorandum of understanding dated 30 September 2014 entered into between the Company and Winsway in respect of the Winsway Sale Interests, as disclosed in the announcement of the Company dated 30 September 2014
"Winsway Notice"	a written notice which Winsway may elect to issue to proceed or not to proceed with the transfer of the Winsway Transfer Buy-back Interests
"Winsway Purchase Price"	is the purchase price of Winsway to purchase the Winsway Buy-back Interests in accordance with the Winsway Buy-back Right Agreement
"Winsway Sale Interests"	295,238,214 common shares in the capital of GCC registered in the name of the Winsway Seller being approximately 42.74% in the total issued share capital of GCC and approximately 42.74% partnership interest in GCC LP
"Winsway Securities Pledge Agreement"	means the securities pledge agreement made as of 12 September 2014 between Winsway Seller and the Purchaser as new lender, as may be amended from time to time
"Winsway Seller"	0925165 B.C. Limited, a company incorporated in the Province of British Columbia, Canada and an indirect wholly-owned subsidiary of Winsway

"Winsway Seller Claims"	a claim (except a claim in relation to the Interim Support Agreement) against the Purchaser whether in contract or otherwise in respect of any of the Purchaser warranties and any other claim by the Winsway Seller, under the provisions of Winsway SPA or in connection with the subject matter of Winsway SPA
"Winsway SPA"	the conditional sale and purchase agreement dated 14 November 2014 entered into between the Purchaser, Winsway and the Winsway Seller in respect of the acquisition by the Purchaser of approximately 42.74% of all the Winsway Seller's interest in GCC and GCC LP on terms substantially similar to the Marubeni SPA which was entered into on the same date as the Winsway SPA
"Winsway Three Month Period"	a three-month period immediately following any date upon which the HCC Benchmark Price is within the Winsway Trigger Price Range during the Winsway Buy-back Period
"Winsway Trigger Price Range"	a price range determined in accordance with the Winsway Buy-back Right Agreement
"%"	per cent

UP ENERGY DEVELOPMENT GROUP LIMITED
優派能源發展集團有限公司*

(Incorporated in the Bermuda with limited liability)

(Stock code: 307)

Executive Directors:
Mr. Qin Jun *(chairman and chief executive officer)*
Mr. Jiang Hongwen *(chief financial officer)*
Mr. Wang Chuan

Independent non-executive Directors:
Mr. Chau Shing Yim, David
Mr. Li Bao Guo
Mr. Lien Jown Jing, Vincent
Dr. Shen Shiao-Ming

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Room 3201, 32/F
Tower 1, Admiralty Centre
18 Harcourt Road
Admiralty, Hong Kong

30 June 2015

To the Shareholders

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL ACQUISITION
IN RELATION TO THE ACQUISITION OF APPROXIMATELY
82.74% INTERESTS IN
GRANDE CACHE COAL CORPORATION AND
GRANDE CACHE COAL LP RESPECTIVELY;
(2) POSSIBLE MAJOR TRANSACTION IN RELATION TO
THE MARUBENI BUY-BACK RIGHT AGREEMENT;
(3) POSSIBLE MAJOR AND CONNECTED TRANSACTION IN RELATION TO
THE WINSWAY BUY-BACK RIGHT AGREEMENT;
AND
(4) THE PROPOSED CONTINUING CONNECTED TRANSACTION
IN RELATION TO THE WINSWAY MARKETING AGENCY AGREEMENT**

* *For identification purposes only*

SUMMARY

The Company through its subsidiaries is principally engaged in the mining of coking coal, production and sale of raw coking coal, and coking and chemicals products in the PRC.

On 14 November 2014, the Company and the Purchaser entered into the Marubeni SPA and Winsway SPA, at a consideration of US$1 with each of Marubeni Seller and Winsway Seller separately. Upon the SPA Completion, GCC will be held, directly as to approximately 82.74% by the Purchaser and as to 17.26% by the Winsway Seller and GCC LP will be held indirectly as to 82.7366% by the Purchaser and 17.2534% by the Winsway Seller and approximately 0.01% directly by GCC. The Acquisition signifies the Company's first and yet important step in the international market. The Directors believe that through the Acquisition, the Company can (i) diversify its access to coal resources and reserves geographically; (ii) secure a foothold in the seaborne coking coal market; and (iii) enjoy the positive financial effect within a short period of time once the coal price resumes an upward trend.

As both Marubeni and Winsway are significant coal suppliers in their own right, are already familiar with the GCC product and have large networks and client bases around the world, they can assist in supporting the marketing efforts of the GCC product. As part of the transaction, the Company will enter into the Marubeni Marketing Agency Agreement and Winsway Marketing Agency Agreement, under which GCC LP will appoint Marubeni and Winsway as its agents to provide exclusive marketing services in connection with the sale of GCC coal.

In connection with the Acquisition, the Company and the Purchaser will separately enter into the Marubeni Buy-back Agreement and the Winsway Buy-back Agreement with Marubeni and Winsway at SPA Completion. Under the buy-back agreements, the Purchaser will grant Marubeni and Winsway an irrevocable and unconditional right to purchase the Marubeni and Winsway Buy-back Interests based on the Marubeni Purchase Price and Winsway Purchase Price, respectively. The Marubeni Buy-back Right and Winsway Buy-back Right shall be exercisable by notice in writing to the Purchaser at any time within a three month period immediately following any date upon which the HCC Benchmark Price is within the Marubeni Trigger Price Range and Winsway Trigger Price Range during the buy-back period. The Company believes that the buy-back agreements can (i) increase the incentive of Marubeni and Winsway in selling GCC products; (ii) promote GCC products to the international market and maintain the products' pricing and standards; and (iii) maintain both Marubeni and Winsway's interest in the international coal market after the disposal of GCC.

In order to provide funding to support the GCC business operations and to facilitate the Acquisition and the transaction during the negotiation period, the Company entered into the Amended and Restated Bridge Loan Agreement and Charge of Deposit with GCC LP, the Purchaser, the Marubeni Seller and Winsway Seller respectively.

INTRODUCTION

Reference is made to the announcements of the Company dated 8 December 2014, 9 December 2014, 30 December 2014, 2 January 2015, 31 March 2015, 8 April 2015 and 13 May 2015 (the "**Announcements**") in respect of the Acquisition, the Marubeni SPA and the Winsway SPA and other documents and updates in relation to the Acquisition.

As disclosed in the Announcements, concurrently on 14 November 2014 (after trading hours), the Purchaser, the Company and:

(1) the Marubeni Seller entered into the Marubeni SPA, pursuant to which the Marubeni Seller conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Marubeni Sale Interests in accordance with the terms and conditions of the Marubeni SPA.

(2) the Winsway Seller entered into the Winsway SPA, pursuant to which the Winsway Seller conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Winsway Sale Interests in accordance with the terms and conditions of the Winsway SPA.

SPA Completion is conditional on, among other things, the approval of the Marubeni SPA, the Winsway SPA and the transactions contemplated thereunder by the Shareholders at the SGM.

As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Acquisition are more than 100%, the Acquisition contemplated constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is subject to approval by the Shareholders at the SGM by way of poll. To the best of the Directors' knowledge, Marubeni, Winsway and their respective associates do not hold any Shares as at the Latest Practicable Date and no Shareholder has a material interest in the transactions contemplated under the Marubeni SPA and the Winsway SPA. Accordingly, no Shareholder will be required to abstain from voting at the SGM in respect of the resolution(s) relating to the Acquisition.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Marubeni Seller, the Winsway Seller and their respective ultimate beneficial owners and their respective Associates do not hold any Shares, options or securities convertible into Shares as at the date of the Marubeni SPA and the Winsway SPA.

The Marubeni Buy-back Right Agreement and Winsway Buy-back Right Agreement are considered option agreements granted by the Company under the Listing Rules. As the highest possible monetary value of the Marubeni Purchase Price, the Winsway Purchase Price and the underlying assets has not been determined for the purpose of classification of a notifiable transaction, the Listing Rules provide that these transactions are classified at least as major transactions subject to Shareholders' approval.

Upon SPA Completion, Winsway will become a substantial shareholder of GCC and hence a connected person of the Company at the subsidiary level as defined under Rule 14A.07 of the Listing Rules. As such, the transaction contemplated under the Winsway Buy-back Right Agreement will constitute a connected transaction of the Company and the proposed transaction contemplated under the Winsway Marketing Agency Agreement will constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules and subject to reporting, disclosure and Independent Shareholders' approval requirements as stipulated and exempted under Chapter 14A of the Listing Rules.

In compliance with the requirements of Chapter 18 of the Listing Rules, the Company has appointed (i) Norwest Corporation to issue a Competent Person's Report (the text of which is set out in Appendix V to this circular) to provide the estimated amounts of resources and reserves in respect of the Grande Cache Mine in accordance with the Canadian Standard NI 43-101, the Competent Person is Mr. Carl Pollastro; and (ii) appointed Norwest Corporation to issue a Valuation Report, the Competent Evaluator is Mr. Carl Pollastro (the text of which is set out to Appendix VI of this circular). The Board confirms that Mr. Carl Pollastro of Norwest Corporation is qualified, independent and experienced under Listing Rules 18.21, 18.22 and 18.23.

The purpose of this circular, having incorporated all changes to terms from the relevant amendment agreements and deeds, is to provide you with, among others, (i) further details of the Acquisition, the Marubeni Buy-back Right Agreement, the Winsway Buy-back Right Agreement and the Winsway Marketing Agency Agreement; (ii) the Competent Person's Report and the Valuation Report; (iii) the recommendation of the Independent Board Committee in relation to the Winsway Buy-back Right Agreement and the Winsway Marketing Agency Agreement; (iv) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Winsway Buy-back Right Agreement and the Winsway Marketing Agency Agreement; (v) financial information of the Group; (vi) financial information of the Target Group; (vii) the notice of the SGM; and (viii) other information as required under the Listing Rules.

THE MARUBENI SPA

Date : 14 November 2014

Parties : (1) The Purchaser
(2) The Company
(3) Marubeni Seller

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Marubeni Seller, Marubeni and their respective ultimate beneficial owners are Independent Third Parties. Save for the entering into of the Marubeni MOU, the Marubeni SPA, the Bridge Loan and the Charge on Deposit, the Group has no current or prior relationship and business arrangement with the Marubeni Seller, Marubeni and the Target Group.

Assets to be Acquired

The Marubeni Sale Interests representing 276,310,916 common shares in the capital of GCC registered in the name of the Marubeni Seller, being 40% of the total issued share capital in GCC, and 39.996% of partnership interest in GCC LP as at the date of the Marubeni SPA.

Consideration

The Marubeni Consideration (being US$1) shall be satisfied by the Purchaser upon SPA Completion. The Marubeni Consideration was determined after arm's length negotiations amongst the Purchaser, the Company and the Marubeni Seller. Numerous factors were taken into account including the current financial position of GCC, its assets and liabilities, cash flows and earnings, its stage of development and potential future capital expenditure requirements, potential production capability and quality of the assets, the Marubeni Buy-back Right Agreement and the broader benefits of the transaction to the Company.

Conditions Precedent

Conditions

SPA Completion is conditional on the following Marubeni SPA Conditions (collectively, the "**Marubeni SPA Conditions**") being satisfied on or before: (i) in respect of Marubeni SPA Conditions (3) to (9) (inclusive) and (14), the Longstop Date; and (ii) in respect of Marubeni SPA Conditions (1), (2), (15) and (10) to (13) (inclusive), the December Longstop Date, or on or before such later date as the parties may agree:

(1) each of the Company and the Purchaser has delivered or caused to be delivered to the Marubeni Seller a copy of or extracts from the minutes of a meeting of the directors of the Company and the Purchaser, respectively, authorising the Company and the Purchaser, respectively, to enter into and perform its obligations under the Marubeni SPA, certified to be a true and complete copy by a director or the secretary of the Company and the Purchaser, respectively;

(2) the Marubeni Seller has delivered or caused to be delivered to the Purchaser a copy of or extracts from the minutes of a meeting of the directors of the Marubeni Seller, authorising the Marubeni Seller to enter into and perform their obligations under the Marubeni SPA, certified to be true and complete copies by a director or the secretary of the Marubeni Seller;

(3) all Third Party Approvals have been obtained;

(4) Competition Act Approval has been obtained;

(5) Investment Canada Act Approval has been obtained;

(6) (i) approval from the Shareholders at a general meeting; and (ii) all consents, waivers, permissions and approvals in relation to the transactions contemplated under the Marubeni SPA from the Stock Exchange and from the SFC required by the Company, have been obtained;

(7) GCC shall have obtained for the benefit of GCC LP all necessary approvals to start development of No. 4 seam in No. 12 South B2 Area;

(8) the conditions precedent (other than any condition requiring the Marubeni SPA to have become unconditional) in the Winsway SPA having being satisfied or waived (as applicable);

(9) the agreement and execution of a supplemental agreement to the Fourth Amendment Deed, which will amend the funding contributions set out thereof, by the parties to the Fourth Amendment Deed;

(10) the Purchaser, Winsway Seller, GCC and the Marubeni Seller shall have agreed and executed the Interim Support Agreement;

(11) the Purchaser shall have provided written notification to the Marubeni Seller that the Purchaser has completed its own due diligence investigation of the operation of GCC and GCC LP and the results of which shall be satisfactory to the Purchaser;

(12) the provision by China Minsheng Banking Corporation of a waiver in respect of the funding contributions scheduled for December 2014 as set out in the Fourth Amendment Deed;

(13) the agreement and execution by the Purchaser, the Company and the Marubeni Seller of an agreement for the sale and purchase of any rights, reliefs and benefits accrued by the Marubeni Seller from its holding of the Marubeni Sale Interests;

(14) the Marubeni Seller having received confirmation in writing of Winsway Seller's consent to complete the transactions contemplated by the Marubeni SPA and an agreed termination letter, on terms and conditions satisfactory to the parties to such letter; and

(15) the agreement by GCC, the Company and Marubeni of an agreed form of the Marubeni Marketing Agency Agreement which grants certain marketing rights to Marubeni in respect of the product produced from the Grande Cache coal project.

As at the Latest Practicable Date, Marubeni SPA Conditions (1), (2), (4), (5), (7), (10), (12), (13) and (15) above have been satisfied. Save as disclosed, no other Marubeni SPA Conditions have been satisfied as at the date of this circular.

Waiver

Subject to mutual agreement of all parties, any Marubeni SPA Conditions may be waived in whole or in part at any time on or before the Longstop Date or the December Longstop Date (as the case may be). The Purchaser has no intention to waive any condition as at the Latest Practicable Date.

Satisfaction of Marubeni SPA Conditions

The Purchaser shall use reasonable endeavours to satisfy or procure the satisfaction of the Marubeni SPA Conditions set out above (except for Marubeni SPA Conditions (2), and (9)) not already satisfied or waived as soon as possible and in any event on or before (as applicable) the Longstop Date or the December Longstop Date.

The Marubeni Seller shall use reasonable endeavours to satisfy or procure the satisfaction of Marubeni SPA Conditions (2), (7), (9), (13) and (14) not already satisfied or waived as soon as possible and in any event on or before (as applicable) the Longstop Date or the December Longstop Date.

The Purchaser and the Marubeni Seller shall use reasonable endeavours to satisfy or procure the satisfaction of Marubeni SPA Conditions (3), (13) and (15) not already satisfied as soon as possible and in any event on or before (as applicable) the Longstop Date or the December Longstop Date, including, in connection with the Competition Act Approval and the Investment Canada Act Approval.

Failure to satisfy Marubeni SPA Conditions

If it becomes reasonably apparent to the parties that the Marubeni SPA Conditions required to be satisfied by (as applicable) the December Longstop Date or Longstop Date cannot be satisfied by (as applicable) the December Longstop Date or the Longstop Date, the parties agree to consult in good faith with a view to agreeing an extension to (as applicable) the December Longstop Date or the Longstop Date for the satisfaction or waiver of those Marubeni SPA Conditions which have not been or are unlikely to be satisfied in time.

If one or more of the Marubeni SPA Conditions:

(1) remains unsatisfied on (as applicable) the Longstop Date or the December Longstop Date and has not been waived on or before that date; or

(2) becomes impossible to satisfy on or before (as applicable) the Longstop Date or the December Longstop Date,

either the Marubeni Seller or the Purchaser may give notice to the Purchaser or the Marubeni Seller, as applicable, that it wishes to terminate the Marubeni SPA.

Conduct of Business before SPA Completion

Normal course

From the date of the Marubeni SPA and subject to the Interim Support Agreement, the Marubeni Seller shall use its reasonable endeavours:

(1) to procure that GCC and GCC LP continue to carry on business in the normal course in substantially the same manner as its business has been carried on before the date of the Marubeni SPA;

(2) to procure that each of GCC and GCC LP takes all reasonable steps to preserve and protect its business and assets;

(3) not, without the prior written consent of the Purchaser (not to be unreasonably withheld), take, or omit to take, any action or enter into any transaction which, if taken, omitted or entered into, as the case may be, before the date of the Marubeni SPA, could cause any representation or warranty of the Marubeni Seller in the Marubeni SPA to be incorrect or constitute a breach of any covenant or agreement of the Marubeni Seller contained therein;

(4) inform the Purchaser prior to implementing operational decisions of a material nature; and

(5) on the Purchaser's reasonable request, report periodically to the Purchaser concerning the status of the business, its operations and finances.

Access to information and properties

Subject to Applicable Laws and pending SPA Completion, the Marubeni Seller shall use reasonable endeavours to procure that, upon the Purchaser giving reasonable notice to the Marubeni Seller, the Purchaser and its representatives are given reasonable access during normal business hours to all of the operations, properties, books and records, documents, information and data of GCC and GCC LP and its subsidiaries. The Purchaser and its representatives shall not, in the course of such access, unduly interfere or disrupt the business operations of GCC and GCC LP. The Purchaser agrees that such access will be at its own risk and cost. The Marubeni Seller shall promptly disclose to the Purchaser any fact that, in the reasonable opinion of the Marubeni Seller, significantly affects, or would reasonably be expected to have a significant effect on, the value or operations of GCC or GCC LP, including their respective businesses, and shall provide all documents, information and correspondence to the Purchaser that relates to such fact.

Exclusive dealing

Pending SPA Completion, the Marubeni Seller shall not, and shall use reasonable endeavours to procure that its Affiliates, GCC and GCC LP shall not, directly or indirectly solicit proposals from any third party relating to any business combination transaction involving GCC and GCC LP, including the sale of any of the Marubeni Sale Interests, any merger, consolidation or business combination, or the sale of the business or any of the assets of the GCC and GCC LP (other than sales in the ordinary course of business or sales of immaterial assets).

Purchaser's obligations

From the execution of the Interim Support Agreement until SPA Completion, the Purchaser shall:

(1) ensure that GCC and GCC LP have sufficient funds to survive (i.e. to meet all payment obligations, including their operational and financing requirements) until SPA Completion by operating under the Interim Support Agreement, in the form of new term loans on terms substantially similar to the Bridge Loan;

(2) subject to applicable laws, and as requested by the Marubeni Seller, provide management and personnel resources to support the operations of GCC and GCC LP all in accordance with the Interim Support Agreement;

(3) without prejudice to the generality of (1) above, as an ongoing obligation provide funding to GCC LP as and when required to satisfy all payment obligations arising under and in accordance with the terms of the Minsheng Facilities Agreement; and

(4) at all times comply with the terms of the Interim Support Agreement.

SPA Completion

Unless otherwise agreed in writing by the parties, SPA Completion shall take place at the SPA Completion Time on the fifth (5^{th}) Business Day following the satisfaction, or (if capable of waiver) waiver, of all the Marubeni SPA Conditions.

Notwithstanding the limitation on liability set out below, if on the day of SPA Completion, the Purchaser and/or the Company fails to fulfil its or their SPA Completion obligations under the Marubeni SPA, as applicable, the Marubeni Seller may elect to impose either of the following remedies:

(1) require the Purchaser or the Company to pay to the Marubeni Seller US$1,000,000 within seven (7) days of notification from the Marubeni Seller; or

(2) require specific performance by the Purchaser and/or the Company of their SPA Completion obligations under the Marubeni SPA (as applicable). The parties acknowledge and agree that in such case damages alone would not be an adequate remedy if the Purchaser or the Company fails to fulfil its SPA Completion obligations under the Marubeni SPA, as applicable, and therefore the Marubeni Seller shall be entitled to the remedy of specific performance. In the case that the Marubeni Seller fails to obtain specific performance under the Marubeni SPA, the Purchaser shall pay within thirty (30) days of notification from the Marubeni Seller the amount of US$1,000,000 and on payment the Purchaser shall have no further liability.

Notwithstanding the limitation on liability set out below, if on the day of SPA Completion, the Marubeni Seller fails to fulfil its SPA Completion obligations under the Marubeni SPA, the Purchaser may elect to impose either of the following remedies:

(1) require the Marubeni Seller to pay to the Purchaser US$1,000,000 within seven (7) days of notification from the Purchaser; or

(2) require specific performance by the Marubeni Seller of its SPA Completion obligations under the Marubeni SPA. The parties acknowledge and agree that in such case damages alone would not be an adequate remedy if the Marubeni Seller fails to fulfil its SPA Completion obligations under the Marubeni SPA, and therefore the Purchaser shall be entitled to the remedy of specific performance. In the case that the Purchaser fails to obtain specific performance under the Marubeni SPA, the Marubeni

Seller shall pay within thirty (30) days of notification from the Purchaser the amount of US$1,000,000 and on payment the Marubeni Seller shall have no further liability.

Limitations on Liability

Except in the case of wilful misconduct or fraud, the aggregate amount of the liability of the:

(1) Marubeni Seller in respect of the aggregate of all Purchaser Claims shall not exceed US$1; and

(2) Purchaser in respect of the aggregate of all Marubeni Seller Claims shall not exceed US$1.

For the avoidance of doubt, the monetary limits set out above do not apply in respect of the US$1,000,000 penalty and damages set out under the paragraph titled "**SPA Completion**" above and the Purchaser's obligations from the execution of the Interim Support Agreement until SPA Completion set out in the paragraph titled "**Conduct of business before SPA Completion**" above.

Termination

(1) Subject to (2) below, the Marubeni SPA shall automatically terminate with immediate effect and each party's rights and obligations shall cease to have force and effect:

(a) if, before SPA Completion, the Marubeni Seller becomes aware that any of the Purchaser warranties or the Company's warranties were at the date of the Marubeni SPA, or has since become, untrue or misleading in any material respect or has been breached, whether or not such breach is repudiatory, and the Marubeni Seller gives notice to the Purchaser that it wishes to terminate;

(b) if, before SPA Completion, the Purchaser becomes aware that any of the Marubeni Seller's warranties were at the date of the Marubeni SPA, or has since become, untrue or misleading in any material respect or has been breached, whether or not such breach is repudiatory, and the Purchaser gives notice to the Marubeni Seller that it wishes to terminate;

(c) in the case of the Purchaser's failure to perform any of its obligations under Interim Support Agreement set out in the paragraph titled "Conduct of business before SPA Completion" above and such failure has not been remedied within five (5) Business Days of the Marubeni Seller's notice to the Purchaser of such failure;

(d) if either the Purchaser or the Marubeni Seller gives notice to the Marubeni Seller or the Purchaser, as appropriate, for failure to satisfy the Marubeni SPA Conditions;

(e) if the Marubeni Seller gives notice to the Purchaser or the Purchaser gives notice to the Marubeni Seller, following an Insolvency Event occurring with respect to GCC;

(f) if the Marubeni Seller gives notice to the Purchaser, following the termination of the Winsway SPA; or

(g) if SPA Completion does not take place on the SPA Completion Date.

(2) The termination of the Marubeni SPA shall not affect:

(a) any rights or obligations which have accrued or become due prior to the date of termination; and

(b) the continued existence and validity of the rights and obligations of the parties under any provision which is expressly or by implication intended to continue in force after termination as set out in the Marubeni SPA.

Company Guarantee

The Company has agreed to guarantee the performance of the obligations of the Purchaser under the Marubeni SPA.

MARUBENI BUY-BACK RIGHT AGREEMENT

In connection with the Marubeni SPA, Marubeni, the Purchaser and the Company shall enter into a Marubeni Buy-back Right Agreement which delivery and execution shall be made at SPA Completion by the parties thereto. The details of the Marubeni Buy-back Right Agreement are set out below:

Grant of Marubeni Buy-back Right

(1) In consideration of Marubeni procuring that the Marubeni Seller enters into and completes the Marubeni SPA and the terms and conditions of the Marubeni SPA agreed by Marubeni Seller, the Purchaser will grant to Marubeni an irrevocable and unconditional right to purchase the Marubeni Buy-back Interests for the Marubeni Purchase Price (as described below) and in accordance with the terms and conditions of the Marubeni Buy-back Right Agreement.

(2) The Marubeni Buy-back Right shall be exercisable once only by Marubeni by notice in writing to the Purchaser at any time within a Marubeni Three Month Period immediately following any date upon which the HCC Benchmark Price is within the Marubeni Trigger Price Range during the Marubeni Buy-back Period. For the avoidance of doubt: (i) the failure to serve a Marubeni Buy-back Notice during any Marubeni Three Month Period shall not prejudice Marubeni's right to serve a Marubeni Buy-back Notice during any subsequent Marubeni Three Month Period; and (ii) in no event shall Marubeni serve more than one Marubeni Buy-back Notice during the term of the Marubeni Buy-back Right Agreement.

(3) The Marubeni Buy-back Period means the period commencing on the date upon which SPA Completion occurs and ending on the later to occur of:

(a) the date which is three (3) years from the date upon which SPA Completion occurred; or

(b) the date upon which the first principal repayment is due payable under the Minsheng Facilities Agreement after the date of the Marubeni Buy-back Right Agreement, currently 5 September 2017,

subject to the condition that, if the event described in (3)(b) above has not occurred within five (5) years of the date upon which SPA Completion occurred, the Marubeni Buy-back Period shall expire on the date which is five (5) years from the date upon which SPA Completion occurred.

(4) Marubeni shall in the Marubeni Buy-back Notice, in its sole discretion, have the right to nominate any of its wholly-owned Affiliates as the purchaser of the Marubeni Transfer Buy-back Interests (as defined below) and following such nomination the Purchaser shall be obliged to sell and transfer the Marubeni Transfer Buy-back Interests to such wholly-owned Affiliate and Marubeni shall procure that such wholly-owned Affiliate purchases and accepts the Marubeni Transfer Buy-back Interests in accordance with the terms of the Marubeni Buy- back Right Agreement, provided that Marubeni continues to be bound by the terms of the Marubeni Buy-back Right Agreement.

(5) Any Marubeni Buy-back Notice issued by Marubeni exercising the Marubeni Buy-back Right must state a single percentage of up to 15.78% which Marubeni wishes to acquire (whether directly or indirectly through a nominee wholly-owned Affiliate) pursuant to the Marubeni Buy-back Right comprising an equal percentage of:

(a) Marubeni Buy-back Shares (expressed as a percentage of all GCC shares); and

(b) Marubeni Buy-back Partnership Interests (expressed as a percentage of all Partnership Interests),

(collectively the "**Marubeni Transfer Buy-back Interests**").

(6) The right of Marubeni to exercise the Marubeni Buy-back Right shall expire upon the expiration of the Marubeni Buy-back Period, other than where Marubeni has issued a Marubeni Buy-back Notice within the Marubeni Buy-back Period; in respect of which the Marubeni Buy-back Right shall only expire at the end of the Marubeni Due Diligence Period, if Marubeni has not issued a Marubeni Notice.

(7) The Marubeni Trigger Price Range was determined by arm's length negotiation between Marubeni and the Purchaser. In each year, the Marubeni Trigger Price Range will be in a price range equal to or greater than the HCC Floor Benchmark Price but equal to or less than the HCC Ceiling Benchmark Price determined as follows:

Year (after SPA Completion)	**0**	**1**	**2**	**3**	**4**
HCC Floor Benchmark Price (US$)	138	160	170	174	176
HCC Ceiling Benchmark Price (US$)	200	200	200	200	240

For Year 4, the price range is wider in consideration of the greater potential price variability and to provide greater incentive to Marubeni.

The Marubeni Trigger Price Range was made with reference to historical data of the HCC Benchmark Price, the quarterly agreed US$ FOB price of a top-tier Australian Hard Coking Coal for the Asian market, such as BMA's Peak Downs or Anglo American's German Creek, being published in the Platts' "Coal Trader International" or "SBB Steel Markets daily" from time to time, and current market conditions. The Marubeni Trigger Price Range is considered to be fair and reasonable as it (i) falls between the previous 3 years coking coal price of US$117 to US$235 per tonne, (ii) allows for some future price improvement reflecting market forecasts; and (iii) both the Company and Marubeni agreed the range is reasonable.

Marubeni Purchase Price

The actual Marubeni Purchase Price for the Marubeni Transfer Buy-back Interests shall be the actual aggregate amount injected into GCC LP by the Purchaser (or its Affiliates) from the SPA Completion until the date of Marubeni Buy-back Right Completion (by way of any loan or capital injection or advance payment), in respect of the Marubeni Transfer Buy-back Interests (as a fraction of the Purchaser's total Partnership Interest), plus interest. The interest is calculated based on the actual amount injected (including amounts loaned under the Amended and Restated Bridge Loan Facility) until the date of Marubeni Buy-back Right Completion (or until the repayment date for those amounts repaid before the date of Marubeni Buy-back Right Completion) at a compound annual rate of interest as set out below:

Year (after SPA Completion)	0	1	2	3	4
Compound Interest rate	10%	15%	18%	21%	24%

For any advance payment and shareholder loan funded by the Purchaser (or its Affiliates), the pro-rata amount for such advance payment and shareholder loan should be assigned to Marubeni on the date of Marubeni Buy-back Right Completion.

The Directors confirm that the compound interest rate shown above was determined by the arm's length negotiation between Marubeni and the Company, and offers a competitive return for the Company to invest in GCC LP. Based on the HKMA bond market bulletin the interest rates are significantly higher than the annual coupon rates issued by other financial institutions and fund houses in Hong Kong for vanilla debt securities.

Having considered that the basis for the Marubeni Trigger Price Range and the compound interest mentioned above, the Directors are of the view that the Marubeni Purchase Price is fair and reasonable.

Due Diligence

(1) Following the exercise by Marubeni of the Marubeni Buy-back Right, Marubeni shall have a period of sixty (60) days from the date of the Marubeni Buy-back Notice to conduct a due diligence review of GCC and GCC LP in respect of operational, finance, tax and legal matters.

(2) The Purchaser agrees to provide Marubeni with all reasonable assistance in performing its due diligence including making available to Marubeni copies of requested documentation and information related to GCC and GCC LP including all documentation and information relevant to the calculation and verification of the Marubeni Purchase Price.

(3) At any time prior to the expiration of the Marubeni Due Diligence Period, Marubeni may elect to issue a written notice to proceed or not proceed with the transfer of the Marubeni Transfer Buy-back Interests (the "**Marubeni Notice**") provided such Marubeni Notice is issued no later than thirty (30) days after the expiry of the Marubeni Three Month Period. If Marubeni does not issue a Marubeni Notice prior to the expiration of the Marubeni Due Diligence Period, then Marubeni shall be deemed to have elected not to proceed with the transfer of the Marubeni Transfer Buy-back Interests and the Marubeni Buy-back Right shall be deemed to have expired.

(4) Neither the Purchaser nor Marubeni shall have any obligation to complete the transfer of any of the Marubeni Buy-back Interests in accordance with and subject to the terms and conditions of Marubeni Buy-back Right Agreement unless and until a Marubeni Notice is issued by Marubeni electing to proceed with the transfer of the Marubeni Transfer Buy-back Interests.

Conditions

Marubeni Buy-back Right Conditions

Marubeni Buy-back Right Completion is conditional on a Marubeni Notice being issued by Marubeni on or before the expiration of the relevant Marubeni Due Diligence Period, in the manner contemplated above, and each of the following Marubeni Buy-back Right Conditions being satisfied on or before the Marubeni Buy-back Longstop Date or such later date as the parties may agree, provided that Marubeni Buy-back Right Condition (4) below shall be deemed satisfied on the date on which the last Marubeni Buy-back Right Condition in Marubeni Buy-back Right Conditions (1) to (3) below is satisfied or waived (as applicable):

(1) all Third Party Approvals have been obtained;

(2) Competition Act Approval has been obtained;

(3) Investment Canada Act Approval has been obtained;

(4) no statute, rule, regulation or order shall have been enacted or temporary or permanent restraining order or preliminary or permanent injunction or other order shall have been entered or issued, by any Governmental Authority in each case that has the effect of making the transactions contemplated by the Marubeni Buy-back Right Agreement illegal or otherwise preventing or prohibiting consummation of the transactions contemplated by the Marubeni Buy-back Right Agreement; and

(5) if applicable, any approvals of the Stock Exchange required by the Purchaser.

Waiver

The Purchaser and Marubeni may mutually agree to waive any of the Marubeni Buy-back Right Conditions in whole or in part at any time on or before the Marubeni Buy-back Longstop Date.

Satisfaction of the Marubeni Buy-back Right Conditions

The parties shall use reasonable endeavours to satisfy or procure the satisfaction of Marubeni Buy-back Right Conditions (1), (2) and (3) above not already satisfied as soon as possible and in any event on or before the Marubeni Buy-back Longstop Date, including, in connection with the Competition Act Approval and the Investment Canada Act Approval.

Failure to satisfy Marubeni Buy-back Right Conditions

If it becomes reasonably apparent to the parties that the Marubeni Buy-back Right Conditions cannot be satisfied by the Marubeni Buy-back Longstop Date, the parties agree to consult in good faith with a view to agreeing an extension to the Marubeni Buy-back Longstop Date for the satisfaction or waiver of those Marubeni Buy-back Right Conditions which have not been or are unlikely to be satisfied in time.

Notwithstanding the above, if one or more of the Marubeni Buy-back Right Conditions:

(1) remains unsatisfied on the Marubeni Buy-back Longstop Date and has not been waived on or before that date; or

(2) becomes impossible to satisfy on or before the Marubeni Buy-back Longstop Date and, if it is a Marubeni Buy-back Right Condition which can be waived, has not been waived within five (5) Business Days of such Marubeni Buy-back Right Condition becoming impossible to satisfy,

any party may give notice to the other party that it wishes to terminate the Marubeni Buy-back Right Agreement without liability to any party thereto.

Sale and Purchase

(1) The parties to the Marubeni Buy-back Right Agreement shall be bound to complete the sale and purchase of the Marubeni Transfer Buy-back Interests within five (5) days after the date on which the last of the Marubeni Buy-back Conditions is satisfied or waived.

(2) The Purchaser is the legal and beneficial owner of and shall sell and Marubeni shall purchase the Marubeni Transfer Buy-back Interests on the basis that they are sold, subject to Marubeni becoming bound by the terms of the Shareholder Agreement, at Marubeni Buy-back Right Completion free from any encumbrance as set out in the Marubeni Buy-back Right Agreement and together with all rights attached to them at the date of the Marubeni Buy-back Right Agreement or subsequently becoming attached to them.

(3) The Purchaser waives and agrees to procure the waiver of any restrictions on transfer (including pre-emption rights) which may exist in relation to either or both of the Marubeni Transfer Buy-back Interests.

(4) Marubeni shall not be obliged to complete the purchase of any of the Marubeni Transfer Buy-back Interests unless the Purchaser completes the sale of all the Marubeni Transfer Buy-back Interests simultaneously, but the Marubeni Buy-back Right Completion of the purchase of some of the Marubeni Transfer Buy-back Interests shall not affect the rights of Marubeni with respect to the purchase of the others.

Remedies

(1) Notwithstanding the warranties and undertakings of the Purchaser to Marubeni under the Marubeni Buy-back Right Agreement, if the Purchaser fails to fulfil its obligation to deliver and transfer to Marubeni the Marubeni Buy-back Interests as contemplated by the Marubeni Buy- back Right Agreement, Marubeni may at its option require specific performance by the Purchaser to perform its obligations under the Marubeni Buy-back Right Agreement.

(2) The parties to the Marubeni Buy-back Right Agreement acknowledge and agree that damages alone would not be an adequate remedy if the Purchaser fails to fulfil its obligations under the Marubeni Buy-back Right Agreement.

(3) In the case that Marubeni fails to obtain specific performance hereunder, the Purchaser shall pay within 30 days of notification from Marubeni the amount of US$3,000,000 and on payment the Purchaser shall have no further liability.

Company Guarantee

The Company has agreed to guarantee the performance of the obligations of the Purchaser under the Marubeni Buy-back Right Agreement. The Directors believe that the Marubeni Buy-back Right Agreement can (i) increase the incentive of Marubeni in selling GCC products; (ii) promote GCC products in the international market and to maintain the products' pricing and standards; and (iii) maintain Marubeni's interest in the international coal market after the disposal of GCC.

The Marubeni Buy-back Right is an option granted by the Company under the Listing Rules. As the highest possible monetary value of the Marubeni Purchase Price and the underlying assets has not been determined for the purpose of classification of a notifiable transaction, the Listing Rules provide that this transaction is classified at least as a major transaction subject to Shareholder approval. As soon as the purchase price and value of the underlying assets under the Marubeni Buy-back Right has been determined, further announcement(s) will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate.

MARUBENI MARKETING AGENCY AGREEMENT

In satisfaction of Marubeni SPA Condition (15), Marubeni, GCC LP by its general partner GCC and the Company had on 31 December 2014 agreed the terms of the Marubeni Marketing Agency Agreement which delivery and execution shall be made to the Purchaser at SPA Completion. Pursuant to the Marubeni Marketing Agency Agreement, GCC LP will appoint Marubeni as its agent to provide exclusive marketing services in connection with the sale of GCC Coal, as Marubeni is a significant supplier of coal in its own right, is familiar with the GCC product and has large selling networks and client base around the world. Marubeni will provide exclusive marketing services in Japan and to certain customers elsewhere. Subject to its annual performance, the Marubeni Marketing Agreement will automatically renew on a three year basis for a total term of 10 years. The Directors are of the view that if the Company can bind the strong long term relationship and assign attractive allotment to Marubeni, the more commitment they will provide when selling the products.

The Marubeni Marketing Agency Agreement does not set out any minimum, maximum or expected quantity of coal to be marketed by Marubeni. The amount of production available to be marketed by Marubeni can vary from zero to 60% (40% is committed to Winsway), and will certainly vary from year to year. The estimated quantity of coal to be marketed by Marubeni will be in a range between nil to 2.4 mtpa. The level of coal marketed by Marubeni will depend on various factors such as quantity and price offered, timing of delivery, whether on spot or contract basis, etc. Based on historical information, the yearly sales volume of Marubeni has been in a range of 187,000–889,000/mt.

Set out below are details of previous sales of GCC coal by Marubeni. The average sales prices have gone down due to the weakening international coal market.

Marubeni	**2012**	**2013**	**2014**
Quantity, kt	298	193	897
Price US$/t	192	134	106

Payment

GCC shall pay Marubeni a marketing fee (the "**Marubeni Marketing Fee**") for all sales to customers of GCC Coal under the Marubeni Marketing Agency Agreement. GCC shall pay Marubeni fees for all of the GCC coal products sold through Marubeni or any of its subsidiaries during the term of the Marubeni Marketing Agency Agreement at a fixed percentage of sales revenue. The fixed percentage sits within the historical range of 1–2% paid to other agents. The fee was determined based on arm's length negotiations and reflects a typical market standard fee for this type of marketing agreement. Historically, Marubeni did not charge any marketing fee from GCC.

The Marubeni Marketing Fee shall be payable by GCC in U.S. Dollars and shall be fully paid to Marubeni within thirty (30) days from the date GCC receives full payment under the respective letter of credit.

The Directors are of the view that marketing fee under the Marubeni Marketing Agency Agreement is fair and reasonable, negotiated on an arm's length basis and constitutes normal commercial terms, in the ordinary and usual course of business of the Group.

Indemnity

The Company agrees to indemnify Marubeni against any liabilities which Marubeni may incur as a result of performing its obligations under the Marubeni Marketing Agency Agreement provided however the indemnity shall not apply to the extent that such liabilities arise as a result of the Marubeni's gross negligence or fraud. As at the Latest Practicable Date, the Directors are not aware of any such gross negligence committed by Marubeni.

THE WINSWAY SPA

Date : 14 November 2014

Parties : (1) The Purchaser
(2) The Company
(3) Winsway Seller

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Winsway Seller, Winsway and their respective ultimate beneficial owners are Independent Third Parties. Save for the entering into of the Winsway MOU, the Winsway SPA, the Bridge Loan and the Charge on Deposit, the Group has no current or prior relationship and business arrangement with the Winsway Seller, Winsway and the Target Group.

Assets to be Acquired

The Winsway Sale Interests representing 295,238,214 common shares in the capital of GCC registered in the name of the Winsway Seller being approximately 42.74% of the total issued share capital in GCC and approximately 42.74% of partnership interest in GCC LP as at the date of the Winsway SPA. By virtue of its retained indirect approximately 17.26% interest in GCC and approximately 17.25% interest in GCC LP following SPA Completion, Winsway will become a substantial shareholder of GCC and hence will become a connected person of the Company at the subsidiary level.

Consideration

The Winsway Consideration (being US$1) shall be satisfied by the Purchaser upon SPA Completion. The Winsway Consideration was determined after arm's length negotiations between the Purchaser, the Company and the Winsway Seller. Numerous factors were taken into account including the current financial position of GCC, its assets and liabilities, cash flows and earnings, its stage of development and potential future capital expenditure requirements, potential production capability and quality of the assets, the Winsway Buy-back Right Agreement and the broader benefits of the transaction to the Company. Factors in determining the total consideration payable for the Winsway Sale Interests include the Winsway Consideration and the rights granted to the Winsway Seller under the Winsway Buy-back Right Agreement.

Conditions Precedent

Conditions

SPA Completion is conditional on the following Winsway SPA Conditions (collectively, the "**Winsway SPA Conditions**"), being satisfied on or before: (i) in respect of Conditions (1) to (12) (inclusive), the Longstop Date; and (ii) in respect of the Winsway SPA Conditions (13) to (18) (inclusive), the December Longstop Date or on or before such later date as the parties may agree:

(1) each of the Company and the Purchaser has delivered or caused to be delivered to the Winsway Seller a copy of or extracts from the minutes of a meeting of the directors of the Company and the Purchaser, respectively, authorising the Company and the Purchaser, respectively, to enter into and perform its obligations under the Winsway SPA, certified to be a true and complete copy by a director or the secretary of the Company and the Purchaser, respectively;

(2) the Winsway Seller has delivered or caused to be delivered to the Purchaser a copy of or extracts from the minutes of a meeting of the directors of the Winsway Seller authorising the Winsway Seller to enter into and perform their obligations under the Winsway SPA, certified to be true and complete copies by a director or the secretary of the Winsway Seller;

(3) all Third Party Approvals have been obtained;

(4) Competition Act Approval has been obtained;

(5) Investment Canada Act Approval has been obtained;

(6) (i) approval from Shareholders at a general meeting; and (ii) all consents, waivers, permissions and approvals in relation to the transactions contemplated under the Winsway SPA, from the Stock Exchange and from the SFC required by the Company have been obtained;

(7) GCC shall have obtained for the benefit of GCC LP all necessary approvals to start development of No. 4 seam in No. 12 South B2 Area;

(8) the conditions precedent (other than any condition requiring the Winsway SPA to have become unconditional) in the Marubeni SPA having being satisfied or waived (as applicable);

(9) (i) approval from shareholders of Winsway at a general meeting and (ii) all consents, waivers, permissions and approvals in relation to the transactions contemplated under the Winsway SPA, from the Stock Exchange and from the SFC required by Winsway have been obtained;

(10) the agreement and execution of a supplemental agreement to the Fourth Amendment Deed, which will amend the funding contributions set out thereof, by the parties to the Fourth Amendment Deed;

(11) the Winsway Seller having received confirmation in writing of Marubeni Seller's consent to complete the transactions contemplated by the Winsway SPA and an agreed termination letter, on terms and conditions satisfactory to the parties to such letter;

(12) the agreement and execution by the Purchaser, the Company and the Winsway Seller of an agreement for the sale and purchase of any rights, reliefs and benefits accrued by the Winsway Seller from its holding of the Winsway Sale Interests;

(13) the Purchaser, Winsway Seller, GCC and the Marubeni Seller shall have agreed and executed the Interim Support Agreement;

(14) the New Partnership Agreement has been agreed by all parties to that agreement;

(15) the New Shareholder Agreement has been agreed by all of the parties to that agreement;

(16) the Purchaser shall have provided written notification to the Winsway Seller that the Purchaser has completed its own due diligence investigation of the operation of GCC and GCC LP and the results of which shall be satisfactory to the Purchaser;

(17) the provision by China Minsheng Banking Corporation of a waiver in respect of the funding contributions scheduled for December 2014 as set out in the Fourth Amendment Deed; and

(18) the agreement by GCC, the Company and Winsway of an agreed form of the Winsway Marketing Agency Agreement which grants certain marketing rights to Winsway in respect of the product produced from the Grande Cache Coal project.

As at the Latest Practicable Date, Winsway SPA Conditions (1), (4), (5), (7), (12), (13), (14), (15), (17), and (18) above have been satisfied. Save as disclosed, no other Winsway SPA Conditions have been satisfied as at the date of this circular.

Waiver

Subject to mutual agreement of all parties, any Winsway SPA Condition may be waived in whole or in part at any time on or before the Longstop Date or the December Longstop Date (as the case may be). The Purchaser has no intention to waive any condition as at the Latest Practicable Date.

Satisfaction of Winsway SPA Conditions

The Purchaser shall use reasonable endeavours to satisfy or procure the satisfaction of the Winsway SPA Conditions set out above (except for Winsway SPA Conditions (2), (9) and (11)) not already satisfied or waived as soon as possible and in any event on or before (as applicable) the Longstop Date or the December Longstop Date.

The Winsway Seller shall use reasonable endeavours to satisfy or procure the satisfaction of the Winsway SPA Conditions (2), (9), (11) and (17) not already satisfied or waived as soon as possible and in any event on or before (as applicable) the Longstop Date or the December Longstop Date.

The Purchaser and the Winsway Seller shall use reasonable endeavours to satisfy or procure the satisfaction of the Winsway SPA Conditions (3), (12), (13), (14), (15) and (18) not already satisfied as soon as possible and in any event on or before (as applicable) the Longstop Date or the December Longstop Date, including, in connection with the Competition Act Approval and the Investment Canada Act Approval.

Failure to satisfy Winsway SPA Conditions

If it becomes reasonably apparent to the parties that the Winsway SPA Conditions required to be satisfied by (as applicable) the December Longstop Date or the Longstop Date cannot be satisfied by (as applicable) the December Longstop Date or the Longstop Date, the parties agree to consult in good faith with a view to agreeing an extension to (as applicable) the December Longstop Date or the Longstop Date for the satisfaction or waiver of those Winsway SPA Conditions which have not been or are unlikely to be satisfied in time.

If one or more of the Winsway SPA Conditions:

(1) remains unsatisfied on (as applicable) the Longstop Date or the December Longstop Date and has not been waived on or before that date; or

(2) becomes impossible to satisfy on or before (as applicable) the Longstop Date or the December Longstop Date,

either the Winsway Seller or the Purchaser may give notice to the Purchaser or the Winsway Seller, as applicable, that it wishes to terminate the Winsway SPA.

Conduct of business before SPA Completion

Normal course

From the date of the Winsway SPA and subject to the Interim Support Agreement, the Winsway Seller shall use its reasonable endeavours:

(1) to procure that GCC and GCC LP continue to carry on business in the normal course in substantially the same manner as its business has been carried on before the date of the Winsway SPA;

(2) to procure that each of GCC and GCC LP takes all reasonable steps to preserve and protect its business and assets;

(3) not, without the prior written consent of the Purchaser (not to be unreasonably withheld), take, or omit to take, any action or enter into any transaction which, if taken, omitted or entered into, as the case may be, before the date of the Winsway

SPA, could cause any representation or warranty of the Winsway Seller in the Winsway SPA to be incorrect or constitute a breach of any covenant or agreement of the Winsway Seller contained therein;

(4) inform the Purchaser prior to implementing operational decisions of a material nature; and

(5) on the Purchaser's reasonable request, report periodically to the Purchaser concerning the status of the business, its operations and finances.

Access to information and properties

Subject to Applicable Laws and pending SPA Completion, the Winsway Seller shall use reasonable endeavours to procure that, upon the Purchaser giving reasonable notice to the Winsway Seller, the Purchaser and its representatives are given reasonable access during normal business hours to all of the operations, properties, books and records, documents, information and data of GCC and GCC LP and its subsidiaries. The Purchaser and its representatives shall not, in the course of such access, unduly interfere or disrupt the business operations of GCC or GCC LP. The Purchaser agrees that such access will be at its own risk and cost. The Winsway Seller shall promptly disclose to the Purchaser any fact that, in the reasonable opinion of the Winsway Seller, significantly affects, or would reasonably be expected to have a significant effect on, the value or operations of GCC or GCC LP, including their respective businesses, and shall provide all documents, information and correspondence to the Purchaser that relates to such fact.

Exclusive dealing

Pending SPA Completion, the Winsway Seller shall not, and shall use reasonable endeavours to procure that its Affiliates, GCC and GCC LP shall not, directly or indirectly solicit proposals from any third party relating to any business combination transaction involving GCC and GCC LP, including the sale of any of the Winsway Sale Interests, any merger, consolidation or business combination, or the sale of the business or any of the assets of GCC and GCC LP (other than sales in the ordinary course of business or sales of immaterial assets).

Purchaser's obligations

From the execution of the Interim Support Agreement until SPA Completion, the Purchaser shall:

(1) ensure that GCC and GCC LP have sufficient funds to survive (i.e. to meet all payment obligations, including their operational and financing requirements) until SPA Completion by operating under the Interim Support Agreement, in the form of new term loans on terms substantially similar to the Bridge Loan;

(2) subject to applicable laws, and as requested by the Winsway Seller, provide management and personnel resources to support the operations of GCC and GCC LP all in accordance with the Interim Support Agreement;

(3) without prejudice to the generality of (1) above, as an ongoing obligation provide funding to GCC LP as and when required to satisfy all payment obligations arising under and in accordance with the terms of the Minsheng Facilities Agreement; and

(4) at all times comply with the terms of the Interim Support Agreement.

SPA Completion

Unless otherwise agreed in writing by the parties, SPA Completion shall take place at the SPA Completion Time on the fifth (5th) Business Day following the satisfaction, or (if capable of waiver) waiver, of all the Winsway SPA Conditions.

Notwithstanding the limitation on liability set out below, if on the day of SPA Completion, the Purchaser and/or the Company fails to fulfil its or their SPA Completion obligations under the Winsway SPA, as applicable, the Winsway Seller may elect to impose either of the following remedies:

(1) require the Purchaser or the Company to pay to the Winsway Seller US$1,000,000 within seven (7) days of notification from the Winsway Seller; or

(2) require specific performance by the Purchaser and/or the Company of their SPA Completion obligations under the Winsway SPA (as applicable). The parties acknowledge and agree that in such case damages alone would not be an adequate remedy if the Purchaser or the Company fails to fulfil its SPA Completion obligations under the Winsway SPA, as applicable, and therefore the Winsway Seller shall be entitled to the remedy of specific performance. In the case that the Winsway Seller fails to obtain specific performance under the Winsway SPA, the Purchaser shall pay within 30 days of notification from the Winsway Seller the amount of US$1,000,000 and on payment the Purchaser shall have no further liability.

Notwithstanding the limitation on liability set out below, if on the day of SPA Completion, the Winsway Seller fails to fulfil its SPA Completion obligations under the Winsway SPA, the Purchaser may elect to impose either of the following remedies:

(1) require the Winsway Seller to pay to the Purchaser US$1,000,000 within seven (7) days of notification from the Purchaser; or

(2) require specific performance by the Winsway Seller of its SPA Completion obligations under the Winsway SPA. The parties acknowledge and agree that in such case damages alone would not be an adequate remedy if the Winsway Seller fails to fulfil its SPA Completion obligations under the Winsway SPA, and therefore the Purchaser shall be entitled to the remedy of specific performance. In the case that the Purchaser fails to obtain specific performance under the Winsway SPA, the Purchaser shall be entitled to claim damages against the Winsway Seller provided that such damages shall not exceed an aggregate amount of US$1,000,000.

Limitation on Liability

Except in the case of wilful misconduct or fraud, the aggregate amount of the liability of the:

(1) Winsway Seller in respect of the aggregate of all Purchaser Claims shall not exceed US$1; and

(2) Purchaser in respect of the aggregate of all Winsway Seller Claims shall not exceed US$1.

For the avoidance of doubt, the monetary limits set out above do not apply in respect of the US$1,000,000 penalty and damages set out under the paragraph titled "**SPA Completion**" above and the Purchaser's obligations from the execution of the Interim Support Agreement until SPA Completion set out in the paragraph titled "**Conduct of business before SPA Completion**" above.

Termination

(1) Subject to (2) below, the Winsway SPA shall automatically terminate with immediate effect and each party's rights and obligations shall cease to have force and effect:

(a) if, before SPA Completion, the Winsway Seller becomes aware that any of the Purchaser warranties or the Company's warranties were at the date of the Winsway SPA, or has since become, untrue or misleading in any material respect or has been breached, whether or not such breach is repudiatory, and the Winsway Seller gives notice to the Purchaser that it wishes to terminate;

(b) if, before SPA Completion, the Purchaser becomes aware that any of the Winsway Seller's warranties were at the date of the Winsway SPA, or has since become, untrue or misleading in any material respect or has been breached, whether or not such breach is repudiatory, and the Purchaser gives notice to the Winsway Seller that it wishes to terminate;

(c) in the case of the Purchaser's failure to perform any of its obligations under Interim Support Agreement set out in the paragraph titled "**Conduct of business before SPA Completion**" above and such failure has not been remedied within five (5) Business Days of the Winsway Seller's notice to the Purchaser of such failure;

(d) if either the Purchaser or the Winsway Seller gives notice to the Winsway Seller or the Purchaser, as appropriate, for failure to satisfy the Winsway SPA Conditions;

(e) if the Winsway Seller gives notice to the Purchaser or the Purchaser gives notice to the Winsway Seller, following an Insolvency Event occurring with respect to GCC;

(f) if the Winsway Seller gives notice to the Purchaser, following the termination of the Marubeni SPA; or

(g) if SPA Completion does not take place on the SPA Completion Date.

(2) The termination of the Winsway SPA shall not affect:

(a) any rights or obligations which have accrued or become due prior to the date of termination; and

(b) the continued existence and validity of the rights and obligations of the parties under any provision which is expressly or by implication intended to continue in force after termination as set out in the Winsway SPA.

Company Guarantee

The Company has agreed to guarantee the performance of the obligations of the Purchaser under the Winsway SPA.

NEW SHAREHOLDER AGREEMENT

In satisfaction of Winsway SPA Condition (15), GCC, the Purchaser, the Company, the Winsway Seller and Winsway had on 31 December 2014 agreed the terms of the New Shareholder Agreement which delivery and execution shall be made to the Purchaser on or before SPA Completion. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Winsway Seller, GCC and GCC LP and their respective ultimate beneficial owners are Independent Third Parties as at the Latest Practicable Date.

Upon coming into force of the New Shareholder Agreement at SPA Completion, the Shareholder Agreement shall be terminated. The New Shareholder Agreement shall replace the Shareholder Agreement and will regulate the affairs of GCC upon and subject to SPA Completion, including certain key matters relating to GCC. In order to maintain suitable control over the shareholdings and management of GCC, the New Shareholder Agreement contains certain protections and mechanisms such as right of first refusal, prohibitions, and transfer restrictions. These act to limit and restrict the sale and transfer of shares in GCC to unknown parties as set out in detail further below. The principal terms of the New Shareholder Agreement are set out below.

In the event Marubeni exercises the Marubeni Buy-back Right in full and becomes a 15.7797% GCC Shareholder, the parties agree to amend the New Shareholder Agreement such that Marubeni shall be provided with rights substantially similar to those rights entitled by Winsway Seller as a 17.2594% GCC Shareholder as of the date of the New Shareholder Agreement.

Termination of the New Shareholder Agreement

The New Shareholder Agreement shall continue in full force and effect until (i) it is terminated by unanimous shareholder approval; (ii) the business of the GCC LP is sold or completely decommissioned; or (iii) the winding up or dissolution of GCC.

Business of GCC

The business of GCC shall be limited to acting as the general partner of GCC LP, including carrying on such business as necessary or desirable to perform GCC's obligations under the Management Services Agreement, all of which relates to the ownership and operation of the coal mining and development business carried on by GCC LP, including related marketing and sales activities, and any business which is ancillary, incidental or directly or indirectly related thereto.

Concurrent Contributions

Concurrently with the signing of the New Shareholder Agreement, the Purchaser and Winsway Seller shall make Capital Contributions to GCC LP, on a pro rata basis based on the percentage ownership interest held by the respective GCC Shareholders as of the date thereof, in the amounts to be determined at SPA Completion and the manner as to the Purchaser by relinquishment of rights as a creditor under the Interim Financing Support; and as to the Winsway Seller by relinquishment of rights as purchaser of coal products for the outstanding coal prepayment balance and, if insufficient, then by cash or other asset agreed by the Purchaser and Winsway Seller upon SPA Completion or otherwise in the manner as described under the heading "Capital Contributions" below.

"Interim Financing Support" shall consist of the amount advanced to GCC LP under the Amended and Restated Bridge Loan Agreement and the approximately US$23 million deposited to secure the facility in relation to Advance Payment Guarantee for the benefit of Marubeni Seller on behalf of GCC LP.

Future contributions

Except as provided in the New Shareholder Agreement or as otherwise unanimously agreed, none of the GCC Shareholders shall be obligated to acquire additional GCC Shares or to make any Capital Contribution or loans to GCC or guarantee its indebtedness.

Board of Directors

GCC shall have a board of directors consisting of seven (7) directors, unless otherwise agreed to by the GCC Shareholders and changed in accordance with the Act. Each Shareholder Group shall be entitled to nominate that number of directors that is equivalent to the number of Representatives it may appoint; provided however, the individuals it may nominate as directors need not be the same individuals that it appoints as Representatives. Each GCC Shareholder shall vote its shares to appoint or elect directors nominated in accordance with the New Shareholder Agreement.

The chairman of the board of directors shall be elected by a simple majority of the board of directors. At all meetings of the board any question shall be decided by a majority of the votes cast on the question and in the case of an equality of votes the chairman of the board shall not be entitled to a second or casting vote.

Management structure

The management committee shall, except as otherwise provided in the New Shareholder Agreement, have exclusive authority with respect to the management of the business of GCC. Except as specified in the New Shareholder Agreement, no shareholder, director or officer of GCC shall have authority to act for, or assume any obligation or responsibility on behalf of GCC without the prior written approval of its management committee. No Representative (as defined below) shall have authority to act for, or assume any obligation or responsibility on behalf of GCC without the written approval of its management committee.

Management committee representatives

The shareholders of GCC shall act collectively through the management committee (the "**Management Committee**"). Decisions or actions taken by the Management Committee in accordance with the provisions of the New Shareholder Agreement shall constitute decisions or actions by GCC and its shareholders and shall be binding on each shareholder, director, officer and employee of GCC. The Management Committee will be comprised of a number of representatives appointed by the shareholders of GCC (the "**Representative**") that is equal to the number of directors from time to time permitted under the articles of association of GCC currently 7. The Company, the Purchaser and their respective Affiliate transferee of shares in GCC shall, in the aggregate, be entitled to appoint for so long as the Group holds not less than 50.1% of the outstanding common shares of GCC:

(a) six (6) Representatives when the Winsway Seller holds not less than 15% of the outstanding common shares of GCC and Winsway and the Winsway Seller and each of their wholly owned Affiliate transferee of shares in GCC is entitled to appoint 1; and

(b) five (5) Representatives when the Winsway Seller holds not less than 30% of the outstanding common shares of GCC and Winsway and the Winsway Seller and each of their wholly owned Affiliate transferee of shares in GCC is entitled to appoint 2.

Notwithstanding any provision in the articles or by-laws of GCC, unless otherwise expressly provided in the New Shareholder Agreement, in the exercise of the rights, duties and powers of the Management Committee, any Management Committee decision will require ordinary majority approval. The Management Committee shall not have the authority to make any decision relating to those matters which require unanimous shareholder approval and those matters which require supermajority approval as specified in the New Shareholder Agreement.

Quorum for meetings of the Management Committee

The necessary quorum for a meeting of the Management Committee shall consist of two Representatives of the Group and one Representative from the Winsway Seller, provided that, in the event the Group holds less than 50.1% of the outstanding common shares, the quorum shall be one Representative for each of the shareholders of GCC.

Quorum for meetings of the GCC shareholders

The necessary quorum for a meeting of the GCC Shareholders shall be established in the same manner as set out above for Management Committee meetings.

Marketing Committee

As soon as practicable after the execution of the New Shareholder Agreement, the GCC Shareholders will establish and thereafter maintain a marketing committee. The marketing committee will have the authority to establish the marketing and offtake structure for GCC LP, including the coordination of the GCC Shareholders each being responsible for the marketing and, if applicable, offtake, of a pro rata share of the coal produced by GCC LP based on their respective Share Percentages from time to time, after taking into account the obligations of GCC and GCC LP under the Winsway Marketing Agency Agreement and the Marubeni Marketing Agency Agreement.

Credit Facility

Each GCC Shareholder will use commercially reasonable efforts to cause GCC and GCC LP to meet their obligations under any Credit Facility so as not to trigger a default under, or acceleration of prepayment of the Credit Facility, but in no circumstance will a GCC Shareholder be required to agree to any amendment to a Credit Facility, provide any guarantee in respect of a Credit Facility or approve a Capital Contribution to meet its obligations under the New Shareholder Agreement.

The GCC Shareholders acknowledge and agree that Winsway Seller may apply any outstanding coal prepayments made by Winsway Seller to GCC or GCC LP towards satisfying any Capital Contribution obligation under the Fourth Amendment Deed or any amendment, supplement or restatement of the same or the underlying Credit Facility.

Capital Contributions

The GCC Shareholders shall approve the maximum amount of capital contribution for every fiscal year nine (9) months before the commencement of each fiscal year by supermajority approval (the "**Annual Maximum Capital Contribution**"), provided, however, that any increase of the Annual Maximum Capital Contribution during a fiscal year must be approved by unanimous shareholder approval.

GCC shall have right to issue a written notice to the GCC Shareholders requiring them to also make Capital Contributions to GCC LP in the following situations: (i) if any Credit Facility is terminated or if the Credit Facility matures and a replacement credit facility is not available on terms acceptable to both GCC Shareholders and a decision is made by the Management Committee to require a Capital Contribution after it has determined that insufficient funding is available from revenue generated from the business of GCC LP to meet funds required by GCC or GCC LP, as the case may be; and (ii) if the GCC Shareholders approve by unanimous shareholder approval the issuance of a notice to make a Capital Contribution.

Restrictions on Transfers

Except as expressly permitted in the New Shareholder Agreement, no GCC Shareholder or Partner may transfer its interests in GCC or GCC LP in whole or in part, and no GCC Shareholder or Partner may transfer less than its entire interests in GCC or GCC LP.

Right of first refusal

In general, if a GCC Shareholder or a Partner (the "**Transferring Shareholder**") wishes to Transfer its Shareholder Interest: (a) the Transferring Shareholder shall by notice advise each other shareholder and partner (other than Defaulting Shareholders) of its intention to make the Transfer; and (b) any other shareholder or partner (other than a Defaulting Shareholder) may give notice to the Transferring Shareholder that it elects to purchase such Shareholder Interest for the applicable price and on the terms and conditions set forth in the notice.

Transfers to Affiliates

In general, a GCC Shareholder or a Partner may only Transfer all of its Shareholder Interest to a wholly-owned Affiliate. Any such Transfer shall not be effective until the Transferor and the Transferee have entered into an agreement with the other shareholders or partners, as the case may be.

Prohibitions

In general, no GCC Shareholder will be entitled to Transfer its Shareholder Interest unless otherwise approved in writing by all the GCC Shareholders and Partners.

Outstanding Indebtedness

(a) If, on the date of closing of a permitted Transfer of a Shareholder Interest (other than to an Affiliate), the Transferor is indebted to GCC or GCC LP or another GCC Shareholder or a Partner or their Affiliates, then the Transferee will be required to pay the purchase price payable by it for such Shareholder Interest being Transferred to GCC at the time of closing, and GCC will apply the purchase price proceeds towards repayment of the indebtedness of the Transferor to GCC or GCC LP or other GCC Shareholder or Partner or their Affiliates, as the case may be.

(b) If there are funds remaining after complying with (a) immediately above, then GCC shall pay the balance to the Transferor.

NEW PARTNERSHIP AGREEMENT

In satisfaction of Winsway SPA Condition (14), GCC as general partner and each of the Purchaser and Winsway Seller as limited partner had on 31 December 2014 agreed the terms of the New Partnership Agreement which delivery and execution shall be made to the Purchaser on or before SPA Completion. Marubeni Seller shall no longer be a party to the partnership when the New Partnership Agreement takes effect from SPA Completion. The Board (including the independent non-executive Directors) takes the view that the New Partnership Agreement is entered into on normal commercial terms, and such terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Term and purpose

The partnership was formed in Canada and shall continue in full force and effect until it is dissolved or terminated. It is formed for the purpose of carrying on, among other things, the business and activities of owning and operating a coal mining and development business, including related marketing and sales activities, and any business which is ancillary, incidental or directly or indirectly related thereto.

Management and administration of the partnership business

Except as expressly otherwise provided for in the New Partnership Agreement, the general partner shall be responsible for and shall have full power and authority to manage and control the business and affairs of the partnership pursuant to the New Partnership Agreement and the Management Services Agreement.

Liability of the limited partners

Except as set forth in the New Partnership Agreement or the Act and the provisions of similar legislation in other jurisdictions where the partnership is required to be registered, the liability of each limited partner for the debts, liabilities and obligations of the partnership shall be limited to its Capital Contributions plus its *pro rata* share of any undistributed income of the partnership.

Partnership interests and Distributions

The outstanding partnership interests as of the effective date of the New Partnership Agreement will be:

Partner	Partnership interest	Percentage interest
GCC	general partnership interest	0.0100%
The Purchaser	limited partnership interest	82.7366%
Winsway Seller	limited partnership interest	17.2534%
TOTAL		100.0000%

Returns of Capital

GCC shall have full power and authority to make returns of Capital to a Partner or the Partners in such amounts, at such times and in such manner as may be determined by GCC, provided that unless otherwise agreed in writing by all of the Partners, any such returns of capital will be made *pro rata* to each Partner based on its partnership interest.

Matter requiring unanimous vote

Notwithstanding anything to the contrary contained in the New Partnership Agreement, the following matters shall require the unanimous approval of the Partners: (i) any amendment to the terms and conditions of the New Partnership Agreement; (ii) a merger, arrangement, or amalgamation, restructuring or other similar transaction involving the partnership or an acquisition or disposal involving the partnership, for the consideration or value in an amount exceeding 50% of the net book value of the partnership; (iii) a reorganization of the structure of the partnership in a manner that would affect the tax or financial consequences to a Partner in a material adverse fashion; (iv) the removal, resignation or replacement of a general partner; and (v) the dissolution, liquidation or approval of an event of insolvency as defined in the New Partnership Agreement with respect to the partnership.

Matter requiring Extraordinary Resolution

Notwithstanding anything to the contrary contained in the New Partnership Agreement, the following matters shall require Extraordinary Resolution: (i) a voluntary bankruptcy/insolvency proceeding or steps for the appointment of a receiver in respect of any material part of the business or assets of the partnership; (ii) a decision to continue the partnership if the partnership is terminated by operation of law; and (iii) a decision to amend, modify, alter or repeal any Extraordinary Resolution of the Partners.

Change in composition of the partnership

Additional limited partners may be admitted to the partnership with the consent of all Partners and each such additional limited partner shall agree in writing to be bound by the terms and conditions of the New Partnership Agreement.

WINSWAY BUY-BACK RIGHT AGREEMENT

In connection with the Winsway SPA, Winsway, the Purchaser and the Company shall enter into a Winsway Buy-back Right Agreement which delivery and execution shall be made at SPA Completion by the parties thereto.

Reasons for entering the Buy-back Right

The Buy-back Right will motivate Winsway (1) to promote the GCC product to the GCC coal markets and to maintain the standing and pricing of the products and ultimately increase the profitability of the Company and (2) to maintain Winsway's interest in the international coal market after the disposal of the GCC.

The material terms of Winsway Buy-back Right Agreement are set out below:

(1) In consideration of Winsway procuring that Winsway Seller enters into and completes the Winsway SPA and the terms and conditions of the Winsway SPA agreed by Winsway Seller, the Purchaser will grant to Winsway an irrevocable and unconditional right to purchase the Winsway Buy-back Interests for the Winsway Purchase Price (as described below) and in accordance with the terms and conditions of the Winsway Buy-back Right Agreement.

(2) The Winsway Buy-back Right shall be exercisable once only by Winsway by notice in writing to the Purchaser at any time within a Winsway Three Month Period immediately following any date upon which the HCC Benchmark Price is within the Winsway Trigger Price Range during the Winsway Buy-back Period. For the avoidance of doubt, the failure to serve a Winsway Buy-back Notice during any Winsway Three Month Period shall not prejudice Winsway's right to serve a Winsway Buy-back Notice during any subsequent Winsway Three Month Period. No more than one Winsway Buy-back Notice may be served during the term of the Winsway Buy-back Right Agreement.

(3) The Winsway Buy-back Period means the period commencing on the date upon which SPA Completion occurs and ending on the later to occur of:

    (a) the date which is three (3) years from the date upon which SPA Completion occurred; or

    (b) the date upon which the first principal repayment is due payable under the Minsheng Facilities Agreement after the date of the Winsway Buy-back Right Agreement, currently 5 September 2017, subject to the condition that, if the event described in (3)(b) above has not occurred within five (5) years of the date upon which SPA Completion occurred, the Winsway Buy-back Period shall expire on the date which is five (5) years from the date upon which SPA Completion occurred.

(4) Winsway shall in its sole discretion, have the right to nominate any of its wholly owned Affiliates as the purchaser of the Winsway Transfer Buy-back Interests (as defined below) and following such nomination the Purchaser shall be obliged to sell and transfer the Winsway Transfer Buy-back Interests to such wholly owned Affiliate and Winsway shall procure that such wholly owned Affiliate purchases and accepts the Winsway Transfer Buy-back Interests in accordance with the terms of the Winsway Buy-back Right Agreement, provided that Winsway continues to be bound by the terms of the Winsway Buy-back Right Agreement.

(5) Any Winsway Buy-back Notice issued by Winsway exercising the Winsway Buy-back Right must state a single percentage of up to 16.86% which Winsway wishes to acquire pursuant to the Winsway Buy-back Right comprising an equal percentage of both Winsway Buy-back Shares and Winsway Buy-back Partnership Interests, (collectively the "**Winsway Transfer Buy-back Interests**").

(6) The right of Winsway to exercise the Winsway Buy-back Right shall expire upon the expiration of the Winsway Buy-back Period, other than where Winsway has issued a Winsway Buy-back Notice within the Winsway Buy-back Period; in respect of which the Winsway Buy-back Right shall only expire at the end of the Winsway Due Diligence Period, if Winsway has not issued a Winsway Notice.

(7) The Winsway Trigger Price Range has been determined by the arm's length negotiation between Winsway and the Purchaser. In each year, the Winsway Trigger Price Range will be in a price range equal to or greater than the HCC Floor Benchmark Price but equal to or less than the HCC Ceiling Benchmark Price determined as follows:

Year (after SPA Completion)	**0**	**1**	**2**	**3**	**4**
HCC Floor Benchmark Price (US$)	138	160	170	174	176
HCC Ceiling Benchmark Price (US$)	200	200	200	200	240

For Year 4, the price range is wider in consideration of the greater potential price variability and to provide greater incentive to Winsway.

The Winsway Trigger Price Range was made with reference to historical data of the HCC Benchmark Price, the quarterly agreed US$ FOB price of a top-tier Australian Hard Coking Coal for the Asian market, such as BMA's Peak Downs or Anglo American's German Creek, being published in the Platts' "Coal Trader International" or "SBB Steel Markets daily" from time to time, and current market conditions. The Winsway Trigger Price Range is considered to be fair and reasonable as it (i) falls between the previous 3 years coking coal price of US$117 to US$235 per tonne, (ii) allows for some future price improvement reflecting market forecasts; and (iii) both the Company and Winsway agreed the range is reasonable.

Winsway Purchase Price

The actual Winsway Purchase Price for the Winsway Transfer Buy-back Interests shall be the actual aggregate amount injected into GCC LP by the Purchaser (or its Affiliates) from the Winsway SPA Completion until the date of Winsway Buy-back Right Completion (by way of any loan or capital injection or advance payment), in respect of the Winsway Transfer Buy-back Interests (as a fraction of the Purchaser's total Partnership Interest), plus interest (the interest is calculated based on the actual amount injected until the date of Winsway Buy-back Right Completion, or until the repayment date for those amount repaid before the date of Winsway Buy-back Right Completion) at a compound annual rate of interest as set out below:

Year (after SPA Completion)	**0**	**1**	**2**	**3**	**4**
Compound Interest rate	10%	15%	18%	21%	24%

The Directors confirm that the compound interest rate shown above was determined by the arm's length negotiation between Winsway and the Company and offers a competitive return for the Company to invest in GCC LP. Based on the HKMA bond market bulletin, the interest rates are significantly higher than the annual coupon rates issued by other financial institutions and fund houses in Hong Kong for vanilla debt securities.

Having considered that the basis for the Winsway Trigger Price Range and the compound interest mentioned above, the Directors are of the view that the Winsway Purchase Price is fair and reasonable.

Due Diligence

(1) Following the exercise by Winsway of the Winsway Buy-back Right, Winsway can conduct a due diligence review of GCC and GCC LP in respect of operational, finance, tax and legal matters.

(2) The Purchaser agrees to provide Winsway with all reasonable assistance in performing its due diligence including making available to Winsway copies of requested documentation and information related to GCC and GCC LP including all documentation and information relevant to the calculation and verification of the Winsway Purchase Price.

(3) At any time prior to the expiration of the Winsway Due Diligence Period, Winsway may elect to issue a written notice to proceed or not to proceed with the transfer of the Winsway Transfer Buy-back Interests (the "**Winsway Notice**") provided such Winsway Notice is issued no later than the last day of the Winsway Due Diligence Period. If Winsway does not issue a Winsway Notice prior to the expiration of the Winsway Due Diligence Period, then Winsway shall be deemed to have elected not to proceed with the transfer of the Winsway Transfer Buy-back Interests.

(4) Neither the Purchaser nor Winsway shall have any obligation to complete the transfer of any of the Winsway Buy-back Interests in accordance with and subject to the terms and conditions of the Winsway Buy-back Right Agreement unless and until a Winsway Notice is issued by Winsway electing to proceed with the transfer of the Winsway Transfer Buy-back Interests.

Conditions

Winsway Buy-back Right Conditions

Winsway Buy-back Right Completion is conditional on a Winsway Notice being issued by Winsway on or before the expiration of the relevant Winsway Due Diligence Period, in the manner contemplated above and each of the following Winsway Buy-back Right Conditions being satisfied on or before the Winsway Buy-back Longstop Date or such later date as the parties may agree, provided that Winsway Buy-back Right Condition (5) shall be deemed satisfied on the date on which the last Winsway Buy-back Right Condition in Winsway Buy-back Right Conditions (1) to (3) (inclusive) and Winsway Buy-back Right Condition (6) (as applicable) is satisfied or waived (as applicable):

(1) all Third Party Approvals have been obtained;

(2) Competition Act Approval has been obtained;

(3) Investment Canada Act Approval has been obtained;

(4) all consents of shareholders of Winsway and all consents, waivers, permissions and approvals of the Stock Exchange have been obtained;

(5) no statute, rule, regulation or order shall have been enacted or temporary or permanent restraining order or preliminary or permanent injunction or other order shall have been entered or issued, by any Governmental Authority in each case that has the effect of making the transactions contemplated by the Winsway Buy-back Right Agreement illegal or otherwise preventing or prohibiting consummation of the transactions contemplated by the Winsway Buy-back Right Agreement; and

(6) if applicable, any approvals of the Stock Exchange required by the Purchaser.

Waiver

The Purchaser and Winsway may mutually agree to waive Winsway Buy-back Right Condition (1) in whole or in part at any time on or before the Winsway Buy-back Longstop Date.

Satisfaction of the Winsway Buy-back Right Conditions

The parties shall use reasonable endeavours to satisfy or procure the satisfaction of Winsway Buy- back Right Conditions (1), (2) and (3) not already satisfied as soon as possible and in any event on or before the Winsway Buy-back Longstop Date, including, in connection with the Competition Act Approval and the Investment Canada Act Approval.

Failure to satisfy Winsway Buy-back Right Conditions

If it becomes reasonably apparent to the parties that the Winsway Buy-back Right Conditions cannot be satisfied by the Winsway Buy-back Longstop Date, the parties agree to consult in good faith with a view to agreeing an extension to the Winsway Buy-back Longstop Date for the satisfaction or waiver of those Winsway Buy-back Right Conditions which have not been or are unlikely to be satisfied in time.

Notwithstanding the above, if one or more of the Winsway Buy-back Right Conditions:

(1) remains unsatisfied on the Winsway Buy-back Longstop Date and has not been waived on or before that date; or

(2) becomes impossible to satisfy on or before the Winsway Buy-back Longstop Date and, if it is a Winsway Buy-back Right Condition which can be waived, has not been waived within five (5) Business Days of such Winsway Buy-back Right Condition becoming impossible to satisfy,

any party may give notice to the other party that it wishes to terminate the Winsway Buy-back Right Agreement without liability to any party thereto.

Sale and Purchase

(1) The parties to the Winsway Buy-back Right Agreement shall be bound to complete the sale and purchase of the Winsway Transfer Buy-back Interests within five (5) days after the date on which the last of the Winsway Buy-back Right Conditions is satisfied or waived.

(2) The Purchaser is the legal and beneficial owner of and shall sell and Winsway shall purchase the Winsway Transfer Buy-back Interests on the basis that they are sold at Winsway Buy-back Right Completion free from any encumbrance as set out in the Winsway Buy-back Right Agreement and together with all rights attached to them at the date of the Winsway Buy-back Right Agreement or subsequently becoming attached to them.

(3) The Purchaser waives and agrees to procure the waiver of any restrictions on transfer (including pre-emption rights) which may exist in relation to either or both of the Winsway Transfer Buy-back Interests.

(4) Winsway shall not be obliged to complete the purchase of any of the Winsway Transfer Buy-back Interests unless the Purchaser completes the sale of all the Winsway Transfer Buy-back Interests simultaneously, but the Winsway Buy-back Right Completion of the purchase of some of the Winsway Transfer Buy-back Interests shall not affect the rights of Winsway with respect to the purchase of the others.

Remedies

(1) Notwithstanding the warranties and undertakings of the Purchaser to Winsway under the Winsway Buy-back Right Agreement, if the Purchaser fails to fulfil its obligation to deliver and transfer to Winsway the Winsway Buy-back Interests as contemplated by the Winsway Buy-back Right Agreement, Winsway may at its option require specific performance by the Purchaser to perform its obligations under the Winsway Buy-back Right Agreement.

(2) Each of the parties to the Winsway Buy-back Right Agreement acknowledges and agrees that (i) damages alone would not be an adequate remedy if the Purchaser fails to fulfil its obligations under the Winsway Buy-back Right Agreement; (ii) it has obtained professional advice and understands the meaning and implication of this paragraph.

(3) In the case that Winsway fails to obtain specific performance hereunder, a party may refer the matter under dispute to arbitration in accordance with provisions of the Winsway Buy-back Right Agreement.

Company Guarantee

The Company has agreed to guarantee the performance of the obligations of the Purchaser under the Winsway Buy-back Right Agreement. The Buy-back Right will motivate Winsway (1) to promote the GCC product to the GCC coal markets and to maintain the standing and pricing of the products and ultimately increase the profitability of the Company and (2) to maintain Winsway's interest in the international coal market after the disposal of the GCC.

The Winsway Buy-back Right is an option granted by the Company under the Listing Rules. As the highest possible monetary value of the Winsway purchase price and the underlying assets has not been determined for the purpose of classification of a notifiable transaction, the Listing Rules provide that this transaction is classified at least as a major transaction subject to Shareholder approval. As soon as the purchase price and value of the underlying assets under the Winsway Buy-back Right has been determined, further announcement(s) will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate.

WINSWAY MARKETING AGENCY AGREEMENT

Winsway, GCC LP and the Company had on 31 December 2014 agreed the terms of the Winsway Marketing Agency Agreement which delivery and execution shall be made to the Purchaser at SPA Completion. Pursuant to the Winsway Marketing Agency Agreement, GCC LP will appoint Winsway as its agent to provide exclusive marketing services in connection with the sale of GCC Coal with a total term of 10 years (subject to annual performance) and pay Winsway a marketing fee fixed at 1.5% of sales revenue for its associated sales and is within the historical range of 1%–2% paid to other agents. As Winsway is (i) a significant supplier of coal in its own right, (ii) familiar with the GCC product, (iii) a major seller of GCC coal in previous years with proven track record, and (iv) has a large selling network and client base in the PRC, the Directors are of the view that if the Company can bind the strong relationship and assign attractive allotment to Winsway, the more commitment they will have when selling the Company products. Historically, Winsway did not charge any marketing fee from GCC.

Sale of GCC Coal

GCC LP commits to sell the Minimum Sales for each fiscal year (and on a pro rata basis for any incomplete fiscal year) during the term. Winsway or any of its subsidiaries (the "**Winsway Marketing Agent**") commits to offtake the Minimum Purchases for each fiscal year (and on a pro rata basis for any incomplete fiscal year) during the term.

Minimum purchase amount and proposed annual caps

Pursuant to the Winsway Marketing Agency Agreement, the minimum purchase of GCC Coal by Winsway amounts to 40% of the annual production of the Grande Cache mine. It is expected that the annual cap for the marketing fee under the Winsway Marketing Agency Agreement will not exceed the amounts set out below:

	US$ million
2015	1.4
2016	2.0
2017	5.0

These annual caps take into account (i) the forecast level of production for GCC assumed in the Competent Person's Report, (ii) the committed volume of sales under the Winsway Marketing Agency Agreement, being 40% of the total GCC annual production, (iii) potential flexibility for additional sales to China through Winsway in addition to the minimum committed level and historical percentage of sales through Winsway, and (iv) the highest price achieved by Winsway for GCC sales historically, with an allowance for future general inflation of 2% p.a., being the specified target of monetary policy implemented by the Federal Open Market Committee of the USA and with reference to the Competent Person's Report.

Basis for the proposed annual caps

(i) Estimated sales volume of GCC coal

Based on the Competent Person's Report the estimated annual sales of GCC coal are shown below:

	For the year ended 31 December 2015	**For the year ended 31 December 2016**	**For the year ended 31 December 2017**
Estimated annual sales (in million tonnes)	0.75	1.0	2.5

If using the minimum purchase of 40% under the Winsway Marketing Agreement, the annual commitment for Winsway will be approximately 0.3mt, 0.4mt and 1.0mt tonnes in 2015, 2016 and 2017 respectively. Winsway's total sales volume for each of 2013 and 2014, as shown in its 2014 Annual Report, both exceed its minimum commitment for 2015-2017 in aggregate. The Directors are of the view that Winsway is able to meet its minimum sales requirement in the upcoming years. The minimum purchase level takes into account a number of factors including:

– Providing a base level of committed sales for GCC, with some level of uncommitted sales available enabling GCC to seek more favourable pricing in other regions and also to diversify its customer base.

– Providing a minimum purchase level that is reasonably achievable by Winsway.

– A level of sales that allow a replacement agent to be found in a timely manner in the event that this is required.

The historical sales transaction of GCC Coal by Winsway are as follows:

	2012	**2013**	**2014**
Sales (million tonnes)	0.3	1.3	0.3
Average Price (US$/t)	155	103	84
Sales (US$m)	45.6	140.9	26.5

According to Winsway annual report, in tackling a weakening coking coal market and to ensure its infrastructure and logistic-related assets were well maintained and fully utilized, Winsway lowered its profit margin target and average selling price in exchange for higher volume in 2013. As a result, the sales transaction of GCC Coal by Winsway improved compared to 2012.

The significant decrease in sales transaction of GCC Coal by Winsway in 2014 compared to 2013 was due to continued oversupply of global coal and reduced coal demand in China. Prices of coal in the China market continued to show a clear downturn trend and, as Winsway's sales were concentrated in that market, Winsway lost some competitive advantage as a result of the combination of dropping selling prices and relative high transportation cost. As a result, GCC increased sales of coal in 2014 to Marubeni and other agents.

(ii) The estimated annual production of GCC

GCC is planning to reduce the production rate in 2015, with the shutdown of the surface mine until early 2017. Table below (abstract from latest Competent Person's Report in Appendix V) shows the estimated annual production of GCC for 41 years.

Grande Cache Coal Production Plan

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025-29	FY 2030-34	FY 2035-39	FY 2040-55
Total Waste (kbcm)	760	0	15,330	16,608	19,279	18,878	19,641	18,672	20,085	18,828	164,139	172,585	171,491	455,075
Run-of-Mine (ktROM)														
Surface Areas														
No.8	116	0	2.373	2,524	2,472	1,955	865	682	1,232	1,418	0	0	0	0
No.2	0	0	0	0	81	378	1,641	822	323	940	7,562	3,452	802	0
No. 9	0	0	0	0	0	0	0	0	0	0	999	5,182	5,413	13,776
No.12 North	0	0	0	0	0	0	0	0	0	0	0	0	0	46,137
No.16	0	0	0	0	0	0	0	0	0	0	8,003	7,202	9,166	10,476
Total O/P	**116**	**0**	**2,373**	**2,524**	**2,553**	**2,332**	**2,507**	**1,504**	**1,555**	**2,358**	**16,564**	**15,836**	**15,381**	**70,389**
Underground														
No.12 South B2	521	–	–	–	–	–	–	–	–	–	–	–	–	–
No.12 South B2	135	1,023	947	750	220	–	–	–	–	–	–	–	–	–
No.12 South B2EE	–	47	207	630	–	–	–	–	–	–	–	–	–	–
No.12 South A	–	–	–	328	1,409	1,624	1,500	706	–	–	260	–	–	–
No.12 South A	–	–	–	–	–	111	560	1,403	1,991	1,935	2,187	–	–	~
No. 9D	–	~	–	–	–	273	352	1,729	1,757	1,973	9,929	9,538	9,813	28,119
Total U/G	**656**	**1,070**	**1,155**	**1,708**	**1,629**	**2,008**	**2,412**	**3,838**	**3,748**	**3,908**	**12,376**	**9,538**	**9,813**	**28,119**
Grand Total	**772**	**1,070**	**3,528**	**4,232**	**4,181**	**4,340**	**4,918**	**5,342**	**5,303**	**6,266**	**28,940**	**25,374**	**25,194**	**98,507**
Clean Met. Coal (ktcc)	531	793	2,495	2,850	2,552	2,617	3,428	3,574	3,624	4,265	17,733	16,617	17,227	68,999
Clean Thermal (ktcc)	1	0	71	178	247	203	73	129	154	137	2,263	1,044	950	2,866
Total Clean Coal (ktcc}	**532**	**793**	**2,566**	**3,028**	**2,799**	**2,820**	**3,502**	**3,703**	**3,778**	**4,402**	**19,997**	**17,661**	**18,177**	**71,865**
Strip Ratio (bcm/tcc)	**10.5**	**0.0**	**9.0**	**9.1**	**11.2**	**12.2**	**10.8**	**17.8**	**18.1**	**11.7**	**14.0**	**14.9**	**15.4**	**8.9**

Note: Does not include pond coal and does not list total saleable coal tonnes *(iii) The expected coal price*

Coking coal prices are not expected to recover in any great extent over the next year or two. However, since the current low prices cannot be sustained indefinitely without severe supply disruption, a recovery is likely to occur in the medium term (2018-2020). Table below shows metallurgical coal prices in US$.

Projected Metallurgical Coal Prices (US$)

Sales Price	Metallurgical Coal, US$/t FOB West Coast
FY 2015	$95
FY 2016	$104
FY 2017	$110
FY 2018	$140
FY 2019	$143
FY 2020	$145
FY 2021	$170
FY 2022	$170
FY 2023	$170
FY 2024	$170
FY 2025–29	$170
FY 2030–2034	$170
FY 2035–2039	$170
FY 2040–56	$170

* *extract from Appendix V*

For the long term, the potential for continued supply growth from current capacity expansions reaches a limit towards the end of the decade. Continued demand growth, which will likely be steady but not spectacular, is expected to result in demand exceeding the supply available from mines that are in operation today. New capacity will be needed after 2020, accompanied by the necessary price increase to encourage investment for the replacement tonnage. Please refer to Section 19 & 22 of Appendix V for further details.

Beyond 2020, a step increase in coking coal pricing is expected, not unlike previous price steps that have occurred: the period 2010-2012 saw a 33% step jump above the pricing for 2007-2009, which in itself represented a 75% increase over the 2004-2006 pricing levels. These price steps were essentially driven by supply shortages.

(iv) Expected fees associated with the GCC coal

Selling expenses associated with the sale of GCC coal include wages for the GCC marketing staff, testing, weighing and demurrage and a marketing fee that set out in the commercial invoice of each shipment.

Pricing Mechanism

A pricing mechanism has been pre-established to ensure that each transaction under the Winsway Marketing Agency Agreement is conducted on normal commercial terms and not prejudicial to the interests of the issuer and its minority shareholder. In particular, coal sales under the agreement and the payment of the marketing fee will be subject to the price offered for those coal sales reflecting market prices, as set out below.

The Winsway Marketing Agent and GCC LP shall discuss in good faith and agree before the commencement of the fiscal quarter on the delivery of the quantity of GCC Coal for the following quarter and the applicable coal price for each buyer. The price of GCC Coal per ton shall be determined through arm's-length negotiations based upon prevailing market prices in the PRC.

Payment of the marketing fee to the Winsway Marketing Agent and counting of the amount of GCC Coal towards satisfaction of the Minimum Sales and Minimum Purchases is subject to the agreement on the price of GCC Coal, and if there is no agreement whether or not the price offered is higher or lower than a bottomline price as determined from time to time. Market and bottomline prices will be determined with reference to an appropriate index which currently is the published assessment for Platts HCC 64 Mid Vol price index.

If GCC LP fails to meet the Minimum Sales in any fiscal year:

(i) GCC LP shall pay the marketing fee to the Winsway Marketing Agent for the volume of GCC Coal accepted by the Winsway Marketing Agent during the Prescribed Period; and

(ii) GCC LP shall, subject to any mutual agreement of the parties to the contrary, make up 100% of the GCC shortfall, being the actual amount of coal sold to the Winsway Marketing Agent by GCC LP subtracted from the Minimum Sales in any fiscal year, during the first quarter of the following fiscal year (the "**Prescribed Period**").

If the Winsway Marketing Agent fails to meet the Minimum Purchases in any given fiscal year:

(i) The Winsway Marketing Agent shall provide a letter of credit for the shortfall, being the actual amount of coal purchased by the Winsway Marketing Agent from GCC LP subtracted from the Minimum Purchases in any fiscal year, on the first day of the following fiscal year.

(ii) Subject to any mutual agreement of the parties to the contrary, the shortfall shall be delivered in instalments over the following fiscal year.

(iii) GCC LP shall pay the marketing fee on all deliveries in satisfaction of the shortfall.

If the Winsway Marketing Agent fails to make up such shortfall twice during the term, GCC LP has the right to terminate the agreement.

Indemnity

The Company agrees to indemnify the Winsway Marketing Agent against any liabilities which the Winsway Marketing Agent may incur as a result of acting with reasonable care and skill within the scope of its authority under the Winsway Marketing Agency Agreement as marketing agent for GCC LP.

Listing Rules Implications

Following SPA Completion, GCC shall become an indirect subsidiary of the Company to be held as to approximately 82.74% by the Purchaser and approximately 17.26% by Winsway Seller. By virtue of its retained indirect approximately 17.26% interest in GCC, Winsway through the Winsway Seller will become a substantial shareholder of GCC and hence a connected person of the Company at the subsidiary level. As a result, the proposed transaction contemplated under the Winsway Marketing Agency Agreement will constitute a continuing connected transaction of the Company, under Chapter 14A of the Listing Rules subject to the reporting and disclosure and Independent Shareholders' approval requirements as stipulated and exempted in Chapter 14A of the Listing Rules.

The Company has established an Independent Board Committee and appointed an independent financial adviser to advise the Independent Shareholders as to whether the terms of the Winsway Marketing Agency Agreement are fair and reasonable and whether it is in the interests of the Company and the Shareholders as a whole.

The text of the letter of recommendation from the Independent Board Committee and the independent financial adviser are set out in the sections headed "Letter from the Independent Board Committee" and "Letter from Donvex Capital" to this circular.

INTERIM SUPPORT AGREEMENT

The Marubeni Seller, the Winsway Seller and GCC have acknowledged that continued operation of the business of the GCC Group requires additional funding. The Company and the Purchaser are willing and have agreed to provide additional funding for GCC and GCC LP under the Amended and Restated Bridge Loan Agreement, pending SPA Completion.

Concurrently with the execution of the Amended and Restated Bridge Loan Agreement, the Purchaser, the Company, Winsway Seller, Marubeni Seller, GCC and GCC LP had on 17 December 2014 (after trading hours) entered into the Interim Support Agreement, as supplemented by letter agreements among the same parties on 24 December 2014 and 13 May 2015, which terms were negotiated among the parties on an arm's length basis. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Marubeni Seller, Winsway Seller, GCC and GCC LP and their respective ultimate beneficial owners are Independent Third Parties. The principal terms of the Interim Support Agreement are as follows:

Scope

The Interim Support Agreement shall govern and define the respective rights and obligations of the Company and the Purchaser, the Marubeni Seller and the Winsway Seller in connection with the operation of the GCC Group by GCC prior to SPA Completion.

The Marubeni Seller and the Winsway Seller have agreed to direct GCC to operate the GCC Group under an interim operational plan on the understanding that the roles of the Company and the Purchaser during the Interim Period shall be limited to:

(i) provision of the Amended Bridge Loan pursuant to the Amended and Restated Bridge Loan Agreement;

(ii) dispatch of personnel as observers at the premises of the GCC Group ("**Creditor Representative**") to ensure that proceeds of the Amended Bridge Loan are used in the agreed manner; and

(iii) recommendation of changes from time to time to the GCC Group.

Term and effectiveness

The Interim Support Agreement shall come into force and be effective as of the date of execution and shall continue in existence from the date of execution and terminate automatically upon the expiration of the Interim Period, except that the agreement can be terminated early:

(i) by the Company and the Purchaser, if the Capital Contribution Waiver is for any reason withdrawn or amended without their prior written consent;

(ii) by the Company and the Purchaser in the event of default of the Marubeni Seller and the Winsway Seller under the Interim Support Agreement;

(iii) by the Company and the Purchaser if the parties to the Interim Support Agreement cannot agree on an alternative change to an interim operational plan within four weeks of the receipt of an objection notice to changes recommended by the Creditor Representatives from GCC;

(iv) by the Company and the Purchaser if the parties to the Interim Support Agreement cannot agree on an amendment to an interim operational plan within four weeks of the receipt of a Plan Change Notice (as defined below); or

(v) by the Marubeni Seller and Winsway Seller in the event of default of the Company and the Purchaser under the Interim Support Agreement.

In the case of termination of the Interim Support Agreement, any party thereto can provide notice to the other parties to terminate (as applicable) the Marubeni SPA and the Winsway SPA.

Operations of the GCC Group

Throughout the term of the Interim Support Agreement, the parties thereto shall cooperate with one another and use their good faith, commercially reasonable efforts to effect the efficient, timely and seamless provision and carrying out of an interim operational plan.

Interim financing

Nothing in the Interim Support Agreement, the Winsway SPA, the Marubeni SPA or the Bridge Loan Agreement shall be construed as requiring the Company and the Purchaser to advance any funds greater than those contemplated by the Amended Bridge Loan provided that if GCC and GCC LP do not have sufficient funds to survive until SPA Completion the Marubeni Seller, Winsway Seller, GCC and GCC LP may take any action to cause an Insolvency Event to occur and thereafter each of the Marubeni Seller and Winsway Seller shall have the option to terminate the Amended and Restated Bridge Loan Agreement, the Interim Support Agreement and (as applicable) the Marubeni SPA and the Winsway SPA.

The Purchaser's compliance with its obligations under the Amended Bridge Loan, subject to the terms of the Amended and Restated Bridge Loan Agreement, during the term of the Interim Support Agreement shall be deemed a fulfilment of the Company's funding obligations under each of the Winsway SPA and Marubeni SPA. The maximum amount of the Amended Bridge Loan under the Interim Support Agreement is US$50 million. It is expected that the funding requirement of the GCC Group under the Interim Support Agreement up to the end of July 2015 will be US$50 million and therefore the Amended Bridge Loan will be fully utilized by the end of July 2015 if SPA Completion has not occurred earlier. As of the Latest Practical Date, approximately US$40 million of it has been drawn down under the Amended Bridge Loan. The remaining US$10 million is expected to be drawn down between the Latest Practicable Date to the SPA Completion period to support the capital, operating costs and working capital of the Target Group.

Services

The GCC Group shall use its commercially reasonable efforts to improve, develop, operate and maintain the business (the "**Services**") in accordance with the terms of the Interim Support Agreement. The Services shall be rendered by officers, directors and employees of the GCC Group (the "**Servicing Team**").

The roles of Creditor Representatives shall be limited to those as observers; provided that they shall be entitled to recommend reasonable changes to the scope and nature of the Services to protect the rights of the Company and the Purchaser as creditors of the GCC Group (each a "**Creditor Recommendation**").

In order for the Purchaser to monitor GCC Group, subject to Applicable Laws and full compliance of the confidentiality provisions set out in the Interim Support Agreement and the procurement of such compliance by the Company and the Purchaser of any professional and other advisors, all Creditor Representatives, as well as any professional and other advisors of the Company and the Purchaser, shall have full access to the premises of the GCC Group.

The parties to the Interim Support Agreement agree to share the costs of the Servicing Team and Creditor Representatives based on the following rules: (i) all compensation payable to the Creditor Representatives shall be borne exclusively by the Purchaser; and (ii) all compensation payable to any member of the board of directors and management committee of GCC that is currently paid by Marubeni Seller and Winsway Seller who appointed that member shall continue to be borne by Marubeni Seller and Winsway Seller.

Deviation from interim objectives, plan and budgets

The Company and the Purchaser acknowledge and agree that GCC and GCC LP shall be entitled to deviate from and amend the interim objectives, plan and any applicable budgets in case of the following:

(i) compliance by GCC and GCC LP with Applicable Laws;

(ii) compliance by GCC or GCC LP with any changes in third party requirements made under contracts for the supply of coal by GCC or GCC LP that have been executed and not terminated as at the date of the Interim Support Agreement; and

(iii) any Force Majeure Event,

by GCC delivering a written notice (a "**Plan Change Notice**") to the Company and the Purchaser promptly upon the occurrence of any of the above events, setting forth the details of the event and its projected impact on the interim objectives, plan and any applicable budgets, and the parties shall consider and discuss in good faith to agree on an amendment thereto, including any changes to the budgets stipulated under the Amended Bridge Loan.

If the parties fail to agree on any amendment thereto within the prescribed period, GCC and GCC LP shall be entitled to deviate from and amend the interim objectives, plan and any applicable budgets as GCC and GCC LP deem necessary to comply with or resolve any matter arising under (i) to (iii) immediately above (without prejudice to the Company and the Purchaser's right of termination set out above) the Company and the Purchaser shall continue to fund such deviation and amendment to the interim objectives, plan and any applicable budgets.

Covenants of the Company and the Purchaser

Each of the Company and the Purchaser covenants, jointly and severally, to the Marubeni Seller and Winsway Seller and the GCC Group that it will:

(i) not unduly interfere with GCC in its delivery of the Services and the operation of the business;

(ii) use commercially reasonable efforts to ensure that the actions taken by Creditor Representatives at the premises of the GCC Group shall be in compliance with Applicable Laws and the internal policies of the GCC Group, copies of which have been provided to the Company and the Purchaser as of the date of execution of the Interim Support Agreement;

(iii) use commercially reasonable efforts to ensure that the Creditor Recommendations will not be in contravention with Applicable Laws, provided however that it shall be the GCC Group's sole and absolute responsibility to ensure that all Services shall be conducted in compliance with all Applicable Laws; and

(iv) provide to GCC and GCC LP the Amended Bridge Loan in accordance with the provisions of the Interim Support Agreement and the Amended and Restated Bridge Loan Agreement.

Default

Any party to the Interim Support Agreement shall be a "Defaulting Party" in the following circumstances (each circumstance, a "**Default**"):

(i) any representation or warranty made by such party under the Interim Support Agreement proves to have been incorrect in any material respect when made;

(ii) except in the case of (iii) below, such party to the Interim Support Agreement commits a material breach of the Interim Support Agreement and that breach:

(a) is incapable of remedy; or

(b) if capable of remedy, is not remedied within ten (10) Business Days for a financial breach, and fifteen (15) Business Days for other breaches, of being notified in writing by any other party to the Interim Support Agreement of the breach;

(iii) in the case of the Company and the Purchaser, if the Company and the Purchaser fail to comply with certain funding obligations and such non-compliance is not remedied within five (5) Business Days of being notified in writing by GCC or any of the Marubeni Seller and Winsway Seller of the breach;

(iv) an Insolvency Event occurs with respect to such party to the Interim Support Agreement; or

(v) a Default (as defined in the Amended Bridge Loan) of the Amended Bridge Loan occurs;

If a Default has occurred, any party that is not a Defaulting Party may give a written notice to the Defaulting Party (a "**Default Notice**") specifying the particulars of the Default.

Effect of Default of the GCC Shareholders

Upon the issue of a Default Notice in respect of any Default of the Marubeni Seller and Winsway Seller, in addition to any remedies available at law or in equity, the Company and the Purchaser shall:

(i) no longer be obligated to make any further advances under the Bridge Loan Agreement or Amended Bridge Loan;

(ii) be entitled to exercise all of its rights and remedies under the Bridge Loan Agreement or Amended Bridge Loan in respect of all amounts then owing to them; and

(iii) have the option to terminate the Interim Support Agreement by giving written notice to the Marubeni Seller and Winsway Seller.

Effect of Default of the Company and the Purchaser

Upon the issue of a Default Notice in respect of any Default of either or both of the Company and the Purchaser, in addition to any remedies available at law or in equity, each of the Marubeni Seller and Winsway Seller shall have the option to terminate the Interim Support Agreement and the Marubeni Seller, Winsway Seller, GCC and GCC LP may take action causing an Insolvency Event to occur and thereafter each of the Marubeni Seller and Winsway Seller shall have the option to terminate the (as applicable) Marubeni SPA and Winsway SPA.

Indemnification by GCC and GCC LP

Each of GCC and GCC LP shall, jointly and severally, indemnify and defend the Covered Creditor Person (each an "**Indemnified Creditor Party**") from and against any and all Losses relating to, arising out of, or resulting from claims made by non-Affiliate third parties in the following matters (each an "**Indemnifiable Creditor Claim**"):

(a) any act or omission of a Covered Creditor Person in the design of the interim operational plan or the handling of the plan as an observer, including any recommendation made to the Services rendered thereunder; and

(b) any changes in the business, financial condition and results of operations of the GCC Group during the Interim Period,

provided, however, that such limitation on liability will not extend to or otherwise limit any liabilities that have resulted directly from such Indemnified Creditor Person's gross negligence, willful misconduct or fraud.

Consequence if SPA Completion does not occur

If SPA Completion does not occur, GCC hereby undertakes to pay a gratuity (the "**Gratuity**") to the Company in the following fixed amount corresponding to the month of the termination of the Marubeni SPA or Winsway SPA (as applicable) occurs, as follows:

The amount of gratuity payable has been amended to a range of US$600,000 to US$1,900,000 for the month in which SPA Completion occurs or any SPA is terminated from April to July 2015.

If, as at 31 July 2015 completion under one or both of the Marubeni SPA and Winsway SPA has not occupied and neither of the Marubeni SPA and Winsway SPA has been terminated, the Parties shall negotiate in good faith to enter into an additional side letter to amend the gratuity payable.

INFORMATION ON THE TARGET GROUP

Set out below is the group structure, business and financial information of the Target Group based on information provided by the Winsway Seller and the Marubeni Seller.

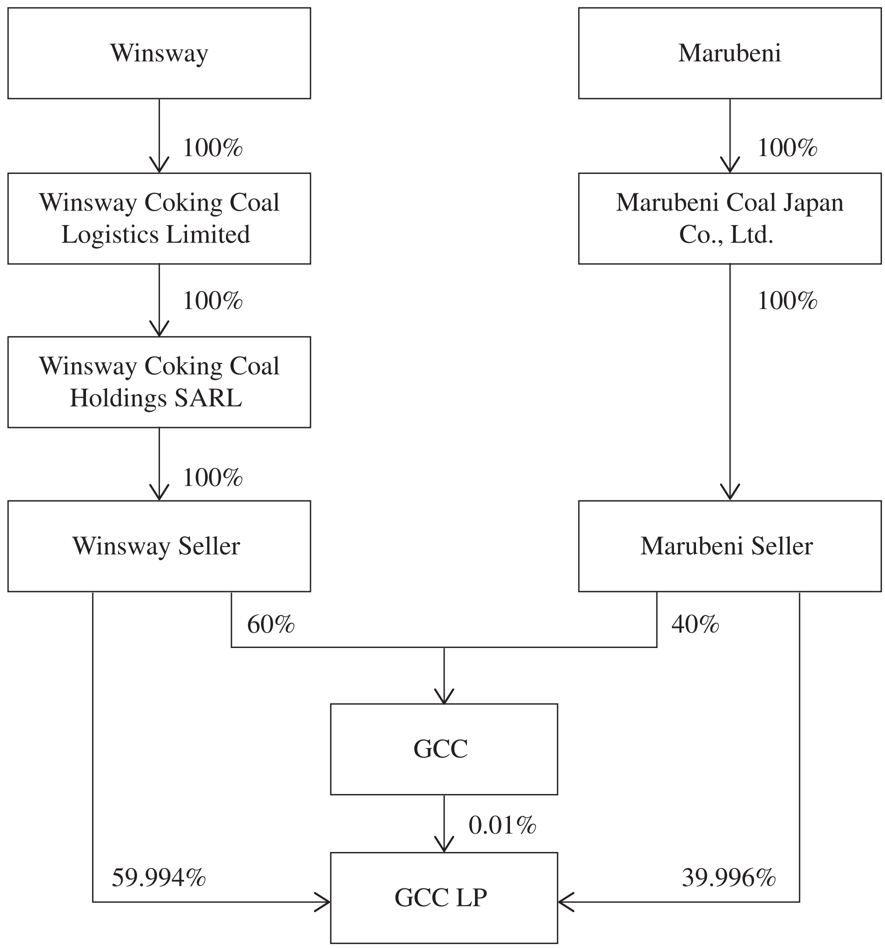
Information on the Target Group

GCC is a company incorporated in Alberta, Canada and is a metallurgical coal mining company engaged in the production and sales of premium hard coking coal, which was categorised as a discontinued operation in the consolidated statement of profit or loss and the assets and liabilities of which were classified as a disposal group held for sale in the interim financial statements of Winsway for the period ended 30 June 2014. The Company understands that GCC's operation has been in production since 2004 and is an exporter of premium low volatile hard coking coal and one of the few coking coal producers in North America with the ability to export from the west coast to access Asian end user markets. It was acquired by Winsway, together with Marubeni, in March 2012.

Following the completion of the acquisition of GCC and restructuring of its assets and liabilities immediately after the then acquisition, GCC became an indirect subsidiary of Winsway owned as to 60% by Winsway and 40% by Marubeni. GCC in turn owns 0.01% and is the General Partner of GCC LP which operates the Grande Cache mine. GCC LP is an Alberta Limited Partnership indirectly held by Winsway as to 59.994%, Marubeni as to 39.996% and GCC as to 0.01%. GCC LP is engaged in the development of coal mines and the production of coking coal and related products.

Shareholding Structure of the Target Group

Set out below is the shareholding structure of the Target Group immediately before SPA Completion:



GCC's Grande Cache mine

(i) Overview of the mineral assets

The Target Group operates a mine that produces metallurgical coal for the steel industry from its coal leases covering over 29,000 hectares in the Smoky River Coalfield located in West Central Alberta, Canada (the "**Project**").

GCC's operations, pits and process facilities are located within its coal mining lease blocks in the Grande Cache area of West Central Alberta, approximately 400 kilometres west of the city of Edmonton, the capital of the Province of Alberta in Canada. The minesite is approximately 20 kilometres north of the town of Grande Cache, in the Municipal District of Greenview. A paved two-lane, provincial Highway 16 connects the Project area with the town of Grande Cache and another highway connects Grande Cache with the city of Grande Prairie, 185 kilometres to the north and the town of Hinton, 145 kilometres to the southeast. The Project area is served by an existing branch line of Canadian National Railway (the "**CN**"), which connects with the main east-west line of CN, allowing access to the major coal export terminals in British Columbia and the Great Lakes.

(ii) Grant and expiry dates of the licenses

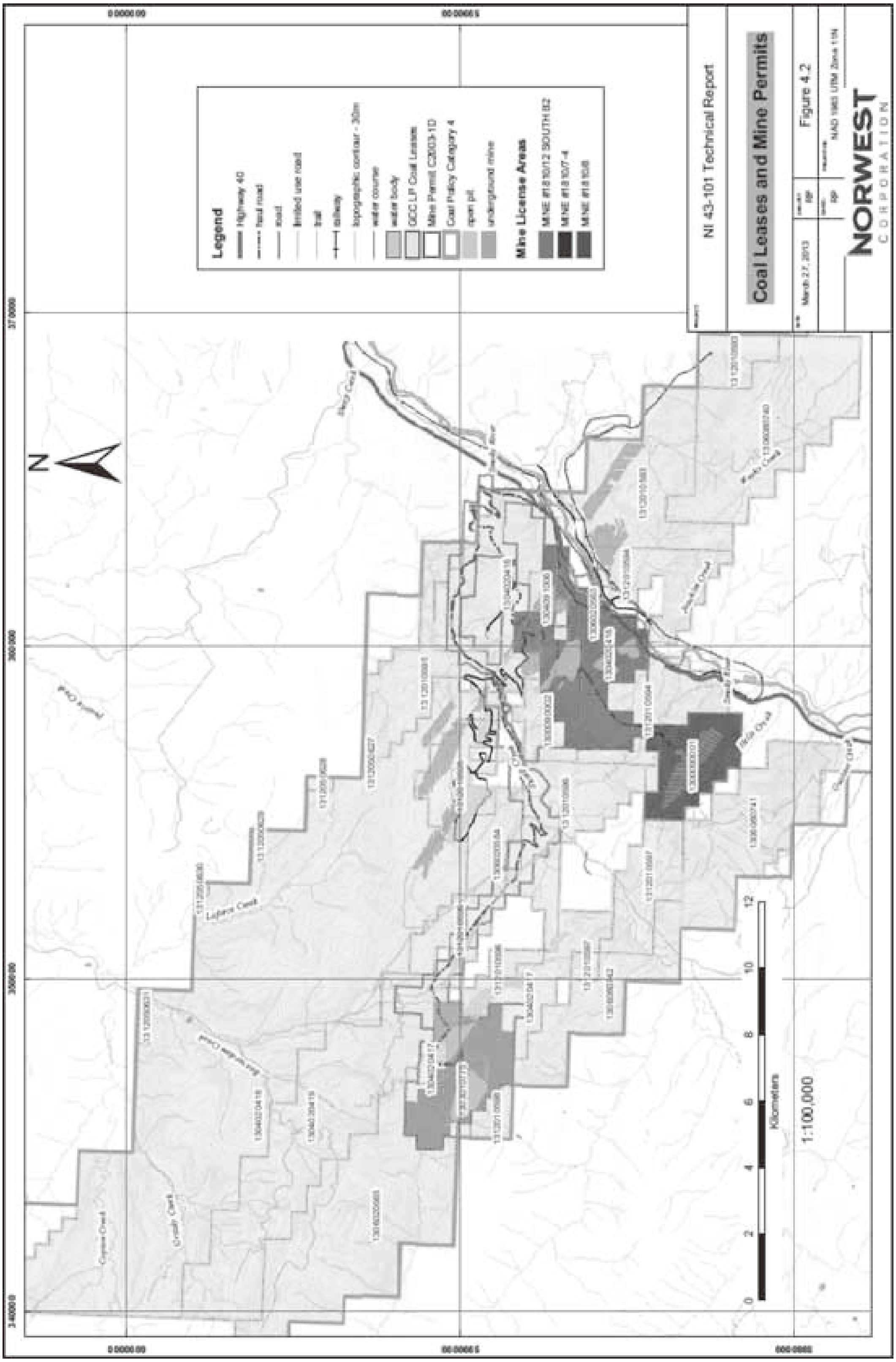
In Alberta, coal tenure is held through coal leases granted by the province. Surface and underground mining rights are also granted by the province first through a mine permit, then by a mine license for each individual mining area. GCC currently has approximately 29,968 hectares (ha) under coal lease, with dates of record ranging from the year 2000 through 2012. There are no expiry dates for other licenses/permits and the Company does not foresee that there are any legal or other impediments in renewing the coal leases.

The mineral leases that contain the coal resources and reserves presented in this report are summarized below in the Table 1 – Summary of coal lease tenure at GCC and Table 1 – Summary of coal lease and mine permits.

Table 1 Summary of coal lease tenure at GCC

Lease Number	Mining Area	Area (ha)	Date Recorded	Expiry Date
1300090001	No. 7	608	6 September 2000	6 September 2015
1300090002	No. 8	496	6 September 2000	6 September 2015
1303010775	No. 12 South B2	224	31 January 2003	31 January 2018
1304020416	No. 2 and part of No. 8	1,744	2 February 2004	2 February 2019
1304020417	No. 12 South A and No. 12 South B2	912	2 February 2004	2 February 2019
1304020418	No. 9	8,720	2 February 2004	2 February 2019
1304020419	No. 16	2,576	2 February 2004	2 February 2019
1304091006	No. 2	192	1 September 2004	1 September 2019
1306020563	No. 8 East	64	17 February 2006	17 February 2021
1306020564	No. 9	416	17 February 2006	17 February 2021
1305020565	No. 12 North and No. 12 South B2 Underground	2,736	17 February 2006	17 February 2021
1306080740	No. 5	1,792	4 August 2006	4 August 2021
1306080741	No. 1	1,360	4 August 2006	4 August 2021
1306080742	No. 1 North	864	4 August 2006	4 August 2021
1312010593	No. 5	1,680	26 January 2012	26 January 2027
1312010594	No. 5	1,584	26 January 2012	26 January 2027
1212010595	No. 9	1,488	26 January 2012	26 January 2027
1312010596	No. 12 South	1,568	26 January 2012	26 January 2027
1312010597	No. 11	656	26 January 2012	26 January 2027
1312010598	No. 12 South	144	26 January 2012	26 January 2027
1312050627	No. 9	16	3 May 2012	3 May 2027
1312050628	No. 9	32	3 May 2012	3 May 2027
1312050629	No. 9	16	3 May 2012	3 May 2027
1312050630	No. 9	16	3 May 2012	3 May 2027
1312050631	No. 9	64	3 May 2012	3 May 2027
Total		29,968		

Figure 1 – Coal leases and mine permits



Coal leases historically are granted by the Provincial Government of Alberta for a period of 15 years and are renewable. Leases are granted with the following conditions:

- Payment of a royalty (currently 1% of Product Revenue)
- Compliance with laws:
  - Mines and Minerals Act
  - Coal Conservation Act
- Indemnification of Leaser
- Lost coal provision
- Agreement not to mine, without consent, under any bridge, railway, pipeline, public road or highway
- Special provisions of the GCC leases include:
  - Cannot transfer lease without consent
  - Compliance with a plan for mining coal from the lease
  - Compliance with milestones, in some leases
  - Renewal predicated on attaining milestones, in some leases.

GCC was incorporated in 2000 as a private Alberta corporation to reactivate coal mining and processing in the Grande Cache area on selected coal leases No. 1300090001 (No. 7 Lease) and 1300090002 (No. 8 Lease) issued by Alberta Energy Regulator on September 6, 2000. GCC was granted additional leases in 2003, 2004, 2006, and 2012 which, together with No. 7 and No. 8 leases, provided the basis for a longer term mine project.

GCC received Permit No. C 2003-1 from Alberta Energy and Utilities Board (EUB) on January 31, 2003, covering the areas of activity for the GCC Project including the No. 7 mining area, haul road, coal processing plant and related infrastructure. Subsequently, this Permit has been amended to encompass the No. 12 South B2 and the No. 8 surface mining areas and the No.12 South B2 underground operations area.

On January 22, 2003, GCC received an Order in Council for Approval C 85-1A from the EUB to resume operations of the coal processing plant. The Coal Processing Plant was subsequently amended in 2012 to allow production to its full name plate capacity at 3.86M clean coal tonnes per year.

The Energy Resources Conservation Board (ERCB), formerly EUB, issued Mine Licences for surface mining operations in the No. 12 South B2 and the No. 8 South, Middle and North Pits. GCC has completed surface mining operations in the No. 12 South B2 area. Due to the weak coking coal market and the capital requirement of the No.8 surface operation, the No. 8 surface operation was put into temporary suspension with a view to minimizing the projected cash flow to finance required capital input to the surface mining fleet to maintain availability. Surface operations in the No.8 North Pits was idled in January 2015 for a 22 month period. Coal recovery has ceased in the South and Middle Pits, although these pits are being backfilled as part of the decommissioning and reclamation process. Alberta Environment (AENV), presently designated as Alberta Environment and Sustainable Resource Development (AESRD), issued the corresponding EPEA Approvals, presently amended to EPEA Approval No. 155804-00-06, as well as Approvals under the *Water Act* for the associated water management facilities.

In November 2009, GCC filed an application for approval of the No. 12 South B2 underground operation with the ERCB and AENV. The application for the No. 12 South A Pit (Phase 1), originally filed in 2008, was re-submitted on March 15, 2010, to the ERCB and AENV, based on revised geotechnical, mine equipment and scheduling configurations. The ERCB subsequently issued Mine Licence C 2011-11 in July 2011 under Mine Permit C 2003-1 for the underground No. 12 South B2 mine; development of this mine began in August 2011 and is currently completing recovery of the 7/8 Seam and moving to the 4 Seam for future production. The No. 7 underground mine was depleted in January 2012. In March 2011 GCC filed an application with Alberta Energy for additional coal leases to consolidate its coal rights and enable GCC to undertake continued exploration and confirmation of coal reserves in support of its long range mine plan.

The Company sought advice from the Coal & Mineral Development Resources and Revenue and Operations Department of Alberta Energy (a ministry of the Government of Alberta) on 8 December 2014, and the department confirmed that GCC's existing permits and approvals are acceptable and has met conditions required for coal lease renewal in 2015.

GCC assets that are pledged to secure its banking facilities are shown below:

– Condominium property is pledged as security against the HSBC mortgage.

– Finance lease assets are pledged as security against the finance leases.

– All other assets including mining rights, current and future, are pledged as security against the CMBC and HSBC banking facilities.

(iii) Grades and quality

Grande Cache coking coal is primarily high rank, low volatile (LV) coking coal. As such it competes with low volatile coking coals from the Appalachian region of the United States, and with low volatile coking coals from Queensland.

The important quality parameters for metallurgical coal are:

- Ash Content – The relative amount of non-combustible material in the coal.
- Free Swelling Index (FSI) – a measure of the amount the coal swells when heated under controlled conditions. It gives a rough indication whether the coal is suitable for metallurgical use.
- Sulphur Content – the relative amount of sulphur in the coal.
- Volatile Matter Content – other than moisture, the substances that are given off as gas and vapour during combustion of the coal.

The operation produces a high quality, low-ash, low-volatile, hard coking coal, with an ash content of 8.5% to 9% sold for coke oven blends or as a pulverized injection coal. The quality of GCC's coal resources make them suitable for use as a metallurgical coal which has been successfully marketed over the life of the operation. Minor quantities of oxidized coal, occurring at the coal seams eroded contact, is sold occasionally on the spot market for thermal coal.

Coal resources

Coal resource models are generated from the drillhole information through the use of cross-sections and/or seam surface interpretation. The coal resource estimates are subdivided into categories based on "assurance of existence".

	Measured Coal Resources[(1)] *(million metric tonnes)*	**Indicated Coal Resources**[(1)] *(million metric tonnes)*	**Inferred Coal Resources**[(1)] *(million metric tonnes)*	**Total Coal Resources**[(1)] *(million metric tonnes)*
Surface Mining Area	232.7	138.0	53.1	423.8
Underground Areas	137.9	78.4	23.5	239.8
Grand Total	370.6	216.4	76.6	663.6

To qualify coal resources to coal reserves, a number of economic and technical factors must be applied, such as, the long term price of metallurgical coal in the domestic and international market place and the estimates for the recovery of coal.

	Proven ROM Coal Reserves[1] *(million metric tonnes)*	**Probable ROM Coal Reserves**[1] *(million metric tonnes)*	**Total ROM Coal Reserves**[1] *(million metric tonnes)*
Surface Mining Area	90.7	34.3	125.1
Underground Areas	67.5	14.5	82.0
Grand Total	158.2	48.8	207.1

Note 1: The estimated coal reserves and resources of the Grande Cache mine are prepared in accordance with the Competent Person's Report.

Note 2: Coal resources are inclusive of coal reserves.

GCC operated No.8 Surface Mine and No.12 SB2 Underground Mine in 2013, and the total Raw Coal Mined — Metallurgical (the "**ROM**") coal production during the year was 2.40 mt. For the year ended 31 December 2013, GCC coal production could be summarised as below:

	Production Volume *('000 tonnes)*
Surface Mine	
Mine 8	
Raw Coal Mined — Metallurgical (ROM)	1,266
Underground Mine	
Mine 12SB2	
Raw Coal Mined — Metallurgical (ROM)	1,135
Total	**2,401**

(iv) By-product

Oxidized coal is a by-product at GCC's operation and not included in these resources.

(v) Revenue and sales volume

The principal product from GCC is hard metallurgical coal. This coal is sold on the seaborne hard coking coal market. Its revenue, sales volume and average selling price are shown below.

Year	**Revenue** *(in US$ million)*	**Sales Volume** *(in million)*	**Average selling price (approximately)** *(USD/MT)*
2012	$214.43	1.20	$179
2013	$237.96	2.05	$116
2014	$164.08	1.59	$103

(vi) Mining life

The mine life for the combined operation as currently scheduled is approximately 41 years starting from 2015. This includes all of the current reserves, most of which are exhausted prior to 2048.

(vii) Access and major transportation networks

Provincial Highway 40 is a paved, two-lane road that connects the project area with the local town of Grande Cache (pop. 4,500). Highway 40 connects Grande Cache with the city of Grande Prairie (pop. 47,000) 185km to the north and the town of Hinton (pop. 10,000) 145km to the southeast. The GCC operation area is served by an existing branch line of Canadian National Railway (CNR). This line connects with the main east-west line of CNR, allowing access to the major coal export terminals in British Columbia and the Great Lakes.

(viii) Mining method

(a) Surface mining

The surface mines employ a truck and shovel operation commonly used in mountainous areas. The overlying waste rock is drilled and blasted and then removed in benches. Bench height is 15 m. The waste rock is trucked to designated waste storage areas (or "dumps") within prepared areas, and wherever practical backfilled into pit phases where excavation is complete. The use of hydraulic excavators, electric shovels and trucks are selected as the best fit for the expected mining conditions. The flexibility of truck-shovel mining methods makes it an ideal choice to handle the relative complexity of the geology and variability in coal qualities and products, as well as a proven low-cost method of surface mining.

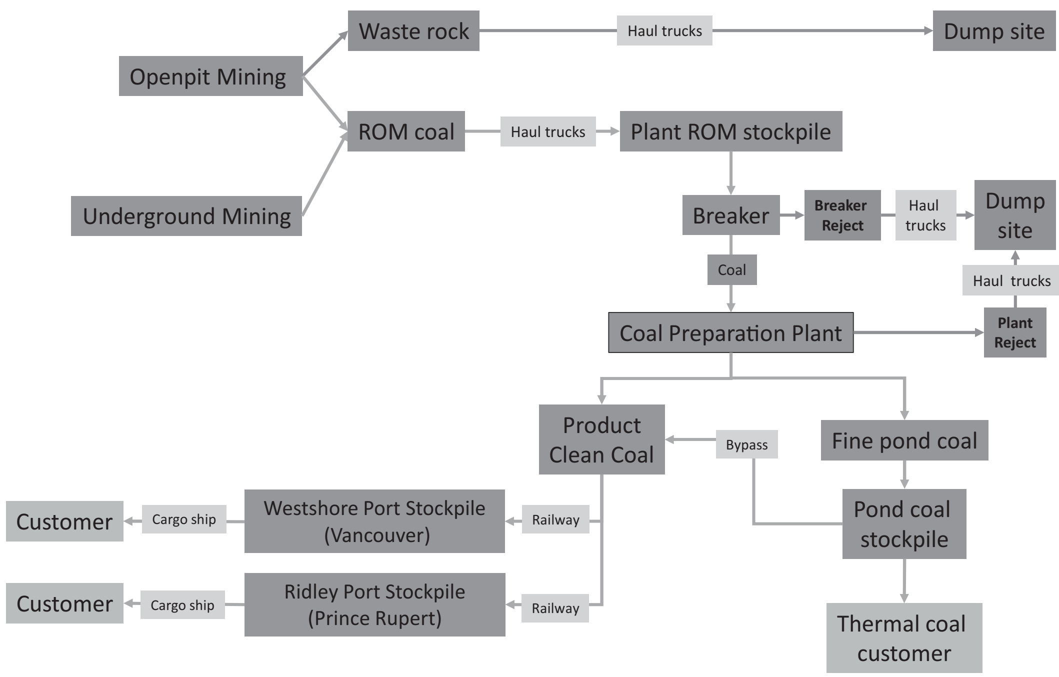
(b) Underground mining

The size of a mining area and the gradient of the seams are primary considerations in the selection of mining method. Mining areas with dip angles less than 16° allow consideration in the selection of room and pillar or longwall methods. However, the selection of the longwall method also requires a larger mineable area to justify the capitalization. Mining areas that average over16° are not productive for room and pillar mining and the longwall method becomes the primary mining method. The No. 12 South B2 Mine, the No. 12 South A Mine, and No. 9D Mine are, or are planned to be multiple seam mining operations. Mining of multi-seam areas has been sequenced to occur from the upper most to the lower seam, which has historically proven to be successful.

The current operations in the No. 12 South B2 underground operations and the adjacent No. 12 South A Area utilize, or are designed to utilize, the room and pillar mining method.

Workflow and production

The major mining and production steps/processes of the Target Group is shown in workflow diagram below. To the best of the Directors knowledge, there are no process is outsourced to contractors at this moment, except for the railway transportation and the port loading and stockpile management.



The production capacity, process plants, surface and underground mine are shown in the diagram below:

Production Capacity	
	Nominal Capacity (Rom)
Process Plant	4,400 kt
Surface Mine	3,325 kt
Underground Mine	1,800 kt

Production Capacity vs Actuals (Rom)		**2012**	**2013**	**2014**
Process Plant	kt	2,226	2,501	2,097
Surface Mine	kt	1,663	1,232	1,435
Underground Mine	kt	626	1,172	784
Process Plant	% of Capacity	51%	57%	48%
Surface Mine	% of Capacity	50%	37%	43%
Underground Mine	% of Capacity	35%	65%	44%

Reasons for the suspension of surface mine production:

(i) Surface mine coal production was suspended in January 2015, based on the short term projections of the coking coal market, and the ability of projected cashflow to finance required capital input to the surface mining fleet to maintain availability.

(ii) Engineering/economic investigations are ongoing as to the feasibility of resuming surface mining earlier than the projected timeframe of January 2017. (Page V-16-11of the Technical Report)

To the best of the Directors knowledge, there are no major accidents with outstanding liabilities/litigations occurred in the surface mine or processing plant operating areas.

Utilities

To secure stable and sufficient utility supplies for Target Group's existing and future business operations, GCC has entered into supply contracts for power and natural gas.

GCC has not had any material disruption of supply of power and natural gas. The risk of supply disruption of power and natural gas is very low in Alberta, where GCC operates, and there is more than one supplier of electric power and natural gas to the site.

Product delivery/shipment

GCC is a captive shipper to CNR and this is a constraint with respect to getting competitive rates and service, although rail freight costs in Canada are competitive on a global scale. Regarding existing transportation infrastructure, GCC leases the railway siding which is owned and operated by CNR. GCC loads unit trains with 100 cars up to 150 cars per train in 8 – 12 hours depending upon the train length. GCC is able to access to both Westshore terminals at Roberts Bank and Ridley terminals at Prince Rupert where cars being dumped and coal being loaded on ocean vessels. With the current setup of infrastructure and logistics, the Railway and Terminals are able and prepared to accommodate up to 3.5 million tons of throughput from GCC. It's believed that GCC has sufficient access to infrastructure. Additional capacity will be sought either on a spot or contract basis as required in the future in line with expansion plans. Given the long term nature of the business, increases in mining capacity are planned long in advance providing adequate time to align infrastructure and logistics capacity.

Regulatory, environmental and social matters

Mine sites located in the Province of Alberta (the Province) require numerous permits, licenses and approvals in order to operate. Various regulatory authorities supervise mining operations to ensure that the conditions and standards, which apply to mining activities are fulfilled. Below are the current status of the licenses and permits of GCC.

1. Coal leases 1300090001 and 130009002 expire on 6 September 2015. Both coal leases renewal can only be applied for 2 months in advance of expiry. The company will apply for such renewal at that time.

2. GCC has received an amended mining license for No. 12SB2-4 UG mine, as discussed Page V-133 and Page V-202.

3. No. 2 Surface area regulatory process (Page V-180) — There is no change in status, not started yet.

4. No. 9 Surface area regulatory process (Page V-180) — There is no change in status, not started yet.

5. No. 9 Underground area regulatory process (Page V-180) — There is no change in status, not started yet.

6. No. 12N/16 Surface area regulatory process (Page V-180) — Engineering work has started on a potential combination of 16 Mine East and the most south east area of 12N with the objective of defining a subset of the 16/12N reserves which are low strip ratio and not within critical environmental concern areas, and the intent of submitting an EIA pre-screen document in 2015 as discussed in 2015 NI43101.

7. No. 12SA Underground area regulatory process (Page V-181 and V-202) — Final engineering and geology refinement is in progress, with the intent to submit an application for mine permit and license in 2015.

8. No 8 Mine Surface area regulatory process (Page V-202) — A license amendment to modify 8 West Extension Pit as per the NI43101 mine plan was received March 30, 2015. Final engineering for a license application for the remaining reserves in 8 East and 8 West pits is in progress, with the intent to submit a license amendment application in 2015.

9. Exploration — There are generally no restrictions on exploration within surface land leases held by GCC.

10. On May 23, 2013, GCC received a High Risk Enforcement Action notice from the Energy Resources Conservation Board (ERCB), now Alberta Energy Regulator (AER) with regards to Failure to Mine and Operate in Accordance with the Mine Licence for the No. 12 South B2 Underground Operation. GCC responded to this situation with an action plan. On May 14, 2014, GCC was notified that AER is undertaking an investigation related to subsequent failure to comply with the underground mine license. GCC received a request for additional information related to past non-compliant events on April 13, 2015 with a response provided on April 30, 2015. GCC will provide additional information to AER by May 22, 2015 and will continue to work with AER to provide the requested information during this process.

Plant reject disposal (page 20-7 NI43101 2015 report), a recent change to approved operations is hauling heavy media reject to a disposal facility instead of co-mingling with waste rock which depends on an operating surface mine. A regulatory submission to expand the capacity of the disposal facility is in progress.

Surface disturbance reclamation, (Page V-182) – There are no significant changes to requirements in the EPEA approval received April 2015. GCC passed a government audit of reclamation costs used for reclamation bonding requirements in April 2015, with plans to recover bonding held by Alberta government for resloping and coversoil placement on completed No. 8 Mine waste rock dumps in 2016.

Water management (Page V-182) – A request to reduce sampling frequency on water management infrastructure by GCC was accepted for settling pond monitoring by Alberta Environment and codified in the new Environmental Protection and Enhancement Act approval received April 2015.

Air quality monitoring (Page V-182) – There is no change to air quality mitigation processes or monitoring. As can be seen in Figure 20.1, Page V-183 report, air quality compliance by GCC operations is improved from 2010 to 2014.

GCC received a new EPEA approval in April 2015, which specifies environment operating protocols for water and air management, and reclamation specifications, covering the next 10 years as referred to in Page V-176.

The Directors are not aware of any legal claims or proceedings that may have an influence on the rights to explore or mine and any claims that may exist over the land on which exploration or mining activity is being carried out including any ancestral or native claims.

Principal Product and Markets

Based on the information provided by Winsway, GCC's principal product is hard coking coal, which is a type of metallurgical coal, coal products suitable for use in the integrated steel mill process. When making steel, two of the key raw ingredients are iron ore and coke. Approximately 1.5 tonnes of metallurgical coal are needed to produce one tonne of coke. Only certain types of metallurgical coal have the necessary characteristics required to make coke. These characteristics include caking properties (the ability to melt, swell and re-solidify when heated) and low impurity levels.

Current status and future plan

Based on the Competent Person's Report, operations were suspended in January 2015 at the No. 8 surface operation. The No. 2 surface pits, which lie adjacent to the No. 8 pits, are planned to be brought into production in start of 2019. The No.16 pits and No. 9 pits are scheduled to commence operations in 2025 and in 2027, respectively at the completion of the No.8 surface operations. The No. 12 North area will be the last pits to be developed starting in 2038.

The underground operations currently employ the room-and-pillar mining method; activities include development and panel preparation followed by de-pillar mining. Five- or six-entry panels are developed with one belt conveyor system. The proposed new room-and-pillar mine is in the No. 12 South A area and like No. 12 South B2, mines the 4 Seam and the 7/8 Seam horizons. Underground coal production from the No. 9 Area is planned to occur from the proposed No. 9D Mine, which would utilize development and longwall equipment suitable for producing coal in steep gradient conditions in the 10 Seam and 4 Seam.

Consolidated financial information of the Target Group

Set out below is consolidated financial information on Target Group based on audited accounts provided by GCC:

	For the 12 months ended 31 December 2014	For the 12 months ended 31 December 2013	For the 12 months ended 31 December 2012
	US$'000	*US$'000*	*US$'000*
Net Assets	(94,397)	429,875	802,974
Profit/(loss) before taxation	(624,272)	(373,099)	87,072
Net profit/(loss) after taxation	(624,272)	(373,099)	87,072

The revenue of the Target Group for the years ended 31 December 2012, 2013 and 2014 were US$226,317,000, US$240,292,000 and US$164,083,000 respectively.

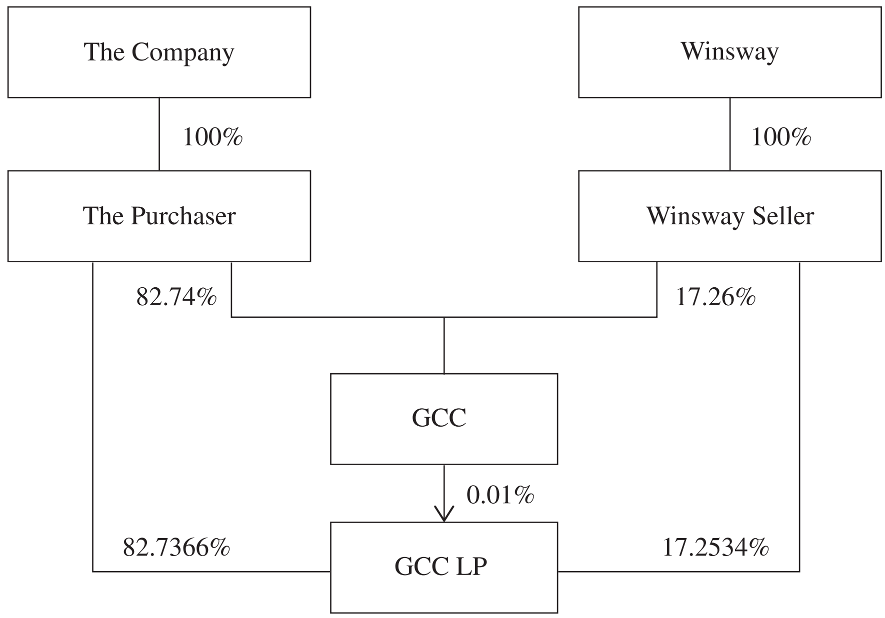
GCC recorded large losses for the past two years, significant impairment in assets in 2014 and 2013 and currently requires external capital to support ongoing operations.

The losses and the decrease in net assets in 2013 and 2014 are largely the result of impairment losses recorded in the respective years. Excluding the 2014 impairment loss of US$554 million, the remaining impairment loss was largely the result of operating costs per unit exceeding the sale price. The loss is lower than 2013 due to lower sales volumes on a year over year decrease in depletion and amortization due to the 2013 impairment loss reducing the depletable asset base. Excluding the 2013 impairment loss of US$265 million, the loss in 2013 was US$108 million. The US$108 million loss was largely the result of lower coal prices compared to 2012, partially offset by lower operating cost per ton compared to 2012.

For the years ended 31 December 2014 and 2013, the Target Group recognized impairment losses of US$554 million and US$265 million, respectively, relating to land and buildings, plant and equipment and mineral assets as a result of declining coal prices, continuing operating losses and negative cash flows in the Target Group, as well as the announcement of the potential acquisition of the Target Group for US$2. These triggering events mandated that an impairment test be conducted under IFRS. The impairment tests indicated that the book value of the assets was greater than the recoverable amount of the assets, requiring an impairment of the assets. These impairment losses were allocated to the non-financial assets proportionately based on the pre-impairment carrying amounts of each non-financial asset.

SHAREHOLDING STRUCTURE AS A RESULT OF THE ACQUISITION

Shareholding structure of the Target Group immediately after SPA Completion is as follows:



INFORMATION ON THE MARUBENI SELLER AND MARUBENI

The Marubeni Seller is a company incorporated in the Province of British Columbia, Canada and an indirect wholly-owned subsidiary of Marubeni. It is in the business of investment holding.

Marubeni is a company incorporated in Japan. It is a trading company with business divisions in iron & steel, information technology, power projects & infrastructure, energy, food, metals & mineral resources, development & construction, and chemicals.

INFORMATION ON THE WINSWAY SELLER AND WINSWAY

The Winsway Seller is a company incorporated in the Province of British Columbia, Canada and an indirect wholly-owned subsidiary of Winsway. It is an investment holding company.

Winsway is a company incorporated in the BVI with limited liability under the Business Companies Act of the BVI (2004) and listed on Stock Exchange (Stock Code: 1733). Winsway and its subsidiaries are principally engaged in the processing and trading of coking coal and other products, development of coal mills and production of coking coal (classified as a discontinued operation) and rendering of logistics services.

RISK FACTORS

Set out below are the principal risk factors which may be associated with the Acquisition:

Dependence on mining operations

The Target Group engages in the production and sales of premium hard coking coal through the Project, which consists of the coal mining lease blocks and processing facilities in the Grand Cache area of West Central Alberta, Canada. The coal products are transported by rail to major coal export terminals for further distribution. The business of the Target Group is dependent on the successful and continuous operation of the mine, which has been the major source of coal supply for its processing operations, and the ability to continue its access to infrastructure support. If there is any disruption for a sustained period to the continued operation of the Project or supporting infrastructure, the financial condition and results of operations of the Target Group may be materially and adversely affected.

Uncertainties associated with coal resources

The estimated amount of coal resources and reserves held by the Target Group in the Project, details of which are stated in the Competent Person's Report prepared by the technical adviser, is based on a number of assumptions and judgement on principal factors and variables such as knowledge, experience and industry practice, which may prove to deviate from the actual conditions of the Project, and which will be beyond the Company's control. Estimates of the resources and reserves may change significantly when new information becomes available or new factors arise. Consequently, the actual amounts of coal resources and coal reserves derived from the Project may deviate materially from the amounts estimated by the technical adviser.

Significant and continuous capital investment

Like similar operations in the mining sector, the Project requires significant and continuous capital investment. The Target Group's existing production and expansion projects may exceed their original budgets, may not be completed as planned or may not achieve the intended economic results or commercial viability. Actual capital expenditures of the Project may significantly exceed their original budgets because of various factors beyond the Target Group's control, which in turn may affect the Enlarged Group's financial condition.

Restrictive debt covenants

Covenants in the Target Group's senior banking facilities impose significant operating and financial restrictions on its operations. These restrictions include, among other things, a limitation on indebtedness and guarantees; liens and negative pledges; investments; restricted payments; mergers, acquisitions and asset sales; transactions with affiliates; changes in business conducted; and prepayment of junior indebtedness.

These restrictions could limit the Target Group's ability to obtain future financing, make acquisitions, fund capital expenditures, withstand downturns in its business or take advantage of business opportunities. Furthermore, these senior credit facilities prohibit GCC LP from making distributions to its partners.

A breach of any of these covenants could result in a default under the senior credit facilities. Upon the occurrence and during the continuance of an event of default under the senior credit facilities, the lenders could elect to declare all amounts outstanding under the senior credit facilities to be immediately due and payable.

Additional funding needs

Under the current weak international seaborne coking coal prices, it is expected that the Target Group will be unable to generate sufficient cash flow from its operations to meet its capital needs, including interest payables, capital lease repayment and capital expenditure. The Company therefore expects that the Target Group will likely require additional sources of financing in the near future.

After successful acquisition of the Target Group, the Company will cause the Target Group to explore alternative sources of financing, which may include raising additional capital from the issuance and sale of securities, restructuring its existing bank loans or entering into new debt financing arrangements. The relatively weak market sentiment within the coal sector and the restrictive debt covenants applicable to the Target Group, however, may affect its ability to rely on external sources. There is no guarantee that the Target Group will be able to secure additional financing, if required, or that any financing available will be on acceptable terms. Further, any issuance of securities could dilute the Company’s holdings.

Under the New Partnership Agreement, which will become effective upon SPA Completion, GCC LP can require capital contribution from its limited partners. Unless the Target Group can procure external sources of financing, the Company would likely be required to meet the funding demands from capital calls. Further, the Target Group’s existing senior banking facilities require the limited partners of GCC LP to make scheduled capital contributions to the Target Group from time to time.

If the Company cannot make a mandatory capital contribution to the Target Group using internally generated sources, it will need to raise funds through equity or debt financing or a combination thereof.

Fluctuation in coal demands and prices

The business of the Target Group will be sensitive to movements in the market prices for coal. Most of the revenue of the Target Group is expected to be derived from the sale of coal and coal product and such sale is expected to continue to account for a large percentage of the Target Group’s revenue in the future. The demand for coal is subject to numerous factors, including, but not limited to, economic conditions in the Canada, global economic conditions and fluctuations in industries with high demand for coal, such as the power and steel industries, which in turn affect the price of coal. International coal markets are cyclical, and price volatility on coal spot market is significant. Fluctuations in both prices and demand for the coal are beyond the control of the Target Group. In the absence of any offsetting factors, a significant and sustained adverse movement in the market prices of or demands for coal may materially and adversely affect the financial condition and results of operations of the coking coal producers including the Target Group. A significant reduction in the market prices of or demands for coal for a prolonged period may lead to a material deterioration in the financial performance of the Target Group.

Operational risks, hazards and unexpected disruptions

The operations of the Target Group are subject to a number of operational risks and hazards, some of which are beyond its control. These risks and hazards include unexpected maintenance or technical problems, periodic interruptions due to inclement or hazardous weather conditions, natural disasters, industrial accidents, power or fuel supply interruptions, critical equipment failure, malfunction and breakdowns of information management systems, fires, and usual or unexpected variations in mineralization, geological or mining conditions. These risks and hazards may result in personal injury, damage to or destruction of properties or production facilities, environmental damage, business interruption, and delay in product delivery. Any of these events could result in legal liability of the Target Group and its directors and officers and damage its business reputation and corporate image.

Failure to satisfy mining licenses and permits requirements

Mining licenses and permits are subject to periodic review and inspection. The Target Group received a High Risk Enforcement Action notice from Energy Resource Conversation Board (now Alberta Energy Regulator ("**AER**")) for failure to mine and operate in accordance with the mining license related to an underground mining operation. As requested, Target Group completed the development, implementation and submission of an action plan to address the noncompliance event and met with AER staff to review the action plan. If any mining license and permit of the Target Group is revoked because of any non-compliance events, the Target Group's operation might be adversely affected.

Reliance on senior management and technical staff

The Company expects the existing management of the Target Group will remain in office at least until SPA Completion. Continuation of their services will be subject to a variety of factors, some of which are beyond the Company's control. If a significant number of members of senior management or technical staff cease to serve the Group in the future or fail to perform their duties as expected, or the Group is unable to recruit and train key personnel and management personnel and technical staff, the financial condition and results of operations of the Target Group may be adversely affected.

Ability to manage the Project effectively

As part of the Target Group's expansion project, the Target Group has successfully procured a license for its Surface 8 West Extension and mining activities can commence in that area anytime. There can be no assurance that the Target Group will be able to manage effectively its expansion project or that the Target Group's current personnel, systems, procedures and controls will be adequate to support the Target Group's operations. Any failure to effectively manage the Target Group's growth and development could have a material adverse effect on the Target Group's business, financial condition and results of operations. The Target Group'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 Target Group's personnel, systems, procedures and controls. Any failure of these may result in delays in the achievement of operational targets with a consequent adverse impact on the business, operations and financial performance of the Target Group.

Adequacy of insurance coverage

The Target Group maintains insurance coverage that it believes is substantially consistent with the mining industry practice. However, there is no guarantee that insurance coverage will always be available to the Target Group at economically viable premiums (if at all) or that, in the event of a claim, the level of insurance carried by the Target Group now or in the future is or will be adequate to cover the entire claim/liability. Exploration, development and production operations on mineral properties involve numerous risks, including environment risks, such as unexpected or unusual geological operating conditions, rock bursts or slides, fires, floods, earthquakes or other environmental occurrences, and political and social instability. The Target Group does not maintain insurance against any environmental or political risks. Any liabilities arise that are not insured or where insurance coverage is inadequate to cover such liabilities which may materially or adversely affect the actual or prospective profitability and the business and operation results. The Target Group's business could also be materially and adversely affected by claims for which it is not adequately insured.

Delay in obtaining regulatory approvals

The Target Group's operation is subject to the regulations of Canada Fisheries Act, Navigable Waters Protection Act, Canadian Environmental Protection Act and Explosive Act etc. Currently, the Target Group holds all permits required for its active operations. However, mining projects may trigger the need to complete a provincial and a joint federal/provincial EIA, the risk is that EIA studies including federal involvement or public intervention may extend the timeline or even approvability of the Target Group operations. The time required for obtaining a permit or an approved amendment for the Target Group is difficult to predict with certainty.

FINANCIAL IMPACT OF THE ACQUISITION

Upon Acquisition SPA Completion, the financial position and results of the Target Group will be consolidated into the financial statements of the Group.

Assets and liabilities

As stated in the interim report of the Company for the six months ended 30 September 2014, the unaudited consolidated total assets and total liabilities of the Group as at 30 September 2014 were approximately HK$19,945 million and approximately HK$10,009 million, respectively.

According to the unaudited pro forma financial information of the Enlarged Group as contained in Appendix IV to this circular, the unaudited pro forma total assets and total liabilities of the Enlarged Group would be approximately HK$24,799 million and approximately HK$14,628 million, respectively upon the Acquisition SPA Completion, as calculated based on the applicable assumptions.

Earnings

In light of the potential future prospects of the Target Group, the Directors consider that it would be highly probable that the Acquisition would be able to have a positive impact on the future earnings of the Enlarged Group.

Gearing and working capital

According to the interim report of the Company for the six months ended 30 September 2014, the gearing ratio of the Group (measured as total non-current liabilities to the net asset) was 90% as at 30 September 2014.

Upon the Acquisition completion, the gearing ratios of the Enlarged Group (measured as total non-current liabilities to the net asset) as calculated based on the unaudited pro forma financial information of the Enlarged Group as contained in Appendix IV to this circular, will be approximately 128%.

As the Directors will from time to time assess the financial position of the Group and, if appropriate, consider the feasibility of fund raising methods, including but not limited to debt financing and equity financing, to support future capital expenditures and operating costs of the Group and it is contemplated that the cash portion of the Consideration will be financed by way of bank borrowings and/or issue of securities or convertible bonds, the Directors consider that there will be no negative impact on the working capital of the Group due to the Acquisition.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Principal activities of the Group

The Group is principally engaged in the mining of coking coal, production and sales of raw coking coal, clean coking coal, and coking and chemicals products in the PRC. The Company conducts the Group's business through various subsidiaries.

The Group has four mines and three circulative projects in Xinjiang. The four coal mines are the Xiaohuangshan Mine, Shizhuanggou Mine, Quanshuigou Mine and Baicheng Mine. The three projects are the coal coking project, raw coal washing project and water recycling project. The following summarizes the current operations of the Group:

- The Xiaohuangshan Mine, Shizhuanggou Mine and Quanshuigou Mine are under construction and were expected to commence production successively starting from the second to the fourth quarter of 2015. However, Xinjiang experienced social unrest in the year under review, and for the sake of public safety, the local government imposed severe restrictions over blasting works. Further, in response to a coal mine accident in an adjacent area, regulatory authorities required all coal mines to suspend construction and production for inspection. The Group accommodated fully with the relevant social security measures and safety requirements of and from the local government, as a result, the construction of three mines in Fukang was affected and the production commencement was delayed. The situation has been back to normal basically for those measures were only of temporary nature. During the year under review, the Group continuously engaged in gas drainage and flood control in related to coal mining, making progress on testing of relevant systems and installing part of the equipment. There was no substantial capital expenditure incurred in the second half of Review Year. At Latest Practicable Date, the mines are still under construction and the Group expects that the relevant projects will begin production successively in the second half of 2015. The construction and operation of these mines are financed by banking facilities obtained by the Group from China Minsheng Banking Corp., Ltd., Hong Kong Branch and Industrial and Commercial Bank of China Limited Fukang Branch as stated in the announcement of annual results of the Group for the year ended 31 March 2015.

- The Baicheng Mine has received approval from the National Development and Reform Commission and XinJiang Development and Reform Commission in August 2014, the designed annual production capacity of the mine is 900,000 tonnes, and will commence construction in the first quarter of 2016.

- The Company's coal coking plant has been producing coke and various by-products since October 2013.

- The production, operation and construction of Company's three circulation industry projects are synchronizing with the production and construction of the mine.

When the ongoing projects are completed, the Group is expected to have an annual coking coal production capacity of 5.40 million tonnes; an annual coke production capacity of 1.30 million tonnes; raw coal washing capacity of 4.50 million tonnes; and water recycling capacity of 5.20 million m^3.

The Group has strategic co-operation relationships with Pingan Coal Mine and Gas (Methane) Engineering Research Limited and Heilongjiang Longmei Mining Holding Group Co., Ltd. It has also entered into financial cooperative agreements with two of the largest financial service groups in China.

Strategic value of and reasons for the Acquisition

A core growth strategy of the Company is to further develop its coal mining business and diversify its coal resources and reserves through overseas acquisitions. As part of this strategy, the Company has been focusing on opportunities that could complement its existing asset portfolio and broaden its revenue base.

The Company has investigated other mining targets and decided to proceed with the GCC acquisition for a number reasons.

The Acquisition will be the Company's first major step in expanding the operations of the Group outside China through investment in overseas mining assets. The Target Group is expected to significantly strengthen the Company's existing operations in a number of ways. The low-volatility coking coal produced by the Target Group is expected to provide an excellent blending coal stock, giving the Group an immediate marketing footprint in the international seaborne coal market. The Acquisition will also diversify the Group's asset portfolio with coal resources and reserves in Canada, a world-class coal mining region characterized by significant foreign investments, political stability, and a transparent regulatory framework on mining and resources development.

The Target Group produced about 1.6 million tonnes of clean coal in the Target Group's fiscal year ended 31 December 2014. Under its current expansion program, the Target Group will be capable of achieving an annual coal production in excess of 4.0 million tonnes. The Company is considering various measures to improve the operations of the Target Group, including collaborating with the Target Group's experienced management team to further expand the Target Group's operations as and when appropriate. As part of its growth strategy, the Company will continue to look for investment opportunities in Canada and other parts of the world to secure additional long-term stable coking coal supply and to enlarge the Company coal reserve base. The Company will seek to integrate the Target Group's operations with the Company's other acquisition projects in order to improve the Group's revenue and profitability through synergy.

Based on the annual report of the Group for the year ended 31 March 2014, the Group recorded revenue of about HK$153 million and gross loss of about HK$11 million for the year ended 31 March 2014.

Upon SPA Completion, the Target Group will become subsidiaries of the Company and the financial information of the Target Group will be consolidated into that of the Group. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, the Enlarged Group would have recorded unaudited pro forma revenue HK$1,426 million and gross loss of HK$277 million if the Acquisition were completed on 31 March 2014.

Benefits of the Acquisition

The Directors have considered the following business and operational factors:

1) **Quality of the coal.** The Target Group is a leading exporter of premium low volatile hard coking coal. The Target Group's coal is high quality hard coking coal with low volatile, low ash and very low sulphur and phosphorus characteristics. The Target Group's coking coal assets complement the Group's existing coking coal business.

2) **Life of the mine.** The Target Group has a large reserve and resource base with a premium product. It has 25 coal leases that cover 29,968 hectares with total saleable reserves of 147.6 Mt and resources of 586.9 Mt (based on the latest NI43-101 Technical Report), which approximates to an estimated mine life of over 40 years. The Target Group's assets have significant upside potential because mining activities have not commenced in many areas of the site. They represent a long-term investment opportunity that could span four decades and the expansion areas can be sequenced in line with the long-term mining plan and market conditions at the time.

3) **Mine in production.** The Target Group's coal resources and reserves are a proven revenue-producing asset. The mine has been in production since 2004. Located in the Smoky River Coal Field, about 400km west of Edmonton, Alberta, the mine enjoys good logistics and infrastructure support, including access to Canadian National Railway with connection to the main east-west line.

4) **Location of the mining assets.** The Project is located in Canada, a politically stable jurisdiction with a transparent legal and regulatory framework. The Acquisition could reduce the Company's risk profile through geographical diversification.

5) **Purchase price.** The Target Group is available for purchase at a relative low price. The Target Group was acquired by the existing owners in March 2012 for

approximately C$1 billion. Although as a condition to the purchase, the Company has been required to provide interim financing to the Target Group, the aggregate consideration still represents a substantial discount from the consideration paid by the existing owners two years ago. The current market price of coking coal is close to production cost, suggesting that further decrease is quite limited. Meanwhile, steel production in the international market has experienced a moderate increase. As a result, the Company believes it is an opportune time to secure a foothold in the overseas market and to increase reserves and resources controlled by the Company.

6) **Production capacity and expansion.** The structure of the mine allows the Company to adjust the Target Group's production volume fairly quickly, and the Company will have considerable flexibility under applicable regulations in setting the pace for capacity expansion, which translates to lower financial risks. The Target Group's annual production can be increased at the existing site to approximately 5 million tonnes per annum of clean coal. The suspension of No. 8 surface operation of the Project in January 2015 was part of the Target Group's cost cutting plans to trim operating costs and capital expenditures. Because all equipment and infrastructure remain in place, No.8 surface operation can be resumed quickly when market conditions become more favourable, resulting in an additional million tonnes of annual production capacity. The Company believes this will result in time and cost savings and reduce risks compared with a greenfield project, which could take many years between project commencement and commercial production.

7) **Licenses and permits.** The Target Group has all of the relevant licenses and permits for its current operations. When the Target Group has a concrete plan to expand its production capacity, additional licenses and permits will need to be obtained. The Company is of the view that there will be no material impediments to obtaining additional licenses and permits under such circumstances because: (i) it is in the ordinary course of business of the Target Group to apply for relevant licenses and permit to commence operations in new areas (ii) the sequence of operating mines takes into account the designed coal blending ratio of coal from each mine based on different coal quality of each mine, (iii) the Target Group has been successful in obtaining the licenses and permits for its operations, (iv) the Canadian government is supportive of the Acquisition (for details, see announcement of the Company on 8 April 2015).

The Directors have also considered the following financial factors:

1) **Results of operations of the Target Group.** The Target Group recorded net loss of approximately US$624 million and loss from operations of approximately US$38 million for the year ended 31 December 2014. The Company expects operating results of the Target Group to improve because:

   a. Of the net loss for the year ended 31 December 2014, approximately US$554 million was attributable to impairment loss. The impairment loss reflected was a one-time event. Impairment loss on a similar scale would be unlikely.

   b. The operating losses for the years ended 31 December 2014 and 2013 were attributable to the low coal prices in a highly cyclical market. Based on reasons stated in the Competent Person's Report, the Company expects metallurgical coal prices to increase in the upcoming years.

c. The Target Group is in a position to reduce operating expenses to a level much lower than those for the years ended 31 December 2014 and 2013. The Company will work with Target Group management to reduce the scale of operations and slow down the capacity expansion project. The Target Group is capable of resuming any suspended operations quickly when the market recovers because of the readily available equipment and infrastructure.

2) **Cash flow of the Target Group.** The Target Group recorded a negative cash flow of approximately US$4.6 million for the year ended 31 December 2014. The Company believes this historic fact is not indicative of future performance because:

a. The Target Group generated approximately US$22 million from operating activities during the same period. This means the Target Group is self-sufficient in its production and sales.

b. One major factor contributing to the negative cash flow was payment for purchase of property, plant and equipment of approximately US$30 million. The Target Group is in a position to trim down similar spendings gradually when its expansion plan slows down.

c. Another major factor contributing to the negative cashflow was the payment of interest of approximately US$29 million on the Target Group's bank loans. The Company believes that the financing costs will become less significant as the operating cash flow increases with the recovery of the coal market.

3) **Interim financing provided to the Target Group.** The Company has agreed to finance the operations of the Target Group until SPA Completion. The financing is being provided under the Amended Bridge Loan (including the Initial Bridge Loan), the principal amount of which is capped at US$50 million. As of the Latest Practicable Date, approximately US$36 million had already been advanced, of which approximately 71% was used for the payment of interest and capital leases, 26% for capital expenditure, and the remaining 2% for working capital. The Company expects existing management of the Target Group will remain in place throughout the interim period.

The full principal amount of the Amended Bridge Loan will likely be drawn down by the end of July. If either SPA is terminated, the Company will have the right to require the immediate repayment of all the financing provided. If SPA Completion does not take place by the time the Amended Bridge Loan is fully drawn down and the SPAs have not been terminated, the Company will need to discuss with the other parties for continued funding support to the Target Group. Any further financing support from the Company will constitute financial assistance under the Listing Rules. Further announcement in respect of such funding will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate.

4) **Financing needs of the Target Group following SPA Completion.** Based on projections made by Target Group management, the Target Group will need approximately US$57 million after internal resources to make the following payments in the next 12 months after the Latest Practical Date:

Description	**Amounts** *(Estimated)*
Capital expenditures	US$14 million
Capital lease payments	US$18 million
Interest payments	US$25 million
Total	US$57 million

These payments will likely be sourced by the Target Group in the form of capital contributions and shareholder loans. The Company believes that the financing needs of the Target Group will reduce in the medium term because:

a. Capital lease obligations in the aggregate amount of US$27.7 million were outstanding as of 31 December 2014. All of these obligations will be fully settled by the end of 2016.

b. Bank loans in the aggregate principal amount of US$462 million were outstanding as of 31 December 2014. Refinancing opportunities may exist for some of these bank loans.

c. The Target Group generated approximately US$22 million from operating activities during the year ended 31 December 2014. The amount could increase in future years if international coking coal prices increase.

d. If the Target Group slows down its capacity expansion plan, the capital requirements for our mining operations and construction of additional production capacities would decrease, resulting in lower capital expenditures.

5) **The Group's financial condition and ability to meet the Target Group's funding needs.** As at 31 March 2015, the Group had net current liabilities of HK$1,916.4 million and cash and cash equivalents of HK$6.0 million. The Company is subject to a number of contractual commitments, including repayment of bank loans, payment of bank loan interest, and payment of bond interest and that the current portion of outstanding bank borrowings of HK$582,560,000, other financial liabilities of HK$142,273,000 and convertible notes of HK$1,311,727,000 were due for renewals or repayments within the next twelve months. In addition, there are uncertainties about the commencement of the commercial production of the Group's projects in Fukang and that consequently for the foreseeable future the Group is dependent upon the financial support from its bankers and major shareholder and its ability to raise proceeds from existing and new investors. These facts and circumstances indicate the

existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. The validity of which is dependent on the availability of the ongoing financial support from the Group's bankers and major shareholder and its ability to raise proceeds from existing and new investors to enable the Group to operate as a going concern and meet its financial liabilities as the Group fall due for the foreseeable future, details please refer to the annual result announcement dated 23 June 2015.

For the next 12 months from the Latest Practical Date, the Company has budgeted HK$436 million to meet the funding needs of the Target Group after internal resources. As a result, the Company plans to raise additional funds through securities issuances, including one or more share and convertible securities placements and rights issues. Despite market fluctuations, the Company believes the plan is prudent and realistic because:

a. To reduce the risks arising from the fluctuation in commodity prices, the Company has historically financed the working capital needs of the Group through multiple sources, including internally generated cash flows, borrowings and equity financing.

b. The Company has a good track record in raising funds. As stated in the announcement of annual results of the Group for the year ended 31 March 2015, the Group is actively discussing with the Group's bankers located in the PRC and expects to obtain new banking facilities of approximately RMB500,000,000.

c. The Company is making preparatory steps to procure approval for securities issuance in the near furture. Options considered by the Company include refreshing the general mandate and/or seeking of a specific mandate for share placings, rights issue and open offers and debt financing methods such as placing of bonds and notes and/or additional bank loans.

d. The Group's liquidity position has improved recently through the following: (i) the major shareholders of the Company has confirmed in writing that it is willing to provide ongoing financial support to the Group as is necessary to enable the Group to meet its liabilities as and when they fall due and to enable the Group to continue operating as a going concern for at least the next twelve months (for details, see the Company's announcement of annual results for the year ended 31 March 2015 dated 23 June 2015), (ii) the deferral of the principal repayment dates of various bank borrowings (for details, see the Group's interim results announcement for the six months ended 30 September 2014), (iii) the amendment of the maturity date of various tranche A and tranche B convertible notes in the aggregate outstanding principal amount of HK$3,384,330,286 from 18 January 2016 to 31 December 2018 (for details, see the Company's announcement on 18 March 2015 and 23 June 2015), and (iv) a recent share placing with net proceeds of HK$158.25 million (for details, see the Company's announcements on 1 September 2014 and 26 May 2015).

The Company believes it will have sufficient resources to meet the funding needs of the Target Group and the Enlarged Group after the acquisition.

6) **The Enlarged Group's Financial Performance.** Although the Acquisition could have an adverse impact on the Enlarged Group's financial performance, especially in terms of the Target Group's capital requirements, the Company believes that this is only a short-term situation. The Company's focus is on the medium and long term potential of the Target Group, given that the Project has an estimated life of 40 years. Based on the valuation report, the mining assets of the Target Group have an estimated value of US$579 million. The value has reflected discounts resulting from the Target Group's short-term capital requirements.

Based on the above, the Directors are of the view that entering into the Marubeni SPA and the Winsway SPA is fair and reasonable and in the interests of the Company and Shareholders as a whole.

Reasons for the Marubeni Buy-back Right Agreement

The Directors are of the view that the Buy-back Right will motivate Marubeni (1) to promote the GCC products to the international coal markets and to maintain the standing and pricing of the products and ultimately increase the profitability of the Company and (2) to maintain Marubeni interest in the international coal market after the disposal of the GCC.

INTERIM FINANCING

In connection with the Acquisition, the Company made a Bridge Loan and created a Charge on Deposit and the details of which are set out below.

The Directors note that the disclosure in relation to the Bridge Loan and the Charge was not disclosed in a timely manner in compliance with Chapter 14 of the Listing Rules, and to enable future compliance, the Board would enhance internal communication between different departments of the Company to ensure all announcements are published in a timely manner.

BRIDGE LOAN AGREEMENT

The major terms of the Bridge Loan Agreement as amended and supplemented by the Amendment Agreement and the Amended and Restated Bridge Loan Agreement are set out below:

Date	:	6 September 2014
	:	2 December 2014 (Amendment Agreement)
	:	17 December 2014 (Amended and Restated Bridge Loan Agreement)
	:	24 December 2014 and 13 May 2015 (supplemental letter agreements to the Amended and Restated Bridge Loan Agreement)
Parties	:	(1) The Purchaser as the lender
		(2) GCC LP as borrower acting by its general partner GCC
		(3) Marubeni Seller
		(4) Winsway Seller

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of GCC LP, Marubeni Seller and Winsway Seller and their respective ultimate beneficial owners is an Independent Third Party.

Conditions Precedent

It is a condition precedent to the effectiveness of the Amended and Restated Bridge Loan Agreement that CMBC, the Administrative Agent and the Security Agent (as applicable) have each given their consent under the terms of Minsheng Facilities Agreement in respect of GCC LP entering into the Amended and Restated Bridge Loan Agreement, including waiving all rights they may have under the Minsheng Facilities Agreement in respect of the Amended Bridge Loan (the "**Condition Precedent**").

Bridge Facility

Initial Loan; Assignment

Each of the Marubeni Seller, Winsway Seller, GCC and GCC LP acknowledges that, as at the date of Amended and Restated Bridge Loan Agreement, the Company as original lender has advanced the sum of US$10,000,000 (the "**Initial Loan**") to GCC LP's account in accordance with the Bridge Loan Agreement and consents to the assignment by the Company as original lender to and in favour of the Purchaser as new lender of, and the acceptance and assumption by the Purchaser as new lender of, the rights, benefits and obligations of the Company as original lender under the Bridge Loan Agreement, the Marubeni Securities Pledge Agreement and the Winsway Securities Pledge Agreement.

Additional Loan

Subject to the satisfaction of the Conditions Precedent detailed above, the Purchaser as new lender shall, subject to the terms under the Amended and Restated Bridge Loan Agreement, advance, or procure any person to advance, the sum of up to an additional US$40,000,000 (the "**Additional Loan**") to GCC LP's account for the purposes of allowing GCC LP to meet its day to day operational expenses incurred in accordance with an interim operational plan during the Interim Period. As at the date of this circular, as part of the Additional Loan an aggregate amount of approximately US$30 million to GCC have been made.

Advances

At any time and from time to time during the Availability Period, GCC LP shall be entitled to submit written requests to the Purchaser as new lender detailing the amount that it requires to be transferred to GCC LP's account.

Security

The Loan Obligations shall be secured by the collateral identified in the Security Documents (as set out below).

Purchaser as New Lender's Obligation to Fund

The Marubeni Seller, Winsway Seller, GCC and GCC LP expressly acknowledge and agree that the election by the Purchaser as new lender not to accept a borrowing request or release request shall not constitute a breach of the Marubeni SPA, the Winsway SPA or the Interim Support Agreement; provided that, notwithstanding the relevant provisions of the Marubeni SPA and Winsway SPA or any other provision of the Amended and Restated Bridge Loan Agreement, if the Purchaser as new lender fails to provide any Advances, fails to approve any fund releases or fails to fund GCC LP in accordance with the Amended and Restated Bridge Loan Agreement for any reasons whatsoever (including in the case of any breach or default of the Marubeni Seller, Winsway Seller, GCC and GCC LP), the Marubeni Seller, Winsway Seller, GCC and GCC LP may take any action to cause an Insolvency Event to occur and thereafter each of the Marubeni Seller and Winsway Seller shall have the option to terminate the Amended and Restated Bridge Loan Agreement, the Interim Support Agreement and (as applicable) the Marubeni SPA and the Winsway SPA.

Conditions Subsequent

Grant of Additional Security

Each of the Marubeni Seller, Winsway Seller, GCC and GCC LP severally agrees to use its reasonable endeavours to deliver the security documents (as set out in the paragraph titled "Security Documents" below) as soon as practicable, and in no event later than their respective deadlines set forth in the Amended and Restated Bridge Loan Agreement.

Support of the Acquisition

Each of the Marubeni Seller, Winsway Seller, GCC and GCC LP severally agrees to use its reasonable endeavours to deliver or complete the required Acquisition related items specified in the Amended and Restated Bridge Loan Agreement as soon as practicable, and in no event later than their respective deadlines set forth therein.

Repayment and Prepayment

Final Repayment Date

Under the New Shareholder Agreement, the principal under the Amended Bridge Loan will be relinquished at SPA completion as capital contribution to GCC LP. GCC LP shall repay the Amended Bridge Loan, all unpaid interest accrued (if any) thereon and any other amounts due but unpaid under the Amended and Restated Bridge Loan Agreement in full on the Final Repayment Date.

Prepayment

No prepayment may be made except with the prior written consent of the Purchaser as new lender. Any prepayment (if permitted) under the Amended and Restated Bridge Loan Agreement shall be made together with accrued interest on the amount prepaid.

Non-Revolving Loan

GCC LP may not re-borrow any part of the Amended Bridge Loan that is repaid or prepaid.

Release of Security

Upon the repayment of the Amended Bridge Loan and any accrued interest up to the date of repayment or the capitalisation of such sums as contemplated by the New Shareholder Agreement, the Purchaser as new lender shall forthwith take all necessary steps to release the Amended Bridge Loan Security.

Interest

Interest Rate

GCC LP shall pay to the Company as original lender interest on the outstanding principal amount of the Initial Loan at the interest rate of 18% per annum (the "**Initial Loan Interest**") on the basis of the actual number of days elapsed from the date of the receipt of the relevant Advance by GCC LP and a year of 360 days.

GCC LP shall pay to the Purchaser as new lender interest on the outstanding principal amount of the Additional Loan at the interest rate of 7% per annum (the "**Additional Loan Interest**") on the basis of the actual number of days elapsed from the date of the receipt of the relevant Advance by GCC LP and a year of 360 days. The interest rate of 7% per annum was determined with reference to factors including, among others, (i) the prevailing Hong Kong best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited, being 5.0% per annum; and (ii) the financial position of GCC Group. The difference between the rate and the Initial Loan Interest rate primarily reflects that the Initial Loan was agreed prior to signing of the Marubeni SPA and the Winsway SPA, and the Additional Loan was agreed after they were executed.

Interest shall continue to accrue until the Amended Bridge Loan is repaid. Accrued and unpaid interest shall be paid on the Final Repayment Date or upon a request made under the heading "Rights of the Purchaser as new lender" below. If completion has occurrence under each of the Marubeni SPA and the Winsway SPA, payment of interest will be due 14 days after the date on which financial statements become available showing that the GCC Group recorded a net income in that fiscal year.

Unless expressly stated otherwise, any payment which would otherwise be due on a day which is not a Business Day shall be due on the next Business Day. During any such extension of the due date for the payment of any sum, interest shall be payable on that sum at the rate applicable before the original due date.

Event of Default

Any of the following events is an "**Event of Default**":

(i) the default of any Loan Party in the payment of any amount due under the Transaction Documents as and when the same becomes due and payable;

(ii) an Insolvency Event;

(iii) any representation or warranty made by any Loan Party in the Amended and Restated Bridge Loan Agreement or in any other document, agreement or instrument delivered is untrue or inaccurate in any material respect;

(iv) a writ, execution, attachment or similar process is issued or levied against all or any portion of the property of any Loan Party in connection with any judgment against it and which is material in the context of the business of the Loan Parties as a whole;

(v) subject to the provisions of the Amended and Restated Bridge Loan Agreement, any Indebtedness (other than the Indebtedness) of any Loan Party is not paid when due and payable (whether on demand, maturity, acceleration or otherwise);

(vi) a default shall occur in the performance or observance of any obligation or conditions of any Loan Party under any Transaction Documents;

(vii) the occurrence of any material breach of covenant or material default by any Loan Party under any Material Contract;

(viii) one or more encumbrancers, lienors or landlords takes possession of any material property, assets or undertaking of any Loan Party or enforces its security or other remedy against any material part of the assets, property and undertaking of any Loan Party;

(ix) the occurrence of a Change of Control of any Loan Party, save as contemplated by the Marubeni SPA or the Winsway SPA;

(x) any Loan Party contests in any manner the effectiveness, validity, binding nature or enforceability of any Transaction Document;

(xi) any Transaction Document is determined by a court of competent jurisdiction not to be a legal, valid and binding obligation of the other parties thereto, enforceable by the Purchaser as new lender against such parties;

(xii) any Encumbrance securing any Secured Obligation shall, in whole or in part, cease to be a perfected Encumbrance which ranks first in priority except vis-à-vis Encumbrances existing at the date of the Amended and Restated Bridge Loan Agreement;

(xiii) any Disposition or attempted Disposition to any party other than the Purchaser as new lender of any interests in the Loan Parties, the Marubeni Seller and Winsway Seller or any one or more of them, without prior written consent of the Purchaser as new lender;

(xiv) failure to obtain a written waiver or "no interest" letter from HSBC with respect to the Encumbrances created under the HSBC Loan Documents, in form and substance satisfactory to the Purchaser as new lender, in its sole discretion, by the Three-Month Deadline; and

(xv) the termination of the Interim Support Agreement.

Rights of the Purchaser as New Lender

If an Event of Default has occurred which has not been remedied or waived, the Purchaser as new lender may do any one or more of the following by notice in writing to GCC LP:

(i) cancel the Amended Bridge Loan in part or in whole;

(ii) declare any part of the Amended Bridge Loan to be immediately due and payable, whereupon the same shall become immediately due and payable together with all accrued interest thereon; and/or

(iii) enforce all or some of its security interest under any one or more of the security documents (as set out below).

Security Documents

Prior to the Second Advance

1. the securities pledge assignment and amending agreement – the Marubeni Seller;

2. the securities pledge assignment and amending agreement – the Winsway Seller; and

3. a blocked account charge agreement executed by GCC LP in favour of the Purchaser as new lender with respect to GCC LP's account, form to be agreed.

Prior to the Two-Month Deadline (form of agreement to be mutually agreed by the parties acting reasonably)

1. an unlimited guarantee executed by GCC in favour of the Purchaser as new lender with respect to all indebtedness, liabilities and obligations of GCC LP to the Purchaser as new lender;

2. a general security agreement executed by GCC LP in favour of the Purchaser as new lender creating a security interest in all present and future undertaking, assets and property of GCC LP, both real and personal;

3. a general security agreement executed by GCC in favour of the Purchaser as new lender creating a security interest in all present and future undertaking, assets and property of GCC, both real and personal;

4. a fixed and floating charge demand debenture executed by GCC LP in favour of the Purchaser as new lender creating a security interest in all present and future property of GCC LP including, without limitation, coal leases;

5. a debenture pledge agreement executed by GCC LP in favour of the Purchaser as new lender;

6. a fixed and floating charge demand debenture executed by GCC in favour of the Purchaser as new lender creating a security interest in all present and future property of GCC including, without limitation, coal leases;

7. a debenture pledge agreement executed by GCC in favour of the Purchaser as new lender;

8. a priority agreement between the Purchaser as new lender and CMBC, in form and substance satisfactory to the Purchaser as new lender; and

9. written confirmation by Marubeni that it shall not require any repayment under the advance payment agreement between Marubeni, GCC and GCC LP before the date of SPA Completion.

Guarantee and Indemnity

For the avoidance of doubt, it is agreed that the Company as original lender shall be required to guarantee the obligations of the Purchaser as new lender under the Marubeni SPA and the Winsway SPA.

CHARGE ON DEPOSIT

A facility letter dated 30 September 2014 was issued by CMBC HK to GCC LP and accepted by GCC LP and the Company as chargor offering to GCC LP a facility amount of up to US$24 million on an uncommitted basis to mature not later than 5 September 2015 (the "**Facility**") for the benefit of Marubeni in relation to the Advance Payment Guarantee. The Facility cannot exceed the amount of the Charge over Deposit and is conditional upon (i) the SPA Completion; ii) receipt of certified true copy of the coal sale agreement between GCC LP and Marubeni by CMBC HK; and (iii) receipt of evidence of advance payment made by Marubeni with the amount equal to the amount of the Advance Payment Guarantee by CMBC HK.

Based on information set out in the Advance Payment Guarantee which expires and will automatically terminate on 5 September 2015, Marubeni had made various advance payments in the aggregate amount of US$23,065,700 during the period from 1 April 2014 to date of the Fourth Amendment Deed to GCC LP for the supply and delivery of coal by GCC LP to Marubeni. Pursuant to the Advance Payment Guarantee, at the request of GCC LP, CMBC HK irrevocably undertakes to pay Marubeni any sum or sums not exceeding an aggregate amount of US$23,065,700 upon receipt by CMBC HK of a written demand from Marubeni for such payment thereof and stating among other things that GCC LP has failed to satisfy its obligations to Marubeni in respect of the delivery of coal and/or the refund of advance payment made by Marubeni.

In consideration of and as continuing security for CMBC HK making or continuing to advance the Facility to GCC LP, the Company created a Charge on Deposit by way of first fixed charge in favour of CMBC HK and the major terms of which are set out below:

Date : 30 September 2014

Parties : (1) The Company as the charger
(2) CMBC HK

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of CMBC HK and its ultimate beneficial owners is an Independent Third Party.

Principal Terms

(1) The Company covenanted with CMBC HK that it will upon demand by CMBC HK pay to CMBC HK and discharge all Secured Liabilities provided that the liability of the Company shall be limited to the value of the Security Assets.

(2) The Charge constitutes notice to CMBC HK of the security interest thereby created.

(3) The Charge on Deposit is a continuing security over the entire Security Assets for all Secured Liabilities. The total amount recoverable by CMBC HK under the Charge from the Security Assets for payment and satisfaction of the Secured Liabilities shall be unlimited.

(4) The Company shall not among other things withdraw or attempt or be entitled to withdraw (or direct any transfer of) the whole or any part of the Deposit without the prior written consent of CMBC HK.

(5) All monies received by CMBC HK in respect of the Security Assets shall be applied by CMBC HK, in or towards payment of the Secured Liabilities at such time in such order and manner as CMBC HK may, in its sole discretion, determine.

On 13 November 2014, a supplemental facility letter was issued by CMBC HK to GCC LP and accepted by GCC LP and Up Energy Finance Limited being a wholly-owned subsidiary of the Company (the "**Supplemental Facility**") whereby it was revised that Up Energy Finance Limited shall replace the Company as charger in creating the Charge on Deposit in consideration of and as continuing security for CMBC HK in making and continuing to advance the Facility to GCC LP (the "**Replacement**"). Pursuant to the Supplemental Facility, save except for the Replacement and change in certain covenants of GCC LP to CMBC HK thereunder, all other terms and conditions under the Facility shall remain in full force and effect. As at the date of this circular, the Replacement has not been effected and the Charge on Deposit created and made by the Company is still maintained in an account in the name of the Company with CMBC HK.

Implications under the Listing Rules

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition for the Company pursuant to Rule 14.06(5) of the Listing Rules. The Acquisition is therefore subject to the approval by the Shareholders at the SGM by way of poll.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Marubeni Seller, the Winsway Seller and their respective ultimate beneficial owners and their respective Associates do not hold any Shares, options or securities convertible into Shares as at the date of the Marubeni SPA and the Winsway SPA.

The Marubeni Buy-back Right Agreement and Winsway Buy-back Right Agreement are option agreements granted by the Company under the Listing Rules. As the highest possible monetary value of the Marubeni Purchase Price, Winsway Purchase Price and the underlying assets have not been determined for the purpose of classification of a notifiable transaction, the Listing Rules provide that those transactions are classified at least as major transactions subject to Shareholders' approval.

Upon SPA Completion, Winsway will become a substantial shareholder of GCC and hence a connected person of the Company at the subsidiary level as defined under Rule 14A.07 of the Listing Rules. As such, the transaction contemplated under the Winsway Buy-back Right Agreement will constitute connected transaction of the Company and the proposed transaction contemplated under the Winsway Marketing Agency Agreement will constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules and subject to reporting, disclosure and Independent Shareholders' approval requirements as stipulated and exempted under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Charge on Deposit is greater than 5% but less than 25% as calculated under Rule 14.07 of the Listing Rules, the Charge on Deposit constitutes a discloseable transaction for the Company and is subject to notification and publication requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratios (as defined in the Listing Rules) in respect of the Interim Funding, the Amended Bridge Loan and the Charge on Deposit (on an aggregate basis) is greater than 5% but less than 25%, as calculated under Rule 14.07 of the Listing Rules, the Amended Bridge Loan and the Charge on Deposit constitute discloseable transaction for the Company and are subject to notification and publication requirements under Chapter 14 of the Listing Rules.

In compliance with the requirements of Chapter 18 of the Listing Rules, the Company has appointed (i) a technical adviser to issue a Competent Person's Report (the text of which is set out in Appendix V to this circular) to provide the estimated amounts of resources and reserves in respect of the Project in accordance with the Canadian Standard NI 43 -101; and (ii) a qualified valuer to issue a Valuation Report (the text of which is set out to Appendix VI of this circular).

The Directors and the technical adviser confirm that no material changes have occurred since the date of the independent review and Competent Person's Report.

SGM

Set out on pages SGM-1 to SGM-3 of this circular is a notice convening the SGM to be held at Room No. 1, United Conference Centre, 10/F., United Centre, 95 Queensway, Hong Kong on 17 July 2015, at 11:00 a.m., at which the ordinary resolutions will be proposed to approve the Marubeni SPA and the Winsway SPA as well as the transactions contemplated thereunder, the major transaction under the Marubeni Buy-back Agreement, the major and connected transaction under the Winsway Buy-back Agreement and the continuing connected transaction under the Winsway Marketing Agency Agreement. There is a form of proxy for use at the SGM accompanying this circular. If you are unable to attend and vote at the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the branch share register of the Company, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible, but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. SPA Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the connected transaction under the Winsway Buy-back Agreement and the continuing connected transaction in relation to the Winsway Marketing Agency Agreement and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable so far as the Independent Shareholders are concerned and whether the connected transaction under the Winsway Buy-back Agreement and the continuing connected transaction in relation to the Winsway Marketing Agency Agreement and the transactions contemplated thereunder are in the interests of the Company and its Shareholders as a whole.

Donvex Capital has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in that connection.

The text of the letter from Donvex Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 110 to 132 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on pages 108 to 109 on this circular.

The Directors consider that the Marubeni SPA and the Winsway SPA as well as the transactions contemplated thereunder, the major transaction under the Marubeni Buy-back Agreement, the major and connected transaction under the Winsway Buy-back Agreement and the continuing connected transaction under the Winsway Marketing Agency Agreement are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and recommend the Shareholders to vote in favour of the resolutions to be proposed at the SGM.

The Independent Board Committee, having taken into account the advice from Donvex Capital, considers that the connected transaction under the Winsway Buy-back Agreement and the continuing connected transaction under the Winsway Marketing Agency Agreement and the transactions contemplated thereunder to be entered into are on normal commercial terms, in the ordinary and usual course of business of the Group and that the terms of thereto contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of both the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution at the SGM to approve the connected and continuing connected transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information as set out in the appendices to this circular.

By Order of the Board
Up Energy Development Group Limited
Qin Jun
Chairman

30 June 2015

UP ENERGY DEVELOPMENT GROUP LIMITED
優派能源發展集團有限公司*
(Incorporated in the Bermuda with limited liability)
(Stock code: 307)

30 June 2015

To the Independent Shareholders

Dear Sir or Madam,

**(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE WINSWAY BUY-BACK AGREEMENT;
AND
(2) THE CONTINUING CONNECTED TRANSACTION IN RELATION TO THE WINSWAY MARKETING AGENCY AGREEMENT**

We refer to the circular of the Company dated 30 June 2015 (the "Circular") to the Shareholders, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise. We have been appointed by the Board as members of the Independent Board Committee and to advise the Independent Shareholders as to whether the terms of the connected transaction under the Winsway Buy-back Agreement and the continuing connected transaction in relation to the Winsway Marketing Agency Agreement and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable so far as the Independent Shareholders are concerned and whether the connected transaction under the Winsway Buy-back Agreement and the continuing connected transaction in relation to the Winsway Marketing Agency Agreement and the transactions contemplated thereunder are in the interests of the Company and its Shareholders as a whole, details of which are set out in the letter from the Board contained in the Circular. Donvex Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on whether the connected transaction under the Winsway Buy-back Agreement and the continuing connected transaction in relation to the Winsway Marketing Agency Agreement and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable so far as the Independent Shareholders are concerned, and whether the connected transaction under the Winsway Buy-back Agreement and the continuing connected transaction in relation to the Winsway Marketing Agency Agreement and the transactions contemplated thereunder are in the interests of the Company and its Shareholders as a whole and Donvex Capital's recommendation to Independent Shareholders to vote in favour in the resolution in this regard. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 110 to 132 of the Circular.

* *For identification purposes only*

Having considered the advice of Donvex Capital set out on pages 110 to 132 of the Circular, we are of the opinion that the terms of the connected transaction under the Winsway Buy-back Agreement and the continuing connected transaction in relation to the Winsway Marketing Agency Agreement and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable so far as the Independent Shareholders are concerned and that the connected transaction under the Winsway Buy-back Agreement and the continuing connected transaction in relation to the Winsway Marketing Agency Agreement and the transactions contemplated thereunder are in the interests of the Company and its Shareholders as a whole. Accordingly, we having considered the advice of Donvex Capital, recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the connected transaction under the Winsway Buy-back Agreement and the continuing connected transaction in relation to the Winsway Marketing Agency Agreement and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

Chau Shing Yim, David
Independent Non-executive Director

Li Bao Guo
Independent Non-executive Director

Lien Jown Jing, Vincent
Independent Non-executive Director

Shen Shiao-Ming
Independent Non-executive Director

The following is the full text of the letter from Donvex Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

Donvex 富域資本
Donvex Capital Limited
富域資本有限公司

Unit 1305, 13th Floor,
Carpo Commercial Building
18–20 Lyndhurst Terrace
Central Hong Kong

30 June 2015

The Independent Board Committee and the Independent Shareholders of
Up Energy Development Group Limited

Dear Sirs,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE WINSWAY BUY-BACK RIGHT AGREEMENT;
AND
(2) THE CONTINUING CONNECTED TRANSACTION IN RELATION TO THE WINSWAY MARKETING AGENCY AGREEMENT

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Winsway Buy-back Right Agreement and the Winsway Marketing Agency Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 30 June 2015 to the Shareholders (the "**Circular**"), of which this letter forms a part. Terms used herein have the same meanings as those defined in the Circular unless otherwise stated.

It was announced by the Board on 8 December 2014 (after trading hours) that, in connection with the Winsway SPA, (i) Winsway, the Purchaser and the Company shall enter into the Winsway Buy-back Right Agreement at SPA Completion; and (ii) Winsway, GCC and the Company shall agree on the Winsway Marketing Agency Agreement by the December Longstop Date and enter into the Winsway Marketing Agency Agreement at SPA Completion.

Following SPA Completion, GCC will become an indirect subsidiary of the Company to be held as to 82.74% by the Purchaser and 17.26% by Winsway Seller. By virtue of its retained indirect 17.26% interest in GCC, Winsway, through the Winsway Seller, will become a substantial shareholder of GCC and a connected person of the Company at the subsidiary level. As a result, the proposed transaction contemplated under the Winsway Buy-back Right Agreement will constitute a connected transaction of the Company and the proposed transactions contemplated under the Winsway Marketing

Agency Agreement will constitute continuing connected transactions of the Company, under Chapter 14A of the Listing Rules and will be subjected to the reporting and disclosure and Independent Shareholders' approval requirements as stipulated in Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, Winsway and its associates do not hold any Shares as at the Latest Practicable Date and no Shareholder has a material interest in the transactions contemplated under the Winsway Buy-back Right Agreement and the Winsway Marketing Agency Agreement. Accordingly, no Shareholder will be required to abstain from voting at the SGM in respect of the resolution(s) relating to, among others, the Winsway Buy-back Right Agreement and the Winsway Marketing Agency Agreement.

An Independent Board Committee comprising Mr. Chau Shing Yim, Daivd, Mr. Li Bao Guo, Mr. Lien Jown Jing, Vincent and Dr. Shen Shiao-Ming, all being independent non-executive Directors, has been formed to advise the Independent Shareholders on, among others, whether the Winsway Buy-back Right Agreement and the Winsway Marketing Agency Agreement and the transactions contemplated thereunder are (i) on normal commercial terms; (ii) in the ordinary and usual course of business of the Group; (iii) fair and reasonable as far as the Independent Shareholders are concerned; and (iv) in the interests of the Company and the Shareholders as a whole; and to advise the Independent Shareholders as to whether to vote in favor of the relevant resolution(s) to approve, among others, the Winsway Buy-back Right Agreement and the Winsway Marketing Agency Agreement and the transactions contemplated thereunder. Being the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, we were independent from and not connected with the Group pursuant to Rule 13.84 of the Listing Rules and accordingly, were qualified to advise the Independent Board Committee and the Independent Shareholders in relation to the Winsway Buy-back Right Agreement and the Winsway Marketing Agency Agreement and the transactions contemplated thereunder. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the information, statements, opinion and representations contained or referred to in the Circular and have assumed that all information and representations provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so at the date hereof. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the Letter from the Board contained in the Circular were reasonably made after due and careful inquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business, affairs, operations, financial position or future prospect of the Company, Winsway, GCC, or any of their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Winsway Buy-back Right Agreement and the Winsway Marketing Agency Agreement and the transactions contemplated thereunder. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company or any securities of Winsway.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Donvex Capital Limited to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE WINSWAY BUY-BACK RIGHT AGREEMENT

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Winsway Buy-back Right Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Information of the Group, Winsway and GCC

(a) Information and key financial information of the Group

The Group is principally engaged in development and construction of coal mining and coke processing facilities. The following table sets out the key financial information of the Group (i) for the year ended 31 March 2013 and 2014 as extracted from the Company's annual report 2014; and (ii) for the six months ended

30 September 2013 and 2014 as extracted from the Company's interim report 2014, respectively:

	For the year ended 31 March		For the six months ended 30 September	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
– Coke	46,914	–	135,301	–
– Coal	99,128	–	10,463	–
– Others	6,794	–	16,036	–
	152,836	–	161,800	–
Gross loss	(11,479)	–	(23,769)	–
Loss from operations	(80,544)	(61,230)	(18,232)	(36,628)
Loss before taxation	(134,568)	(59,292)	(135,238)	(56,023)
Loss for the period attributable to equity shareholders of the Company	(98,617)	(47,786)	(111,204)	(43,315)

For the year ended 31 March 2014

The Group recorded nil revenue for the year ended 31 March 2013 as the construction of the three coking coal mines and the three downstream ancillary industrial projects had not commenced production. Despite that the Group recorded a revenue of approximately HK$152.8 million for its coking and coal mining business after a coking oven has been put to operation and completion of the acquisition of coal mine in Xinjiang Baicheng, the Group recorded a loss attributable to equity shareholders of the Company of approximately HK$98.6 million for the year ended 31 March 2014, representing an increase of approximately 106% as compared to the loss of approximately HK$47.8 million for the year ended 31 March 2013 as a result of the increase in the administrative expenses and the finance costs.

For the six months ended 30 September 2014

After a coking oven has been put to operation and completion of the acquisition of coal mine in Xinjiang Baicheng, the Group recorded a revenue of HK$161.8 million from its coke coal and coal mining business for the six months ended 30 September 2014. The Group recorded a loss attributable to equity shareholders of the Company of approximately HK$111.2 million for the six months ended 30 September 2014, representing an increase of approximately 157% as compared to the loss of approximately HK$43.3 million for the six months ended 30 September 2013 as a result of the increase in the finance costs.

(b) Information and going concern of Winsway

The Winsway Seller is a company incorporated in the Province of British Columbia, Canada and an indirect wholly-owned subsidiary of Winsway which is a company incorporated in the BVI with limited liability under the Business Companies Act of the BVI (2004) and listed on Stock Exchange (Stock Code: 1733). Winsway and its subsidiaries are principally engaged in the processing and trading of coking coal and other products, development of coal mills and production of coking coal (classified as a discontinued operation) and rendering of logistics services.

The following table sets out (i) the turnover; and (ii) sales volume of coal from continuing operations of Winsway for the year ended 31 December 2013 and 2014 as extracted from Winsway's annual report 2014:

Segment results:

	For the year ended 31 December			
	2014		**2013**	
	(HK$'million)	*%*	*(HK$'million)*	*%*
Consolidated turnover from continuing operations				
– Processing and trading of coking coal	7,036	93.2%	12,170	91.4%
– Processing and trading of other products	421	5.6%	1,106	8.3%
– Logistics services	91	1.2%	44	0.3%
Total	7,548	100.0%	13,320	100.0%

Geographic information:

	For the year ended 31 December			
	2014		**2013**	
	(HK$'million)	*%*	*(HK$'million)*	*%*
Consolidated turnover from continuing operations				
– the PRC (including Hong Kong and Macau)	7,406	98.1%	13,134	98.6%
– other countries	142	1.9%	186	1.4%
Total	7,548	100.0%	13,320	100.0%

Sales volume:

	For the year ended 31 December					
	2014			2013		
	Total sales volume *(tonnes)*	%	Average selling price *HK$'000*	Total sales volume *(tonnes)*	%	Average selling price *HK$'000*
Mongolian coal	2,270,503	24.50%	671	6,275,173	45.10%	750
Seaborne coal	6,770,572	73.20%	846	6,428,698	46.20%	1,085
GCC-produced coal	214,704	2.30%	889	1,207,357	8.70%	1,052
Total	9,255,779	100.0%	804	13,911,228	100.0%	931

As shown in the tables above, the revenue recognised in turnover from the processing and trading of coking coal by Winsway constituted approximately 91.4% and 93.2% of the total revenue of Winsway for the year ended 31 December 2013 and 2014. Meanwhile, the revenue recognised in turnover from sales to external customers in the PRC (including Hong Kong and Macau) by Winsway constituted approximately 98.6% and 98.1% of the total revenue of Winsway for the year ended 31 December 2013 and 2014.

As shown in the table above and according to the Winsway's annual report 2014, the consolidated turnover from continuing operations of Winsway for the year ended 31 December 2014 was approximately HK$7,547.7 million (2013: HK$13,319.7 million), representing a decrease of approximately 43.3% as compared with 2013. Such decrease was mainly due to the lack of demand and falling coal prices. The overall average selling prices of the coal sold by Winsway decreased from approximately HK$931 per tonne for the year ended 31 December 2013 to approximately HK$804 per tonne for the year ended 31 December 2014, representing a decrease of approximately 13.6% per tonne.

In addition, due to the loss of competitiveness of Mongolian coal in the PRC market, the sales volume of Mongolian coal by Winsway was approximately 2.27 million tonnes for the year ended 31 December 2014 (2013: 6.28 million tonnes), representing a decrease of approximately 63.9% as compared with 2013. Pursuant to Winsway's annual report 2014, as the transportation of Mongolian coal is land-borne and on a much smaller scale compared to seaborne coal transportation, its per tonne transportation cost is a lot more expensive. As the coking coal prices decreased, the disadvantage in transportation costs of Mongolian coal had hindered its competitiveness in domestic coal market.

With reference to Winsway's annual report 2014, Winsway sustained a further loss from continuing operations before taxation and impairment losses from non-current assets, of approximately HK$703.7 million and incurred a net cash outflow from operating activities of approximately HK$2,417.8 million from continuing operations for the year ended 31 December 2014. As at 31 December 2014, Winsway had net current assets before the net assets held for sales, of approximately HK$504.6 million, which may not be able to fund Winsway's operations in 2015 in view of the net cash outflow in respect of operating activities for the year ended 31 December 2014. In addition, Winsway's outstanding senior notes amounted to approximately HK$2,364.3 million as at 31 December 2014 are due to mature on 8 April 2016. Due to the fact that the potential interaction of the uncertainties and their possible cumulative effect on the consolidated financial statements described above, the auditors of Winsway do not express an opinion on the financial statement of Winsway for the year ended 31 December 2014.

(c) Information, reserves and resources and key financial information of GCC

GCC's Grande Cache mine

GCC is a coal mining corporation incorporated in Alberta, Canada. GCC operates a mine that produces metallurgical coal for the steel industry pursuant to coal leases covering over 29,000 hectares in the Smoky River Coalfield located in West Central Alberta, Canada (the "**Project**").

The business of GCC is limited to acting as the general partner of GCC LP, including carrying on such business as necessary or desirable to perform GCC's obligations under the Interim Support Agreement, all of which relates to the ownership and operation of the coal mining and development business carried on by GCC LP, including related marketing and sales activities and ancillary businesses.

Based on information provided by Winsway, GCC's underground operations, pits and process facilities are located within its coal mining lease blocks in the Grande Cache area of West Central Alberta, approximately 400 kilometres west of the city of Edmonton. The mine site is approximately 20 kilometres north of the town of Grande Cache in the Municipal District of Greenview. A paved two-lane, provincial highway connects the Project area with the town of Grande Cache and another highway connects Grande Cache with the city of Grande Prairie, 185 kilometres to the north and the town of Hinton, 145 kilometres to the southeast. The Project area is served by an existing branch line of Canadian National Railway (the "**CN**"), which connects with the main east-west line of CN, allowing access to the major coal export terminals in British Columbia and the Great Lakes. Based on the information provided by Winsway, GCC's principal product is hard coking coal, which is a type of metallurgical coal suitable for use in the integrated steel mill process.

Reserves and resources

The tables below present the estimated coal resources and reserves of the Grande Cache mine as at 31 December 2014 as reported in the 2014 NI43-101 Technical Report:

	Measured Coal Resources *(note 1)* *(million metric tonnes)*	**Indicated Coal Resources** *(note 1)* *(million metric tonnes)*	**Inferred Coal Resources** *(note 1)* *(million metric tonnes)*	**Total Coal Resources** *(note 1)* *(million metric tonnes)*
Surface Mining Area	232.7	138.0	53.1	423.8
Underground Areas	137.9	78.4	23.5	239.8
Grand Total	370.6	216.4	76.6	663.6

	Proven Saleable Coal Reserves *(note 1)* *(million metric tonnes)*	**Probable Saleable Coal Reserves** *(note 1)* *(million metric tonnes)*	**Total Saleable Coal Reserves** *(note 1)* *(million metric tonnes)*
Surface Mining Area	65.3	24.5	90.0
Underground Areas	47.1	10.5	57.6
Grand Total	112.4	35.0	147.6

Note 1: The estimated coal reserves and resources of the Grande Cache mine are prepared in accordance with the Canadian Standard NI 43-101.

Financial Information

Set out below is the consolidated financial information on the Target Group based on audited accounts provided by GCC:

	For the year ended 31 December		
	2014	**2013**	**2012**
	US$'000	*US$'000*	*US$'000*
Net assets	(94,397)	429,875	802,974
Profit/(loss) before taxation	(624,272)	(373,099)	87,072
Net profit/(loss) after taxation	(624,272)	(373,099)	87,072

With reference to the Winsway's annual report 2014, the average cost of sales per tonne of GCC Coal was approximately HK$1,131 and HK$961 for the two years ended 31 December 2014 respectively. The average selling price per tonne of GCC Coal was approximately HK$1,052 and HK$889 for the two years ended 31 December 2014 respectively. Due to the decrease in market prices of coking coal, the Target Group incurred gross loss through its operation.

In addition, with reference to the financial information of the Target Group as stated in Appendix II in this Circular, the Target Group recognised an impairment loss of approximately US$265.0 million and US$554.4 million for the two years ended 31 December 2014 respectively. Such impairment losses were allocated to the non-financial assets proportionately based on the pre-impairment carrying amounts of each non-financial assets. As such, the Target Group recorded a net loss of approximately US$373.1 million and US$624.3 million for the two years ended 31 December 2014.

For further financial information and management discussion and analysis of the Target Group, please refer to Appendix II and III in this Circular respectively.

2. Background and principal terms of the Winsway Buy-back Right Agreement

On 14 November 2014, the Purchaser, the Company and the Winsway Seller entered into the Winsway SPA. In connection with the Winsway SPA, Winsway, the Purchaser and the Company shall enter into a Winsway Buy-back Right Agreement at SPA Completion.

Below are the major terms, among others, of the Winsway Buy-back Right Agreement:

1. In consideration of Winsway procuring that Winsway Seller enters into and completes the Winsway SPA and the terms and conditions of the Winsway SPA agreed by Winsway Seller, the Purchaser will grant to Winsway an irrevocable and unconditional right to purchase the Winsway Buy-back Interests for the Winsway Purchase Price and in accordance with the terms and conditions of the Winsway Buy-back Right Agreement.

2. The Winsway Buy-back Right will be exercisable once only by Winsway by notice in writing to the Purchaser at any time within a Winsway Three Month Period immediately following any date upon which the HCC Benchmark Price is within the Winsway Trigger Price Range during the Winsway Buy-back Period. For the avoidance of doubt, the failure to serve a Winsway Buy-back Notice during any Winsway Three Month Period shall not prejudice Winsway's right to serve a Winsway Buy-back Notice during any subsequent Winsway Three Month Period. No more than one Winsway Buy-back Notice may be served during the term of the Winsway Buy-back Right Agreement.

3. The Winsway Buy-back Period means the period commencing on the date upon which SPA Completion occurs and ending on the later to occur of:

   (a) the date which is three (3) years from the date upon which SPA Completion occurred; or

(b) the date upon which the first principal repayment is due payable under the Minsheng Facilities Agreement after the date of the Winsway Buy-back Right Agreement, currently 5 September 2017,

subject to the condition that, if the event described in (3)(b) above has not occurred within five (5) years of the date upon which SPA Completion occurred, the Winsway Buy-back Period shall expire on the date which is five (5) years from the date upon which SPA Completion occurred.

4. Any Winsway Buy-back Notice issued by Winsway exercising the Winsway Buy-back Right must state a single percentage of up to 16.86% which Winsway wishes to acquire pursuant to the Winsway Buy-back Right comprising an equal percentage of the Winsway Transfer Buy-back Interests.

5. The Winsway Trigger Price Range has been determined by the arm's length negotiation between Winsway and the Purchaser. In each year, the Winsway Trigger Price Range will be in a price range equal to or greater than the HCC Floor Benchmark Price but equal to or less than the HCC Ceiling Benchmark Price determined as follows:

Year (after SPA Completion)	0	1	2	3	4
HCC Floor Benchmark Price (US$)	138	160	170	174	176
HCC Ceiling Benchmark Price (US$)	200	200	200	200	240

6. The actual Winsway Purchase Price for the Winsway Transfer Buy-back Interests will be the actual aggregate amount injected into GCC LP by the Purchaser (or its Affiliates) from the Winsway SPA Completion until the date of Winsway Buy-back Right Completion (by way of any loan or capital injection or advance payment), in respect of the Winsway Transfer Buy-back Interests (as a fraction of the Purchaser's total Partnership Interest), plus interest (the interest is calculated based on the actual amount injected until the date of Winsway Buy-back Right Completion, or until the repayment date for those amount repaid before the date of Winsway Buy-back Right Completion) at a compound annual rate of interest as set out below.

Year (after SPA Completion)	0	1	2	3	4
Compound Interest rate (%)	10%	15%	18%	21%	24%

3. Reasons for and basis of the Winsway Buy-back Right Agreement

Reasons for entering into the Winsway Buy-back Right Agreement

With reference to the Letter from the Board, in addition to our discussion with the Company, the Winsway Buy-back Right will (i) motivate Winsway to promote the GCC product to the markets and to maintain the standing and price of the products and ultimately increase the profitability of the Company; (ii) motivate Winsway to maintain an interest in the international coal market after the disposal of the GCC; and (iii) provide the Company with an alternative way of return for its investment in GCC.

Having considered that (i) the grant of the Winsway Buy-back Right to Winsway will motivate Winsway to promote the sales of GCC Coal in the PRC, which will in turn benefit the Company and the Shareholders as a whole; and (ii) the Company will obtain a fair and reasonable return (if the Winsway Buy-back Right is exercised) based on our assessment below, we are of the view that the entering into the Winsway Buy-back Right Agreement is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

Assessment of the reasonableness regarding the Winsway Buy-back Interests

Pursuant to Winsway Buy-back Right Agreement, the Winsway Buy-back Right will be exercisable once only by Winsway on condition that the HCC Benchmark Price is within the Winsway Trigger Price Range during the Winsway Buy-back Period. The maximum Winsway Buy-back Interests represent 16.86% of the total issued share capital of GCC and approximately 16.86% partnership interests in GCC LP respectively.

Assuming (i) Marubeni exercises the maximum amount of Marubeni Buy-back Interests under the Marubeni Buy-back Right; and (ii) Winsway exercises the maximum amount of Winsway Buy-back Interests under the Winsway Buy-back Right, the Company's interest in GCC shares and partnership interest in GCC LP both remain at approximately 50.1%.

Given that the Company will continue to have a controlling interest in GCC and GCC LP after the full exercising of Marubeni Buy-back Right and Winsway Buy-back Right, we are of the view that the maximum amount of the Winsway Buy-back Interests authorised under the Winsway Buy-back Right Agreement is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

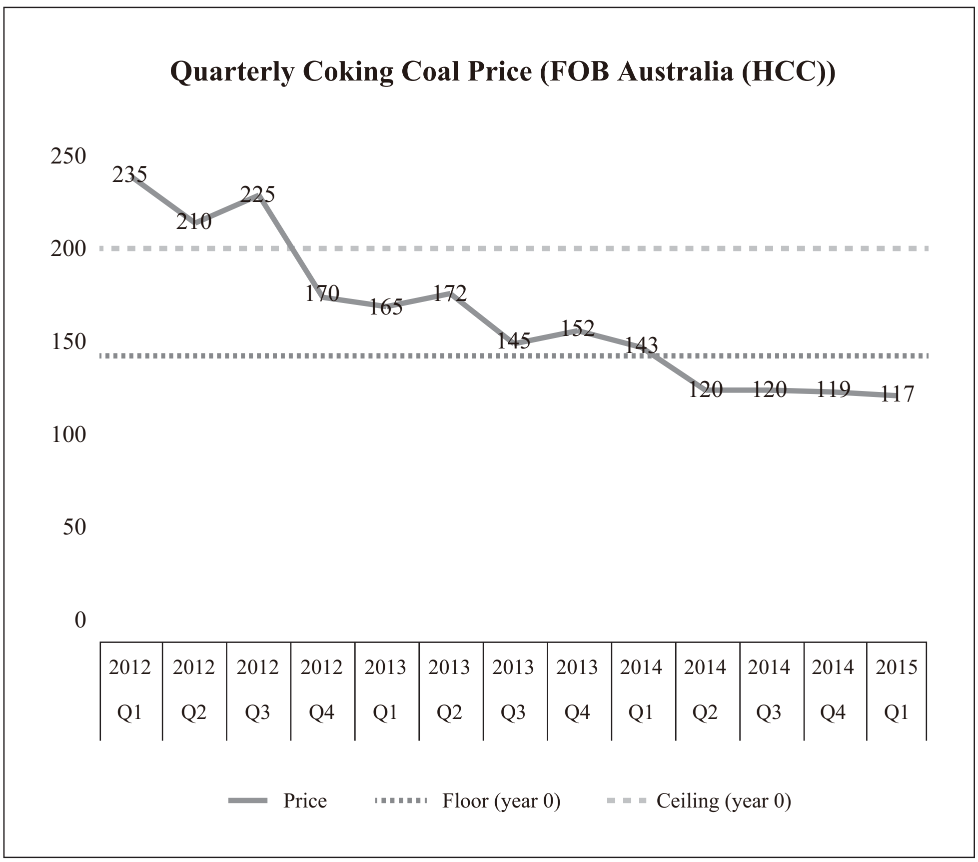
Assessment of the reasonableness regarding the Winsway Trigger Price Range

Pursuant to the Winsway Buy-back Right Agreement, the Winsway Buy-back Right shall be exercisable once only by Winsway on condition that the HCC Benchmark Price is Winsway Trigger Price Range during the Winsway Buy-back Period.

In the event that the market price of coking coal rises significantly, the Company expects increases in (i) the gross profit margin from the sales of GCC Coal; and (ii) the value of the equity interest in GCC and GCC LP. As such, the Company determines to set an exercisable collar for the Winsway Buy-back Right, on the basis that a ceiling will prevent the Company's investment return in GCC from substantial dilution by Winsway's exercise of the Buy-back Right. After the arm's length negotiation between Winsway and the Company, the Winsway Trigger Price Range will be in a price range equal to or greater than the HCC Floor Benchmark Price but equal to or less than the HCC Ceiling Benchmark Price determined as follows:

Year (after SPA Completion)	0	1	2	3	4
HCC Floor Benchmark Price (US$)	138	160	170	174	176
HCC Ceiling Benchmark Price (US$)	200	200	200	200	240

As advised by the Company, the Winsway Trigger Price Range is determined with reference to the historical figures of the HCC Benchmark Price. In view of the Winsway Trigger Price Range, we have reviewed the historical data of the coking coal price. Based on the information provided by the Company, set out below are the quarterly agreed US$ FOB price published in the "**Coal Trader International**" reports issued by Platts, a leading global provider of energy, petrochemicals, metals and agriculture information, and a premier source of benchmark price assessments for those commodity markets, from the first quarter of 2012 to the first quarter of 2015, combined with the HCC Floor Benchmark Price and the HCC Ceiling Benchmark Price in year 0 after the SPA Completion for comparison.



Source: Platts

As shown in the chart above, the quarterly coking coal price ranged from US$143 per tonne to US$235 per tonne during 2012 and 2013. Then the coking coal price remained slightly above US$110 per tonne since the second quarter of 2014. The Winsway Trigger Price Range for year 0 lies within the historical figures of the HCC Benchmark Price. In the event that the coking coal price recovers from its current level to a level beyond the HCC Ceiling Benchmark Price, the Company is able to prevent its investment return in GCC from substantial dilution by Winsway's exercise of the Buy-Back Right and therefore retain the benefit from the increase in gross profit margin from the sales of GCC Coal.

Without the assurance of the recovery of the coking coal price and based on the fact that the Winsway Trigger Price Range is mutually agreed by the Company and Winsway, we are of the view that the Winsway Trigger Price Range for year 0 after the SPA Completion is fair and reasonable.

We have also assessed the market expectation on the coking coal prices. In accordance with the research report under the title "Global coking coal price forecast (January 2015)" ("the Forecast Report") which was published by Metal Expert Consulting, an information agency specialises in market and economic research, feasibility studies and recommendations, it stated that, among others, the current coking coal prices are below the "crisis" lows of mid-2009 somewhere at the level of early 2007, leaving no room for decrease.

Below table sets out the global coking coal price forecasted by industry and financial companies as stated in the Forecast Report:

Year	2015	2016	2017	2023
Consensus forecast (US$ per tonne)	121	136	145	168
Minimum forecast (US$ per tonne)	111	116	118	132
Maximum forecast (US$ per tonne)	141	160	175	188

As advised by the Company the ascending HCC Floor Benchmark Price during the Winsway Buy-back Period largely reflects the forecast of coking coal price. In the event that the coking coal price recovers as forecasted, the Company intends to maximise the benefit from the increase in gross profit margin from the sale of GCC Coal. As such, the HCC Floor Benchmark Price were determined with reference to, among others, the most optimistic forecasted price by the market participants. We noted that the current HCC Floor Benchmark Price are in line with the maximum forecast by industry and financial companies as shown in the table above. As such, we are of the view that the current setting of the ascending HCC Floor Benchmark Price is fair and reasonable and is in the interest of the Company and Shareholders as a whole.

In order to preserve the motivation for Winsway to promote the GCC product and maintain its interest in the international coal market, the wider price range in the exercisable collar for year 4 is intended to create more room and equal opportunities for Winsway to exercise the Winsway Buy-back Right.

In order to assess the reasonableness of the Winsway Trigger Price Range, we have taken into account the following factors:

(a) The current market price of coking coal of around US$110 per tonne is below the Winsway Trigger Price Range. The Winsway Trigger Price Range falls within the historical price of coking coal from US$117 per tonne to US$235 per tonne over the last three years. Both the Company and Winsway agreed that the Winsway Trigger Price Range is reasonable and the Winsway Buy-back Right is exercisable in the event that the market price of coking coal turns around. The Company is of the view that Winsway will be motivated to promote the GCC product and maintain its interest in the international coal market if Winsway expects the Winsway Buy-back Right to be exercisable, which will in turn benefit the Company and Shareholders as a whole;

(b) The Company will retain the benefit from the increase in gross profit margin from the sales of GCC Coal under the current setting of the ascending HCC Floor Benchmark Price of the Winsway Trigger Price Range;

(c) In the event that the coking coal price is higher than the Winsway Trigger Price Range, Winsway Buy-Back Right is not exercisable, so that the Company will avoid substantial dilution in its investment return by retaining the benefit from the increase in the value of the equity interest in GCC and GCC LP, which is in the interest of the Company and Shareholders as a whole.

Based on the above factors, under the current market expectation on the recovery of the coking coal price, we are of the view that the Winsway Trigger Price Range is fair and reasonable and in the interest of the Company and Shareholders as a whole.

Shareholders should note that the above assessments are conducted based on the published or other publicly available sources. It does not purport to represent how the actual global coking coal price will be during the Winsway Buy-back period. Under no circumstances should the inclusion of the above assessment be regarded as a representation, warranty or prediction by us that the global coking coal price will be recovered or are likely to be recovered.

Assessment of the reasonableness regarding the Winsway Purchase Price

The actual Winsway Purchase Price for the Winsway Buy-back Interests will be the actual aggregate amount injected into GCC LP by the Purchaser (or its Affiliates) from the SPA Completion until the date of Winsway Buy-back Right Completion (by way of any loan or capital injection or advance payment), in respect of the Winsway Buy-back Interests (as a fraction of the Purchaser's total Partnership Interest), plus interest (the interest is calculated based on the actual amount injected until the date of Winsway Buy-back Right Completion, or until the repayment date for those amount repaid before the date of Winsway Buy-back Right Completion) at a compound annual rate of interest. The applicable rate varies as set out below, depending on the year in which the Buy-Back Right is exercised:

Year (after SPA Completion)	0	1	2	3	4
Compound Interest rate	10%	15%	18%	21%	24%

For any advance payment and shareholder loan funded by the Purchaser (or its Affiliates), the pro-rata amount for such advance payment and shareholder loan should be assigned to Winsway on the date of Winsway Buy-back Right Completion.

Based on our discussion with the Company, the interest rate on the Winsway Purchase Price is determined by the arm's length negotiation between Winsway and the Company. Meanwhile, the Company is of the view that the Winsway Purchase Price would offer a reasonable rate of return on the capital invested in GCC LP by the Company.

As the Company will receive the principal invested for the operation of GCC LP plus predetermined interest in the event of the exercising of the Winsway Buy-back Right, we are of the view that such scenario is similar to the investment in straight debt. We have thus performed a comparison with the bonds issued in Hong Kong in assessing the fairness and reasonableness of the interest rates applied to the Winsway Purchase Price.

In accordance with the information released by the Central Moneymarkets Unit of Hong Kong Monetary Authority (the "**HKMA**"), there are currently 213 bonds in the database of HKMA. Those information are provided by 11 price providers, amongst which the bonds are issued by over 90 issuers. Such bonds include both rated, either investment grades or non-investment grades, and not rated by Moody's Investors Service, Inc. and Standard & Poor's Financial Services LLC, which are international credit rating agencies.

To increase the comparability of our comparison, we have identified an exhaustive list of 113 bonds with maturities less than or equal to 4 years, which equals to the length of the Winsway Buy-back Period (the "**Comparable Bonds**"). Summary of the Comparable Bonds are set out in the table below:

Denominated currency	Number of bonds	Maximum annual coupon rates
HK$	32	4.85%
RMB	14	5.00%
US$	67	7.75%

As shown in the table above, the interest rates applied to the Winsway Purchase Price are significantly higher that the annual coupon rates of the Comparable Bonds.

Having considered that (i) the Winsway Purchase Price include the actual aggregate amount, plus interests, injected into GCC LP by the Purchaser (or its Affiliates) in respect of the Winsway Buy-back Interest; (ii) the interest rates applied to the Winsway Purchase Price are significantly higher that the annual coupon rates of the Comparable Bonds, we are of the view that the Winsway Purchase Price is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

Terms and conditions of the Winsway Buy-back Right Agreement

We had also reviewed the terms and conditions of the Winsway Buy-back Right Agreement, including but not limited to, the terms of granting the Winsway Buy-back Right, the conditions preceding to the Winsway Buy-back Right Completion, which had also been stated in the Letter from the Board. To the best of our knowledge, we are of the view that no material clause would adversely affect the interest of the Company and the Shareholders.

Having considered that:

1. The Winsway Buy-back Right Agreement can motivate Winsway to promote the GCC Coal and maintain an interest in the international coal market;

2. The Winsway Buy-back Right Agreement provides an alternate way of return for the investment in GCC by the Company;

3. The Company still retains the controlling interest in GCC and GCC LP after the exercising of the Winsway Buy-back Right;

4. The Winsway Trigger Price Range is fair and reasonable;

5. The Company retains the benefits from the increase in gross profit margin from the sales of the GCC Coal and the increase in value of the equity interest in GCC and GCC LP if the market price of coking coal rises above the HCC Ceiling Benchmark Price;

6. The interest rates applied to the Winsway Purchase Price are significantly higher than the annual coupon rates of the Comparable Bonds; and

7. No material clause of the Winsway Buy-back Right Agreement would materially adversely affect the interest of the Company and the Shareholders.

We are of the view that the Winsway Buy-back Right Agreement is fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE WINSWAY MARKETING AGENCY AGREEMENT

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Winsway Marketing Agency Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Background and principal terms of the of the Winsway Marketing Agency Agreement

On 14 November 2014, the Purchaser, the Company and the Winsway Seller entered into the Winsway SPA. In connection with and as a condition to the Winsway SPA, Winsway, GCC LP and the Company had on 31 December 2014 agreed the terms of the Winsway Marketing Agency Agreement which delivery and execution shall be made to the Purchaser at Winsway SPA Completion. Pursuant to the Winsway Marketing Agency Agreement, GCC LP will appoint Winsway as its agent to provide exclusive marketing services in connection with the sale of GCC Coal in the PRC for a term of 10 years (subject to annual performance) and pay Winsway a marketing fee fixed at 1.5% of sales revenue for its associated sales and is within the historical range of 1%–2% paid to other agents.

2. Reasons for and benefits of the Winsway Marketing Agency Agreement

Pursuant to the Winsway Marketing Agency Agreement, GCC LP will appoint Winsway as its agent to provide exclusive marketing services in connection with the sale of GCC Coal in the PRC, as Winsway is (i) a significant supplier of coal in its own right, (ii) familiar with the GCC product, (iii) a major seller of GCC coal in previous years with proven track record, and (iv) has a large selling network and client base in the PRC, the Directors are of the view that if the Company can bind the strong relationship and assign attractive allotment to Winsway, the more commitment they will have when selling the Company products.

Having considered that:

(a) As stated in the section under "Information and going concern of Winsway", the revenues recognised in turnover from (i) the processing and trading of coking coal; and (ii) sales to external customers in the PRC (including Hong Kong and Macau), by Winsway representing over 90% of the total revenue of Winsway for the year ended 31 December 2013 and 2014 respectively;

(b) Winsway has been the major seller of GCC Coal in the PRC for a certain period before the Acquisition;

(c) As confirmed by the Company, Winsway owns several coal exploration licences in Mongolia but do not own any operational mines. As such, the Company is of the view that Winsway will devote its resources in trading of GCC Coal following the SPA Completion; and

(d) Winsway commits to meet the minimum purchases, which is 40% of the annual production of GCC Coal, under the Winsway Marketing Agency Agreement.

We are of the view that Winsway had a proven track record in marketing and selling coking coal in the PRC and Winsway is able to fulfil the responsibility as the marketing agent of the GCC Coal under the Winsway Marketing Agency Agreement. In addition, sales of GCC Coal will be secured by entering into the Winsway Marketing Agency Agreement. As such, we are of the view that the entering into the Winsway Marketing Agency Agreement is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

3. Basis of and the proposed annual cap for the Winsway Marketing Agency Agreement

Pricing mechanism marketing fee

Pursuant to the Winsway Marketing Agency Agreement, GCC shall pay Winsway a marketing fee fixed at 1.5% of sales revenue for its associated sales and is within the historical range of 1%–2% paid to other agents. Historically, Winsway did not charge any marketing fee from GCC.

The Winsway Marketing Agent and GCC LP shall discuss in good faith and agree before commencement of the fiscal quarter on the delivery of the quantity of GCC Coal for the following quarter and the applicable coal price for each buyer. The price of GCC Coal per ton shall be determined through arm's-length negotiations based upon prevailing market prices in the PRC.

Payment of the marketing fee to the Winsway Marketing Agent and counting of the amount of GCC Coal towards satisfaction of the Minimum Sales and Minimum Purchases is subject to the agreement on the price of GCC Coal, and if there is no agreement, whether or not the price offered is higher or lower than a bottom-line price as determined from time to time. Market and bottom-line prices will be determined with reference to an appropriate index which currently is the published assessment for Platts HCC 64 Mid Vol price index.

In view of the pricing mechanism, we have reviewed the Winsway Marketing Agency Agreement. Pursuant to the Winsway Marketing Agency Agreement, the base price of sales of the GCC Coal will be determined based on, among others, the market price of coking coal, which is publicly available.

In additional, the marketing fee payable to the Winsway Marketing Agent had been set as a fixed term. We had reviewed the Winsway Marketing Agency Agreement in which such term had been clearly stated. Based on our discussion with the Company, the cost of sales of coking coal in the PRC comprising of, including but not limited to, coal processing costs, coal transportation cost, maintenance costs of motor vehicles, machinery, coal processing facilities, logistics park and other infrastructure. The Company will also incur substantial costs in establishing and maintaining its own sales network in the PRC if the sales of GCC Coal in the PRC is conducted by the Company itself.

The Company is of the view that the benefit of appointing Winsway as its marketing agent and pay a marketing fee of 1.5% will outweigh that of selling GCC Coal to the clients in the PRC by the Group itself after considering that:

(a) The sales of the GCC Coal in the PRC can be centralised by Winsway by entering into the Winsway Marketing Agency Agreement;

(b) Winsway will provide letter of credit payment services to the Company under the Winsway Marketing Agency Agreement. We understand from the Company that the cost saved from receiving such services amounted to approximately 0.5% to 1.0%;

(c) As Winsway has already established a large sales network and client base in the PRC, directly engaging Winsway as the marketing agent and utilising its existing network in the PRC would be an effective way to promote the sales of GCC Coal. Otherwise, the cost of establishing sales network and maintaining client relationship incurred by the Company would amount to approximately 3% based on the Company's estimation;

(d) The Company can avoid the direct competition in the sales of coking coal with Winsway by entering into the Winsway Marketing Agency Agreement;

(e) The labour cost, transportation cost and the logistics cost incurred from the sales of the GCC Coal in the PRC by the Company would be reduced; and

(f) Sales of GCC Coal is secured under the Winsway Marketing Agency Agreement.

Based on the above factors, we are of the view that the determination of the selling price of GCC Coal and the marketing fee payable to Winsway under the Winsway Marketing Agency Agreement are fair and reasonable and in the interest of the Company and Shareholders as a whole.

The proposed annual caps for the marketing fee

Pursuant to the Winsway Marketing Agency Agreement, the minimum purchase of GCC Coal from GCC LP committed by Winsway amounts to 40% of the annual production of the Grande Cache mine. It is expected that the annual cap for the marketing fee under the Winsway Marketing Agency Agreement will not exceed the amounts of US$1.4 million, US$2.0 million and US$5.0 million for the three years ending 31 December 2017 respectively.

These annual caps had taken into account (i) the forecasted level of production for GCC assumed in the Competent Person's Report, (ii) the committed volume of sales under the Winsway Marketing Agency Agreement, being 40% of the total GCC annual production, (iii) potential flexibility for additional sales to the PRC through Winsway in addition to the minimum committed level and historical percentage of sales through Winsway, and (iv) the highest price achieved by Winsway for GCC sales historically, with an allowance for future general inflation of 2% p.a., being the specified target of monetary policy implemented by the Federal Open Market Committee of the USA and with reference to the Competent Person's Report.

(i) Sales volume of GCC Coal for the proposed annual caps

Based on our discussion with the Company, in additional to the committed volume of sales under the Winsway Marketing Agency Agreement, the Company further include half of the remaining, being 30%, of the estimated GCC annual production as the reference sales volume during the determination of the proposed annual caps. Such portion was determined after taking into account the historical sales volume of coal by Winsway and Marubeni.

With reference to the Competent Person's Report in Appendix V in the Circular, the estimated annual sales of GCC Coal for the three years ending 31 December 2017 amounted to approximately 751,000 tonnes, 1.0 million tonnes and 2.5 million tonnes respectively. With reference to the Winsway's annual report 2014, the annual coal sales volume by Winsway amounted to approximately 13.9 million tonnes and 9.3 million tonnes for the two years ended 31 December 2014 respectively, representing several times of the estimated annual production of GCC Coal. As such, we are of the view that, besides fulfilling the sales amount of GCC Coal obligated under the Winsway Marketing Agency Agreement, Winsway gets enough capacities to further extend the sales volume of GCC Coal in the PRC.

With reference to the Circular, the average annual coal sales volume by Marubeni amounted to approximately 463,000 tonnes for the three years ended 31 December 2014, representing approximately 20% to over 60% of the estimated annual sales of GCC Goal for the three years ending 31 December 2017. In addition, in order to diversify the geographic exposures of the sales of GCC Coal and avoid over reliance on Winsway and/or the PRC market, the Company expected that certain amount of the annual production of GCC Coal would be marketed by Marubeni and be sold to customers in Japan and elsewhere around the world. The Company would also sell GCC Coal through its own distribution channel. As such, the Company is of the view that further including half of the remaining, being 30%, of the estimated GCC annual production in the proposed caps provides enough flexibility for additional sales to the PRC through Winsway.

Based on the above, we are satisfied with the basis of determining the proposed sales amount by Winsway for the three years ending 31 December 2017.

(ii) Applied coking coal price for the proposed annual caps

We understand from the Company that it applied the highest price achieved by Winsway for GCC sales historically, representing approximately US$170 to US$180 per tonne, during the determining of the proposed annual caps. As stated under the section headed "Assessment of the reasonableness regarding the Winsway Trigger Price Range", the coking coal price were around US$170 per tonne during the first half of year 2013 and over US$170 per tonne during year 2012. In addition, as stated under the section headed "Price Outlook for Grande Cache Coking Coal" in the Competent Person's Report, the coking coal price for the period 2010–2012 saw a 33% step jump above the pricing for 2007–2009, which in itself represented a 75% increase over the 2004–2006 pricing levels. Based on the above, there were significant fluctuation on the coking coal price historically. The applied coking coal price in the calculation of the proposed annual caps provides a reasonable range to adopt the potential fluctuation.

Based on the above, we are satisfied with the basis of determining the coking coal price applied on the proposed annual caps for the three years ending 31 December 2017.

(iii) Assumed inflation for the proposed annual caps

The Company also applied an allowance for future general inflation of 2% per annum, being the specified target of monetary policy implemented by the Federal Open Market Committee of the USD and with reference to the Competent Person's Report. Based on our assessment, according to the website of the International Monetary Fund ("IMF") (www.imf.org), it forecasted that the inflation outlook of the PRC would remain benign at approximately 3% during the period from year 2015 to 2019. As such, we are satisfied with the basis of the inflation assumption on the proposed annual caps for the three years ending 31 December 2017.

(iv) Rate on marketing fee for the proposed annual caps

The rate applied on the marketing fee is fixed at 1.5% under the Winsway Marketing Agency Agreement. As stated in the section headed "Pricing mechanism of marketing fee", such rate had been clearly stated in the Winsway Marketing Agency Agreement and outweighed the cost incurred if the Group conducted the sales of GCC Coal in the PRC by itself.

Having considered that:

(a) the proposed annual caps had taken into account the committed volume of sales under the Winsway Marketing Agency Agreement;

(b) the proposed annual caps had taken into account a reasonable potential flexibility for additional sales to the PRC through Winsway;

(c) the applied coking coal price in the calculation of the proposed annual caps had taken into account the historical fluctuation and reduces the risk of re-compliance with the Listing Rules by the Company if the actual coking coal price is more volatile than estimated;

(d) the inflation assumed in the calculation was in line with the forecast from IMF;

(e) the rate of the marketing fee are fair and reasonable and in the interest of the Company and the Shareholders; and

(f) the proposed annual caps only reflect the maximum amount of marketing fee payable by the Company under the Winsway Marketing Agency Agreement. The Company is not obliged to conduct sales to Winsway other than the committed portion,

we are satisfied that the basis of determining the proposed annual caps for the three years ending 31 December 2017 and thus such annual caps are fair and reasonable.

Terms and condition of the Winsway Marketing Agency Agreement

The total term of the Winsway Marketing Agency Agreement is 10 years. As the transactions contemplated under the Winsway Marketing Agency Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules and will be subjected to the reporting and disclosure and Independent Shareholders' approval requirements every three years, on condition that the renewal of the Winsway Marketing Agency Agreement complies with the Listing Rules, we concur with the view of the Company that the term of the Winsway Marketing Agency Agreement can bind the strong relationship and assign attractive allotment to Winsway. It is also normal business practice for agreements of this type to be of such duration.

Pursuant to the Winsway Marketing Agency Agreement, in the event that Winsway fails to meet the minimum purchases in any given fiscal year, Winsway shall make up all of (and not part of) the marketing agent shortfall by providing GCC LP with a letter of credit in favour of GCC LP. In addition, subject to certain provisions, GCC LP shall have the right to suspend Winsway's rights to its status as exclusive marketing agent and payment for the reminder of the relevant fiscal year.

We had also reviewed the terms and conditions of the Winsway Marketing Agency Agreement, including but not limited to, the terms of pricing mechanism and the payment conditions, which had also been stated in the Letter from the Board. To the best of our knowledge, we are of the view that no material clause would adversely affect the interests of the Company and the Shareholders.

Consequences of going concern of Winsway

As stated in the section under "Information and going concern of Winsway", the auditors of Winsway do not express an opinion on the financial statement of Winsway for the year ended 31 December 2014. In the event that Winsway encounters financial difficulties and unable to fulfil the obligation under the Winsway Marketing Agency Agreement, the sales of GCC Coal in the PRC would be adversely affected. Based on the information of the Company, there are certain marketing agents of coking coal trading in the PRC. As such, the Company would be able to find a replacement of marketing agent in a timely manner if needed. The sales of GCC Coal in the PRC would only be influenced for a short period of time and would not be materially affected in case of the above circumstances.

Having considered that:

1. Winsway had a proven track record in marketing and selling coking coal in the PRC;

2. The sales of GCC Coal would benefit from utilising the selling networks and client base in the PRC of Winsway;

3. The marketing fee payable to Winsway is determined by the arm's length negotiation;

4. The costs involved in selling and marketing of GCC Coal directly would outweigh the marketing fee payable to Winsway;

5. Winsway's selling and distribution capacity is able to handle the sales amount of the proposed annual caps under the Winsway Marketing Agency Agreement;

6. The Company would be able to suspend Winsway's rights to its status as the exclusive marketing agent if Winsway fails to make up for the shortfall during the Prescribed Period;

7. No material clause in the Winsway Marketing Agency Agreement would adversely affect the interests of the Company and the Shareholders; and

8. The Company would be able to find a replacement of marketing agent in a timely manner if needed,

we are of the view that the Winsway Marketing Agency Agreement and the transactions contemplated thereunder are (i) on normal commercial terms; (ii) in the ordinary and usual course of business of the Group; (iii) fair and reasonable as far as the Independent Shareholders are concerned; and (iv) in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we are of the view that the Winsway Buy-back Right Agreement and the Winsway Marketing Agency Agreement and the transactions contemplated thereunder are (i) on normal commercial terms; (ii) in the ordinary and usual course of business of the Group; (iii) fair and reasonable as far as the Independent Shareholders are concerned; and (iv) in the interests of the Company and the Shareholders as a whole. We are also of the view that the proposed annual caps under the Winsway Marketing Agency Agreement are fair and reasonable and in the interest of the Company and Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Winsway Buy-back Right Agreement and the Winsway Marketing Agency Agreement and the transactions contemplated thereunder and the proposed annual caps under the Winsway Marketing Agency Agreement and we recommend the Independent Shareholders to vote in favour of the ordinary resolution in this regard.

Yours faithfully,
For and on behalf of
Donvex Capital Limited
Vily Leung
Director

Ms. Vily Leung is a licensed person and a responsible officer of Donvex Capital Limited registered with the Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Ms. Leung has extensive experience as an independent financial adviser to advice on connected transaction.

LATEST THREE YEARS FINANCIAL INFORMATION

Financial information of the Group for the years ended 31 March 2013, 2014 and 2015 are disclosed on pages 58-119 of FY 2013 annual report issued on 28 June 2013, pages 63-147 of FY 2014 annual report issued on 23 June 2014 and pages 1-33 announcement of annual results for the year ended 31 March 2015 of the Company respectively, which were published on both the Stock Exchange website (www.hkexnews.hk) and the Company's website (http://www.upenergy.com).

As at 31 March 2014, the Group had net current liabilities of approximately HK$762,543,000 and current portion of outstanding bank borrowings of HK$370,614,000 and other financial liabilities of HK$164,350,000 was due to renewals or repayments within the next twelve months. As at 30 September 2014, the Group had current liabilities of approximately HK$330,346,000 and current portion of outstanding bank borrowings of HK$327,056,000 and other financial liabilities of HK$151,758,000 was due for renewals or repayments within the next twelve months. The audit report on the consolidated financial statements for the year ended 31 March 2014 and the review report on the interim financial report for the six months ended 30 September 2014 contain an emphasis of matter paragraph on the Group's ability to continue as a going concern. There were uncertainties about the commencement of the commercial production of the Group's projects in Fukang. These facts and circumstances indicated existence of material uncertainties which may cast doubt on the Group's ability to continue as a going concern. Consequently, the Group is dependent upon the financial support from its bankers and major shareholders and its ability to raise proceeds from existing and new investors to operate as a going concern and meet its financial liabilities as they fall due for the foreseeable future. The consolidated financial statements for the year ended 31 March 2014 and the interim financial report for the six months ended 30 September 2014 did not include any adjustments that would result should the Group be unable to continue to operate as a going concern.

On 23 June 2015, the Group published its announcement of annual results for the year ended 31 March 2015 (the "Announcement"). The Announcement contains an extract of the auditors' report on the consolidated financial statements for the year ended 31 March 2015 which contain an emphasis of matter paragraph stating that the Group had net current liabilities of approximately HK$1,916,417,000 as at 31 March 2015 and that the current portion of outstanding bank borrowings of HK$582,560,000, other financial liabilities of HK$142,273,000 and convertible notes of HK$1,311,727,000 were due for renewals or repayments within the next twelve months. There are also uncertainties about the commencement of the commercial production of the Group's projects in Fukang. These facts and circumstances indicated existence of material uncertainties which may cast doubt on the Group's ability to continue as a going concern. Consequently, for the foreseeable future, the Group is dependent upon the financial support from its bankers and major shareholder and its ability to raise from existing and new investors to enable the Group to operate as a going concern and meet its financial liabilities as they fall due. The consolidated financial statements for the year ended 31 March 2015 do not include any adjustments that would result should the Group be unable to continue as a going concern.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION OF THE GROUP

Set out below is the management discussion and analysis of the Group for each of the years ended 31 March 2013, 2014 and 2015 as extracted from the annual reports and annual results of the Group. The financial data in respect of the Group, for the purpose of this circular, is derived from the audited consolidated financial statements of the Company for the years ended 31 March 2013, 2014 and 2015.

A. MANAGEMENT DISCUSSION AND ANALYSIS FOR THE GROUP FOR THE YEAR ENDED 31 MARCH 2013

BUSINESS OVERVIEW

During the year ended 31 March 2013, the Group continued to focus on the construction of the three coal mines and the three circulative business chain projects in Xinjiang. It is expected that these projects will commence production successively starting from the third quarter of 2013. On the other hand, the Group embarked upon the acquisitions of coal mines in Xinjiang and regions close to Central and Western Asia, concluding the sale and purchase agreements concerning the Baicheng Coal Mine in Xinjiang and the Kaftar Hona Deposit in Tajikistan. Upon completion of the acquisitions and commencement of production of the 5 coal mines, the planned annual production capacity of the Group in 2016 will reach a range between 6 Mt and 8 Mt, rendering the Group first in the coking industry in northwestern China. The Group is expected to show significant improvement in its revenue and profit and its leading position in the coking industry in northwestern China will also be strengthened.

Employees and Remuneration Policy

As at 31 March 2013, the Group had a total of 339 employees (2012: 236) in PRC and Hong Kong. Employees' remuneration packages are reviewed and determined by reference to the market pay and individual performance.

The staff benefits include contributions to mandatory provident fund, medical scheme and share option scheme.

Material Acquisitions and Disposal

On 23 July 2012, Able Goal Group Limited ("Able Goal", now known as "Up Energy Mining Limited") (a wholly-owned subsidiary of the Company) entered into a memorandum of understanding with Hao Tian Resources Group Limited ("Hao Tian Resources") in relation to the proposed acquisition of the entire issued share capital of Champ Universe Limited (冠宇有限公司) ("Champ Universe") (a wholly-owned subsidiary of Hao Tian Resources). Champ Universe, through its direct and indirect wholly-owned subsidiaries, operate and owns 100% interests in the Xinjiang Baicheng County Kueraken Mine Field No. 3 Pit of No. 1 Mine located at Baicheng County, Aksu Prefecture, Xinjiang Uygur Autonomous Region, China (the "Target Mine").

On 12 October 2012, the Company, Up Energy Mining Limited ("Up Energy Mining", as purchaser) and Hao Tian Resources (as vendor) entered into a sale and purchase agreement in relation to the acquisition of Champ Universe. According to the sale and purchase agreement, the consideration for the sale and purchase of sale shares and the transfer of all rights, title, benefit and interest of and in the shareholder's loan was HK$1.58 billion, subject to adjustments as set out in the sale and purchase agreement, of which HK$735 million shall be paid by way of an issuance and allotment to the vendor (or its nominee(s)) of 367,500,000 ordinary shares of the Company free from all encumbrances and credited as fully paid upon completion at an issue price of HK$2.00 per share; while the balance of HK$845 million shall be paid to the vendor in cash. All conditions precedent under the sale and purchase agreement had been fulfilled or waived, and the completion of the agreement took place on 28 June 2013.

The Target Mine produces predominantly gas coal, along with 1/3 coking coal, 1/2 caking coal, and weakly caking coal. Based on the technical report relating to the Target Mine as at 31 March 2012, the Target Mine has a coal field area of approximately 5.9178 square kilometres, with estimated coal resources and coal reserves of 111.30 Mt and 38.00 Mt respectively. According to the mining licence dated 28 October 2009 granted by the Department of Land and Resources Office of Xinjiang Uygur Autonomous Region, the Target Mine is permitted to produce 210,000 tonnes of coal per annum. Based on the valuation report relating to the Target Mine dated 31 December 2010, the fair market value of the Target Mine was estimated at HK$1.7 billion. The Group believes that in addition to helping us achieving the aforesaid target, the Group will also be benefited from the synergies resulting from the operation of the Target Mine with its existing mines in the region in terms of management, distribution and transportation.

FINANCIAL REVIEW

Revenue

For the financial year ended 31 March 2013, the Group recorded a loss of HK$60,376,000 (FY2012: HK$101,266,000), representing a decrease of 40.38% as compared with last year.

Liquidity and Financial Resources

As at 31 March 2013, the Group's current ratio was 2.9 (2012: 6.9), with current assets of approximately HK$974,120,000 (2012: HK$876,221,000) against current liabilities of approximately HK$336,802,000 (2012: HK$127,080,000). Cash and cash equivalents were approximately HK$881,932,000 (2012: HK$801,019,000). The Group's gearing ratio was 89% as at 31 March 2013 (2012: 108%). The Group's working capital is mainly financed by internal generated cash flows, borrowings and equity financing. There has not been any change in the Group's funding and treasury policies during the year, and the Group continues to follow the practice of prudent cash management.

Treasury Policies

The Group adopts a balanced funding and treasury policy in cash and financial management. Cash is generally placed in short-term deposits which are mainly denominated in HKD, USD and Renminbi. The Group's financing requirements are regularly reviewed by the management.

Foreign Exchange Risk

Other than bank deposits made in HKD, USD and RMB, the Group is not exposed to significant foreign currency exchange risks as our transactions and balances are mainly denominated in their respective functional currencies.

Cash Flow and Fair Value Interest Rate Risk

Except for cash and cash equivalents, the Group has no other significant interest-bearing asset. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group does not anticipate any major impact on interest-bearing assets resulting from changes in interest rates because the interest rates of its bank deposits are not expected to change significantly.

Contingent Liabilities

As at 31 March 2013, the Group had no significant contingent liabilities.

B. MANAGEMENT DISCUSSION AND ANALYSIS FOR THE GROUP FOR THE YEAR ENDED 31 MARCH 2014

The consolidated financial statements included in the Group's annual report for the year ended 31 March 2014 (pages 63 to 147), without qualifying the audit conclusion, an emphasis of matter has been included in the independent audit report issued by the Group's auditor to draw attention of the users of the annual financial report (pages 61 to 62).

BUSINESS OVERVIEW

Xinjiang is the key region of sales for coking coal and coke products. The Group owns four coal mines, namely the Xiaohuangshan Coal Mine, the Shizhuanggou Coal Mine, the Quanshuigou Coal Mine and the Baicheng Coal Mine, which are all located in Xinjiang, while the Kaftar Hona Coal Mine in Tajikistan which is being acquired is also located relatively close to the Kashgar Prefecture of Xinjiang. Thus, the operating environment in Xinjiang area will have direct impact on the Group's coal business.

At the end of the first quarter of 2013, with the arrival of summer procurement seasons of domestic coking coal enterprises, the demand for coking coal was not strong because the majority of steel enterprises started to control the production capacity of their own and the steel industry was busy in clearing its winter steel stock, resulting in a decline of coking coal purchasing. On the other hand, since coal mines across China have resumed production gradually, the coking coal market was becoming saturated. Accordingly, coal prices started to drop at the end of March 2013. By the end of August 2013, the average prices of quality coking coal and coke in Shanxi were RMB1,100/tonne and RMB1,400/tonne respectively, decreasing by RMB300 and RMB200 per tonne when compared with the prices at the beginning of the year. In September 2013, coupled with a new round of coal storage for winter, the domestic coking coal market experienced a price surge again, with a sharp increase of RMB200/tonne. Such an upward trend continued until spring of 2014.

The prices of coking coal and coke in Xinjiang were less affected by the domestic coal supply and demand since it is a relatively closed market. In March 2013, coking coal and coke prices in Xinjiang still remained at RMB950/tonne and RMB1,400/tonne respectively. However, starting from July, stimulated by a price increase in steel in Xinjiang, the coking coal and coke have witnessed a price escalation in Xinjiang. By the end of September, the price of coking coal was RMB1,100/tonne while the coke price was RMB1,580/tonne in Xinjiang, delivering a stabilized price trend throughout the year.

In 2014, the basic trend of domestic coking coal and coke prices will still be highlighted by seasonal movements with the lower end in spring and summer and the higher end in autumn and winter. As a result, a high volatility is expected.

Employees and Remuneration Policy

As at 31 March 2014, the Group had a total of 1,169 employees in the PRC and Hong Kong. Employees' remuneration packages are reviewed and determined with reference to the market pay and individual performance. Staff benefits include contributions to the mandatory provident fund, medical schemes and share option schemes.

Material Acquisitions and Disposal

On 19 December 2012, the Company and Up Energy Resources Company Limited (as the purchaser) entered into an agreement with Kaisun Energy Group Limited and its wholly-owned subsidiary Alpha Vision Energy Limited (as the vendor) in relation to the acquisition of 52% equity interest in Kamarob held by West Glory Development Limited (a wholly-owned subsidiary of the vendor) (the "Acquisition"). The completion of the sale and purchase agreement is still subject to the fulfillment of various conditions precedent. For details, please refer to the Company's announcement dated 8 January 2013.

Kamarob is a company incorporated and registered in the Republic of Tajikistan, and is holding the mining license in respect of the Kaftar Hona Deposit (the "Target Deposit") in Tajikistan. The Target Deposit is rich in coal resources, especially anthracite. However, the Target Deposit is in its early stage of development and additional time is required to carry out drilling and other activities. The Company considers that as the location of Tajikistan is relatively close to Xinjiang, the Acquisition will enable the Group to expand its coal reserves and mining operations, and reinforce its position as one of the largest integrated energy groups in northwestern China. In addition, the Acquisition will be beneficial for the Company to tap the expected significant demand for coal from new and expanding steel mills within the region, which have been planned or under construction. Overall, the Acquisition will enhance the long-term growth prospect of the Group.

Due to the continuous extreme weather conditions of the Kaftar Hona region in Tajikistan, the exploration and drilling activities are postponed and more time is needed to fulfill the conditions precedent of the agreement mentioned above accordingly. Both of the purchaser and vendor signed a supplementary letter on 18 October 2013 to postpone the long stop date from 31 December 2013 to 30 June 2015 or such later date as may be agreed in writing by both parties. Both parties are paying close attention to the progress for the sake of launching drilling works in a safe and reliable way.

FINANCIAL REVIEW

For the financial year ended 31 March 2014, the Group recorded a loss of HK$123,601,000 (FY2013: HK$60,376,000), representing an increase of 105% as compared with last year.

Revenue

The Group is principally engaged in the mining, coking and sale of coal. Revenue represents the sales value of goods sold to customers exclusive of value-added or sales taxes and after deduction of any trade discounts and volume rebates. The revenue of Group compromises coke, coal and others.

Sales of coke, coal and others accounted for 30.70%, 64.86% and 4.44% of the Group's total revenue respectively. The Group has no revenue or turnover during the year ended 31 March 2013.

Liquidity and Financial Resources

As at 31 March 2014, the Group's current ratio was 0.32 (2013: 2.9), with current assets of approximately HK$360,416,000 (2013: HK$974,120,000) against current liabilities of approximately HK$1,122,959,000 (2013: HK$336,802,000). Cash and cash equivalents were approximately HK$23,992,000 (2013: HK$881,932,000). The Group's gearing ratio was 97% as at 31 March 2014 (2013: 89%). The Group's working capital is mainly financed by internal generated cash flows, borrowings and equity financing. The Group had long-term borrowings and short-term borrowings of HK$199,500,000 (2013: Nil) and HK$370,614,000 (2013: Nil) respectively. Details of the Group's pledge of assets and the maturity profile of the Group's borrowings are shown in note 25 to the financial statements.

Treasury Policies

The Group adopts a balanced funding and treasury policy in cash and financial management. Cash is generally placed in short-term deposits which are mainly denominated in HKD, USD and Renminbi. The Group's financing requirements are regularly reviewed by the management.

Foreign Exchange Risk

The Group's assets and liabilities are mainly denominated in HKD and USD, in order to minimize the foreign currency exchange risk, the Group manages its transactions and balances that are denominated in their respective functional currencies.

Cash Flow and Fair Value Interest Rate Risk

Except for cash and cash equivalents and bank borrowings, the Group has no other significant interest-bearing asset and liabilities. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group does not anticipate any major impact on interest-bearing assets and liabilities resulting from changes in interest rates because the interest rates of its bank deposits and borrowings are not expected to change significantly.

Contingent Liabilities

As at 31 March 2014, the Group had no significant contingent liabilities.

C. MANAGEMENT DISCUSSION AND ANALYSIS FOR THE GROUP FOR THE YEAR ENDED 31 MARCH 2015

The financial information included in the Group's announcement of annual results for the year ended 31 March 2015 (pages 1 to 33), without qualifying the audit conclusion, an emphasis of matter has been included in the independent audit report issued by the Group's auditor to draw attention of the users of the annual financial report (page 33).

BUSINESS OVERVIEW

During the year ended 31 March 2015, the Group continued to closely monitor the development of the regional coking coal market in Xinjiang and the international seaborne coking coal market. For Xinjiang market, the Group focused on developing four mines and three circulative business chain projects within the area, and some of them are in operation and the others will also commence production successively in near term. Regarding the seaborne coking coal market, the Group actively sought opportunities in overseas. We speeded up the acquisition of Grande Cache Coal, a well-known coking coal corporation in Canada, in the second half of the year. Agreements for acquisition were signed on 14 November 2014 and the acquisition process has reached a stage where a circular is to be issued by the Company and subject to shareholders of the Company's approval.

Employees and Remuneration Policy

As at 31 March 2015, the Group had a total of 641 employees (2014: 1,169) in the PRC and Hong Kong. Employees' remuneration packages are reviewed and determined with reference to the market pay and individual performance. Staff benefits include contributions to the mandatory provident fund, medical schemes and share option schemes.

Material Acquisitions and Disposal

Acquisition of GCC in Canada

On 14 November 2014, the Group, Winsway Enterprises Holdings Limited ("Winsway") and Marubeni Corporation ("Marubeni") entered into the Sale and Purchase Agreement for acquisition of an aggregate of 82.74% interest in the total issued share capital of Grande Cache Coal Corporation ("GCC") and an aggregate of 82.74% partnership interest in Grande Cache Coal LP ("GCC LP"). The acquisition process has reached a stage where a circular is to be issued by the Company and subject to shareholders of the Company's approval.

GCC is a company incorporated in Alberta, Canada and is engaged in the production and sales of premium hard coking coal. It is an exporter of premium low volatile hard coking coal, and is one of the only four coking coal producers in North America with the ability to export coking coal from the west coast to the end user market in Asia. GCC coal mines are situated in Smoky River Coal Field and commenced production in 2004. With 25 mines held totaling over 29,000 hectares, it has abundant reserves position for surface mining and underground mining. The raw coal resources, prepared in accordance with the Canadian

Standard NI 43-101, amounted to 664 million tonnes, and the total saleable coal reserves amounted to 148 million tonnes, with a mine life over 40 years. GCC produces low volatile hard coking coal with low ash content, and it is classified as world class premium types of coal. Currently, the reserves of high-quality and low volatile hard coking coal in the world are very limited. There is no medium to low volatile coal reserve required for coking coal mixtures in each of the major markets demanding for coking coal including China, thus, GCC's competitive advantage is obvious. Besides, GCC possesses well-established infrastructure and logistics facilities, and it has direct access to Canadian National Railway with connection to the east-west line. Also, a favourable agreement has been signed with Westshore Terminals, with valid until 2021. There are also excellent on-site infrastructure, including two-lane paved highways, railway load-out, office facilities, coal-washing plant and nearby natural gas and coal-fired power stations. Except the above, GCC has a long operation history with stable customer bases all around China, Brazil, Korea, Japan and India. The coking coal is successfully sold to Asia, Europe and America for supply to major steel plants. The Group estimates that the annual production capacity of GCC in 2015 will amount to 1 million tonnes of clean coal, with a possibility to increase to 4 million tonnes in 2017. During the transitional period of acquisition, the Group will offer a maximum amount of US$74 million of transitional fund subsidy for GCC. As of 31 March 2015, such amount reached US$51.50 million.

Kaftar Hona Project in Tajikistan

The Group and Kaisun Energy Group Limited entered into an agreement in December 2012 in relation to the acquisition of equity interest in Kamarob. Since the drilling season was drawing near, both parties had to make up their mind on the start of exploration immediately. After due consideration and assessment by both parties, they were of the view that due to the current uncertainties in the region, economic benefits generated by large scale mining activities in Kafta Hona Deposit may not be sufficient enough to fulfill the conditions of the proposed transaction at this moment. Hence, both parties agreed to terminate this proposed transaction in July 2014 and no claim shall be made against each other.

FINANCIAL REVIEW

Revenue

During the year ended 31 March 2015, the Group recorded a revenue of approximately HK$245,314,000, representing an increase of HK$92,478,000 or 60.5% as compared with that of approximately HK$152,836,000 for the same period of 2014. The increase in revenue was mainly due to the full year operation of coking plant for the year ended 31 March 2015 comparing to just around six months of operation of coking plant in the same period last year.

Liquidity and Financial Resources

As at 31 March 2015, the Group's current ratio was 0.30 (2014: 0.32), with current assets of approximately HK$829,594,000 (2014: HK$360,416,000) against current liabilities of approximately HK$2,746,011,000 (2014: HK$1,122,959,000). Cash and cash equivalents were approximately HK$6,046,000 (2014: HK$23,992,000). The Group's gearing ratio was 67% as at 31 March 2015 (2014: 97%). The Group's working capital is mainly financed by internal generated cash flows, borrowings and equity financing. The Group had long-term borrowings and short-term borrowings of HK$158,916,000 (2014: HK$199,500,000) and HK$582,560,000 (2014: HK$370,614,000) respectively. Details of the Group's pledge of assets and the maturity profile of the Group's borrowings are shown in note 12 to the financial statements disclosed in this announcement.

Treasury Policies

The Group adopts a balanced funding and treasury policy in cash and financial management. Cash is generally placed in short-term deposits which are mainly denominated in Hong Kong dollar ("HKD"), United States dollar ("USD") and Renminbi ("RMB"). The Group's financing requirements are regularly reviewed by the management.

Foreign Exchange Risk

The Group's assets and liabilities are mainly denominated in HKD, RMB and USD, in order to minimize the foreign currency exchange risk, the Group manages its transactions and balances that are denominated in their respective functional currencies.

Cash Flow and Fair Value Interest Rate Risk

Except for cash and cash equivalents and bank borrowings, the Group has no other significant interest-bearing asset and liabilities. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group does not anticipate any major impact on interest-bearing assets and liabilities resulting from changes in interest rates because the interest rates of its bank deposits and borrowings are not expected to change significantly.

Contingent Liabilities

As at 31 March 2015, the Group had no significant contingent liabilities.

INDEBTEDNESS STATEMENT

At the close of business on 30 April 2015, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Enlarged Group had the following indebtedness:

(1) secured bank loans of approximately HK$3,732,742,000;

(2) guaranteed bank loans of approximately HK$190,801,000;

(3) unsecured bank loans of approximately HK$25,682,000;

(4) outstanding convertible notes of approximately HK$3,513,301,000;

(5) secured other borrowings of approximately HK$131,630,000;

(6) outstanding unsecured corporate bonds of approximately HK$15,552,000; and

(7) outstanding finance lease commitments of approximately HK$168,243,000.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, none of the companies in the Enlarged Group had outstanding at the close of business on 30 April 2015 any mortgages, charges or debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness or any finance lease or hire purchase commitments, liabilities under acceptances or acceptances credits or any guarantees or other material contingent liabilities.

WORKING CAPITAL STATEMENT

The Company intends to finance the Acquisition with the Group's internal resources, available bank financing and the major shareholder's financial support and the proposed raising of new capital by the Company. As at the Latest Practicable Date, the Group is in the process of evaluating the pros and cons of various financing methods. In deciding on a source of financing, the Group will consider, among others, costs, complexity of the structure, market conditions, timing and limitations. The Group will enter into definitive documentation on one or more financing as and when needed, but no definitive documentation is entered into prior to the Latest Practical Date.

Taking into account the Acquisition, the internally generated funds available to the Group and the financial support from the shareholder and on the assumption of successfully obtaining the banking financing, the Directors, after due and careful enquiry, are of the opinion that the Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of publication of this circular, in the absence of unforeseen circumstances.

The following is the text of a report, received from the joint reporting accountants, KPMG LLP, Chartered Accountants, Calgary, Alberta and KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

KPMG LLP
Suite 3100
205 5th Avenue SW
Calgary, AB
T2P 4B9

KPMG
8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

June 30, 2015

The Directors
Up Energy Development Group Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Grande Cache Coal LP and Grande Cache Coal Corporation (collectively, "**the Target**") comprising the consolidated statements of financial position of the Target as at December 31, 2012, 2013 and 2014 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Target, for each of the years ended December 31, 2012, 2013 and 2014 (the "**Relevant Periods**"), together with the explanatory notes thereto (the "**Financial Information**"), for inclusion in the circular of Up Energy Development Group Limited (the "**Company**") dated June 30, 2015 (the "**Circular**") in connection with the proposed acquisition of the Target by the Company.

Grande Cache Coal LP (the "**LP**") is a limited partnership formed under the Partnership Act (Alberta) and Grande Cache Coal Corporation (the "**Corporation**") is a corporation formed under the Alberta Business Corporations Act ("**ABCA**"), which is the General Partner of the LP. The Target is mainly engaged in the production of metallurgical coal and thermal coal in Grande Cache, Alberta.

The Target has adopted December 31 as its financial year end date. Details of the Target that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in note 2(a) of Section B. The financial statements of the LP and the Corporation were prepared in accordance with International Financial Reporting Standards ("**IFRSs**") as issued by the International Accounting Standards Board ("**IASB**").

The directors of the Corporation have prepared the consolidated financial statements of the Target for the Relevant Periods (the "**Underlying Financial Statements**") in accordance with IFRSs issued by the IASB. The Underlying Financial Statements for each of the years ended December 31, 2012, 2013 and 2014 were audited by KPMG LLP Canada under separate terms of engagement with the Target in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "**IAASB**").

The Financial Information has been prepared by the directors of the Company for inclusion in the Circular in connection with the proposed acquisition of the Target by the Company based on the Underlying Financial Statements, with no adjustments made thereon, and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs issued by IASB and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

JOINT REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). We have not audited any financial statements of the Target in respect of any period subsequent to December 31, 2014.

OPINION

In our opinion, the Financial Information gives a true and fair view of the financial position of the Target as at December 31, 2012, 2013 and 2014 and the Target's financial performance and cash flows for the Relevant Periods then ended in accordance with IFRSs.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw your attention to notes 1(b) and (c) of the Section B below to the Financial Information which describe that the Target incurred significant losses, negative cash flows, a working capital deficit and currently relies on the Bridge loan available from UP for its day-to-day operational expenses before the completion of the Proposed Transaction and explain that for the foreseeable future the Target is dependent upon the on-going financial support from its Partners, the US$50 million Bridge loan available from UP and the final agreement reached with CMBC to defer the repayments of the US$430 million Senior Credit Facility. These facts and circumstances indicate the existence of material uncertainties which may cast significant doubt on the Target's ability to continue as a going concern.

The Financial Information has been prepared on a going concern basis, the validity of which is dependent on the availability of the ongoing financial support from its Partners, the US$50 million Bridge loan available from UP and the final agreement reached with CMBC to defer the repayments of the US$430 million Senior Credit Facility to enable the Target to operate as a going concern and meet its financial liabilities as they fall due for the foreseeable future. The Financial Information does not include any adjustments that would result should the Target be unable to continue to operate as a going concern.

A FINANCIAL INFORMATION OF THE TARGET

1 Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Section B Note	For the year ended December 31, 2012 USD'000	For the year ended December 31, 2013 USD'000	For the year ended December 31, 2014 USD'000
Revenues	3	226,317	240,292	164,083
Cost of sales	4	(240,685)	(302,641)	(196,156)
Gross loss		(14,368)	(62,349)	(32,073)
General and administrative expenses	4	(18,218)	(11,468)	(6,183)
Other income (expenses)		564	(833)	2
Loss from operations		(32,022)	(74,650)	(38,254)
Finance income	5(a)	230	246	1,007
Finance costs	5(a)	(24,070)	(33,695)	(32,634)
Net finance costs		(23,840)	(33,449)	(31,627)
Impairment loss	5(b)	–	(265,000)	(554,391)
Bargain purchase gain on acquisition	25	142,934	–	–
Profit (loss) before taxation	5	87,072	(373,099)	(624,272)
Income tax	6	–	–	–
Profit (loss) and total comprehensive income (loss) for the year		87,072	(373,099)	(624,272)
Attributable to:				
Equity shareholders of the Corporation		(232)	(37)	(62)
Non-controlling interests		87,304	(373,062)	(624,210)
Profit (loss) and total comprehensive income (loss) for the year		87,072	(373,099)	(624,272)
Earnings (loss) per share				
Basic and diluted (USD)	10	N/A	N/A	N/A

The accompanying notes form part of the Financial Information.

2 Consolidated Statements of Financial Position

	Section B Note	As at December 31, 2012 USD'000	As at December 31, 2013 USD'000	As at December 31, 2014 USD'000
Non-current assets				
Restricted cash	11	28,384	27,473	26,023
Property, plant and equipment, net	12	1,222,686	959,454	378,606
		1,251,070	986,927	404,629
Current assets				
Cash	13	860	3,723	–
Trade and other receivables	14	5,327	9,513	1,808
Inventories	15	57,321	29,887	28,669
Prepaid expenses and deposits		3,656	280	1,690
		67,164	43,403	32,167
Current liabilities				
Bank overdraft	13	–	–	837
Accounts payable and accrued liabilities	16	22,237	21,719	16,119
Bridge loan	17	–	–	14,000
Finance lease obligations	20	15,959	14,842	14,726
Long-term debt	18	25,084	57,582	407,754
Pre-payments from related parties		21,000	100,467	33,373
Restoration provision	19	–	–	2,229
Amounts due to related companies		3,392	4,676	4,783
		87,672	199,286	493,821
Net current liabilities		(20,508)	(155,883)	(461,654)
Total assets less current liabilities		1,230,562	831,044	(57,025)

The accompanying notes form part of the Financial Information.

	Section B Note	As at December 31, 2012 USD'000	As at December 31, 2013 USD'000	As at December 31, 2014 USD'000
Non-current liabilities				
Restoration provision	*19*	28,772	27,064	27,386
Finance lease obligations	*20*	38,714	24,753	9,986
Long-term debt	*18*	360,102	349,352	–
		427,588	401,169	37,372
Net assets (liabilities)		802,974	429,875	(94,397)
Equity (Deficit)				
Share capital	*21*	4,023	4,023	4,023
Retained earnings (deficit)		(232)	(269)	(331)
Total equity attributable to equity shareholders of the Corporation		3,791	3,754	3,692
Non-controlling interests		799,183	426,121	(98,089)
Total equity (deficit)		802,974	429,875	(94,397)

The accompanying notes form part of the Financial Information.

3 Consolidated Statements of Changes in Equity

		Attributable to equity shareholders of the Corporation				
		Share capital	Retained earnings (deficit)	Sub-total	Non-controlling interests	Total equity
	Note	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
At January 1, 2012		10	–	10	–	10
Changes in equity:						
Issue of common shares		700,655	–	700,655	–	700,655
Contributed Surplus		15,237	–	15,237	–	15,237
Distribution of Limited Partnership Interest to the Limited Partners		(711,879)	–	(711,879)	711,879	–
Total comprehensive income for the year		–	(232)	(232)	87,304	87,072
At December 31, 2012		4,023	(232)	3,791	799,183	802,974
At January 1, 2013		4,023	(232)	3,791	799,183	802,974
Changes in equity:						
Total comprehensive loss for the year		–	(37)	(37)	(373,062)	(373,099)
At December 31, 2013		4,023	(269)	3,754	426,121	429,875
At January 1, 2014		4,023	(269)	3,754	426,121	429,875
Changes in equity:						
Limited Partner contributions		–	–	–	100,000	100,000
Total comprehensive loss for the year		–	(62)	(62)	(624,210)	(624,272)
At December 31, 2014		4,023	(331)	3,692	(98,089)	(94,397)

The accompanying notes form part of the Financial Information.

4 Consolidated Cash Flow Statements

	Section B Note	For the year ended December 31, 2012 USD'000	For the year ended December 31, 2013 USD'000	For the year ended December 31, 2014 USD'000
Cash flows from operating activities				
Net income (loss) for the year		87,072	(373,099)	(624,272)
Adjustments for:				
Depreciation and depletion		45,273	61,459	57,931
Unrealized foreign exchange (gain) loss		(2,946)	129	954
Settlement of restoration provision		(1,552)	–	–
Interest expense		27,016	33,566	31,679
Bargain purchase gain		(142,934)	–	–
Impairment loss		–	265,000	554,391
(Gain) loss on disposal		(13)	1,138	516
Inventory write down (write up)		14,864	(18,153)	4,797
Net changes in non-cash working capital items:				
Decrease (increase) in trade and other receivables		14,726	(4,186)	7,704
(Increase) decrease in inventories		(21,408)	39,912	(3,365)
(Increase) decrease in prepaid expenses		(1,899)	3,377	(1,410)
Decrease in accounts payable and accrued liabilities		(7,789)	(940)	(7,352)
Net cash generated from operating activities		10,410	8,203	21,573
Investing activities				
Additions to property, plant and equipment		(57,984)	(62,474)	(29,716)
Proceeds on sale of property, plant and equipment		123	274	29
Business acquisition		(1,054,862)	–	–
Additions to restricted cash		(7,998)	(911)	(1,450)
Net cash used in investing activities		(1,120,721)	(63,111)	(31,137)

The accompanying notes form part of the Financial Information.

	Section B Note	For the year ended December 31, 2012 USD'000	For the year ended December 31, 2013 USD'000	For the year ended December 31, 2014 USD'000
Financing activities				
Proceeds from long-term debt		398,960	20,000	–
Repayment of long-term debt		(20,089)	–	–
Interest paid		(22,305)	(30,420)	(28,864)
Proceeds from bridge loan		–	–	14,000
Pre-payments from related parties		21,000	79,467	32,905
Proceeds on new share issue		715,902	–	–
Advances from shareholders		3,392	1,284	108
Payment on finance lease obligations		(8,148)	(12,428)	(13,181)
Net cash generated from financing activities		1,088,712	57,903	4,968
Net (decrease) increase in cash and cash equivalents		(21,599)	2,995	(4,596)
Cash and cash equivalents at January 1		22,209	860	3,723
Effect of foreign exchange on cash and cash equivalents		250	(132)	36
Cash and cash equivalents at December 31	*13*	860	3,723	(837)

The accompanying notes form part of the Financial Information.

B NOTES TO THE FINANCIAL INFORMATION OF THE TARGET

(Expressed in United States dollars unless otherwise indicated)

1 GENERAL INFORMATION

(a) Background

Grande Cache Coal Corporation (formerly 1629835 Alberta Ltd) (the "**Corporation,**" or the "**General Partner**") is a corporation under the Alberta Business Corporations Act ("**ABCA**") and is the general partner of Grande Cache Coal Limited Partnership (the "**Limited Partnership,**" or the "**LP**"), a limited partnership formed under the Partnership Act (Alberta) that is the owner and operator of a coal mine, producing metallurgical and thermal coal and holding coal mining and development leases in Grande Cache, Alberta.

1629835 Alberta Ltd was incorporated on September 19, 2011 under the ABCA for the purpose of acquiring the former Grande Cache Coal Corporation ("**Former GCCC**"), a reporting issuer listed on the Toronto Stock Exchange. 1629835 Alberta Ltd was 60% owned by 0925165 BC Ltd, a subsidiary of Winsway Enterprises Holdings Limited (collectively "**Winsway**") and 40% owned by Marubeni Coal Canada Ltd., a subsidiary of Marubeni Corporation (collectively "**Marubeni**") (collectively the "**Partners**").

On February 9, 2012, 1629835 Alberta Ltd entered into a senior credit facilities agreement with the China Minsheng Banking Corp. ("**CMBC**") to partially fund the acquisition of the Former GCCC.

On February 14, 2012, the Former GCCC and Smoky River International Inc, ("**SRI**"), which was a subsidiary of the Former GCCC, formed the Limited Partnership. The Former GCCC received a 99.99% partnership interest in the Limited Partnership (the "**Limited Partnership Interest**") as consideration for its contribution to the Limited Partnership of all of the assets and liabilities of the Former GCCC. The value of the contributed assets was recorded at fair market value, which was the acquisition price.

As a result of the above, the Former GCCC held 0.005% of the LP as a general partner and 99.99% of the partnership interest of the LP as a limited partner. SRI held 0.005% of the partnership interest of the LP as a limited partner.

On March 1, 2012, 1629835 Alberta Ltd. acquired all of the outstanding common shares of the Former GCCC including its wholly owned subsidiary SRI, pursuant to a plan of arrangement under the ABCA which was approved by special resolution of the shareholders of the Former GCCC. The acquisition was recognized as a business combination and the acquired assets and assumed liabilities were recognized at fair value on acquisition date.

In conjunction with acquisition, 59.994% of the Limited Partnership Interest owned by the Former GCCC was distributed to Winsway and 39.996% of the Limited Partnership Interest owned by the Former GCCC was distributed to Marubeni. Concurrently, a reorganization was completed to pursuant to which the Former GCCC, 1629835 Alberta Ltd. and SRI were amalgamated through a series of amalgamations to form Grande Cache Coal Corporation.

As at March 1, 2012 the Corporation is owned 60% by Winsway and 40% by Marubeni. The Corporation holds a 0.01% interest in the LP and is the General Partner of the LP, while the remaining 99.99% interest in the LP is owned 59.994% by Winsway and 39.996% by Marubeni. There have been no further restructurings subsequent to March 1, 2012.

The registered office of Grande Cache Coal Corporation (formerly 1629835 Alberta Ltd) is Suite 2500, 450–1st Street SW, Calgary, Alberta, Canada T2P 5H1.

(b) Proposed acquisition

On November 14, 2014, the Partners entered into a Sale and Purchase Agreement (the "SPA") (the "**Proposed Transaction**") with UP Energy Development Group Limited ("**UP**"), whereby UP will acquire:

- all of the interest in the Corporation and the Limited Partnership held by Marubeni for the purchase price of USD1.00, and,
- 71.25% of the interests (representing approximately 42.74% of the issued capital in the Corporation and issued units in the Limited Partnership) held by Winsway for the purchase price of USD1.00.

If the Proposed Transaction is closed, UP will own an aggregate 82.74% interest and Winsway will own 17.26% in the Corporation and UP will own an aggregate 82.74% interest and Winsway will own 17.25% interest in the Limited Partnership.

In connection to the SPA and the Proposed Transaction, completion of the Proposed Transaction is conditional upon certain matters being satisfied including approval from the Stock Exchange of Hong Kong and also the approval by a majority of the shareholders of UP.

Under the terms of the Proposed Transaction, marketing rights will be assigned to both Marubeni and Winsway allowing them exclusive rights to market coal to certain customers and countries; and a buy-back option allowing, Winsway and Marubeni to buy back a portion of shares within three years of the Proposed Transaction. If there is a further deferral of repayment of the long term debt, the buy-back option will extend to repayment of the long term debt or five years, whichever comes first.

In connection to the Proposed Transaction, due to the insufficient working capital of the Corporation and the Limited Partnership (as described in Note 1(c)), UP, the Limited Partnership, and the Partners entered into a Bridge Loan Agreement on September 6, 2014 whereby UP provided USD10 million to the Limited Partnership and the GCC Interim Support Agreement (the "**Interim Support Agreement**") on December 17, 2014. As part of the Interim Support Agreement, UP, the Limited Partnership, and the Partners entered into an Amended and Restated Bridge Loan Agreement (collectively with Bridge Loan Agreement on 6 September 2014, being the "Bridge Loan" as described in Note 17). The Bridge Loan from UP provides the Limited Partnership up to USD50 million of available advances for the purpose of meeting day-to-day operational requirements of the mine, which includes the initial USD10 million loan.

In conjunction with the Proposed Transaction, the Limited Partnership and China Minsheng Banking Corp., Ltd Shanghai Branch ("**CMBC**") amended the terms of the existing USD430 million senior credit facility agreement ("**Fourth Amendment Deed**") to defer the commencement of outstanding principal repayments from 2014 to 2017 (as described in note 18). Under the terms and conditions of the Fourth Amendment Deed, UP (or any other entity acceptable to CMBC, termed a "new investor") is required to advance certain amounts to the Limited Partnership upon specified dates, and contributions not made will constitute an event of default. Should the Proposed Transaction successfully close, existing amounts under the Bridge Loan and future advances provided by UP or a new investor will be converted to capital in the Limited Partnership. Should the transaction not be successfully completed, existing advances (and accrued interest) will be repayable by the Limited Partnership to UP and the outstanding amount of USD410 million under the senior credit facility will be repayable to CMBC.

(c) Going concern

As a result of the continuing depression of the coking coal market the Corporation has incurred significant losses (excluding the bargain purchase gain in 2012 of USD142,934,000), negative cash flows (excluding cash-flows from financing) and a working capital deficit in each of the years ended December 31, 2012, 2013 and 2014. For the year ended December 31, 2014, the Corporation sustained a loss of USD624,272,000 and incurred net cash outflows of USD4,596,000. At December 31, 2014, the Corporation had a working capital deficit of USD461,654,000. To date, the Limited Partnership has relied on the support of the Partners for cash inflows, however there can be no assurance that the Partners will continue to support the Limited Partnership. There are no contractual obligations for the ongoing support by the Partners excluding potential capital commitments required under the Proposed Transaction.

Certain measures have been taken to manage the liquidity and to improve the financial position which include, but are not limited to, the following:

(i) Subsequent to December 31, 2014, the surface mining operations were suspended, which is expected to reduce operating losses and operating cash outflows.

(ii) In conjunction with the Proposed Transaction, UP has provided the Bridge Loan of up to USD50 million to the Limited Partnership. As at December 31, 2014, USD14 million had been advanced to the Limited Partnership.

(iii) Under the amended terms of the Limited Partnership's credit facility, CMBC has deferred the commencement of outstanding principal repayments from 2014 to 2017, subject to certain conditions including the successful completion of the Proposed Transaction.

The Limited Partnership will not be able to fund its operations in 2015 without the ongoing support of the Partners or the continued availability of the Bridge Loan or other sources of funds, including the ongoing deferral of the repayment of the CMBC credit facility. Should the Proposed Transaction not be successfully completed, the Bridge Loan from UP will become repayable with any accrued interest and the outstanding amount under the senior credit facility of USD410 million will become due to CMBC on demand, and therefore, sources of funds other than from UP will be required for the funding of operations of the Corporation and the Limited Partnership. Furthermore, there is no certainty that these measures alone will provide adequate liquidity necessary for the Corporation and Limited Partnership to continue as a going concern.

The above matters indicate the existence of a material uncertainty which casts significant doubt about the ability of the Corporation and the Limited Partnership to continue as a going concern and therefore they may be unable to realize their assets and discharge their liabilities in the normal course of business.

Management of the Corporation hold the view that the Proposed Transaction will be successfully completed, and based on the above plans and measures, the Limited Partnership will have sufficient funds to finance its operations and to meet its financial obligations as and when they fall due for a reasonable period of time. Accordingly, the financial information have been prepared on a going concern basis.

Should the Corporation be unable to continue to operate as a going concern, adjustments would be required that could have a material impact to these financial information. The effect of these adjustments has not been reflected in these financial information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

This Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") as issued by the International Accounting Standards Board ("**IASB**").

This Financial Information represents the consolidated financial position, results of operations and cash flows of the Corporation and the Limited Partnership. Transactions and outstanding balances between the two entities have been eliminated. By virtue of the Limited Partnership Agreement and a Management Services Agreement, the General Partner (the Corporation) is deemed to control the Limited Partnership with a 0.01% interest in the Limited Partnership. The remaining 99.99% ownership in the Limited Partnership are therefore presented as amounts attributable to non-controlling interests on the consolidated statements of financial position and consolidated statements of income (loss) and other comprehensive income.

The Limited Partnership is not a taxable entity under the taxation laws in Canada. Taxable earnings, losses and the tax basis of assets and liabilities are directly attributed to the Partners, and are the responsibility of the Partners. As a result, the related taxation amounts and disclosures in these consolidated financial statements represent only the amounts attributed to the Corporation in respect of its 0.01% interest in taxable income (loss) and future taxable deductions.

This Financial Information has been prepared on a going concern basis under the historical cost convention.

KPMG LLP Canada is the auditor during the Relevant Periods.

(b) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with IFRSs, which collective term includes International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board ("**IASB**"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Target has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting year ended December 31, 2014. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in note 29.

The Financial Information also complies with the disclosure requirements of the applicable disclosure provisions of the Listing Rules.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(c) Basis of measurement

(i) Functional and presentation currency

Items included in this Financial Information are measured using the currency of the primary economic environment in which the Corporation operates, the US dollars (the "**functional currency**"). The consolidated financial statements are presented in US dollars, which is the Corporation's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the Corporation's functional currency are recognized in the statement of profit or loss. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated at the period end date exchange rates.

(d) Use of estimates and judgments

The preparation of the Financial Information requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis.

Actual results may differ from these estimates. Judgments made by management that have significant effect on the Financial Information and estimates with a significant risk of material adjustment in subsequent period are described in note 27. Revisions to accounting estimates are recognised in the period which the estimates are revised and in any future periods affected.

(e) Inventories

Coal inventory is valued at the lower of average production cost and net realizable value. Costs include all direct costs incurred in production including mining, labour, operating materials and supplies, freight, depreciation and depletion and directly attributable overhead. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Production stripping costs that are not capitalized are included in the cost of inventories as incurred. When inventories have been impaired to net realizable value, subsequent periods will include a reversal of any impairments if the circumstances that caused the write down no longer exist and to the extent the inventory is not sold.

Materials inventory consists of parts, supplies and consumables, and is valued at the lower of weighted average cost and net realizable value. Cost includes acquisition, freight and other directly attributable costs.

(f) Property, plant and equipment

(i) Property, plant and equipment

Property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes purchase price and expenditures that are directly attributable to bring the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

Expenditures incurred that renew or refurbish plant and equipment to extend its useful life or increase its productive capacity are capitalized. Repairs that do not extend an asset's useful life or productive capacity are expensed in the period in which they are incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognizing an asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of profit or loss and other comprehensive income.

Depreciation is recognized on a straight-line basis over the estimated useful lives of each significant part of an item of property, plant and equipment.

Where an item of property, plant and equipment comprises significant parts with useful lives that are significantly different from that of the asset as a whole, the parts are accounted for as separate items of property, plant and equipment and depreciated accordingly.

The estimated useful lives for each of the classes of property, plant and equipment are as follows:

• Freehold land	not depreciated
• Buildings	10 to 20 years
• Equipment and machinery	5 to 20 years
• Furniture and fixtures	3 to 10 years
• Computer equipment	2 to 5 years
• Mineral assets	units of production based on reserves

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate, on a prospective basis.

(ii) Mineral assets

Expenditures directly attributable to the acquisition, development and construction of mineral assets, including amounts transferred from exploration and evaluation assets, are capitalized when the expenditures relate to mining properties that have been determined as technically feasible, which is established when resources are assigned in accordance with National Instrument 43-101.

Borrowing costs and depreciation of plant and equipment used in the development of a mine are capitalized. Depletion is not recognized during the development and construction phase.

Mining areas generally become producing mines when they are available for their intended use. When a mine development project moves into the production stage, the capitalization of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalization relating to mining asset additions and improvements or mineable reserve development. Mineral assets in the production phase are depreciated based on proven and probable reserves using the unit of production method.

Waste rock stripping costs incurred in the production phase are capitalized as production stripping costs within property, plant and equipment when it is probable that the stripping activity will improve access to the ore body; the component of the ore body to which access has been improved can be identified; and the costs relating to the stripping activity can be measured reliably. When the actual waste to ore stripping ratio in a period is greater than the expected life-of-mine waste to ore stripping ratio for a pit, the excess is capitalized as production stripping costs. These costs are depreciated on a unit of production basis over the proven and probable reserves of the respective pit of the mine to which they relate.

(iii) Exploration and evaluation expenditures

Property acquisition costs are capitalized. Other exploration and evaluation expenditures are capitalized when the activity occurs within an area of interest where it is considered likely to be recoverable by future exploitation or sale of resources.

No depreciation is charged on exploration and evaluation assets.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable (i.e. proven and probable reserves are determined), exploration and evaluation assets are tested for impairment and reclassified to mineral properties and leases within property, plant and equipment.

Exploration and evaluation expenditures include researching and analyzing historic exploration data, conducting topographical, geological, geochemical and geophysical studies as well as exploratory drilling, trenching and sampling. In addition, costs incurred to prove the technical feasibility and commercial viability of resources found are capitalized.

Exploration and evaluation expenditures incurred in areas without an existing mine or in areas outside the boundary of known mineral deposits are expensed as incurred.

(iv) Construction in progress

Assets in the course of construction are capitalized as construction in progress. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment and depreciation commences when the asset is available for its intended use.

(v) Impairment of non-financial assets

The Corporation assesses at each reporting date whether there is an indication that an asset or a cash generating unit ("**CGU**") may be impaired. A CGU is the smallest identifiable group of assets that generates cash flows largely independent of the cash inflows from other assets or groups of assets. The Corporation has only one CGU. If any indication of impairment exists, the Corporation estimates the CGU's recoverable amount. A CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and an impairment loss is recognized.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an orderly transaction between arm's length participants. The best evidence of fair value is the value obtained from an active market or binding sale agreement. Where neither exists, fair value is estimated using discounted cash flow techniques. Estimated future cash flows are calculated using estimated future prices, mineral reserves and resources, operating and capital costs. Estimates are those that an independent market participant would consider.

Impairment losses are reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been previously recognized.

(g) Provisions

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of a past event, the amount can be reliably estimated and it is probable that an outflow of economic resources will be required to settle the obligation. Provisions are determined by discounting expected future cash outflows at a risk-free rate that reflects the time value of money. The unwinding of the discount is recognized as a finance cost.

(h) Restoration provision

The Corporation's operations through the Limited Partnership give rise to future obligations for decommissioning, restoration and rehabilitation activities. The discounted value of future restoration cost is capitalized to mineral assets with a corresponding increase in the restoration provision in the period incurred. The capitalized restoration costs are depleted using a method consistent with the related asset. Actual costs incurred to settle the site restoration obligation are charged against the provision. Any difference between the actual costs incurred and the provision is recognized as a gain or loss in the period in which the settlement occurs.

The Corporation's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recognized directly to mineral assets with a corresponding entry to the restoration provision.

Environmental disturbance

During the operating life of an asset, events such as accidents or infractions of environmental laws or regulations may occur. These events are not related to the normal operation of the asset. The costs associated with these provisions are charged to profit or loss in the period in which the event giving rise to the liability occurs.

(i) Leases

Leases where the Corporation assumes substantially all the risks and rewards of ownership are accounted for as finance leases. Finance leases are capitalized within property, plant and equipment at the commencement of the lease with an offsetting lease liability. The value of the leased asset is established as the lesser of its fair value at inception and the present value of the minimum lease payments. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term, in which case the asset will be depreciated over its useful life.

The finance lease liability is initially recognized based on the present value of the minimum lease payments. Lease payments are allocated between finance costs and a reduction of the lease liability to achieve a constant periodic rate of interest on the financed balance outstanding.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are accounted for as operating leases. Payments made under operating leases are recognized on a straight-line basis over the respective lease term.

(j) Financial instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to a contractual provision of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all the risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

At initial recognition, the Corporation classifies its financial instruments into the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss are financial instruments acquired principally for the purpose of selling or repurchasing in the short-term. Financial instruments in this category are measured at fair value and subsequent changes are recognized in profit or loss. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. The Corporation has no financial instruments classified as such.

(ii) Held-to-maturity investments are non-derivative financial instruments with fixed payments and maturity for which the Corporation has the intention and ability to hold to maturity. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized costs using the effective interest method, less any impairment losses. The Corporation has no financial instruments classified as such.

(iii) Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. Such instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Cash, trade receivables and restricted cash are classified as loans and receivables.

(iv) Available-for-sale financial assets are non-derivative financial instruments that are either designated in this category or are not designated in any of the preceding three categories. These financial instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income or loss, except for losses in value that are considered other than temporary. The Corporation has no financial instruments classified as such.

(v) Financial liabilities measured at amortized cost are all other financial liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities, Bridge loan, pre-payments from related parties, long term debt and amounts due to related parties are classified as other financial liabilities.

(k) Impairment of financial assets

A financial asset not measured at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced and an impairment loss is recognized.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized.

(l) Revenue recognition

Sales revenues are recognized when the risks and rewards of ownership pass to the customer, collection is reasonably assured and the amount can be measured reliably. The majority of the Corporation's sales are seaborne. Seaborne coal sales revenue is generally recognized when the coal is loaded on to the vessel at the port. Sales that are not seaborne are generally recognized when coal is either loaded onto a truck or train or when it is unloaded at the final destination, depending on the terms of the contract.

Revenue is measured at the price specified in the sales contract, net of any penalties. Sales revenue excludes any applicable sales taxes. Coal royalties are presented as an operating cost.

(m) Debt modification

Where the modification of debt terms is considered to be substantial, the debt is considered to be extinguished and the liability derecognised. The difference between the re-acquisition price and consideration paid, including any non-cash assets transferred and the carrying amount of the extinguished debt should be recognized in income. A change in the net present value of the debt by more than 10% is considered to be a substantial change in terms. Costs incurred for debt modifications directly reduce the carrying amount of the debt and are amortized over the remaining term of the modified debt using the effective interest method.

(n) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Corporation can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(o) Income Tax

Taxes, comprised of both income taxes and resource taxes are recognized in the statement of profit or loss and where taxable income, deductions and temporary differences arise. The taxes, both current and deferred, are only recognized to the extent of the Corporation's interest in the Limited Partnership. Amounts attributable to the non-controlling interest are recognized directly in the financial statements of the Partners.

Current taxes receivable or payable are based on estimated taxable income for the current year at the statutory tax rates enacted or substantively enacted less amounts paid or received on account.

Deferred tax assets and liabilities are recognized based on temporary differences (the difference between the tax and accounting values of assets and liabilities) and are calculated using enacted or substantively enacted tax rates for the period in which the differences are expected to reverse. The effect of tax rate changes is recognized in the period of substantive enactment.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits of the Corporation will be available against which the assets can be utilized.

Deferred tax liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction, other than in a business combination that affects neither accounting profit nor taxable profit.

The Corporation is subject to assessments by various taxation authorities, who may interpret tax legislation differently. The final amount of taxes to be paid depends on a number of factors, including the outcomes of audits, appeals or negotiated settlements. The Corporation has accounted for such differences based on its best estimate of the probable outcome of these matters.

(p) Related parties

(a) A person, or a close member of that person's family, is related to the Corporation if that person:

(i) has control or joint control over the Corporation;

(ii) has significant influence over the Corporation; or

(iii) is a member of the key management personnel of the Corporation or the Corporation's parent.

(b) An entity is related to the Corporation if any of the following conditions applies:

(i) The entity and the Corporation are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Corporation or an entity related to the Corporation.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(q) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Corporation's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Corporation's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Corporation has one business segment, mainly engaged in coal mining in Canada. Accordingly, no additional business and geographic segment information are presented.

3 REVENUES

The Limited Partnership is principally engaged in the mining and sale of coal. Revenue represents the sales value of goods to customers exclusive of sales taxes. The amount of each significant category of revenue recognized in revenue during the Relevant Periods is as follows:

	For the year ended December 31, 2012	**For the year ended December 31, 2013**	**For the year ended December 31, 2014**
	USD'000	*USD'000*	*USD'000*
Hard coking coal	214,434	237,958	164,083
Thermal coal	11,883	2,334	–
	226,317	240,292	164,083

The following table sets out information about the geographical location of the revenues from external customers:

	For the year ended December 31, 2012	For the year ended December 31, 2013	For the year ended December 31, 2014
	USD'000	*USD'000*	*USD'000*
Canada	42,673	18,120	12,422
China	89,526	152,209	33,343
Korea	28,855	33,480	45,356
Japan	65,263	23,124	27,027
Brazil	–	13,359	38,867
Others	–	–	7,068
	226,317	240,292	164,083

During the years ended 31 December 2012, 2013 and 2014, the Group had five, three and four customers that individually exceeded 10% of the Group's total revenues, being USD199,136,000, USD200,357,000 and USD 134,313,000 (or 88%, 83% and 82% of total revenues), respectively.

4 EXPENSES BY NATURE

	For the year ended December 31, 2012	For the year ended December 31, 2013	For the year ended December 31, 2014
	USD'000	*USD'000*	*USD'000*
Staff costs	68,088	69,269	49,207
Distribution costs	39,872	60,982	46,270
Depreciation and depletion	45,273	61,459	57,931
Other employee benefits	1,200	1,418	1,110
Operating leases and equipment rental	2,315	1,724	1,552
Contractors and consultants	35,167	38,810	17,077
Materials and supplies	46,635	33,550	19,289
Fuel	26,198	21,352	15,716
Repairs and maintenance	8,868	6,582	1,527
Overhead costs	11,627	14,193	10,483
Waste movement	20,073	12,723	3,301
Licenses and permits	791	877	854
Other	1,596	2,357	791
Coal royalties	1,914	2,062	1,165
	309,617	327,358	226,273
Less:			
Production stripping costs capitalized	(45,013)	(36,487)	(24,683)
Change in inventory	(5,701)	23,238	749
Cost of sales	240,685	302,641	196,156
General and administrative expenses	18,218	11,468	6,183
Total costs of sales, general and administrative expenses	258,903	314,109	202,339

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after (crediting) charging:

(a) Net finance costs

	For the year ended December 31, 2012 *USD'000*	For the year ended December 31, 2013 *USD'000*	For the year ended December 31, 2014 *USD'000*
Interest income	(230)	(246)	(131)
Insurance recovery*	–	–	(876)
Finance income	(230)	(246)	(1,007)
Interest on long-term debt	17,324	24,956	24,581
Interest on finance lease obligations	4,863	2,650	1,703
Amortization of debt arrangement fee	4,178	4,767	3,535
Accretion on reclamation liability	328	690	394
Foreign exchange gains	(2,946)	129	955
Other interest and bank charge	323	503	1,466
Finance costs	24,070	33,695	32,634
Net finance costs	23,840	33,449	31,627

* The insurance recovery is the result of an incident at the port in January 2013 whereby the coal loading facility was damaged, leading to significant shipping delays. Costs incurred as a result of these delays were subsequently recovered from insurance.

(b) Other items

	For the year ended December 31, 2012 *USD'000*	For the year ended December 31, 2013 *USD'000*	For the year ended December 31, 2014 *USD'000*
Impairment losses on property, plant and equipment *(note 12)*	–	265,000	554,391

6 INCOME TAX

Reconciliation of income taxes calculated at the statutory rate to the actual tax provision is as follows:

	For the year ended December 31, 2012	For the year ended December 31, 2013	For the year ended December 31, 2014
	USD'000	*USD'000*	*USD'000*
Income (loss) before tax	87,072	(373,099)	(624,272)
Expected tax expense (recovery) on income (loss) before tax calculated at the Canadian statutory income tax rate of 25%	21,768	(93,275)	(156,068)
Allocated to Limited Partners	(21,766)	93,265	156,052
Change in unrecognized deferred tax asset and other	(2)	10	16
Tax expense	–	–	–

As at December 31, 2012, 2013 and 2014, the Corporation has not recorded a provision for current income taxes due to the significant recurring losses of the Limited Partnership resulting in non-capital loss carry-forwards in the Corporation of USD8,248,000, USD8,425,000 and USD8,583,000, respectively. The Corporation has no other income or operations against which to apply the General Partner's 0.01% share of the losses of the Limited Partnership. The resulting deferred tax assets are not expected to reverse in the foreseeable future and have not been recognized.

As at December 31, 2012, 2013 and 2014, deferred tax liabilities of the Corporation of USD27,000, USD21,000 and USD5,000, respectively, are offset by the deferred tax assets, which are in excess of the deferred liabilities. The deferred tax liabilities all relate to the temporary differences between the tax and accounting bases of the property, plant and equipment. There are no significant reversals of the deferred tax liabilities expected in the next year.

Temporary differences giving rise to deferred income tax assets that have not been recognized are as follows:

	As at December 31, 2012	As at December 31, 2013	As at December 31, 2014
	USD'000	*USD'000*	*USD'000*
Research and Development Investment Tax Credits	395	395	395
Canadian Development Expenses	6	11	10
Cumulative Eligible Capital – issue costs	2,428	2,258	2,100
Non capital loss carry forwards	8,221	8,404	8,578
Deferred income tax assets (at 100%)	11,050	11,068	11,083

The Investment Tax Credits will expire in 2022 if not used against taxable income.

Cumulative Canadian Development Expenses do not expire.

The non-capital loss carry-forwards expire at various dates between 2024 and 2034.

The deferred tax benefits of these pools have not been recognized as it is not probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized by the Corporation.

7 DIRECTORS' REMUNERATION

Directors' remuneration is set out as follows:

	For the year ended December 31, 2012					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Other short term benefits	Retirement scheme contributions	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Executive directors						
Koji Iwana**	–	–	–	–	–	–
Min Liao**	–	58	–	23	5	86
Apolonius Struijk*	–	–	–	–	–	–
Donald Bell*	–	–	–	–	–	–
Lloyd Metz*	–	258	50	17	17	342
Yasuhisa Yamamoto**	–	–	–	–	–	–
	-	316	50	40	22	428

	For the year ended December 31, 2013					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Other short term benefits	Retirement scheme contributions	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Executive directors						
Koji Iwana**	–	–	–	–	–	–
Min Liao**	–	200	10	53	12	275
Chang Qing (Max Wang)**	–	328	–	17	20	365
Yasuhisa Yamamoto**	–	–	–	–	–	–
Donald Bell*	–	–	–	–	–	–
	–	528	10	70	32	640

	For the year ended December 31, 2014					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Other short term benefits	Retirement scheme contributions	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Executive directors						
Koji Iwana**	–	–	–	–	–	–
Min Liao**	–	187	14	22	11	234
Chang Qing (Max Wang)**	–	317	135	17	19	488
Yasuhisa Yamamoto**	–	–	–	–	–	–
Donald Bell*	–	–	–	–	–	–
	–	504	149	39	30	722

"*" Indicates Management Committee member. The Management Committee, as distinct from the Board of Directors, have exclusive authority with respect to the management of the business of the Corporation. No Director or officer of the Corporation shall have authority to act for, or assume any obligation or responsibility on behalf of the Corporation without the prior written approval of the Management Committee. The Management Committee is also wholly responsible for the operations of the Limited Partnership.

"**" Indicates Management Committee member and Director.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the years ended December 31, 2012, 2013 and 2014, of the five individuals which the highest emoluments, one, two and two, respectively, are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other individuals are as follows:

	For the year ended December 31, 2012	For the year ended December 31, 2013	For the year ended December 31, 2014
	USD'000	*USD'000*	*USD'000*
Salaries and other emoluments	743	673	549
Termination benefits	237	245	–
Discretionary bonuses	1,590	78	50
Other short term benefits	44	54	24
Retirement scheme contributions	57	20	20
	2,671	1,070	643

The emoluments of the other individuals with the highest emoluments are within the following bands:

	For the year ended December 31, 2012	For the year ended December 31, 2013	For the year ended December 31, 2014
	Number of individuals	Number of individuals	Number of individuals
HKD 1,000,001 to HKD 2,000,000	1	1	3
HKD 2,000,001 to HKD 3,000,000	2	1	–
HKD 3,000,001 to HKD 5,000,000	–	1	–
Above HKD 5,000,001	1	–	–

During the Relevant Periods, no emoluments were paid by the Target to the five highest paid individuals as an inducement to join or upon joining the Target or as compensation for loss of office.

9 LOSS ATTRIBUTABLE TO OWNERS OF THE CORPORATION

The loss attributable to owners of the Corporation includes a loss of USD232,000, USD37,000 and USD62,000, for each of the years ended December 31, 2012, 2013 and 2014, respectively, which has been dealt with in the Financial Information.

10 EARNINGS (LOSS) PER SHARE

Earnings (loss) per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the preparation of the results of the Target for the Relevant Periods on a basis disclosed in note 2(a).

11 RESTRICTED CASH

	As at December 31, 2012	As at December 31, 2013	As at December 31, 2014
	USD'000	*USD'000*	*USD'000*
Cash secured letters of credit	27,884	26,973	25,523
Cash held as a deposit for line of credit	500	500	500
Total	28,384	27,473	26,023

Cash secured letters of credit have been provided to the Alberta Government for security to cover anticipated costs of reclamation for the Corporation's mining areas, processing facilities and surrounding infrastructure (see note 19).

12 PROPERTY, PLANT AND EQUIPMENT, NET

	Land and buildings	Plant and equipment	Mineral assets	Capitalized production stripping costs	Construction in progress	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Cost:						
At January 1, 2012	–	–	–	–	–	–
Acquired in business combination	18,737	222,785	961,794	–	2,540	1,205,856
Additions	784	7,132	2,236	45,013	3,029	58,194
Reclamation provision change in estimate	–	–	9,400	–	–	9,400
Disposals	–	(320)	(391)	–	–	(711)
At December 31, 2012	19,521	229,597	973,039	45,013	5,569	1,272,739
At January 1, 2013	19,521	229,597	973,039	45,013	5,569	1,272,739
Additions	837	1,406	1,395	36,487	21,839	61,964
Reclassification between assets	–	48	(48)	–	–	–
Reclamation provision change in estimate	–	–	(2,398)	–	–	(2,398)
Impairment	(4,194)	(45,861)	(214,945)	–	–	(265,000)
Disposals	–	(2,230)	–	–	–	(2,230)
At December 31, 2013	16,164	182,960	757,043	81,500	27,408	1,065,075
At January 1, 2014	16,164	182,960	757,043	81,500	27,408	1,065,075
Additions	886	12,519	14,795	24,683	(22,641)	30,242
Reclassification between assets	–	(21)	21	–	–	–
Reclamation provision change in estimate	–	–	2,157	–	–	2,157
Disposals	–	(1,442)	–	–	–	(1,442)
Impairment	(8,538)	(87,737)	(458,116)	–	–	(554,391)
At December 31, 2014	8,512	106,279	315,900	106,183	4,767	541,641

Accumulated depreciation:

	Land and buildings	Plant and equipment	Mineral assets	Capitalized production stripping costs	Construction in progress	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
At March 1, 2012	–	–	–	–	–	–
Charge for the year	(1,105)	(20,345)	(20,424)	(8,179)	–	(50,053)
At December 31, 2012	(1,105)	(20,345)	(20,424)	(8,179)	–	(50,053)
At January 1, 2013	(1,105)	(20,345)	(20,424)	(8,179)	–	(50,053)
Charge for the year	(1,367)	(20,623)	(20,825)	(12,753)	–	(55,568)
At December 31, 2013	(2,472)	(40,968)	(41,249)	(20,932)	–	(105,621)
At January 1, 2014	(2,472)	(40,968)	(41,249)	(20,932)	–	(105,621)
Charge for the year	(1,066)	(14,722)	(13,546)	(28,080)	–	(57,414)
At December 31, 2014	(3,538)	(55,690)	(54,795)	(49,012)	–	(163,035)
Net book value:						
At December 31, 2012	18,416	209,252	952,615	36,834	5,569	1,222,686
At December 31, 2013	13,692	141,992	715,794	60,568	27,408	959,454
At December 31, 2014	4,974	50,589	261,105	57,171	4,767	378,606

At December 31, 2012, 2013 and 2014, USD5,569,000, USD27,408,000 and USD4,767,000 respectively, was capitalized for plant and equipment and mineral assets that were not in use during the year. No depreciation was taken on these assets.

All of the property, plant and equipment, excluding equipment under finance lease and the apartment complex under mortgage has been pledged as security to CMBC on the senior credit facility.

Plant and equipment under finance lease:

Plant and equipment includes the following amounts where the Corporation is a lessee under finance leases:

	As at December 31, 2012	As at December 31, 2013	As at December 31, 2014
	USD'000	*USD'000*	*USD'000*
Cost	125,178	126,218	126,218
Accumulated impairment loss	–	(20,661)	(63,282)
Accumulated depreciation	(29,402)	(38,141)	(43,562)
Net book value	95,776	67,416	19,374

Impairment losses:

Impairment losses of USD265,000,000 and USD554,391,000 were recognized during the years ended December 31, 2013 and 2014, respectively. These impairment losses were allocated to the non-financial assets proportionately based on the pre-impairment carrying amounts of each non-financial asset.

At December 31, 2013, continuous losses and negative cash flows, compounded by falling coal prices were considered significant triggering events to require an impairment test.

At June 30, 2014, Winsway announced its intention to divest all or a portion of its holdings in the Limited Partnership. As a result of this announcement, the Corporation performed an impairment test in light of potential changes to ownership which could have a significant impact on the operations.

At December 31, 2014, an executed SPA with conditions had been signed, indicating further impairment.

The December 31, 2014 impairment model used a market transaction approach based upon the terms and conditions present in the signed SPA. The recoverable value from the market transaction approach of USD328,298,000 was then compared to the results of a discounted cash flow model which substantiated the results of the market transaction approach. Inputs into the market transaction approach included; consideration to be paid of USD2 (ascribing nominal value to the marketing rights and the buy back rights noted in the SPA); the fair value of the net working capital (approximated by carrying value); and the fair value of the long term debt was calculated using a market comparable interest rate of approximately 12%. This interest rate was based on a market long term lending rate for companies in similar liquidity positions as the Corporation (refer to note 23). This methodology has been categorized as level 2 in the fair value hierarchy.

As at December 31, 2013, the Corporation determined the recoverable amount based on the fair value less costs of disposal basis. The fair value less costs of disposal was calculated using a discounted cash flow methodology taking account of assumptions that would be made by market participants and have been categorized as level 3 in the fair value hierarchy.

Cash flow projections are based on life of mine plans and exploration potential. In 2013, cash flows cover periods to the end of 2047. For the 2014 tests, the cash flows cover periods to the end of 2055 and incorporate proven plus probable reserves. Given the nature of expected future cash flows used to determine the recoverable amounts, a material change could occur as the cash flows are significantly affected by the key assumptions described below.

Coal price assumptions are based on the median of forecasted prices of coal in Canada sourced from a number of reputable investment banks and independent commodity market and research analysts. These prices were adjusted to arrive at appropriate consistent price assumptions for the different qualities and type of coal.

Reserves and resources – future mineral production is included in projected cash flows based on mineral reserve and resources estimates and exploration and evaluation work, undertaken by appropriately qualified persons. These estimates are based upon commodity price assumptions at or below the commodity prices noted in the table below.

Operating costs and capital expenditures are based on life of mine plans and internal management forecasts. Cost estimates incorporate past experience, current operating costs, the nature of each mine site and area of development and the risks associated with each mine site and area of development. Future capital expenditures are based on management's best estimate of expected future capital requirements, which are generally for the extraction and processing of existing reserves and resources. All committed and anticipated capital expenditures based on future cost estimates have been included in the projected cash flows.

Discount rates used are based on the estimated after-tax discount rate for a mining industry peer group and are calculated with reference to current market information. Adjustments to the rate are made for any risks that are not reflected in the underlying cash flows. The after-tax discount rate takes into account both debt and equity, weighted based on the ratio of debt to equity. The cost of equity is derived from the required return on similar coking coal companies. The cost of debt is based on the market long-term lending rate and the borrowing cost of interest-bearing borrowings of the Limited Partnership that reflect its credit rating.

	December 31, 2013
Recoverable amount, net of disposal costs	USD876,411
Coal prices – one to five years	• USD120 to USD172 for hard coking coal • USD66 for thermal coal
Coal prices – beyond five years	• USD175 to USD202 for hard coking coal • USD66 for thermal coal
Cash flow period	2014 to 2047
Discount rates	8.5%

13 CASH

	As at December 31, 2012	**As at December 31, 2013**	**As at December 31, 2014**
	USD'000	*USD'000*	*USD'000*
Cash at banks and on hand	860	3,723	–
Bank overdraft	–	–	(837)
Total	860	3,723	(837)

Cash at banks earns interest at floating rates based on daily bank deposit rates.

14 TRADE AND OTHER RECEIVABLES

	As at December 31, 2012	As at December 31, 2013	As at December 31, 2014
	USD'000	*USD'000*	*USD'000*
Trade receivables	3,388	8,220	1,250
Other receivables	1,939	1,293	558
Total	5,327	9,513	1,808

No allowance for impairment has been recorded in respect of trade and other receivables as all amounts remain current.

15 INVENTORIES

	As at December 31, 2012	As at December 31, 2013	As at December 31, 2014
	USD'000	*USD'000*	*USD'000*
Coal inventory	47,258	18,345	17,809
Materials and supplies	10,063	11,542	10,860
Total	57,321	29,887	28,669

Materials inventory consists of parts, supplies and consumables, and is valued at the lower of weighted average cost and net realizable value. The Corporation maintains an inventory of parts and supplies for day to day maintenance and operations.

During the years ended December 31, 2012, 2013 and 2014, impairment (reversal of impairment) of inventories to net realizable value were USD14,864,000, (USD18,153,000) and USD4,797,000, respectively.

At December 31, 2012, 2013 and 2014, depreciation and depletion of USD8,287,000, USD3,675,000 and USD3,427,000, has been included in ending inventory, respectively.

During the years ended December 31, 2012, 2013 and 2014, depreciation and depletion of (USD4,780,000), USD5,891,000 and USD514,000, respectively, was expensed for changes in capitalized depreciation/depletion in the cost of inventory.

16 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at December 31, 2012	As at December 31, 2013	As at December 31, 2014
	USD'000	*USD'000*	*USD'000*
Trade payables	7,025	8,078	1,006
Accrued liabilities	15,212	13,641	15,113
Net book value	22,237	21,719	16,119

17 BRIDGE LOAN

On September 6, 2014, and in conjunction with the Proposed Transaction, UP, the Limited Partnership, Marubeni and Winsway executed a Bridge Loan Agreement; and, subsequently on December 17, 2014, executed an Amended and Restated Bridge Loan Agreement (collectively, the "Bridge Loan"). The Bridge Loan provides the Limited Partnership up to USD50 million of available advances for the purpose of meeting day-to-day operational requirements of the mine. Under the terms of the Bridge Loan, the first USD10 million of borrowed funds will accrue interest at an annual rate of 18%, while borrowed funds in excess of the first USD10 million, and up to the maximum limit of USD50 million will accrue interest an at annual rate of 7%. Accrued and unpaid interest of USD598,000 at December 31, 2014 is included in accounts payable and accrued liabilities.

As of December 31, 2014, an aggregate of USD14,000,000 had been advanced to the Limited Partnership under the Bridge Loan. Subsequent to December 31, 2014 to June 22, 2015, a further USD22,211,000 has been advanced to the Limited Partnership.

Should the Proposed Transaction successfully close, existing amounts under the Bridge Loan and future advances provided by UP or a new investor will be converted to capital in the Limited Partnership. Should the transaction not be successfully completed, existing advances (and accrued interest) will be repayable by the Limited Partnership to UP and USD410 million will become due on demand to CMBC.

18 LONG TERM DEBT

	Effective interest rate	As at December 31, 2012	As at December 31, 2013	As at December 31, 2014
		USD'000	*USD'000*	*USD'000*
Facility A	5.74%	330,000	330,000	330,000
Facility B	5.74%	50,000	50,000	50,000
Facility C	5.74%	10,000	30,000	30,000
Mortgage	4.25%	2,273	2,047	1,802
Capitalized transaction costs		(7,087)	(5,113)	(4,048)
Total		385,186	406,934	407,754
Current portion		25,084	57,582	407,754
Long term portion		360,102	349,352	–
Total		385,186	406,934	407,754

Facility A USD330,000,000 at LIBOR plus 4.5% net of arrangement fees of USD16,200,000 which is being amortized into profit or loss over the term of the loan ending in December 2022; Facility B USD50,000,000 and Facility C for USD30,000,000 both at LIBOR plus 4.5%. A 1% monitoring fee is charged on each of the Facilities.

All facilities were entered into with the Limited Partnership on March 1, 2012 and are with one lender and are secured by all of the present and after acquired mining assets, excluding property secured by the mortgage noted below and equipment under finance lease. The terms of the facility prohibit the distribution of funds to the Partners of the LP until the facility is repaid.

The Corporation is required to use commercially reasonable endeavours to control Monthly Mine Site Management Costs to not exceed Canadian dollar ("CAD") 2,650,000. The Monthly Mine Site Management Costs are defined as the monthly average of Management Cost with respect to the Mine by reference to the three month period immediately preceding a Facility A repayment date.

In conjunction with the Proposed Transaction the Fourth Amendment Deed, executed on October 1, 2014, also included the following terms and conditions:

- The SPA with UP shall be signed within 45 days of the date of the agreement, The SPA was signed November 14, 2014.
- The Corporation must use reasonable endeavours to procure New Investors (see note 1(b)) and Winsway, each in proportion to their respective percentage of partnership interest in the LP, make additional annual capital contributions commencing December 2015 through to December 2021. Capital contribution amounts are defined and vary from USD8.5 million to USD45 million for a total of USD120 million. Any capital contribution requirements that are not met in accordance with the amount and timeline set out in the Fourth Amendment Deed will constitute an event of default.
- Facility A repayment dates have been deferred from previously scheduled repayment dates in 2014, 2015 and 2016 re-commencing September 2017 with the final payment in September 2022.
- Facility B minimum repayments and repayment dates have been established, starting in March, 2020 with the final payment in September 2022.
- Facility C repayment dates have been deferred from previously scheduled repayment dates in 2014, 2015 and 2016 re-commencing in September 2017 with the final payment in September 2022.
- Annual USD600,000 Handling Fee for Facility C starting in 2015 through to 2022 to be paid in full in 2022.

In the event the Proposed Transaction is terminated for any reason, other than its successful completion, the termination will be an event of default under each facility and the amounts outstanding will be due on demand. As the successful completion is subject to the approval of UP shareholders, which is uncertain, the Company has classified the facility as current.

HSBC demand mortgage at 4.25% was secured by a staff housing apartment complex in Grande Cache with a net book value of USD3,201,000, USD2,144,000 and USD644,000 at December 31, 2012, 2013 and 2014, respectively. The mortgage term runs to 2031, however the full amount has been included in current liabilities due to the demand nature of the loan.

19 RESTORATION PROVISION

The restoration provision is determined by discounting expected future cash outflows at a risk-free rate with estimated cash flows that reflect the risk of the liability. This provision is reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the amount and timing of cash flows. Actual restoration costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. The timing of restoration is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future coal prices, which are inherently uncertain.

At December 31, 2012, 2013 and 2014, the Corporation has estimated the total future undiscounted liability of USD33,209, USD36,012 and USD35,228, respectively. At December 31, 2012, 2013 and 2014, the liability was determined using an inflation rate of 2%, 2% and 2%, respectively, with expenditures estimated between 1 year and 16 years at discount rates ranging from 1.00% to 2.27%, 1.00% to 3.09% and 1.00% to 2.22%, respectively.

The following table reconciles the Corporation's restoration provision:

	2012	**2013**	**2014**
	USD'000	*USD'000*	*USD'000*
Balance, beginning of year	20,596	28,772	27,064
Change in discount rate	1,857	(2,517)	1,932
Change in cash flow estimates	7,543	119	225
Settlements during the year	(1,552)	–	–
Unwinding of restoration provision	328	690	394
Balance, end of year	28,772	27,064	29,615
Current portion	–	–	2,229
Long term portion	28,772	27,064	27,386

An estimated USD2,229,000 is planned to be settled during fiscal 2015 and an estimated USDnil is planned to be settled during fiscal 2016.

20 FINANCE LEASE OBLIGATIONS

The Corporation has certain mining equipment under finance lease agreements. The finance leases are denominated in US dollars at interest rates up to a maximum of 6.5% per annum, expire by fiscal 2016 and are secured by the related assets.

The following table reconciles the Corporation's finance lease obligations:

	Minimum lease payments			Present value of minimum lease payments		
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2012	December 31, 2013	December 31, 2014
Amounts payable under finance leases						
Less than one year	18,619	16,565	15,682	15,959	14,842	14,726
Between one and five years	41,545	25,861	10,134	38,714	24,753	9,986
More than five years	–	–	–	–	–	–
Future interest expense	(5,491)	(2,831)	(1,104)	–	–	–
Lease payables	54,673	39,595	24,712	54,673	39,595	24,712
Less current portion				15,959	14,842	14,726
Long term portion of finance lease obligations				38,714	24,753	9,986

21 SHARE CAPITAL

	As at December 31, 2012	As at December 31, 2013	As at December 31, 2014
Authorized share capital			
Unlimited number of common voting shares			
Unlimited number of preferred shares			
Common shares, issued and outstanding, fully paid, non-assessable			
Balance, beginning of year	10	690,777,290	690,777,290
Shares issued	690,777,280	–	–
Balance, end of year	690,777,290	690,777,290	690,777,290

	As at December 31, 2012 *USD'000*	As at December 31, 2013 *USD'000*	As at December 31, 2014 *USD'000*
Share Capital			
Balance, beginning of year	10	4,023	4,023
Issue of common shares	700,655	–	–
Contributed surplus	15,237	–	–
Distribution of Limited Partnership Interest to Partners	(711,879)	–	–
Balance, end of year	4,023	4,023	4,023

As described in note 1(a), the Corporation was incorporated on September 19, 2011 with an initial share capital of USD10,000. On March 1, 2012, the Corporation acquired all of the issued and outstanding common shares of the Former GCC. Post-closing transactions costs contributed to capital consist of transaction costs paid by the shareholders on behalf of 1629835 Alberta Ltd. and the Limited Partnership.

The Corporation is the General Partner of the Limited Partnership with a 0.01% interest.

Under a Management Services Agreement and the Limited Partnership Agreement, the Corporation provides executive level management services, employee services and contractor services as required by the Limited Partnership.

The Partners own a 99.99% interest in the Limited Partnership, owned 59.994% by Winsway and 39.996% by Marubeni which represent non-controlling interest.

Limited Partnership Capital – Non-controlling interest

	December 31, 2012	December 31, 2013	December 31, 2014
	USD'000	*USD'000*	*USD'000*
Balance, beginning of year	–	799,183	426,121
Distribution of Limited Partnership interests	700,655	–	–
Contributed surplus	11,224	-	100,000
Net (loss) income attributable to non-controlling interests	87,304	(373,062)	(624,210)
Balance, end of year	799,183	426,121	(98,089)

The terms of the Limited Partnership Agreement provide for additional capital contributions by the Limited Partners on a basis proportionate with their interests. No further Limited Partnership Interest is issued to the Limited Partners on the capital contributions and the General Partner's Interest remains at 0.01%.

On January 1, 2014, the Partners converted USD100,000,000 of related party pre-payments to additional capital contributions to the Limited Partnership. The contribution of capital was completed in proportion to the Partnership Interests held by the Partners resulted in no changes in partnership interest. The related party pre-payments were advances from the Partners for future coal sales and are disclosed on the statement of financial position as pre-payments from related parties.

22 CAPITAL MANAGEMENT

The Corporation's objective is to maintain a capital structure that will sustain ongoing operations. The capital structure, as disclosed on the statement of financial position, consists of cash and cash equivalents, debt and Shareholders' equity.

As part of capital management, the Corporation prepares an annual capital expenditures budget and where there is risk of not meeting financial targets, additional financing was obtained from the Partners in the form of related party pre-payments to September, 2014. In accordance with the terms of the Bridge Loan, UP has been financing, and is expected to continue financing, the Corporation on behalf of the current Partners under the Bridge Loan until completion of the Proposed Transaction. Refinancing of existing debt, including deferral of principal repayments, as well as through the ongoing management of operations, specifically capital and expenditures are also options. Other means at the Corporation's disposal include suspending some or all of the mining operations and/or by disposing of assets, subject to the lender's consent.

The Corporation has been carefully monitoring near term cash flow and has communicated closely with the Partners, UP and the lenders to sustain ongoing operations.

23 FINANCIAL INSTRUMENTS

The Corporation has identified all financial instruments that are recognized in the financial statements and has presented the financial instruments by classification in the table below.

Financial instrument	Classification
Bank overdraft/Cash	Loans and receivables
Restricted cash	Loans and receivables
Trade and other receivables	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Bridge loan	Other financial liabilities
Pre-payments from related parties	Other financial liabilities
Long term debt	Other financial liabilities
Amounts due to related companies	Other financial liabilities

(a) Financial instruments hierarchy

In estimating fair value, the Corporation utilizes quoted market prices when available. Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect placement within the fair value hierarchy levels. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that is not based on observable market data (unobservable inputs).

The hierarchy of the LP's financial instruments measured at fair value is as follows:

		As at December 31, 2012 fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
		USD'000	*USD'000*	*USD'000*	*USD'000*
Financial assets and liabilities					
Cash and cash equivalents	860	860	–	–	860
Restricted cash	28,384	28,384	–	–	28,384
Line of credit	5,327	5,327	–	–	5,327
Accounts payable and accrued liabilities	22,237	22,237	–	–	22,237
Pre-payments from related parties	21,000	21,000	–	–	21,000
Long-term debt	385,186	–	385,186	–	385,186
Amounts due to related companies	3,392	3,392	–	–	3,392

	Carrying amount	As at December 31, 2013 fair value Level 1	Level 2	Level 3	Total
		USD'000	*USD'000*	*USD'000*	*USD'000*
Financial assets and liabilities					
Cash and cash equivalent	3,723	3,723	–	–	3,723
Restricted cash	27,473	27,473	–	–	27,473
Trade and other receivables	9,513	9,513	–	–	9,513
Accounts payable and accrued liabilities	21,719	21,719	–	–	21,719
Pre-payments from related parties	100,467	100,467	–	–	100,467
Long-term debt	406,934	–	406,934		406,934
Amounts due to related companies	4,676	4,676	–	–	4,676

	Carrying amount	As at December 31, 2014 fair value Level 1	Level 2	Level 3	Total
		USD'000	*USD'000*	*USD'000*	*USD'000*
Financial assets and liabilities					
Bank overdraft	837	837	–	–	837
Restricted cash	26,023	26,023	–	–	26,023
Trade and other receivables	1,808	1,808	–	–	1,808
Accounts payable and accrued liabilities	16,119	16,119	–	–	16,119
Bridge loan	14,000	14,000	–	–	14,000
Pre-payments from related parties	33,373	33,373	–	–	33,373
Long-term debt	407,754	–	313,718	–	313,718
Amounts due to related companies	4,783	4,783	–	–	4,783

Cash is measured at amortized cost which approximates fair value.

Trade receivables classified as loans and receivables, accounts payable and accrued liabilities and pre-payments from related parties classified as other financial liabilities are all measured at amortized cost and their fair values are not materially different from their carrying amounts due to their short term nature.

The Bridge Loan carries varying interest rates (from 18% to 7%), however, due to the short term nature, the fair value is considered to be not materially different from the carrying amount. The bridge loan is expected to be converted to a capital contribution upon finalization of the Proposed Transaction which is expected to be completed in first half of 2015, and if not finalized, this amount will become due on demand.

Restricted cash is classified as loans and receivables and the fair value is not materially different from the carrying amount due to the nature of the asset. Interest received on the restricted cash is at market rates.

Long term debt is classified as other financial liabilities. The fair value of the Minsheng debt at December 31, 2014 is estimated to be USD311,916,000 as the bank continues to lend at rates of LIBOR plus 4.5%. Based on the Corporation's liquidity profile, a current market rate of interest with similar terms and conditions would be an estimated 12%. The Corporation continues to benefit from the fact that the bank has not re-negotiated the debt.

(b) Financial risk management

The Management of the Corporation and the Management Committee of the General Partner have overall responsibility for developing and monitoring the Corporation's and the LP's risk management policies, respectively. The Limited Partnership's risk management policies are established within the Management Services Agreement to the extent that all significant expenditures must have unanimous management committee approval. All other significant transactions are subject to approval by the management committee, each member of the committee referring to their own corporate controls and risk limits.

Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and it arises principally from the Corporation's receivables from customers.

Grande Cache Coal carries a balance of cash and cash equivalents as disclosed on the statement of financial position. The cash balance is held with major financial institutions and is available for immediate use.

The Corporation has a restricted cash balance. The majority of restricted cash is held with a major financial institution for the purpose of securing letters of credit and is invested in short-term guaranteed investment certificates. The Corporation is exposed to credit risk in the event that the financial institution was to redeem the letter of credit to the beneficiary. The Corporation considers this risk as low.

The Corporation is exposed to credit risk in the event that it does not receive payment of trade receivables. The maximum credit risk exposure is equal to the carrying amount of trade receivables as disclosed in the notes to the consolidated financial statements. It is the Corporation's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, which include an assessment of credit rating, short term liquidity and financial position. The Corporation typically sells its product to large steel companies. The Corporation does not consider the trade receivables to be impaired or past due.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. On December 17, 2014, the Corporation secured a USD50,000,000 Bridge Loan with UP. To December 2014, USD14,000,000 had been drawn on this facility. As described in note 1(c), the Corporation relies on coal sales, pre-payments from the shareholders and cooperation from the major lender with respect to principal repayments. The following are the contractual maturities of financial liabilities, including estimated interest payments:

	December 31, 2012			
	Less than 1 year	**1–3 years**	**4–5 years**	**After 5 years**
		USD'000	*USD'000*	*USD'000*
Accounts payable and accrued liabilities	22,237	–	–	–
Operating leases	1,021	1,437	357	198
Finance leases	15,959	38,714	–	–
Long term debt	23,084	286,275	81,204	1,710
Total	62,301	326,426	81,561	1,908

	December 31, 2013			
	Less than 1 year	**1–3 years**	**4–5 years**	**After 5 years**
		USD'000	*USD'000*	*USD'000*
Accounts payable and accrued liabilities	21,719	–	–	–
Operating leases	797	390	–	–
Finance leases	14,842	24,753	–	–
Long term debt	57,582	352,768	199	1,497
Total	94,940	377,911	199	1,497

	December 31, 2014			
	Less than 1 year	**1–3 years**	**4–5 years**	**After 5 years**
		USD'000	*USD'000*	*USD'000*
Accounts payable and accrued liabilities	16,119	–	–	
Operating leases	359	27	–	–
Finance leases	14,726	9,986		
Bridge loan (if SPA not completed)	14,607	–	–	–
Pre-payments from shareholders	33,373	–	–	–
Amounts due to related parties	4,783	–	–	–
Long term debt (if SPA not completed)	407,754	–	–	–
Total	491,721	10,013	–	–

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices that will affect the Corporation's income.

Foreign exchange rates

The Corporation's revenues from operations are received in US dollars, as are some operating expenses, finance leases and the long term debt while the remainder of operating and capital expenditures are incurred in Canadian dollars. The Corporation does not actively manage foreign exchange fluctuations.

Sensitivity analysis

Based on the Canadian dollar denominated accounts payable and accrued liabilities balance at December 31, 2014, a 10% increase or decrease in the Canadian dollar exchange rate relative to the US dollar would result in a decrease in the loss of USD1,163,000 or an increase in the loss of USD1,421,000, respectively. These amounts would have been charged to income in the current period.

Interest rates

Interest accrues on the long term debt, which includes the mortgage and the three facilities. The mortgage is set at a rate equal to a Canadian chartered bank's prime lending rate plus 1.75 percent per annum, calculated daily. With a 1% increase or decrease in the LIBOR rate, the Facilities would increase or decrease the loss by annually USD4,100,000, respectively.

Commodity price risk

The Corporation is subject to price risk from fluctuations in market prices of the coal produced. The majority of coal sales in the year are at spot rates.

24 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

Capital expenditures authorized but not yet incurred were as follows:

	As at December 31, 2012 *USD'000*	As at December 31, 2013 *USD'000*	As at December 31, 2014 *USD'000*
Property, plant and equipment	1,518	4,289	20
Exploration and evaluation	9,654	3,272	453
Mine properties	458	1,494	932
Total	11,630	9,055	1,405

(b) Operating lease commitments

In order to ensure the continued availability of, and access to, facilities and services to meet operational requirements, the Corporation has entered into multi-year agreements for the lease of vehicles, equipment and office space. Under contracts existing at December 31 future minimum amounts payable under these operating lease agreements are summarized in note 23, financial instruments.

25 ACQUISITION OF FORMER GRANDE CACHE COAL CORPORATION AND RE-ORGANIZATION

As further described in Note 1(a), on March 1, 2012 the Former Grande Cache Coal Corporation was acquired by 1629835 Alberta Ltd. The entire issued and outstanding share capital of Former Grande Cache Coal Corporation was acquired in consideration for CAD$10 per share for a total cash purchase price of USD1,054,862,000.

The acquisition was undertaken as a significant step in the vertical integration for Winsway to secure high-quality coal reserves. The acquisition complemented the core business of the Winsway group as an integrated coking coal supplier. Marubeni acquired a 40% interest to further expand and complement its existing global portfolio of coal mining investments.

The total consideration on the acquisition of the shares of Former Grande Cache Coal Corporation was USD1,054,862,000 paid in cash. The following summarizes the fair value of assets acquired and liabilities assumed on the acquisition date.

	Fair value *USD'000*
Property, plant and equipment	1,205,856
Inventories	45,107
Trade and other receivables	21,810
Restricted bank deposits	20,386
Cash and cash equivalents	22,208
Trade payables and accrued liabilities	(29,288)
Deferred tax liability	–
Obligations under finance lease	(67,684)
Reclamation Provisions	(20,599)
Fair value of net identifiable assets	1,197,796
Total consideration paid	1,054,862
Bargain purchase gain	142,934

The fair value of the identifiable assets acquired and liabilities assumed at the acquisition date was determined with reference to a valuation report issued by an independent third party. The above noted fair values include the 99.99% non-controlling interest's portion. The Corporation's 0.01% interest in this acquisition is thereby reflected on the balance sheet and in the statement of profit or loss and other comprehensive income through recognition of the non-controlling interests' portion on those statements.

The bargain purchase gain was recorded in income in 2012. The bargain purchase gain is a result of the deferred tax liability attributed on the taxable temporary differences which are attributed directly to the non-controlling interests in the Limited Partnership and are not recognized by the Corporation. Therefore these financial statements exclude a significant liability that was recognized directly by the Partners.

Acquisition costs of USD6,481,000 were recorded in general and administrative expenses in 2012.

For the ten months from March 1, 2012 to December 31, 2012, the Limited Partnership contributed revenue of USD226,317,000 and a loss of USD55,862,000 to the shareholders. Management estimated that had the acquisition occurred on January 1, 2012, incremental revenue and net income for those two months would be USD56,321,000 and USD10,529,000, respectively. In determining these amounts, management assumed that the fair value adjustments arising on the date of the acquisition would have been the same had the acquisition occurred on January 1, 2012.

26 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key Management Compensation

Key management includes senior officers, directors (executive and non-executive). The compensation paid or payable to key management for employee services is as follows:

	For the year ended December 31, 2012	**For the year ended December 31, 2013**	**For the year ended December 31, 2014**
	USD'000	*USD'000*	*USD'000*
Salaries	1,203	1,317	1,053
Bonus	1,770	118	199
Termination benefits	629	441	–
Retired scheme contributions	79	59	50
Other short term benefits	111	132	63
Total	3,792	2,067	1,365

(b) Related party transactions

Nature of transactions:

Sales to the Partners are made under contract and are transacted at prices in reference to the international benchmark and/or spot market price, as mutually agreed to by the parties to the contract.

Pre-payments (or advance payments) from related parties are cash payments received from the Partners in advance of sales (or goods delivered) in order to accommodate cash flow requirements. Pre-payments are made either in relation to a specifically identified sales contract for which the volume and price agreed to prior to the pre-payment is provided, or as general cash advances to be offset against future coal sales contracts, the terms of which will be agreed to at a subsequent date. Upon successful completion of the Proposed Transaction, Marubeni's balance will be repaid and Winsway's balance will be treated as a capital contribution. Under the terms of the Proposed Transaction, Marubeni and Winsway will enter into a) a buy-back option agreement which allows either party the option of re-acquiring up to a maximum of 16.86% of the Company if certain hard coking coal benchmark hurdles are met and b) a marketing agency agreement offering exclusive rights to market the Company's production in predefined markets. As part of the Winsway marketing agency agreement, Winsway has committed to selling a minimum of 40% of the Company's annual production.

The Partners each charge a financing fee on the cash advanced to the Corporation as described above. This fee is accrued at an average annualized rate of 2.5% and included in the Amounts due to related companies. These fees are payable upon demand but are expected to be forgiven upon completion of the Proposed Transaction.

Amounts due to related companies pertains to advances provided by the Partners to fund certain transaction costs related to the acquisition of the Former GCCC and certain transactions incurred for the CMBC credit facility amendments paid for directly by the Partners in the year ended December 31, 2014. No interest is charged on these amounts. The account also includes the financing fee charged on the pre-payments, as described above. These payments are due upon demand but are expected to be forgiven upon completion of the Proposed Transaction.

Transactions and balances:

The following transactions took place during the years ended December 31, 2014, 2013 and 2012 between the Partnership and the Partners.

	For the year ended December 31, 2012	**For the year ended December 31, 2013**	**For the year ended December 31, 2014**
	USD'000	*USD'000*	*USD'000*
Coal sales			
Marubeni	57,144	25,997	94,913
Winsway	45,637	140,880	26,517
	102,781	166,877	121,430
Pre-payments from related parties			
Marubeni	10,000	42,529	23,085
Winsway	11,000	57,938	10,288
	21,000	100,467	33,373
As at and for the year			
Opening balance	–	3,392	4,676
Financing fees	168	1,284	107
Advances from Partners	3,224	–	–
Closing balance	3,392	4,676	4,783
Marubeni	1,345	2,806	2,804
Winsway	2,047	1,870	1,979
Total	3,392	4,676	4,783

27 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Preparation of the Corporation's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates should different assumptions and conditions arise.

Key sources of estimation uncertainty that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

(i) Mineral reserves and resources estimates

Coal reserves are estimates of the amount of coal that can be economically and legally extracted from the Corporation's mining properties. The Corporation estimates its coal reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the coal body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the coal body. Changes in the reserve or resource estimates may impact the carrying value of exploration and evaluation assets, property, plant and equipment, restoration provision, and depreciation charges.

(ii) Mine decommissioning and restoration

The Corporation assesses its decommissioning and restoration liability associated with its mining properties annually. Significant estimates and assumptions are made in determining the provision for mine restoration as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of restoration activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditures differing from the amounts currently provided. The provision at the statement of financial position date represents management's best estimate of the present value of the future restoration costs required. Changes to estimated future costs are recognized in the statement of financial position by adjusting the restoration asset and liability.

(iii) Impairment of non-financial assets

The Corporation's assessment of impairment requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans, recoverable reserves and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted by an appropriate discount rate to determine the net present value. Due to the capital intensive nature of mining, a value in use model is not typically prepared due to restrictions in the use of capital expenditures and the profit therefrom.

(iv) Inventory net realizable value

The Corporation values inventories at the lower of cost and net realizable value through inventory allowances. Subsequent changes in facts or circumstances could result in the reversal of previously recorded allowances. Results could differ if inventory allowances change because actual selling prices or selling costs differ materially from forecasted selling prices and selling costs.

Calculating allowances depends on a combination of interrelated factors affecting forecasted selling prices, including demand and supply variables. Demand variables include spot coal prices and changes in inventories in distribution channels. Supply variables include forecasted prices of raw materials such as natural gas and fuel, yield, and operating rates, which can be impacted by regulatory and safety concerns, geology and equipment performance.

28 STATEMENT OF FINANCIAL POSITION OF THE CORPORATION

	As at December 31, 2012	As at December 31, 2013	As at December 31, 2014
	USD'000	*USD'000*	*USD'000*
Non-current assets			
Investment	3,791	3,754	3,692
Total assets	3,791	3,754	3,692
Shareholders' equity			
Share capital	4,023	4,023	4,023
Retained deficit	(232)	(269)	(331)
Total equity	3,791	3,754	3,692

The Corporation has a Management Services Agreement with the Limited Partnership under which the Corporation, as the General Partner, performs certain management functions and provides corporate administration functions as required. The Corporation charges the Limited Partnership for these services on a cost basis, however in most cases the Limited Partnership remits the payment directly on behalf of the Corporation resulting in an offsetting receivable from, and payable to, the Limited Partnership. A right of offset agreement results in no accounts receivable and accounts payable balances between the Corporation and the Limited Partnership.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of approval of this Financial Information, the IASB has issued a number of amendments and new standards which are not yet effective in respect of the financial periods included in the Relevant Periods and which have not been adopted in these financial statements. These included the following which may be relevant to the Target's operations and financial statements.

	Effective for accounting periods beginning on or after
Annual Improvements to IFRS (2012–2014) cycle	January 1, 2016
Amendments to IAS 1	January 1, 2016
IFRS 15, Revenue from Contracts with Customers	January 1, 2017
IFRS 9 Financial Instruments	January 1, 2018

The Target is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Target's results and financial position except for IFRS 9, Financial Instruments, which may have an impact on the Target's result and financial position. The Target has not completed its assessment of the full impact of adopting IFRS 9 and therefore its possible impact on the Target's results and financial position has not been quantified.

C SUBSEQUENT EVENTS

As described in note 1(b) of Section B to the financial statements, the Corporation and the Limited Partnership are currently undergoing a sale process with the expectation that SPA will be finalized in 2015.

Subsequent to December 31, 2014, the Corporation's management suspended surface mining operations as of January 28, 2015. 175 employees were laid off. There were no accruals made at year end for severance which was approximately USD699,000. The surface operations are expected to be temporarily idled and therefore the related assets continue to be depreciated. The Corporation will continue underground mining operations.

D SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Target in respect of any period subsequent to December 31, 2014. No dividend or distribution has been declared or made by the Target in respect of any period subsequent to December 31, 2014.

Yours faithfully,

KPMG LLP
Chartered Accountants
Calgary, Alberta

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the Accountants' Report of the Target Group issued by KPMG Hong Kong and KPMG LLP Canada, as set out in Appendix II. The unaudited pro forma financial information should be read in conjunction with the "Financial Information of the Group" set out in Appendix I and the Accountants' Report of the Target Group set out in Appendix II. Below is UP's management discussion and analysis of the Target Group for the year ended 31 December 2012, 31 December 2013 and 31 December 2014.

DISCUSSION ON RESULTS OF OPERATIONS

For the year ended 31 December 2014 comparing with the year ended 31 December 2013.

Consolidated statements of profit or loss and other comprehensive loss

	For the year ended 31 December 2014 *(US$ million)*	**For the year ended 31 December 2013** *(US$ million)*
Revenue	164.08	240.29
Cost of sales	(196.16)	(302.64)
Gross loss	**(32.08)**	**(62.35)**
General and administrative expenses	(6.18)	(11.47)
Other expenses	0.00	(0.83)
Finance income	1.01	0.25
Finance cost	(32.63)	(33.70)
Impairment loss	(554.39)	(265.00)
Net loss and comprehensive loss	**(624.27)**	**(373.10)**

Industry overview

Coking coal price remained depressed in 2013 and 2014. Market prospects remain bearish due to oversupply and the slowdown of the economic growth in China.

Revenue

The Target Group is a coal mining company that produces metallurgical coal and thermal coal (byproducts), holding coal leases covering over 29,968 hectares in the Smoky River Coalfield located in Alberta, Canada. Revenue of the Target Group derived mainly from metallurgical coal sales. Revenue decreased from US$240.29 million for the year ended 31 December 2013 to US$164.08 million for the year ended 31 December 2014, representing a decrease of approximately 31.72%. Such decrease was mainly attributable to the decrease in the sales volume and the average metallurgical coal price by approximately 24.35% and 9.65%, respectively, in 2014, as affected by the depression in the coking coal markets; the surging production in the industry due to the new capacity and increased production by certain producers, with lower production costs and the decline in the coal price of its related products due to a much slower growth in China.

Cost of sales

Cost of sales has decreased from US$302.64 million for the year ended 31 December 2013 to US$196.16 million for the year ended 31 December 2014, representing a decrease of approximately 35.18%. The decrease was largely attributable to the (i) decrease in sales volume from approximately 2.10 mt in 2013 to approximately 1.60 mt in 2014; (ii) cost control efforts made by the management of the Target Group, including but not limited to the reducing number of contractors, reducing employee headcount, improving operation efficiency and project management, negotiating lower prices on equipment and services, as well as revising mine plans to optimize coal production; and (iii) reduced depletion and depreciation expense as a result of the impairment at December 31, 2013.

Gross loss

The gross loss of the Target Group has reduced from approximately US$62.35 million for the year ended 31 December 2013 to approximately US$32.08 million for the year ended 31 December 2014, representing a decrease of approximately 48.55%. The decrease was contributed by strict cost controls in an extremely difficult market environment. Although the coal market further declined in the first half of 2014, the cost controls implemented by management and reduced production volumes partially offset by the impact of the continued decline in coal price.

General and administrative expenses

In the cyclical downturns and weak market, the Target Group has undertaken measures to reduce discretionary spending. General and administrative expenses mainly consist of management and head office staffs costs, and has decreased from US$11.47 million for the year ended 31 December 2013 to US$6.18 million for the year ended 31 December 2014, representing a decrease of approximately 46.12%. The decrease was mainly due to the (i) headcount reductions which reduced payroll costs by approximately US$1.50 million; (ii) travel expenses decreased by approximately US$0.30 million with less travel to Asia and more efficiency in staff travelling between the head office and the mine site; and (iii) consultant expenses were cut by approximately US$1.90 million.

Finance income

Finance income increased from approximately US$0.25 million for the year ended 31 December 2013 to approximately US$1.01 million for the year ended 31 December 2014, representing an increase of approximately 304.00%. The significant increase was contributed by the insurance recovery of approximately US$0.88 million in 2014 in relation to an incident occurred in 2013. Long loading charges and interest fees were recovered as a result of an incident at port, whereby a vessel crashed into the coal loading facility in January 2013, rendering it inoperative for approximately three months, causing a delay in coal delivery.

Finance cost

The finance cost remained stable throughout 2013 and 2014, with a slight decrease of approximately 3.18%. The finance cost for the year ended 31 December 2014 mainly consists of (i) US$24.58 million interest charged on the US$430.00 million Senior Facilities; (ii) US$1.70 million interest charged on leasing mining equipment and; (iii) the US$3.54 million amortization of the debt arrangement fee.

Impairment loss

(US$' million)	**Land and buildings**	**Plant and equipment**	**Mineral Assets**	**Total**
For the year ended 31 December 2013	(4.19)	(45.86)	(214.95)	(265.00)
For the year ended 31 December 2014	(8.53)	(87.74)	(458.12)	(554.39)

For the year ended 31 December 2014, the Target Group recognized an impairment loss of US$554.39 million (2013: US$265.00 million), relating to land and buildings, plant and equipment and mineral assets. These impairment losses were allocated to the non-financial assets proportionately based on the pre-impairment carrying amounts of each non-financial asset.

At December 31, 2013, continuous losses and negative cash flows, compounded by falling coal prices were considered significant triggering events to require an impairment test.

At June 30, 2014, Winsway announced its intention to divest all or a portion its holdings in the Target Limited Partnership. As a result of this announcement, the Target performed an impairment test in light of potential changes to ownership which could have a significant impact on the operations.

At December 31, 2014, an executed SPA with conditions had been signed, indicating further impairment.

The December 31, 2014 impairment model used a market transaction approach based upon the terms and conditions present in the signed SPA. The recoverable value from the market transaction approach is of US$328.30 million. Inputs into the market transaction approach included; consideration to be paid of $Nil (ascribing nominal value to the marketing rights and the buy back rights noted in the SPA); the fair value of the net working capital (approximated by carrying value); and the fair value of the long term debt was calculated using a market comparable interest rate of approximately 12%. This interest rate was based on a market long term lending rate for companies in similar liquidity positions as the Target Group.

Based on their understanding with the reporting accountants of GCC, the Directors are of the view that, no further impairment of the Company's assets is expected as a direct result of the idled surface mining operations on the premise that this action will reduce negative cash flows. More specifically, the cost reduction due to idled surface mining will be greater than the lost revenue from lower sales prices.

No further impairment of the Target Group's assets is expected as a direct result of the idled surface mining operations on the premise that this action will reduce negative cash flows. More specifically, the cost reduction due to idled surface mining is expected to be greater than the lost revenue from lower sales prices.

Net loss

Because of continuing depression of the coking coal market and the difficulties with the financing on its operating activities, the Target Group recorded a significant loss of approximately US$624.27 million and approximately US$373.10 million for the year ended 31 December 2014 and for the year ended 31 December 2013 respectively.

For the year ended 31 December 2013 comparing with the year ended 31 December 2012

	For the year ended 31 December 2013 *(US$ million)*	**For the year ended 31 December 2012** *(US$ million)*
Revenue	240.29	226.32
Cost of sales	(302.64)	(240.69)
Gross (loss)	**(62.35)**	**(14.37)**
General and administrative expenses	(11.47)	(18.22)
Other income/(expenses)	(0.83)	0.56
Finance income	0.25	0.23
Finance cost	(33.70)	(24.07)
Impairment loss	(265.00)	–
Bargain purchase gain on acquisition	–	142.93
Net (loss)/income and comprehensive (loss)/income	**(373.10)**	**87.06**

1. Although the financial statements of the Target Group are for the full year ended December 31, 2012, Grande Cache Coal Corporation acquired Grande Cache Coal Limited Partnership on March 1, 2012 as noted in the Accountants' Report. Grande Cache Coal Limited Partnership contains the mining operations. There were no activities in the Grande Cache Coal Corporation for the year ended December 31, 2013 so all activities pertain to the Grande Cache Coal Limited Partnership. Therefore, for the purposes of comparing the year ended December 2013 to the year ended December 2014, it should be noted that for the year ended 31 December 2012 represents only 10 months of operations of Grande Cache Coal Limited Partnership, from 1 March to 31 December, as opposed to the full 12 months in 2013 and 2014.

Revenue

For the year ended 31 December 2013, the revenue of the Target Group amounted to US$240.29 million mainly derived from the selling of GCC coal, mainly metallurgical coal, representing an increase of approximately 6.17% when comparing with the corresponding revenue of US$226.32 million for the year ended 31 December 2012. Such increase was mainly attributable to the increase in sales volume by approximately 46.84% in 2013, partly due to the operating the mine for twelve months in 2013 compared to 10 months in 2012, which was offset by the decrease in average coal price of approximately 27.85% in 2013.

Cost of sales

For the year ended 31 December 2013, cost of sales of the Target Group amounted to US$302.64 million which primarily consists of wages, distribution costs, fuel, operating leases and equipment rental, mining materials and supplies, representing an increase of approximately 25.74% when comparing with the corresponding figure of US$240.69 million for the year ended 31 December 2012. If annualized, as discussed above, for a 10 month period, cost of sales for the year ended 31 December 2013 would have been USD$288.82 million, an increase of only 4.78%. Using non-annualized figures, the increase of 25.74% was mainly due to the increased sales volume of 46.84% in 2013 and was offset in the cost of sales by cost cutting efforts implemented in late 2012.

Gross loss

For the year ended 31 December 2013, the Target Group recorded a gross loss of approximately US$62.35 million, representing a significant increase of approximately 333.89% when comparing with the corresponding figures of approximately US$14.37 million for the year ended 31 December 2012. Despite the Target Group implementation of significant cost reduction to lower production costs, the growing gross loss as a percentage of sales realized by the Target Group simply reflected the major decrease in coking coal prices and the cyclical downturn in the coal industry.

General and administrative expenses

For the year ended 31 December 2013, the general and administrative expenses of the Target Group amounted to approximately US$11.47 million representing a decrease of approximately 37.05% when comparing with the corresponding expenses of approximately US$18.22 million for the year ended 31 December 2012. Such decrease was mainly attributable by the one-time acquisition costs of approximately US$6.50 million relating to accounting, legal and transaction fees incurred in 2012 primarily related to professional fees and commissions to financial advisors.

Finance income

For the year ended 31 December 2013, the finance income of the Target Group amounted to approximately US$0.25 million representing an increase of approximately 8.70% when comparing with the corresponding income of approximately US$0.23 million for the year ended 31 December 2012. The slight increase was mainly attributable to higher cash balances in the bank in 2013 compared to 2012.

Finance cost

For the year ended 31 December 2013, the finance costs of the Target Group amounted to approximately US$33.70 million representing an increase of approximately 40.01% when comparing with the corresponding costs of approximately US$24.07 million for the year ended 31 December 2012. The Target obtained the first installment of US$350 million in February 2012 and approximately US$390 million was outstanding by the end of the financial year ended 31 December 2012. By end of January 2013, the full amount of US$430.00 million was fully drawn. As a result, approximately US$2.50 million interest was incurred compared to 2012. In addition, finance cost increase was due to a foreign exchange loss of approximately US$2.95 million in 2012 compared to a foreign exchange gain of approximately US$0.13 million in 2013.

Bargain purchase gain on acquisition

On 1 March 2012, a series of transactions culminated in the acquisition of the assets and the assumption of the liabilities of the operating limited partnership. A bargain purchase gain was recorded as income in 2012 as the fair value of the net identifiable assets exceeded the consideration paid as shown below. The bargain purchase gain primarily resulted from the non-taxable status of the Limited Partnership in Canada; a deferred tax liability was recognized directly in the financial statements of the Limited Partners. Had the deferred tax liability been recognized in the financial statements of GCC a bargain purchase gain would not have been recognized.

	In US$' million
Fair value of net identifiable asset	1,197.79
Total consideration paid	(1,054.86)
Bargain purchase gain	**142.93**

As there were no acquisitions in 2013, no bargain purchase gain was recorded as income for the year ended 31 December 2013.

Net Profit/loss

Due to the decrease in coking coal prices and the overall bearish sentiment in the industry throughout 2013, the Target Group recorded a significant loss of US$373.10 million for the year ended 31 December 2013 as compared to a slight gain of US$87.06 million for the year ended 31 December 2012.

ANALYSIS OF FINANCIAL POSITION

Set out below is the capital structure of the Target Group as at 31 December 2014, 31 December 2013 and 31 December 2012.

	As at 31 December 2014 *(US$' million)*	**As at 31 December 2013** *(US$' million)*	**As at 31 December 2012** *(US$' million)*
Current assets	32.17	43.40	67.16
Non-current assets	404.63	986.93	1,251.07
Current liabilities	493.82	199.29	87.67
Non-current liabilities	37.37	401.17	427.59
Net assets (liabilities)	(94.39)	429.87	802.97

Liquidity and financial resources

The current ratios (represented by current assets as a ratio of current liabilities) of the Target Group were approximately 0.07, 0.22 and 0.77 as at 31 December 2014, 31 December 2013 and 31 December 2012 respectively. The decline in current ratio was mainly attributable to the increase in current liabilities.

The non-current assets as at 31 December 2014, 31 December 2013 and 31 December 2012 amounted to approximately US$404.63 million, US$986.93 million and US$1,251.07 million respectively, which consists of (i) restricted cash provided to the Alberta Government for security to cover anticipated costs of reclamation for the mining areas, processing facilities and surrounding infrastructure, which were US$26.02 million, US$27.47 million, US$28.38 million as at 31 December 2014, 31 December 2013 and 31 December 2012, respectively; (ii) property, plant and equipment. Non-current assets of the Target Group decreased by approximately 21.11% in 31 December 2013 (as compared to that of as at 31 December 2012) and by approximately 59.00% in 31 December 2014 (as compared to that of as at 31 December 2013) were mainly attributable to the impairment of the Target Group's mining assets of US$265.00 million and US$554.39 million respectively.

The current assets as at 31 December 2014, 31 December 2013 and 31 December 2012 amounted to approximately US$32.17 million US$43.40 million and US$67.16 million respectively. The current assets mainly comprised of cash, trade receivables and inventory arising from the sale of GCC coal. When comparing 31 December 2013 and 31 December 2012, the decreased in current assets of US$23.76 million representing a decrease of 35.38%, was mainly attributable to the significant reduction of coal inventory by approximately 47.86% in 2013. With oversupply and lower than-expected demand, the decrease in coal inventory is consistent with the Target Group's medium to long-term strategy of reducing inventory on hand and to collect cash from customers in advance of sales to free up some cash until the coal prices rebound. When comparing 31 December 2014 to 31 December 2013, the decreased in current assets of US$11.23 million representing a decrease of 25.88%, was mainly due to the significant decrease of trade and other receivables by US$7.71 million, which in line with the sales reduction.

As at 31 December 2014, 31 December 2013 and 31 December 2012, the non-current liabilities were US$37.37 million US$401.17 million and US$427.59 million respectively, which consists of restoration provision, finance lease obligation and the long term portion of senior credit facility with China Minsheng Banking Corporation.

	Effective interest rate	**As at 31 December 2014** *US$' million*	**As at 31 December 2013** *US$' million*	**As at 31 December 2012** *US$' million*
Facility A	5.74%	330.00	330.00	330.00
Facility B	5.74%	50.00	50.00	50.00
Facility C	5.74%	30.00	30.00	10.00
Mortgage	4.25%	1.80	2.04	2.27
Capitalized transaction costs		(4.05)	(5.11)	(7.09)
Total		**407.75**	**406.93**	**385.18**
Current portion		407.75	57.58	25.08
Long term portion		–	349.35	360.10
Total		**407.75**	**406.93**	**385.18**

The current liabilities as at 31 December 2014, 31 December 2013 and 31 December 2012 amounted to US$493.82 million US$199.29 million and US$87.67 million respectively. The current liabilities were mainly comprised of account payables, current portion of the finance lease obligation and long-term debt and prepayment from related parties. When comparing 31 December 2013 with 31 December 2012, the significant increase in current liabilities of approximately US$111.62 million representing an increase of approximately 127.32%, was mainly attributable to the increase of prepayment from related parties, which are cash payments received from partners in advance of sales contracts in order to accommodate the cash flow requirements. When comparing 31 December 2014 with 31 December 2013, the significant increase of current liabilities of approximately US$294.53 million representing an increase of approximately 147.79% was mainly attributable by the current portion of the long-term debt with China Minsheng Banking Corporation, amounted to approximately US$407.75 million, offset by a conversion of US$100 million of related party advance sales to partnership equity (represented as non-controlling interests in the consolidated financial statements) in 2014.

Gearing ratio

The gearing ratio, represented by the total liabilities as a ratio of total assets, were approximately equal to approximately 1.22, 0.58 and 0.39 as at 31 December 2014, 31 December 2013, 31 December 2012 respectively. The increase in gearing ratio was mainly attributable to the increase in current liabilities and the impairment of the Target Group's mining assets.

Capital Structure

As at 31 December 2014, the issued share capital of the Target Group was approximately US$4.02 million, which comprised of 690,777,290 ordinary shares of par value of US$1,000 each reduced by the distribution of the Limited Partnership Interest to the Partners.

Capital Management

The Target Group's objective is to maintain a capital structure that will sustain ongoing operations. The capital structure, as disclosed on the statement of financial position, consists of cash and cash equivalents, debt and Shareholders' equity.

As part of capital management, the Target Group prepares an annual capital expenditures budget and where there is risk of not meeting financial targets, additional financing was obtained from the Partners in the form of related party pre-payments to September, 2014. After that point, UP has been financing, and is expected to continue financing, the Target Group on behalf of the current Partners under the Bridge Loan until completion of the proposed acquisition. If Up successfully acquires the Target Group, UP and Winsway have committed to provide future capital in the amount of US$92.5 million, proportionately based on their ownership interests, over the period from 2016 to 2021. Refinancing of existing debt, including deferral of principal repayments, as well as through the ongoing management of operations, specifically capital and expenditures are also options. Other means at the Target Group's disposal include idling some or all of the mining operations and/or by acquiring or disposing of assets, subject to the lender's consent.

The Target Group has been carefully monitoring near term cash flow and has communicated closely with the Partners, UP and the lenders to sustain ongoing operations.

Capital Commitment

Capital expenditures authorized but not yet incurred were as follows:

	As at 31 December 2014 *(in US$' million)*	As at 31 December 2013 *(in US$' million)*	As at 31 December 2012 *(in US$' million)*
Property, Plant and equipment	0.02	4.29	1.52
Exploration and evaluation	0.45	3.27	9.65
Mining properties	0.93	1.49	0.46
Total	**1.40**	**9.05**	**11.63**

There are no material capital expenditures contracted for 2015.

Significant Investment, material acquisitions and disposals

As at 31 December 2014, the Target Group do not have any material disposals or acquisitions.

Employee information

Target Group has a dedicated senior management team with decades of combined experience in the coal mining industry in Canada. The management team includes qualified and experienced professionals for the business operation. Please refer below for the key management compensation for the Target Group includes senior officers, directors (executives and non-executives), and the top five of which are included below:

	As at 31 December 2014 *(in US$' million)*	As at 31 December 2013 *(in US$' million)*	As at 31 December 2012 *(in US$' million)*
Salaries	1.05	1.32	1.20
Bonus	0.20	0.12	1.77
Termination benefits	–	0.44	0.63
Retired scheme contributions	0.05	0.06	0.08
Other short-term benefits	0.06	0.13	0.11
Total	**1.36**	**2.07**	**3.79**

Foreign exchange exposure

The Target Group revenue from coal sales are largely received in US dollars, as are the majority of the finance leases and the long term debt while the remaining operating and capital expenditures are largely incurred in Canadian dollars. The Target Group does not actively manage foreign exchange fluctuations. The Target has no hedged against foreign exchange rate risk in the Track Record Period.

Contingent liabilities

As at 31 December 2014, the Target Group did not have material contingent liabilities

Charges of assets

As at 31 December 2014, assets pledged as security are as follows:

(i) Condominium property is pledged as security against the HSBC mortgage.

(ii) Finance lease assets are pledged as security against the finance leases.

(iii) All other assets, current and future, are pledged as security against the CMBC and HSBC debt.

Future plans

Save as disclosed above, the Latest Practicable Date, there are no other proposed material investment, capital assets and expected source of funding will occur in the Target Group.

Prospect for new business

The No.2 surface pits, which lie adjacent to the No.8 pits, are planned to be brought into production in start of 2019. The No.16 pits and No.9 pits are scheduled to commence operations in 2025 and in 2027, respectively at the completion of the No.8 surface operations. The No.12 North area will be the last pits to be developed starting in 2038.

The proposed new room-and-pillar mine is in the No.12 South A area and like No.12 South B2, mines the 4 Seam and the 7/8 Sea horizons. Underground coal production from the No.9 Area is planned to occur from the proposed No.9D Mine, which would utilize development and longwall equipment suitable for producing coal in steep gradient conditions in the 10 Seam and 4 Seam.

Fixed interest rate

As at 31 December 2014, Target Group has no borrowings that are at fixed interest rates.

I UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(A) Introduction to the unaudited pro forma financial information

The following is the pro forma financial information of the Group as if its acquisition of the 82.74% equity interests in Grande Cache Coal Corporation ("GCC") and Grande Cache Coal LP ("GCC LP", together with GCC, the "Target") ("the Acquisition") had been completed on 30 September 2014 for the pro forma consolidated statement of financial position and at the beginning of the year ended 31 March 2014 for the pro forma consolidated statement of profit or loss and pro forma consolidated cash flow statement. The pro forma financial information of the Group is based upon the condensed consolidated financial statements of the Group for the six months ended 30 September 2014 as set out in the Company's 2014 interim report; the consolidated financial statements of the Group for the year ended 31 March 2014 as set out in the Company's 2014 annual report and the financial information of the Target as set out in the accountants' report in Appendix II to this Circular, and adjusted on a pro forma basis to reflect the effect of the Acquisition as explained in the accompanying notes that are directly attributable to the Acquisition and not relating to future events or decisions, and are factually supportable.

The pro forma financial information of the Group and the Target (collectively, "the "Enlarged Group") is based on a number of assumptions, estimates and uncertainties. Among other key assumptions, the directors of the Company have assumed that the Company would be able to raise sufficient funding through internal resources, bank borrowings and/or external financing to finance the Acquisition. As a result of these assumptions, estimates, uncertainties, the accompanying unaudited pro forma financial information of the Enlarged Group does not purport to describe the actual results of operations, financial position or cash flows of the Enlarged Group that would have been attained had the Acquisition been completed on the dates indicated herein.

The pro forma financial information of the Group has been prepared by the directors of the Company in accordance with Rules 4.29 and 14.69(4)(a)(ii) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for the purposes of illustrating the effect of the acquisition of the 82.74% equity interests in the Target pursuant to the terms of the sale and purchase agreement and because of its hypothetical nature, it may not give a true picture of the financial position or results of the Group had the Acquisition been completed as of the specified dates or any future date.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in the published interim report of the Company for the six months ended 30 September 2014 and annual report of the Company for the year ended 31 March 2014, the accountants' report of the Target as set out in Appendix II to this circular and other financial information included elsewhere in this circular. The unaudited consolidated financial statements included in the Group's interim report for the six months ended 30 September 2014 (pages 23 to 59), without qualifying the review conclusion, an emphasis of matter has been included in the independent review report issued by the Group's auditor to draw attention of the users of the interim financial report (pages 21 to 22). The consolidated financial statements included in the Group's annual report for the year ended 31 March 2014 (pages 63 to 147), without qualifying the audit conclusion, an emphasis of matter has been included in the independent audit report issued by the Group's auditor to draw attention of the users of the annual financial report (pages 61 to 62). In the independent accountants' report issued by the Target's auditor included in the Target's historical financial statements for the year ended 31 December 2014, 2013 and 2012 as set out in Appendix II, without qualifying the opinion, an emphasis of matter has been included to draw attention of the users of the financial statements.

(B) Pro forma consolidated statement of financial position as at 30 September 2014

	The Group as at 30 September 2014	The Target as at 31 December 2014	The Target as at 31 December 2014	Total	Pro forma adjustments		The Enlarged Group
	HK$'000	*US$'000*	*HK$'000* *(note 2)*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Non-current assets							
Property, plant and equipment, net	18,987,203	378,606	2,936,720	21,923,923	1,554,389	4(ii)	23,478,312
Prepaid land lease payments	74,089	–	–	74,089	–		74,089
Goodwill	25,623	–	–	25,623	–		25,623
Deferred tax assets	13,474	–	–	13,474	–		13,474
Restricted bank deposits	24,809	26,023	201,852	226,661	–		226,661
Other non-current assets	83,263	–	–	83,263	–		83,263
	19,208,461	404,629	3,138,572	22,347,033	1,554,389		23,901,422
Current assets							
Trading securities	3,900	–	–	3,900	–		3,900
Inventories	90,948	28,669	222,376	313,324	–		313,324
Trade and bills receivables	52,291	1,250	9,696	61,987	–		61,987
Prepayments, deposits and other receivables	214,765	2,248	17,437	232,202	(77,566)	5	154,636
Restricted bank deposits	31,194	–	–	31,194	–		31,194
Cash and cash equivalents	343,597	–	–	343,597	(31,027)	5	312,570
	736,695	32,167	249,509	986,204	(108,593)		877,611
Current liabilities							
Short term borrowings and current portion of long-term borrowings	327,056	407,754	3,162,811	3,489,867	(3,162,811)	6	327,056
Bank overdraft	–	837	6,492	6,492	–		6,492
Trade and bills payables	170,306	1,006	7,805	178,111	–		178,111
Bridge loan	–	14,000	108,593	108,593	(108,593)	5	–
Finance lease obligations	–	14,726	114,225	114,225	–		114,225
Other financial liabilities	151,758	–	–	151,758	–		151,758
Other payables and accruals	407,941	53,269	413,190	821,131	10,447	7	831,578
Current taxation	9,980	–	–	9,980	–		9,980
Restoration provision	–	2,229	17,290	17,290	–		17,290
	1,067,041	493,821	3,830,406	4,897,447	(3,260,957)		1,636,490
Net current liabilities	(330,346)	(461,654)	(3,580,897)	(3,911,243)	3,152,364		(758,879)
Total assets less current liabilities	18,878,115	(57,025)	(442,325)	18,435,790	4,706,753		23,142,543

	The Group as at 30 September 2014	The Target as at 31 December 2014	The Target as at 31 December 2014	Total	Pro forma adjustments		The Enlarged Group
	HK$'000	*US$'000*	*HK$'000 (note 2)*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Non-current liabilities							
Long-term borrowings	305,307	–	–	305,307	3,162,811	6	3,468,118
Convertible notes	4,153,400	–	–	4,153,400	–		4,153,400
Finance lease obligations	–	9,986	77,457	77,457	–		77,457
Other financial liabilities	557,848	–	–	557,848	–		557,848
Deferred tax liabilities	3,917,384	–	–	3,917,384	597,496	4(ii)	4,514,880
Restoration provision	7,520	27,386	212,424	219,944	–		219,944
	8,941,459	37,372	289,881	9,231,340	3,760,307		12,991,647
NET ASSETS	9,936,656	(94,397)	(732,206)	9,204,450	946,446		10,150,896
Capital and reserves							
Share capital	747,678	4,023	31,205	778,883	(31,205)	4(i)	747,678
Equity component of convertible notes	1,251,695	–	–	1,251,695	–		1,251,695
Reserves	5,236,443	(331)	(2,568)	5,233,875	956,893	4(ii)	5,308,774
					(954,325)	4(i)	
					82,778	4(ii)	
					(10,447)	7	
Total equity attributable to equity shareholders of the Company	7,235,816	3,692	28,637	7,264,453	43,694		7,308,147
Non-controlling interests	2,700,840	(98,089)	(760,843)	1,939,997	760,843	4(i)	2,842,749
					141,909	4(ii)	
Total equity	9,936,656	(94,397)	(732,206)	9,204,450	946,446		10,150,896

(C) Pro forma consolidated statement of profit or loss for the year ended 31 March 2014

	The Group for the year ended 31 March 2014 *HK$'000*	The Target for the year ended 31 December 2014 *US$'000*	The Target for the year ended 31 December 2014 *HK$'000* *(note 2)*	Total *HK$'000*	Pro forma adjustments *HK$'000*	*Notes*	The Enlarged Group *HK$'000*
Revenue	152,836	164,083	1,272,737	1,425,573	–		1,425,573
Cost of revenue	(164,315)	(196,156)	(1,521,516)	(1,685,831)	(16,655)	4(iii)	(1,702,486)
Gross loss	(11,479)	(32,073)	(248,779)	(260,258)	(16,655)		(276,913)
Other revenue	4,602	–	–	4,602	–		4,602
Other net income	16,803	2	16	16,819	82,778	4(ii)	99,597
Distribution costs	(2,249)	–	–	(2,249)	–		(2,249)
Administrative expenses	(88,221)	(6,183)	(47,959)	(136,180)	(10,447)	7	(146,627)
Loss from operations	(80,544)	(38,254)	(296,722)	(377,266)	55,676		(321,590)
Finance costs	(54,024)	(31,627)	(245,320)	(299,344)	–		(299,344)
Impairment loss	–	(554,391)	(4,300,225)	(4,300,225)	–		(4,300,225)
Loss before taxation	(134,568)	(624,272)	(4,842,267)	(4,976,835)	55,676		(4,921,159)
Income tax	10,967	–	–	10,967	1,001,626	4(iv)	1,016,037
					3,444	4(iii)	
Loss for the year	(123,601)	(624,272)	(4,842,267)	(4,965,868)	1,060,746		(3,905,122)
Attributable to:							
Equity shareholders of the Company	(98,617)	(62)	(481)	(99,098)	1,001,626	4(iv)	(3,041,492)
					(4,006,015)	4(v)	
					82,778	4(ii)	
					(10,447)	7	
					(10,336)	4(iii)	
Non-controlling interests	(24,984)	(624,210)	(4,841,786)	(4,866,770)	4,006,015	4(v)	(863,630)
					(2,875)	4(iii)	
Loss for the year	(123,601)	(624,272)	(4,842,267)	(4,965,868)	1,060,746		(3,905,122)

(D) Pro forma consolidated cash flow statement for the year ended 31 March 2014

	The Group for the year ended 31 March 2014 *HK$'000*	The Target for the year ended 31 December 2014 *US$'000*	The Target for the year ended 31 December 2014 *HK$'000* *(note 2)*	Total *HK$'000*	Pro forma adjustments *HK$'000*	*Notes*	The Enlarged Group *HK$'000*
Operating activities							
Loss before taxation	(134,568)	(624,272)	(4,842,267)	(4,976,835)	82,778	4(ii)	(4,921,159)
					(10,447)	7	
					(16,655)	4(iii)	
Adjustments for:							
Net valuation loss on trading securities	13,500	–	–	13,500	–		13,500
Depreciation of property, plant and equipment	43,591	57,931	449,351	492,942	16,655	4(iii)	509,597
Amortisation of prepaid land lease payments	2,393	–	–	2,393	–		2,393
Interest income	(4,602)	–	–	(4,602)	–		(4,602)
Impairment loss	–	554,391	4,300,225	4,300,225	–		4,300,225
(Gain)/loss on sales of property, plant and equipment	(296)	516	4,002	3,706	–		3,706
Net valuation gain on other financial liabilities	(30,007)	–	–	(30,007)	–		(30,007)
Bargain purchase gain	–	–	–	–	(82,778)	4(ii)	(82,778)
Finance costs	54,024	32,633	253,123	307,147	–		307,147
Inventory write down	–	4,797	37,209	37,209	–		37,209
	(55,965)	25,996	201,643	145,678	(10,447)		135,231
Changes in working capital:							
Increase in inventories	(109,771)	(3,365)	(26,101)	(135,872)	–		(135,872)
(Increase)/decrease in trade and bills receivable	(71,803)	7,704	59,757	(12,046)	–		(12,046)
Increase in prepayments, deposits and other receivables	(48,253)	(1,410)	(10,937)	(59,190)	–		(59,190)
Increase/(decrease) in trade and bills payable	181,265	(7,352)	(57,027)	124,238	–		124,238
Decrease in other payables and accruals	(11,469)	–	–	(11,469)	10,447	7	(1,022)
Net cash (used in)/ generated from operating activities	(115,996)	21,573	167,335	51,339	–		51,339

	The Group for the year ended 31 March 2014 HK$'000	The Target for the year ended 31 December 2014 US$'000	The Target for the year ended 31 December 2014 HK$'000 (note 2)	Total HK$'000	Pro forma adjustments HK$'000	Notes	The Enlarged Group HK$'000
Investing activities							
Payment for purchase of property, plant and equipment	(427,127)	(29,716)	(230,497)	(657,624)	–		(657,624)
Proceeds from sales of property, plant and equipment	683	29	225	908	–		908
Payment for acquisition of subsidiaries	(787,365)	–	–	(787,365)	–		(787,365)
Refund of payment for acquisitions	74,331	–	–	74,331	–		74,331
Loan to a third party	(48,000)	–	–	(48,000)	–		(48,000)
Repayment of loan from a third party	48,000	–	–	48,000	–		48,000
Interest received	4,602	–	–	4,602	–		4,602
Increase in restricted bank deposits	(32,406)	(1,450)	(11,247)	(43,653)	–		(43,653)
Net cash used in investing activities	(1,167,282)	(31,137)	(241,519)	(1,408,801)	–		(1,408,801)
Financing activities							
Proceeds from new bank loans	637,032	–	–	637,032	–		637,032
Repayment of bank loans	(75,937)	–	–	(75,937)	–		(75,937)
Contributions to share award scheme trusts	(14,885)	–	–	(14,885)	–		(14,885)
Installments of financial liabilities	(90,078)	–	–	(90,078)	–		(90,078)
Interest paid	(39,562)	(28,864)	(223,888)	(263,450)	–		(263,450)
Proceeds from bridge loan	–	14,000	108,593	108,593	(108,593)	5	–
Pre-payments from shareholders	–	32,905	255,233	255,233	–		255,233
Advances from shareholders	–	108	838	838	–		838
Contributions from non-controlling interests	6,332	–	–	6,332	–		6,332
Payment on finance lease obligations	–	(13,181)	(102,241)	(102,241)	–		(102,241)
Net cash generated from financing activities	422,902	4,968	38,535	461,437	(108,593)		352,844
Net decrease in cash and cash equivalents	(860,376)	(4,596)	(35,649)	(896,025)	(108,593)		(1,004,618)
Cash and cash equivalents at the beginning of the financial year	881,932	3,723	28,878	910,810	–		910,810
Effect of foreign exchange rate changes	2,436	36	279	2,715	–		2,715
Cash and cash equivalents at the end of the financial year	23,992	(837)	(6,492)	17,500	(108,593)		(91,093)

Notes to the unaudited pro forma financial information of the Enlarged Group

(1) On 14 November 2014, Up Energy Resources Company Limited (the "Purchaser", a wholly-owned subsidiary of the Company) and 0925165 B.C. Limited ("Winsway Seller") entered into a sale and purchase agreement (the "Winsway SPA") pursuant to which the Purchaser has conditionally agreed to acquire and Winsway Seller has conditionally agreed to sell 42.74% equity interest in the Target at cash consideration of US$1. In conjunction with the Winsway SPA, the Purchaser and Winsway Seller propose to enter into a buy-back right agreement pursuant to which the Purchaser will grant Winsway Seller a buy-back right to acquire a 16.86% shareholding interest in GCC and 16.86% partnership interest in GCC LP (the "Winsway Buy-back Right").

On 14 November 2014, the Purchaser and Marubeni Coal Canada Limited ("Marubeni Seller") entered into a sale and purchase agreement (the "Marubeni SPA") pursuant to which the Purchaser has conditionally agreed to acquire and Marubeni Seller has conditionally agreed to sell 40% equity interest in the Target at cash consideration of US$1. In conjunction with the Marubeni SPA, the Purchaser and Marubeni Seller propose to enter into a buy-back right agreement pursuant to which the Purchaser will grant Marubeni Seller a buy-back right to acquire a 15.78% shareholding interest in GCC and 15.78% partnership interest in GCC LP (the "Marubeni Buy-back Right").

The transactions contemplated as mentioned above are referred as the Acquisition.

(2) For the purpose of the pro forma financial information, the translations of US$ into HK$ is carried out at the rates of US$1 to HK$7.7567. No representation is made that the US$ amounts have been, could have been or may be converted to Hong Kong dollars or vice versa, at that rate.

(3) The fair value of the considerations at the SPA Completion as if the Acquisition was completed on 31 December 2014 is as follows:

	US$'000	*Equivalent of HK$'000*
Cash consideration	–	–
Winsway Buy-back Right	–	–
Marubeni Buy-back Right	–	–
	–	–

The fair values of the considerations have been determined by the board of directors of the Company with reference to the valuation report as set out in Appendix VII to this circular prepared by Norwest Corporation, an independent valuation firm.

(4) The identifiable assets and liabilities of the Target acquired by the Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under the purchase method of accounting in accordance with Hong Kong Financial Reporting Standard 3, *Business Combinations*.

For the purposes of the pro forma financial information, the allocation of the purchase price is determined based on the directors' estimates of the fair value of the identifiable assets and liabilities of the Target which existed as at 31 December 2014.

The amounts of bargain purchase gain and fair values of the identifiable assets and liabilities of the Target are subject to change upon the completion of the valuation by external valuer of the fair values of the identifiable assets and liabilities of the Target on the date of completion of the Acquisition. Consequently, the resulting bargain purchase gain, the actual allocation of the purchase price and the resulting non-controlling interest at the date of completion, and depreciation for subsequent periods, will likely result in different amounts than those stated in this pro forma financial information.

Pro forma adjustments made represent:

(i) The consolidation entry to eliminate the share capital of the Target, pre-acquisition reserves and pre-acquisition non-controlling interests on consolidation;

(ii) The recognition of:

- fair value adjustments of HK$1,554,389,000 on property, plant and equipment with reference to the valuation report as set out in Appendix VI to this Circular, prepared by Norwest Corporation:

	US$'000	*Equivalent of HK$'000*
Fair value of property, plant and equipment	579,000	4,491,109
Carrying amount on the Target's financial statements	378,606	2,936,720
Fair value adjustment	200,394	1,554,389

- recognition of the Group's share of deferred tax liabilities:

	US$'000	*Equivalent of HK$'000*
Temporary differences between the fair value of property, plant and equipment and its tax base	372,397	2,888,548
Applicable income tax rate	25%	25%
Total deferred tax liabilities	93,099	722,137
The Group's share at 82.74%*	77,030	597,496

* *Although GCC LP, the operating entity of the Target, is not subject to Canadian corporate income tax, its immediate holding companies need to calculate and account for corporate income tax based on the operating results of GCC LP according to their respective interests in GCC LP. Accordingly, deferred tax liabilities are recognised by the Group for any taxable temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements of GCC LP based on the Group's 82.74% equity holding in GCC LP.*

- recognition of non-controlling interests of HK$141,909,000 and bargain purchase gain of HK$82,778,000 being the excess of the Group's share of the fair value of the net identifiable assets of the Target over the purchase consideration.

	US$'000	*Equivalent of HK$'000*
Fair value of considerations	–	–
Net assets acquired:		
Net liabilities of the Target as at 31 December 2014	(94,397)	(732,206)
Fair value adjustments on mining rights	200,394	1,554,389
Total net assets acquired before recognition of deferred tax liabilities	105,997	822,183
Non-controlling interests in the Target#	18,295	141,909
The Group's share of deferred tax liabilities	77,030	597,496
Identified assets acquired and liabilities assumed	10,672	82,778
Bargain purchase gain arising on acquisition	(10,672)	(82,778)

\# *The non-controlling interests in the Target are calculated at 17.26% of the total net assets acquired before recognition of deferred tax liabilities due to that the deferred tax liabilities of non-controlling interest are not recognised in this pro forma financial information for the reason mentioned above.*

(iii) The annual additional depreciation/amortisation of approximately HK$16,655,000 million arising from the fair value adjustments to property, plant and equipment on a unit-of-production method. Reversal of the Group's share of corresponding deferred tax liabilities is approximately HK$3,444,000. The share of non-controlling interests of the additional depreciation/amortisation is about HK$2,875,000, which is calculated at 17.26% of the total amount of HK$16,655,000. The reversal of deferred tax liabilities of non-controlling interest is not recognised in this pro forma financial information for the reason mentioned in note 4(ii) above. The adjustments are expected to have a continuing effect on the Enlarged Group.

(iv) There is no income tax credit recognised in the consolidated financial statements of the Target for year ended 31 December 2014 due to the reason mentioned in note 4(ii). However, when the Target is consolidated into the Group's financial statements, relevant income tax will be considered. As such, income tax credit of HK$1,001,626,000 is recognised for the reversal of the Group's share of relevant deferred tax liabilities.

(v) In the consolidated financial statements of the Target, the loss attributable to its limited partners has been classified as loss attributable to non-controlling interests. Pro forma adjustment has been made to reclassify the loss attributable to the Group as a limited partner in the Target from loss attributable to non-controlling interests to loss attributable to equity shareholder of the Company.

(5) The adjustment represents the elimination of other receivables of the Group and bridge loan payable of the Target in relation to the bridge loan provided by the Group to the Target pursuant to the Amended and Restated Bridge Loan Agreement (please refer to "Letter from the Board" of the Circular for more details).

(6) The Group expects that the Target will fulfill the relevant terms and conditions included in fourth amendment deed executed between the Target and CMBC for the extension of repayment periods after the successful completion of the Acquisition. Therefore, the loans borrowed by Target from CMBC will be classified as long-term loan.

(7) The transaction costs incurred by the Enlarged Group for the Acquisition are estimated to be HK$10,447,000 which consist mainly of the professional fees directly attributable to the Acquisition.

(8) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2014 and of the Target subsequent to 31 December 2014.

II ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of an accountants' report received from KPMG, for inclusion in this circular, in respect of the unaudited pro forma information of the Enlarged Group, as set out in this Appendix.

KPMG

8th Floor
Prince's Builder
10 Chater Road
Central
Hong Kong

30 June 2015

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF UP ENERGY DEVELOPMENT GROUP LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Up Energy Development Group Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 September 2014 and the unaudited pro forma consolidated statement of profit or loss and pro forma consolidated cash flow statement for the year ended 31 March 2014 and related notes as set out in Part A of Appendix IV to the circular dated 30 June 2015 (the "Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix IV to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of approximately 82.74% interest in Grande Cache Coal Corporation and Grande Cache Coal LP respectively (the "Proposed Acquisition") on the Group's financial position as at 30 September 2014 and the Group's financial performance and cash flows for the year ended 31 March 2014 as if the Proposed Acquisition had taken place at 30 September 2014 and 1 April 2013, respectively. As part of this process, information about the Group's financial position as at 30 September 2014 has been extracted by the Directors from the interim report of the Group for the six months ended 30 September 2014, on which a review report has been published. Information about the Group's financial performance and cash flows for the year ended 31 March 2014 has been extracted by the Directors from the consolidated financial statements of the Company for the year then ended, on which an audit report has been published.

The audit report for the consolidated financial statements for the year ended 31 March 2014 and the review report for the interim financial report for the six months ended 30 September 2014 (the "Reports") contain an emphasis of matter on the Group's ability to continue as a going concern, as more fully described in the section headed "Three Years and Six Months Financial Information" in Appendix I. These facts and circumstances indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 September 2014 and 1 April 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group, and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

TECHNICAL REPORT

GRANDE CACHE COAL OPERATION,
GRANDE CACHE, ALBERTA, CANADA

Submitted to:
UP ENERGY DEVELOPMENT GROUP LIMITED

Report Date:
March 27, 2015

Report Effective Date:
December 31, 2014

Norwest Corporation
136 E. South Temple, 12th Floor
Salt Lake City, UT
84111 USA
Tel: (801) 539-0044
Fax: (801) 539-0055
Email slc@norwestcorp.com

www.norwestcorp.com

Authors: **Lawrence D. Henchel, P.Geo**
John Lewis, M.E., P.Eng.
James D Sorensen, QP, MMSA
Anthony Carl Pollastro, QP, MMSA

NORWEST
CORPORATION

CERTIFICATE OF QUALIFICATIONS

I, Lawrence D. Henchel, P.Geo., PG, of Salt Lake City do hereby certify that:

1. I am currently employed as Vice President of Geologic Services with Norwest Corporation, 136 East South Temple, 12th Floor, Salt Lake City, Utah 84111 USA.

2. I graduated with a Bachelor of Science Degree in Geology from Saint Lawrence University, Canton, NY, USA in 1978.

3. I am a licensed Professional Geoscientist in the province of Alberta, Canada, #159013. I am a licensed Professional Geologist in the State of Utah, #6087593-2250 and I am a Registered Member of The Society for Mining, Metallurgy and Exploration, Inc., #4150015RM.

4. I have worked as a geologist for a total of thirty-two years since my graduation from university, both for coal mining and exploration companies and as a consultant specializing in coal and industrial minerals. The first ten years of my work were almost exclusively in the coal industry which continues to be a large part of the consulting work that I perform.

5. I have read the definition of "qualified person" set out in National Instrument 43-101 (NI 43-101) and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.

6. I am responsible for Sections 1.1 through 1.7, 2.6.3, 2.6.4, 4 through 12, and 14 of the technical report titled "Technical Report, Grande Cache Coal Operation, Grande Cache, Alberta, Canada" (the "Technical Report") dated March 27, 2015, with an **effective date of December 31, 2014**.

7. I personally inspected the Grande Cache coal property and mining operations on January 27 and 28, 2015.

8. As at the effective date of the Technical Report, to the best of my knowledge, information and belief, the parts of the Technical Report for which I am responsible contain all scientific and technical information that is required to be disclosed to make the parts of the Technical Report for which I am responsible not misleading.

9. I am independent of Up Energy Development Group Limited applying all of the tests in Section 1.5 of NI 43-101.

10. I have read NI 43-101 and the parts of the Technical Report for which I am responsible have been prepared in compliance with NI 43-101.

Dated this 27th day of March, 2015.

"ORIGINAL SIGNED AND SEALED BY AUTHOR"

Lawrence D. Henchel, P.Geo, PG
Vice President Geologic Services, Norwest Corporation

CERTIFICATE OF QUALIFICATIONS

I, John Lewis, of Salt Lake City, Utah, do hereby certify that:

1. I am currently employed as Manager, Underground Mining with Norwest Corporation, 136 East South Temple, 12th Floor, Salt Lake City, Utah, 84111 USA.

2. I graduated from the University of Utah with a Bachelor of Science Degree in Mining Engineering in 1993, and a Master of Engineering Degree in 1997.

3. I am a Registered member of the Society for Mining and Metallurgy and Exploration (Member #1898600) a Registered Professional Engineer in the State of Utah, (License #191488), and I am a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGA membership #143601).

4. I have worked as a mining engineer for 20 years of which 15 years were underground coal mining industry experience in Utah, Wyoming, and Colorado.

5. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with professional associations (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.

6. I am responsible for the preparation of Sections 1.8, 1.9, 1.12, 1.14, 1.16, 15.2, 15.4, 16.1, 16.2.2, 16.3.2, 16.4.2, 16.5.2, 21.1.2, 21.2.2, 25 and 26.1.1, and 26.1.7 relating to underground coal operations of the technical report titled "Technical Report, Grande Cache Coal Operation, Grande Cache, Alberta" and dated March 27, 2015, with an **effective date of December 31, 2014** (the "Technical Report").

7. As at the effective date of the Technical Report, to the best of my knowledge, information and belief, the parts of the Technical Report for which I am responsible contain all scientific and technical information that is required to be disclosed to make the parts of the Technical Report for which I am responsible not misleading.

8. I personally inspected the portions of the property relating to the operating No. 12 South B2 Mine, the planned No. 12 South A Mine, and the proposed No. 9D Mine on October 20–22, 2014.

9. I am independent of Up Energy Development Group Limited applying all of the tests in Section 1.5 of NI 43-101.

10. I have read NI 43-101 and the parts of the Technical Report for which I am responsible have been prepared in compliance with NI 43-101.

Dated this 27th day of March, 2015.

"ORIGINAL SIGNED AND SEALED BY AUTHOR"

John C. Lewis, P.Eng.
Manager, Underground Mining

CERTIFICATE OF QUALIFICATIONS

I, James D Sorensen, of Salt Lake City, Utah, do hereby certify that:

1. I am currently employed as Senior Mining Engineer, Surface Mining with Norwest Corporation, 136 East South Temple, 12th Floor, Salt Lake City, Utah, 84111 USA.

2. I graduated from the University of Utah with a Bachelor of Science Degree in Mining Engineering in 2000.

3. I am a Registered member of the Society for Mining and Metallurgy and Exploration (Member #4117148), recognized as a Qualified Professional Member by the Mining and Metallurgical Society of America (Member #01426-QP).

4. I have worked as a mining engineer for 15 years since my graduation from university, both working for mining companies and as a consultant working in areas related to the surface coal mining industry.

5. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with professional associations (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.

6. I am responsible for the preparation of Sections 1.8, 1.9, 1.14, 15.1, 15.2, 15.3, 15.5, 16.1, 16.2.1, 16.3.1, 16.4.1, 16.5.1, 21.1.1, 21.1.3, 21.2.1, 25, and 26.2.1 through 26.2.5 relating to surface coal operations of the technical report titled "Technical Report, Grande Cache Coal Operation, Grande Cache, Alberta" and dated March 27, 2015, with an **effective date of December 31, 2014** (the "Technical Report").

7. I personally inspected the Grande Cache coal property and mining operations on January 27 and 28, 2015.

8. As at the effective date of the Technical Report, to the best of my knowledge, information and belief, the parts of the Technical Report for which I am responsible contain all scientific and technical information that is required to be disclosed to make the parts of the Technical Report for which I am responsible not misleading.

9. I am independent of Up Energy Development Group Limited applying all of the tests in Section 1.5 of NI 43-101.

10. I have read NI 43-101 and the parts of the Technical Report for which I am responsible have been prepared in compliance with NI 43-101.

Dated this 27th day of March, 2015.

"ORIGINAL SIGNED AND SEALED BY AUTHOR"

James D Sorensen, QP, MMSA
Mining Engineer

CERTIFICATE OF QUALIFICATIONS

I, Anthony Carl Pollastro, of Salt Lake City, Utah, do hereby certify that:

1. I am currently employed as Senior Vice President Engineering/International with Norwest Corporation, 136 East South Temple, 12th Floor, Salt Lake City, Utah, 84111 USA.

2. I graduated from the University of Utah with a Bachelor of Science degree in Mining Engineering in 1976.

3. I am a Registered Qualified Person in Mining and Ore Reserves with the Mining and Metallurgical Society of America (#01427QP).

4. I have worked as a mining engineer for 39 years since graduation from university of which 33 years were working directly in underground coal mining industry experience in Utah and Wyoming in senior technical and operational roles and 6 years as an international consultant in underground coal mining throughout the world and senior manager in the consultancy.

5. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with professional associations (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.

6. I am responsible for the overall preparation of the Technical Report and personally responsible for Sections 1.1, 1.1.1, 1.13, 13, 17, 18, 19, 20, 22, 23, 24, 26.5 of the technical report titled "Technical Report, Grande Cache Coal Operation, Grande Cache, Alberta" and dated March 27, 2015, with an **effective date of December 31, 2014** (the "Technical Report").

7. As at the effective date of the Technical Report, to the best of my knowledge, information and belief, the parts of the Technical Report for which I am responsible contain all scientific and technical information that is required to be disclosed to make the parts of the Technical Report for which I am responsible not misleading.

8. I personally visited the portions of the property relating to the operating No. 12 South B2 Mine underground mine, the operating No. 8 surface mine, the planned location of the No. 12 South A Underground Mine, and the proposed No. 9D Underground Mine and all other sites of potential areas of reserves listed in the Technical Report during the site visit on October 20 - 22, 2014.

9. I am independent of Up Energy Development Group Limited applying all of the tests in Section 1.5 of NI 43-101.

10. I have read NI 43-101 and all of the Technical Report for which I am responsible and certify they have been prepared in compliance with NI 43-101 standards and guidelines.

Dated this 27th day of March, 2015.

"ORIGINAL SIGNED AND SEALED BY AUTHOR"

Anthony Carl Pollastro, QP-MMSA
Senior Vice President Engineering/International

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

1 SUMMARY

The following report was prepared by Norwest Corporation (Norwest). All Qualified Persons are employees of Norwest. It addresses the coal geology, resources and reserves of the coal mining and processing operations of Grande Cache Coal Corporation (GCC) in the Smoky River Coalfield of Alberta.

These coal deposits were explored and partially mined prior to 2000 by Smoky River Coal Ltd. (SCRL) and McIntyre Porcupine Mines (MPM), companies which are not related to Grande Cache Coal Corporation. The previous mine operator, SCRL, was placed in receivership in the year 2000. Grande Cache Coal Corporation acquired the assets in the same year and has continued to explore, evaluate and operate the mine and facilities. On March 1, 2012 the Grande Cache Coal Corporation was acquired jointly by a numbered company, owned by Winsway Coking Coal Holdings Ltd. of Hong Kong, and Marubeni Corporation of Japan. In late 2014, a pending acquisition was announced in which 82.74 percent (%) interest in Grande Cache Coal Corporation and Grande Cache Coal LP would be acquired by Up Energy Development Group Limited. This transaction is not complete as of the date of this report.

Numerous studies and reports, including Technical Reports, have been completed on the operations in recent years. Norwest has prepared this document to report resources and reserves resulting from its findings from producing areas and future mining areas and the change or depletion of a previously reported mining areas. This report also reflects changes in the economic environment since the last report completed in February 2014 for the year ending 2013. The Terms of Reference for this report include a validation of the coal resources and reserves in compliance with the current reporting requirements of National Instrument 43-101 Standards of Disclosure for Mineral Projects (NI 43-101, 2011).

1.1 Location and Accessibility

The GCC property is located in West Central Alberta, approximately 400 kilometers (km) west of the City of Edmonton, the capital of the Province of Alberta in Canada. The property is accessed via Highway 40, a two lane, paved provincial highway which connects the town of Grande Cache to the major, east-west, provincial Highway 16. The property is also serviced by a branch line of the Canadian National Railway which connects to the main east-west rail line at the town of Hinton, approximately 145km south of the mine.

1.2 Surface and Mineral Tenure

In Alberta, coal tenure is held through coal leases granted by the province. Surface and underground mining rights are also granted by the province first through a mine permit, then by a mine license for each individual mining area. GCC currently has approximately 29,968 hectares (ha) under coal lease, with dates of record ranging from the year 2000 through 2014.

The mineral leases that contain the coal resources and reserves presented in this report are summarized in Table 4.1 and displayed on Figure 4.2.

1.3 Regional Structure and Stratigraphy

The Gates Formation is the stratigraphic unit within the Smoky River Coalfield that contains the coal seams of economic interest. The Gates Formation consists of 320 meters (m) of sandstone, shale and coal, and is subdivided into three members:

- The Torrens Member, the lowermost unit of the Gates Formation, is a marine sandstone and siltstone sequence approximately 30m in thickness.
- The Grande Cache Member is composed of interbedded sandstone, siltstone, coal and mudstone. The unit is up to 150m thick. Eight coal seams (3 Seam through 8 Seam, 10 Seam and 11 Seam) are present.
- The Mountain Park Member, the uppermost unit of the Gates Formation, consists of 150m to 180m of non-marine fine-grained sandstone and siltstone with minor interbedded coal seams.

The Smoky River Coalfield was deformed by tectonic events of the Laramide Orogeny which created the Rocky Mountains approximately 60 million (M) years ago. The rock strata are folded, often in tight, steep anticlinal/synclinal pairs, and are cut by numerous thrust faults. Structural shortening of the region is estimated to be one-third of the original flat-lying strata. Surface traces of these folds and thrust faults trend northwest-southeast. The majority of the faults are southwest-dipping thrusts, displaying ramps that cut up stratigraphic section and flats that are parallel to bedding. Asymmetric folds with relatively long, straight limbs and short, narrow hinge zones are common. The folds generally have chevron or box shapes and maintain their profile over distances of up to 2km along trend. These folds are conical at their tapering ends. Amplitude of the major fold sets generally range from 200m to 1,000m. Minor, parasitic folds along the limbs of the major anticlines and synclines are common.

1.4 Data Sources

The information used to estimate the coal resources and reserves of the Smoky River Coalfield was gathered using industry standard data acquisition techniques. With over 43 years of mining activity and coal processing, data from operations were also used to help predict coal recovery, yield, and quality from the different seams and mining areas. Drilling was and still is the most common method used to acquire data prior to mining. Over 4,300 holes have been drilled in the coal field since the late 1950s. Summaries of drillholes in the reported coal resource and reserve areas are found in Section 10. Development of adits was a common method utilized for obtaining bulk samples for coal washability test work prior to opening a new mine area. A total of 129 adits have been driven within the Smoky River Coalfield.

1.5 Deposit Geology

The coal seams in the Smoky River Coalfield are numbered sequentially, beginning with 3 Seam occurring as the lowermost coal of interest in the Grande Cache Member, through the 11 Seam at the top of the stratigraphic sequence.

The coal seam thickness and continuity across the individual mine areas is discussed in detail in Section 7.1.

1.6 Coal Quality

The majority of samples were collected and submitted for analysis by previous operators. Results have been stored electronically within GCC's mining software package and in spread sheets. For metallurgical coal, important quality parameters are:

- Ash Content – The relative amount of non-combustible material in the coal.
- Free Swelling Index (FSI) – A measure of the amount the coal swells when heated under controlled conditions. It gives a rough indication whether the coal is suitable for metallurgical use.
- Sulphur Content – The relative amount of sulphur in the coal.
- Volatile Matter Content – other than moisture, the substances that are given off as gas and vapour during combustion of the coal.

The in-situ coal quality data are discussed in Section 7.2.

The operation produces a high quality, low-ash, low-volatile, hard coking coal, with an ash content of 8.5% to 9% sold for coke oven blends or as a pulverized injection coal. The quality of GCC's coal resources make them suitable for use as a metallurgical coal which has been successfully marketed over the life of the operation.

Minor quantities of oxidized coal, occurring at the coal seams eroded contact, is sold occasionally on the spot market for thermal coal.

1.7 Coal Resources

Coal resource models are generated from the drillhole information through the use of cross-sections and/or seam surface interpretation. Computer software has been used to translate the geologic geometry interpretations into 3D block models. The QP for coal resources has verified the interpretation of these elements. These models form the basis of the resource estimates reported in this document as well as the basis of reserve estimates after additional mining and recovery criteria are applied. The coal resource estimates are subdivided into categories based on "assurance of existence" using GSC Paper 88–21 criteria and reported using the equivalent mineral resource categories specified in NI 43–101.

The coal resources with an effective date of December 31, 2014 are shown in Table 1.1 and Table 1.2. As no new information has been generated for the No. 16, No. 12 North and No. 2 mining areas since the resources were compiled in the 2013 Technical Report, and no production has occurred, these estimates have been carried over. The No. 7 underground mine was mined out in 2012. This report does not include resources from highwall mining areas, and former surface mines No. 1, No. 5 and No. 11 and other potential mining areas within GCC's leased land.

Table 1.1 Summary of Coal Resources, Measured and Indicated

	Measured (Mt)	Indicated (Mt)	Total (Mt)	Ash (%)	FSI
Surface Mining Area (2)					
No. 2 Area	61.4	23.2	84.6	26.8	5.0
No. 8 Area	35.4	7.4	42.8	23.2	5.0
No. 9 Area	38.2	70.6	108.8	22.2	5.0
No. 12 South B2 Area (3)	2.6	1.0	3.6	13.9	3.0
No. 12 North Area	39.1	15.6	54.7	16.6	3.5
No. 16 Area	56.0	20.2	76.2	13.9	3.5
Total Surface Areas	**232.7**	**138.0**	**370.7**	**20.8**	**4.0**
Underground Area (4)					
No. 9 Area	108.2	33.6	141.8	21.9	5.0
No. 12 South B2 Area	4.3	5.2	9.5	13.9	3.0
No. 12 South A Area	25.4	39.6	64.9	14.8	3.0
Total Underground Areas	**137.9**	**78.4**	**216.2**	**19.4**	**4.5**
Grand Total	**370.6**	**216.4**	**586.9**	**20.3**	**4.0**

Notes:

(1) Quality of all resources classified as Low Volatile Bituminous (ASTM)

(2) Surface mining resources estimated by GCC staff based on a 20:1 strip ratio cut-off and a 45 pit wall angle

(3) No.12 South B2 surface resources are those remaining after the open pit reserves have been mined out

(4) Underground resource estimated by GCC staff. Minimum depth of cover approx. 50m. Maximum underground extraction angle 30°; 20m buffer from faulting, 50m buffer from highwalls

(5) Coal resources are inclusive of the coal reserves

(6) The resource estimates are effective December 31, 2014 and have been prepared under supervision of Lawrence D. Henchel, P. Geo. and Qualified Person

(7) Rounding as required by reporting guidelines may result in apparent summation differences

Table 1.2 Summary of Coal Resources, Inferred

	Inferred (Mt)	Ash (%)	FSI
Surface Mining Area (2)			
No. 2 Area	6.3	23.2	5.0
No. 8 Area	0.7	24.4	5.0
No. 9 Area	27.5	20.5	5.0
No. 12 South B2 Area (3)	0.5	17.9	4.0
No. 12 North Area	2.2	21.2	3.0
No. 16 Area	15.9	15.3	4.0
Total Surface Areas	53.1	19.3	4.5
Underground Area (4)			
No. 9D Area	20.1	20.1	5.0
No. 12 South B2 Area	0		
No. 12 South A Area	3.4	16.0	3.0
Total Underground Areas	**23.5**	**19.5**	**4.5**
Grand Total	**76.6**	**19.4**	**4.5**

Notes:

(1) Quality of all resources classified as Low Volatile Bituminous (ASTM)

(2) Surface mining resources estimated by GCC staff based on a 20:1 strip ratio cut-off and a 45 pit wall angle

(3) No.12 South B2 surface resources are those remaining after the open pit reserves have been mined out

(4) Underground resource estimated by GCC staff. Minimum depth of cover approx. 50m. Maximum underground extraction angle 30°; 20m buffer from faulting, 50m buffer from highwalls

(5) Coal resources are inclusive of the coal reserves

(6) The resource estimates are effective December 31, 2014 and have been prepared under supervision of Lawrence D. Henchel, P. Geo. and Qualified Person

(7) Rounding as required by reporting guidelines may result in apparent summation differences

1.8 Coal Reserves

To convert coal resources to coal reserves, a number of economic and technical factors must be applied. These include but are not limited to the following:

- An estimate for the long term price of metallurgical coal in the domestic and international market place; in the case of this report, C$180 per tonne (/t) has been used, based on recently published data. This price was only used for initial mine design parameters. It was not used in the financial forecast. The prices in the financial forecast were taken form the Market Study referred to in Section 19.

- Operating costs associated with open pit mining, underground mining, transporting and processing the coal at the mine site.

- Overhead costs associated with marketing and transporting the finished coal product to customers. Overhead costs associated with administrative and technical functions relative to running a mine.

- Geotechnical parameters governing the orientation of the pit slopes, haul roads, waste dumps and other parameters associated with water flow and climate.

- Estimates for the recovery of coal and addition of dilution material during the mining and coal handling process (resulting in the Run-of-Mine (ROM) estimate).

- Estimate for the recovery of coal from processing – approximately 70% - resulting in the Clean or Saleable estimate.

Using these and other factors, Norwest and GCC engineers and their consultants used mining software to produce economic mine designs at the Grande Cache operation. The QPs have reviewed these procedures and parameters and determined that the mine designs are valid.

The parameters used for the mine designs are based on previous operating experience and the most recent geotechnical investigations (see Reference Nos. 5, 6, 7, 13, 14 and 15 in Section 27.0 of this report).

The QP for surface mining has determined that the assumptions used for the 2013 Technical Report for the design of the No. 16, No. 12 North and No. 2 pits are still appropriate; consequently, the reported reserves for these areas have not changed. Mining of these deposits has not yet occurred.

The completion of an updated pit design based on revised economic analysis for the No. 8 along with production in 2014 resulted in a revised reserve estimate for this area. No. 12 South B2 underground production in 2014 reduces the reported reserve from this area.

The No. 9 Area has been included in the reserves since 2013 based on the existing exploration database in this area of drillholes and adits dating between 1969 and 1997. No changes have been made to this reserve area.

The reserves with the effective date of December 31, 2014 are summarized on Table 1.3 and Table 1.4.

Table 1.3 Summary of Proven and Probable ROM Reserves

	Proven (Mt)	Probable (Mt)	Total (Mt)
Surface Mining Areas			
No. 2 Area	13.7	1.2	14.9
No. 8 Area	12.5	0.1	12.6
No. 9 Area	13.5	11.2	24.7
No. 12 North Area	31.3	12.2	43.5
No. 16 Area	19.7	9.6	29.4
Total Surface Mining	90.7	34.3	125.1
Underground Areas			
No. 9D Area	59.8	3.7	63.5
No. 12 South B2 Area	3.0	1.4	4.5
No. 12 South A Area	4.6	9.4	14.0
Total Underground Mining	67.5	14.5	82.0
Grand Total	158.2	48.8	207.1

Notes:

(1) Quality of all reserves classified as Low-Volatile Bituminous (ASTM)

(2) Average ROM coal quality for reserves is reported in Section 7.2 under the respective mining areas

(3) Planned surface pits only

(4) Underground ROM estimates include mining recoveries ranging from 44% to 62%, which are inherent to multi-seam room-and-pillar operations

(5) Both underground and surface mineable estimates include allowance for loss and dilution and are supported by mining designs as described in Section 16.0

(6) The surface reserve estimates do not include thermal coal consistent with previous GCC Technical Reports

(7) The surface reserve estimates are effective December 31, 2014 and have been prepared under the supervision of James Sorensen, Sr. Mining Eng.

(8) The underground reserve estimates are effective December 31, 2014 and have been prepared under the supervision of John Lewis, P. Eng., Qualified Person

(9) Rounding as required by reporting guidelines may result in apparent summation differences

Table 1.4 Summary of Proven and Probable Saleable Coal Reserves

	Proven (Mt)	Probable (Mt)	Total (Mt)
Surface Mining Areas			
No. 2 Area	9.2	0.8	10.0
No. 8 Area	8.8	0.1	8.9
No. 9 Area	10.4	8.3	18.8
No. 12 North Area	22.5	8.3	30.8
No. 16 Area	14.4	7.0	21.4
Total Surface Mining	**65.3**	**24.5**	**90.0**
Underground Mining			
No. 9 Area	41.4	2.6	44.0
No. 12 South B2 Area	2.3	1.1	3.3
No. 12 South A Area	3.4	6.8	10.3
Total Underground Mining	**47.1**	**10.5**	**57.6**
Grand Total	**112.4**	**35.0**	**147.6**

Notes:

(1) Quality of all reserves classified as Low-Volatile Bituminous (ASTM)

(2) Total coal will be marketed as hard coking coal

(3) Planned surface pits only

(4) Saleable coal from Table 15–3 considers a yield of 69% based on the historic average plant yield from No. 7 and No. 12 South B2 mines

(5) Plant yield for the surface mineable coal varies in relation to the ROM ash content:

Plant Yield = (ROM Ash%-Plant Reject Ash%)/(Clean Coal Ash%-Plant Reject Ash%), where

Plant Reject Ash = 55% to 63% depending on mine area and seam and Clean Coal Ash = 8.5%

(6) Saleable (Clean) coal reserves are a subset of and not additive to Run-of-Mine reserves

(7) The surface reserve estimates do not include thermal coal consistent with previous GCC Technical Reports

(8) The surface reserve estimates are effective December 31, 2014 and have been prepared under the supervision of James Sorensen, Mining Eng.

(9) The underground reserve estimates are effective December 31, 2014 and have been prepared under the supervision of John Lewis, P.Eng., Qualified Person

(10) Rounding as required by reporting guidelines may result in apparent summation differences

1.9 Mine Production

Operations were suspended in January 2015 at the No. 8 surface operation and to resume operation in the first quarter of 2017. The No. 2 surface pits, which lie adjacent to the No. 8 pits, are planned to be brought into production in start of 2019. The No.16 pits and No. 9 pits are scheduled to commence operations in 2025 and in 2027, respectively at the completion of the No.8 surface operations. The No. 12 North area will be the last pits to be developed starting in 2038.

The surface mines are proposed to be operated by GCC as a typical truck-shovel operation, using large electric cable shovels and large hydraulic shovels as the primary loading units similar to the current operation. The waste would be hauled in large rear dump trucks (220t capacity) to nearby waste dumps. Coal movement is proposed to be accomplished by a combination of contract highway class trucks, large off road haulers with coal boxes and new conveying systems.

The No. 2, No. 9, No. 16, and No. 12 North pits will be developed with similar operating techniques, equipment, and other shared facilities in the proposed plan.

The underground operations currently employ the room-and-pillar mining method; activities include development and panel preparation followed by de-pillar mining. Five- or six-entry panels are developed with one belt conveyor system. The proposed new room-and-pillar mine is in the No. 12 South A area and like No. 12 South B2, mines the 4 Seam and the 7/8 Seam horizons. Underground coal production from the No. 9 Area is planned to occur from the proposed No. 9D Mine, which would utilize development and longwall equipment suitable for producing coal in steep gradient conditions in the 10 Seam and 4 Seam. Based on current similar underground mines operating in China, the No. 9D Mine would average approximately 2 million (M) ROM tonnes per year.

GCC plans to reduce production in 2015 with the shut down of surface mining operations until 2017. GCC plans to continue underground operations through this period at an average 0.7M clean coal tonnes per calendar year to an approximate production rate of 4.0M clean coal tonnes per calendar year by CY 2024.

1.10 Coal Processing and Planned Coal Production

The majority of the GCC coal washing plant circuitry is typical for the plants built around the 1970s. ROM coal is delivered by truck from the operating areas to a ROM coal stockpile. After removal of the oversize material in a Bradford breaker, the feed coal is conveyed to the raw coal silo. Cleaning of the coarse coal takes place in heavy media cyclones using finely ground magnetite in water as the dense medium. Fine coal is cleaned in froth flotation circuits. The coal is dewatered in centrifuges or on disc filters as well as in a fluidized bed dryer. The clean coal is transferred to a clean coal stockpile for loading on to rail cars. Fine coal refuse is dewatered and combined with the coarse refuse for disposal at the No. 8 area waste dumps, or pumped in slurry form to the fine tailings facility.

In order to achieve the planned processing capacity of 5M clean tonnes per year, a second processing plant is proposed in the Sheep Creek valley near portal of planned No. 9D Underground Mine. This plant would be tied into the current load-out in the Smoky River valley by a conveyor.

1.11 Markets

The principal product from GCC is hard coking coal (metallurgical coal). This coal is sold on the seaborne hard coking coal market. Contracts are typically renewed on an annual basis with final pricing defined annually or quarterly. Marketing of the coal will be through marketing agreements with marketing agents or direct sales to clients.

GCC has a contract with Canadian National Railway (CNR) for the transport of coal to terminals on the west coast. Price and car commitment is open to negotiation on a bi-annual basis. A contract is in place with the Westshore Terminals shipping port located at Roberts Bank near Vancouver, B.C.

Grande Cache coking coal is the only high rank, low volatile (LV) coking coal produced in Canada. As such it competes with low volatile coking coals from the Appalachian region of the United States, and with low volatile coking coals from Queensland.

Following a quality comparison of Grande Cache coal with selected US and Australian brands, price benchmarks were established for GCC, using a price index series that exists for US low volatile coking coal, together with an analysis of pricing for Tier 2 Australian coking coals.

Section 19 includes an analysis and discussion of markets and a range of price forecasts for this coal. Norwest used the mid-point of the various ranges shown in Section 19. The price forecast in this report ranges from a low of US$104 in 2016 increasing to US$170 by 2021 and staying at that level for the life of the mine. The market study in this report was prepared by Kobie Koornhof and Associates. The metallurgical coal price forecasts in the Koornhof market study used in this report are consistent with recent publicly available forecasts.

1.12 Operating and Capital Costs

Mine operating costs are based on current performance and projections of ongoing improvements. Substantial capital of C$1.5B is allocated over the life of the mine for both surface and underground mines, and coal processing and handling infrastructure. Total operating cost of sales is projected to be at an average of C$120/t of clean coal over the life of the mine.

All costs are stated in constant 2014 Canadian dollars (C$). There is no provision for inflation. Direct mine cash operating costs for both the surface and underground mines were developed on a unit cost basis except for the 9D longwall mine which was developed from first principles.

As further discussed below, the unit costs developed for this report were based on recent historical costs from Grande Cache Coal mines, from the 2014 Mine and Mill Equipment Cost Guide, and on Norwest's experience in surface and underground mining.

Based on a comparison of the resulting forecasted operating costs to recent actual costs at Grande Cache, the operating cost forecast developed for this report is a reasonable estimate of future operating costs.

Table 1.5 combines the Life-of-Mine (LOM) projected waste movement, coal haulage, haulage to the preparation plant, processing cost at the preparation plant, and a conveyor cost once the new plant is constructed. The G&A expenses are not included in the summary presented in below. The table shows the total projected surface mining operating costs and the relative cost per clean MET tonne from surface mining operations.

Table 1.5 Surface Mining LOM Operating Costs Projection

Surface Mine Operating Cost	LOM
Waste Movement	4,386,194
Coal Haul	801,423
Mine Overhead	1,192,481
Conveyor	132,265
Processing	942,646
Total Surface	**7,455,009**
$/Clean MET tonne	54.82

The LOM operating costs for the No. 12 South B2 with the East Extension, the No. 12 South A, and the No. 9D Area combines the projected mine operating cost, the truck haulage to the preparation plant, processing cost at the preparation plant, and a conveyor cost once the new plant is constructed. The G&A expenses are not included in the summary presented in Table 1.6 showing the total projected underground operating costs and the relative cost per clean MET tonne.

Table 1.6 Underground Mining LOM Operating Cost Projection

Underground Operating Cost	LOM
Operating Cost	$3,633,116
Coal Haul	$306,108
Conveyor	$77,938
Processing	$695,757
Total UG	**$4,712,918**
$/Clean MET tonne	$81.80

Capital costs were developed based on the mine plan requirements for all mining methods. Table 1.7 below shows a summary of total mine capital requirements. Following that is a discussion of the basis for the capital cost estimates.

Table 1.7 Total LOM Combined Capital Cost Projection

Total Capital	**Total**
Exploration	39,748
All Mines Infrastructure	166,445
Pre-production Expense & Development OP	87,997
Equipment Surface	580,025
Contingency Surface	66,802
Pre-production Expense & Development UG Longwall	30,329
Equipment UG Longwall	354,270
Longwall Infrastructure	46,512
Pre-production Expense & Development UG Room & Pillar	19,663
Equipment UG Room & Pillar	89,293
Room & Pillar Infrastructure	23,550
Total	1,504,634

1.13 Financial Analysis

The cash flow and financial analysis is presented in constant 2014 dollars, there is no provision for inflation.

Since revenues are denominated in US dollars (US$) and the costs are in Canadian dollars (C$), the model uses an assumed exchange rate for converting the US$ denominated revenue to C$. The exchange rate is based on recent five year futures quotes from several firms and a long range forecast using the last ten years actual exchange rates. The recent five year futures quotes are approximately C$1 equals US$0.80. The ten year historical average is C$1 equals US$0.93. The assumption in the model is that the exchange rate will be C$1 equals US$0.80 for the next five years and will then increase rateably over the next five years to the historical average of C$1 equals US$0.93 and remains at that level for the remaining life of the project.

Table 1.8 summarizes the cash flow from the mine.

Table 1.8 LOM Cash Flow Summary

	Total
Coal Sales, Kt	**160,159**
Metallurgical Coal, Kt	**148,112**
Thermal Coal, Kt	**12,047**
Revenue, C$K	**$27,557,231**
Cost $K	**$20,677,897**
Cost of Sales	**$19,173,263**
Royalty – Tier 1	**$219,978**
Royalty – Tier 2	**$642,083**
On Site Operating Costs, $K	**$12,751,750**
Off Site Operating Costs, $K	**$5,559,452**
Income Taxes	**$1,631,757**
Total Capital Costs, $K	**$1,504,635**
After-Tax Net Cash Flow, $K	**$5,276,577**
Cumulative DCF @ 10.0%	**$622**

Clean metallurgical coal production ranges from 2.6M to 5.0M tonnes and totals 146M tonnes over the 41 year remaining mine life. Approximately 14M thermal tonnes are sold over the mine life.

A summary of the unit average selling prices and unit costs are shown in Table 1.9.

Table 1.9 Unit Revenue and Cost Summary

Description	**$/tonne**
Gross Revenue (Includes thermal coal)	$172
Selling Expenses	$3
Loading and Transportation Expenses	$32
Net Revenue FOB Mine	**$137**
Direct Mining Costs	$80
Royalties	$5
Total Cash Costs of Production	**$85**
Net Margin	$52
Income Taxes	$10
Cash Flow from Operations	**$42**
Capital Expenditures	$9
Net Cash Flow	**$33**

Due to the low production volume in 2015 and 2016, low metallurgical coal prices and significant capital expenditures, cash flow from the mine is negative for the next three years. Cumulative EBITDA is C$50M during that period while negative after tax cash flows total C$144M due to the capital requirements in those years. Significant capital expenditures in 2020 result in a large negative cash flow that year of $173M. Cumulative after tax cash flows turn positive in 2019, when metallurgical coal prices are projected to improve to the $143/t level and clean coal production increases to the 3.1M level. Cumulative undiscounted cash flows over the 41 year project life are C$5.3 billion (B).

The after tax internal rate of return for the project is approximately 40%. After tax net present values at 8%, 10%, 12% and 15% are shown in Table 1.10.

Table 1.10 NPV Results ($M)

Interest Rate	8%	10%	12%	15%
NPV	$878	$622	$454	$294

1.13.1 Sensitivity Analysis

The economics of the project are extremely sensitive to the Canadian/US dollar exchange rate and the price of metallurgical coal. For example, if metallurgical coal prices do not recover in the next five years and then increase over the next five to the maximum projected price of US$170 per tonne, the after tax NPV at 10% would be reduced to C$266M and the IRR would be 15%. In that case, cumulative cash flows are negative until 2026 and peak at (C$590) in 2021. Of course, if prices do not recover, some capital could be delayed. In addition, if the Canadian/US dollar exchange rate increases to the long term historical average in the next two years instead of over the next ten years, the after tax NPV at 10% decreases to C$450M and the IRR decreases to 25%.

Sensitivity of the economics regarding Canadian/US exchange rate, coal sales price, direct mining costs and capital expenditures were evaluated. The results are summarized in Table 1.11.

Table 1.11 Sensitivity Analysis ($M)

	IRR	NPV at 8%	NPV at 10%	NPV at 12%	NPV at 15%
1.0% Decrease in C$ to $US	35%	$710	$495	$354	$223
10% Increase in Met Coal Prices	75%	$1,300	$955	$725	$503
10% Decrease in Met Coal Prices	19%	$427	$260	$156	$63
10% Increase in Total Cash Costs	23%	$517	$336	$220	$114
10% Decrease in Total Cash Costs	71%	$1,236	$906	$685	$472
10% Increase in Capital Costs	35%	$824	$576	$413	$260
10% Decrease in Capital Costs	46%	$931	$669	$495	$329

1.14 Mine Life

The mine life for the combined operation as currently scheduled is approximately 41 years starting in 2015. This includes all of the current reserves, most of which are exhausted prior to 2048. There are additional areas on the property, they include but are not limited to No. 1, No. 5 and No. 11 Mines, and some highwall mining areas in No. 7 and No. 9 Mines studied by Norwest and other potential areas with previous mining, which have the potential to extend the current reserve base and mine life.

1.15 Risk Statement

The financial results presented in this report represent forward looking information regarding future projections of mining operations and resulting cash flows. By its nature, forward-looking information involves a number of assumptions, known and unknown risks and uncertainties, which could cause actual results to differ materially from those forecasts. These risks include, but are not limited to the future price of coal, rail freight rates and availability of coal cars to transport the coal to port. There may be inflation of input costs such as diesel, steel, and labour as well as mining equipment. The high activity in the mining industry and other industries that rely on large earth moving equipment may cause delays in delivery of mining equipment. The problem of retaining and recruiting skilled personnel is an industry wide issue. There can be delays in obtaining or renewing mining permits. Concerns over greenhouse gas emissions and compliance with greenhouse gas regulations may place additional costs on a coal mining operation or negatively impact the market for coal.

There is risk involved in GCC's aggressive plans to increase the production rates used in the analysis. This includes the requirement for timely regulatory approvals, the practical aspects of establishing several new mining operations, along with a new process plant and the conveyor system in a short time period. Issues with timing and production rate however, would not have a significant impact on the reserves reported in this document in the opinion of the QPs.

1.16 Recommendations

Key recommendations for the attainment of the plan proposed in this report are listed below. A more detailed list of recommendations is in Section 26.

- The No. 12 South A mine area should have additional refinement of mine design based on 2014 drilling, and the resulting geological model update.

- The new location for the fault crossing to access the No. 12 South B2 EE 7/8 Seam reserves should be drilled to determine displacement and distance for the rock tunnel development.

- The No. 9D mine area should have a multi-year drilling program to eliminate inferred areas that limit the mineable boundary and improve confidence levels in the delineated areas. This program would include additional testing to refine estimates of in-place coal quality, washing yield, geotechnical parameters, hydrology and in-seam gas content.

- The priority regulatory issue for the surface mine is the licensing of both No. 8 East and No. 8 West areas. Areas not yet licensed in No. 8 Mine are scheduled for production in the proposed cash flow analysis in Section 22 commencing as early as 2nd quarter 2017. Submission for these license applications should be targeted for 1st quarter 2015 at the latest.

- The long lead time for the regulatory approval of greenfield areas above the treeline such as No. 12 North Area and No. 16 Area requires initiation of the process very shortly in order to achieve the proposed production schedule.

- The No. 9D mine area licence application will be presenting longwall mining method in a steep seam environment. Pre-application education of the AER and OHS enforcement staff on the longwall operation and the planned system for the No. 9D could identify any potential issues that would delay the licence process so application preparation could focus on providing information to resolve any issues.

- The new coal process plant proposed for this report is sufficiently well understood from a capital and performance perspective for the purposes of the cash flow analysis. However, the current sensitivity to water use and other environmental considerations mean the details of location, and process must be resolved to start the regulatory process within the next 2 years.

- The areas that should be prioritized for additional exploration based on their proposed timing and current data point density are: No. 8 Mine, northwest area; No. 2 Mine, Maskwa and Muskeg pits; and No. 12 South A, northwest area.

- The proposed Beaverdam Creek Coal Preparation Plant, the associated overland conveyor system and the underground conveyor system to the Smoky River Coal Preparation plant should be studied in more detail.

- The timing of the increase in production and the required capital expenditures for both the surface and underground mines should be the subject of an optimization study.

2 INTRODUCTION

Norwest has completed a Qualified Person's (QP's) Review and Technical Report that covers the following active mining or future mining areas: No. 2, No. 8, No. 9 Surface, No. 12 North and No. 16 surface pit areas, and No. 12 South B2, No. 12 South A and No. 9D underground deposits.

The work entailed estimating coal resources and reserves is in conformance with National Instrument 43–101, Standards of Disclosure for Mineral Projects, 2011 ("NI 43–101"). It also involved the preparation of a Technical Report as defined in NI 43–101 and in compliance with Form 43–101F1, 2011 ("Technical Reports"). The Report was prepared to update the last disclosure in the 2013 GCC Technical Report dated March 11,2014. This has involved geological updates in the active mining areas, new geological modeling and open pit and underground mine designs. Mr. Larry Henchel, P.Geol, Vice President of Geologic Services; Norwest, Mr. John Lewis, P. Eng., Manager, Underground Mining, Norwest Corporation, and Mr. James Sorensen, MMSA, Senior Mining Engineer are the QPs in the team along with other Norwest professionals who are responsible for preparing this 2014 Technical Report. QP site visits were conducted by Mr. Lewis on October 20–22, 2014 and Messrs. Henchel and Sorensen on January 27–28, 2015.

The Report was prepared in the format of a Technical Report (the Report) following the item headings and content requirements in the Form 43–101F1. Norwest has focused the text of this review toward providing a summary-level review of the Project resources and reserves, mine plan, and supporting financial analysis within the context of the Form 43–101F1 requirements. The Technical Report has an effective date of December 31, 2014.

3 RELIANCE ON OTHER EXPERTS

Grande Cache Coal Corporation has supplied significant base data used in the preparation of this report. In their professional judgement, the authors have reviewed the data supplied by Grande Cache and other experts and have taken appropriate steps to ensure that the work, information, and advice of other parties are sound for the purpose of this Technical Report.

The Market Study discussed in Section 19 was prepared by Kobie Koornoff Associates of Vancouver Canada. Norwest relied on this report in preparing the cash flows for this Technical Report.

4 PROPERTY DESCRIPTION AND LOCATION

4.1 Location

The GCC mine and process facilities are located within GCC's coal mining lease blocks in the Grande Cache area of West Central Alberta (Figure 4.1). The mine site is approximately 20km north of the town of Grande Cache in the Municipal District of Greenview.

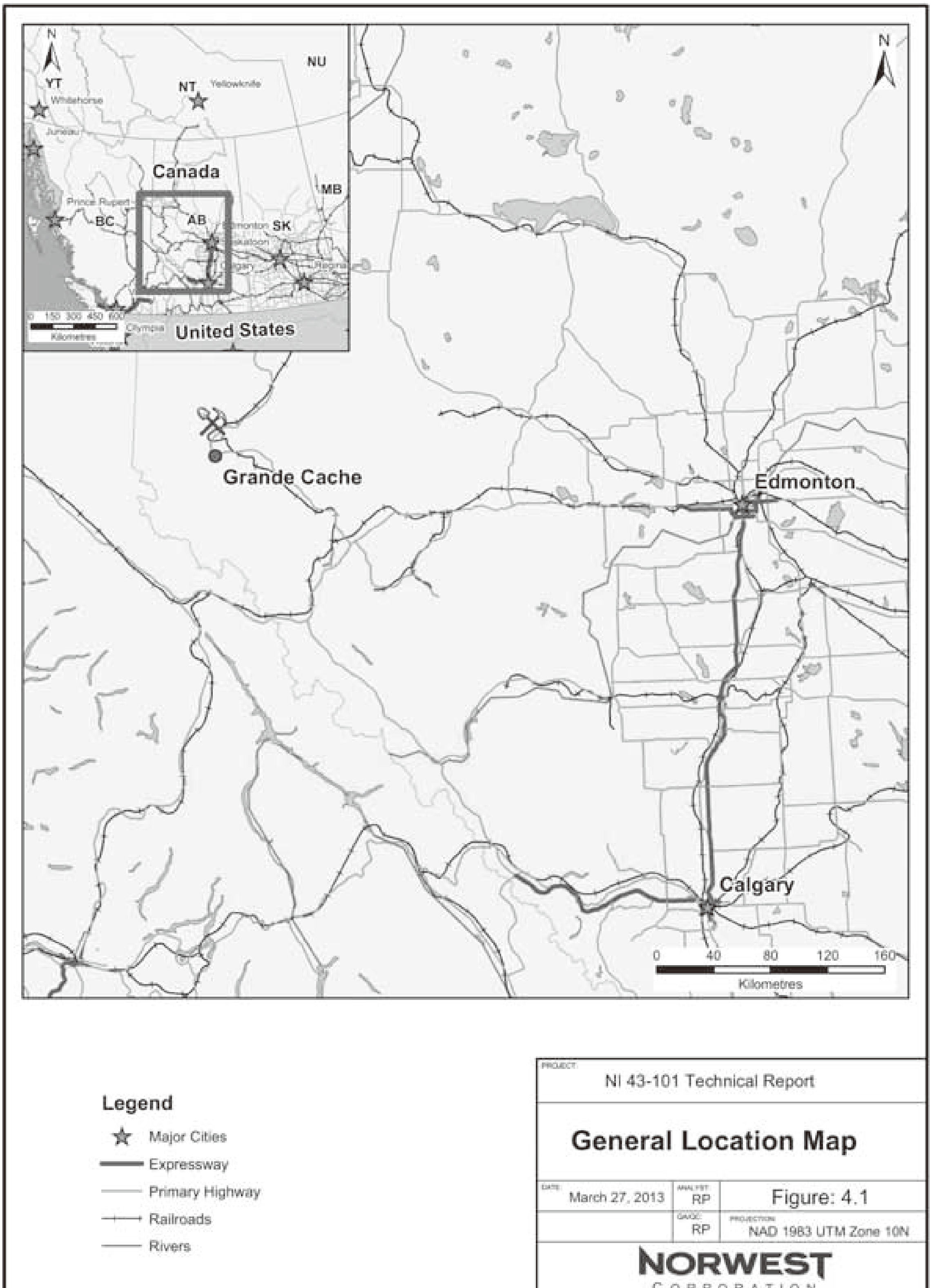
The No. 2 and No. 8 surface pit areas are located in a coal lease area covering portions of Sections 8, 9, 14–23, 27,28 in Township 58, Range 8, West of the 6th Meridian. This area is located in an area of rugged topography on the top and sides of the ridge between the Smoky River and Sheep Creek valleys. It lies between 120m and 550m above the Sheep Creek valley floor.

The No. 9 Area is located northwest of the No. 2 Area in Sections 19, 20, 29, 31 of in Township 58, Range 8; Sections 24–27, 33–36 of Township 58, Range 9, and Sections 1–5, 8–11, 15–20 of Township 59, Range 9, all West of the 6th Meridian. This area is bounded by the Sheep Creek on the southeast, the Beaverdam Creek on the southwest and the Copton Creek on the northwest. The geographic form is that of a plateau cut and bounded by steep valleys. To the northeast the mine area is the transition between the Inner and Outer Foothills of Alberta. Elevation of the plateau is up to 1,500m with the lowest area being the Sheep Creek valley at an elevation of approximately 980m. No. 12 South area is located approximately 7km west of the No. 8 pits and includes the current No. 12 South B2 underground operation and the planned No. 12 South A underground operation. The No. 12 South Area is located within Sections 16–20, 30 and 31 in Township 58, Range 9, and Section 24, 25, and 26 in Township 58, Range 10, West of the 6th Meridian. The 12 South Area is in a valley surrounded by ridges on the southwest, northwest, and northeast sides, the valley floor being approximately 1,600m to 1,700m elevation and the surrounding ridges being nearly 2,100m in elevation and above the tree line in this area (approximately 1,850m).

The No. 12 North surface operations area is northwest of the No. 12 South A Area. The coal leases cover portions of Sections 24, 25, 26, 34–36 in Township 58, Range 10, and 2–4 in Township 59, Range 10, all West of the 6th Meridian. The geography of this area is dominated by a long northwest trending ridge known as Caw Ridge bounded by deeply cut valleys to the southwest and northeast. This area is mostly above the treeline.

No. 16 Area is located within a coal lease covering portions of Sections 29–32 in Township 58, Range 9, Sections 5 and 6 in Township 59, Range 9, Section 36 in Township 58, Range 10 and Sections 1, 2, 9–12, 15, 16 in Township 59, Range 10, all West of the 6th Meridian. No. 16 Area is parallel to No. 12 North, and to the northeast of it, on the lower elevations of Caw Ridge.

Figure 4.1 General Location Map



4.2 Surface and Mineral Tenure

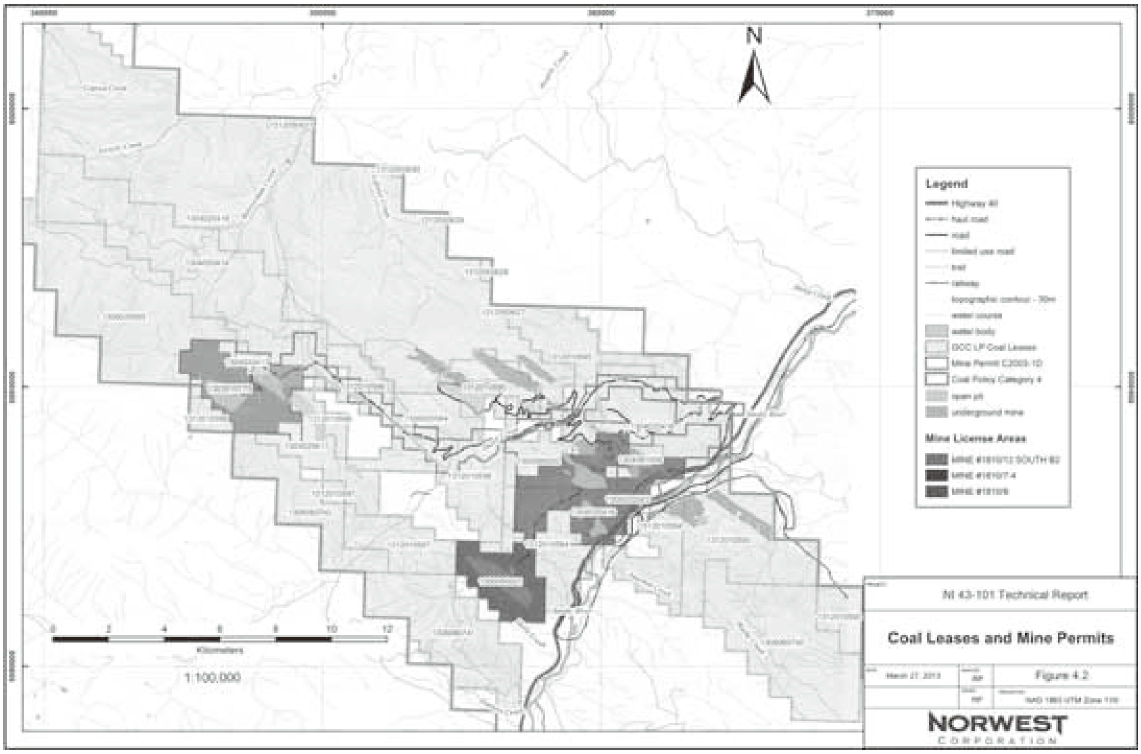
In Alberta, coal tenure is held through coal leases granted by the province. Surface and underground mining rights are also granted by the province through a mine permit, followed by a mine licence. GCC currently has 29,968ha under coal lease.

The coal leases that contain the resources for this report are summarized in Table 4.1 and displayed on Figure 4.2.

Table 4.1 Summary of Coal Lease Tenure at GCC

Lease Number	Mining Area	Area (ha)	Date Recorded
1300090001	No. 7	608	September 6, 2000
1300090002	No. 8	496	September 6, 2000
1303010775	No. 12 South B2	224	January 31, 2003
1304020416	No. 2 and part of No. 8	1,744	February 2, 2004
1304020417	No. 12 South A and No. 12 South B2	912	February 2, 2004
1304020418	No. 9	8,720	February 2, 2004
1304020419	No. 16	2,576	February 2, 2004
1304091006	No. 2	192	September 1, 2004
1306020563	No. 8 East	64	February 17, 2006
1306020564	No. 9	416	February 17, 2006
1305020565	No. 12 North and No. 12 South B2 Underground	2,736	February 17, 2006
1306080740	No. 5	1,792	August 4, 2006
1306080741	No. 1	1,360	August 4, 2006
1306080742	No. 1 North	864	August 4, 2006
1312010593	No. 5	1,680	January 26, 2012
1312010594	No. 5	1,584	January 26, 2012
1212010595	No. 9	1,488	January 26, 2012
1312010596	No. 12 South	1,568	January 26, 2012
1312010597	No. 11	656	January 26, 2012
1312010598	No. 12 South	144	January 26, 2012
1312050627	No. 9	16	May 3, 2012
1312050628	No. 9	32	May 3, 2012
1312050629	No. 9	16	May 3, 2012
1312050630	No. 9	16	May 3, 2012
1312050631	No. 9	64	May 3, 2012
Total		**29,968**	

Figure 4.2 GCC Coal Leases and Mine Permits



Coal leases historically are granted by the Provincial Government of Alberta for a period of 15 years and are renewable. Lease numbers 1312050627 through 1312050631 have no expiry date. Leases are granted with the following conditions:

- Payment of a royalty (currently 1% of Product Revenue)
- Compliance with laws:
  - Mines and Minerals Act
  - Coal Conservation Act
- Indemnification of Leaser
- Lost coal provision
- Agreement not to mine, without consent, under any bridge, railway, pipeline, public road or highway
- Special provisions of the GCC leases include:
  - Cannot transfer lease without consent
  - Compliance with a plan for mining coal from the lease
  - Compliance with milestones, in some leases
  - Renewal predicated on attaining milestones, in some leases.

GCC was incorporated in 2000 as a private Alberta corporation to reactivate coal mining and processing in the Grande Cache area on selected coal leases No. 1300090001 (No. 7 Lease) and 1300090002 (No. 8 Lease) issued by Alberta Energy on September 6, 2000. GCC was granted additional leases in 2003, 2004, 2006, and 2012 which, together with No. 7 and No. 8 leases, provided the basis for a longer term mine project.

GCC received Permit No. C 2003–1 from Alberta Energy and Utilities Board (EUB) on January 31, 2003, covering the areas of activity for the GCC Project including the No. 7 mining area, haul road, coal processing plant and related infrastructure. Subsequently, this Permit has been amended to encompass the No. 12 South B2 and the No. 8 surface mining areas and the No.12 South B2 underground operations area.

On January 22, 2003, GCC received an Order in Council for Approval C 85–1A from the EUB to resume operations of the coal processing plant. The Coal Processing Plant was subsequently amended in 2012 to allow production to its full name plate capacity at 3.86M clean coal tonnes per year.

The Energy Resources Conservation Board (ERCB), formerly EUB, issued Mine Licences for surface mining operations in the No. 12 South B2 and the No. 8 South, Middle and North Pits. GCC has completed surface mining operations in the No. 12 South B2 area. Surface operations are currently completing in the No.8 North Pits and planned to be idle commencing the end of January 2015 for a 22 month period. Coal recovery has ceased in the South and Middle Pits, although these pits are being backfilled as part of the decommissioning and reclamation process. Alberta Environment (AENV), presently designated as Alberta Environment and Sustainable Resource Development (AESRD), issued the corresponding EPEA Approvals, presently amended to EPEA Approval No. 155804-00-06, as well as Approvals under the *Water Act* for the associated water management facilities.

In November 2009, GCC filed an application for approval of the No. 12 South B2 underground operation with the ERCB and AENV. The application for the No. 12 South A Pit (Phase 1), originally filed in 2008, was re-submitted on March 15, 2010, to the ERCB and AENV, based on revised geotechnical, mine equipment and scheduling configurations. The ERCB subsequently issued Mine Licence C 2011–11 in July 2011 under Mine Permit C 2003–1 for the underground No. 12 South B2 mine; development of this mine began in August 2011 and is currently completing recovery of the 7/8 Seam and moving to the 4 Seam for future production. The No. 7 underground mine was depleted in January 2012.

In March 2011 GCC filed an application with Alberta Energy for additional coal leases to consolidate its coal rights and enable GCC to undertake continued exploration and confirmation of coal reserves in support of its long range mine plan.

As stated by Osler, Hoskin & Harcourt, LLP there are Security Notices registered against the interest of GCC on the coal leases. No other significant encumbrances have been identified regarding GCC, to the extent known, or any other significant factors and risks that may affect access, title, or the right or ability to perform work on the property.

5 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

5.1 Access and Infrastructure

Provincial Highway 40 is a paved, two-lane road that connects the project area with the local town of Grande Cache (pop. 4,500). Highway 40 connects Grande Cache with the city of Grande Prairie (pop. 47,000) 185km to the north and the town of Hinton (pop. 10,000) 145km to the southeast. The Project area is served by an existing branch line of Canadian National Railway (CNR). This line connects with the main east-west line of CNR, allowing access to the major coal export terminals in British Columbia and the Great Lakes.

Existing infrastructure at the mine consists of coal processing, rail loadout, plant refuse, storage, and office facilities. Adjacent to the GCC facilities is the H.R. Milner natural gas and coal fired generating station owned by Milner Power Inc., a subsidiary of Maxim Power Corp.

5.2 Topography and Climate

The operations area is located in the eastern foothills of the Rocky Mountains. The general area consists of a series of northwest-southeast elongated ridges, which are cut by rivers and major streams generally flowing in a north-easterly direction. Elevations range from 94m in the Smoky River valley floor to over 2,000m in the No. 12 North Area. The area is forested land categorized as sub-alpine, serving general watershed, recreational and wildlife habitat uses. Approximately one-fifth of the project area is above the elevation of the tree line which is approximately 1,800m elevation at this latitude.

The climate is characterized by relatively long cold winters and moderate to warm summers. The average annual summer and winter temperatures are approximately plus 10°C and minus 15°C, respectively. Frost can occur throughout the year and the snow pack often persists from late October to May at higher elevations. Precipitation ranges between 800mm and 1,100mm annually. The climate does not normally limit the year-round operation of the mines.

6 HISTORY

The following historical overview of mining in the Grande Cache area was provided by GCC.

6.1 Ownership

McIntyre Mines Ltd. began operations in the Smoky River Coalfield in 1969. Initially, the planned production rate was 2M clean coal tonnes annually. In 1985, Dome Mines (Dome) purchased McIntyre and established Smoky River Coal Limited (SRCL) as an operating company. In March 1987, a private Canadian-controlled corporation owned by Kaieteur Investments Inc., an Alberta corporation, and Dong Jin Commercial Inc., a commodity trading company based in Korea, purchased SRCL from Dome.

The McIntyre and SRCL operations in the Grande Cache area employed, on average, 400 people, although the number of employees was as high as 1,200. Most of the mine employees lived in the town of Grande Cache. The SRCL mine permit and coal leases represented a major portion of the Smoky River Coalfield. The coal leases during this ownership period covered approximately 37,475ha.

On March 31, 2000, SRCL was placed into receivership by a group of secured lenders. This culminated a two-year period of operations under Corporate Creditor Arrangement Act. The receivership resulted from depressed market conditions and an investment in longwall mining technology, a change from SRCL's traditional room and pillar underground mine operations, commencing in 1996. While longwall mining achieved the mine design extents, delays associated with mine development and longwall productivity increased costs. In large part the problems with the longwall mine were related to the geotechnical problems associated with a previously mined room and pillar area in a seam underlying the longwall operation.

In 2000, the last year of operation, SRCL operated under:

- The Environmental Protection and Enhancement Act (EPEA) Approval No. 11929–01–01
- Alberta Environmental and Utilities Board (EUB) Mine Permit No. 1765 for the No. 5B–4 Underground Mine and No. 1774 for the No. 12 Surface Mine.

GCC was incorporated in 2000 as a private Alberta corporation to reactivate coal mining and processing in the Grande Cache area on selected coal leases. Contract mining at the No. 12 South B2 surface pit commenced in August 2004 with raw coal being trucked to the processing plant the same month. The first rail shipments to the Westshore Terminals port facility near Vancouver, B.C. occurred in October 2004. Mining at the No. 7 underground operation commenced in November 2004. In November 2006, GCC ended its relationship with North American Energy Partners, who had been contracted to operate the surface pit through the initial phase. In September 2007, operations at the No. 12 South B2 pit resumed with GCC employees and equipment. Development of the No. 8 Area surface operation commenced in December 2009. The No.12 South B2 Area underground operation started in August 2011 to replace the No. 7 Mine.

On March 1, 2012 the Grande Cache Corporation was acquired jointly by a numbered company, owned by Winsway Coking Coal Holdings Ltd., and Marubeni Corporation. In late 2014, a pending acquisition was announced in which 82.74% interest in Grande Cache Coal Corporation and Grande Cache Coal LP would be acquired by Up Energy Development Group Limited. This transaction is not complete as of the date of this report.

6.2 Historical Resource Estimate

In May 2000, SRCL prepared resource and reserve estimates for the property as of January 1, 2000. These estimates were prepared at the request of the SRCL receiver as part of the receivership process. This section contains estimates for coal deposits within GCC's coal leases that have not been verified or reported in GCC's Technical Reports to date, but were included in the May 2000 estimate.

The report contains the criteria used to determine these estimates, which are not compliant with GSC paper No. 88–21 guidelines and use categories that are not consistent with the current resource definitions and categories under the CIM Definition Standards of Mineral Resources and Mineral Reserves. Criteria used in the historical estimates are shown in Table 6.1.

Table 6.1 Historical Resource and Reserve Base Estimation Criteria

Underground Mining	
Seam Thickness	>2.5m
Seam Dip	<25°
Mining Buffer from Subcrop	60m
Surface Mining	
Seam Thickness	>1m
Seam Overburden	<10:1 BCM/tonnes ROM
Open Pit Wall Angle	<53°
Confidence Levels Measured from Nearest Data Point (Strike Direction x Dip Direction)	
Measured	150m x 75m elliptical zone around data point
Indicated	300m x 150m elliptical zone around data point, less measured area
Inferred	1.2km x 0.6km elliptical zone around data point, less measured and indicated areas
Categories	
Geologic	Coal in-situ
Recoverable	Run-of-Mine from mine design
Saleable	Product coal after processing

Using these criteria and resource/reserve categories, the historical estimates are presented in Table 6.2.

Table 6.2 Historical SRCL Resource and Reserve Base Estimates (January 1, 2000)

		Geologic Resource		
		Reserve Base		Resource
Area	**Mining Method**	**Measured**	**Indicated + Measured = Demonstrated**	**Inferred + Indicated + Measured**
No. 5 Mine	Room and Pillar	7.1	13.8	32.8
No. 1 Mine	Room and Pillar	0.2	0.7	5.0
No. 11 Mine	Open Pit	3.9	4.3	4.7
Total		**11.1**	**18.7**	**42.4**

While it appears that the methodology followed was logical and consistently applied, a QP has not performed sufficient work to classify these historical estimates as current mineral resources or mineral reserves. The estimates are presented for the historical perspective of tonnage estimates for the SRCL property and GCC is not treating these as current mineral or mineral reserve estimates. Current estimates do not include the mine areas reported in Table 6.2. GCC intends to review, verify and/or complement the available geological data and construct a current geological model for one or more of these areas, which could become the basis of future mineral resource and/or mineral reserve estimates.

6.3 Production

Annual coal production from surface and underground mines operated by SRCL during the period 1969 to 2000 ranged up to more than 3Mt and total metallurgical coal exports over this period exceeded 75Mt. SRCL produced the following metallurgical coal products:

- Smoky River Premium 7 (PR7) – A prime quality, low-ash, low-volatile, hard coking coal, with an ash content of 7%.

- Smoky River Standard (SRS) – A high quality, soft-coking coal, with an ash content of 9.5%, used in coke oven blends or as an injection coal.

SRCL established a customer base of approximately 12 companies in 8 countries on 4 continents. Since GCC took over, the vast majority of the coal produced is sold as Hard Coking Coal (HCC) at an ash content of 8.5%. The remainder is thermal coal sold on local and overseas spot markets. Total mine production through calendar year 2014 in million ROM tonnes is presented below.

Table 6.3 Historic Production

		Surface	Underground	
	Period	**Product (Mt)**		**Total**
Previous Owners	1969–2000	46.8	28.4	75.2
GCC	2004–2014	12.1	8.0	20.1
Total		**58.9**	**36.4**	**95.3**

7 GEOLOGICAL SETTING AND MINERALIZATION

7.1 Geologic Setting

7.1.1 Regional Geology

The Grande Cache area is situated in the Inner Foothills[1] of the Rocky Mountain fold and thrust belt. In this area, the Inner Foothills are bounded on the southwest by the Rocky Pass Thrust and on the northeast by the Muskeg Thrust. Because of a general northwesterly plunge of Paleozoic carbonate rocks, the Inner Foothills are much wider along the Smoky River than along the Athabasca River.

The Inner Foothills in the Grande Cache area are characterized by exposures of Mesozoic (Upper Jurassic and Cretaceous) clastic rocks. The lowermost unit is the Nikanassin formation. It is overlain by the Luscar Group, which is about 550m thick. Coal seams within the Luscar Group range from medium to low volatile bituminous coal. The top of the succession comprises the Shaftesbury, Dunvegan, and Kaskapau formations (Langenberg et. al., 1987).

Strata in the region are complexly folded and cut by numerous thrust faults. The main deformation took place between early Campanian and late Eocene eras and is thought to have proceeded from southwest to northeast (Bally et al., 1966; Price, 1981). It is estimated that folding and faulting occurred in the Grande Cache area primarily during the Paleocene era (Kalkreuth and McMechan, 1984). The major thrusts (e.g., the Cowlick, Syncline Hills, Mason and Muskeg thrusts) are rooted in a common floor thrust at the top of the Precambrian basement, which is estimated to be at a depth of 5,500m below sea level (Mountjoy, 1978). The shortening accomplished by folding and faulting is about 30%, and fault-to-fold displacement transfer has been documented along the Mason Thrust (Langenberg, 1985).

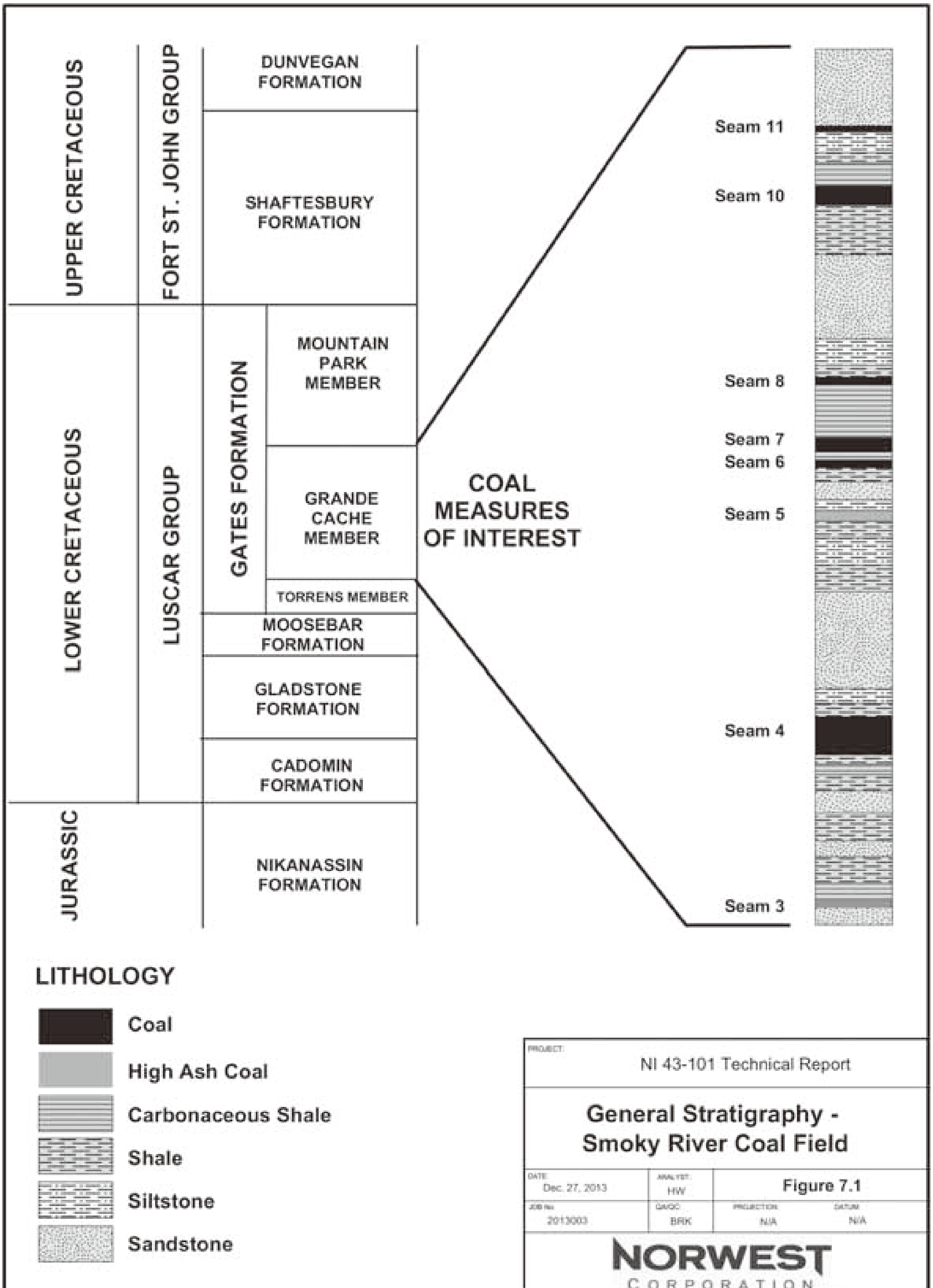
The generalized stratigraphic column of Mesozoic sediments found in the region and the Smoky River Coalfield is illustrated in Figure 7.1.

The Nikanassin Formation, of Late Jurassic to Early Cretaceous age, is the oldest stratigraphic unit exposed. The Nikanassin Formation consists of more than 400m of interbedded sandstone, shale and minor coal seams. The lower part of the Nikanassin Formation is marine in origin.

---

1 The Inner Foothills are defined as that area of the foothills that has a predominance of Lower Cretaceous rocks at the surface; the Outer Foothills show a predominance of Upper Cretaceous and Paleocene outcrops.

Figure 7.1 General Stratigraphy – Smoky River Coalfield



Disconformably overlying the Nikanassin is the Lower Cretaceous Cadomin Formation. This is the oldest formation in the Luscar Group. The Cadomin Formation consists of 30 m to 40m of pebble-cobble conglomerate and sandstone lenses. It is very resistant to weathering and forms prominent ridges, which make excellent stratigraphic markers throughout the Inner Foothills.

The Gladstone Formation, which lies atop the Cadomin Formation, is made up of 100m of interbedded sandstone, siltstone, shale and minor coal seams. Two coal seams (1 and 2 Seams) are present in the Gladstone Formation over parts of the Project area, most notably in the No. 7 and No. 8 Areas.

Overlying the Gladstone Formation is the Moosebar Formation, which consists of 60m of dark grey marine shale. The shale is interbedded with siltstone in the upper part of the Moosebar Formation over most of the Project area.

Above the Moosebar Formation is the Gates Formation, which is the uppermost unit of the Luscar Group and the formation that contains the coal seams of economic interest. The contact with the underlying Moosebar Formation is gradational. The Gates Formation consists of 320m of sandstone, shale and coal and is subdivided into three members:

- The Torrens Member is the lowermost member of the Gates Formation and is a marine sandstone and siltstone sequence approximately 30m in thickness. The Torrens Member is distinctive due to its weathering-resistant nature and blue-grey colour. Throughout the operations area, there is an abrupt contact to the overlying 3 Seam, the lowermost unit of the Grande Cache Member.

- The Grande Cache Member overlies the Torrens Member and is the middle member of the Gates Formation. Interbedded sandstone, siltstone, coal and mudstone units make up the 150m thickness of the Grande Cache Member. The Grande Cache Member contains the economically mineable seams in the Smoky River Coalfield.

- The Mountain Park Member is the uppermost member of the Gates Formation, and consists of 150m to 180m of non-marine fine sandstone and siltstone. Some coal seams are present in the Mountain Park Member, although they are not laterally continuous across the area.

Above the Gates Formation, the recessive-weathering shales of the Shaftesbury Formation make up the uppermost unit that outcrops across most of the area. The Shaftesbury Formation is primarily shale, 160m in thickness, and is the lowermost formation in the Fort St. John Group. In the northern and eastern part of the area, the marine Dunvegan and Kaskapau Formations overlie the Shaftesbury. The Dunvegan Formation consists of approximately 50m of interbedded sandstone and shale. The Kaskapau Formation consists of shale greater than 100m in thickness.

7.1.2 Property Geology

The general stratigraphic sequence in the GCC Project area has been shown in Figure 7.1, which also illustrates the coal seam geometry of the Smoky River Coalfield and the general sequence within the Grande Cache property. The regional distribution of the main stratigraphic units is illustrated in Figure 7.2.

Surface traces of complex folds and thrust faults trend northwest-southeast across the Project area. The majority of the faults are southwest-dipping thrusts, displaying ramps that cut up stratigraphic section and flats that are parallel to bedding. From southwest to northeast there are four major thrust sheets in the area, shown in Figure 7.3:

- Cowlick Thrust
- Syncline Hills Thrust
- Mason Thrust
- Muskeg Thrust.

Asymmetric folds with relatively long, straight limbs and short, narrow hinge zones are commonly found throughout the Smoky River Coalfield. The folds generally have chevron or box shapes and maintain their profile over distances of up to two kilometres along trend. These folds are conical at their tapering ends. Amplitude of the large folds is of the order of 200m to 1,000m. Parasitic folds on the limbs of the major anticlines and synclines are common.

Major folds from southwest to northeast are as follows:

- Sterne Creek Anticline
- Two Camp Creek Anticline
- Syncline Hills Syncline
- Westridge Anticline
- McEvoy Anticline
- Winder Syncline
- Barrett Anticline
- Muskeg Anticline.

STRUCTURE

The Smoky River Coalfield is deformed by tectonic events of the Laramide Orogeny, which created the Rocky Mountains 60M years ago. The rock strata are complexly folded and cut by numerous thrust faults. Structural shortening is estimated to be one-third.

Figure 7.2 Smoky River Coalfield Regional Geology

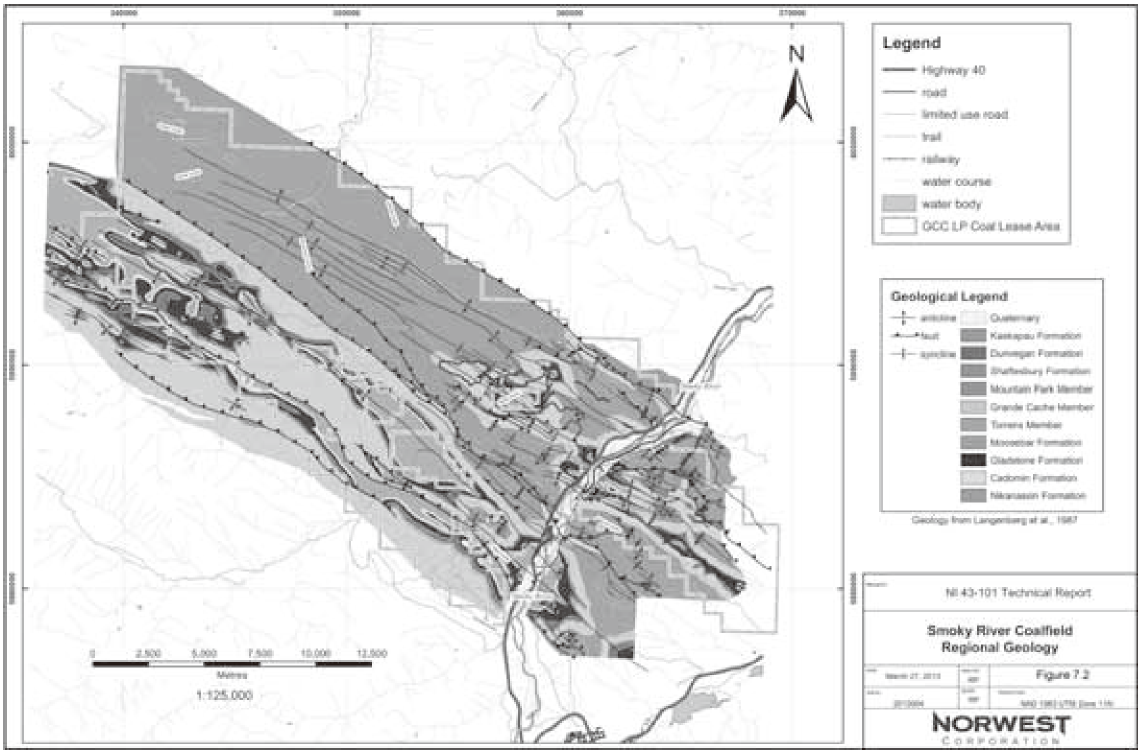
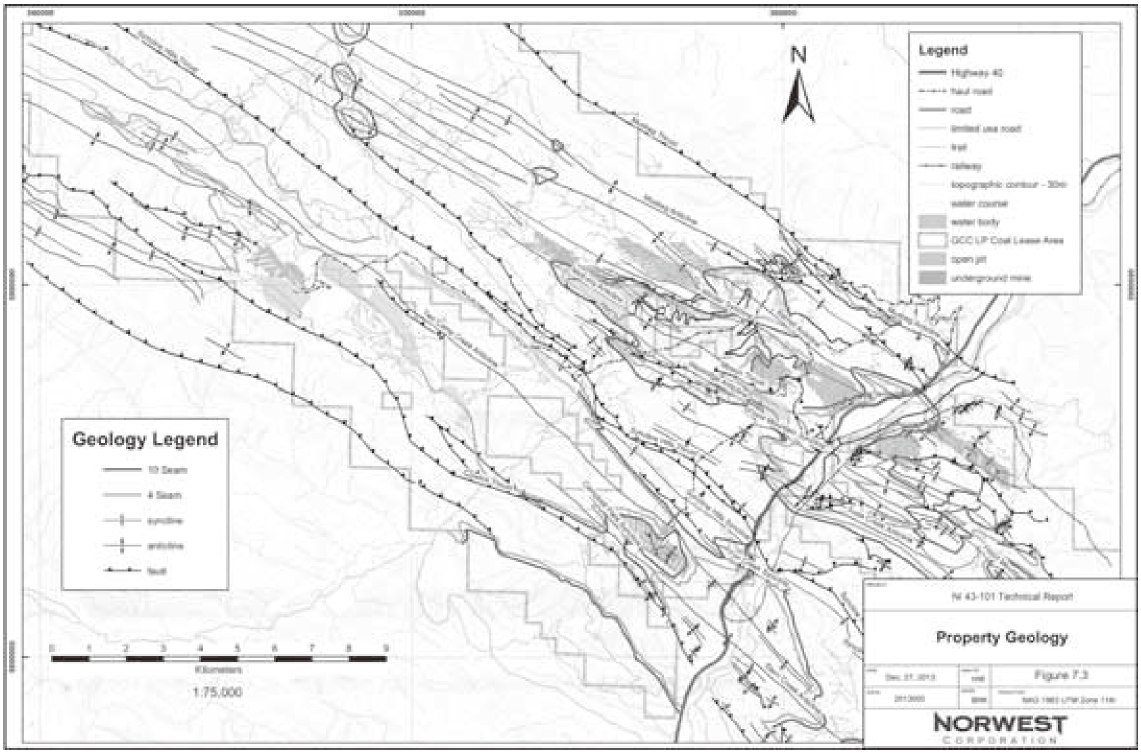


Figure 7.3 Property Geology



Typical structures consist of a series of northeast verging thrust sheets bound by major faults with displacements varying from several hundred to several thousand metres. The strata contained within the thrust sheets are commonly folded and cut by subsidiary faults with displacements in the order of 10m to 100m. These thrust faults have folds produced by associated fault plane drag.

STRATIGRAPHY

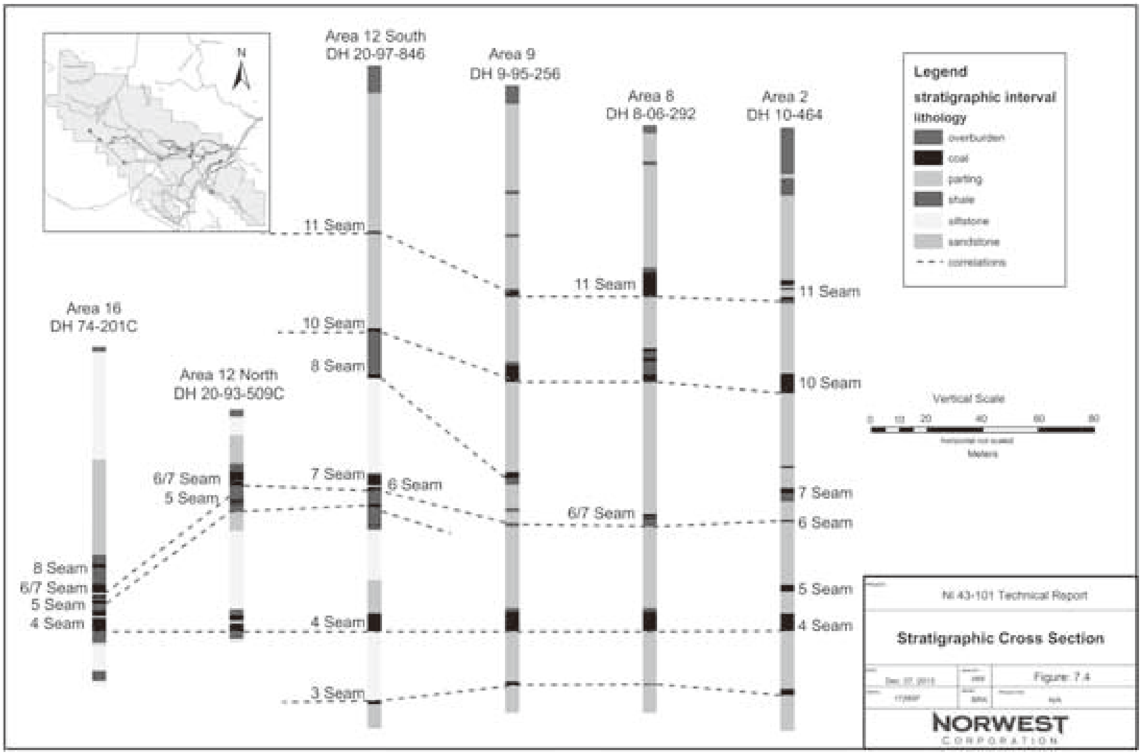
Although the stratigraphy of the area is fairly consistent, variations in seam and inter-seam thicknesses across the property exist. Eight coal seams (3 Seam through 8, 10 Seam, and 11 Seam) are present, with 4, 10, and 11 Seams being the dominant targets for mining in the No. 8 and No. 9 Mine areas. The 3 Seam through 8 Seam are the targets in the No. 12 and 16 Mine areas.

Table 7.1 presents a summary of seam thickness data for the areas included in this report. A detailed stratigraphic section of coal Seams 3 through 11 and how coal development changes across the property is illustrated in Figure 7.4, using the base of 4 Seam as a datum.

Table 7.1 Seam Thickness Data from Drillholes

Coal Seam No.	Seam Thickness	Project Area					
		No. 2	No. 8	No. 9	No. 12 South	No. 12 North	No. 16
11 Seam	Min.	0.5	0.2	0.3			
	Max.	4.6	9.8	4.4			
	Avg.	2.3	2.7	2.1			
10 Seam	Min.	0.3	0.4	0.1			
	Max.	6.7	10.2	12.6			
	Avg.	2.6	3.8	3.4			
8 Seam	Min.					0.3	0.3
	Max.					15.6	15.9
	Avg.					1.4	2.2
7 Seam	Min.				0.5	0.2	0.4
	Max.				22.5	8.4	18.5
	Avg.				4.5	2.7	2.8
6 Seam	Min.				0.4	0.3	0.2
	Max.				3.3	10.4	9.6
	Avg.				1.3	1.7	1.5
5 Seam	Min.				0.2	0.3	0.3
	Max.				6.1	5.5	5.8
	Avg.				1.6	1.6	1.8
4 Seam	Min.	1.2	0.1	0.1	0.3	0.3	0.3
	Max.	24.2	50.7	31.2	25.8	28.3	30.1
	Avg.	6.9	7.8	6.3	7.5	6.8	6.8
3 Seam	Min.					<0.5	
	Max.					4.7	
	Avg.					1.3	

Figure 7.4 Stratigraphic Cross-section



7.1.3 Mine Area Geology

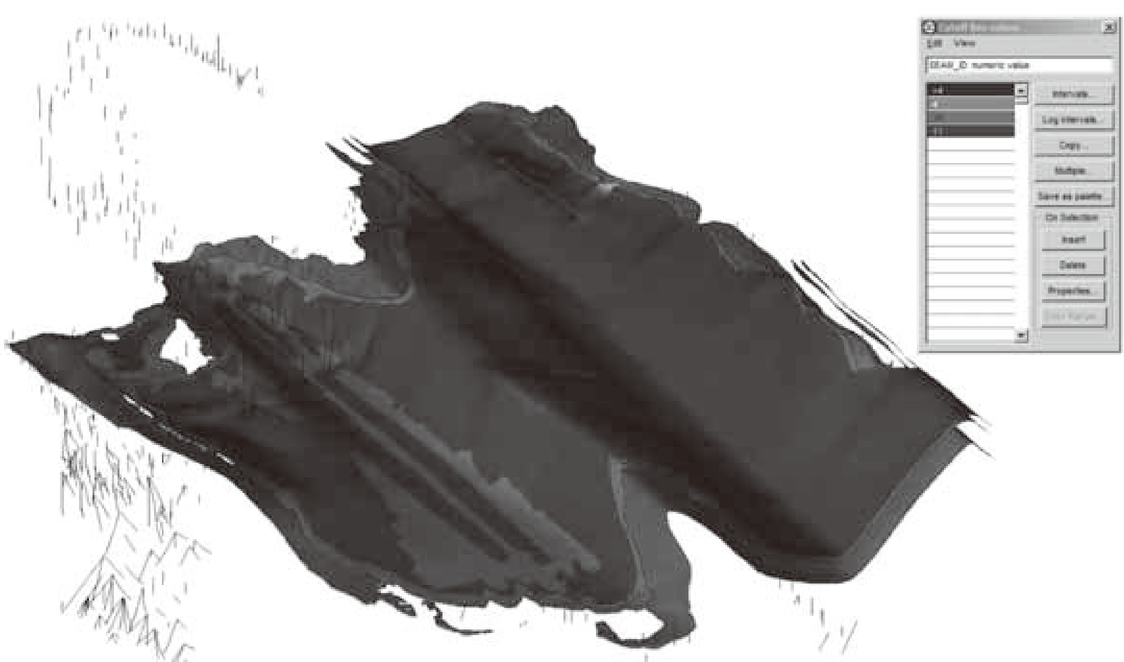
NO. 2 AREA

The coal seams of interest in the No. 2 Area are the 4, 10 and 11 Seams that average 6.9m, 2.6m and 2.3m in thickness, respectively.

The 10 Seam is 70m stratigraphically above 4 Seam, while 11 Seam is approximately 33m above 10 Seam. This area is similar to the No. 8 Area in terms of stratigraphy and coal quality. Underground mining has taken place within 4 and 11 Seams. The underground mineable coal was completely removed within the mined extents.

The No. 2 Area encompasses a large area adjacent and to the northeast of No. 8 Area. The southwest boundary is a fault associated with the McEvoy Anticline that was mined out in the original pit at No. 8 Mine. It includes areas previously referred to as Barrett and Reiff Terrace. Several folds occur between the Mason thrust fault and the Muskeg thrust fault, the northeastern boundary of No. 2 Area. These include the Winder Syncline and the Barrett Anticline. Gently dipping to nearly flat lying areas are separated by steeper dipping sections. No. 2 Area structure is shown in 3D in Figure 7.5, in plan in Figure 7.6, and in cross-section in Figure 7.7.

Figure 7.5 3D Isometric View (NW) Of No. 2 Area Coal Seams, and Drillholes



Surfaces: 4 Seam – green, 10 Seam – red, 11 Seam – purple, Faults – grey

Figure 7.6 Geology and Drillhole Locations No. 2 Area

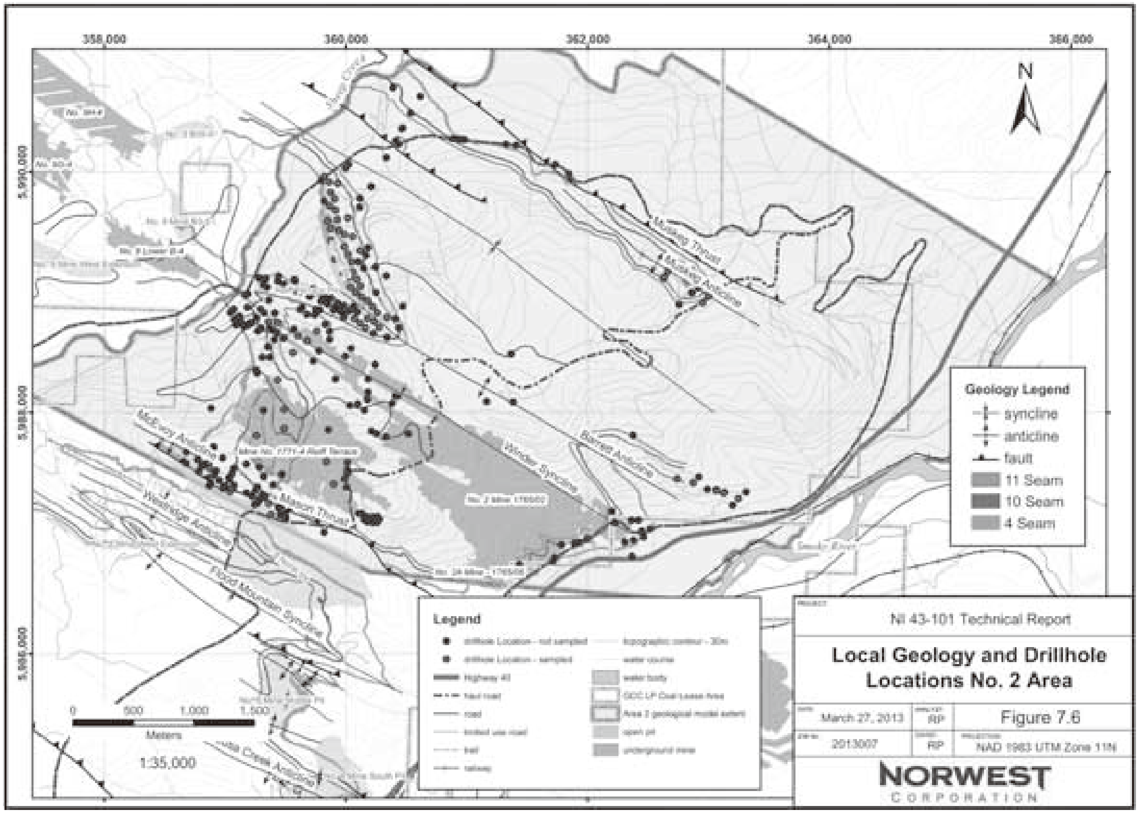
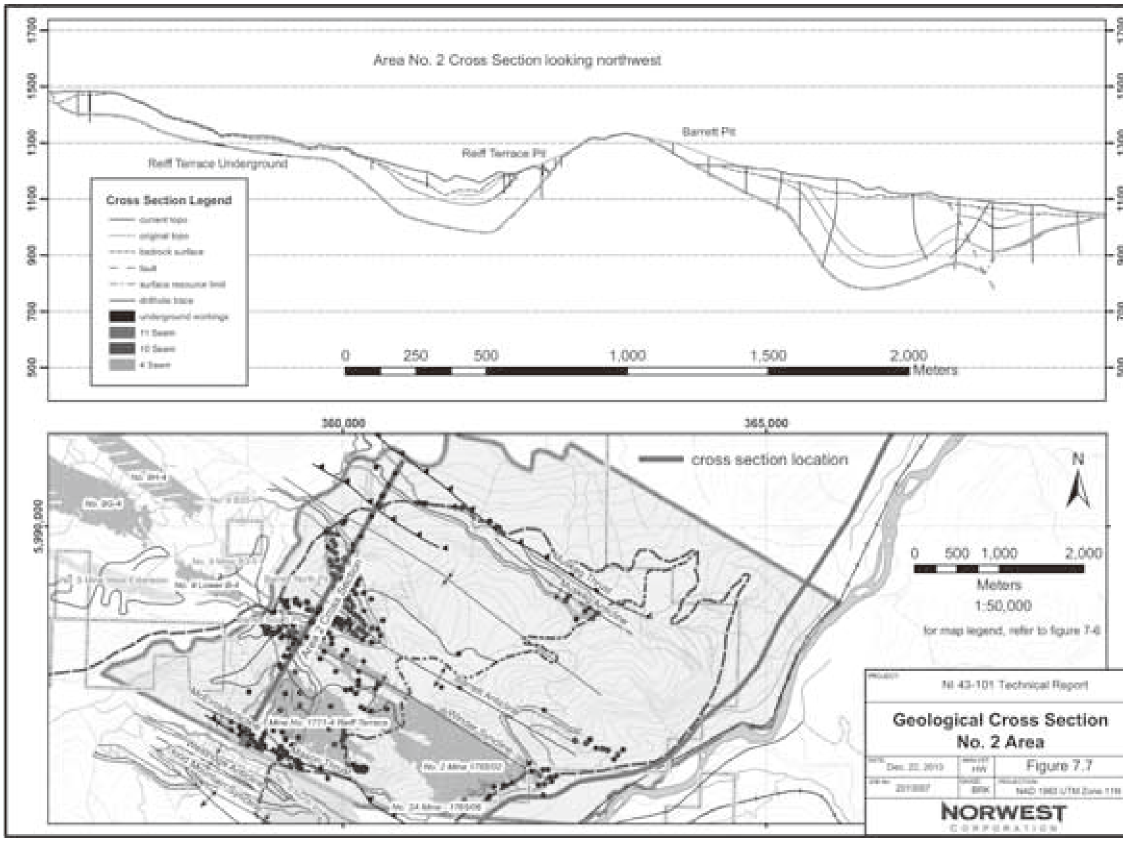


Figure 7.7 Geological Cross-section No. 2 Area



NO. 8 AREA

Within the No. 8 Area there are eight coal seams of which 4, 10 and 11 Seams are of economic interest. They average 7.8m, 3.8m and 2.7m in thickness, respectively. The other seams, 3 Seam and 5 to 8 Seams, are generally too thin and/or of poor quality to be considered resources.

The 4 Seam occurs approximately 20m above the Torrens Member and varies in thickness and geometry along and across strike, but primarily across the strike. The coal seam thins along the limbs of folds and thickens through the fold hinges. In the synclinal hinge zones, the thickness of 4 Seam approaches 50m. The 4 Seam has the largest areal extent of the three mineable seams and contains the majority of coal resources for the No. 8 Area.

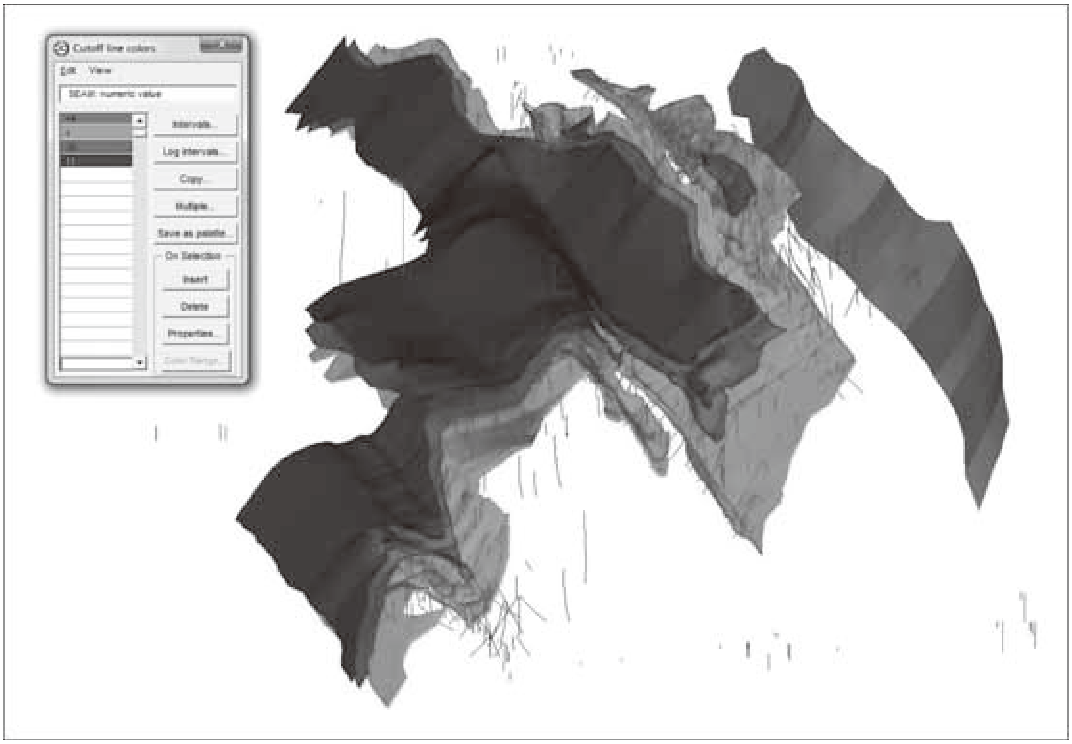
The 10 Seam occurs approximately 100m stratigraphically above 4 Seam. The 10 Seam also varies in thickness across strike, although not as pronounced as the 4 Seam.

The 11 Seam occurs approximately 34m stratigraphically above 10 Seam. The subcrop extent available for mining is the least of the three seams targeted for mining.

Structurally, the No. 8 Area is bounded to the southwest and northeast by two major northeast verging faults: Syncline Hills Thrust Fault to the southwest and Mason Thrust Fault to the northeast. No 8 Area structure is shown in 3D in Figure 7.8, in plan in Figure 7.9, and in cross-section in Figure 7.10. Mining is limited to the north by a previous surface mine, to the east and west by the outcrop of 4 Seam, and to the south by high strip ratios.

Folding is the dominant mode of shortening within the No. 8 Area, resulting in northeast-southwest anticline/syncline pairs. The folds range in style from tight chevron to open parallel folds. The wavelength of the major folds is between 275m and 1,500m with corresponding amplitudes of 185m and 490m. The anticlines are asymmetric with longer south-westerly limbs. The limbs of the synclines have dips of 30° to 80° (average 55°) on the northeast limbs and 40° to 80° (average 70°) on the southwest limbs. The fold hinges plunge to the northwest at 11°. Proposed No. 8 Area mining is in the two northeastern- most synclines known as the Westridge North and South synclines.

Figure 7.8 3D Isometric View (NW) of No. 8 Area Coal Seams, Faults and Drillholes



Surfaces: 4 Seam – green, 10 Seam – red, 11 Seam – purple, Faults – grey

Figure 7.9 Geology and Drillhole Locations No. 8 Area

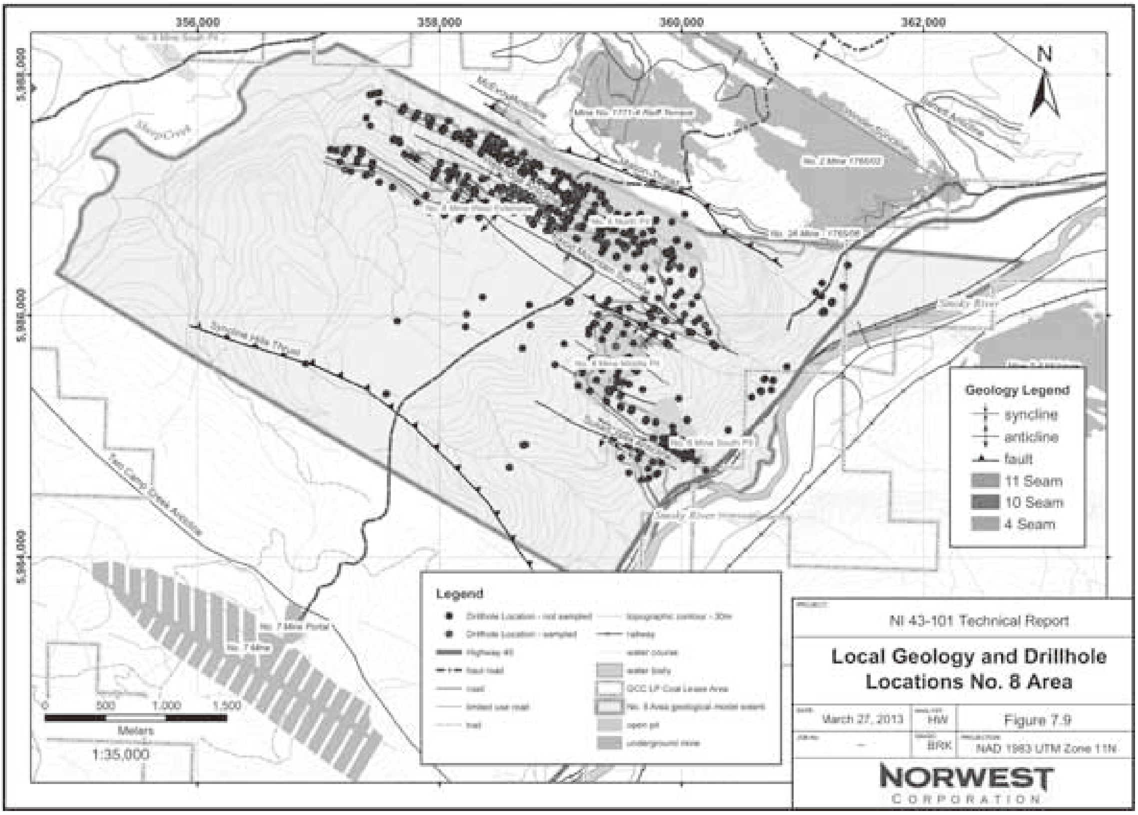
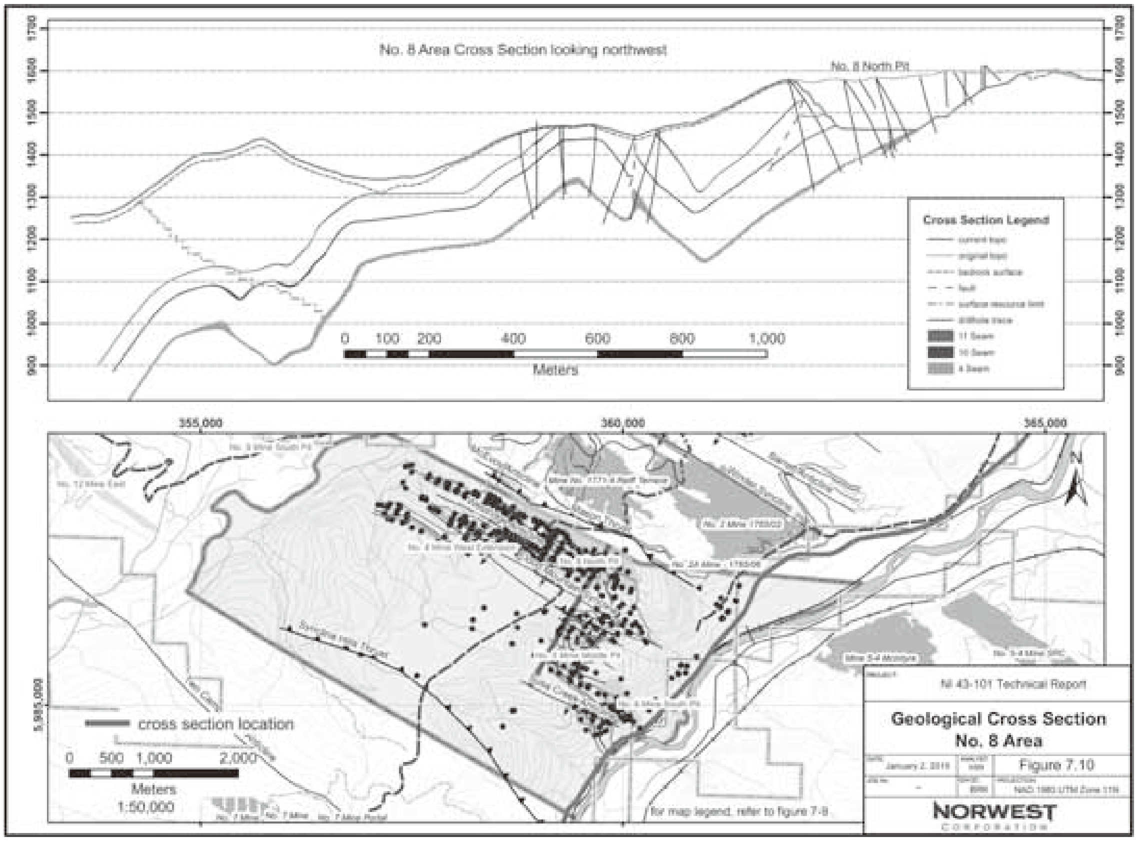


Figure 7.10 Geology and Drillhole Locations No. 8 Area



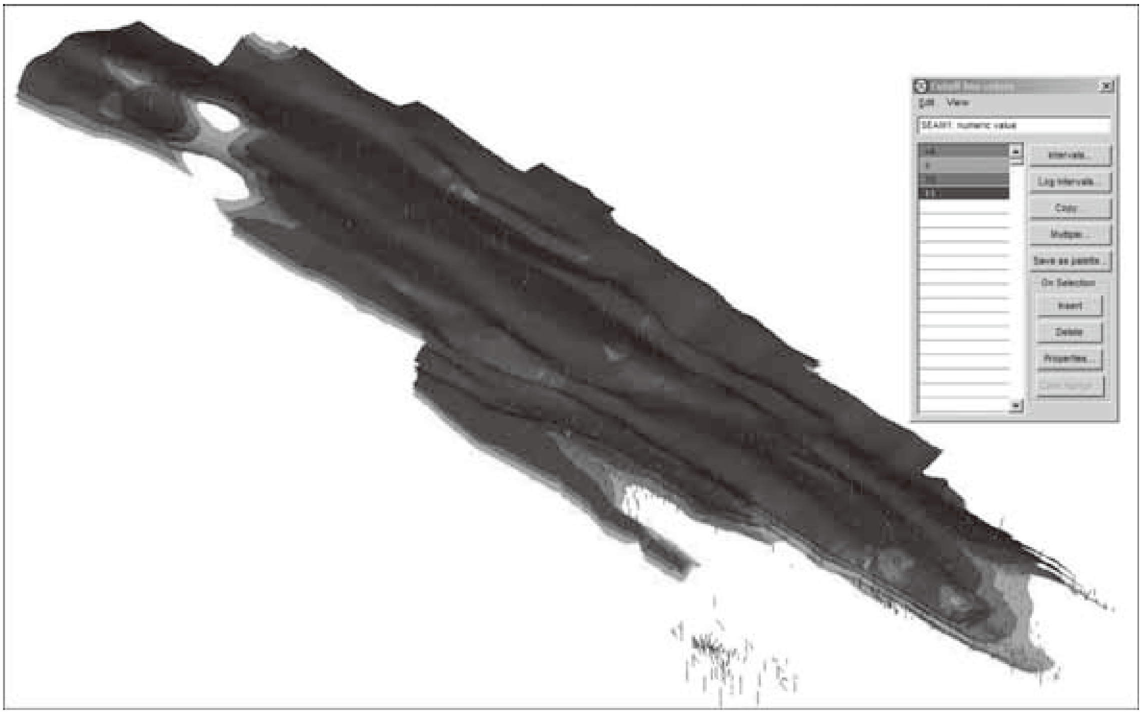
NO. 9 AREA

Numerous coal seams occur within the No. 9 Area, from 4 Seam, to 5, 8, 10, 11, and 12 Seams, and 15 Seam. With poor lateral continuity and thickness in the most of the seams, only 4, 10 and 11 Seams, with average thickness of 6.3m, 3.4m and 2.1m, respectively, are considered economically significant. All of these seams thin from the southeast towards the northwest.

The 4 Seam contains the majority of the resource in the No. 9 Area. 4 Seam has a "marker" seam located 2m – 5m underneath, and is mostly overlain by shaley siltstone. The interburden between 4 and 10 Seams is interbedded shale, siltstone, fine sandstone and carbonaceous bands grading into high ash coal (the most prominent being 5 Seam and 8 Seam) with an overall thickness of around 70m. The immediate roof of 10 Seam is shale and siltstone with two or more "rider" seams being generally present in the southwest end of the No. 9 Area. These "rider" seams are generally between 1.0m and 0.3m thick and occur 3m – 10m above 10 Seam. These "rider seams" pinch out to the northwest. The 11 Seam was deposited around 50m above 10 Seam. In the southeast it is a single seam; to the northwest it thins and splits into multiple seams separated by partings based on local depositional environment.

Geographically, No. 9 area is between Sheep Creek in the southeast and Beaverdam Creek in northwest. Structurally, No. 9 area is bounded by the Muskeg Thrust on the northeast side and a sequence of secondary faults of the Syncline Hills Thrust on the southwest. No. 9 Area covers over 90km^2 and the structural features vary considerably across the area. Folds In the southeast tend be slightly less open and change form more rapidly along strike than the northwest. The No. 9 Area structure is shown in 3D in Figure 7.11, in plan in Figure 7.12, and in cross-section in Figure 7.13. Fold wavelength increases to the northwest, ranging from 1,300m–1,500m.

Figure 7.11 3D Isometric View (NW) of No. 9 Area Coal Seams, Faults and Drillholes



Surfaces: 4 Seam – green, 10 Seam – red, 11 Seam – purple, Faults – grey

Figure 7.12 Geology and Drillhole Locations No. 9 Area

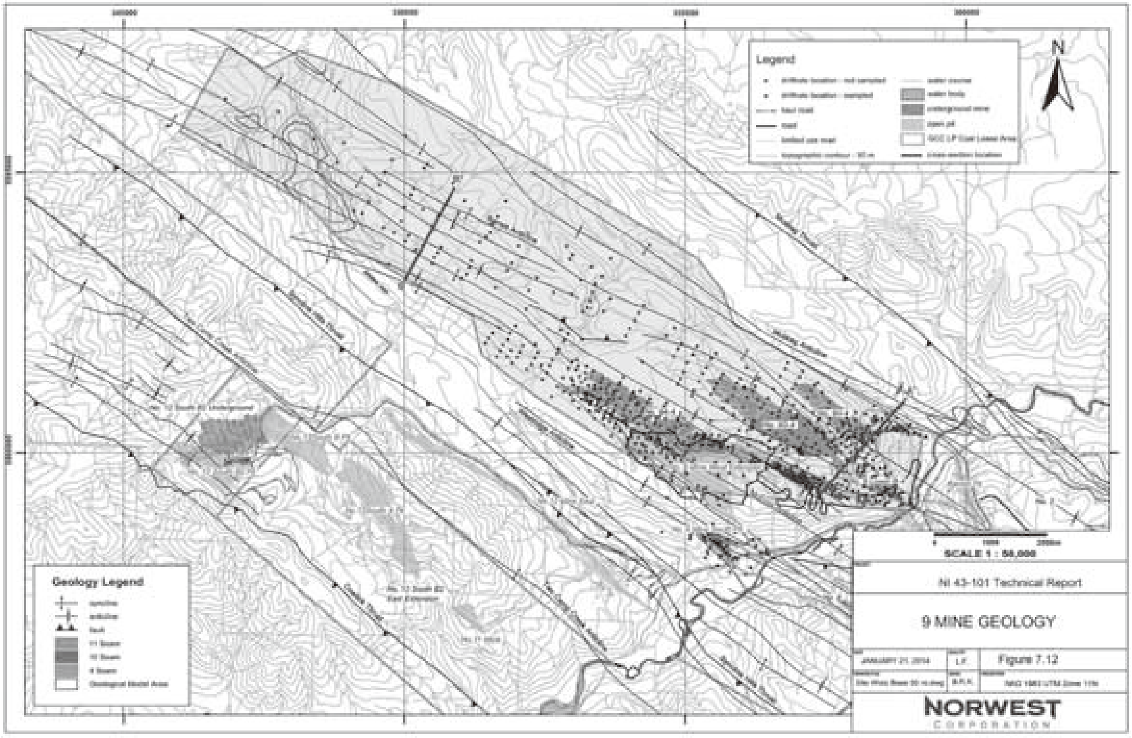
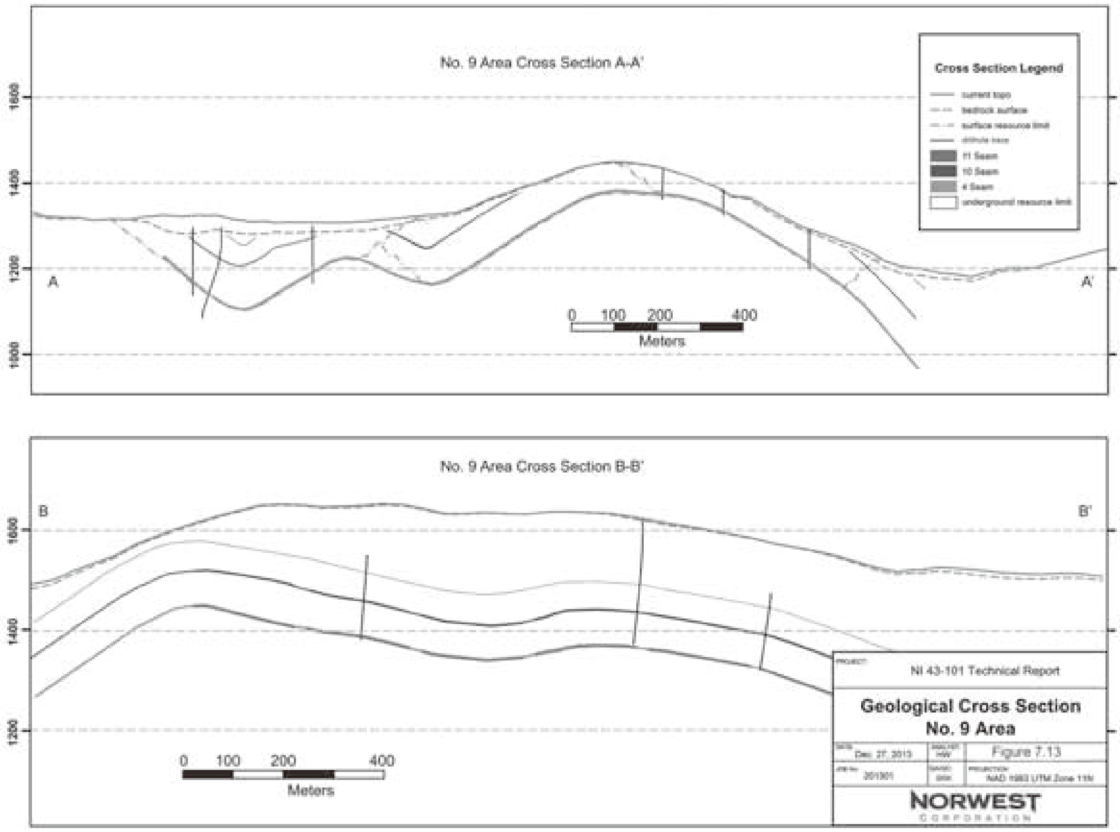


Figure 7.13 Geology and Drillhole Locations No. 9 Area



NO. 12 SOUTH AREA

The 10 and 11 Seams have graded laterally into thin carbonaceous shale zones in the No. 12 South Area. The seams of interest are 4, 5, 6, and 7/8 Seams, with average thicknesses of 7.5m, 1.6m, 1.3m, and 4.5m, respectively.

The immediate roof and floor of 4 Seam is shale. A marker seam 0.3m to 0.5m thick is located 1.0m below the bottom of 4 Seam. The 4 Seam is located about 22m above the Torrens Member.

The stratigraphic position of the 5 Seam averages 36m above 4 Seam. Geophysical logs indicate that a high ash band is often found in the lower half of the seam, with other minor ash bands occasionally appearing at variable locations within it.

The 5, 6 and 7/8 Seams have soft mudstone footwalls and hanging walls.

The interburden thickness between the 5 and 6 Seams averages 5m and consists of shale with some interbedded siltstone.

The interval from the top of 8 Seam to the bottom of 7 Seam averages 4.5m. This interval consists of 0.6m of 8 Seam, 0.6m of carbonaceous mudstone, and 3.3m of 7 Seam. This carbonaceous mudstone grades in places to a very high ash coal, effectively merging 7 Seam and 8 Seam into a single coal seam.

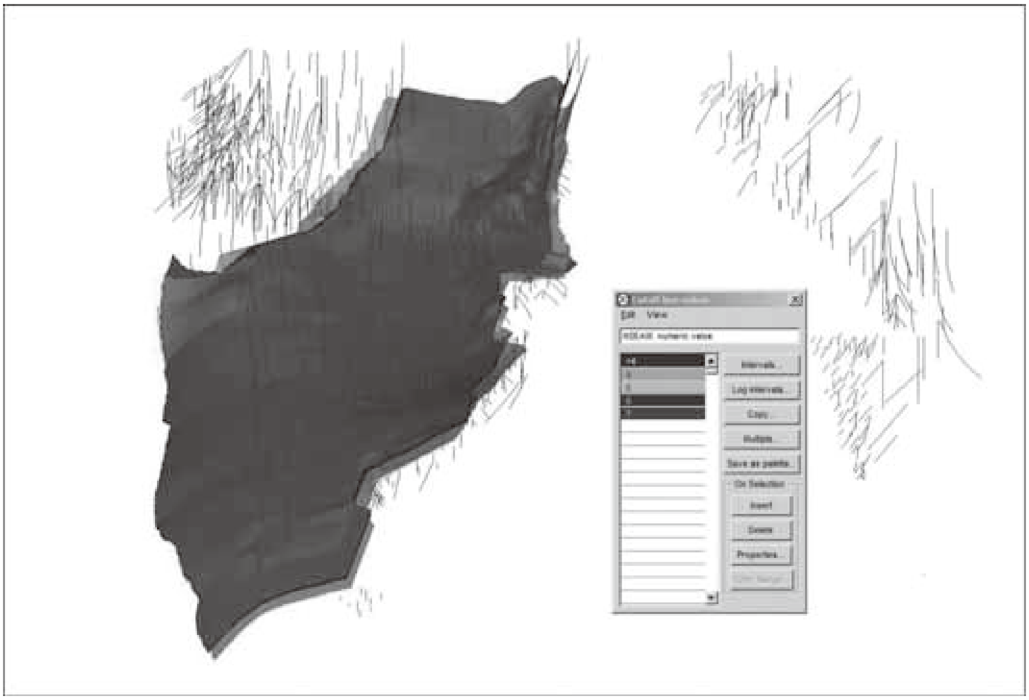
The interburden between 6 and 7 Seams averages 1.2m thick and consists of carbonaceous mudstone and a 0.2m thick coal marker seam.

The No. 12 South Area is contained in the Syncline Hills Thrust Sheet and lies on the south limb of the Two Camp Creek Anticline. No. 12 South Area structure is shown in 3D in Figure 7.14, in plan in Figure 7.15, and in cross-section in Figures 7.16 and 7.17. The Two Camp Creek Anticline is a regional structure with a fold axis trending southeast/northwest for 10km on either side of the mining area. The fold axis has a plunge of about 5° in the No. 12 South Area. The amplitude of the Two Camp Creek Anticline is approximately 800m.

The seams are folded into two syncline-anticline pairs that are parasitic folds on the south limb of the Two Camp Creek Anticline. The seams dip less that 15° between faults in Area No. 12 South A, and could be mined using underground methods. The seams steepen towards the northwest where they are exposed in the No.12 South B2 Area pits.

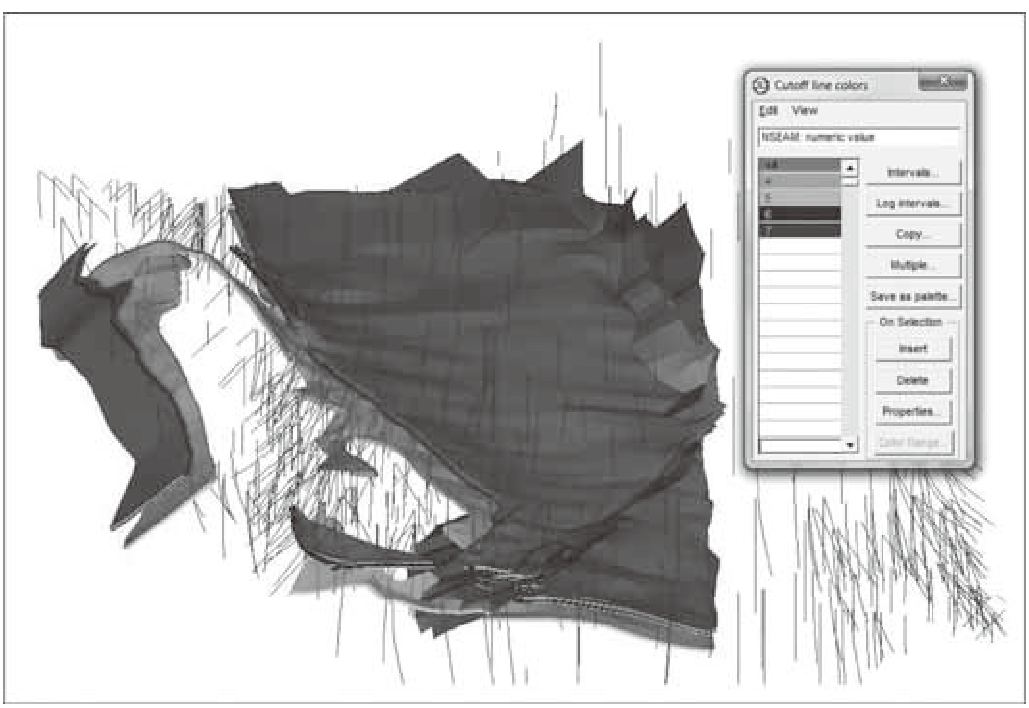
The coal occurance in No. 12 South B2 Area includes 3, 4, 5, 6 and 7/8 Seams. The B2 Extension Pit exposes the strata of the southern syncline, with the pit bottom following the axes of the folds. The axis of the southern syncline has a plunge of approximately 5°. Figure 7.14B shows No. 12 South B2 structure in 3D.

Figure 7.14a 3D Isometric Views (NW) of No. 12 South A (top) Coal Seams and Drillholes



Surfaces: 4 Seam – green, 5 Seam – cyan, 6 Seam – blue, 7 Seam – purple, Faults – grey

Figure 7.14B 3D Isometric Views (NW) of No. 12 South B2 (bottom) Coal Seams and Drillholes



Surfaces: 4 Seam – green, 5 Seam – cyan, 6 Seam – blue, 7 Seam – purple, Faults – grey

Figure 7.15 Geology and Drillhole Locations No. 12 SouthA and B2 Areas

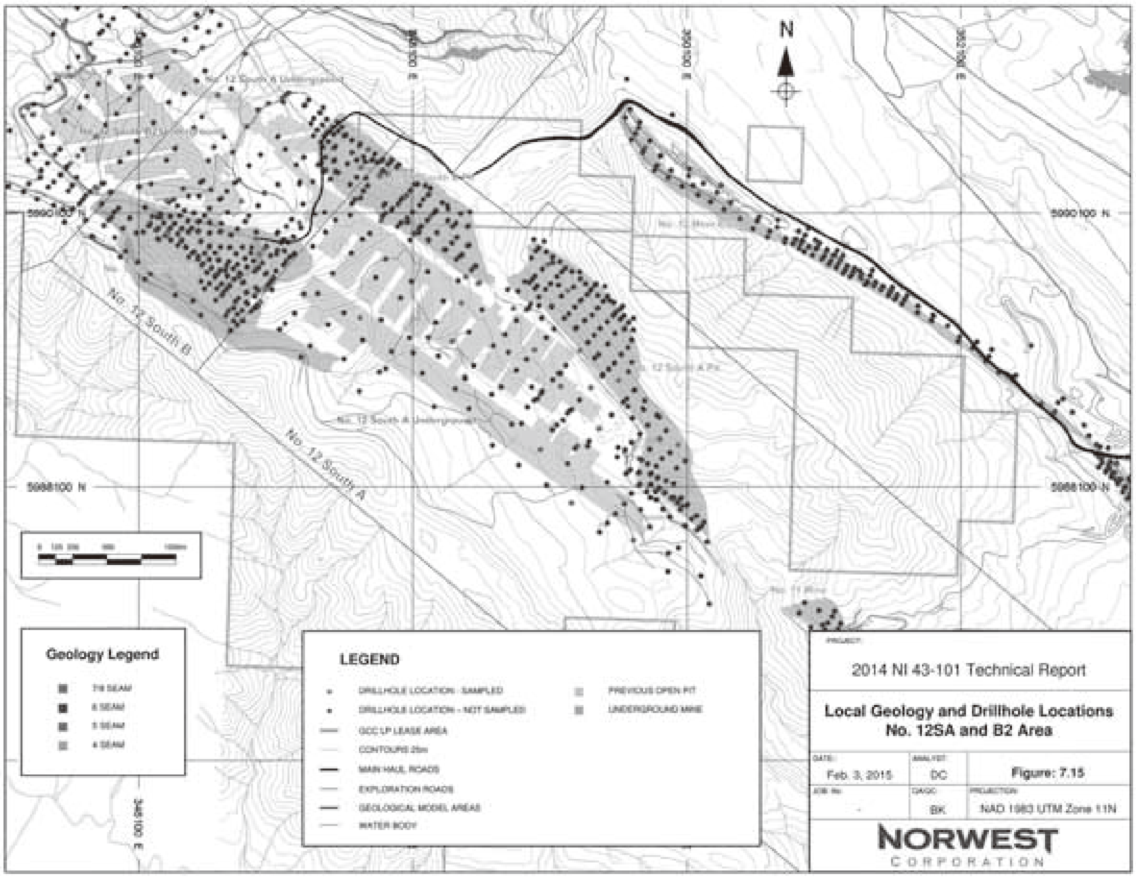


Figure 7.16 Geologic Cross-section No. 12 SouthA/B Areas

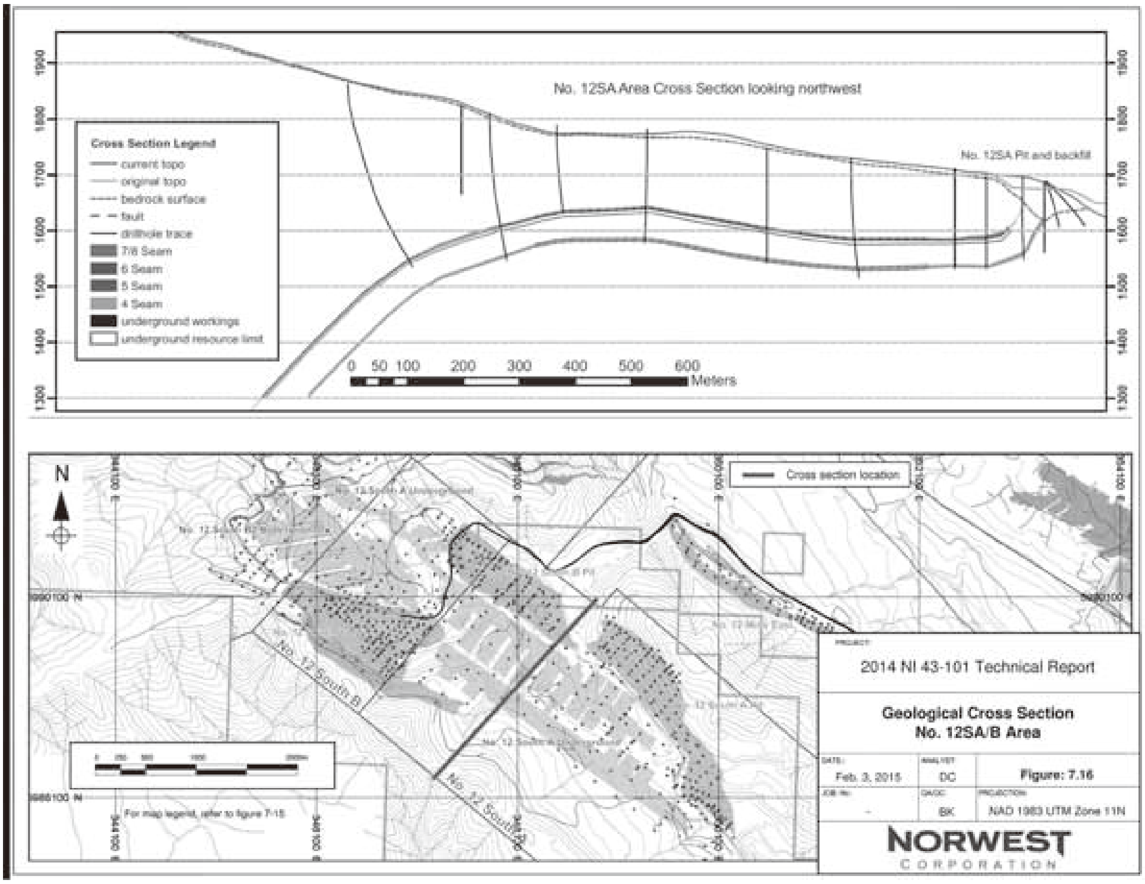
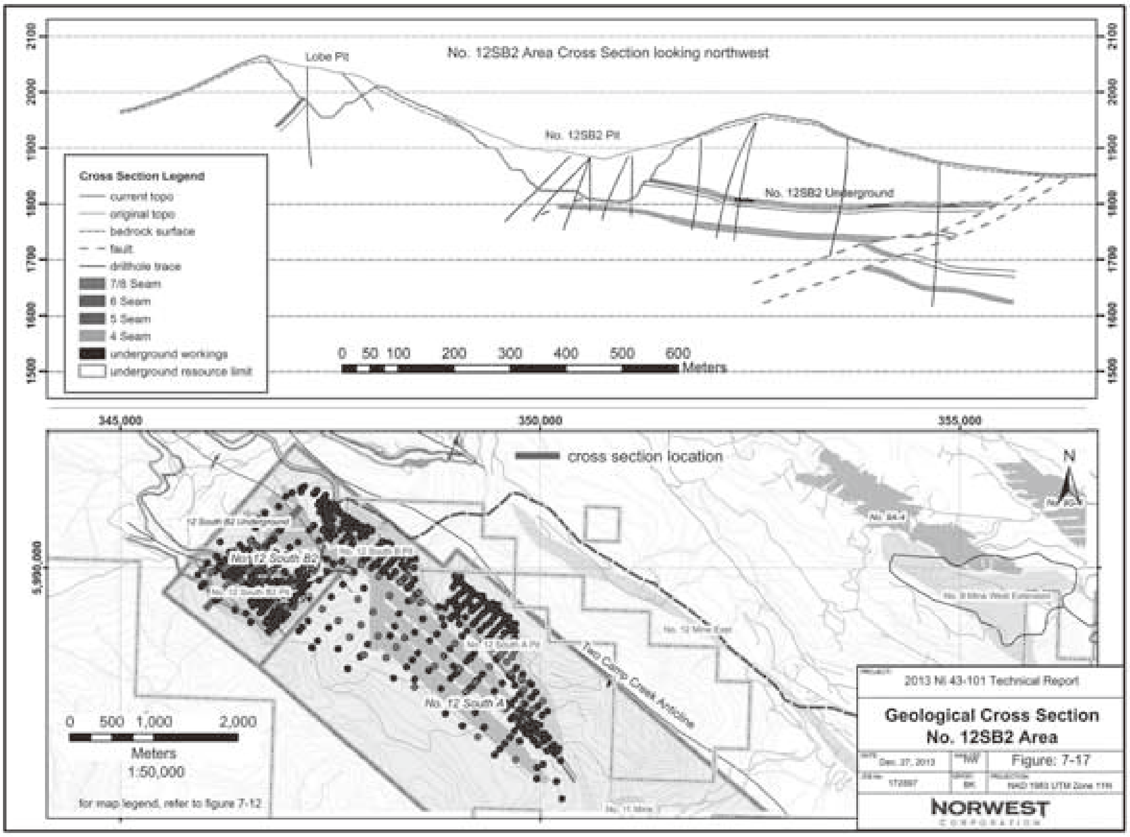


Figure 7.17 Geologic Cross-section No. 12 SouthB2 Area



The footwall dips range from horizontal to overturned in the No. 12 South B2 pit. Bedding dips up to 65° are present in the western portion of the pit in the south limb of the south syncline. The bedding dip increases to near 80° in the vicinity of the pit bottom along the south limb of the anticline in the central part of the pit. In the eastern part of the pit the footwall strata are overturned. Most strata dip at less than 15° within northern highwall part of the pit area, as shown on the cross-section in Figure 7.17. Coal seams generally retain their normal stratigraphic thickness throughout most of the mining area except where thickened pods of coal occur in the hinge area of the south syncline.

A number of thrust faults have been identified within the No. 12 South B2 Pit. The two major thrusts are interpreted as north verging with the first fault steeply dipping fault while the second fault is shallow dipping. Both structures have throws of 2m to 20m.

The 3 Seam is located directly above the Torrens Member and is in turn overlain by a distinct fossiliferous "Clam Zone". The 3 Seam maintains a thickness of roughly 1m throughout No. 12 South B2 Area and is an important stratigraphic marker horizon.

The underground resources for 7/8 and 4 Seams are located in the area north of the No. 12 South B2 pit, where the seams are shallowly dipping (< 15°). There are two thrust faults with throws of 10m to 30m that offset the entire seam package. They retain their shallow dip and thickness across the fault.

NO. 12 NORTH AREA

The No. 12 North Area includes seams of interest from 3 Seam through 8 Seam. As in the No. 12 South Area, the 3 Seam is located just above the basal Torrens Member. The average thickness of the seam is 1.3m. Abundant folding has resulted in the expression of three anticline-syncline pairs that expose 4 through 8 Seams in favourable mining geometries. No. 12 North area structure is shown in 3D in Figure 7.18, in plan in Figure 7.19, and in cross-section in Figure 7.20.

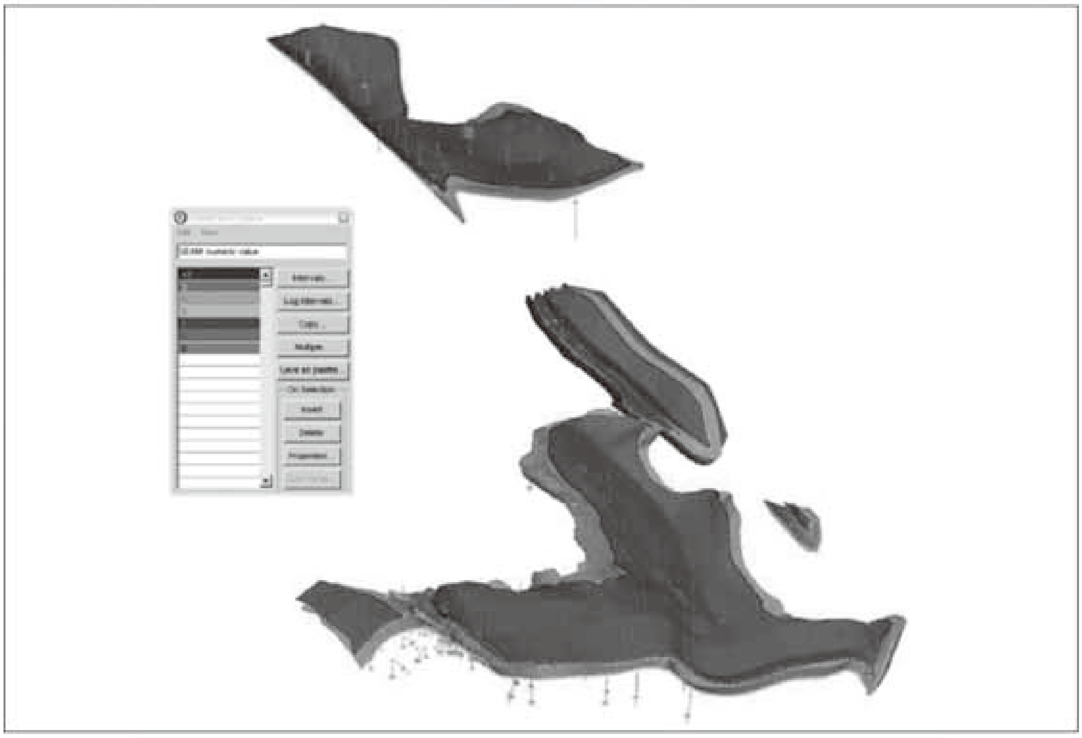
The 4 Seam is again the thickest seam in the area (average 6.8m). The seam reaches a maximum thickness of 28.3m in a structurally thickened zone in Drillhole 74-14. The seam thins out to non-mineable thicknesses (< 0.5m) in a few areas of No. 12 North. The 4 Seam is located about 30m above 3 Seam.

The 5 Seam is approximately 30m above 4 Seam, with an average thickness of 1.6m. The 6 Seam thickens to 10.4m in areas where the coal has been structurally thickened but has an average thickness of 1.7m. The interburden thickness between 5 Seam and 6 Seam averages 8m.

The 6 Seam is 1.7m thick and is separated by 1.5m of mudstone from the overlying 7 Seam.

The 7 Seam is more than 8m in thickness in a structurally thickened synclinal axis as indicated by Drillhole 74-14. The seam is located approximately 5m above 6 Seam. The 8 Seam is approximately 6.5m above 7 Seam.

Figure 7.18 3D Isometric View (NW) of No. 12 North Coal Seams, Faults and Drillholes



Surfaces: 4 Seam – green, 5 Seam – cyan, 6 Seam – blue, 7 Seam – magenta, 8 Seam – grey

Figure 7.19 Geology and Drillhole Locations No. 12 North Area

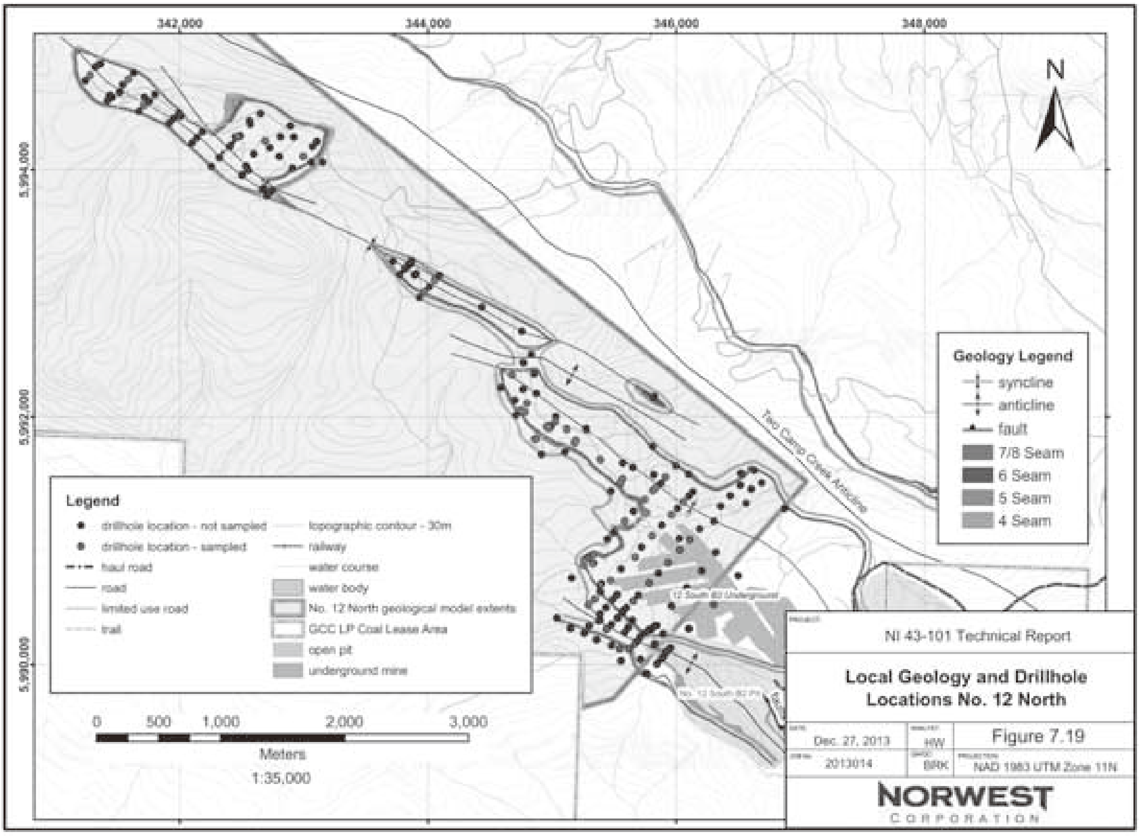
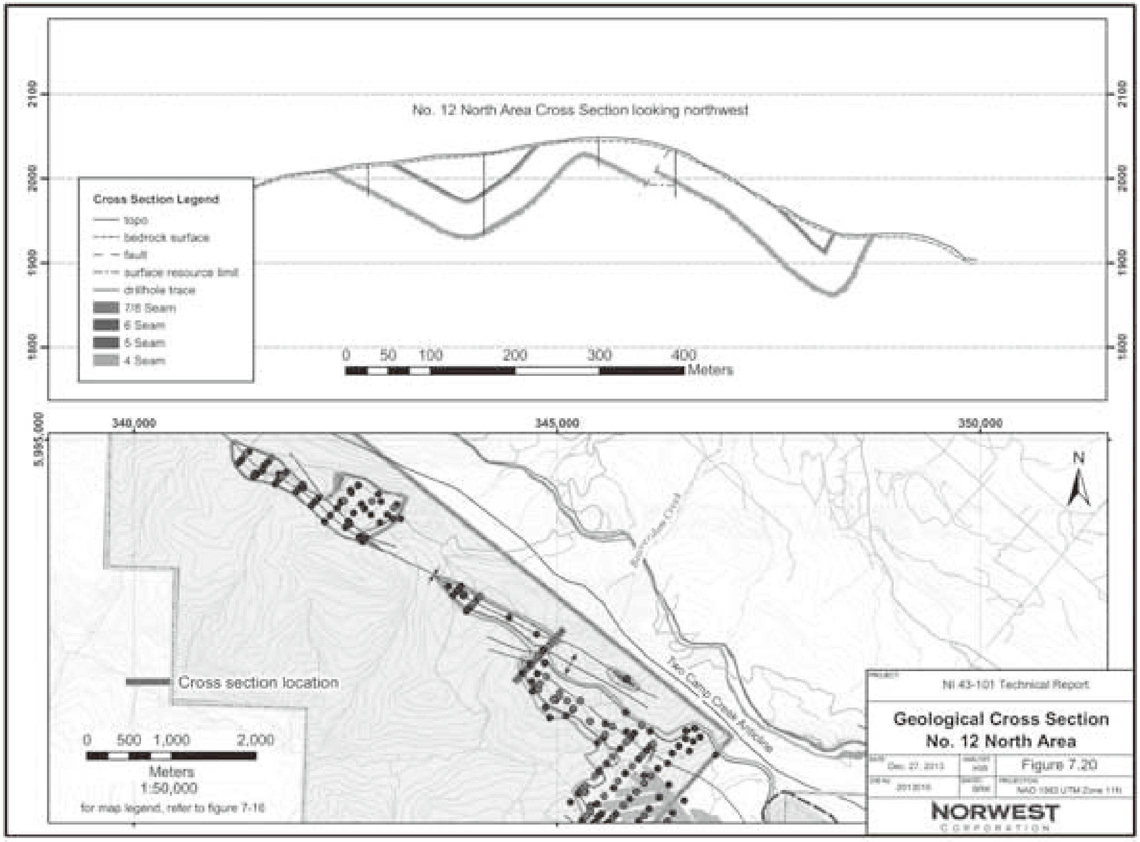


Figure 7.20 Geologic Cross-section No. 12 North Area



NO. 16 AREA

The coal seams that are of economic interest in the No. 16 Area are 4, 5, 6, 7 and 8 Seams. Combined coal thickness of these five seams is close to 15m in the area.

As in most areas, 4 Seam occurs 22m above the Torrens Member. It is the thickest seam in the south-eastern portion of the area, averaging 6.8m. Directly overlying 4 Seam is approximately 3.0m of interbedded carbonaceous shale and siltstone. The strata below 4 Seam consist of 1.0m of shale overlying a 1.0m to 1.5m interval of sandstone.

The 5 Seam has a consistent stratigraphic thickness, average 1.8m, and occurs approximately 39m above 4 Seam. A shale parting between 0.2m and 0.3m in thickness is typically encountered near the bottom of 5 Seam. The immediate roof and floor of 5 Seam are comprised primarily of shale.

The thickness of 6 Seam is more variable than 5 Seam, ranging from 0.2m to 9.6m, averaging 1.5. The 6 Seam occurs approximately 8.0m above 5 Seam.

The interval between 6 Seam and 7 Seam is approximately 1.7m and consists of carbonaceous shale and coal partings. The 7 Seam, averaging 2.8m is overlain by carbonaceous shale and the 8 Seam.

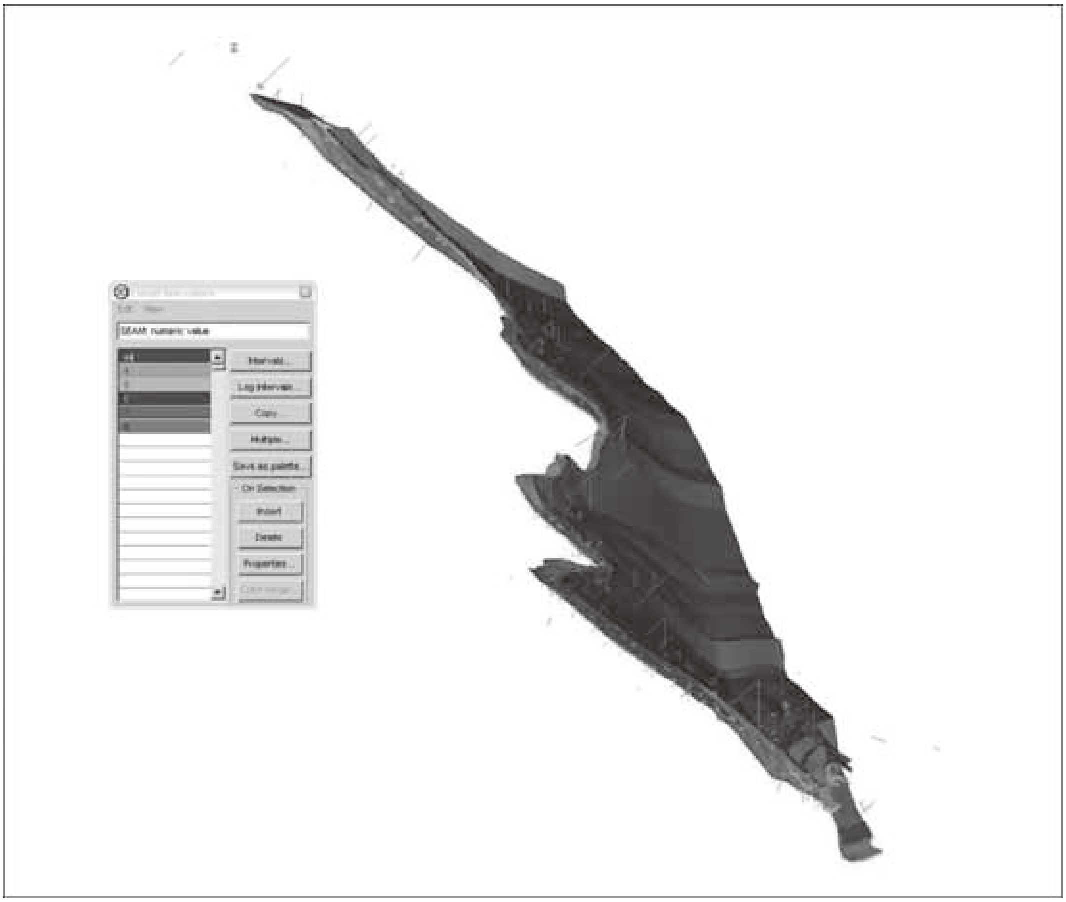
The 8 Seam, averaging 2.2m thickness, occurs 0.4m to 2.2m above 7 Seam. The interburden is very carbonaceous where it thins.

The geological structure of within the No. 16 Area parallels the structure found in the No. 12 Area to the southwest. No. 16 Area structure is shown in 3D in Figure 7.21, in plan in Figure 7.22, and in cross-section in Figure 7.23. The two areas are separated by the Two Camp Creek Anticline although the coal measures of the Grande Cache Member are eroded from the top of this anticline. The No. 16 Area lies on the northeast limb of the anticline. Former mining areas No. 12 West Mine and No. 12 East Mine are located on the northeast limb of the anticline southeast of the No. 16 Area along strike.

The No. 16 Area is divided into a southeast and northwest mining areas by a drainage that trends northeast joining Beaverdam Creek.

In the No. 16 East Area, the dip of the northeast limb of the Two Camp Creek Anticline ranges from 35° to 60°. The slope of topography closely follows the dip of the bedding resulting in a dip slope mining configuration. The local structure is a relatively simple monocline. The coal measures are truncated at depth by the Syncline Hills Thrust Fault, which marks the northeast boundary of the No. 16 East Area. To the northwest in the No. 16 West areas the dips of the monocline steepen and southwest verging thrust faults cut the coal measures.

Figure 7.21 3D Isometric View (NW) of No. 16 Area Coal Seams and Drillholes



Surfaces: 4 Seam – green, 5 Seam – cyan, 6 Seam – blue, 7 Seam – magenta, 8 Seam – grey

An exception to the monocline structure is found in the southeast part of No. 16 East. The strata are folded into a syncline down dip. The coal seams are structurally thickened in the hinge area of this syncline.

Figure 7.22 Geology and Drillhole Locations No. 16 Area

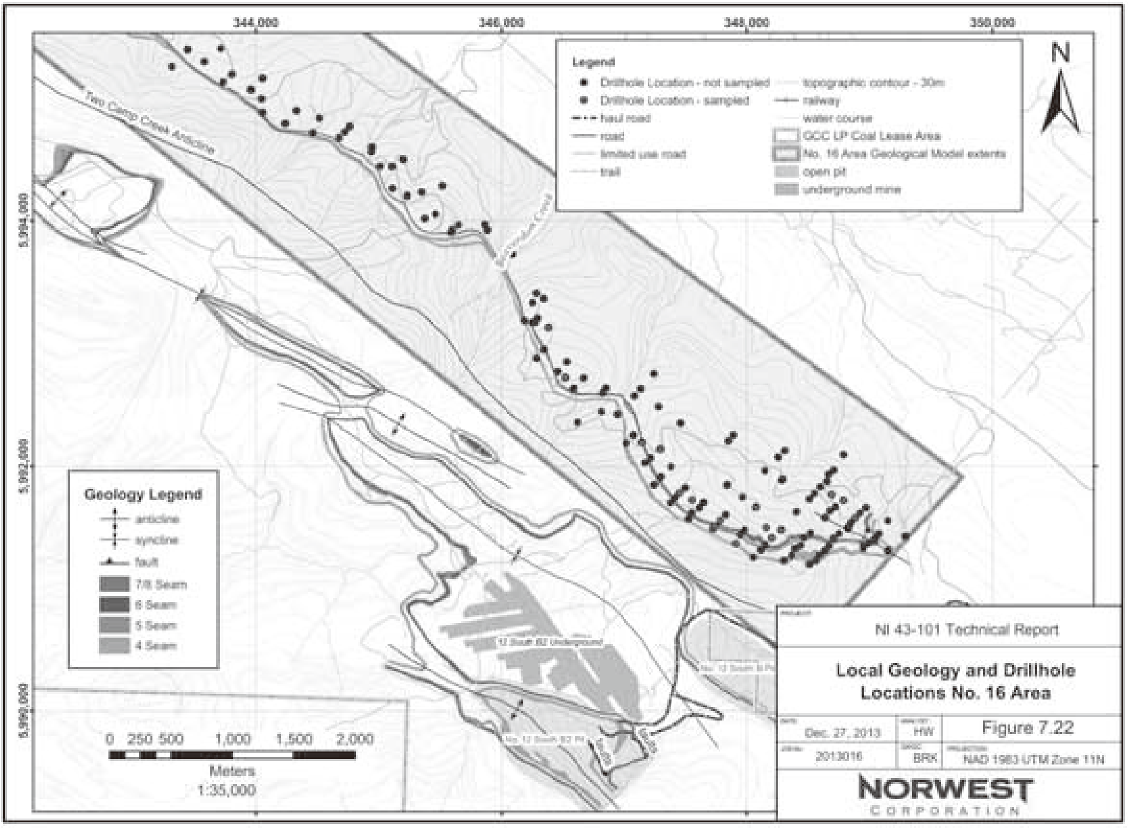
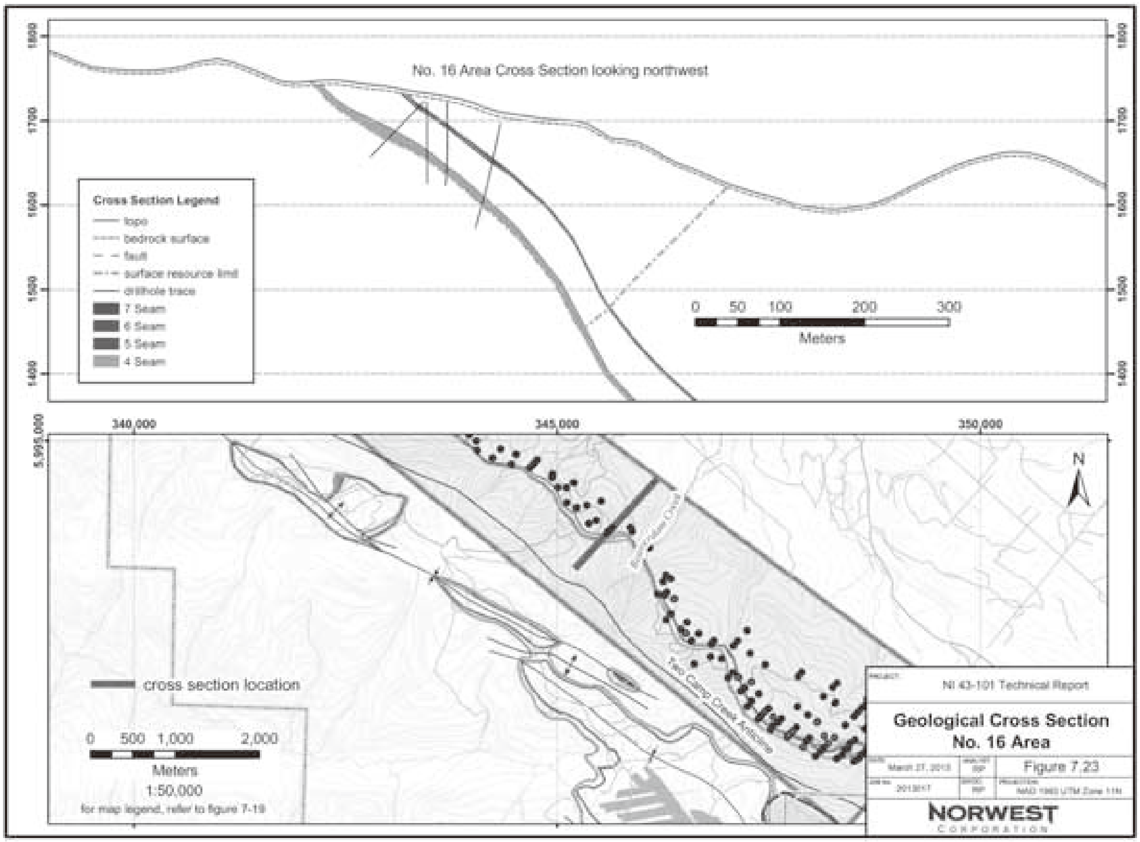


Figure 7.23 Geologic Cross-section No. 16 Area



7.2 Mineralization and Coal Quality

7.2.1 General Coal Quality of Smoky River Coalfield

Coal quality trends within the Smoky River Coalfield have been modeled from an extensive database of exploration drillhole cores, reverse circulation drill samples and adits. Within the Smoky River Coalfield, coal rank has the greatest impact on the value of the product. Coal rank is indicated by the volatile matter and Free Swelling Index (FSI) tests, which both decrease as coal rank increases. While product ash can be controlled by processing, coal rank can only be controlled by blending coals from different mine areas. Coal rank is the primary determinant of the coking properties and coke yield of the product. In general, the coal rank can be categorized as low-volatile bituminous coal based on the American Society for Testing and Materials (ASTM) coal classification system. The overall trend is an increase in coal rank to the northwest for all seams.

Modeling of volatile matter in the Smoky River Coalfield has established predictable project-wide trends. Consistent with the trend of increasing rank with increasing depth of burial in coal-bearing strata, there is a consistent increase in volatile matter upward in the stratigraphic section from 4 Seam to 11 Seam. The lateral change in volatile matter within the Smoky River Coalfield can be summarized in general as increasing volatile matter and decreasing rank to the southeast.

Ash is the most variable of the key in-situ coal quality parameters. In general, the thicker coal seams are lower in ash content, reflecting that a more stable depositional environment is required for larger accumulations of organic material. Lower in-situ ash variability is also apparent in thicker coal seams. The 4 Seam has the overall lowest average ash and also the lowest variability in ash.

Much of the sulphur in the coal seams of the Smoky River Coalfield is organically bound as opposed to pyritic or mineral bound. Washing the coal generally results in a marginal increase in the sulphur content from the in-situ level. The thickest coal seam, 4 Seam, generally has the lowest average in-situ sulphur. Unlike volatile matter, sulphur does not follow regional trends but varies by mining area and seam. In general the thinner seams are higher in sulphur.

7.2.2 Mine Area Coal Quality

NO. 2 AREA

The coal quality of the No. 2 Area is similar to that of the No. 8 Area, with the exception of 4 Seam, which has a higher average FSI for the in-situ coal, as shown in Table 7.2.

Table 7.2 Average In-situ Coal Quality from Drillhole Composites for No. 2 Area

Coal Seam No.	Ash (db)	FSI	VM (db)
4	17.9	7	17.5
10	28.0	3.5	18.8
11	29.0	3.5	22.4

NO. 8 AREA

The No. 8 Area is slightly higher in rank than the No. 2 Area, but all mineable seams are at the higher end of the volatile matter spectrum, property wide. The 4 Seam can be divided into an upper high ash zone and a lower low ash zone. A shaley horizon approximately 0.6m to 1.0m thick occurs 1.5m to 1.8m above the base of 4 Seam. In the No. 8 Area, 10 Seam consists of 1.3m of very high ash coal (approximately 45%) above 2.5m of low ash coal (approximately 11%). The 11 Seam typically has a rock split in the middle of the seam. In-situ ash as summarized in Table 7.3 does not include this split.

Table 7.3 Average In-situ Coal Quality from Drillhole for No. 8 Area

Coal Seam No.	Ash (db)	FSI	VM (db)
4	17.3	5	17.2
10	20.7	4.5	19.0
11	30.0	5.5	16.8

NO. 9 AREA

The No. 9 Area is very large and there are significant rank changes from the southeast to the northwest in all three major seams. FSI and volatile matter in 4 Seam has the most obvious trend, with both volatile matter and FSI increasing to the southeast.

The 4 Seam is characterized by ash bands both in the middle of the seam and the base in the southeast. In the northwest, the seam is thinner but fairly consistent in in-situ ash content from top to bottom. The 10 Seam typically has a high ash zone making up 30% of the seam, over a low ash zone making up the bottom 70% of the seam. The 11 Seam is characterized by high ash/rock split in both the upper and lower 1/3 of the seam, the upper being very high ash. Table 7.4 provides average raw coal quality data by seam.

Table 7.4 Average Raw Coal Quality by Seam from Drillhole Composites from No. 9 Area

Coal Seam No.	Ash (db)	FSI	VM (db)
4	14.8	5.5	16.9
10	17.6	6	17.7
11	32.7	7.5	20.8

NO. 12 SOUTH A AREA

There are four seams in the stratigraphic sequence in No. 12 South A Area that are of economic interest, comprising the 4, 5, 6 and 7/8 Seams. This area is directly south of the No. 12 South B2 pit. Table 7.5 provides average raw coal quality data by seam. The stratigraphy and coal quality are similar to the No. 12 South B2 Area described in the next subsection.

Table 7.5 Average Raw Coal Quality by Seam from Drillhole Composites from No. 12 South A Area

Coal Seam No.	Ash (db)	FSI	VM (db)
4	12.3	4	17.0
5	13.4	4.5	17.0
6	18.3	5	19.0
7/8	15.3	4	18.0

NO. 12 SOUTH B2 AREA

The average in-seam ash content of the 4 Seam is 12.3% (dry basis). There is a zone of higher ash (15% to 20%) that is 0.3m to 1.6m thick near the top of the seam. Typical in-seam ash values below this high ash zone range between 4% and 8%. Typical in-seam ash values range between 8% and 11% above the high ash zone.

In-seam ash content for the 5 Seam is estimated to be 14.5% based on four cores drilled in the No. 12 Mine South B2 pit in 1992.

The 6 Seam generally consists of a lower clean portion and an upper higher ash zone. The clean portion of the seam is generally 0.9m thick and the higher ash zone is usually about 0.4m thick. The average in-seam ash content of 6 Seam is estimated to be 15.8%.

In-seam ash content of the 7/8 Seam interval is 22.1%. The lower half of 7 Seam typically contains a high ash zone 0.3m thick. Table 7.6 provides average raw coal quality by seam.

Table 7.6 Average Raw Coal Quality by Seam from Drillholes Composites from No. 12 South B2

Coal Seam No.	Ash (db)	FSI	VM (db)
4	12.3	3	16.4
5	14.5	4	16.9
6	15.8	5.5	16.6
7/8	22.1	4	17.0

NO. 12 NORTH AREA

In the No. 12 North Area, all of the seams of interest have coal quality parameters similar to the No. 12 South areas (B2 and A), with the exception of 6 Seam. This seam has a distinctively higher average ash content resulting in a lower overall FSI. Table 7.7 provides average raw coal quality data by seam.

Table 7.7 Average Raw Coal Quality by Seam from Drillhole Composites from No. 12 North

Coal Seam No.	Ash (db)	FSI	VM (db)
4	13.8	3	16.3
5	14.6	3.5	17.7
6	34.2	1	15.7
7	16.8	5	17.4
8	15.6	5.5	19.0

NO. 16 AREA

The 4 Seam is generally characterized by an upper low ash, a middle medium ash and a lower low ash zone. These zones generally comprise 30%, 20% and 50% of the seam respectively. All three zones are consistent in their geophysical log signature throughout the southeast portion of the area.

The 5 Seam consists of a lower zone grading from high up to medium ash and an upper zone of very low ash coal. The 6 Seam is somewhat the inverse of No. 5 and consists of a lower low ash and an upper, high-ash zone. The seam typically has a carbonaceous shale roof and floor. The 7 Seam contains a band of higher ash coal near the middle of the seam. Table 7.8 summarizes the average coal quality within the No. 16 Area.

Table 7.8 Average Raw Coal Quality by Seam from Drillhole Composites from No. 16 Area

Coal Seam No.	Ash (db)	FSI	VM (db)
4	13.2	3	18.0
5	15.3	4.5	17.0
6	22.3	3	17.0
7	16.4	3.5	18.0
8	15.6	5.5	19.0

8 DEPOSIT TYPES

The B.C. Geological Survey has established a series of mineral deposit profiles that cover a wide variety of mineral deposits. The deposit type "A04 – Bituminous Coal" matches the characteristics of the coal seams found in the Smoky River Coalfield (Ryan and Barry, 1995). Their description of this deposit type presents a description of the geological characteristics, exploration guides and economic factors. The following Sections 8.1 through 8.3 are taken verbatim from this document.

8.1 Geological Characteristics

8.1.1 Capsule Description

Seams of black coal hosted by clastic sedimentary rocks. Coal is banded bright and dull. Generally hard with well-developed cleats.

8.1.2 Tectonic Settings

Stable continental basins; shelves on the trailing edge of continents; foreland (molasse) basins; back-arc basins.

8.1.3 Depositional Environment/Geological Setting

An area of slow sedimentation in fresh water with few or no marine incursions. Can be produced by fault blocks associated with strike-slip movement to limit sediment influx. Delta; shoreline swamp; raised swamp; lake; floating vegetation mats.

8.1.4 Age of Mineralization

Generally older than Tertiary; major deposits are Cretaceous, Permian or Carboniferous in age.

8.1.5 Associated Rock Types

Sedimentary rocks exhibiting evidence of non-marine deposition; carbonaceous mudstones; siltstones and sandstones often with cross-stratification and other sedimentary structures of fluvial/alluvial or deltaic origin.

8.1.6 Deposit Form

Coal seams generally conform to regional bedding; sometimes seams are deposited in areas of local subsidence, such as fault-controlled blocks. Seams may be thickened/deformed by faulting, folding and shearing. Seams may pinch-out or split on a local or regional scale.

8.1.7 Texture/Structure

Bituminous coal is usually composed mostly of clarain and vitrain. Footwall sediments are often penetrated by roots or weathered to clay (seatearth).

8.1.8 Coal Seams/Associated Mineral Matter

Bituminous coal has Rmax values in the range of 0.5% to 2.0%. In outcrop it can contain up to 15% moisture. It usually contains a high percentage of the maceral vitrinite; at higher ranks liptinite is difficult to detect; the amount of fusinite is variable. Mineral matter is in the coal seams as rock bands, as finely intermixed material of authogenic or detrital origin (inherent mineral matter) and as secondary material deposited in fractures and open spaces. Inherent mineral matter includes pyrite, siderite and kaolinite. It may be dissimilar to that of the surrounding rocks.

8.1.9 Weathering

Weathering of the bituminous coal reduces the calorific value by oxidizing the carbon-hydrogen complexes. It also destroys the agglomerating (coke making) properties. Minerals such as pyrite oxidize to sulphates. Secondary carbonates are formed. These transformations may further damage the coking properties.

8.1.10 Ore Controls

The geometry of the seam/seams is controlled by sedimentary features, such as extent of the delta, trend of the shoreline, and trend of sand-filled river channels. Deformation (faulting and folding) is also important.

8.1.11 Comments

Bituminous coal is widely used for coke making by the steel industry because of its agglomerating properties.

8.2 Exploration Guides

8.2.1 Geochemical Signature

Geochemistry is generally not used as a prospecting tool for coal.

8.2.2 Geophysical Signature

Bituminous coal has a low density. Resistivity is variable to high. Surface techniques include direct-current profiling, refraction and reflection seismic, and gravity. Subsurface or bore-hole techniques include gamma logs, neutron logs, gamma-gamma density logs, sonic logs, resistivity logs and caliper logs.

8.2.3 Other Exploration Guides

Presence of: a down-slope coal bloom; nonmarine sediments; coal spar. Presence of methane escaping through the surrounding sediments.

8.3 Economic Factors

8.3.1 Typical Grade and Tonnage

Numerous tests quantify the coking ability of bituminous coal; they measure rheology, melting and petrographic properties of the coal as well as the chemistry of the ash. The gross heating value of bituminous coal is 27 to 33MJ/kg on an ash-free moist basis. Net useable heat will be lower because of the presence of ash. Mine tonnages generally range from 10 to 1000Mt.

8.3.2 Economic Limitations

Coal is a bulk commodity which is expensive to transport. Bituminous coal has a high market value because of its coking properties and high heating value. The ratio of tonnage to useable heat is good so that there is a lower proportion of waste material (such as water, fly ash and slag) generated than for other ranks of coals.

8.3.3 End Uses

Coke; steam generation in turbines for electrical generation.

8.3.4 Importance

Generally bituminous coal is the only source for coke used in the steel industry; weathered and non-agglomerating bituminous coal is utilized for power generation.

8.4 Geology Type

"Geology Type" for coal deposits is a parameter that is specified GSC Paper 88–21, which is a guideline reference for coal deposits as specified in NI 43–101. Geology Type is a definition of the amount of geological complexity, usually imposed by the structural complexity of the area, and the classification of a coal deposit by Geology Type determines the approach to be used for the resource/reserve estimation procedures and the limits to be applied to certain key estimation criteria. The identification of a particular Geology Type for a coal property defines the confidence that can be placed in the extrapolation of data values away from a particular point of reference such as a drillhole.

The classification scheme of GSC Paper 88–21 is similar to many other international coal classification systems but it has one significant difference. This system is designed to accommodate differences in the degree of tectonic deformation of different coal deposits in Canada. The four classes of geologic complexity, from lowest to highest, are:

- Low
- Moderate
- Complex
- Severe.

The bituminous coal deposits that occur within the GCC property are typical of those in the inner foothills. Based on the data available and existing geological interpretation, coal mineralization is interpreted to be of both the Complex and the Moderate geology type. A Moderate geology type is believed to be found within mine areas where the folds are broad and the strata are relatively shallow dipping and lying in between the major bounding fault structures. Areas of complex geology type are delineated where the strata are more tightly folded, steeply dipping, and interrupted by significant faulting.

8.5 Deposit Type

"Deposit Type" as defined in GSC Paper 88–21 refers to the extraction method most suited to the coal deposit. There are four categories, which are "surface", "underground", "non-conventional", and "sterilized". The coal deposit on the Property, based on the reported coal thicknesses, stripping ratios and depth of the coal occurrence below ground surface, is considered to contain areas of a "Surface" deposit type as well as areas of an "Underground" deposit type.

9 EXPLORATION

9.1 General

Exploration commenced in the Smoky River Coalfield in the late 1950s and a substantial amount of work has been carried out over the years. The amount of work completed to date consists of:

- 129 adits that have been driven across the Smoky River Coalfield to provide bulk samples for coal washability test work. Additionally, GCC has carried out re-mapping of accessible adits where possible. Adit locations are shown in Figure 9.1.
- Outcrop mapping in areas of natural exposure and exposures created by the construction of access roads for drilling was carried out on a periodic basis since the 1970s. A large amount of rock outcrops were logged during this time for lithology and bedding orientation.
- Surface trenches used to determine seam positions and thickness.

Previous audits determined that former mine operators used industry standard techniques gathering coal data on the Smoky River Coalfield. Drilling was the most common method used for data acquisition (see Section 10).

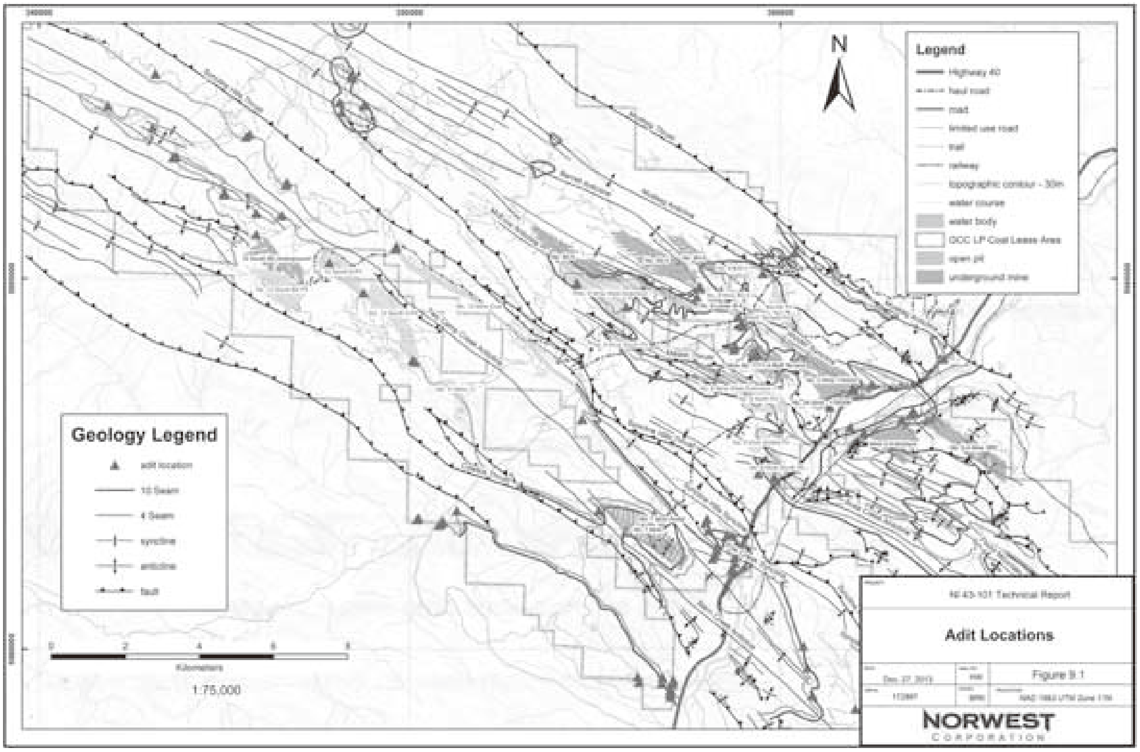
9.2 Sampling Method and Approach

Sampling methods for drilling prior to 2007 were previously reviewed by the consulting firm AMEC in the 2006 and 2007 AMEC Technical Reports. The AMEC reports concluded that all bulk samples and core samples collected and submitted for analysis prior to 2007 were handled using methods that are still standard for the coal industry. The methods are considered appropriate procedures for sampling coal and resulting data should be suitable to support resource estimates.

Bulk samples were collected up to the mid–1990s and were transported by truck from the field to independent laboratories for bulk coal sample testing. Trench samples were tested by the Smoky River Coal Limited on-site laboratory which was ISO certified from the early 1990s on.

No seismic surveys or other ground or aerial geophysical tests have been performed that support the current geological interpretation and resource/reserve models.

Figure 9.1 Adit Locations



10 DRILLING

10.1 Previous Operators

Exploration drill holes completed since 1970 have been geophysically logged with gamma, density, resistivity, caliper (GRDC), and drillhole deviation tools where conditions permitted. Drill holes completed since 1990 were also logged with dipmeter tools in addition to the standard suite of geophysical logs. Additionally, sonic logging was carried out on selected holes between 1990 and 1999 to assist in rock strength estimation. Cores of the coal seams and immediate roof sections were recovered from approximately 10% of the pre–2004 drillholes. In 2001, a drilling program consisting of one exploration hole and four water wells in the No. 7 Area was conducted for due diligence and regulatory requirements by the precursor company to GCC (Grande Cache Coal Inc.). Work was generally done in accordance with industry standard practices of the time. Figure 10.1 illustrates the amount of drilling in metres by year. Figure 10.2 is an overview of the exploration drillholes drilled prior to 2004.

Figure 10.1 Exploration Drilling by Year (Previous Operations) – Number of Holes

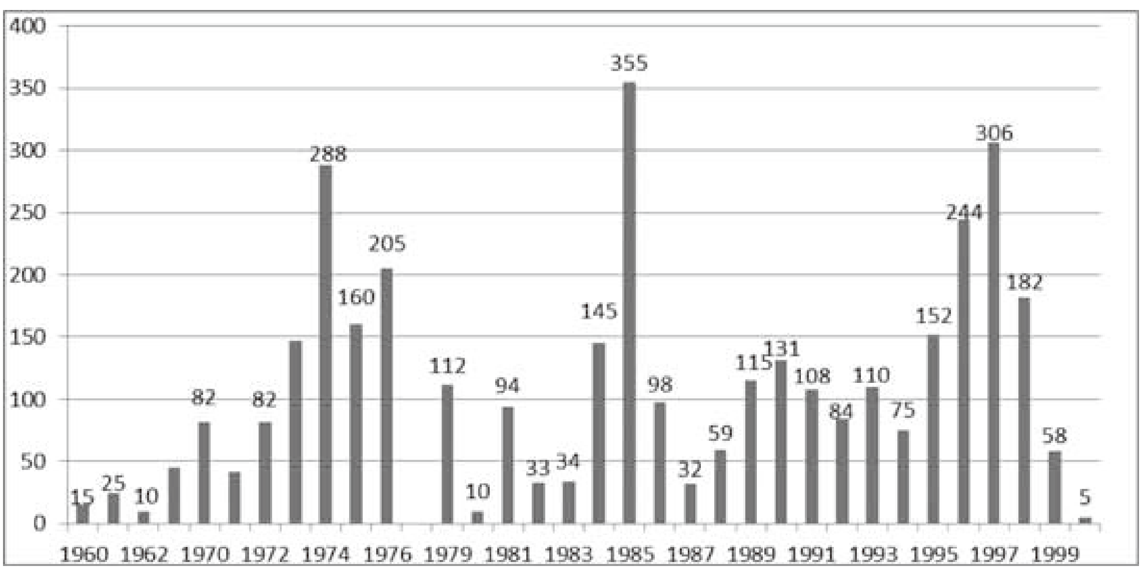


Figure 10.2 Pre GCC (2004) Drillhole Locations

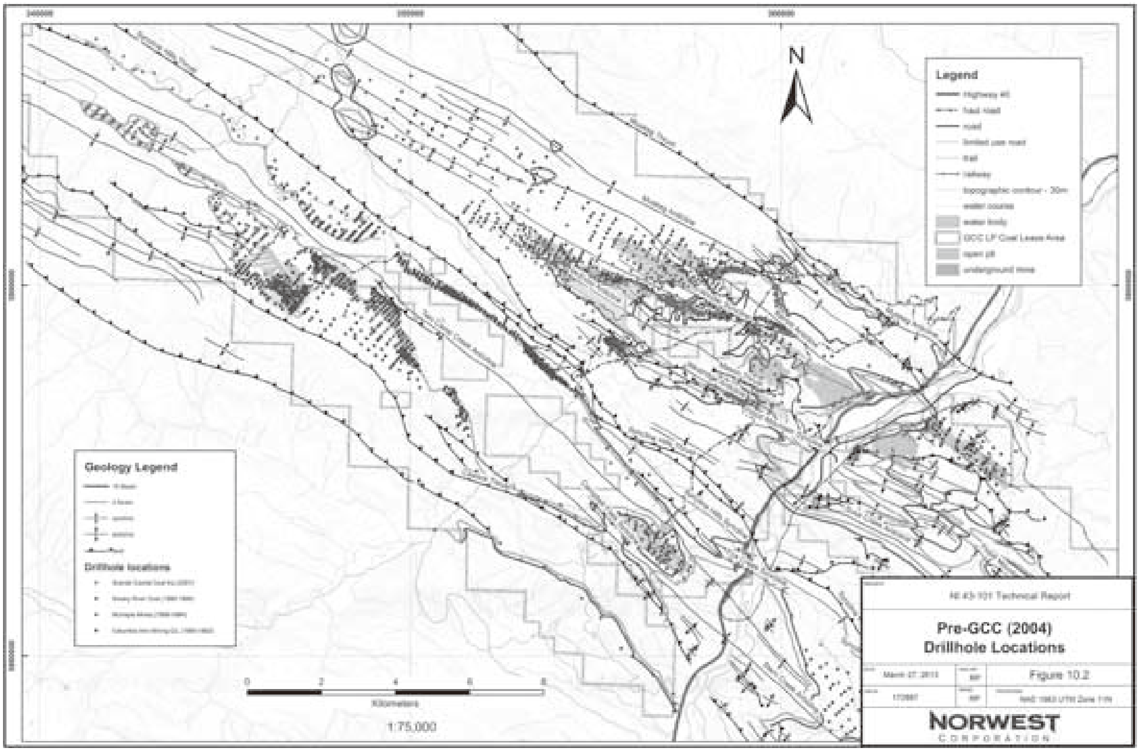


Table 10.1 is a summary of all drilling performed in the Smoky River Coalfield. Most of these holes are within the GCC lease area with the exception of approximately 50 holes in the Grande Mountain area (previously known as No. 14 Mine), and 100 holes outside the current leases in areas mined previous to 2000.

Table 10.1 Historical Drilling (Smoky River Coal Field)

Company	Period	No. of Holes	Total Metres
Columbia Iron Mining Co.	1960–62	50	8,136
McIntyre Mines	1969–1984	1,441	158,750
Smoky River Coal	1985–1999	2,106	240,481
Grande Cache Coal Inc.	2001	5	595

10.2 GCC Exploration

Since acquiring the site in 2004, GCC has conducted extensive yearly drilling programs in several areas. A summary of the distribution of holes by mine area and type is presented in Table 10.2 and Table 10.3. Drillhole spacing varied depending on structural complexity, as illustrated in Figure 10.3. Areas investigated for surface mining have commonly been evaluated at a close drill spacing to better define these more structurally complex areas. GCC has adhered to industry standard practices for conducting exploration programs.

Fifteen (15) core holes and four (4) air rotary holes were completed in 2013 in the No. 12 South A area and No. 8 Area respectively. Thirteen of the fifteen core holes were completed with coal intercepts, two being abandoned in overburden. Two (2) core holes and nine (9) rotary holes were completed during 2014 in the No. 12 South A area. Additional drilling undertaken in 2014, whose primary purpose was to obtain geotechnical data for mine planning, includes six (6) core and one (1) rotary hole in the No. 8 area.

Table 10.2 GCC Drilling Summary by Year and Area

Location	Year	No. of Holes	Total Metres
No. 8 Area	2004	43	6,508
	2005	72	10,974
	2006	64	10,507
	2007	66	8,440
	2008	5	190
	2009	51	5,371
	2010	21	3,539
	2011	135	16,751
	2012	37	3,130
	2013	4	175
	2014	7	991
Sub Total No. 8 Area		**505**	**66,576**
No. 2 Area	2009	14	353
	2010	50	6,459
	2011	6	1,421
Sub Total No. 2 Area		**70**	**8,233**
No. 16 Area	**2008**	**70**	**10,888**
No. 12 South B2	2006	1	318
	2008	6	1,420
	2010	2	444
	2011	1	207
Sub Total No. 12SB2		**10**	**2,389**
No. 12 South A	2006	22	4,845
	2010	3	396
	2011	1	178
	2013	15	2,655
	2014	11	2,470
Sub Total No. 12 South A		**52**	**10,544**
No.12 North	**2008**	**8**	**2,117**
No. 12 East	**2010**	**1**	**267**
Total GCC Drilling 2004–2014		**716**	**101,014**

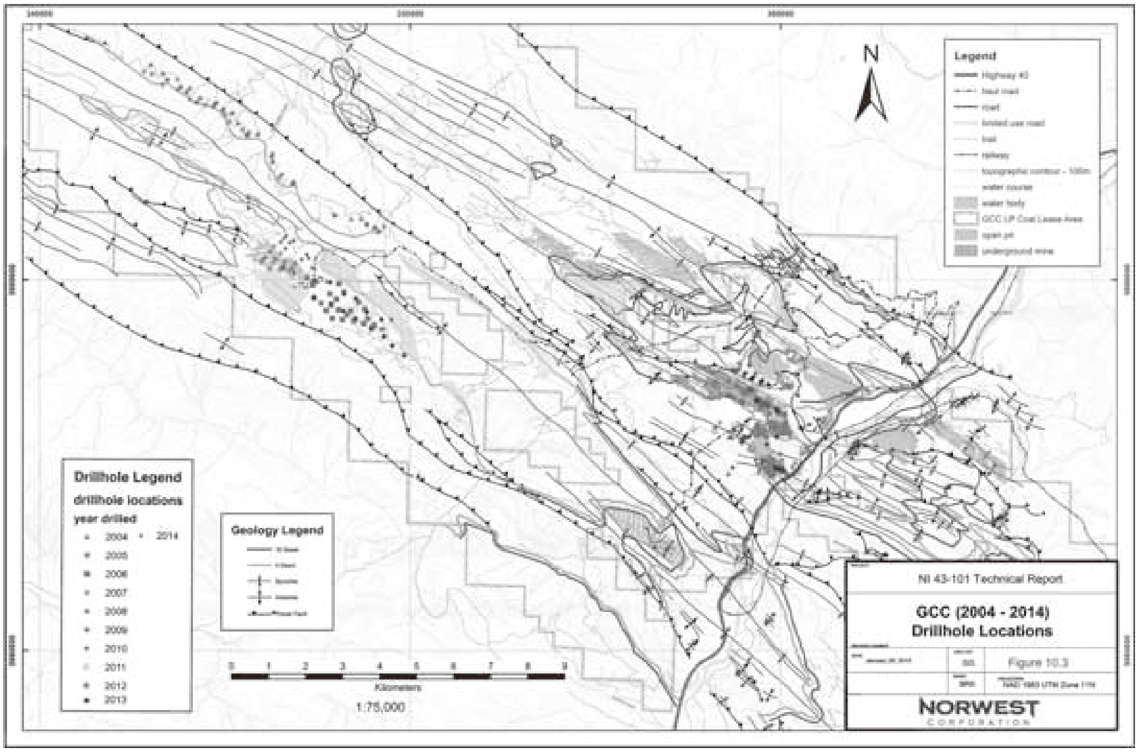
Table 10.3 GCC Drilling by Drillhole Type and Year

Year	Drill Type	No. of Holes	No. of Samples [1]	Total Metres
2004	Rotary	43	0	6,508
2005	DDH[2]	7	39	1,048
	Rotary	65	0	9,927
2006	DDH	2	28	303
	Rotary	85	0	15,367
2007	DDH	2	0	74
	Rotary	64	3	8,366
2008	DDH	9	53	948
	Rotary	80	0	13,667
2009	DDH	24	0	726
	Rotary	41	0	4,998
2010	DDH	9	18	1,041
	Rotary	68	26	10,064
2011	DDH	18	1	1,026
	Rotary	125	46	17,531
2012	DDH	1	6	101
	Rotary	36	27	3,029
2013	DDH	15	142	2,655
	Rotary	4	0	175
2014	DDH[2]	8	114	3,321
	Rotary	10	0	140
DDH		85	287	7,785
Rotary		611	102	89,632
Total GCC Drilling		**716**	**503**	**101,014**

(1) Coal Samples collected for laboratory analysis

(2) DDH – Diamond Drill Hole for coal and geotechnical sampling

Figure 10.3 GCC (2004 – 2014 Drillhole Locations)



10.3 No. 2 Area Drilling

This area was the primary focus of drilling activities during 2010 and 2011. Drilling was concentrated on the Reiff Terrace and Barrett Pit areas. A summary of the total drilling by type in this area is summarized in Table 10.4. The drillhole locations in No. 2 area are shown in Figure 7.6.

Table 10.4 Summary Of Drilling in No. 2 Area

	Core		Rotary		Totals	
Year	**#**	**m**	**#**	**m**	**#**	**m**
1961			5	990	5	990
1962			6	1,235	6	1,235
1970			14	917	14	917
1971			23	1,856	23	1,856
1972			16	2,048	16	2,048
1973			106	5,382	106	5,382
1974	5	160	8	464	13	624
1976			9	683	9	683
1981			13	2,254	13	2,254
1982			6	491	6	491
1984			19	1,238	19	1,238
1985			13	945	13	945
1991			2	631	2	631
1995			7	430	7	430
1996			46	5,564	46	5,564
1999			8	439	8	439
2009	9	109	1	48	10	157
2010	4	429	46	6,030	50	6,459
2011			6	1421	18	1,472
Total	**13**	**538**	**354**	**33,066**	**384**	**33,815**

10.4 No. 8 Area Drilling

Drilling in the No. 8 Area began in the 1960s and continued intermittently until 1987. GCC continued drilling in the No. 8 Area in 2004. The majority of the drill holes penetrated into the Torrens Formation sandstone below No. 3 seam. All drillholes post–1970 were geophysically logged.

The focus of the 2004 drilling program was to establish seam position and thickness. Conventional rotary drill methods were selected as a more cost effective method to complete the drilling and obtain down-hole geophysical logs. In 2005 and 2006, coal seam samples were collected from core or reverse circulation drilling methods. GCC also carried out drilling programs in 2007, and 2009 to 2014. The 2013 drilling program was focused on confirming coal seam position and thickness. The 2014 drilling program focused on collecting geotechnical samples to assess roof and floor rock conditions.

A summary of all drilling in this area is presented in Table 10.5 with drillhole locations shown in Figure 7.9.

Table 10.5 Summary of Drilling in No. 8 Area

	Core		Rotary		Totals	
Year	**#**	**m**	**#**	**m**	**#**	**m**
1961			3	374	3	374
1962			4	1,012	4	1,012
1970			12	664	12	664
1971			16	1,082	16	1,082
1972			8	995	8	995
1973	1	30	36	2,055	37	2,085
1974	15	465			15	465
1982			23	1,927	23	1,927
1984			28	3,203	28	3,203
1985			44	3,151	44	3,151
1986			2	92	2	92
1987	2	80	16	959	18	1,039
2001			1	61	1	61
2004			43	6,508	43	6,508
2005	7	1,048	65	9,926	72	10,974
2006			64	10,507	64	10,507
2007	2	74	64	8,366	66	8,440
2008	5	190			5	190
2009	15	617	36	4,754	51	5,371
2010	3	168	18	3,371	21	3,539
2011	17	819	118	15,392	135	16,211
2012	1	101	36	3,029	37	3,130
2013			4	175	4	175
2014	6	851	1	140	7	991
Grand Total	**74**	**4,443**	**642**	**77,743**	**716**	**82,726**

10.5 No. 12 South Area Drilling

10.5.1 No. 12 South A Area

A summary of the drilling completed in the No. 12 South A area is located in Table 10.6. All of the drilling that has been undertaken is consistent with the requirements of coal exploration and resource estimation, and includes diamond core drilling and rotary drilling. Coal samples were obtained from all core holes and one rotary drillhole.

GCC performed exploration drilling in 2006 and 2010 in the No. 12 South A area. The coal is expected to be extracted using both surface and underground mining methods. Two (2) of the 22 holes drilled in 2006 were cored to yield geotechnical information concerning roof and floor rock conditions. The 2013 drilling program again focused on collecting geotechnical samples to assess roof and floor rock conditions. The 2014 drilling program was focused on confirming coal seam position and thickness.

The drillhole locations are shown in Figure 7.15.

Table 10.6 Summary of Drilling in No. 12 South A Area

	Core		Rotary		Totals	
Year	**#**	**m**	**#**	**m**	**#**	**m**
1974			56	5,804	56	5,804
1975	20	2,266	5	516	25	2,782
1976			14	1,310	14	1,310
1989	3	230	8	2,321	11	2,551
1990	1	80	51	4,092	52	4,172
1991			55	3,575	55	3,575
1992	18	1,194	59	5,396	77	6,590
1993	4	334	7	330	11	664
1994	2	173	31	2,827	33	3,000
1995	3	324	32	2,906	35	3,230
1996	4	933	37	4,940	41	5,873
1997			11	2,425	11	2,425
1998			1	171	1	171
2006	2	303	20	4,542	22	4,845
2010			3	396	3	396
2011			1	178	1	178
2013	15	2,655			15	2,655
2014	2	440	9	2030	11	2,470
Grand Total	**74**	**8,492**	**400**	**43,759**	**474**	**52,691**

10.5.2 No. 12 South B2 Area

Drilling in the No. 12 South B2 Area began in 1971 and continued intermittently until 1998 under previous operators (Table 10.7). Many of these exploration holes are now mined out with excavation of the No. 12 South B2 pit. GCC also carried out a small drilling program in 2008 and cored three holes in 2010 and 2011.

Drillhole locations are shown in Figure 7.15.

Table 10.7 Summary of Drilling in No. 12 South B2 Area

	Core		Rotary		Totals	
Year	**#**	**m**	**#**	**m**	**#**	**m**
1970			1	49	1	49
1974			17	2,224	17	2,224
1975	5	433			5	433
1976			4	321	4	321
1993	11	965			11	965
1994	1	140	11	1,271	12	1,411
1995	3	227	31	4,024	34	4,251
1996			48	5,710	48	5,710
1997	2	148	118	15,482	120	15,630
1998			115	16,579	115	16,579
2006			1	318	1	318
2008			6	1,420	6	1,420
2010	2	444			2	444
2011	1	207			1	207
Grand Total	**25**	**2,564**	**352**	**47,398**	**377**	**49,962**

10.6 No. 12 North Area Drilling

McIntyre Mines completed drilling in this area from 1969–1976. Between 1988 and 1998, SRCL drilling included both core holes and reverse circulation rotary holes (Figure 7.19). In 2008 GCC completed a limited drilling program in this area comprising coring and rotary drilling methods (Table 10.8).

Table 10.8 Summary of Drilling in No. 12 North Area

	Core		Rotary		Totals	
Year	#	m	#	m	#	m
1969			3	433	3	433
1973			1	88	1	88
1974	5	454	112	10,593	117	11,047
1975	26	2,710			26	2,710
1976	1	70	36	2,873	37	2,943
1988			3	138	3	138
1993	20	1,235			20	1,235
1995	2	262	14	1,695	16	1,957
1996	1	130	49	4,190	50	4,320
1998			3	375	3	375
2008	2	566	6	1,551	8	2,117
Grand Total	**57**	**5,427**	**227**	**21,936**	**284**	**27,363**

10.7 NO. 16 AREA DRILLING

Previous exploration drilling was conducted in 1974 by McIntyre Mines and SRCL in 1997–1998 (Table 10.9). GCC completed additional drilling during 2008.

The drillhole locations are shown in Figure 7.22.

Table 10.9 Summery of Drilling in No. 16 Area

	Core		Rotary		Totals	
Year	#	m	#	m	#	m
1974			55	8,092	55	8,092
1997	5	331	55	7,074	60	7,405
1998	4	350	33	4,813	37	5,163
2008	2	192	68	10,696	70	10,888
Grand Total	**11**	**873**	**211**	**30,675**	**222**	**31,548**

10.8 No. 9 Area

Drilling in the No. 9 Mine area began in 1969 (Table 10.10) and continued, with the exceptions of a few years, to 1997. Drilling between 1969 and 1977 comprised predominately of diamond core drilling. Air rotary drilling became more common after 1970. Most boreholes were logged geophysically. The drillhole locations are shown in Figure 7.12.

Table 10.10 Summary of Drilling in No. 9 Area

	Open		Core		Total	
Year	# of BH	Metres (m)	# of BH	Metres (m)	# of BH	Metres (m)
1969	4	516	38	7,281	42	7,797
1970	12	1,088	32	6,894	44	7,982
1971						
1972	2	182	37	5,262	39	5,444
1973			4	796	4	796
1974			1	42	1	42
1975	5	934	74	8,306	79	9,240
1976			124	18,076	124	18,076
1977	33	4,897	58	5,998	91	10,894
1978						
1979						
1980	10	2,566			10	2,566
1981	24	5,489	7	1,720	31	7,209
1982	4	166			4	166
1983	9	499			9	499
1984	71	5,763	8	454	79	6,216
1985	103	5,565	11	502	114	6,067
1986	12	346	4	210	16	556
1987						
1988						
1989	20	5,031			20	5,031
1990	15	3,984			15	3,984
1991						
1992	1	99			1	99
1993	30	5,672			30	5,672
1994	6	978			6	978
1995	55	14,722	5	1,307	60	16,030
1996	48	7,071	4	603	52	7,674
1997	63	10,701	5	825	68	11,526
Total	**527**	**76,268**	**412**	**58,276**	**939**	**134,544**

10.8.1 No. 9D Underground Mining

Initial exploration drilling in the No. 9 Mine area was carried out 1969 and 1970. Follow-up drilling in southeastern extent of the No. 9D Underground resource was carried out in 1980 and 1981 and again between 1990 and 1991. Drilling of the northwestern extent of the deposit was predominately carried out between 1995 and 1997. About 120 boreholes were completed within the footprint of the No. 9D Underground Mining area between 1996 and 1997. Drill spacing in the southeast varies from 280m to 320m between section lines and 120m to 190m between boreholes along section lines. The drill spacing decreases to the northwest to about 500m to 700m between section lines and about 120m to 320m between boreholes along section lines.

10.8.2 No. 9 Surface Mining

Previous exploration drilling across the No. 9 Surface Mining area was carried out at regular intervals between 1996 and 1997 over which period about 420 boreholes were completed. The drill spacing of previously drilled boreholes is highly varied across the No. 9 Surface Mining area ranging from about 320m between section lines and 100m to 120m between boreholes along section lines in the northwest of the area to about 62m to 100m between section lines and about 30m to 45m between boreholes along section lines in the southeast of the surface mining area.

10.9 Future Exploration Drilling

Exploration drilling planned by GCC in 2015 will primarily focus on the north part of No. 12 Mine South A underground mining area.

Future exploration work between 2016 and 2018 will focus primarily on resource development in the following areas:

- No. 9D Mine – Underground Mining Operation
- No. 9 Mine West Extension – Surface Mining Operation
- No. 2 Mine Muskeg Pit and Barrett South – Surface Mining Operation
- No. 16 Mine – Surface Mining Operation.

11 SAMPLE PREPARATION, ANALYSES AND SECURITY

The consulting firm AMEC previously reviewed the sample preparation, analysis and security for the drilling prior to an audit completed in 2007. AMEC concluded the procedures were appropriate and generally are the procedures employed by the coal industry today.

11.1 Core Samples

Drilling personnel collected drill core and placed the core in core boxes of appropriate size. Drill core size has been typically 3 inch (76mm) diameter, however some earlier programs collected diamond drill core of a slightly smaller diameter. The core was transported to logging facilities by geologists where the core was measured, logged for geology and coal intervals were identified and sampled. In some cases the core was logged in boxes at the drill site or logged and measured in the core barrel before being placed in tagged sample bags.

The sampling protocol for coal core was to bag the complete core for each ply. Sampling requirements were for each coal ply to be no less than 15 cm in length and for each rock ply not be less than 5 cm in length. In most cases, rock plies were analyzed for the ash content and the content of waste components.

Each ply was bagged and tagged and multiple bags were used if the ply was large. The samples were then dispatched by ground transportation to a commercial coal laboratory. Drill core samples were primarily analyzed by independent, accredited laboratories, including GWIL Industries – Birtley Coal & Minerals Testing Division and Coring Laboratories Ltd., both based in Calgary, Alberta, and Commercial Testing & Engineering Co. based in Vancouver, B.C. In some cases the initial preparation of the core plies (or ”runs”) was completed by the SRCL laboratory. This laboratory was ISO-certified from approximately 1990 to 2000. As this laboratory was capable of only basic proximate and FSI tests, the ply samples would be shipped out to external laboratories for more sophisticated rheological, petrographic and chemical tests after the initial tests were performed onsite by SRCL.

Core plies were typically analyzed for in-place ash and FSI. Seam composites of cores were analyzed for sulphur, ash chemistry, proximate analysis and petrographic data. In some cases, the full suite of testing was applied to subsections of coal seams (high-ash or low-ash zones) where there was considered potential to mine and blend these subsections. Specifically, the upper 3m and the lower 4.5m of 4 Seam were sampled and analyzed separately for proximate and petrographic parameters in areas like No. 12 South.

Coal samples were analyzed for As-Received Moisture and air-dried moisture. The quality values are commonly presented on a “Dry Basis” by making adjustments for the measured moisture content, permitting the direct comparison of coal quality between coal seams.

Washability analyses of cores typically consisted of float/sink tests at one specific gravity (commonly between and SG of 1.40 to 1.50), which is dependent on the coal seam being analyzed. In later years, core composite samples were sieved at 0.5mm with the plus fraction being subjected to float sink and the minus fraction being subjected to froth testing, using similar chemicals as those in use by the GCC process plant at the time.

11.2 Adit Samples

Adit samples were subjected to extensive float/sink testing of the plus 28 mesh (0.5 mm) coal fraction. The float/sink testing was commonly applied to three or four size fractions at four or five specific gravities for floating each size fraction. The minus 28 mesh fraction was subjected to froth testing commonly for three time intervals.

SRCL and predecessors assembled an extensive database on the coking properties and washability characteristics of the different coal seams in the Smoky River Coalfield between 1969 and 2000. Most coking tests were conducted by CANMET, the federal government laboratory in Ottawa. These data now form part of the GCC quality data base.

GCC also has an extensive database of coal quality sampling of raw and clean coal conducted prior to shipping to ensure that the product meets customer specifications. Samples were produced from channel sample locations in surface and underground operations, and from raw and clean coal stockpiles. These samples were analyzed at the GCC mine laboratory which is not currently accredited, however periodic check samples were shipped out to accredited laboratories to confirm the in-house analyses. These sampling data come from all currently active and previously mined areas, including No. 12 South, No. 8, and No. 9.

12 DATA VERIFICATION

12.1 Geoprog 2012 Verification

In 2012 a team comprised of GCC employees and Geoprog Consulting (Geoprog) completed verification of the GCC and legacy data for the 2007 and 2011 Technical Report, which was summarized in the AMEC 2012 NI 43–101 Technical Report and include data from Mine Areas No. 2, No. 8, No. 12S, No. 12 North, and No. 16. The team verified those data together with No. 9 Area data for this report and confirmed at that time that the procedures and data were adequately maintained.

The team independently checked the exploration results from the open pit mining areas by reviewing geophysical logs. This information was compared to the equivalent seam information recorded by GCC. A third check was made to ensure what was reported on the cross-sections used for geological interpretation matched the information.

The results of that verification showed that GCC geology and engineering technical staff have followed coal industry standard methods of recording, storing, analyzing, and interpreting drillhole data. With a few minor variations, the results of the evaluation were the same as the GCC data analysis and interpretation. The team concluded that information used from geological records was verified, recorded, stored and used appropriately and accurately for geological interpretation on the GCC open pit coal mine areas.

Mine operations have also validated the sampling and testing data with coal deliveries meeting client specifications for quality.

GCC maintains the historic data in binders and filing cabinets at the GCC mine office. The data contain driller's logs, geophysical logs, geological logs and deviation survey information data. The team observed this information was well maintained.

Much of the hardcopy content from previous exploration and sampling is also maintained as electronic files on a secure central server. Access to the server is controlled by GCC Information Technology personnel.

12.2 Geoprog 2013 Verification

In 2013, GCC scanned all available hardcopies of historical exploration drillholes into digital format and then digitized the geophysical logs into LAS format for easy access.

Data verification in 2013 was completed by Geoprog for the historic No. 9 Area. For this area, GCC completed a number of tests on the No. 9 Area database, including cross checks of the collar elevation against recent LiDAR topography, comparisons of the seam picks from the drillhole databases against the geophysical logs, comparisons of deviation measurements down hole in the database against hardcopy in the files, and comparisons of the magnetic declination information from hardcopy files against the values in the drillhole database.

In addition to the data verification for the No. 9 Area, the QP verified the modeling for the No. 9 Area by constructing independently geometric and quality block models for this area using independent mining software and interpolation methods.

12.3 NORWEST 2014 VERIFICATION

12.3.1 Site Inspection

The Qualified Persons for the report have undertaken a site inspection of the GCC coal operations on October 20 through 22, 2014 and on January 27 and 28, 2015. During the site inspection the Qualified Persons conducted interviews with GCC geologic, mine planning and coal processing staff. Inspections of the coal processing facilities, mining operations and explorations areas were also completed during these site visit.

12.3.2 Geologic Database Verification

The original records for a subset of the exploration drillhole database used for coal resource estimation was obtained for detailed review and verification. The drillholes were selected such that their location represented the overall resource or areas believed to have the most impact on the current mine plans. The following number of exploration holes were selected for verification:

- No. 2 Area – 13 drillholes

- No. 8 Area – 26 drillholes

- No. 12 North Area – 3 drillholes
- No. 16 Area – 12 drillholes
- No. 12 South Area – 2 drillholes.

The detailed review of the above original records indicated that type and quality of information collected from previous exploration campaigns on the property is within expectations for similar coal projects located in the western Canada.

12.3.3 Geologic Models

The geologic models used for resource estimation were completed by AMEC and GCC using GCC exploration data. These geologic models and associated scripts (macros) were completed using MineSight™ software and provided to Norwest for verification and review. Norwest's observation of the modeling methods, geologic interpretations and estimations is in accordance with industry best practice. Norwest was also able to independently reproduce the resource tonnes reported for the No. 2 Area model using the provided geologic model data.

13 MINERAL PROCESSING AND METALLURGICAL TESTING

13.1 Introduction

This section focuses on both the physical attributes of the coal as they relate to coal processing and product as well as petrographic attributes which are important to understanding and predicting key elements for coke manufacture.

Large samples, collected from the coal preparation plant (CPP) feed stream, have been collected and laboratory analyzed for washability characterization. The washability characteristics and simulations of Grande Cache's CPP process are discussed below.

The coals mined at Grande Cache can be characterized as high rank low-volatile metallurgical grade coking coals. The primary seams, highest to lowest rank, are Seam 4, Seam 6, Seam 7 and Seams 10 and 11. This determination has been made with petrographic analysis. These test data are used to characterize the key properties as they relate to coking operations.

13.2 Washabilities Data

The washability data for the main three seam groups, Seam 4, Seam 7 and Seams 10–11 are discussed here. Although an extensive database of washability data exists from the GCC property dating back to exploration adits from the mid 1960s, the basis for the following discussion is GCC-delivered raw samples, in the range of 500–600kg for each seam, to Birtley Coal and Mineral Testing laboratory in December 2011. The laboratory is located in Calgary, AB.

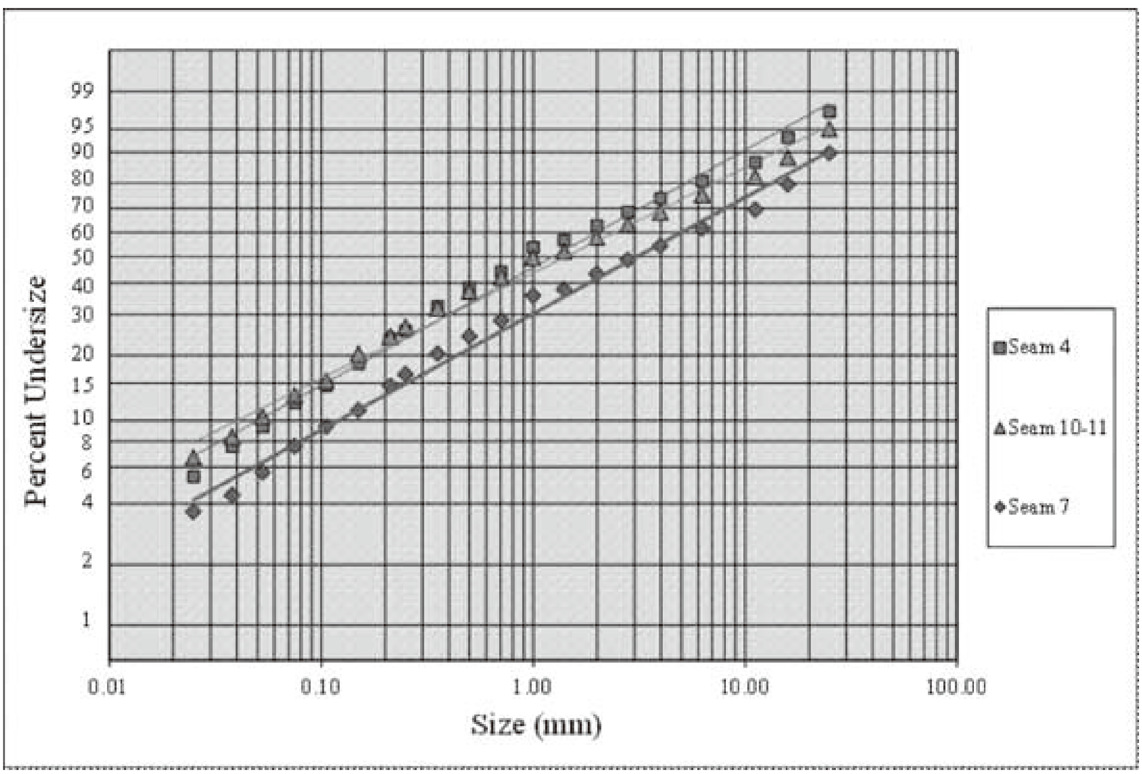
The test work for the washability study was comprehensive with the samples each screened and sieved into 21 size fractions, weighed and tested for raw ash content.

The screened fractions were recombined into eight logical size groups and subjected to sink-float testing. Fourteen density increments in each size fractions were obtained.

13.2.1 Size Distribution

An important part of a washability study is the determination of particle size distribution for each seam. This information is essential to proper sizing of the CPP processes. Figure 13.1 below is a standard Rosin-Rammler plot of the seams washed at GCC. The samples were collected post-rotary breaker, effectively minus 35mm material. The size distribution shown is consistent with friable low-volatile coking coals.

Figure 13.1 Rosin-Rammler Particle Size Distributions of GCC Seams



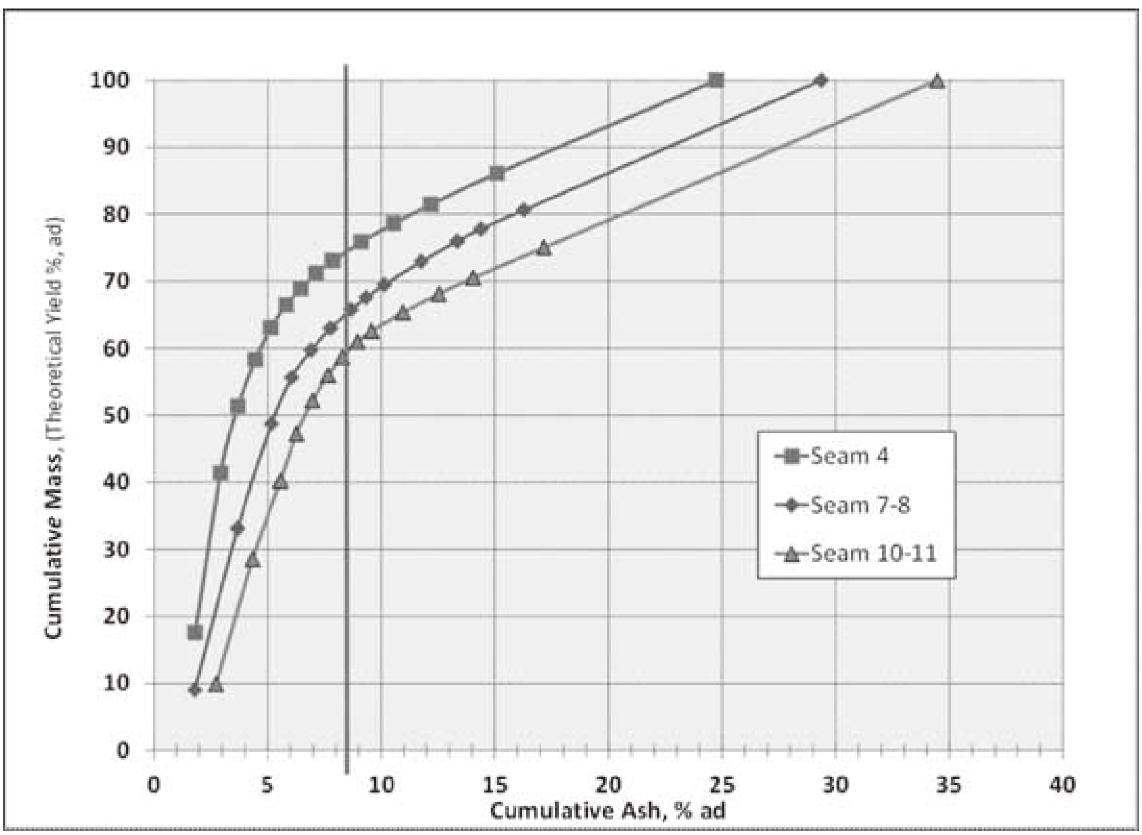
13.2.2 Sink-Float Analyses

After determination of size distribution, eight particle size groupings were subjected to sink-float testing utilizing 14 densities to provide a comprehensive washability characterization of the CPP feedstock.

Figure 13.2 below represents a weighted composite of the eight sink-float fractions for each seam. The cumulative float weight (mass) as a function of cumulative ash is a densimetric characterization of each seam. Note the knee-bend curve of each seam which indicates a "black and white" separation with minimal middlings material. The target product ash, 8.5% ad, is located to the right of the knee-bend, suggesting low near-gravity or relatively easy separation. The relative positions of each seam curve suggest that Seam 4 exhibits the lowest ash-product potential while Seam 10–11 the highest ash-product potential.

These ash-yield curves also provide an indication of theoretical yield for each seam. However, practical CPP yields will be lower due to process inefficiencies and the influence of out-of-seam dilution as well as particle size distribution.

Figure 13.2 Composite Theoretical Ash-yield Curves of GCC Seams



Figures 13.3 through 13.5 show the detail of each sink-float size fraction for each of the major seams at GCC. These ash-yield curves appear to be normal with the coarse fractions having the lowest yield potential and the fine fraction greater yield potentials. The coarser fractions indicate significantly higher ash content; this is primarily due to the high-ash dilution rock being physical stronger than the friable coal – hence a concentration of rock in the coarsest fractions.

Figure 13.3 Size Fractional Ash-Yield Curves – Seam 4

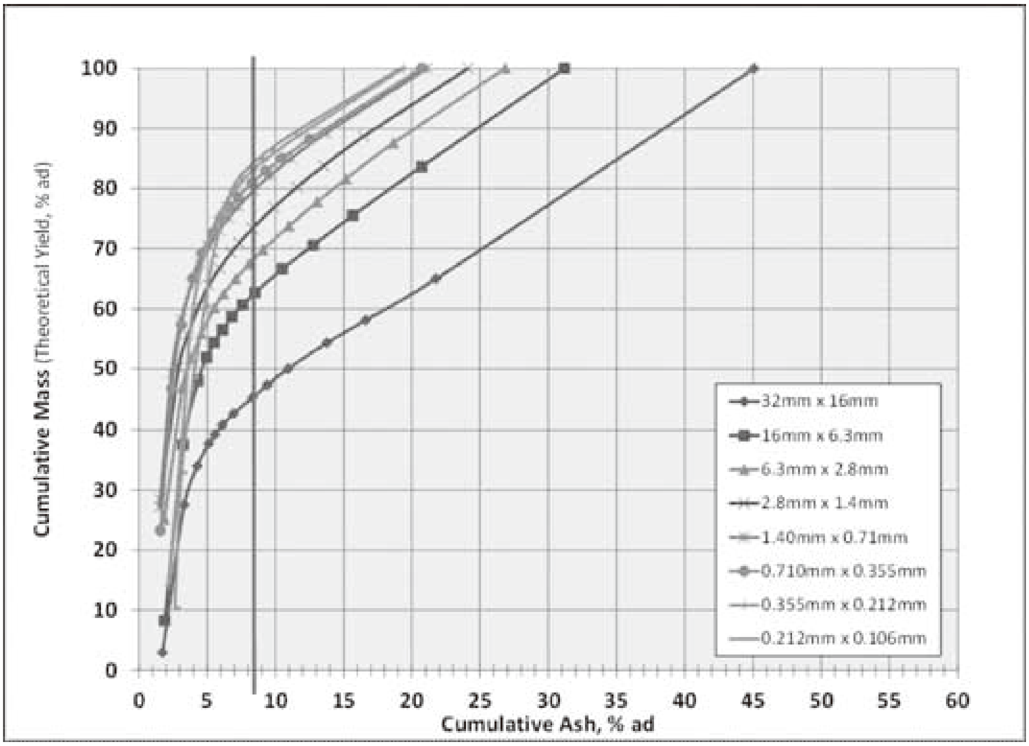


Figure 13.4 Size Fractional Ash-Yield Curves – Seam 7

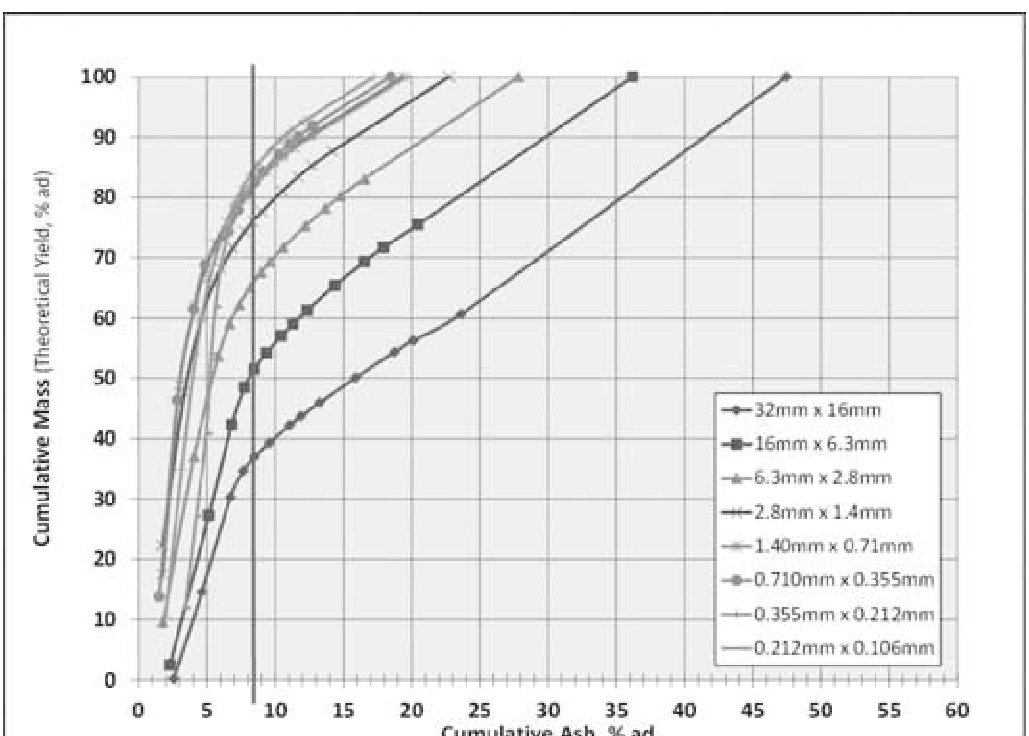
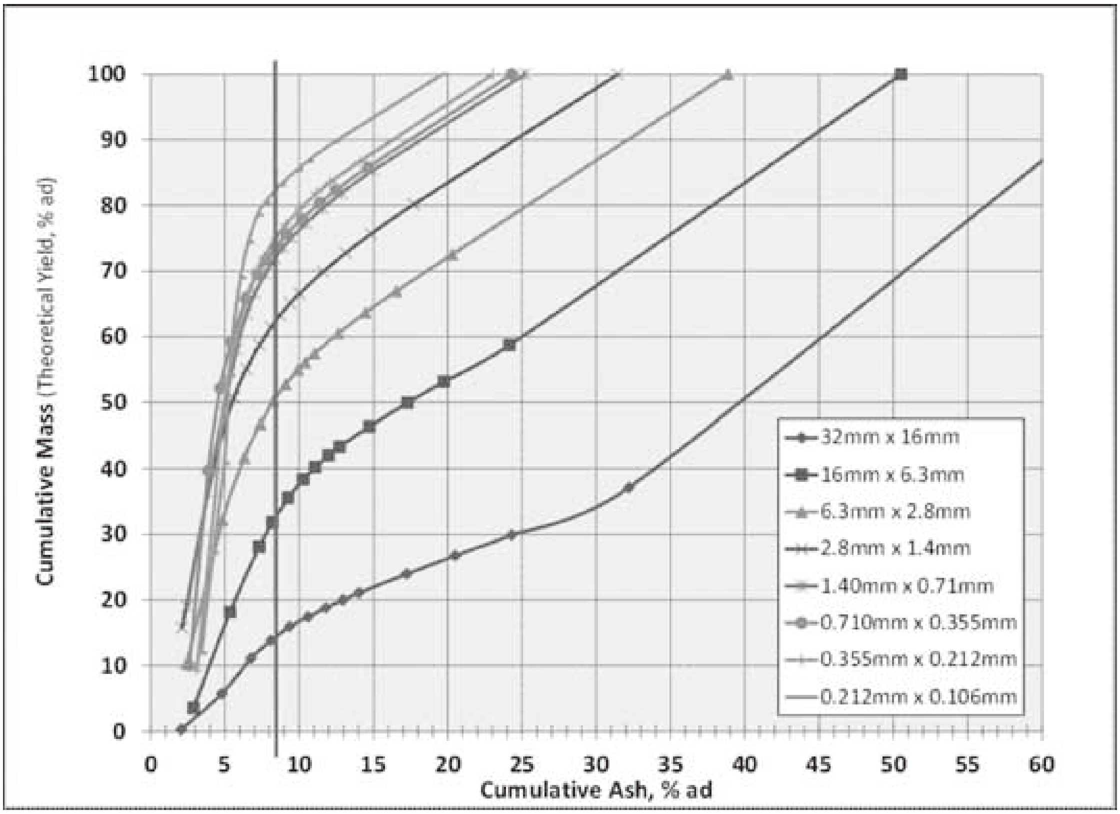


Figure 13.5 Size Fractional Ash-yield Curves – Seams 10–11



13.2.3 CPP Process Simulations

To determine the expected yields and product quality potentials, the process circuitry of the Grande Cache CPP was modeled in a Limn® simulation program. Limn® models the actual expected performance of each individual plant process, e.g., screens, cyclones, HMC, froth flotation, etc., and is capable of accounting for recirculating loads. The washability data – size and density distributions – are the input information.

Using the 2011 washabilities, Norwest simulated the Grande Cache CPP to determine the expected yields for a given product ash. These simulations are based on the CPP as described in Section 17 of this report. Norwest performed two sets of simulations. Figure 13.6 reflects the "as-is" condition of the CPP while Figure 13.7 reflects the planned modification of adding a reflux classifier circuit to span the now overlapping HMC and froth flotation circuits. This latter improved circuitry not only represents the potential yield improvement of the current CPP, but would also represent the expected performance of the planned new CPP at Beaverdam Creek.

Figure 13.6 Simulated CPP Yield – Existing Process

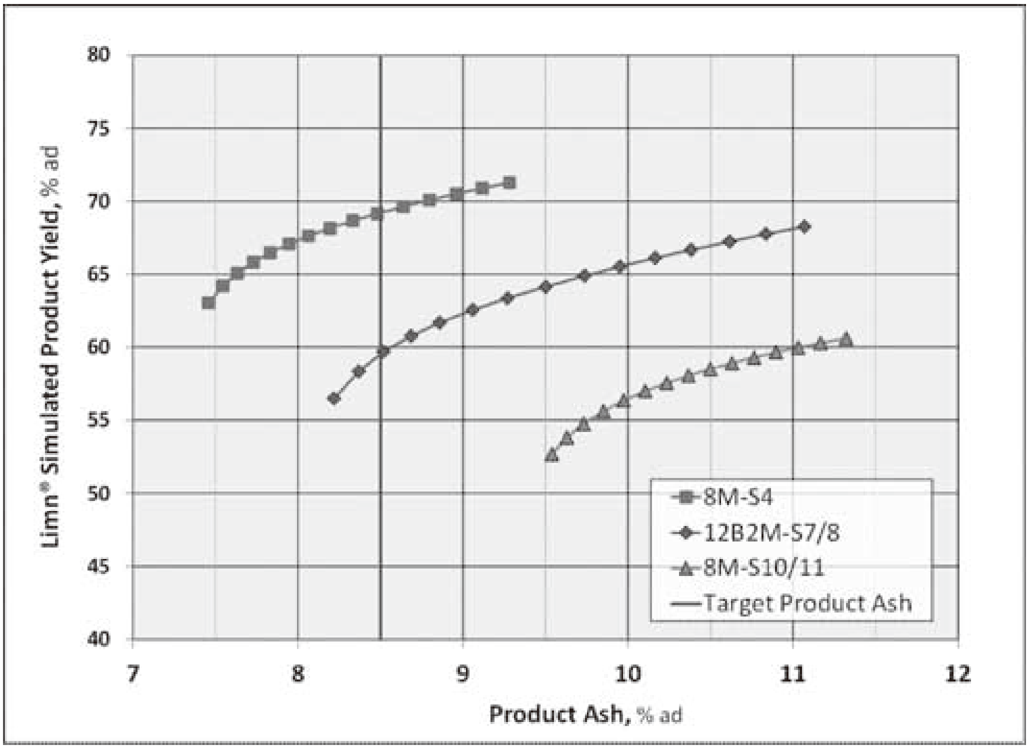
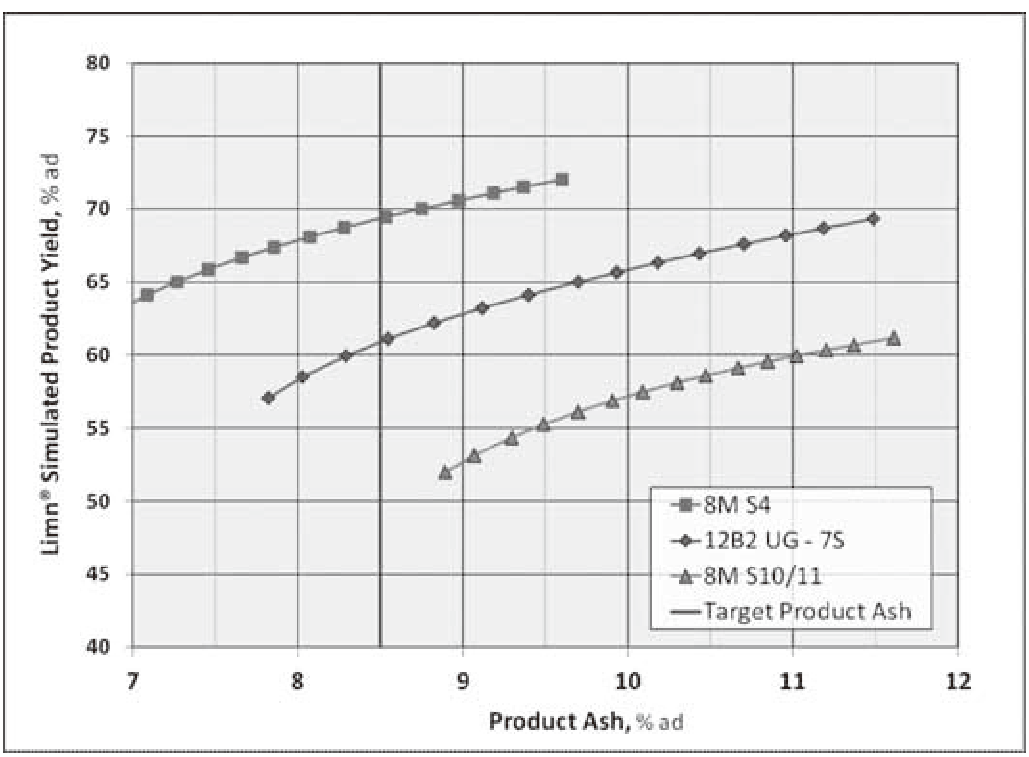


Figure 13.7 Simulated Cpp Yield – With Reflux Classifier Circuit



13.3 Metallurgical Coking Characteristics

This section discusses the key metallurgical quality characteristics of the Grande Cache coals.

13.3.1 Petrographic Characterization

Petrographic analysis, the study of coal macerals, provides a means of identifying coking properties as well as predicting the coking performance coal. Table 13.1 below lists the key values developed from petrographic analyses.

Table 13.1 Key Indicative Coking Properties from Petrographic Analysis

Seam No.	4 (9/2/8 Mine)	4 (12S/ 12N/16 Mine)	6	7	10	11
Mean Reflectance, % (Ro_{max})	1.63	1.64	1.58	1.57	1.51	1.47
Ash, %	6.4	6.9	6.0	8.1	7.8	8.1
Composition Balance Index	3.63	4.35	3.30	4.31	3.41	2.81
Calculated Strength Index	7.16	7.06	7.04	6.84	6.84	6.71
Calculated Stability Index	52	47	54	47	54	57
Estimated Coke Strength DI 30/15	94.1**	92.1	93.8	92.3	93.6	93.9
Predicted Free Swelling Index (FSI or CSN)	8**	6½	7½	5½	8	7
Total Reactive Components (Macerals)**, %**	71.4	67.4	69.5	62.7	65.1	66.5
Total Inert Components, %	28.6	32.6	30.5	37.3	34.9	33.5

** Actual pilot oven coke test results, CANMET Bells Corners laboratory.

The GCC coals are low volatile, high rank coals which fluidity and petrographic reflectance properties are consistent with coking coals of this rank. These are shown on the MOF graph on the next page (Figure 13.8).

Typical vitrinoid-type (V-type) distribution is shown in Figures 13.9 and 13.10. Again, these V-type distributions are consistent trending from the right (V–16) for lower seams to the left (V–14) for the upper seams.

Figure 13.8 MOF Graph

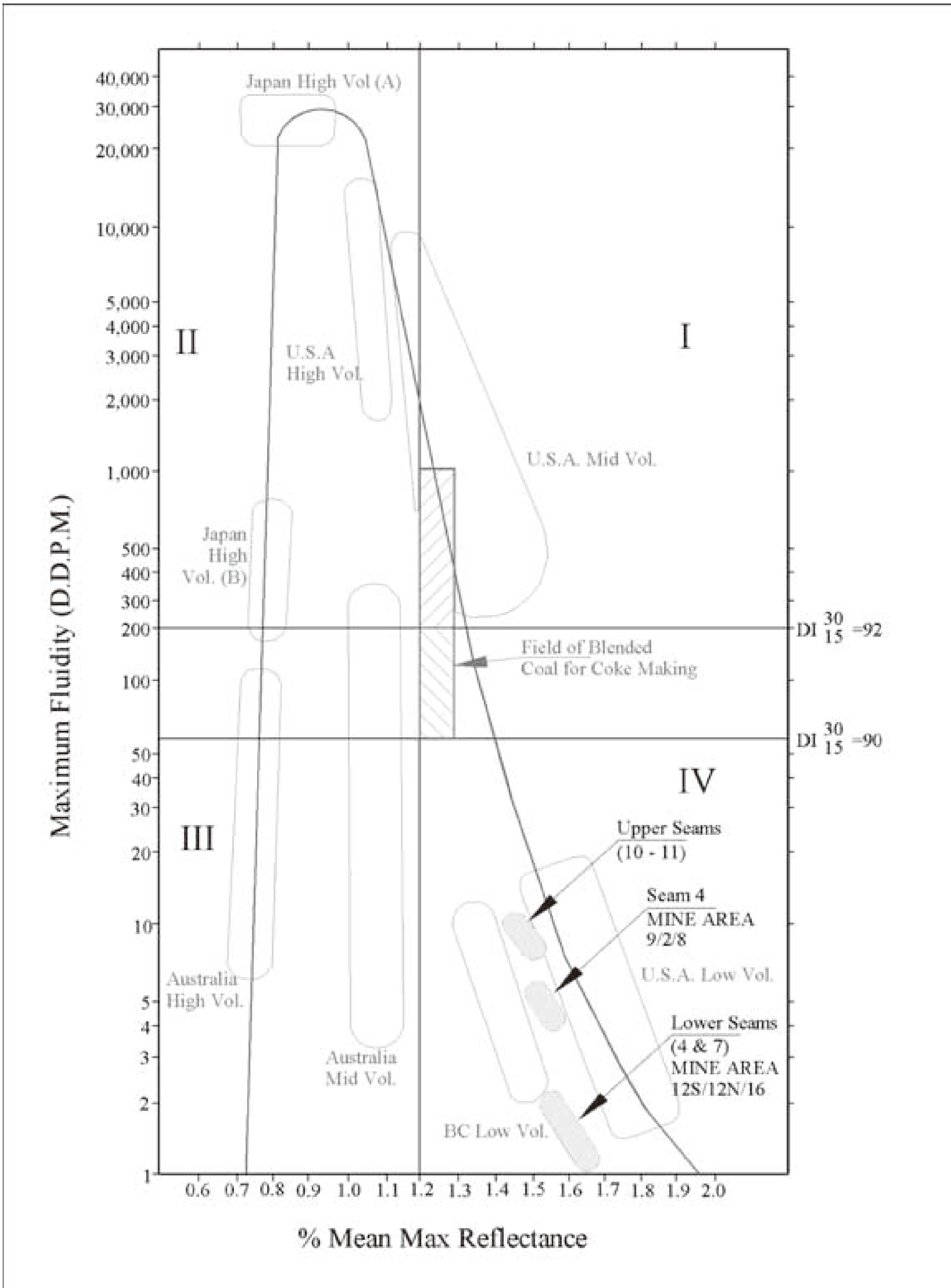


Figure 13.9 GCC V-Types – Seams 4 and 7 (Lower Seams)

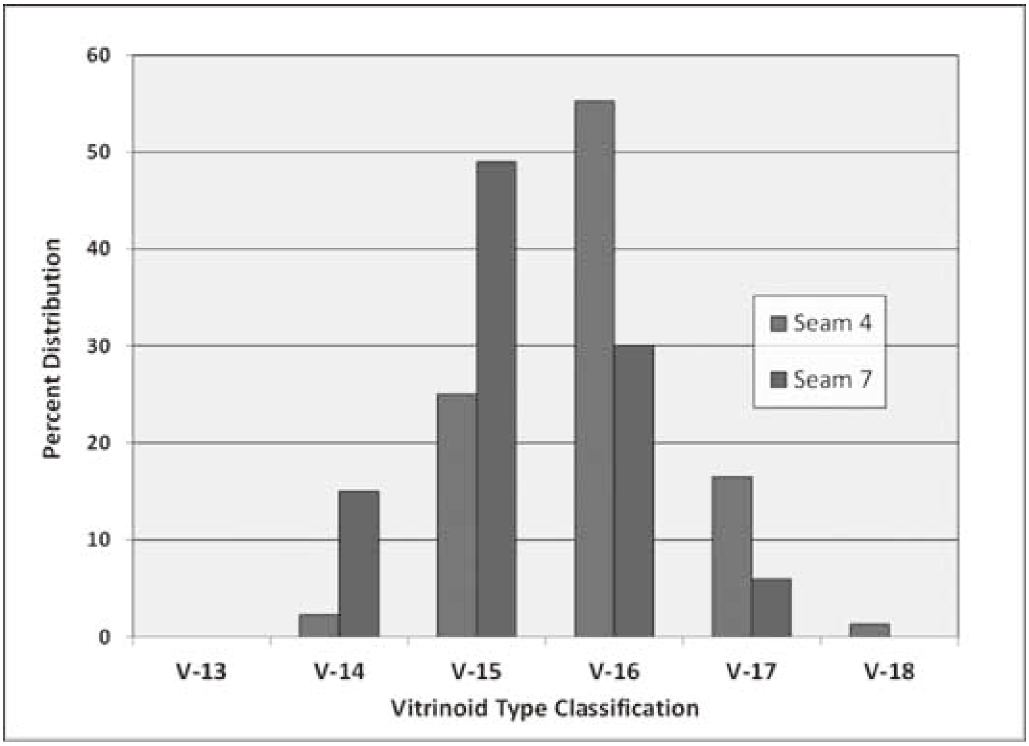
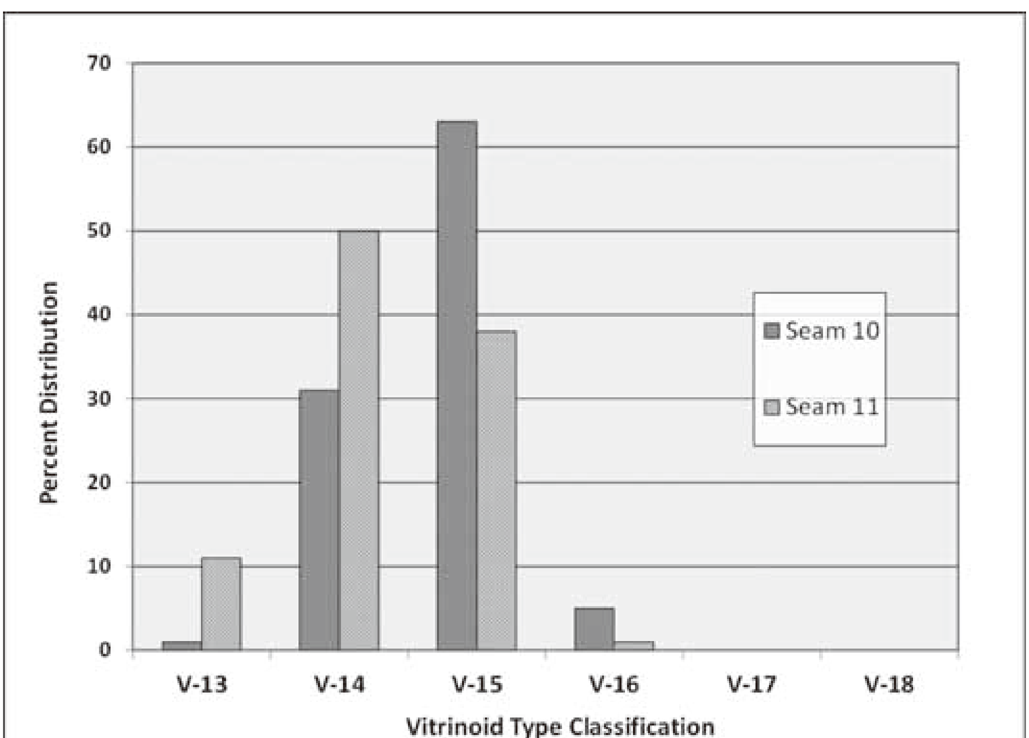


Figure 13.10 GCC V-Types – Seams 10 and 11 (Upper Seams)



13.3.2 Coke Strength Prediction

The predicted coke strength for select seams is shown in Figures 13.11 through 13.13. These are indicative only and may vary slightly due to location or ply.

Another means for predicting coke strength is the composition balance (Shapiro-Gray) graph. This is very useful since it uses petrographic data of the coal itself instead of actual oven tests. Figure 13.14 is also useful for pre-determining coal blends for coke making.

Figure 13.11 Predicted Coke Strength – Typical Seam 4

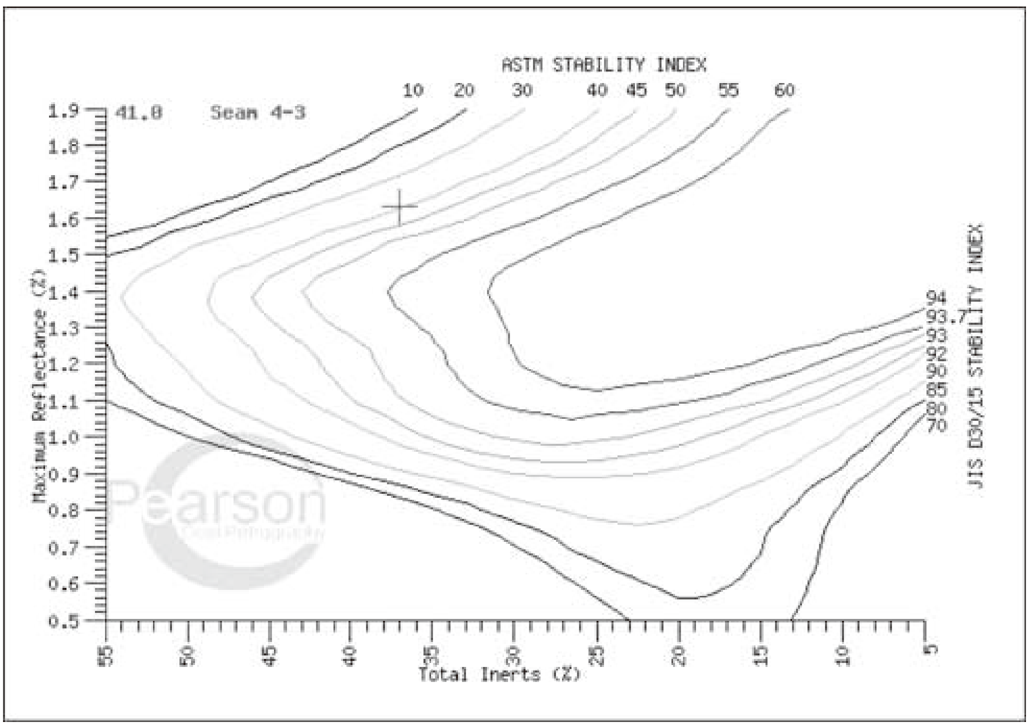


Figure 13.12 Predicted Coke Strength – Typical Seam 6

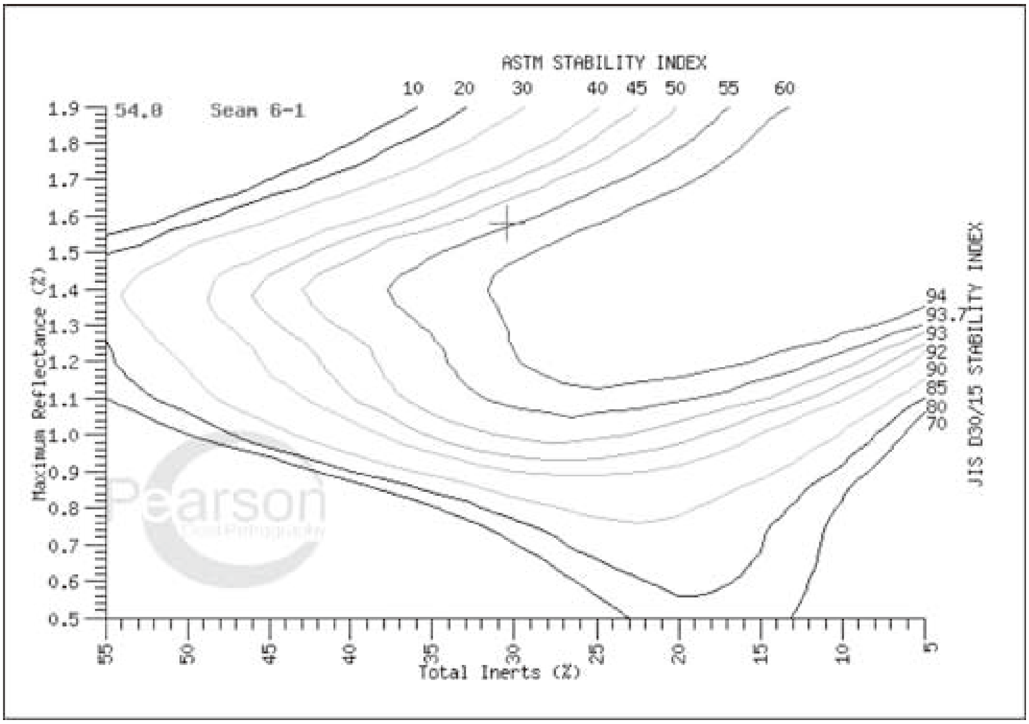


Figure 13.13 Predicted Coke Strength – Typical Seam 7

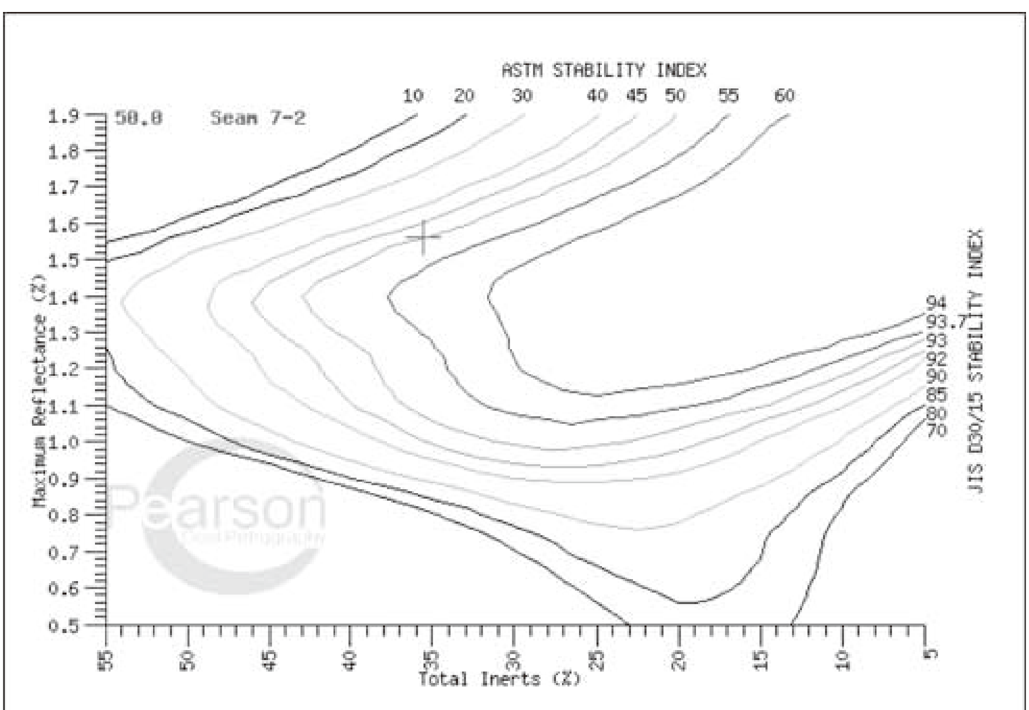
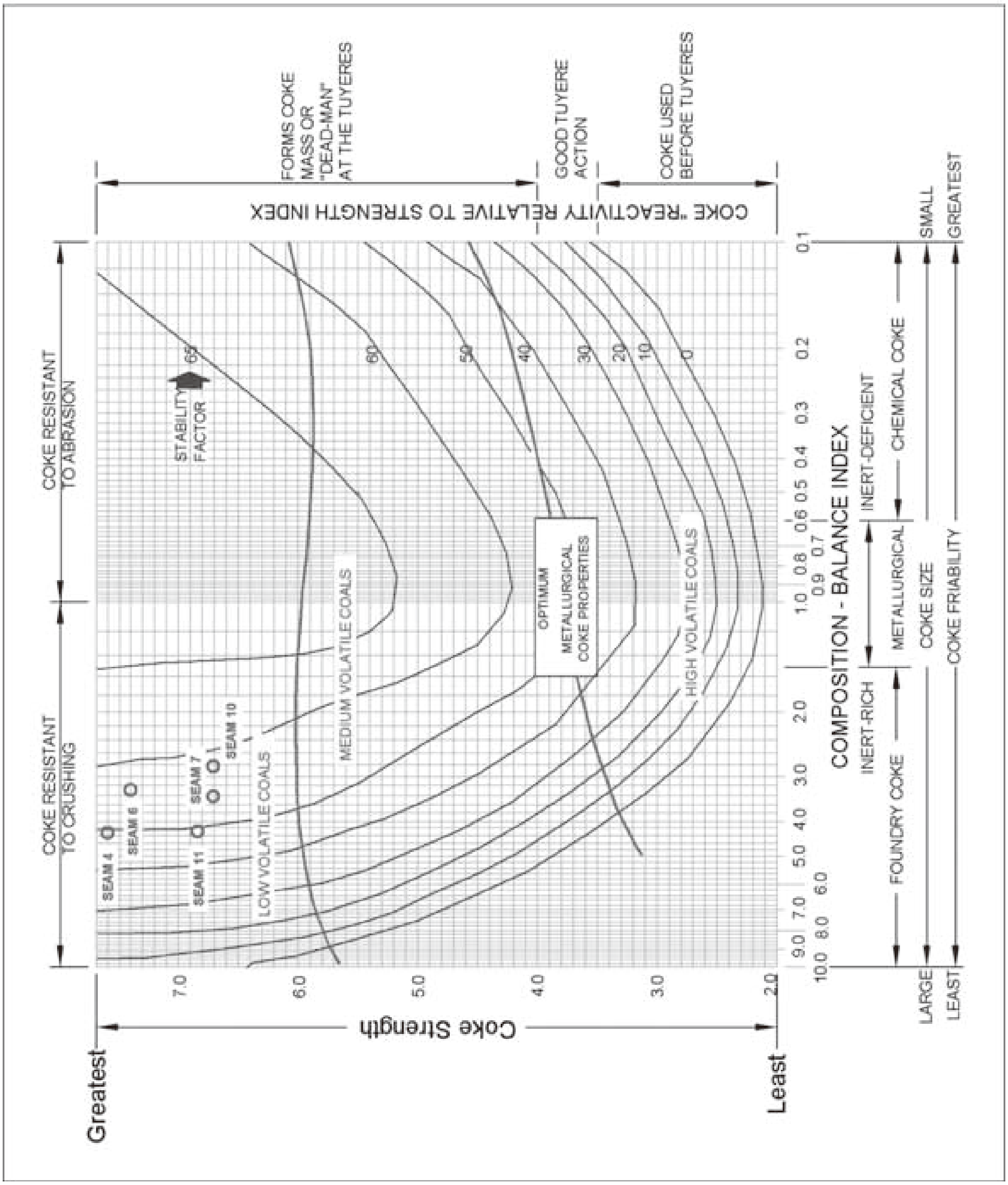


Figure 13.14 Composition Balance & Strength Graph



14 MINERAL RESOURCE ESTIMATES

14.1 Coal Resources

For the No. 2, No. 16, and No. 12 North areas, the coal resource estimates for this report were generated by the consulting firm AMEC with input from GCC staff geologists and were checked and reviewed by AMEC in 2012. No exploration, modeling or design work has been done in the No. 2, No. 16, and No. 12 North areas since the AMEC evaluation. For the No. 8, No. 9, No. 12 South B2 and No. 12 South A areas, the resource estimates have been updated based on new exploration, and/or modeling, and/or mining activity by GCC staff. Norwest has performed sufficient review and validation of the base data, geologic models, and resource estimates for the QP to confirm that these results meet industry standards for accuracy.

14.1.1 Reporting Coal Resources in Canada — Background Information

National Instrument 43–101 is the law that establishes scientific and technical disclosure standards for mineral projects in Canada and how mineral resources and reserves must be reported. This instrument was updated on December 30, 2005. The areas affecting resource and reserve reporting for coal properties was amended. The section of the Companion Policy 43–101CP, Part 2, Section 2.2 states:

> "A qualified person estimating mineral resources or mineral reserves for coal may follow the guidelines of Paper 88–21 of the Geological Survey of Canada: A Standardized Coal Resource/Reserve Reporting System for Canada, as amended ("Paper 88–21"). However, for all disclosure of mineral resources or mineral reserves for coal, Section 2.2 of the Instrument requires an issuer to use the equivalent mineral resource or mineral reserve categories set out in the CIM Definition Standards and not the categories set out in Paper 88–21."

In this report, all new resource calculations (No. 8, No. 9, No. 12 South B2, and No. 12 South A Areas) have been done using a sectional based method as strictly defined in Paper 88–21 for geology complexity types that require this method. Resource estimates in this report unchanged (No. 2, No. 16, No. 9 and No. 12 North Areas) from the previously filed Technical Report have been reviewed by the QP. While these resource estimates do not utilize a sectional based method for the more complex geological areas, the QP concludes they represent a method equivalent to the sectional method for these deposits.

14.1.2 Assurance of Existence

Assurance of Existence classes divides the total resource based on the level of certainty known about the quantities of coal. The amount of certainty is based on the distance of a resource block from a valid data point which provides the locations of the top and/or bottom of the coal seam. A valid data point is defined as a position that wholly or partially exposes a coal seam or any marker horizon that indicates the structure and/or proximity of the coal seam of interest. These can be obtained from any of the following:

- Surface outcrop
- Surface trench
- Adit driven
- Drillhole intersection.

The more complex the stratigraphic and structural regime of the coal deposit, the greater the number of data points that are required to assign the coal resource to a measured, indicated or inferred resource category. Table 14.1 below outlines the criteria used for the resource estimates for the No. 8, No. 9, No. 12 South B2, and No. 12 South A Areas. Table 14.2 outlines the criteria used for resource estimates for the No. 2, No. 16, and No. 12 North Areas.

Table 14.1 Metres Distance from Nearest Data Point for Resource Classification, No. 8, No. 9, No. 12 South B2 and No. 12 South A

Geological Type	Criteria	Confidence Class		
		Measured	Indicated	Inferred
Moderate	Distance from the nearest point (m)	0–450	450–900	900–2400
Complex	Cross-section spacing (m)	150	300	600
	Minimum number of data points per section	3	3	3
	Mean data point spacing along section (m)	100	200	400
	Maximum data point spacing along section (m)	200	400	800

Table 14.2 Metres Distance From Nearest Data Point for Resource Classification, No. 2, No. 16 and No. 12 North

Geology Type	Confidence Class		
	Measured	Indicated	Inferred
Moderate	0–300m	300–600m	900–2400m
Complex	0–100m	100–200m	200–400m

A moderate geology type consists of deposits that have been subjected to a moderate amount of tectonic deformation. Structural characteristics of these types of deposits include homoclines or broad open folds with seam dips less than 30°. Faults may be present with displacements of less than 10m. The No. 2, No.7, and the northwestern part of No. 9 Areas are the deposits that fit this classification.

A complex geology type consists of deposits that have been subjected to a high amount of tectonic deformation. Structural characteristics of these types of deposits include numerous anticline/syncline pairs, both symmetric and overturned, associated with large scale thrust faulting. The complex geology areas in the Project area include the No. 8, No. 12 South A, and the No. 12 South B2 Areas, and the southeastern part of the No. 9 Mine area.

Confirmation from GCC personnel has indicated that the coal quality has been generally consistent within each of the mined pits; therefore, modifying the classification parameters based on the presence of coal quality information is not warranted.

14.1.3 Probable Method of Extraction

Coal can be extracted using a variety of mining methods. For the purposes of resource estimation a simplified division is made such that resources are classified as surface or underground. Surface resources are considered to be non-underground mineable resources that exist within a conceptual open pit design (pit shell) that meets a 20:1 (bcm waste:tonne coal) cut-off strip ratio. Underground resources are considered as such where they are contained in seams with a dip of less than 30° and a minimum and maximum depth from surface of 50m and 600m, respectively.

14.1.4 Seam Thickness Criteria

Seam thickness parameters are also a factor in determining whether a coal seam becomes part of a resource. This includes the concept of separable partings, which are rock bands between seams that can be removed during mining activities. For surface resources, minimum coal ply thickness of 0.5m was used as a cut-off for inclusion of a seam in the resources. Partings were included where they were less than 0.5m, with an overall coal to rock ratio of 1.5 or greater.

For underground resources, the minimum seam thickness used to determine whether a seam is included in the resource was 1.5m.

14.1.5 Density

GSC Paper 88–21 refers to coal bulk density as:

> "The inherent specific gravities of the coal (including empty pores) and included non-coal material (ash), and of the fluid-filled porosity within the coal."

An empirical formula for density calculations has been developed for the Smoky River Coalfield using experimental data obtained using particle density test methods. These source coals for these tests have been obtained from drillholes, bulk samples and operating mines. They have been used to develop an empirical formula relating density to in-situ ash values. The density formula is:

Density (metric tonne per cubic metre) = -206.2/(ash % (db) – 163.2)

Ash% (db): ash content in the coal on an air dry basis

Density values for each block in the resource model were assigned based on the interpolated in situ ash content.

14.1.6 Geological Interpretation and Block Modeling

The modeling methodology used for resource estimation for all areas consisted of the following steps:

- Prepare data including database error checking within a mine area subset.
- Import of the drillhole data to the mining software package (Minesight® Torque®).
- Use the drillhole data to create 3D wire frame solids from cross sectional polygons for each seam.
- Create a triangulated 3D surface model representing the surface topography and the bedrock topography.
- Create coal seam solids models for each seam for coding coal ore percent into 3D block models.
- Create a 3D block model using blocks measuring 15m x 15m x 15m (except for No. 12 North Area and No. 16 Area, which are only 5m in height, and for No. 9, which is 25m x 25m x 15m). The relative percentages of each seam are then coded to the blocks, along with the percentage of the block that exists below topography.
- Interpolate coal quality using inverse distance squared (ID^2) from drillhole composites of sampled holes.

- Determine extent of oxidized coal as a function of depth from topographic or bedrock surface (10m was the value used for all areas except No. 16, where past experience in the No. 12 West Area along strike from No. 16 Mine indicate that a more appropriate value of 24 m should be applied).

- Classify a block's confidence class based upon its distance to the nearest drillhole intersection of the most abundant seam in the block, and in the case of sectional methods, the number of drillholes on a section line and the average spacing between those drillholes.

- Prepare surface resource pit shells using the Lerches-Grossmann (LG) algorithm at 20:1 cut-off incremental strip ratio (bcm waste:tonnes in-situ coal) with a 45° wall angle, following guidelines set out in GSC Paper 88–21.

- Determine underground resource limits for areas with shallowly dipping coal meeting thickness, dip and depth from surface criteria.

- Prior to resource reporting, the geologic models were checked against the input drillhole data for errata, errors or omissions. No significant differences were observed.

- Calculate surface and underground resources and coal quality from the block models and coal seam solids, including estimation of the resulting in-situ coal quality.

In 2012, the consulting firm AMEC and GCC completed LG analysis using updated resource models for all mine areas. In 2013, GCC updated the open pit resources with LG analysis using an updated model for No. 8 Area, and using a newly built model for the No. 9 Area. The criteria used in this analysis are summarized in Table 14.3.

Table 14.3 Summary of Input Criteria for Lerchs-Grossmann Analysis

Parameters	No. 2 and No. 8 Area	No. 12 and No. 16 Area	No. 9 Area
Overall Cutwall Angle	45°	45°	45°
Exchange Rate (C$/US$)	1.00	1.00	1.00
Price of Met. Coal (US$/t Clean)	170.00	170.00	170.00
Price of Ox. Coal (US$)	75.00	75.00	75.00
Mining Cost (C$/BCM)	4.00	4.00	4.00
Coal Haulage (C$/t Clean)	8.00	8.00	8.00
Met. Coal Processing (C$/t ROM)	14.00	14.00	14.00
Offsite Cost (C$/t Clean)	35.00	35.00	35.00
Sustaining Capital (C$/t Clean)	15.00	15.00	15.00
General & Admin (C$/t Clean)	13.00	13.00	13.00

14.1.7 Resource Summary

The coal resources with an effective date of December 31, 2014, are shown in Table 14.4 and Table 14.5. Figure 14.1 illustrates the distribution of the coal resources for all areas of the GCC property. Figures 14.2, 14.3, and 14.4 illustrate the distribution of resources in the newly added No. 9 Area for the three coal seams of economic interest. Figures 14.5 and 14.6 show re-categorized resources in the No. 12 South B2 and No. 12 South A areas. The re-categorization of the No. 12 South area was done primarily to reflect the change in deposit type for 12 South A from open pit to underground. Oxidized coal is a by-product at GCC's operation and not included in these resources. This report does not include from highwall mining areas and former surface mines No. 1, No. 5, and No. 11 or from underground Mine No. 7.

The accuracy of resource and reserve estimates is, in part, a function of the quality and quantity of available data and of engineering and geological interpretation and judgment. Given the data available at the time this report was prepared, the estimates presented herein are considered reasonable. However, they should be accepted with the understanding that additional data and analysis available subsequent to the date of the estimates may necessitate revision. These revisions may be material. There is no guarantee that all or any part of the estimated resources or reserves will be recoverable.

Table 14.4 Summary of Coal Resources, Measured and Indicated

	Measured (Mt)	Indicated (Mt)	Total (Mt)	Ash (%)	FSI
Surface Mining Area (2)					
No. 2 Area	61.4	23.2	84.6	26.8	5
No. 8 Area	35.4	7.4	42.8	23.2	5
No. 9 Area	38.2	70.6	108.8	22.2	5
No. 12 South B2 Area (3)	2.6	1.0	3.6	13.9	3
No. 12 North Area	39.1	15.6	54.7	16.6	3.5
No. 16 Area	56.0	20.2	76.2	13.9	3.5
Total Surface Areas	**232.7**	**138.0**	**370.7**	**20.8**	**4**
Underground Area (4)					
No. 9 Area	108.2	33.6	141.8	21.9	5
No. 12 South B2 Area	4.3	5.2	9.5	13.9	3
No. 12 South A Area	25.4	39.6	64.9	14.8	3
Total Underground Areas	**137.9**	**78.4**	**216.2**	**19.4**	**4.5**
Grand Total	**370.6**	**216.4**	**586.9**	**20.3**	**4**

Notes:

(1) Quality of all resources classified as Low Volatile Bituminous (ASTM)

(2) Surface mining resources estimated by GCC staff based on a 20:1 strip ratio cut-off and a 45 pit wall angle

(3) No.12 South B2 surface resources are those remaining after the open pit reserves have been mined out

(4) Underground resource estimated by GCC staff. Minimum depth of cover approx. 50m. Maximum underground extraction angle 30°; 20m buffer from faulting, 50m buffer from highwalls

(5) Coal resources are inclusive of the coal reserves

(6) The resource estimates are effective December 31, 2014 and have been prepared under supervision of Lawrence D. Henchel, P. Geo. and Qualified Person

(7) Rounding as required by reporting guidelines may result in apparent summation differences

Table 14.5 Summary of Coal Resources, Inferred

	Inferred (Mt)	Ash (%)	FSI
Surface Mining Area (2)			
No. 2 Area	6.3	23.2	5
No. 8 Area	0.7	24.4	5
No. 9 Area	27.5	20.5	5
No. 12 South B2 Area (3)	0.5	17.9	4
No. 12 North Area	2.2	21.2	3
No. 16 Area	15.9	15.3	4
Total Surface Areas	**53.1**	**19.3**	**4.5**
Underground Area (4)			
No. 9D Area	20.1	20.1	5
No. 12 South B2 Area	0		
No. 12 South A Area	3.4	16.0	3
Total Underground Areas	**23.5**	**19.5**	**4.5**
Grand Total	**76.6**	**19.4**	**4.5**

Notes:

(1) Quality of all resources classified as Low Volatile Bituminous (ASTM)

(2) Surface mining resources estimated by GCC staff based on a 20:1 strip ratio cut-off and a 45 pit wall angle

(3) No.12 South B2 surface resources are those remaining after the open pit reserves have been mined out

(4) Underground resource estimated by GCC staff. Minimum depth of cover approx. 50m. Maximum underground extraction angle 30°; 20m buffer from faulting, 50m buffer from highwalls

(5) Coal resources are inclusive of the coal reserves

(6) The resource estimates are effective December 31, 2014 and have been prepared under supervision of Lawrence D. Henchel, P. Geo. and Qualified Person

(7) Rounding as required by reporting guidelines may result in apparent summation differences

Figure 14.1 GCC Mine Areas – Surface and Underground Resource Classification

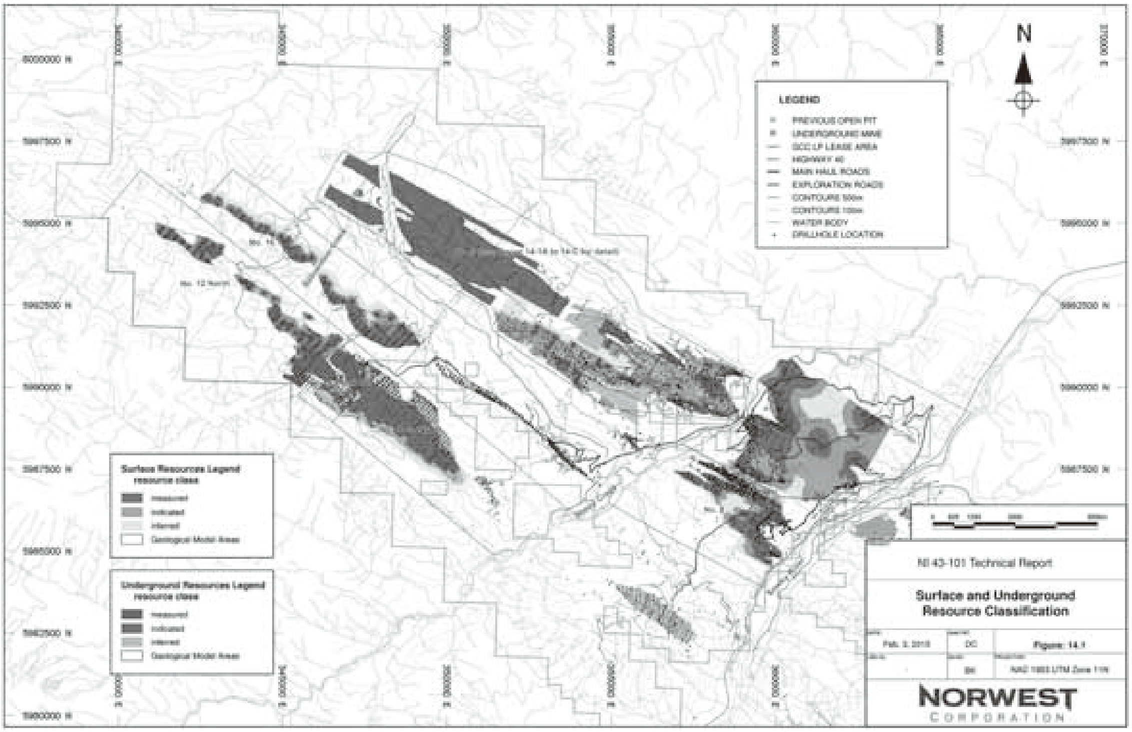


Figure 14. 2 No. 9 Area 11 Seam Resource Classification

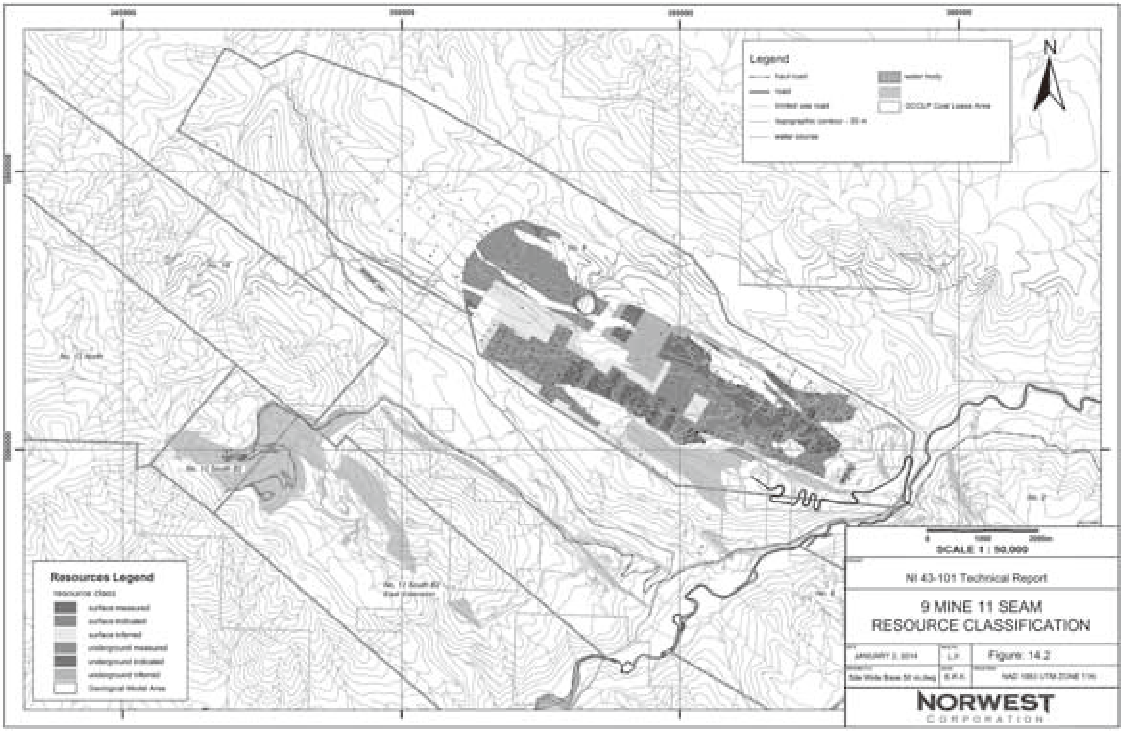


Figure 14.3 No. 9 Area 10 Seam Resource Classification

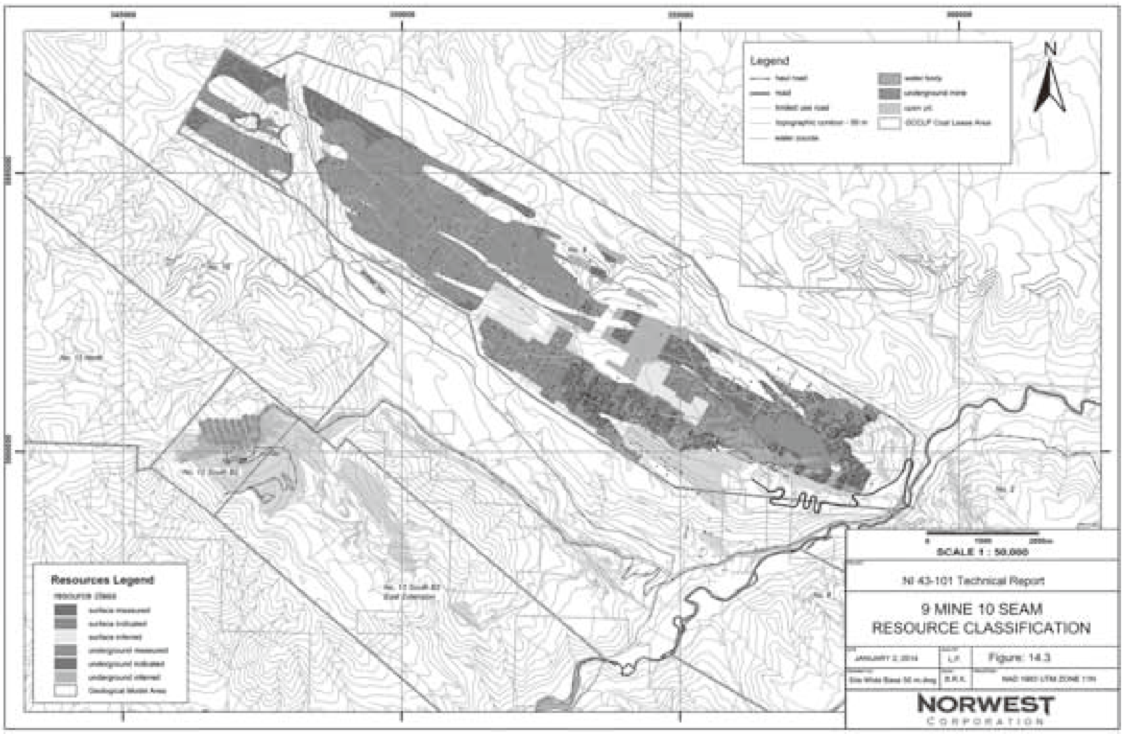


Figure 14.4 No. 9 Area 4 Seam Resource Classification

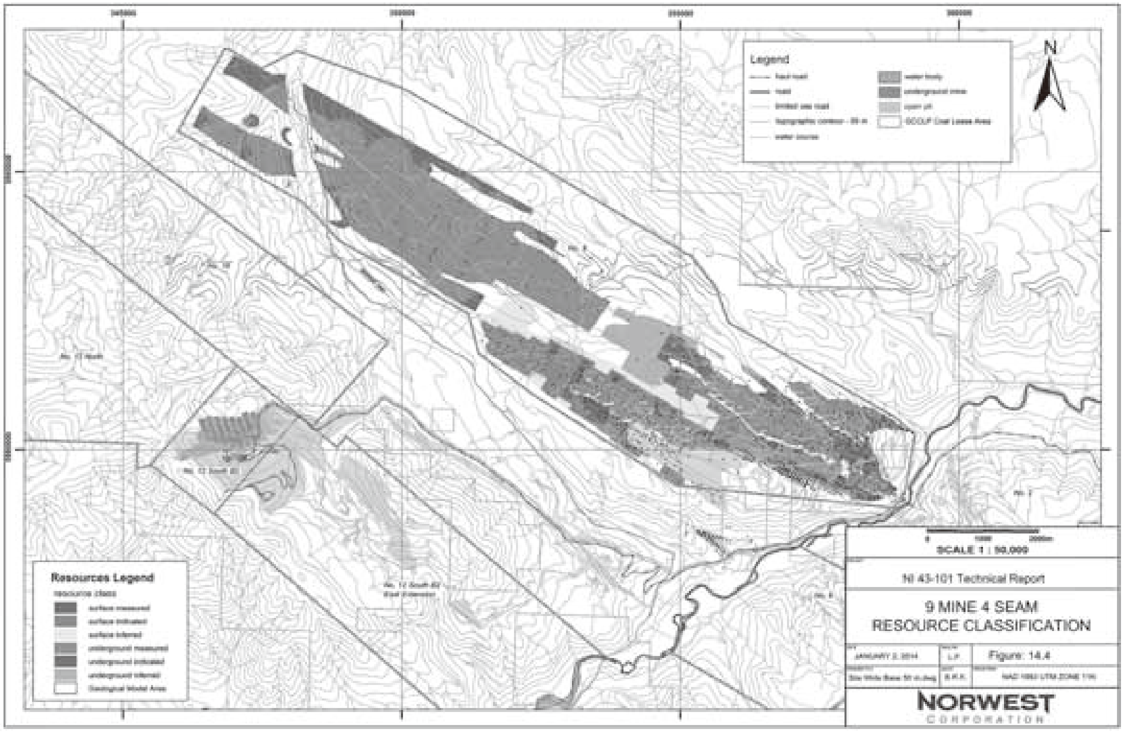


Figure 14.5 No. 12 South Underground 7 Seam Resource Classification

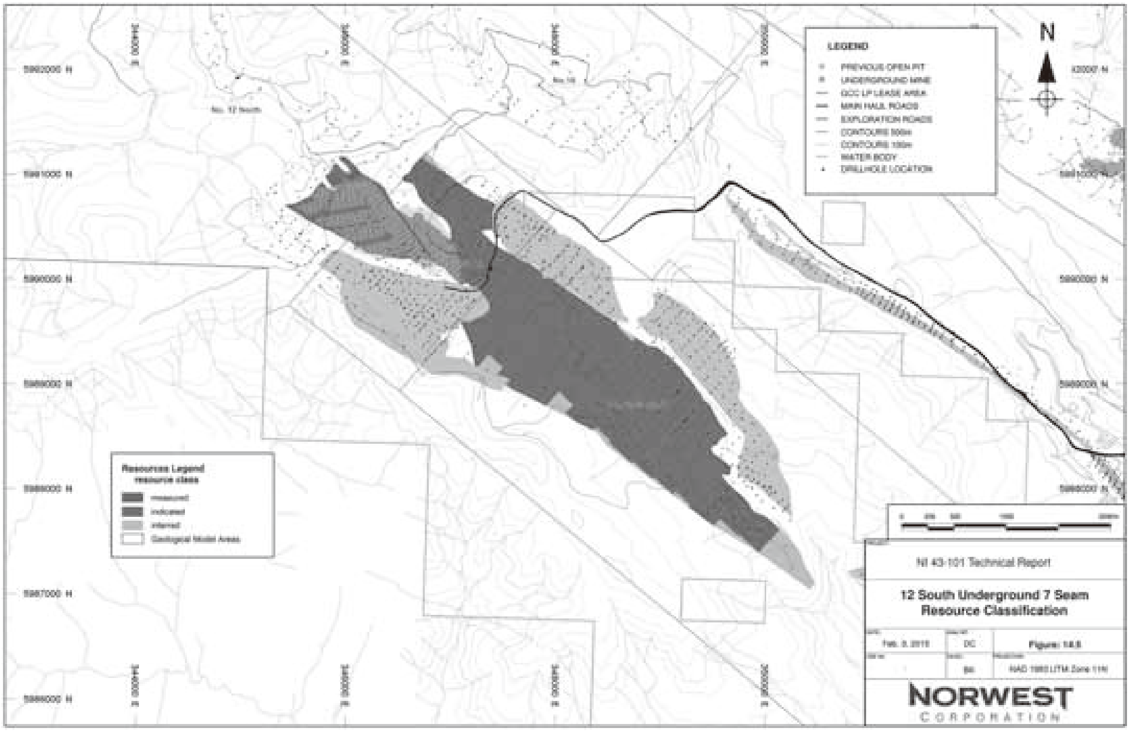
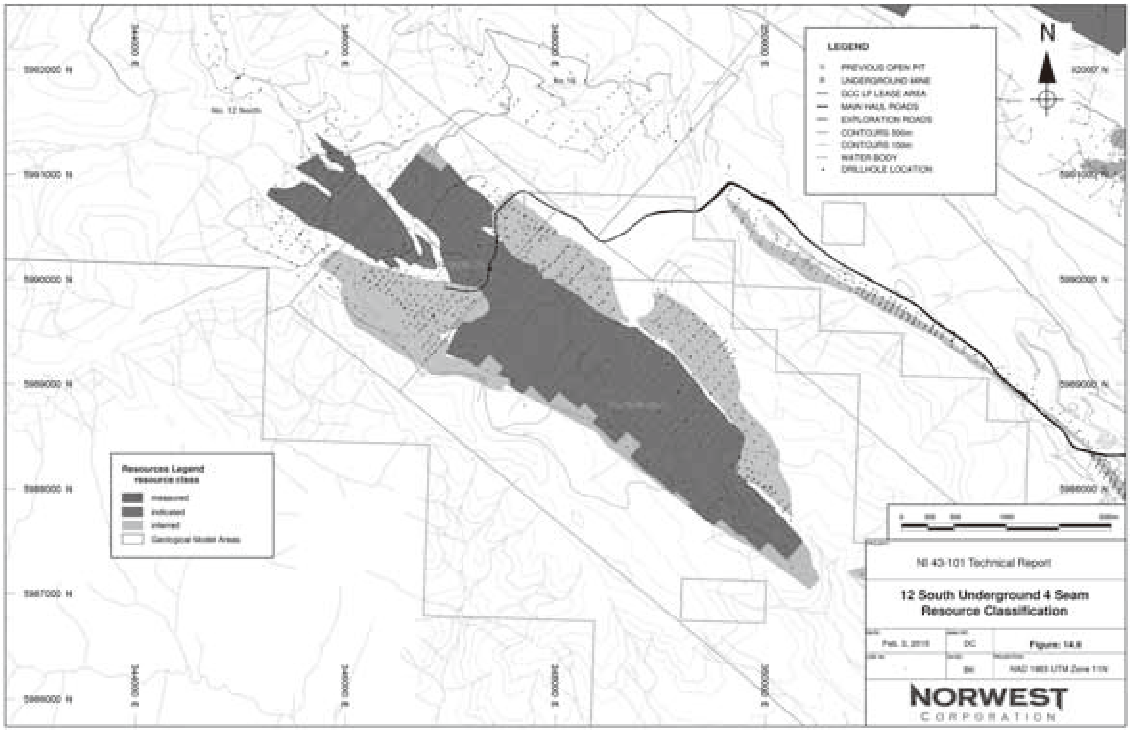


Figure 14.6 No. 12 South Underground 4 Seam Resource Classification



15 MINERAL RESERVE ESTIMATES

To qualify coal resources as coal reserves, a number of economic and technical factors must be applied. These include but are not limited to the considerations addressed in this section.

15.1 Revenue and Cost Factors

Revenue and cost factors considered in the evaluation of coal reserves include:

- Estimates for the near and long term price of metallurgical coal in the domestic and international market place.
- Operating costs associated with mining, transporting and processing the coal at the mine site.
- Overhead costs associated with marketing and transporting the finished coal product to customers.
- Overhead costs associated with administrative and technical functions relative to operating a mine.

Norwest has reviewed these economic factors as supplied by GCC and used in previous Technical Reports prepared by Norwest and the consulting firm AMEC, and confirmed them as appropriate to verify the economic viability of the individual mining areas. These also form the basis of the economic analysis summarized in Section 22.3.

15.2 Geotechnical Parameters

Geotechnical parameters governing the orientation of the pit slopes, haul roads, and waste dumps have been reviewed. Due to the complex geology in the surface mining areas, the final design parameters for the pit walls and some of the access road cuts can only be determined once detailed field investigations of each area have been completed. GCC plans to perform this work in advance of mining. Approximate parameters have been used for long range pit design, based upon the experience gained from more than 36 years of open pit mining on the GCC property.

Geotechnical investigations were used to assess ground conditions[2] and ground control aspects of the mine design[3] during mine licensing along with site specific assessments. The parameters governing the stability of the excavations and ground control practices in the underground operations were reviewed by Norwest and were found to be reasonable and consistent with standard industry practice.

---

2 12SB2 Underground, Geotechnical Drilling and Assessment of CMRR, Golder Associates, March 2010

3 LAMODEL Analysis of Multiple Seam Mining in the 7/8 and 4 Seams at the Grande Cache Coal Corporation 12SB Mine, Appalachian Mining & Engineering, Inc., July 2011

The No. 12 South B2 underground geotechnical designs are based upon finite element analysis reviews prior to the start of mining operations. As mining progresses, geotechnical data is collected and mine plans are revised accordingly. Norwest has conducted bi-annual geotechnical inspections which include a review of ground control and excavation stability to provide independent observations and recommendations. The design basis for the No. 12 South B2 mining operations has been considered in the design of adjacent No. 12 South A mining operations in the 7/8 Seam and 4 Seam mining horizons. A finite element analysis has been completed for the initial design of the No. 12 South A mine plan. Geotechnical boreholes were completed for the planned No. 12 South A Mine with laboratory test results provided to GCC in March, 2014. The results of this additional geotechnical information may be utilized to confirm the current design and/or utilized to reassess ground support requirements and geotechnical modeling for the mine license application.

Geotechnical information for the No. 9D Area is limited to E–log information correlated to provide guidance with regard to unconfined compressive strength of the geologic strata. E–log information in the No. 9D Area has been reviewed along with historic longwall and room and pillar mining completed to the southwest of the planned mining area. Available 4 Seam information indicates moderate to good roof conditions similar to the historic mining operations of the 4 Seam. Referencing available limited historic underground mining conducted in the 10 Seam, geotechnical information appears less favorable with E–log information showing weaker immediate roof conditions with variable weak zone strata thickness. Additional detailed geotechnical investigations are necessary to provide increased confidence for ground control design and out of seam dilution projections. GCC has budgeted approximately 110 boreholes to be completed in 2015–2017 to aid in mine design.

15.3 Coal Recovery Parameters Surface Mining

The ROM tonnage estimates for the open pit mines are determined using estimated coal recovery and out-of-seam dilution (OSD) added during the mining and coal handling process. The QP has reviewed the factors supplied by GCC and found them to be appropriate with additional provisions discussed below. Table 15.1 tabulates the specific recovery parameters applied to each seam and operating area.

Table 15.1 Coal Recovery Parameters – Surface Mining

	Average Seam Thickness (m)					Dilution (m)		Loss (m)	
	No. 2 Area	No. 8 Area	No. 12 Area	No. 16 Area	No. 9 Area	No. 2/8/9 Area	No. 12/16 Area	No. 2/8/9 Area	No. 12/16 Area
4 Seam	6.9	7.8	7.2	6.8	6.3	0.15	0.15	0.50	0.45
5 Seam			1.6	1.8			0.15		0.75
6 Seam			1.5	1.5			0.15		0.55
7 Seam			3.6	2.8			0.15		0.55
8 Seam			1.4	2.2			0.15		0.55
10 Seam	2.6	3.8			3.4	0.15		0.80	
11 Seam	2.3	2.7			2.1	0.15		0.70	

For the Clean or Saleable tonnage estimate the following formula is used for the recovery of coal from processing, generally referred to as cleaning or washing the coal:

Yield = (ROM Ash%- Plant Reject Ash %)/(Clean Coal Ash%- Plant Reject Ash%), where the Plant Reject Ash is 55% to 63% depending on mine area and seam and the resulting Clean Coal Ash is 8.5%.

15.4 Coal Recovery Parameters Underground Mining

For the underground mine ROM tonnage estimates, the mining limits applied to the geologic model were established based upon governmental regulations, geologic anomalies, and sound mining principles as follows:

- A minimum overburden depth of 50m for room and pillar mining, and 100m for longwall mining.
- A buffer zone of 100m horizontally from seam out crop and adjacent mining where potential hazards cannot be verified; 50m from an open pit highwall or other adjacent workings.
- A buffer zone of 20m adjacent to major faults.
- Gradient limitation of less than or equal to 16° for place change continuous miner room and pillar operations.
- Road header gradient limitation of less than or equal to 18° without winch assist. Road header gradient limitation of 30° or less with winch assist.
- Longwall mining gradient limitation of 30°.
- A protection buffer for perennial streams of 100m plus 20° subsidence angle.

ROM reserve estimates for the underground mines were determined using GCC projected recovery of coal and addition of dilution material during the mining and coal handling process. Norwest reviewed current projections with prior reports and field observations of the current No. 12 South B2 underground mining operation and interpretation of the coal seam structures and ground conditions for the projected No. 12 South A and No. 9D underground mines.

Recoverable ROM coal tonnages were estimated using recovery factors considering coal thickness, maximum mining height and coal seam dip. OSD material was projected to vary by method and seam. An average ROM ash of 26% has been used by GCC in the projection of plant yield for the No. 12 South B2 East Extension. The No. 12 South B2 7/8 Seam historic ROM plant feed samples averaged 28.3% ash.

An average ROM ash of 20% has been used by GCC in the projection of plant yield for the 4 Seam underground operations. However, Norwest's review of historic ROM plant feed samples of the 4 Seam from the 8 Mine surface operations indicates an average of 26.8% ash.

For estimating Clean or Saleable tonnage for the underground operations, GCC presented a yield model based on historic plant data. GCC projects an improvement in plant yield by planned area with a reduction in ROM ash. Norwest review of the saleable tonnage estimate showed the plant yield ranging from 63% to 65% for the 7/8 Seam and 79% for the 4 Seam in the No. 12 South B2 and No. 12 South A Area. These projected yields show an increase from prior studies. The No. 9D Mine Area remained unchanged from prior studies at 63 % yield for the 10 Seam and 74% for the 4 Seam. The plant yield and other coal recovery parameters for underground mining are summarized in Table 15.2.

Table 15.2 Coal Recovery Parameters Summary – Underground Mining

<table>
<tr><th rowspan="2">Mine Area</th><th rowspan="2">Parameter</th><th colspan="3">Coal Seam/Mining Horizon</th></tr>
<tr><th>10 Seam</th><th>7/8 Seam Horizon</th><th>4 Seam</th></tr>
<tr><td rowspan="6">No. 12 South B2</td><td>Projected Average Overburden Depth (m)</td><td rowspan="6">N/A</td><td>103</td><td>179</td></tr>
<tr><td>Projected Average Coal Thickness (m)</td><td>4.65</td><td>7.37</td></tr>
<tr><td>Projected Average In Seam Ash (db) (%)</td><td>22</td><td>12</td></tr>
<tr><td>Required ROM Ash (db) for GCC Yield Model (%)</td><td>26</td><td>20</td></tr>
<tr><td>Projected Plant Yield – GCC Yield Model (%)</td><td>63</td><td>79</td></tr>
<tr><td>Historic Plant Yield (%)</td><td>62</td><td>74</td></tr>
<tr><td rowspan="6">No 12 South A Area</td><td>Projected Average Overburden Depth (m)</td><td rowspan="6">N/A</td><td>153</td><td>203</td></tr>
<tr><td>Projected Average Coal Thickness (m)</td><td>4.38</td><td>6.38</td></tr>
<tr><td>Projected Average In Seam Ash (db) (%)</td><td>15</td><td>12</td></tr>
<tr><td>Required ROM Ash (db) for GCC Yield Model (%)</td><td>26</td><td>20</td></tr>
<tr><td>Projected Plant Yield – GCC Yield Model (%)</td><td>65</td><td>79</td></tr>
<tr><td>Historic Plant Yield (%)</td><td>62</td><td>74</td></tr>
<tr><td rowspan="6">No. 9D Mine Area</td><td>Projected Average Overburden Depth (m)</td><td>230</td><td rowspan="6">N/A</td><td>288</td></tr>
<tr><td>Projected Average Coal Thickness (m)</td><td>3.48</td><td>4.79</td></tr>
<tr><td>Projected Average In Seam Ash (db) (%)</td><td>18</td><td>15</td></tr>
<tr><td>Required ROM Ash (db) (%)</td><td>27</td><td>21</td></tr>
<tr><td>Historic Plant Yield (%)</td><td>63</td><td>74</td></tr>
<tr><td>Percent Longwall Tonnage from >25° Dip Areas (%)</td><td>6</td><td>6</td></tr>
</table>

15.5 Summary of Coal Reserves

Coal reserves are summarized in Table 15.3 and Table 15.4. To comply with NI 43–101, the reserve tables only report Proven and Probable reserves. For coal, it is standard practice to report ROM Coal Reserves and/or a Clean Coal Reserves (Saleable reserves in GSC Paper 88–21). These factors are explained in point form at the beginning of this section.

Reserves are that part of Resources proven to be economically mineable. Because coal resources include coal reserves, the reported ***Reserves and Resources are not additive***. This applies to the ROM quantities as well as the Clean Coal quantities.

Table 15.3 Summary of Proven and Probable ROM Coal Reserves

	Proven (Mt)	Probable (Mt)	Total (Mt)
Surface Mining Areas			
No. 2 Area	13.7	1.2	14.9
No. 8 Area	12.5	0.1	12.6
No. 9 Area	13.5	11.2	24.7
No. 12 North Area	31.3	12.2	43.5
No. 16 Area	19.7	9.6	29.4
Total Surface Mining	90.7	34.3	125.1
Underground Areas			
No. 9D Area	59.8	3.7	63.5
No. 12 South B2 Area	3.0	1.4	4.5
No. 12 South A Area	4.6	9.4	14.0
Total Underground Mining	67.5	14.5	82.0
Grand Total	158.2	48.8	207.1

Notes:

(1) Quality of all reserves classified as Low-Volatile Bituminous (ASTM)

(2) Average ROM coal quality for reserves is reported in Section 7.2 under the respective mining areas

(3) Planned surface pits only

(4) Underground ROM estimates include mining recoveries ranging from 44% to 62%, which are inherent to multi-seam room-and-pillar operations

(5) Both underground and surface mineable estimates include allowance for loss and dilution and are supported by mining designs as described in Section 16.0

(6) The surface reserve estimates do not include thermal coal consistent with previous GCC Technical Reports

(7) The surface reserve estimates are effective December 31, 2014 and have been prepared under the supervision of James Sorensen, Mining Eng., Qualified Person

(8) The underground reserve estimates are effective December 31, 2014 and have been prepared under the supervision of John Lewis, P. Eng., Qualified Person

(9) Rounding as required by reporting guidelines may result in apparent summation differences.

Table 15.4 Summary of Proven and Probable Saleable Reserves

	Proven (Mt)	Probable (Mt)	Total (Mt)
Surface Mining Areas			
No. 2 Area	9.2	0.8	10.0
No. 8 Area	8.8	0.1	8.9
No. 9 Area	10.4	8.3	18.8
No. 12 North Area	22.5	8.3	30.8
No. 16 Area	14.4	7.0	21.4
Total Surface Mining	65.3	24.5	90.0
Underground Areas			
No. 9D Area	41.4	2.6	44.0
No. 12 South B2 Area	2.3	1.1	3.3
No. 12 South A Area	3.4	6.8	10.3
Total Underground Mining	47.1	10.5	57.6
Grand Total	112.4	35.0	147.6

Notes:

(1) Quality of all reserves classified as Low-Volatile Bituminous (ASTM)

(2) Total coal will be marketed as hard coking coal

(3) Planned surface pits only

(4) Saleable coal from Table 15–3 considers a yield of 69% based on the historic average plant yield from No. 7 and No. 12 South B2 mines

(5) Plant yield for the surface mineable coal varies in relation to the ROM ash content:

Plant Yield = (ROM Ash%-Plant Reject Ash%)/(Clean Coal Ash%-Plant Reject Ash%), where

Plant Reject Ash = 55% to 63% depending on mine area and seam and Clean Coal Ash = 8.5%

(6) Saleable (Clean) coal reserves are a subset of and not additive to Run-of-Mine reserves

(7) The surface reserve estimates do not include thermal coal consistent with previous GCC Technical Reports

(8) The surface reserve estimates are effective December 31, 2014 and have been prepared under the supervision of James Sorensen, Mining Eng., Qualified Person

(9) The underground reserve estimates are effective December 31, 2014 and have been prepared under the supervision of John Lewis, P.Eng., Qualified Person

(10) Rounding as required by reporting guidelines may result in apparent summation differences.

16 MINING METHODS

16.1 Mining Operations

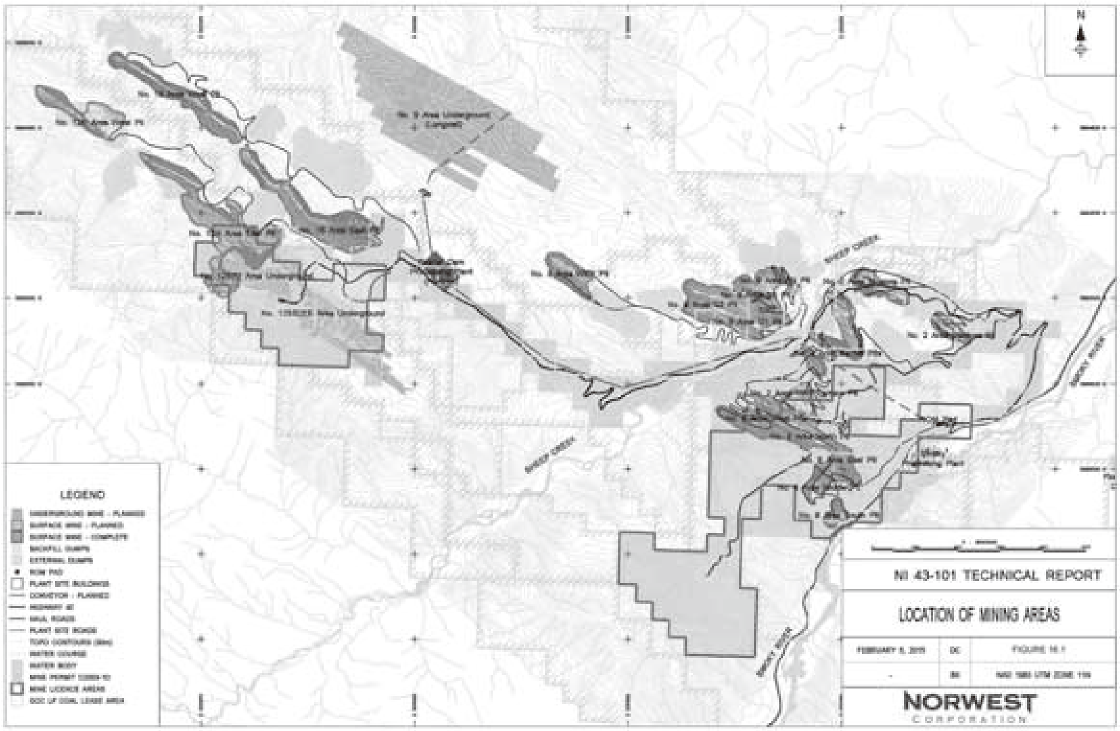
Operations were suspended in January 2015 at the No. 8 surface operation and are planned to resume operation in the first quarter of 2017. The No. 2 surface pits, which lie adjacent to the No. 8 pits, are planned to be brought into production in early 2019. The No.16 pits and No. 9 pits are scheduled to commence operations in 2025 and in 2027, respectively at the completion of the No.8 surface operations. The No. 12 North area will be the last pits to be developed starting in 2038.

As of the effective date of this report, GCC is producing coal from the No. 12 South B2 underground operation in the 7/8 Seam. The underground mining areas consist of the No. 12 South B2 underground operation, the No. 12 South A Area, and the No. 9D Area. The No. 12 South B2 underground operation and the adjacent No. 12 South A Area are both multi-seam mines designed to extract the 7/8 Seam horizon and the 4 Seam. The No. 12 South B2 underground operation began development in August 2011 in the 7/8 Seam. Development of the 7/8 Seam was completed in April 2014 and depillaring of the developed mine workings is planned to be completed by October 2015. Portal development of the No. 12 South B2 4 Seam began in October 2013, however development of the 4 Seam has been idled since late 2013 due to regulatory issues. Development of the 4 Seam mains is scheduled to re-commence in May of 2015 with 4 Seam mining completed in 2019.

Current operations in the No. 12 South B2 are planned to expand from No. 4 Seam into the northern portion of No. 12 South A through access development that is scheduled to start in the 4th quarter of 2016. This access consists of developing rock declines through a low-angle fault zone from the No. 12 South B2 4 Seam workings to reach the 7/8 Seam in the No. 12 South A area. This area is also referred to as 12 South B2 EE (Eastern Extension). A second access into the 12 South A area is scheduled to be constructed starting in 2016. The construction will entail the construction of portals in the 7/8 Seam horizon adjacent to the central south portion of the 12 South A surface pit via the planned excavation of a 3,300,000 BCM trench. Excavation of the trench includes the recovery of approximately 43,000t of clean saleable coal. Underground mining operations are projected to begin producing from the No. 12 South A trench area in September 2018 from this second access location.

The No. 9D Area is approximately 6km east northeast of the No. 12 South B2 underground operation 7/8 Seam portals. The No. 9D mine area is also a multi-seam mining area with two mineable seams identified as the 10 Seam and the 4 Seam. Portal access to both seams is proposed via the Beaverdam Creek drainage along the southwest side of the No. 9D Area, utilizing a minimum of three rock tunnels.

Figure 16.1 Location of Mining Areas



In addition to this main portal area, additional small diameter shafts and incline tunnels may be necessary for ventilation and have been included in the No. 9D mine plans to be constructed as this mining area expands. Construction of the No. 9D portal is scheduled to commence in 2020, with mining commencing late in the same year. Figure 16.1 shows the location of surface and underground mining areas.

16.2 MINING METHOD

16.2.1 Surface Mines

The surface mines will employ a truck and shovel operation commonly used in mountainous areas. The overlying waste rock is drilled and blasted and then removed in benches. Bench height is 15 m. The waste rock is trucked to designated waste storage areas (or "dumps") within prepared areas, and wherever practical backfilled into pit phases where excavation is complete. The use of hydraulic excavators, electric shovels and trucks are selected as the best fit for the expected mining conditions. The flexibility of truck-shovel mining methods makes it an ideal choice to handle the relative complexity of the geology and variability in coal qualities and products, as well as a proven low-cost method of surface mining.

Topsoil will be pushed into piles by dozers and motor graders and then loaded into the small end-dump trucks with a front-end loader and hauled to stockpiles outside of the active mining areas. This salvaged topsoil will be used later to cover re-graded mine lands to support plant growth. Waste overlying and in between the various seams at GCC will be excavated using a combination of diesel-hydraulic excavators and electric cable mining shovels. Large (36 cubic meter (m^3) bucket capacity) electric shovels are scheduled to move the bulk of the waste material to provide low unit operating costs, primarily through lower energy and repair costs.

A range of different (21 – 27m^3 bucket capacity) diesel-hydraulic excavators will augment waste removal operations at the project. These machines are also more mobile than electric shovels, and are able to relocate relatively quickly with faster propel speeds. Diesel-hydraulic machines can work in tight areas and on steeper grades and require no electric trailing cable for power. They can be used where selective waste removal or coal mining is required. Coal and waste will be hauled with large end-dump mining trucks: 220t capacity (e.g., Komatsu 830E). Truck size was selected to efficiently match the different size excavators and electric shovels.

16.2.2 Underground Mines

The size of a mining area and the gradient of the seams are primary considerations in the selection of mining method. Mining areas with dip angles less than 16° allow consideration in the selection of room and pillar or longwall methods. However, the selection of the longwall method also requires a larger mineable area to justify the capitalization. Mining areas that average over 16° are not productive for room and pillar mining and the longwall method becomes the primary mining method. The No. 12 South B2 Mine, the No. 12 South A Mine, and No. 9D Mine are, or are planned to be multiple seam mining operations. Mining of multi-seam areas has been sequenced to occur from the upper most to the lower seam, which has historically proven to be successful.

The current operations in the No. 12 South B2 underground operations and the adjacent No. 12 South A Area utilize, or are designed to utilize, the room and pillar mining method. General mining design is to develop five to seven roadways for main development and panel development. Development mining is planned to average 3.0m mining height. Floor coal will be mined when the thickness of the seam allows and previously developed coal pillars will be mined in a process referred to as "depillaring".

Depillaring is the process of mining coal from the support pillars as operations "retreat" from the area and in the case of the underground operations at GCC the recovery thickness may be up to 4.5m. This depillaring process allows an increase in the recovery of the coal seam being mined. Floor coal recovery allows for the mining of all or a portion of the remaining coal seam not mined during development. Floor coal recovery occurs in areas where seam thickness is greater than the 3.0m development height. Mining recovery ranges from 62% for the 7/8 Seam down to 44% for the 4 Seam in some typical areas. Once the coal pillar and floor coal are removed, the rock above the coal seam collapses in a systematic approach to maintain safe work conditions for the employees. The No. 9D Area study identifies two mining areas – one designated for longwall mining and the second much smaller "inferred" area designated for room and pillar mining. The area identified for room and pillar mining is not included in this report due to the resource classification as mostly inferred. However it is a target identified for future exploration.

The longwall mining area recovery is based on an average mining gradient or dip of 25° across the longwall extraction face with limited areas approaching 30°. In the mining sequence, the upper-most coal seam, the 10 Seam is mined first and access is via a set of rock tunnels. The development of a rock tunnel access to the 4 Seam from the initial 10 Seam rock tunnels allows the transition to the lower coal seam without additional portals. Main development, which provides personnel and material access, ventilation, and coal haulage in both seams, is planned to be limited to three roadways in the deeper and steeper areas of development and expanded to four roadways in the shallower less steep areas near the rock tunnel access. These roadways are designed at 3.0m to 3.5m height and 6m average width. A bleeder system is designed along the perimeter of longwall panel areas as a means to maintain effective ventilation and manage any potential methane liberation. Longwall gate roads are developed as a two roadway system with the spacing between the roadways designed to maintain pillar stability taking into account mining depth.

16.3 Mine Equipment

16.3.1 Surface Mines

The current primary waste loading units consist of a 36m^3 capacity electric cable shovel, and two hydraulic shovels (27m^3 and 21m^3). Additional shovels will be required as new pits (No. 16, No. 9 and No. 12 North) commence development.

The waste rock is hauled in large rear dump trucks (220t capacity). The fleet currently consists of 12 units with additional haul truck acquisitions planned as needed. Coal from surface pits is also hauled with the same trucks Two large blasthole drills (35cm diameter), one electrical and one diesel driven unit, form the primary drilling fleet. The other support equipment in use includes:

- Tracked dozers for coal cleaning, shovel support, as well as road and waste dump construction and maintenance:

- Road graders for haul road construction and maintenance;
- Backup and pre-shear blasthole drills (27mm and 15mm)
- Large front-end loaders for coal loading and shovel backup;
- Backhoes for coal cleaning and recovery, and ditching for water control; and,
- Miscellaneous equipment to support a 24/7 operation.

The primary mobile mining equipment used at GCC is shown in Table 16.1 (not all equipment shown).

Table 16.1 GCC Equipment Summary

Category	Name	Description	Maximum Fleet Size
Overburden Mining Equipment			
Overburden Drill	P&H 320XPC	68,038kg pulldown, 27–44.4cm hole, diesel, 19.8m rod length	1
Overburden Drill	P&H 250XPC	40,823kg pulldown, 20–31.1cm hole, diesel, 13.7m rod length	1
Overburden Drill	Pit Viper 271	34,019kg pulldown, 17.1–27.0cm hole, diesel, 7.62m rod length	2
Large Electric Excavators	P&H2800XPC	35.9m^3 bucket	2
Large Hydraulic Excavators	Hitachi EX5500	29m^3 bucket	2
Medium Hydraulic Excavators	Hitachi EX3600	23m^3 bucket	1
Dozers	Cat D10T	5.3m max blade width	14
Large Overburden Trucks	Komastu 830E	218Mt, 147m^3	36
Coal Mining Equipment			
Medium Coal Excavators	Komastu PC3000	22.3m^3 bucket	2
Front End Loader	Komastu WA1200	23.8m^3 bucket	1
Large Coal Trucks	Komastu 830E	218Mt, 147m^3	10
Rubber Tire Dozer – Stockpile	Cat 834	7.9m^3 blade	1

16.3.2 Underground Mines

The underground operations of the No. 12 South B2 and the transition into the adjacent No. 12 South A Area are planned for two to four producing locations. Room and pillar operations are planned to start with the current fleet of mining equipment with additions to the fleet noted in Table 16.2.

Table 16.2 Underground Equipment Fleet – Room and Pillar

Equipment	No. of Units
Current No. 12 South B2 Fleet	
Continuous Miners	5
Shuttle Cars	6
Double Boom Roofbolters	6
Feeder-breakers	5
LHD Scoop tram	6
Mobile Roof Supports (MRS)	4
Axial Main Fans	4
Diesel Mantrips	3
Additional Required Fleet Equipment for No. 12 South B2 and No. 12 South A	
Axial Main Fans	2
Continuous Miners (Replacement)	4
Double Boom Roofbolters (Replacements)	5
Mobile Roof Supports (MRS)	14
Shuttle Cars (Replacement)	10
Feeder-breakers (Replacement)	6
LHD Scoop tram (New plus replacement)	6
Diesel Transportation – Service Vehicles (New plus replacement)	22

GCC underground operations in the No. 12 South B2 will transition from the 7/8 Seam into the 4 Seam in 2015 with depillaring operations in the 4 Seam beginning 3rd quarter 2016. The 4 Seam has a 5.0m maximum mining horizon during depillaring. Reserves are based on a more conservative 4.5m average depillaring height. Expansion of mining operations to the adjacent No. 12 South A Area is planned to begin when development in the No. 12 South B2 4 Seam is complete. Mining of the larger No. 12 South A Area will require a higher capacity main mine fan installation from that which has historically been utilized for GCC underground operations over the last decade.

The transition to the No. 9D Area requires a complete fleet replacement as noted in Tables 16.3 and 16.4. A small block of coal in the No. 9D Area was identified with gradient less than 16°. This area is currently classified as "inferred" and requires additional drilling to be included in future mining plans. Room and pillar equipment to complement the No. 9D room and pillar equipment fleet would be available from the completion of the No. 12 South A Area should this area be proven by planned exploration.

The No. 9D Area also contains a much larger mineable block of coal with gradient or dip greater than 16°. The longwall mining method would be the primary production method for this block. A fleet of equipment much different than the room and pillar fleet is required to operate in this coal block which includes gradients up to 30°. Tables 16.3 and 16.4 list the fleet of longwall equipment capable of operation in these steeper gradient areas along with development equipment for main airways and longwall gate roads.

Table 16.3 Underground Development Equipment Fleet – No. 9D Mains and Gate Roads

Equipment	No. of Units
Mains and Longwall Gate Road Development	
Roadheaders	7
Bridge Loaders	7
Extensible Belt Conveyors	7
Narrow frame Roof Bolters	14
Auxiliary Fan systems	7
Dust scrubber fan system	7

Table 16.4 Underground Equipment Fleet – No. 9D Longwall Systems

Equipment	No. of Units
10 Seam Longwall System Equipment	
Shearer	2
Armored Face Conveyor (AFC)	2
Stageloader	2
Crusher	2
Mobile Tailpiece	2
Hydraulic Roof Support (Shields/Chocks)	162
Gateroad (Face End) Supports (extended Shields/Chocks)	8
Emulsion Pump Station	2
High Pressure Water Pump Station	2
Monorail System	4
Longwall Transportation/Setup-Teardown Equipment	4
4 Seam Longwall System Equipment	
Shearer	2
Armored Face Conveyor (AFC)	2
Stageloader	2
Crusher	2
Mobile Tailpiece	2
Hydraulic Roof Support (Shields/Chocks)	139
Gateroad (Face End) Supports (extended Shields/Chocks)	8
Emulsion Pump Station	2
High Pressure Water Pump Station	2
Monorail System	4
Longwall Transportation/Setup-Teardown Equipment	4

16.4 MINE DESIGN PARAMETERS AND ASSUMPTIONS

16.4.1 Surface Mines

The mine plan area is split into different areas with multiple pits and benches. The objective of these areas is to assist in mine phasing, and also provide continuous coal release, maintain a relatively smooth stripping ratio profile and facilitate in-pit backfilling as soon as practical. Mining in each area begins near the outcrop/subcrop and advances down-dip. Mining in this fashion will facilitate maintaining a relatively consistent stripping ratio and promote in-pit backfilling as soon as practical.

The detailed assumptions used in mine planning for GCC are shown in Table 16.5.

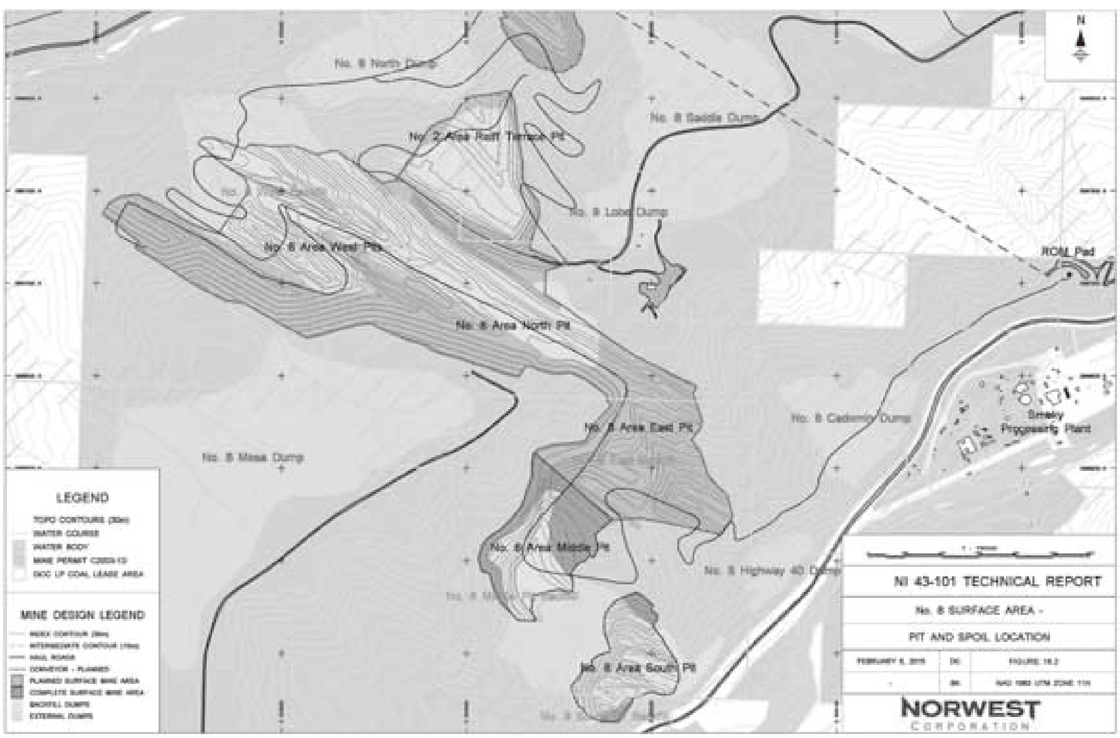
Table 16.5 Pit Design Parameters

Pit Wall Angles		
Rock Face Overall Angle	42–54°	
Rock Bench Face Slope Angle	50–70°	
Overburden Slope Cut Angle	35–40°	
Overall Slope Angle Footwall	Dependent on bedding dip	
Standard Berm Width		
	10m	
Bench Height		
Standard Height	15m	
Split benching may be applied to facilitate coal recovery		
Waste Disposal Sites		
Outside Slopes	37° as-built	
	26.5° re-sloped	
Dump Foundations	<25° slope	
Avoid areas of poor footing, where known		
Material Characteristics		
Waste	Swell	1.30 loose cubic metre per bank cubic metre
		1.25 cubic metre per bank cubic metre in dumps and stockpiles
		1.20 metre per bank cubic metre in dumps built in lifts
Coal	Swell	1.30 loose cubic metre per bank cubic metre
Haul Road Design		
Width, Main Roads	Minimum 15 m overall width (one-way traffic), typical 30 m width running surface	
Maximum Gradient near Pit Bottom	Maximum 10% grade (most areas maximum grade is 8%)	
Minimum Mining Width		
	50m	
	30m near pit bottom	

NO. 8 PITS

The No. 8 surface mining area consists of a series of pits following the synclines and anticlines crossing the Horse Mountain Ridge in a southeast-northwest direction. Mining commenced in the eastern pits with waste rock dumps being developed in the draws above Highway 40 and along the top of the ridge. As mining progresses, mined-out areas will be used for waste backfill. Accessing these pits in the steep terrain will require a considerable effort. The pit subdivisions, main access roads and external dumping areas are shown in Figure 16.2.

Figure 16.2 No. 8 Surface Mine Area



The proposed sequence for No. 8 would re-start the mining in the first quarter of 2017 where it left off, in the 8 West Extension Pit with waste going to the large dump approximately 1.5 km to the southwest of No. 8 West currently partially completed (the Mesa Dump). 8 West Extension mines a syncline. The 8 East Pit, which mines a syncline anticline pair, would be commenced shortly after, with waste from this pit being backfilled into the adjacent previously completed 8 Middle and 8 South pit phases.

The 8 West Extension Pit would be followed by the contiguous 8 West 1 pit phase, mined down the slope of the Sheep Creek valley, to the north west in the same syncline as 8 West Extension. Waste from this pit would be allocated to the Mesa Dump to the south west of 8 West (upper benches), and to a smaller dump directly to the north on the terrace of the Sheep Creek valley bottom.

Last mined in the No. 8 sequence would be 8 West 2, which like West 1 would commence on the ridge, with waste from the upper benches going to the Mesa Dump. This pit mines a syncline anticline pair merging into a southwest dipping monocline to the northwest. Waste from the lower benches would be backfilled into the completed 8 West 1 pit immediately adjacent to the north east of 8 West 2. This last phase of No. 8 would be completed in 2024.

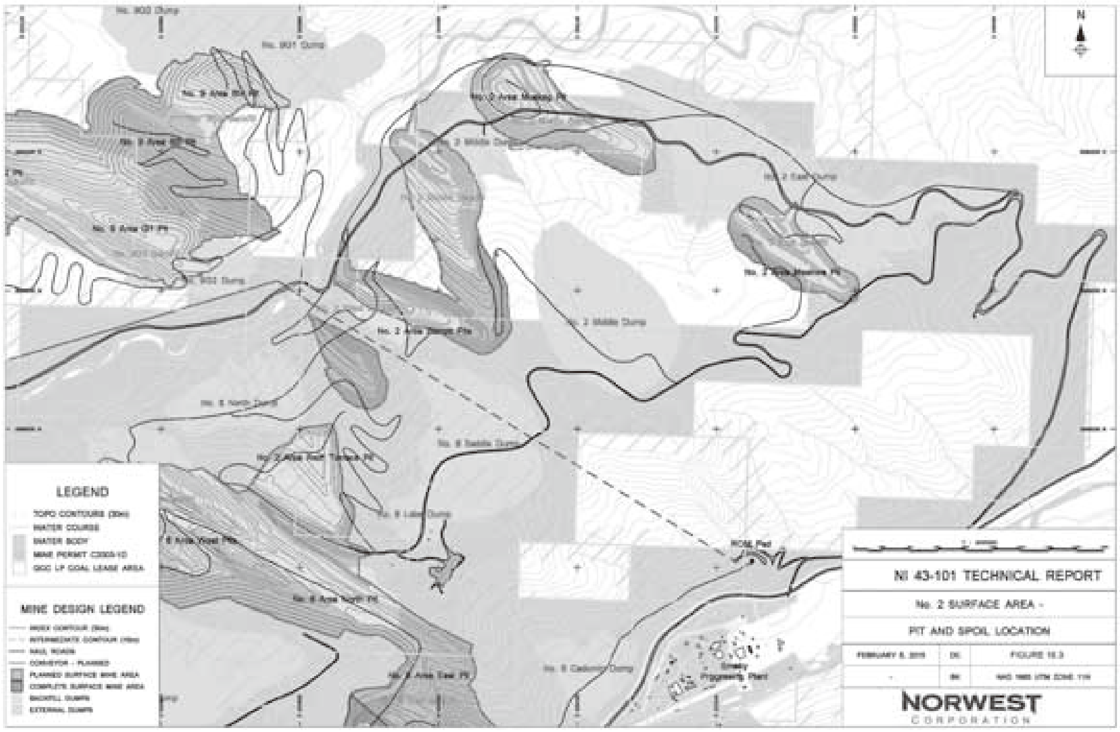
NO. 2 PITS

These are basically continuations of the previously mined Barrett pits. The pit designs, access and waste dump designs are shown in Figure 16.3. The first phase to be mined would be 2 Reiff Terrace, which is immediately to the north east of 8 West 1 and 8 West Extension. This phase would be started contemporaneous with the mining of 8 West 1 in early 2019. The pit encompasses a north east dipping monocline. Initial mining waste would be dumped in the gulley immediately to the north east of 2 Reiff Terrace. Waste from the lower benchs of this phase would be backfilled into the completed 8 West 1.

After the completion of 2 Reiff Terrace pit, mining moves to the most north east phase of No. 2, the Maska pit. This is the first greenfield pit phase in the surface mine plan and would commence in 2022. This pit mines a syncline, with all waste deposited in external dumps to the north east on the middle slopes of the Sheep Creek valley.

Next in the No. 2 mining sequence is the Muskeg Pit, a monocline dipping to the north east. Waste is deposited to the east of the pit, in the same area as the dumps started by the Maskwa Pit. Some waste is hauled uphill to be backfilled into the Maskwa Pit.

Figure 16.3 No. 2 Surface Mine Area



The next three phases of the No. 2 mining sequence mine out the crest and both limbs of the Barrett anticline structure. 2 Barrett Upper Pit mines the crest, then the north limb (2 Barrett North Pit) and the south limb (2 Barrett Middle). Waste from 2 Barrett Upper is placed in an external dump west of this phase on the ridge overlooking the Sheep Creek. Waste from 2 Barrett North is hauled both to this same dump on the ridge (upper benches) and then to backfill the Muskeg Pit to the north (lower benches). Waste from 2 Barrett Middle is wrapped around the nose of the Barrett anticline to be backfilled into 2 Barrett North.

The final No. 2 pit phase to be mined is 2 Barrett South. This phase is essentially a continuation of the north east dipping monocline structure mined by 2 Rieff Terrace, but with dips increasing. Waste from this pit is backfilled into 2 Barrett Middle immediately to the north east. This final phase is completed in 2035.

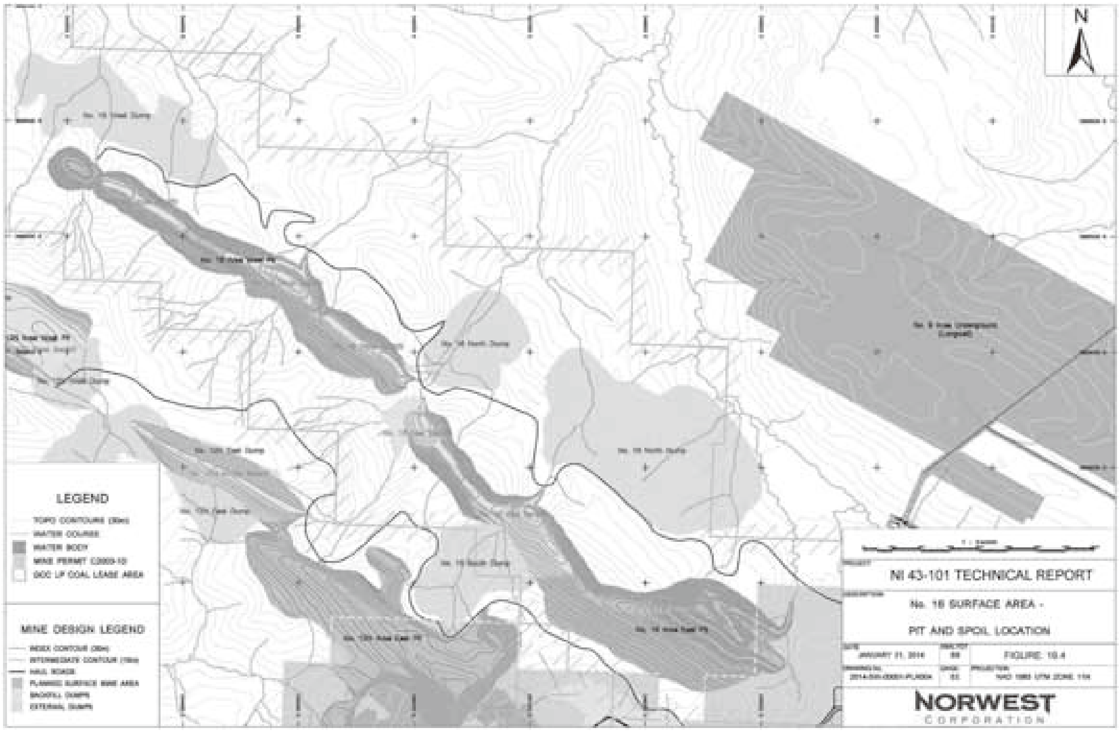
NO. 16 PIT

The No. 16 pit consists of two main areas (East and West Pits) that follow the same northeast dipping monocline system in a starting in the southeast and mining to the northwest. The area involves a large vertical relief and access is the continuation of a deposit trend mined in the 1990s in a series of pit known as 12 East and 12 West Pits. The pit phases, planned access roads and external waste dumps are shown in Figure 16.4.

The first pit phases to be mined are 8 East 1 to 8 East 4, commencing in 2025. These phases comprise one continuous pit covering a dipslope with a subsidiary syncline anticline pair at the south east phase bottom. Initial waste is dumped externally, on the slopes of the Beaverdam Creek valley. The initial pit phase, 16 East 1 splits into 16 East 2 and 3 below the 1705 elevation, with 16 East 2 mined first and the waste from 16 East 3 being backfilled into 16 East 2. 16 East 4 is mined contemporaneously with 16 East 3 and waste from this pit is dumped externally on the slopes north east of the pit.

Like 16 East, there are four 16 West pit phases, all mining one continuous north dipping monocline with some fault thickening of the coal seams. Like 16 East these pits mine a dipslope, although dips are steeper. Like 16 East the basis progression mines the phases south east to the north west. Some waste is external, dumped on the slopes of the Beaver Dam valley, below and to the south east of the pits. Backfilling of completed pit phases to the south east of active mining phases (including 16 East) is a large part of the waste allocation. The last phase of No. 16 Area, 16 West 4 is completed in 2046.

Figure 16.4 No. 16 Surface Mine Area



NO. 9 PITS

The No. 9 surface mining area consists of a series of pits following old surface and underground operations in a southeast-northwest direction. The pit designs, access and waste dump designs are shown in Figure 16.5.

The first phase to be mined is the most northwest pit, 9 WEX (West Extension), commencing in 2027. This pit is the north west continuation of the 1980s surface mines, on a structure known as the McEvoy Anticline. Waste from this pit is predominantly backfill into these 1980s pits to the south east of 9 WEX. Some waste is added onto previous dumps to the south of the pit.

The next pit phase of No. 9 is 9BN (Barrett North). This pit pushes back the highwall of a smaller pit from the early 1990s which mined the north limb of the Barrett Anticline. Waste from this pit is dumped in the gulley immediately adjacent to the north east.

The 9G1 phase mines a syncline structure adjacent to previous underground mining and the 12 Bridge Sheep Creek haul crossing. Waste from this pit is backfilled to the complete 9BN pit and also the gulley to the northeast of 9BN.

The 9G2 pit phase is a continuation of 9G1 to the northwest, mining in the same syncline. Waste from the upper benches of this pit is wrapped around the ridge under the Barrett Anticline to the north east and adds to the backfill and dumps of 9BN. The lower benches of waste from 9G2 are backfilled into 9G1.

The last phase of No. 9 Area is No. 9BS (Barrett South). This pit mines the south west limb of the Barrett Anticline and backfills the waste into both the 9G1 and 9G2 pits. This pit phase is completed in 2051.

NO. 12 NORTH PITS

This area is the north west extension of the structures mined by No. 12 South B2 and No. 12 South A underground mining areas. Mine designs, including access roads and waste dumps for the No. 12 North area are shown in Figure 16.6.

Mining in No. 12 North commences in 2038 in the 12NE1A pit phase. This pit mines the middle area of the major flat bottomed faulted syncline structure which makes up the No. 12 North area. Waste from this phase is place in external dumps on the ridge between No. 16 Area and No. 12 North, to the northeast of the pit. After 12NE2A phase, mining progresses to both the 12NE1B phase contiguous to the south east, and to the farthest north west pit, an outlier of the broad syncline, the 12NW pit phase. Waste from the former is dumped initially in external dumps to the northeast of this phase, and then when 12NE2A is complete, as backfill into this pit. Waste from the latter is dumped onto the slopes on both sides of the ridge this pit is situated on, and into the gulley separating 12NW and 12NE1.

Figure 16.5 No. 9 Surface Mine Area

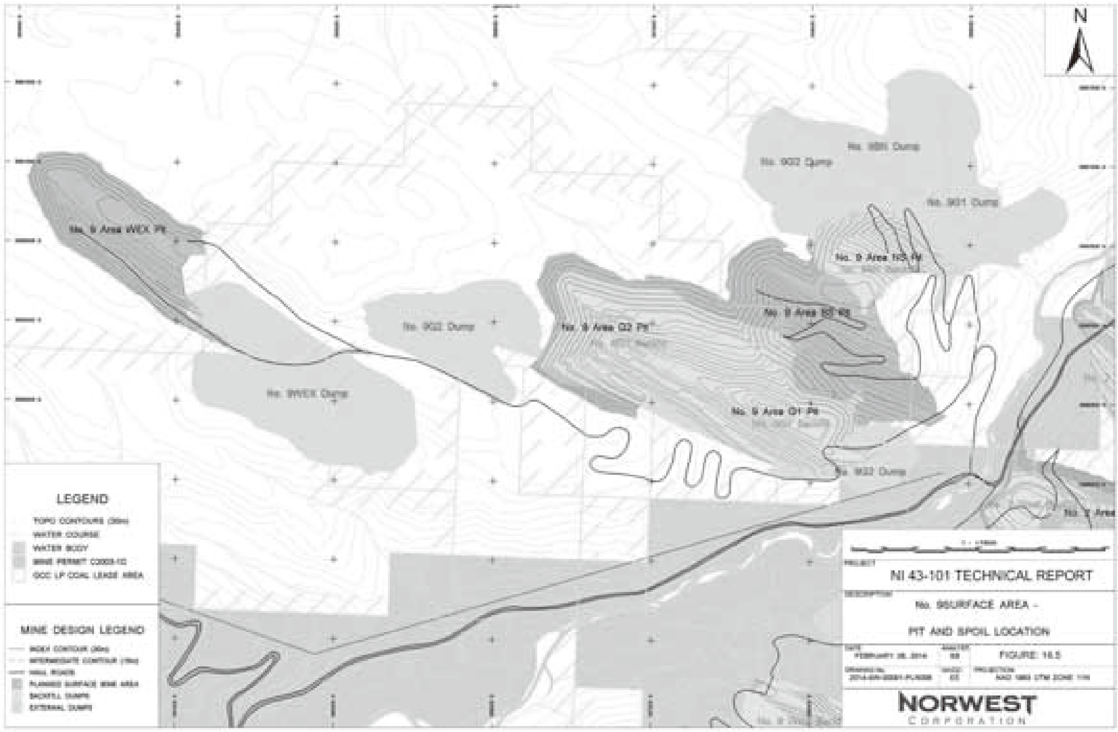
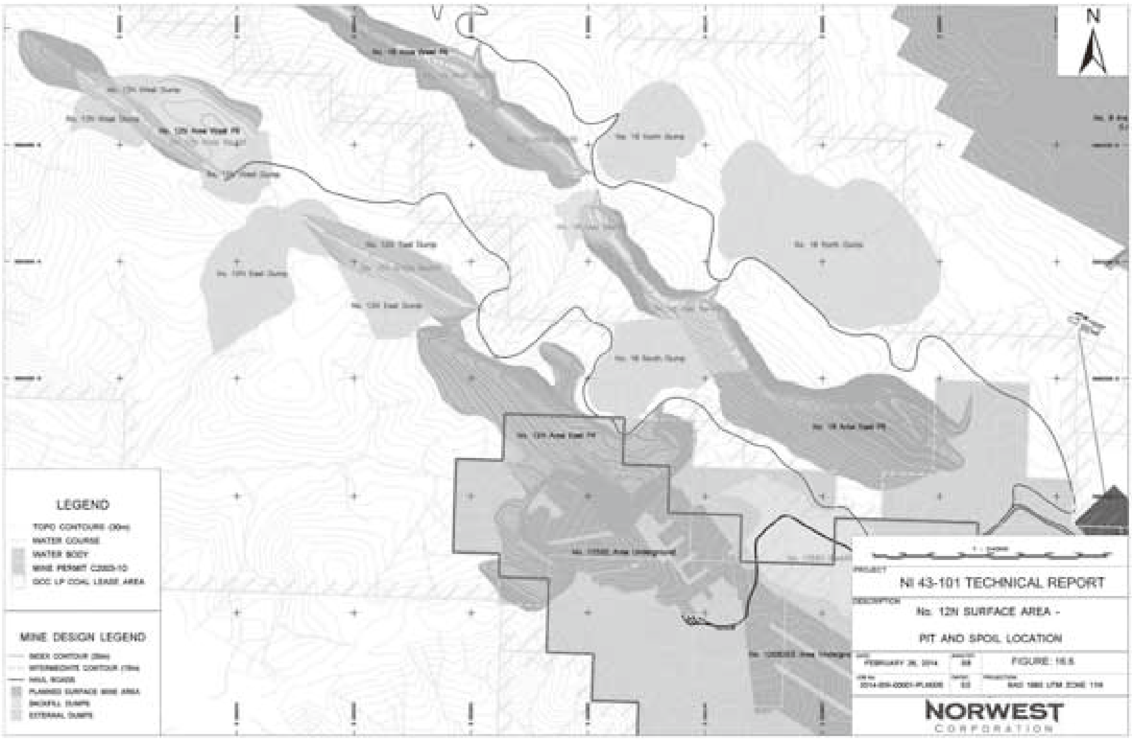


Figure 16.6 No. 12 Surface Mine Area



The final phase to be mined is 12NE1. The syncline structure is narrow and steeper than under the other phases of No. 12 North. Waste from this pit is backfilled into 12NE1A. Mining is contemporaneous with the 12NW lower benches, both being complete by 2055.

16.4.2 Underground Mines

NO. 12 SOUTH B2 AND NO. 12 SOUTH A UNDERGROUND OPERATIONS

The major underground mining design parameters and assumptions for the No. 12 South B2, No. 12 South B2 EE, and the No. 12 South A room and pillar operations are presented in Table 16.6 and include the following assumptions. Figures 16.7 through 16.11 show the mine plans for the 12SB2 7/8 Seam & 4 Seam, No. 12SB2 EE 7/8 Seam, and 12SA 7/8 Seam and 4 Seam.

- The No. 12 South B2 and the No. 12 South B2 EE mine areas are planned to be operated as one mining area with shared operations, facilities, ventilation, and utility systems.

- The No. 12 South A mine is planned as an independent operation with separate operations, facilities, ventilation, and utility systems. The No. 12 South A mine requires the excavation of a 3,300,000 BCM trench from the historic No. 12 South A Surface Pit.

- The No. 12 South B2 4 Seam is planned to include an access route to the No. 12 South B2 EE 7/8 Seam via two rock declines.

- Production from the No. 12 South B2 Mine which includes the adjoining the No. 12 South B2 EE Area is based on two (2) 10-hour production shifts per day scheduled for 360 days per year. The No. 12 South A Mine is budgeted to be operated on the same schedule.

- Three to four production sections of mining equipment are scheduled for production through the LOM. For each mining area, typically one to two sections are planned to operate in the development mode while one to two sections are projected to operate in depillar (retreat) mode.

- Development productivity averages 1,000 tonnes per day (t/d) per section and the depillar section productivity averages 2,200t/d for the remaining No. 12 South B2 underground operation. Completion of the 7/8 Seam depillaring is projected to average 1,665t/d as crew training of additional underground personnel is completed to fully staff planned underground workforce. Maintaining production crew manpower levels and incorporation of planned new equipment upgrades possessing improved availability would allow planned increases in production.

- Access and transition of mining operations is based on timely development of portals and rock declines to maintain coal production as mining moves between coal seams and mining areas. Key transition dates are summarized follows:

  – With development complete in the No. 12 South B2 7/8 Seam, depillaring operations will continue and are projected to complete August 2015.

  – No. 12 South B2 development in the 4 Seam includes the initial portal construction and installation of the permanent ventilation and conveyor systems to be completed June 2015, with three active production sections in the 4 Seam in April 2016.

  – Fault crossing between No. 12 South B2 4 Seam and No. 12 South B2 EE 7/8 Seam completed February 2017.

  – Development in the No. 12 South B2 EE to commence March 2017.

  – Development mining in the No. 12 South B2 EE to be completed December 2017 and depillaring to be completed April 2018.

  – The 12 South A surface trench excavation, underground portal construction and all applicable permitting must be completed by April 2018 to allow development of the No. 12 South A 7/8 Seam according to the projected production schedule.

  – Transition of operations in the No. 12 South A mine area from the 7/8 Seam to the 4 Seam requires decline access development beginning August 2019 with development mining starting in the 4 Seam in May 2019.

- Development productivity rates for the No. 12 South A Area have been projected to indicate an improved production rate averaging 1,250 tonnes per day per development section. Depillaring productivity rates for the No. 12 South A Area remain the same at 2,200t/d per depillar section. These productivity rates are based on strategic equipment replacement and upgrades to currently available technology.

- A combination of horizontal and vertical holes near the decline from the No. 12 South B2 to the No. 12 South B2 EE is planned. This drilling program is necessary to provide information for the fault crossing design relative to roof control, methane and water issues, and the required decline construction gradient.

- An area of mains in the No. 12 South B2 4 Seam can not be depillared until the depillaring of the No. 12 South B2 EE is complete in April 2018. Depillaring in the No. 12 South B2 4 Seam is complete (January 2019).

Table 16.6 Room and Pillar Design Parameters No. 12 South B2 / EE and No. 12 South A

Mining Horizon	**7/8 Seam**	**4 Seam**
Mining Horizon S.G including OSD	1.46–1.55	1.40–1.51
Development – Roadway Dimension (average)	3.0m high by 6.1m wide	
Depillaring – Floor Coal (variable)		
No. 12 South B2	seam thickness to 5m max opening	
No. 12 South A	3.5	4.5
Depillaring – Percentage Pillar Recovery (Planar basis)		
No. 12 South B2	55%	
No. 12 South A (discounts all floor coal and applies this recovery to depillaring)	75%	

Figure 16.7 No. 12SB2 7/8 Seam Retreat

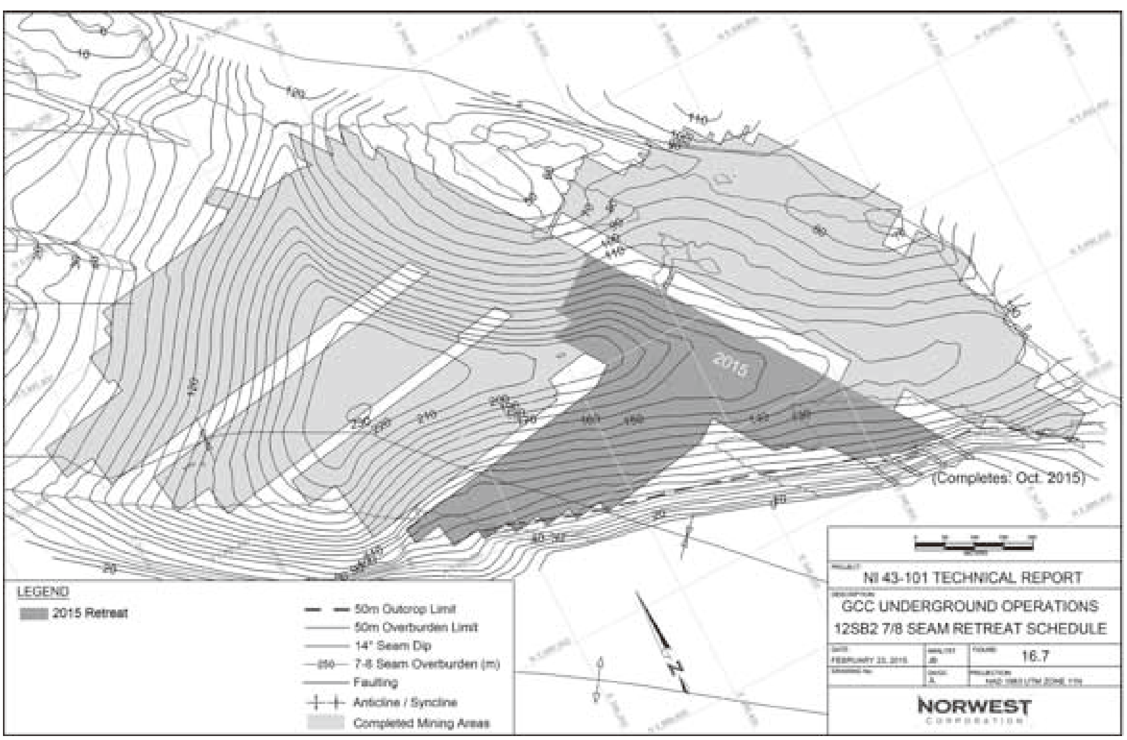


Figure 16.8 No. 12SB2 4 Seam Advance

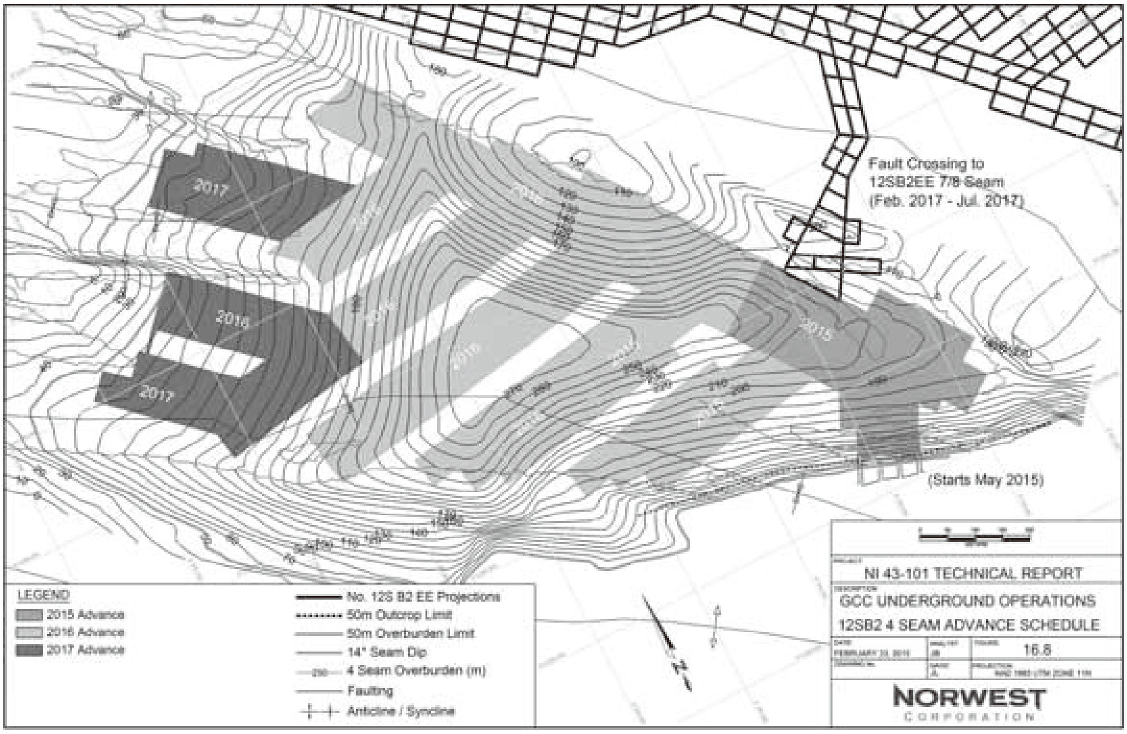


Figure 16.9 No. 12SB2 4 Seam Retreat

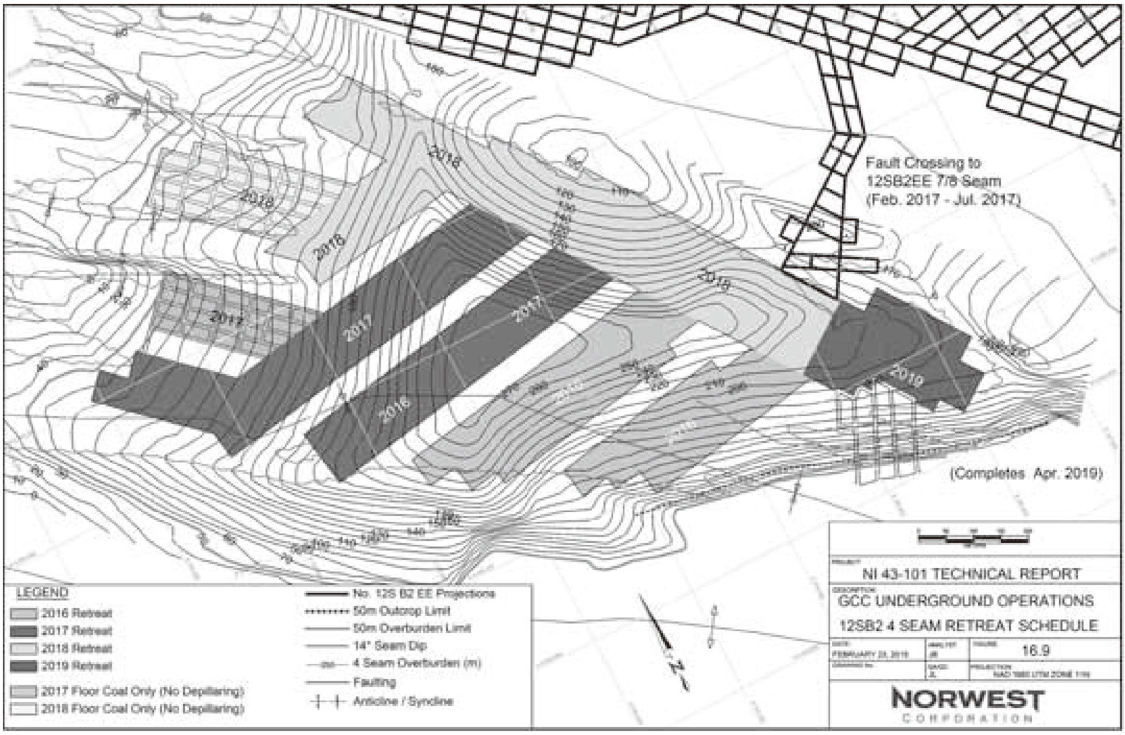


Figure 16.10 No. 12SA 7/8 Seam Mine Plan

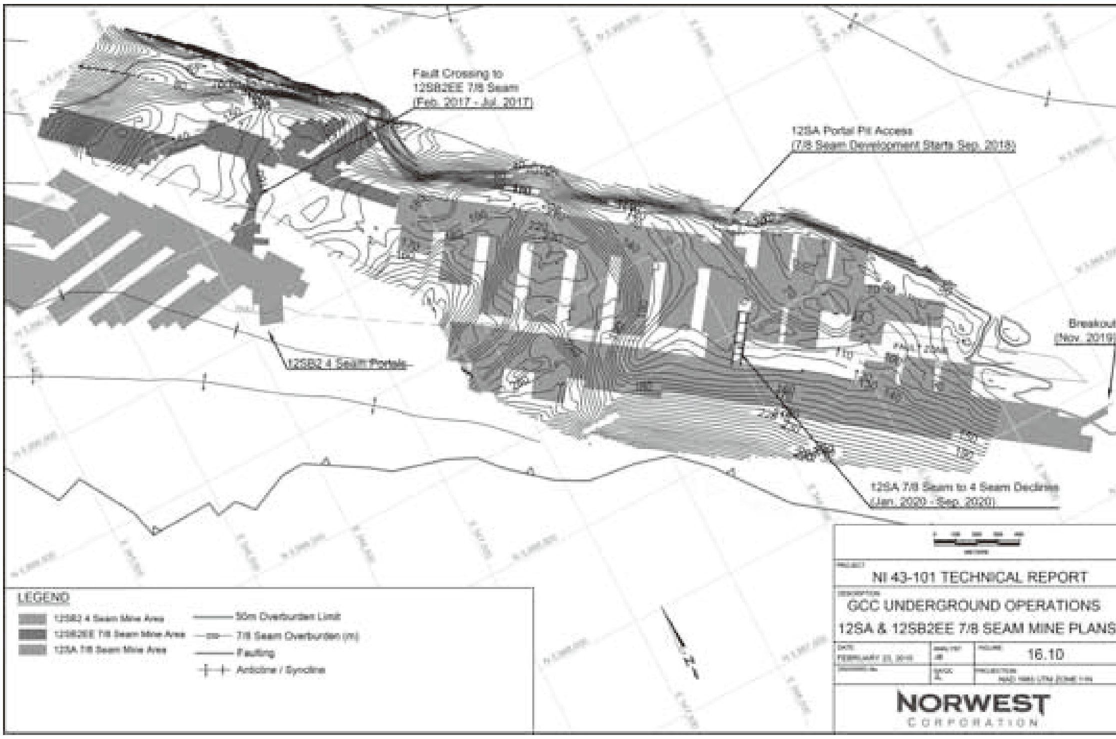
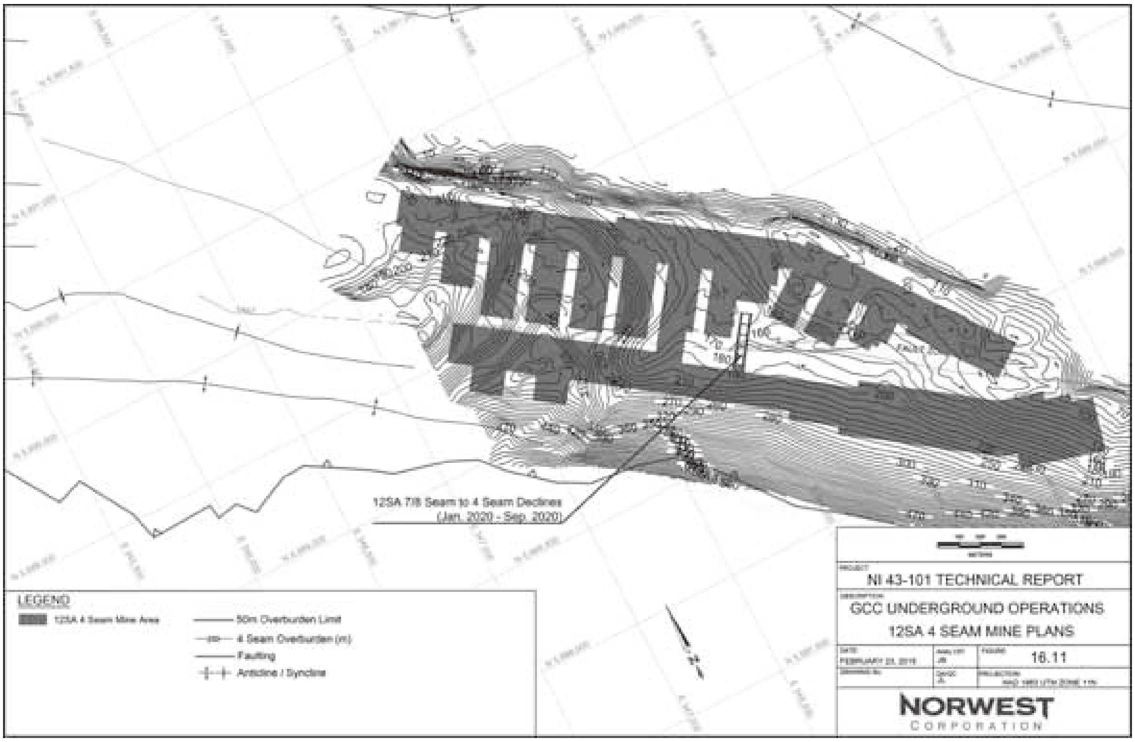


Figure 16.11 No. 12SA 4 Seam Mine Plan



Norwest has reviewed GCC proposed mine plans and production schedules presented herein, with the following observations:

The production rates and productivities budgeted for the No. 12 South B2 7/8 Seam and 4 Seam are consistent with Norwest estimates. The timely completion of the portal and the development of the No. 12 South B2 4 Seam are critical to the continuation of operations for the No. 12 South B2. With No. 12 South B2 7/8 Seam depillaring reserves projected to exhaust in October 2015, the development of the initial mains allowing two development/depillar units in the 4 Seam is sensitive to any delay.

Access to the No. 12 South B2 EE 7/8 Seam is projected across a low angle fault zone from the No. 12 South B2 4 Seam. The exact displacement and orientation of this fault is not currently defined. With the proposed mine plan, the comparatively limited reserves of the No. 12 South B2 EE are predicated upon this inter-seam fault crossing introducing an additional factor of risk for this mining area.

Projected mineable reserves for the No. 12 South A mine areas appear conservative for both the 7/8 Seam and 4 Seam. This may be due to the conservative maximum depillaring height applied by GCC to both seams. A potential increase in reserves for the No. 12 South A 7/8 Seam and 4 Seam is possible if an increased maximum depillaring height can be achieved.

NO. 9D UNDERGROUND OPERATION

The major underground mining design parameters and assumptions projected for No. 9D longwall operations are presented in Table 6.7 and include the following assumptions. Figures 16.12 and 16.13 show the No. 9D 7/8 Seam and 4 Seam mine plans.

- The operational timeline for the No. 9D mine area as planned by Norwest was not based on a calendar year starting time as Norwest was not in a position to accurately predict acquisition of key regulatory approvals to allow for project development. Based on estimated regulatory and development timelines by GCC, the No. 9D mine was inserted into long range production plans starting in 2020.

- The production schedule is based on two (2) 10-hour production shifts per day scheduled for 360 days per year.

- Two to three sections of mining equipment develop bleeders and gate roads for the longwall and advance the main roadways as necessary to maintain adequate mining areas for the longwall system.

- Gradients greater than 16° reduce or eliminate efficient mining by the place change method. Development mining is projected with road headers instead of continuous miners at an average advance rate of 10m per day per road header.

- The longwall mining method is planned as the primary production system. Longwall mining systems are used worldwide in a wide range of variable applications including seam thickness and mining gradient. Planned longwall productivity for the 9D areas is varied based on the average mining gradient or dip across the longwall face. Longwall productivity based on average panel gradient ranges from approximately 6,000t/d between 15° to 20° down to approximately 4,400t/d at 25° to 30°. Application of automated steep gradient longwall equipment in Eastern Europe and China provides the basis of mining productivities for the No. 9D underground mine.

- A coal production ramp-up period for the period is planned to complete delineation of the first longwall panel and associated mains at 80% productivity for each development roadheader and a ramp-up for the longwall system within the first panel at 75% productivity.

- A production delay of 60 days is used for the longwall move to relocate the equipment from the completed panel to the next panel.

- Mining areas where multiple longwall panels are connected will have a wrap-around bleeder system for methane dilution and control with a bleeder shaft at the shallowest corner.

- Ventilation review for shaft size and placement and fans requirements necessary to ventilate a longwall and three to five operating roadheaders was conducted by Norwest using Ventsim Visual 3D™ by CHASM Consulting Pty Ltd to aid in capital and operating cost estimates.

- Roadway spacing(s) for longwall gate roads is designed using the National Institute for Occupational Safety and Health (NIOSH) design program "Analysis for Longwall Pillar Stability (ALPS)" using overburden depth and mining height.

- Roadway spacing for main development and protection barrier widths are designed using NIOSH design program "Analysis for Retreat Mining Pillar Stability (ARMPS)" using overburden depth and mining height.

- Production from the No. 9D underground mine area is projected to start 24 months after the start of portal pad construction, facility construction, and completion of rock tunnel construction to both the 10 Seam and the 4 Seam mining horizons. Initial development of the main roadways and the gate roads for the first longwall panel are projected to require 26 months, with the first longwall production occurring 50 months after site construction begins.

Table 16.7 Longwall Design Parameters – No. 9D

Mining Horizon	**10 Seam**	**4 Seam**
Mining Horizon S.G including 0.27m OSD	1.42	1.4
Development – Roadway Dimension (average)	3m high by 6.1m wide	
Mains – 4 Roadway Centers with 40m crosscuts	25m	28m
Mains – 3 Roadway Centers with 40m crosscuts	30m	35m
Gate Road – 2 Roadway Centers with 100m crosscuts		
Depth -100m (headgate/tailgate)	13m/20m	13m/20m
Depth -200m (headgate/tailgate)	22m/45m	22m/45m
Depth -300m (headgate/tailgate)	30m/50m	30m/50m
Depth -400m (headgate/tailgate)	38m/62m	38m/62m
Depth -500m (headgate/tailgate)	N/A	41m/62m
Protection Barriers		
Mains 4 Roadway (depth/width)	240m/80m	310m/90m
Mains 3 Roadway (depth/width)	350m/96m	435m/107m
Bleeder barriers (depth/width)	100m/28m	
Bleeder barriers (depth/width)	200m/39m	
Bleeder barriers (depth/width)	300m/48m	
Bleeder barriers (depth/width)	400m/56m	
Minimum Mining Depth – Development	50m	
Minimum Mining Depth – Longwall	100m	
Average Mining Height – Longwall (coal_plus OSD)	3.3m/0.27m	4.5m/0.27m
Maximum Panel Width – Longwall	200m	
Bleeder System – Multiple Panels	2 Roadway Wrap Around System	

Figure 16.12 No. 9D 7/8 Seam Mine Plan

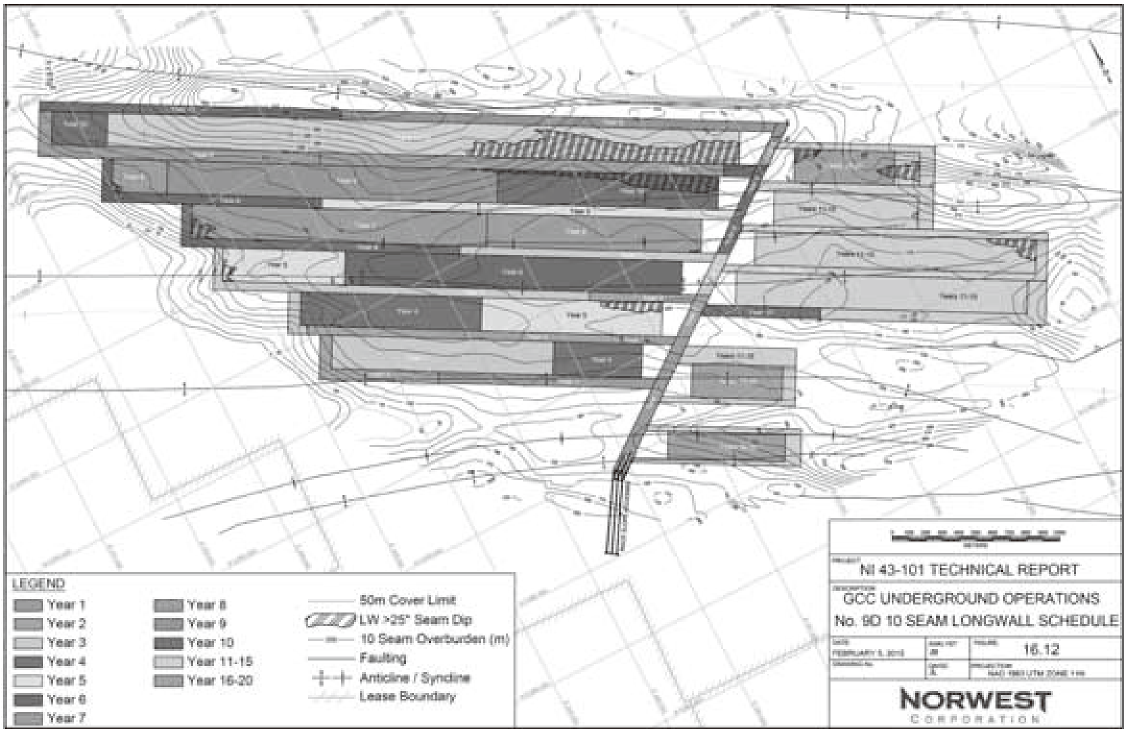
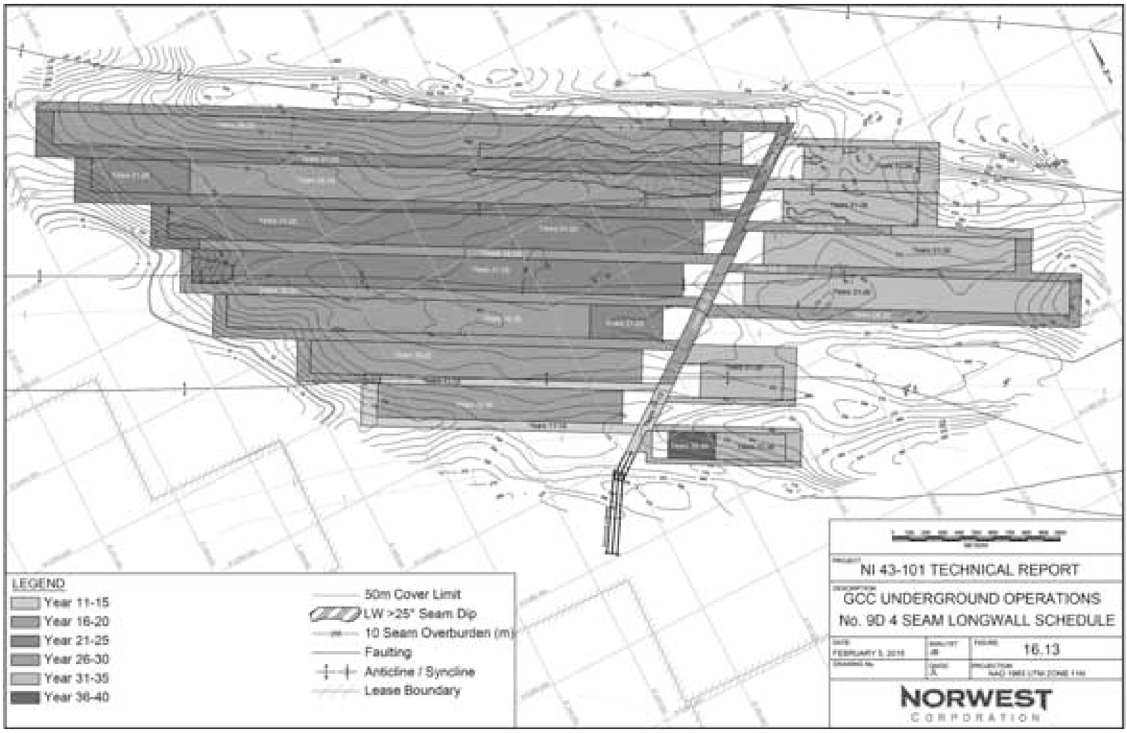


Figure 16.13 No. 9D 4 Seam Mine Plan



16.5 Production Plans

16.5.1 Surface Mines

This schedule meets annual production targets while maintaining mining operations on various benches throughout the mine life. Volumes and seam quality information were extracted from the geologic block model. Stripping ratios vary over the LOM, mainly as a result of the geology encountered during mining advance. During the mining operations at GCC there are multiple fluctuations in strip ratios. The strip ratio range and mine production schedule is shown below in Table 16.8. The variability in strip ratios are primary due to the nature of the deposit. As mining progresses from one pit area to another, the strip ratio increases as a new box-cut is excavated. The location of mining throughout the various years can be seen in Figures 16.2 through Figure 16.6.

Since GCC resumed operations at the property, production has gradually increased to a level in the range of 1.7 to 1.9M clean tonnes of coal per year. GCC is planning to reduce this production rate in 2015 with the shutdown of the surface mine until early 2017. With very low strip ratio reserves available in 2017 from the No. 8 surface and running 3 CM sections in No. 12 South B2 4 Seam, and No. 12 South A (7 Seam northwest), production in 2017 will be more than 4.6M ROM tonnes (3.2M saleable tonnes), close to the rated preparation plant capacity of 3.5M clean tonnes of coal annually. Production stays in this range until 2021 after which the 2nd CPP in the Beaverdam Creek valley is commissioned and saleable production rises to 3.6M tonnes. This plan is achievable if the planned second No. 12 South A underground operation commences production within the next 2.5 years.

The planned rate of production increase will require a considerable effort to achieve. Potentially the planned rate of production may be delayed by a year, which will affect the economics, but not likely to the point of impacting the viability of any of the reserves.

The schedule allows for blending the higher quality coal from the No. 8 and No. 2 Areas with the coal from No. 12 and No. 16 Areas over the life of mine plan, resulting in the vast majority of the product meeting the contracted specifications of Hard Coking Coal, until after 2045 when the high ranked low strip ratio source of No. 12 North begins production and reduces the volatile matter of the metallurgical blend to below 17.5% (db).

Table 16.8 shows the proposed surface production plan for 41 years in more detail.

16.5.2 Underground Mines

Underground coal mining in No. 12 South B2 and No. 12 South A mining operations is planned to provide an average annual production of 1.4M ROM tonnes with maximum annual production peaks of 2.1M ROM tonnes. This provides an average 1.0M clean tonnes of coal from the 7/8 Seam and 4 Seam for 12 years with maximum annual peaks approaching 1.6M clean tonnes of coal. Development of the No. 9D longwall mining operation is projected to begin in the year 2020 and would provide an average annual production from the 10 Seam and 4 Seam of approximately 1.9M ROM tonnes providing 1.22M clean tonnes of coal for 36 years. Table 16.8 shows the proposed underground production plan for 41 years in more detail. The underground mine plans are illustrated in Figure 16.7 through Figure 16.13.

Table 16.8 Grande Cache Coal Production Plan

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025–29	FY 2030–34	FY 2035–39	FY 2040–55
Total Waste (kbcm)	760	0	15,330	16,608	19,279	18,878	19,641	18,672	20,085	18,828	164,139	172,585	171,491	455,075
Run-of-Mine (ktROM)														
Surface Areas														
No.8	116	0	2,373	2,524	2,472	1,955	865	682	1,232	1,418	0	0	0	0
No.2	0	0	0	0	81	378	1,641	822	323	940	7,562	3,452	802	0
No. 9	0	0	0	0	0	0	0	0	0	0	999	5,182	5,413	13,776
No.12 North	0	0	0	0	0	0	0	0	0	0	0	0	0	46,137
No.16	0	0	0	0	0	0	0	0	0	0	8,003	7,202	9,166	10,476
Total O/P	**116**	**0**	**2,373**	**2,524**	**2,553**	**2,332**	**2,507**	**1,504**	**1,555**	**2,358**	**16,564**	**15,836**	**15,381**	**70,389**
Underground														
No.12 South B2	521	–	–	–	–	–	–	–	–	–	–	–	–	–
No.12 South B2	135	1,023	947	750	220	–	–	–	–	–	–	–	–	–
No.12 South B2EE	–	47	207	630	–	–	–	–	–	–	–	–	–	–
No.12 South A	–	–	–	328	1,409	1,624	1,500	706	–	–	260	–	–	–
No.12 South A	–	–	–	–	–	111	560	1,403	1,991	1,935	2,187	–	–	–
No 9D	–	–	–	–	–	273	352	1,729	1,757	1,973	9,929	9,538	9,813	28,119
Total U/G	**656**	**1,070**	**1,155**	**1,708**	**1,629**	**2,008**	**2,412**	**3,838**	**3,748**	**3,908**	**12,376**	**9,538**	**9,813**	**28,119**
Grand Total	**772**	**1,070**	**3,528**	**4,232**	**4,181**	**4,340**	**4,918**	**5,342**	**5,303**	**6,266**	**28,940**	**25,374**	**25,194**	**98,507**
Clean Met. Coal (ktcc)	531	793	2,495	2,850	2,552	2,617	3,428	3,574	3,624	4,265	17,733	16,617	17,227	68,999
Clean Thermal (ktcc)	1	0	71	178	247	203	73	129	154	137	2,263	1,044	950	2,866
Total Clean Coal (ktcc)	**532**	**793**	**2,566**	**3,028**	**2,799**	**2,820**	**3,502**	**3,703**	**3,778**	**4,402**	**19,997**	**17,661**	**18,177**	**71,865**
Strip Ratio (bcm/tcc)	**10.5**	**0.0**	**9.0**	**9.1**	**11.2**	**12.2**	**10.8**	**17.8**	**18.1**	**11.7**	**14.0**	**14.9**	**15.4**	**8.9**

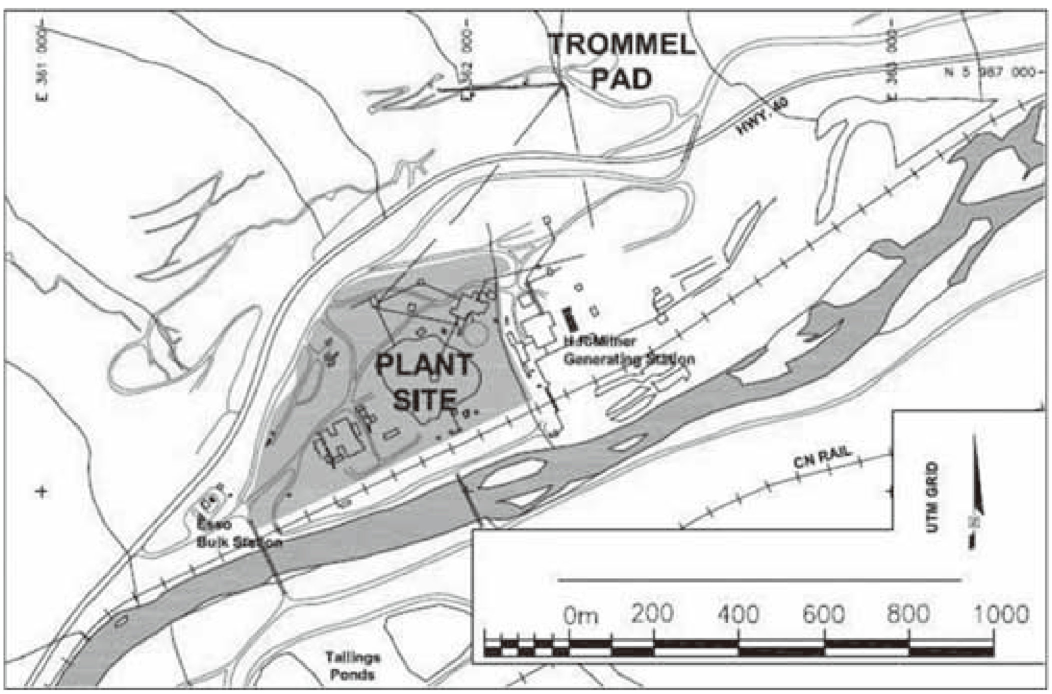
Note: Does not include pond coal and does not list total saleable coal tonnes

17 RECOVERY METHODS

17.1 Introduction

The coal preparation plant (CPP), located in the Smoky River valley next to Highway 40 and the CNR, and is currently processing coal from the No. 12 underground operation and the No. 8 Area surface operations. The plant area and facilities include ROM coal stockpiles and reclaim platform, a screening and crushing station, a coal washing plant, a clean coal thermal drying station, clean coal stockpiles, fine refuse ponds, mine-dry and administration buildings, pump stations, roads and conveyors as well as a train load-out system. Refer to Figure 17.1. for the plant site location and layout.

Figure 17.1 Plant Site Plan



The coal processing plant was constructed during the late 1960s and started up in 1969. Under previous owners it has produced at rates up to 3M clean tonnes of coal per year. GCC has the ability to market a range of products. The low volatile hard coking coal product has an ash and moisture specification of 8.5%. Since GCC commenced operations the processing plant has produced at levels from 1.2 up to 1.8M clean tonnes of coal. During the last few years the CPP throughput was largely constrained by the capacity of the mining operations.

17.2 Coal Processing Plant Description

The CPP circuitry is generally typical for Western Canadian metallurgical coal. Stockpiled ROM coal is first processed through a rotary breaker where 2% to 10% of the feed is rejected as lump refuse consisting mostly of dilution rock and parting material. The breaker undersize product (smaller than 50mm) material is transferred to the CPP, where the coarser fraction reports to the heavy medium (HM) cyclone circuit for separation and the finer coal reports to the froth flotation banks for cleaning. The HM cyclone overflow goes to clean coal which, if required, is dried to reduce moisture content to product specifications, while the HM cyclone underflow goes to rejects.

GCC has a bypass facility at its pre-screening circuit (rotary breaker station) for the size fraction smaller than 3.0mm. Depending on the ash content, this material can be blended with the clean coal product from the plant without a need for washing and drying, which reduces operating costs and increases the product yield. This system has not been used since 2010, due to high ash contents in the feed. In addition the installed mechanical dewatering system for the fine rejects allows it to be combined with the coarse rejects, minimizing the need for fine refuse storage facilities in the restricted area available near the river valley.

17.2.1 Recent Plant Modifications

The more than 40-year old CPP process circuits have had only minor modifications over the years; however, the following modifications to the CPP have enabled improvements to plant availability and operating efficiencies:

- Modification of the dilute medium circuit flow sheet to enhance magnetite recovery and stabilize correct density medium specific gravity.

- Installation of deslime sieve bends on the existing spiral scavenging circuit to improve spiral throughput and product ash.

- Engineering of the addition of new mid-size (1mm x 0.25mm) reflux classifier processing circuit to alleviate inefficiencies of the both HMC and flotation circuits in this same size range is complete. A reflux classifier has been purchased and delivered to site. Construction and installation is incomplete at this time.

17.2.2 Current Process Description

A simplified schematic process flow diagram of the CPP is shown in Figure 17.2.

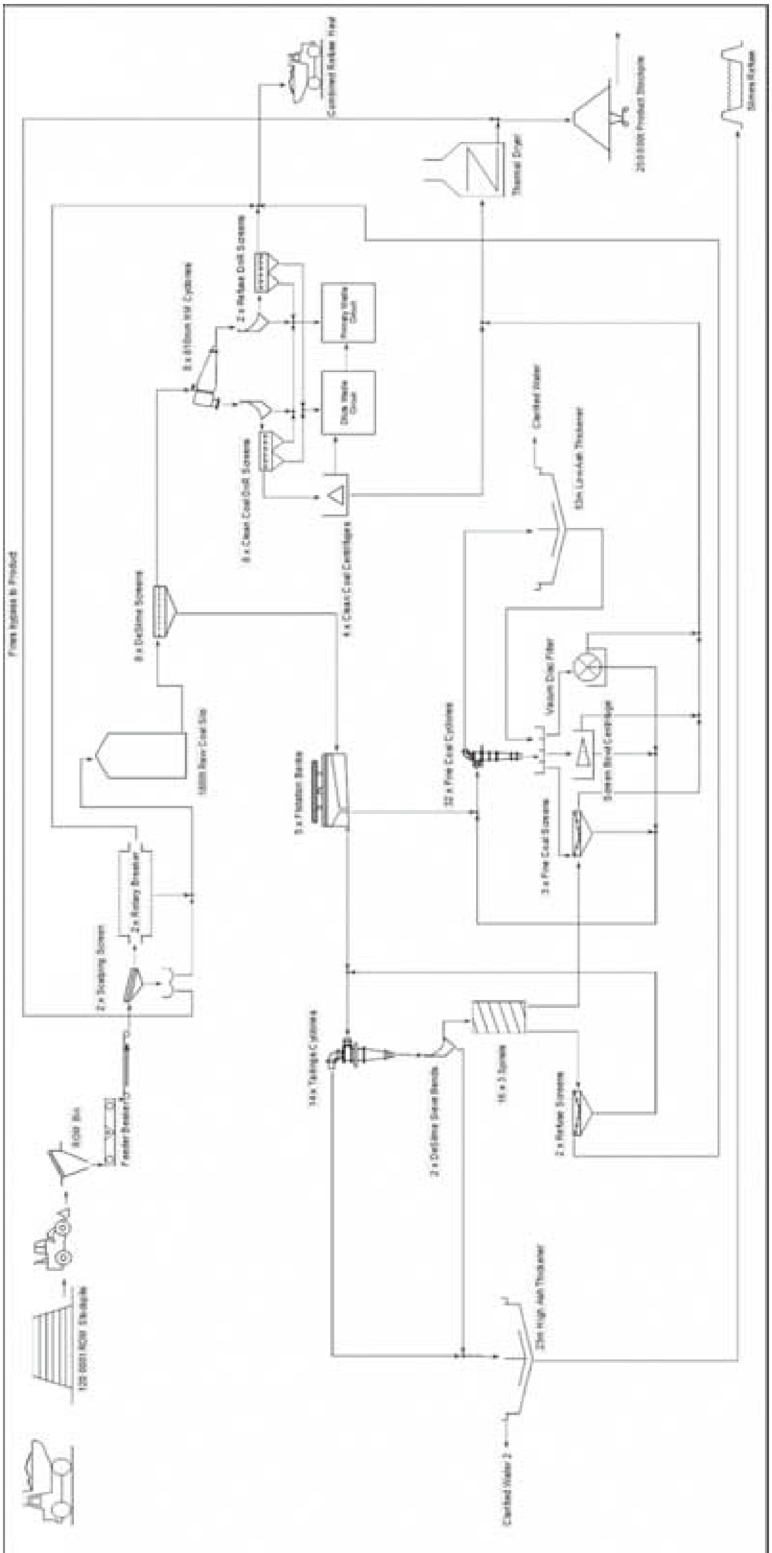


Figure 17.2 Simplified GCC Process Flow Diagram

ROM coal is delivered by truck from the No. 12 and No. 8 mining operations to a either a 75,000t ROM coal stockpile adjacent to the Breaker Station, or a recently constructed ROM stockpile on the north side of Highway 40 northwest of the CPP. From the south stockpile, the coal is reclaimed using vibratory feeders, located in a reclaim tunnel. The feeders load the ROM coal onto a reclaim conveyor that transfers the coal into the breaker station. On the north side of Highway 40, a new feeder and conveyor system has been installed, comprising a 120,000t ROM stockpile, from where ROM coal is fed into an 80t feed bin and then extracted with a feeder breaker system that feeds an overland conveyor to the breaker station. The new feeder and conveyor system is used preferentially due to the savings in personnel and equipment hours it allows, with the old feeder system serving as a back-up to provide flexibility for maintenance on the new system.

At the breaker station, two double-deck vibratory scalping screens size the coal with the minus 3.0mm screen undersize being directed to the raw coal silo feed conveyor. A by-pass system is also installed here to by-pass the screen undersize to the clean coal stockpile as dry product. When the by-pass system is not operational due to high feed ash (as is currently the case), a much coarser cut-point up to 25.4mm is targeted on the scalping screens. The scalping screen oversize reports to two (3.2m Ø × 6.7m long) rotary breakers that break the more friable coarse coal and reject the harder, higher ash coarse material.

The rotary breakers are fitted with 50mm aperture panels, which allow the minus, 50mm raw coal to pass through and discharge onto the raw coal silo feed conveyor from where it is conveyed to a 1,800t capacity raw coal silo. Breaker oversize material is discharged onto an open storage pile and then trucked to on-site mine construction projects.

Raw coal is reclaimed from the silo by three vibratory feeders and one reciprocating pan feeder onto the coal processing plant feed conveyor, which is equipped with a tramp iron magnet and a belt scale, and conveyed to the desliming circuit of the CPP.

The raw coal feed is wet with process water in a two-way splitter box and discharged into two four-way distributors that distribute the flow evenly over eight sieve bends and directly to the eight desliming screens fitted with 0.5mm aperture panels. The deslimed coarse coal (50mm x 0.5mm) then passes to a mixing box where it is mixed with correct magnetite medium and fed to eight 600mm diameter heavy media cyclones (HMC). The fine coal (-0.5mm) screen undersize is gravity fed to a distribution box which then feeds the froth flotation circuit.

The heavy media cyclones separate the raw coal into clean coal and rejects at a separation specific gravity of between 1.55 and 1.70, depending on the ROM feed blend. The correct magnetite media is recovered from each product on eight clean coal and two reject drain-and-rinse screens and then re-circulated back to the mixing box directly for re-use. The dilute media underflow from these screens is passed through four primary and two secondary magnetic separators for recovering the magnetite. The recovered dense magnetite is returned to the media circuit for making the correct media.

The non-magnetic materials are removed from this circuit to prevent a build-up of fines. The drained coarse clean coal is dewatered in four centrifuges and discharged to the clean coal conveyor. The drained coarse reject material is conveyed to the discard bin for removal by truck to be utilized in construction projects or alternatively hauled to the No.8 waste rock dumps.

The minus 0.5mm raw coal slurry is fed into five banks of Wemco flotation cells in rougher duty. Each bank contains 4 x 8.5m^3 mechanical flotation cells. Frother and collector reagents are dosed to the flotation process to enable fine clean coal and refuse to be separated.

The flotation tailings are pumped to a cyclone pack of 12 water-only 260mm Ø cyclones for tailings densification, with the underflow then pumped to a single stage bank of sixteen triple start spirals. After this gravity separation step the spiral refuse is then dewatered on two high frequency dewatering screens. The dewatered screen overs are discharged onto the tailings rejects conveyor. The flotation concentrate as well as the spiral coal product is densified using a water-only cyclone pack with 32 × 150mm Ø cyclones and the cyclone underflow is dewatered by a combination of three high frequency dewatering screens and a screen bowl centrifuge.

The high ash overflow from the flotation tailings water-only cyclone is directed to a 23m diameter thickener. The low ash overflow from the product water-only cyclones is directed to a 53m thickener. The low ash thickener underflow is pumped to a vacuum disc filter and a screen bowl centrifuge with the centrifuged solids and filter cake being discharged onto the clean coal conveyor containing both coarse and fine clean coal, centrate and filtrate water are directed back to the tailings thickener. The underflow from the high ash thickener is pumped to the fine tailings disposal pond.

Clarified water is recycled to the plant as process water. The fluidized bed thermal dryer is located in a separate building adjoining the coal processing plant and has a maximum rated capacity of 41m^3/h of water evaporation. The clean coal from the dryer has a moisture content of up to 8.5% and is conveyed to the 250 000t capacity clean coal stockpile.

Clean coal is reclaimed using a bulldozer and two Cogar flat back feeders, rated at 3,000 tonnes per hour (tph) each, located in the reclaim tunnel under the stockpile, and then transferred by conveyor to a load-out bin for loading into rail cars. After loading, the top surface of the coal is sprayed with a latex solution to inhibit dusting and coal losses during rail transport.

17.2.3 Future CPP Plans

GCC recognizes the shortcomings of the existing CPP and the need to replace it at some point in the future given long remaining life of the project. While no definitive studies have been conducted for a new CPP, GCC has allocated capital monies for the construction of a new plant commencing year 2020. A suggested location has been the Beaverdam Creek area coupled with an overland conveyor to transport clean coal part of the way to the existing rail loading area.

17.3 Coal Preparation Plant Capacity and Operation

The annual CPP ROM capacity depends on the feed quality and the product blend being produced. Given the age of the GCC CPP, a reasonable limit on annual operating hours is 6,800, which equates to ~77% utilization of the facility. GCC has exceeded this number for some months in its operating history, but not consistently for a full year's production.

For low volatile hard coking coal product, the nominal feed capacity of the GCC CPP is 600tph to 650tph, resulting in an estimated annual ROM capacity of 4.1 to 4.4M tonnes. Applying the average 2013 yield of 63% to these ROM figures imply a nominal clean coal capacity between 2.57 and 2.77M tonnes.

For high ash product blends, GCC can achieve ROM throughput rates of 800tph, at yields greater than 90%, implying CPP capacities of ~5.44 and ~4.9M tonnes for ROM and product coal respectively. GCC therefore has a flexible operating and marketing environment that is amenable to changes in mining capacities and market conditions.

GCC is in the process of evaluating further capacity enhancing options, such as construction of a new CPP facility at Beaverdam Creek. In addition to enhanced capacity, such a facility will also have lower operating and maintenance cost and improved metallurgical efficiency, and may possibly be located more favorably to reduce the cost of CPP refuse disposal.

18 PROJECT INFRASTRUCTURE

18.1 Introduction

Alberta Provincial Highway 40 is a paved, two-lane road that connects the property with the town of Grande Cache and with the communities of Grande Prairie to the north and Hinton to the southeast. The area is served by an existing branch line of the Canadian National Railroad (CNR), which connects with the main lines, allowing access to the three major coal export terminals in British Columbia and the Great Lakes. The mining operations were previously owned and operated by Smoky River Coal Ltd. (SRCL) and its predecessor-company McIntyre Porcupine Mines which initiated mining in 1969.

18.2 Central Operations Infrastructure

The operation uses the existing coal processing, coal loading, rail and waste storage infrastructure as well as a central office, bathhouse, warehouse and maintenance complex. These are located along the north bank of the Smoky River and the local CNR trackage. The central operations complex is shown in Figure 18.1.

New main pit access roads have been constructed on the east slopes of Horse Mountain Ridge to support the development of the No. 8 pits. Sufficient surface area and infrastructure facilities are available to support the planned increase in production.

As mining operations are developed to the north, GCC is planning to construct shop, warehouse and office facilities in conjunction with the proposed Beaverdam Creek CPP. A conveyor system to transport clean coal from the Beaverdam Creek CPP is proposed as well. This system is planned to be 12.2km long and will consist of a 9km segment that will run from the Beaverdam Creek CPP to just north of the No. 8 mine area. The next segment will go underground in a tunnel to be constructed in the 10 seam. This tunnel will be approximately 3km long from the 12km Bridge to the Smoky River Coal Pad and loadout area. As coal is mined during construction of this tunnel, the cost of constructing the tunnel will be covered by the value of the coal being mined. This had been done in the past in the same area but the tunnel was in the 11 seam. That tunnel was abandoned in the 1990s.

18.3 Electric Supply

Electrical power is available at the plant site from the Alberta Interconnected Electrical grid system. The location of the key distribution lines in the central complex are shown in Figure 18.2. A transmission line currently runs to the No. 8 mining area from the plant site. A new transmission line to supply electrical power to the No. 12 South B2 underground and No. 12 South A areas was completed in 2011.

18.4 Coal Reject Facilities

Three existing ponds have been used for the storage of fine coal reject. Recent reviews indicated no immediate stability concerns with any of the impoundment dykes. GCC monitors stability and groundwater conditions.

GCC has installed a dewatering circuit for the fine rejects and combines most of this material with the coarse rejects using truck haulage. Currently the operation is hauling this material for co-disposal on the active No.8 waste rock dumps. The continued monitoring and evaluation of the geotechnical and practical feasibility of this method for the management of the plant reject is a critical factor to ensure the continued operation of GCC.

Figure 18.1 Central Operations Complex

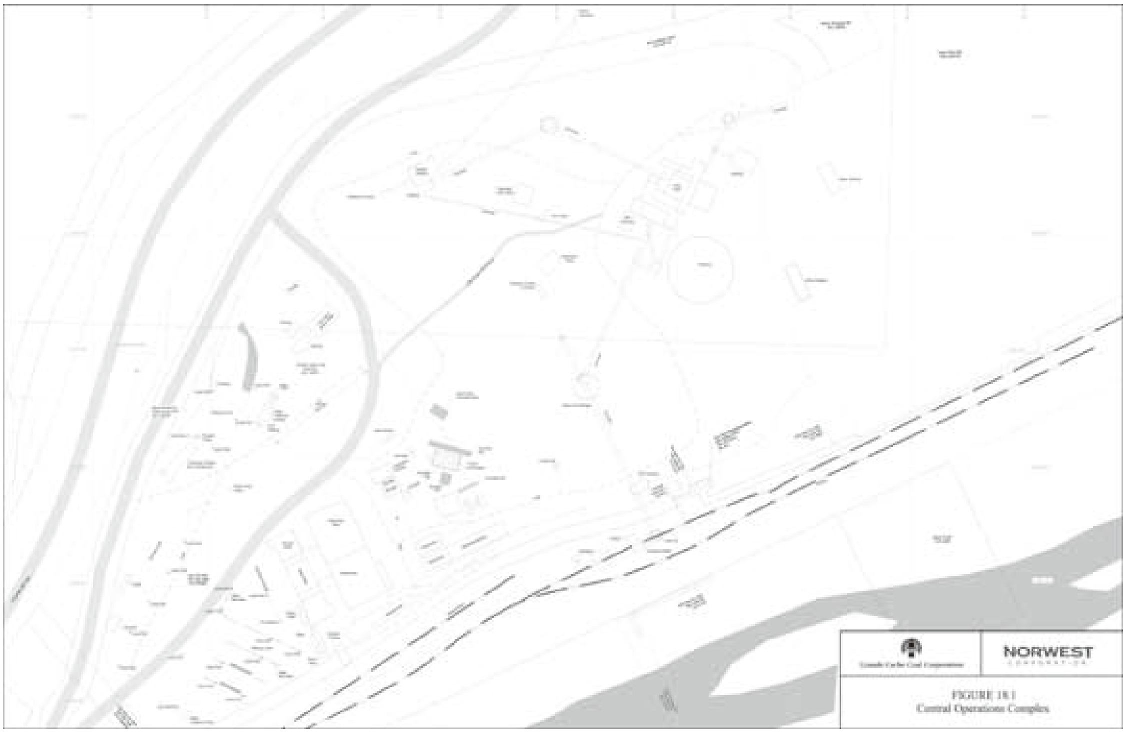
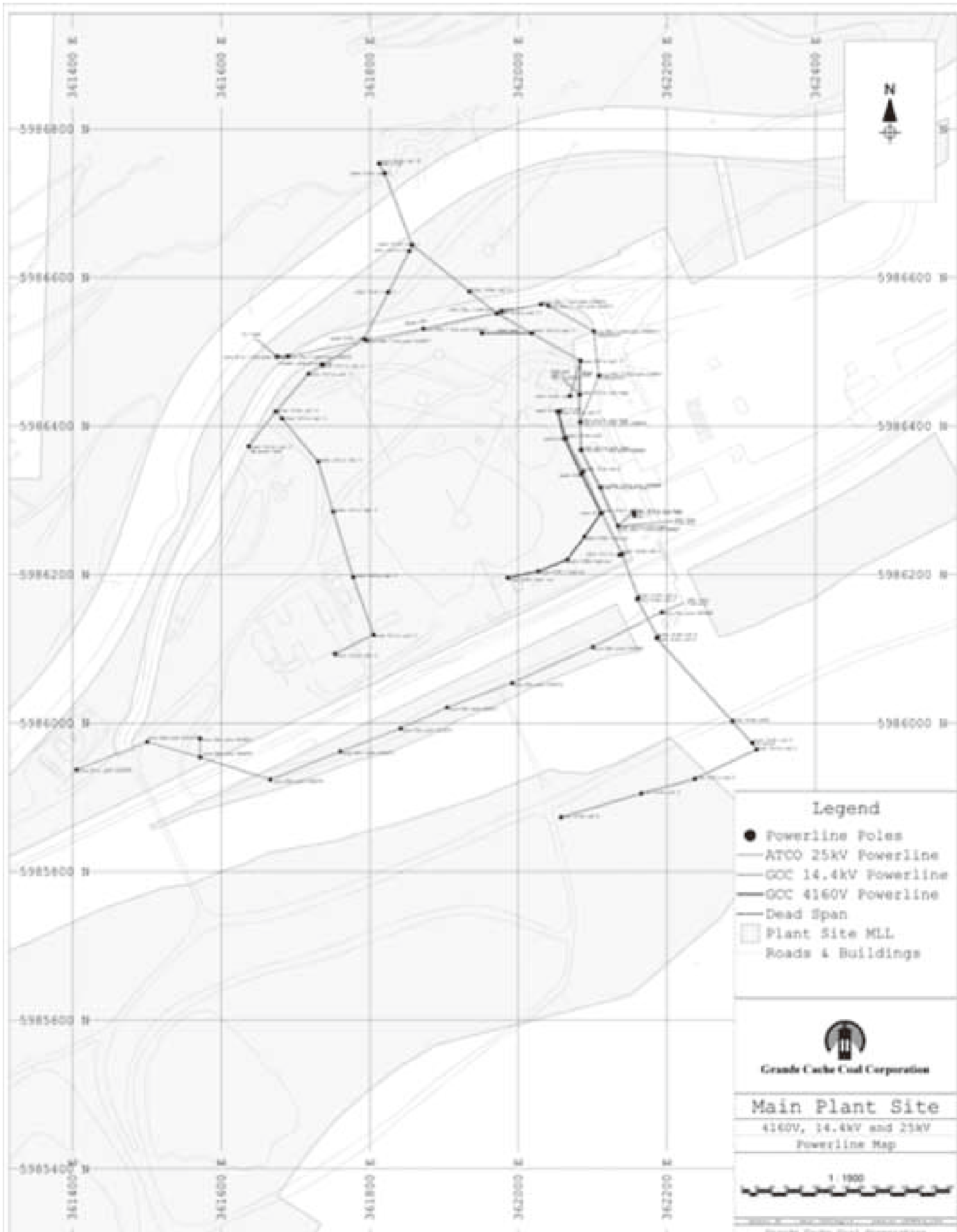


Figure 18.2 Central Complex Power Distribution Map



19 MARKETS AND CONTRACTS

Grande Cache coking coal is the only high rank, low volatile (LV) coking coal produced in Canada. As such it competes with LV coking coals from the Appalachian region of the United States, and with low volatile coking coals from Queensland.

Following a quality comparison of Grande Cache coal with selected US and Australian brands, price benchmarks were established for GCC, using a price index series that exists for US low volatile coking coal, together with an analysis of pricing for Tier 2 Australian coking coals.

The following price scenarios in Table 19.1 are arrived at for GCC based on assumptions around market pricing.

Table 19.1 Price Scenarios for Grande Cache Coking Coal

(US$ per Tonne in 2014$)	Medium Term Price 2018–2020		Long Term Price 2021 on
Assumptions on Benchmark Coking Coal Price	160's	170's	190
Likely Price Range For Grande Cache Coal	135–145	145–155	165–175

19.1 Quality and Price Assessment for Grande Cache Coal

19.1.1 Review of Grande Cache Coal Quality

GCC is the only high rank, LV coking coal produced in Canada. As such it competes with LV coals from the Appalachian region of the United States, and with LV coals from Queensland.

This quality assessment is based on the commercial specifications for Grande Cache coking coal.

19.1.2 Comparison of GCC Coal Quality with US and Australian Low Volatile Coals

As the only LV coal on the market from Canada, GCC will be compared with the LV coals from the US and Australia. While coals from the three regions are similar in carbon content and therefore give similar coke yield, there is considerable variation when comparing overall quality parameters.

Table 19.2 compares the quality of GCC coal with the LV coking coals from the US and Australia; these represent the most regularly traded low volatile coals on the seaborne market.

Table 19.2 Grande Cache Coal Quality compared to US and Australian Low Vol coking coals

		GCC	US LV HCC	Australian LV HCC
Proximate Analysis	Total Moisture (%)	8.8	5.5– 7	10–11
	Volatile Matter Dry (%)	18.2	16–19.5	17.5–19
	Ash Content Dry (%)	8.5	5.5– 9	9–10
	Sulphur Content Dry (%)	0.50	0.65 – 0.85	0.60 –0.65
	Free Swelling Index	6– 8	7–9	7.5–9
Rheology	Maximum Fluidity (ddpm)	10–22	5–450	50–200
	Total Dilatation (%)	15	5–150	60–100
Petrography	Reflectance RoMax (%)	1.50 – 1.55	1.40 – 1.70	1.50–1.65
	Vitrinite Macerals (%)	55	60–76	65–75
	Total Reactives (%)	70	65–80	75–80
	Total Inerts (%)	30	20–35	20–25
Ash Chemistry	Base/Acid Ratio	0.14	0.11 – 0.55	0.09–0.12
	Phosphorus in Coal (%)	0.050	0.001–0.030	0.030–0.065
Coking Characteristics	Approx. Coke Yield (%)	82.4	81.5–84	82–83
	Ash in Coke (%)	10.3	6.5–8.5	11–12
	Sulphur in Coke (%)	0.45–0.50	0.60–0.80	0.55–0.60
	Coke Strength after Reaction	60+	45–65	65–74

Source: GCC, Industry sources

Typically for western Canadian coals, GCC coal exhibits higher inerts content, lower sulphur, lower alkali and lower plasticity than US low vols.

Sulphur is also lower than that of the Australian low vol coals. Lower sulphur in the coal leads to lower sulphur in the hot metal, and less flux material is required for sulphur removal.

Ash content of GCC is moderately high compared to US coals, but lower than the Australian coals. Higher coal ash translates to higher slag volumes that must be removed from the blast furnace; it also results in high coke ash, which increases coke consumption per tonne of hot metal.

The fluidity and dilatation of GCC is lower than most of the other low vol coals. Various studies have shown that Canadian coals with lower fluidity still produce strong cokes, and GCC is no exception, as seen in the Coke Strength after Reaction (CSR) figures, which are significantly higher than the bulk of the US export low volatile coals. Australian low vols are known for producing coke with high CSR, as a result of low alkali content, good rheology, and favourable petrography.

Petrographically, Grande Cache vitrinite content is low at 55%; this is typical of Canadian coals, which present excellent coke strength at these levels. In Canadian coals, the semifusinite macerals tend to be more reactive that those of the US and Australian coals. In the case of GCC, the reactive semifusinite contributes to total reactives of 70%, which is similar to that of the US and Australian coals.

Canadian and Australian low volatile coking coal has higher phosphorus than US coal, resulting in higher downstream de-phosphorizing costs.

When GCC is compared directly to Australian low volatile coals, it is superior in terms of ash content and sulphur. GCC is also a more contracting coal, which will enhance coke removal from the oven, thereby resulting in longer coke battery life. Australian low volatile coking coal is superior to GCC in terms of rheology and CSR. The coals are similar as it relates to petrography, carbon content and ash chemistry.

19.1.3 Benchmarking of Grande Cache Coking Coal for Price Determination

The benchmark coking coal price is applied to only a small percentage of the coals traded on the seaborne market. The majority of coals are subject to price discounting based on the quality characteristics of each individual coal.

The approach to price benchmarking for Grande Cache coking coal is developed firstly from the pricing of Tier 2 Australian coking coals, and secondly from certain price indices for US Low Vol coals in relation to the benchmark coking coals from Australia.

Tables 19.3 and 19.4 track pricing for a selected range of coking coals on the seaborne market over the last three years. Table 19.3 is based on quarterly benchmark settlements for Australian coking coal, while Table 19.4 is derived from monthly price indices for both US Low Vol and Australian prime hard coking coal.

Table 19.3 Coking Coal Pricing Based on Australian Coals

(US$ per tonne)	Q4 2011	Q3 2012	Q4 2012	Q1 2013	Q4 2013	Q4 2014	% of Prime HCC Price
Prime Hard Coking Coal	285	225	170	165	152	119	100%
Tier 2 Australian Coking Coal	250	205	145	140	135	102	85–91%

Source: Industry data

Table 19.4 Coking Coal Pricing Based on US Low Volatile Coals

(US$ per tonne)	Q4 2011	Q3 2012	Q4 2012	Q1 2013	Q4 2013	Q4 2014	% of Prime HCC Price
Prime Hard Coking Coal Index	244	180	155	168	144	113	100%
US Low Vol Coking Coal Index	233	151	145	150	139	109	84–97%

Source: McCloskey Coal

Based on the data above, US Low Vol coals have experienced a broader price range in relation to the Benchmark HCC Price, while the pricing for Tier 2 Australian coals has maintained a very tight range of 85–91% of the benchmark price.

Different scenarios for GCC pricing are developed on the basis of the price ranges seen. A best case would follow the high levels seen for US LV coals, while a more likely scenario would see GCC pricing in a similar range as the Tier 2 Australian coking coals. The author notes that there is no formal industry classification for "Tier 2" coking coals; the terminology is used here to designate certain coals which in the author's determination fall within a similar commercial classification as GCC.

19.1.4 Price Outlook for Grande Cache Coking Coal

Coking coal prices are not expected to recover to any great extent over the next year or two. However, since the current low prices cannot be sustained indefinitely without severe supply disruption, a recovery is likely in the medium term (2018–2020).

For the long term, the potential for continued supply growth from current capacity expansions reaches a limit towards the end of the decade. Continued demand growth, which will likely be steady but not spectacular, is expected to result in demand exceeding the supply available from mines that are in operation today. New capacity will be needed after 2020, accompanied by the necessary price increase to encourage investment for the replacement tonnage.

Beyond 2020, a step increase in coking coal pricing is expected, not unlike previous price steps that have occurred: the period 2010–2012 saw a 33% step jump above the pricing for 2007–2009, which in itself represented a 75% increase over the 2004–2006 pricing levels. These price steps were essentially driven by supply shortages.

It is therefore reasonable to expect that in the medium term, the Benchmark HCC price could increase to the $160–170/t level; from 2021 on, the long term Benchmark HCC price can be expected to reach a level of US$190/t (in 2014 $ terms).

Tables 19.5 and 19.6 indicate a range of prices for GCC based on different assumptions related to market pricing.

Table 19.5 Price Outlook for Grande Cache Coking Coal

(US$ per Tonne in 2014$)	Price as % of HCC	Current Market	Medium Term Price 2018–2020		Long Term Price 2021 on
Prime Hard Coking Coal	100%	117	160's	170's	190
Tier 2 Coking Coal Prices	85–91%	100	135–145	145–155	162–173
US LV Coking Coal Prices	84–97%	113	134–155	143–165	160–184

Table 19.6 Price Scenarios for Grande Cache Coking Coal

(US$ per Tonne in 2014$)	Medium Term Price 2018–2020		Long Term Price 2021 on
Assumptions on Benchmark Coking Coal Price	160's	170's	190
Maximum Pricing	155	165	184
Minimum Pricing	134	143	160
Likely Price Range For Grande Cache Coal	135–145	145–155	165–175

20 ENVIRONMENTAL STUDIES, PERMITTING AND SOCIAL OR COMMUNITY IMPACT

20.1 Environmental Studies

GCC has collected the environmental data required by AER for the permitting of the current mine facilities. This is evidenced by the approved permits for the operations.

In October 2014, GCC submitted an application for renewal of its 10-year Environmental Protection and Enhancement Act (EPEA) Approval No. 155804–00–08. The application summarizes GCC's environmental performance for the previous 10 years and outlines environmental management programs to achieve compliance with current approval requirements.

GCC has developed a LOM plan for the future properties along with an anticipated schedule. GCC staff have developed an environmental schedule to ensure that collection of environmental data is accomplished in a timely manner to ensure that the permitting requirements can be met.

20.2 Environmental and Permitting Considerations

Mine sites in the Province of Alberta (the Province) require numerous permits, licenses and approvals in order to operate. Various regulatory authorities supervise mining operations to ensure that the conditions and standards, which apply to mining activities, are adhered to. Operation of GCC properties will require regular and open communication between management and regulatory authorities as existing permits, licenses and approvals require periodic updating, amendments and renewals.

The Responsible Energy Development Act (REDA), AR 90/2013) established the Alberta Energy Regulator (AER) as a single regulator for most aspects of energy development projects (including coal mining) in the Province. GCC has worked diligently to develop a good working relationship with the AER regulatory staff. Other regulatory agencies which must be consulted to gain the requisite mining approvals include the Occupational Health and Safety division of the Alberta provincial government, and the provincial Aboriginal Consultation Office.

New applications will be filed from time to time to commence and expand mining operations. In this regard, the No. 8 surface mining area and the No. 12 South B2 underground mining area are currently permitted and licensed for mining, environmental management and reclamation by the AER.

Approvals issued by AER and other government authorities ensure that the regulators are satisfied the mining area can be developed safely and efficiently, with an acceptable level of environmental protection through approved environmental management programs, and also detail the reclamation required at the end of the mine life. Similar mine plans and environmental assessment reports will be required prior to mining for future mining areas which include the No. 12 South A underground mining area, the No. 9 surface and underground mine, and the No. 2, No. 12 North and No. 16 surface mining areas.

In addition, the proposed new Beaverdam Creek processing plant and associated conveyor corridor will require a permit by the AER. Construction is anticipated to start in 2020. GCC anticipates that it will take approximately five to six years to obtain all necessary permits and approvals to initiate construction of the plant and the associated conveyor corridor.

As discussed previously, in October 2014, GCC submitted an application for renewal of its 10-year EPEA Approval No. 155804–00–08. Approval of this amendment of the current EPEA permit will give GCC regulatory certainty for the environmental aspects of existing operations for the next 10 years, although the amended approval will likely contain some new terms and conditions. It is anticipated that the new requirements will include: control of dust emanating from the coal processing plant, changes to ROM pad and haul roads, and required consultation with the public and the Aboriginal community. As part of on-going regulatory consultations, GCC has had several conversations with the AER in January 2015 to discuss any concerns with the renewal application. No major issues were identified and GCC is expecting AER's approval in April 2015.

The current EPEA Approval requires that land disturbed in connection with mining operations be reclaimed by GCC. A key component of the application for renewal of the EPEA Approval was submittal of a site-wide Integrated Reclamation Plan GCC conducted consultations with the local community and other stakeholders to discuss the conceptual reclamation plan, as further discussed in Section 20.5.

Long-term mining plans will require permit amendments to expand existing permit and license areas. All projects within a greenfields area require an initial evaluation by the AER to determine if an Environmental Impact Assessment (EIA), as defined under EPEA is required. New greenfield surface mine projects should include a minimum one year/full season of EIA studies and public consultation in support of an application for regulatory approval.

Review and approval under the Canadian Environmental Assessment Act, 2012 (CEAA) is required for new projects in areas where federal jurisdiction is invoked. The physical activities that may trigger an EIA through the CEAA include, but are not limited to: the construction, operation, decommissioning and abandonment of a new coal mine with a coal production capacity of 3,000t/d or more and the expansion of an existing coal mine that would result in an increase in the area of mine operations of 50% or more and a total coal production capacity of 3,000t/d or more.

For large mining projects, this may require projects to be reviewed through a Joint Panel process with both federal and provincial authorities and require an EIA be prepared to evaluate environmental impacts.

GCC's operations in the Province are also subject to the Canada Fisheries Act, which prohibits the deposit of deleterious substances into waters that are inhabited by fish and the destruction of fish habitat. Provisions of the Canada Fisheries Act require that a permit be obtained to allow new activities or discharges that may impact aquatic habitats, including new operations at river and stream crossings. Further, new operations at rivers, streams or other bodies of water may require an approval under the Navigable Waters Protection Act (Canada).

Other federal statutes that apply to GCC's operations include the Canadian Environmental Protection Act, 1999, which regulates the use of substances that are considered to be toxic, and the Explosives Act (Canada), which regulates the use of explosives. Currently GCC holds all permits required for its active operations. GCC will develop appropriate plans to address these concerns in permit applications for new properties.

The time required for obtaining a permit or an approved amendment for the projects under application is difficult to predict with certainty. Approvals for new mining projects are subject to provisions for public hearings, which could extend the approval process by a number of months. GCC is consulting with public stakeholders and the Aboriginal community to address their concerns in its applications for regulatory approval. By working proactively with the various stakeholders, GCC hopes to address concerns before they become a hindrance.

GCC recognizes regulatory risk factors that could affect the timely acquisition of mining approvals and licenses and the orderly sequencing of projects. These risk factors include:

- Regulatory compliance standing with AER

- Environmental Impact Assessment
- Water Licences
- Selenium mitigation.

20.2.1 Regulatory Compliance

On May 23, 2013, GCC received a High Risk Enforcement Action notice from the Energy Resource Conservation Board (ERCB, now AER) for failure to mine and operate in accordance with the mine licence related to the 7/8 Seam of the No. 12 South B2 underground operation. This was regarding a cross cut that was advanced on May 3, 2013 prior to AER approval. As a result of this, GCC was required to develop, implement and submit an action plan to address the noncompliance event and meet with AER staff to review the action plan to ensure that all mine operations are in accordance with the approved design. GCC completed these actions, as requested.

However, following another deviation from the design in the same mine that was not approved by AER, GCC was provided a following High Risk Enforcement Action (Failure to Comply) notice on November 26, 2013. At this time, GCC was elevated to "Focused Refer Status", as GCC was deemed to have failed to successfully implement the action plan from the previous incident.

The Focused Refer enforcement status means that underground mining related applications will be subjected to a more rigorous review. This may include, on an application-by-application basis, GCC's applications being brought before the Regulatory Technical Authorization Committee for disposition. Upon further review, the AER may also impose additional terms or conditions on existing permits and licenses.

On December 2, 2013, GCC submitted an action plan to AER identifying steps being taken to revise its Change Management Process and restore the standing with AER necessary for efficient regulatory review and issuance of mining licenses and approvals. GCC must operate in compliance with no High Risk non-compliance events for 180 days from the acceptance of an action plan to regain a satisfactory compliance rating. Unless GCC succeeds in restoring satisfactory compliance status with AER, the scheduling of orderly mine licenses will be compromised.

On May 14, 2014, GCC received a Notice of Investigation from AER related to the May 3, 2013 incident. GCC was advised that AER was conducting an assessment to identify any other contraventions that may have occurred. At the time of this report, GCC has not received any further correspondence related to this investigation.

20.2.2 Environmental Impact Assessment

As discussed above, mining projects may trigger the need to complete a provincial EIA and possibly a joint federal/provincial EIA. The risk is that EIA studies including federal involvement or public intervention could extend the timetable or even approvability of any or all of the proposed mine operations.

Based on the current life of mine plans, future operations would include the development of the No. 2, 9, 12, and 16 surface mines. These operations will likely require evaluation through development of an EIA. From a permitting standpoint, the following efforts are required:

- No. 2 Surface Area will require a permit amendment. Based on review of the conceptual designs, No. 2 Surface Area will likely require only an "enhanced approval" process through the Province without the rigor of a formal EIA process. According to GCC, all of the environmental baseline studies necessary to support the permit amendment have been completed. GCC will likely obtain the Mine Licence and EPEA Approval within two years of final mine design. Current mine plans indicate that mining will occur in the No. 2 Surface Area in 2019.

- No. 9 Surface Area may require an EIA process, which could be a joint provincial/federal process. The major portion of No. 9 Surface is in a brownfield area, having been mined from the 1970's through to the late 1980s. According to GCC, all of the environmental baseline studies necessary to support the permit and EIA have been completed. Based on review of the preliminary mine plan, GCC expects to obtain the mine license and EPEA Approval within three years of final mine design. Current plans show mining this area in 2027.

- No. 9 Underground, unlike the majority of No. 9 Surface, is in a greenfield area. While underground coal mining is not an activity which requires a mandatory EIA under provincial regulation, the scope of the project will likely trigger an EIA. Given that EIA level baseline studies of environmental and archeological factors in the area of the proposed longwall portal are not complete, expectations regarding the length of the EIA process are that it will take at least 5 years from initiation of data gathering. In addition, longwall mining is a mining method unfamiliar to the current AER regulator, and this will likely prolong the process relative to familiar mining methods like room and pillar mining.

- The requirement for an EIA is a certainty for No. 12 North Mine and No. 16 Mine, which could be a joint federal/provincial process. Current mine plans show development of the No. 16 Mine starting in 2025. GCC will meet with the Province prior to filing any formal communication to discuss and understand permitting requirements. GCC will formally submit a letter to AER per the requirements of Section 44 of the EPEA, requesting a determination for requirement of an EIA prior to filing an application for the No. 16 Mine. In addition, GCC will conduct a pre-assessment meeting with the CEAA in early 2015 with a formal letter being submitted in the fall of 2015. GCC will undergo the same permitting process for the No. 12 North Mine as the No. 16 Mine described above. However, production in the No. 12 Mine is not proposed to start until 2038.

- Obtaining permit approval and development of 12 South A Underground is a critical timing issue. Current development plans propose start of production in April of 2018. Prior to that occurring, GCC must procure a permit to excavate approving the surface access plan and obtain a permit to develop the underground mine.

Based on the above described permitting schedule, GCC's mine approvals are achievable. This schedule will require coordinated efforts for properly-scoped environmental studies, timely baseline data collection, adequate permit development, technically complete mine plans, and proactive public consultation

20.2.3 Water Licenses

GCC holds Water Licences issued by the Alberta Water Act, which allow GCC to divert water from the Smoky River into processing plant operations. The current water allotment under GCC's Water Licence is fitted to the design and licensed capacity of the coal processing plant, which is 3.86M tonnes of clean metallurgical coal. GCC participated in the Upper Smoky River Water Management Framework (WMF) process initiated by Alberta Environment and Sustainable Resource Development (AESRD, now AER). The WMF process was directed toward water conservation and protection of fisheries. In addition, the Province has developed new "In-stream flow" provisions. These provisions may increase the difficulty for GCC to expand or obtain additional water licences.

In response to these developing issues, GCC is planning to install filter presses at its existing processing plant operations to significantly reduce the amount of water required for operation.

In addition, the proposed Beaverdam Creek processing plant will also utilize filter presses. GCC has water licences in the area of the proposed Beaverdam Creek processing plant that can be converted for use at the plant. Also, GCC believes that there are groundwater resources in the area that can be used at the plant. Converting the existing licence and obtaining new licences will require at least one-year of hydrologic studies and one-year of agency review and approval.

20.2.4 Selenium

Selenium is released from waste rock produced by some surface mining. In the GCC mine area, the levels released at mountain mines into the receiving waters have been associated with risk to fish populations. The background level of selenium in undisturbed streams is about 1 part per billion (ppb). The concentrations of selenium at a monitoring location downstream of No. 12 South B2 Surface Mine range from 35–40ppb. The No. 12 Area background selenium monitoring point has an average concentration of 4.1ppb, while the end pit lakes directly below previous No. 12 South B2 mining operations have selenium results that average 31ppb and 34ppb, respectively. Within the Sheep Creek watershed, the background selenium monitoring point is about 0.80ppb while the Sheep Creek downstream site is 0.80ppb. Significantly higher levels of Se are found in old end pits in the No. 9 Area.

In December 2012, Environment Canada initiated stakeholder consultations on the 10-year review of the Metal Mines Effluent Regulations (MMER). In addition to reviewing the requirements for metal mines, the MMER review proposed possible inclusion of coal and diamond mines. The MMER proposal includes adding proposed limits for arsenic, aluminum, iron, manganese, selenium, ammonia and TSS concentrations in effluent discharges to the environment. GCC has been involved with MMER through a Coal Association of Canada (CAC) working group. To date, no decisions have been made on these proposals and the MMER review is currently ongoing.

GCC's EPEA Approval renewal application included information regarding steps that GCC is taking to manage selenium. GCC has maintained a Selenium Management Plan (SMP) since 2005. In accordance with Alberta Selenium Working Group recommendations, one of the goals of GCC's SMP is to analyze concentration of selenium (and other parameters) in surface water and to evaluate loading (i.e. concentration x water volume). This program has been in operation for three years resulting in a database of selenium concentrations and loading throughout the area surrounding the mine. This information will assist GCC in determining sources of elevated selenium in their operations and potentially reducing them where possible. To date, the findings of the program include the observation that selenium concentrations vary seasonally and that the twice yearly monitoring efforts conducted in the past were not adequate. GCC has also discovered that selenium loadings vary widely between drainages, from 0.00062g/d into Two Camp Creek, to 981g/d to Beaverdam Creek. In net, these loadings may be locally elevated, but have not lead to exceedance of Canadian Council for Ministers of the Environment (CCME) guidelines in major rivers and creeks in the area of the mine.

20.3 Waste/Tailings Disposal, Site Monitoring, & Water Management

Currently a portion of the fine coal refuse is dewatered and combined with the coarse refuse for disposal at the No. 8 area waste dumps. The remainder of the fine refuse is pumped in slurry form to the fine tailings facility. This splitting of the fine coal refuse stream means the slurry pumped to the tailings ponds typically is less than 25% ash, and hence retains a high thermal content when partially dryed. Historically this material has been sold to the adjoining coal/natural gas-fired generating station. Currently plans are to blend this material with dryer ROM coal to make a shippable product with approximately 20GJ/tonne as received, at least until the stored inventory at the tailings ponds is depleted.

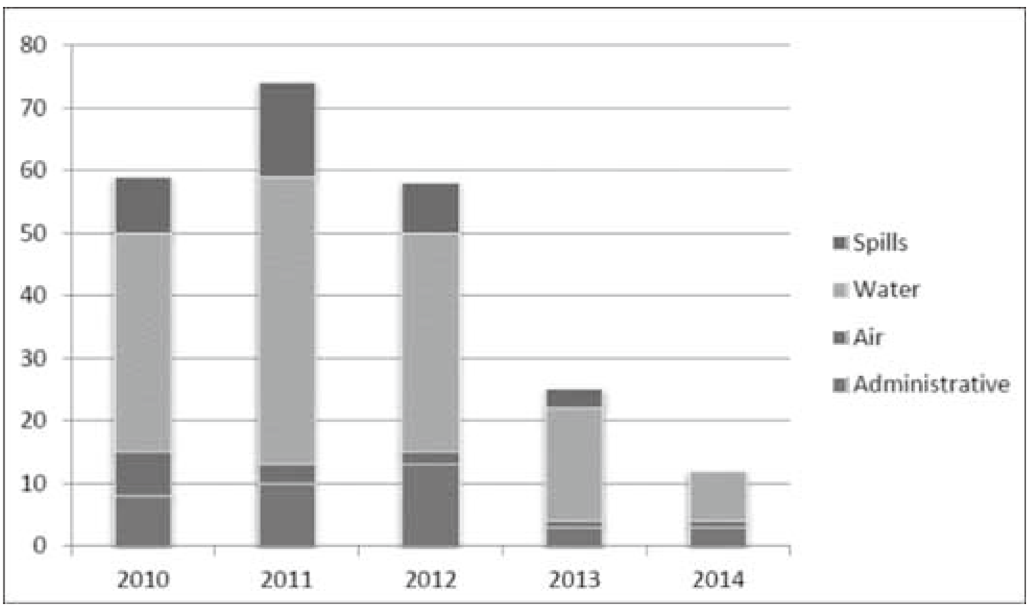
However, should this product not find ongoing market acceptance, continued operations and increasing coal production will require additional tailings storage capacity by either expanding the tailings footprint or raising the tailings embankments. The development of additional tailings pond capacity will require significant permitting efforts including an EIA, with low probability of success. This is due to the recent tailings pond failure at Obed Mountain (Sherritt) Operations.

Therefore, GCC is formulating an alternative plan to eliminate the need for additional tailings storage capacity. As mentioned above, GCC is going to install filter presses at its existing processing plant and the proposed new Beaverdam Creek processing plant, thereby eliminating the need for tailings disposal in slurry form. Filter cake produced at the processing plant operations could be disposed of in waste dumps or backfilled in pits pending regulatory approval. The GCC plan to excavate the current tailings pond materials and selling the mixed recovered coal fines with coal out of the mine to produce a thermal coal product would increase the storage in the tailings area until the filter presses are installed.

GCC has an extensive site water monitoring program to determine compliance with the regulatory requirements. GCC has developed Standard Operating Procedures for the operations, maintenance and monitoring of wastewater treatment systems, air emissions control and monitoring systems and settling pond systems. These also include standard procedures for monitoring the performance and compliance of the various wastewater treatment systems and emergency response. Spill management and prevention plans were developed and all spill containment structures were upgraded in 2013.

GCC has implemented these procedures and seen a substantial reduction in the number of AER non-compliances over the past three years.

Figure 20.1 Aer Non-Compliances, 2010–2014



All surface water and groundwater that passes through the various mining areas is required to be treated to meet water quality limits set forth in the regulations and GCC's EPEA Approval before discharge to the environment. GCC has provided and implemented plans to collect and channel all surface water to settling ponds to ensure total suspended solids and other water quality parameters meet the limits set in the regulations. Likewise, GCC is implementing plans to ensure that groundwater collected in-pit will meet water quality guidelines before discharge to the environment. The GCC permit documents (Water Act and EPEA) detail the monitoring, maintenance and discharge water management plans for the No. 12 South B2 underground and the No. 8 surface operations. The EPEA Approval grants approval of these plans for the current operations. GCC is developing similar plans for all planned future operations.

Federal and provincial environmental legislation regulates the discharge or release of substances into the environment. Generally, these regulations prohibit unauthorized releases that have an adverse effect or potentially adverse effect on or otherwise impair the environment. GCC is developing an Environmental Management System ("EMS") that incorporates measures to prevent unauthorized releases and appropriate emergency response procedures and training programs to minimize any environmental impact from its operations. GCC has the elements of an EMS in place in accordance with EPEA Approval No. 155804–00–08. The EPEA Approval is very prescriptive in monitoring, reporting and data control requirements. GCC has a mine site based Environmental department to carry out the responsibilities, terms and conditions outlined under the EPEA Approval. Since implementing this program, GCC has seen a significant reduction in the environmental violations. Continued training and EMS direction from mine management will aid in ensuring that GCC continues to operate in regulatory compliance.

20.4 Social or Community Factors

In recent years, GCC successfully negotiated Community and Impact Benefit Agreements (CIBAs) with the Aseniwuche Winewak Nation of Canada (AWN) and the Métis Nation of Alberta (Grande Cache) Local Council #1994 (MNA). These CIBAs are considered industry-leading initiatives. These CIBAs provide for mutual support and the funding arrangements are linked with GCC's success.

Effective in July 2014, the Province of Alberta established an Aboriginal Consultation Policy (specifically the Guidelines on Consultation with First Nations on Land and Resource Management) that allows the government to identify which aboriginal groups may be allowed to review applications for mine approvals and assess whether a proper level of consultation and accommodation has been met in respect of the Province's constitutional duty to First Nations. The aboriginal consultation process is under the direction of the Aboriginal Consultation Office (ACO) within the Government of Alberta. Industry has expressed concerns that the new Policy could delay the timely issuance of approvals and licenses, due to timelines and opportunities for information requests given to aboriginal groups and may give these groups leverage for compensation (termed as "accommodation" or "mitigation"), which will increase the costs of mining.

In addition to the AWN and MNA, GCC has been advised that the Province recognizes Horse Lake First Nation (HLFN), located on an Indian Reserve near Grande Prairie, as directly affected by GCC's mine plans and operations. GCC has established a working relationship with HLFN to ensure that required consultation reviews do not hold up the approval and licensing process. While a CIBA has not yet been initiated with the HLFN, GCC has not had any opposition from the HLFN to date.

GCC is therefore well positioned to manage the risk of possible interventions from the local Aboriginal community to its applications for mining approvals.

20.5 Reclamation Status

GCC has approved reclamation plans for all current permits except the sub-alpine portions of the No.12 South B2 surface mine. AER is requiring GCC to demonstrate its ability to reclaim subalpine areas. This reclamation demonstration will be used as the basis for developing a mine permit for the No. 12 North area.

GCC submitted an Integrated Reclamation Plan to AER in October 2014 and anticipates the approval of this plan along with the EPEA Approval renewal in April 2015. GCC has started the process of reclamation planning and initiated the process with a Reclamation Foundation Workshop in November 2013, involving the Aboriginal community and selected stakeholders. According to GCC, they received positive feedback from the community (Aboriginal groups and stakeholders) following this workshop. Through this workshop, a plan was developed to consult with the community prior to development of final reclamation plans in order to get feedback and input early on in the planning process. AER is very supportive of this approach.

21 CAPITAL AND OPERATING COSTS

21.1 Operating Costs Estimates — General

All costs are stated in constant 2014 Canadian dollars. There is no provision for inflation.

Direct mine cash operating costs for both the surface and underground mines were developed on a unit cost basis except for the 9D longwall mine which was developed from first principles in conjunction with Norwest's experience and knowledge of underground longwall mining operations in North America and Asia.

As further discussed below, the unit costs developed for this report were based on recent historical costs from Grande Cache Coal mines, from the 2014 Mine and Mill Equipment Cost Guide, and on Norwest's experience in surface and underground mining.

Based on a comparison of the resulting forecasted operating costs to recent actual costs at Grande Cache, the operating cost forecast developed for this report is a reasonable estimate of future operating costs. Table 21.1 summarizes the recent historical operating costs per ROM and clean tonne compared to the projected costs in this report for both surface and underground mining.

Table 21.1 Historic and Projected Operating Costs

	Total Cash Production Cost	Cost per ROM Tonne	Cost per Clean Tonne
Actual			
2012	$216,406	$80	$128
2013	$203,539	$85	$108
2014	$125,045	$57	$80
Forecast			
2015	$55,319	$62	$74
2016	$79,070	$59	$75
2017	$177,566	$51	$70
2018	$226,151	$52	$69
2019	$239,365	$56	$78
Five Year Averages			
2020–2024	$318,292	$61	$86
2025–2029	$326,053	$56	$79
2030–2034	$338,567	$67	$96
2035–2039	$321,353	$63	$87
2040–2044	$332,198	$57	$75
2045–2049	$354,363	$53	$72
2050–2054	$289,301	$42	$57
Total	$12,259,750	$56	$77

21.1.1 Surface Operating Cost Estimates

As noted above, the operating costs for surface operations were calculated by developing unit costs for overburden and coal and applying those unit costs to the overburden and coal movements required by the mine plan each year. Labor and equipment costs were calculated by applying unit costs for moving overburden and coal. Explosives costs were calculated based on the required powder factor and current explosives costs. Mine overhead and administration costs were then added to the labor and equipment costs and the explosives costs to arrive at direct cash mine operating costs for each year.

Equipment hours were derived from the mine plan described in Section 16. The hours were derived from the required material movement and the productivity of the various pieces of equipment. This included hours for each major excavator and coal loader and the related haul trucks for each mining area. Hours for the haul trucks were based on detailed haul profiles for both coal and overburden by year for each mining area. It also included hours for blasthole drills based on the required drilling patterns and drilling productivity rates. Hours for support equipment such as dozers, motor graders and water trucks are based on a factor of the units required to support the overburden and coal excavation fleets.

Equipment operating costs per hour include hourly operator and maintenance labor, fuel and/or power, tires, ground engaging tools, and maintenance parts including major overhauls. These hourly equipment operating costs are based on recent historical costs at GCC, on the 2014 Mine and Mill Equipment Cost Guide and on Norwest's knowledge of those costs in the North American mining industry. Diesel fuel used in these calculations was based on current prices. Table 21.2 summarizes the hourly operating costs for the major surface mining equipment.

Table 21.2 Operating Cost $/hr for Major Surface Equipment

Shovels – P&H 2800XPC	$643
Shovels – EX5500	$521
Shovels – EX3600	$370
Backhoe – PC3000	$230
Loader – WA1200	$230
Haultrucks – 830E AC	$406

Explosives costs per BCM were developed using the powder factor required based on historical GCC factors and current explosives costs for ANFO and emulsion. Blasting components were added using a factor of 15% of the ANFO and emulsion costs. The typical powder factor at GCC is 0.70 for ANFO and 0.60 for emulsion; unit costs of explosives are $0.44/kg for ANFO and $0.71kg for emulsion.

Mine site level management, supervision, and administration labor and overhead costs are based on historical costs. These costs include all salaried wages and benefits at the mine location for the surface mine, office expenses, insurance, employee costs, training, consultants, and other administration expenses. The forecast uses a $15M per year fixed rate for these costs plus $0.50 per BCM to arrive at the annual cost.

Table 21.3 shows the direct costs for the labor, equipment and explosives costs for the surface mine. The mine site level administration expenses are not included in the summary presented in below. For purposes of the unit cost per BCM, the coal tonnes were converted to equivalent BCM using a factor of 1.4.

Table 21.3 Surface Mining Labor, Equipment and Explosives Costs

	Operating Waste (bcm)	ROM Tonnes	ROM Strip Ratio	Surface spend (includes trucking)	Cost per Equivalent BCM	Cost per ROM Tonne
Actual						
2012	21,687	2,006	10.8	$105,764	$4.57	$52.73
2013	17,549	1,266	13.9	$76,379	$4.14	$60.33
2014	11,011	1,426	7.7	$53,404	$4.44	$37.44
Forecast						
2015	760	116	6.6	$3,029	$3.60	$26.20
2016	–	–	–	$0	$0.00	$0.00
2017	15,330	2,373	6.5	$60,653	$3.56	$25.56
2018	16,608	2,524	6.6	$65,363	$3.55	$25.90
2019	19,279	2,553	7.6	$81,902	$3.88	$32.09
Five Year Averages						
2020–2024	19,221	2,051	9.8	$86,256	$4.17	$43.62
2025–2029	32,828	3,313	10.0	$143,387	$4.08	$43.24
2030–2034	34,517	3,167	11.1	$149,175	$4.06	$48.22
2035–2039	34,298	3,076	11.6	$162,179	$4.44	$54.60
2040–2044	34,458	3,913	9.2	$164,615	$4.42	$44.00
2045–2049	34,266	4,660	7.4	$166,943	$4.43	$35.96
2050–2054	22,208	5,298	4.3	$119,968	$4.73	$22.92
Total	1,111,372	135,991	8.2	$5,182,652	$4.29	$38.11

Table 21.4 combines the projected waste movement, coal haulage, haulage to the preparation plant, processing cost at the preparation plant, and a conveyor cost once the new plant is constructed. The G&A expenses are not included in the summary presented in below. The table shows the total projected surface mining operating costs and the relative cost per clean MET tonne from surface mining operations.

Table 21.4 Surface Mining Operating Cost Projection

	Waste Movement	Coal Haul	Mine Overhead	Conveyor	Processing	Total Surface	$/Clean MET tonne
Surface Mine Operating Cost							
FY 2015	2,562	1,202	1,000	–	3,941	**8,705**	75.28
FY 2016	–	–	–	–	–	**–**	–
FY 2017	51,823	13,000	23,525	–	18,014	**106,362**	44.82
FY 2018	52,954	12,452	24,124	–	18,909	**108,439**	42.97
FY 2019	68,998	12,904	25,466	–	18,656	**126,024**	49.37
FY 2020	77,595	12,770	25,188	–	17,610	**133,164**	57.10
FY 2021	70,810	18,620	25,710	2,507	19,496	**137,143**	54.71
FY 2022	70,820	10,688	24,859	1,504	14,182	**122,053**	81.14
FY 2023	69,620	9,734	25,592	1,555	14,300	**120,801**	77.71
FY 2024	75,115	15,533	25,222	2,358	18,389	**136,617**	57.94
FY 2025–29	606,025	110,913	163,174	17,529	104,588	**1,002,230**	60.51
FY 2030–2034	649,145	96,740	167,210	16,408	109,226	**1,038,730**	65.59
FY 2035–2039	729,193	81,683	166,573	16,133	108,149	**1,101,731**	71.63
FY 2040–56	1,861,533	405,185	494,838	74,271	477,185	**3,313,012**	47.07
Total	4,386,194	801,423	1,192,481	132,265	942,646	**7,455,009**	54.82

Mine closure costs are included in the overall cash operating costs at rate of approximately C$2.0M per year until production ceases with the remaining expenditure occurring in subsequent years. Total closure costs are estimated to be C$86.3M which includes both current and future disturbed areas totaling approximately 4,300ha.

21.1.2 Underground Operating Cost Estimates

The historic production type balance for No. 12 South B2 by year with associated ROM tonnes and operating costs (OPEX) are shown in Table 21.5.

Table 21.5 No. 12 South B2 2012–2014 Historical ROM Operating Costs (Including Haulage) and Production Type

Year	Production Type		ROM Tonnes (M)	OPEX Cost ($M)	OPEX ($/t)
	Development	Depillaring			
2012	82%	14%	0.69	39.038	$56.95
2013	52%	48%	1.13	58.52	$51.58
2014	14%	86%	0.78	34.35	$43.80
No. 12 South B2 Average OPEX ($/t)			2.60	131.90	$50.65

Norwest utilized experience in underground room and pillar mining operations in North America in reviewing historic operating costs provided by GCC. The projected operating costs for the No. 12 South B2 and No. 12 South A mines are based upon a unit cost model developed by GCC which utilizes historic 2014 operating costs. The projected capital costs for the No. 12 South B2 and No. 12 South A mines were provided by GCC and reviewed by Norwest. It is Norwest's opinion that future unit operating costs would be likely to fall between the actuals of 2013 and 2014.

Norwest has projected future operating costs on a unit basis at $50.00/t ROM for development production, $35.00/t ROM for depillaring production with a fixed annual operating cost of $8.4M per mine. The remaining projected production type balance for No. 12 South B2 and No. 12 South A is 40% development tonnage and 60% depillaring tonnage. The Norwest OPEX model projects future Life-of-Mine costs for the combined 12 South B2 and 12 South A production at $46.67/t ROM, excluding transportation and processing costs.

The No. 9D underground mine operating costs were developed by Norwest using first principles and Norwest's experience with longwall mining operations in North America and Asia. Steeper gradient operations are reflected in the operating costs, which average $43.63/t ROM.

The operating costs for the No. 12 South B2 with the East Extension, the No. 12 South A, and the No. 9D Area combines the projected mine operating cost, the truck haulage to the preparation plant, processing cost at the preparation plant, and a conveyor cost once the new plant is constructed. The G&A expenses are not included in the summary presented in Table 21.6 showing the total projected underground operating costs and the relative cost per clean MET tonne.

Table 21.6 Underground Mining Operating Cost Projection

	Operating Cost	Coal Haul	Conveyor	Processing	Total UG	$/Clean MET tonne
Underground Operating Cost						
FY 2015	33,913	5,510	–	7,296	**46,719**	73.11
FY 2016	53,173	8,508	–	16,219	**77,900**	76.00
FY 2017	54,259	9,108	–	11,828	**75,195**	49.08
FY 2018	86,388	13,677	–	15,150	**115,215**	69.12
FY 2019	83,464	12,664	–	14,673	**110,801**	90.67
FY 2020	121,102	14,305	–	16,947	**152,353**	88.63
FY 2021	131,188	11,355	2,526	19,409	**164,478**	93.19
FY 2022	171,460	15,730	3,983	26,538	**217,712**	83.35
FY 2023	151,868	15,226	4,003	26,091	**197,187**	79.32
FY 2024	151,956	15,595	4,183	26,892	**198,626**	110.59
FY 2025–29	466,129	42,022	12,362	98,630	**619,142**	85.62
FY 2030–2034	527,089	28,613	9,076	84,438	**649,216**	107.29
FY 2035–2039	371,552	29,439	10,593	84,533	**496,117**	70.25
FY 2040–56	1,229,578	84,356	31,212	247,111	**1,592,257**	76.52
Total	3,633,116	306,108	77,938	695,757	**4,712,918**	81.80

21.1.3 Preparation Plant and Conveyor Operating Cost Estimates

Processing unit costs through 2019 are based recent historical actual costs at the existing GCC plant. Costs in the forecast are calculated using an annual fixed cost of C$9.8M plus variable costs of C$6.00 per ROM tonne. In 2020 when the new plant is brought on line, there is an increase in fixed costs to reflect the fact that two plants will be in operation. Fixed costs were increased by 50% until 2035 when it is assumed that the existing plant will be shut down and all coal will be processed by the new plant. In addition, to reflect that operating costs for the new plant will be lower than for the existing plant, variable operating costs are reduced by C$1.00 per ROM tonne from 2020 to the end of the mine life.

The current plant operating cost is in the upper quartile of costs in the industry. This is related to the high cost of operating supplies — notably magnetite — and maintenance (parts and labour) due to the fact that the plant has to run many aged, less efficient components to reach its capacity. The projected unit cost takes into account higher plant throughput rates and more efficient operation related to the planned upgrades. Capital expenditures for these upgrades have been allowed for in the cash flow calculation. Not achieving the higher throughput rates is a risk to the projected unit costs.

Beginning in year 2021 ROM surface coal will be transported via an overland conveyor from the active mining areas to the new processing plant that will be constructed in 2020. The clean coal will then be conveyed from the processing plant to an underground conveyor near Mine No. 2 which will convey the clean coal to the loadout facilities located adjacent to the highway. Conveyor operating costs are estimated to be C$1.00 per ROM tonne from the 8, 2 and 9 surface mines and C$1.50 per clean tonne from the 12SA and 9D underground mines and the 12 and 16 surface mines.

21.2 Capital Cost Estimates

As noted in Section 16, there are three primary mining methods, a coal preparation plant, and associated infrastructure and development costs. The mining methods are surface open pit mining, underground room and pillar and underground longwall mining.

Capital cost estimates are stated in constant 2014 Canadian dollars. There no provision for inflation.

Capital costs were developed based on the mine plan requirements for all mining methods. Table 21.7 below shows a summary of total mine capital requirements. Following that is a discussion of the basis for the capital cost estimates.

Table 21.7 Total Combined Capital Cost Projection

	Exploration	All Mines Infrastructure	Pre-production Expense & Development OP	Equipment Surface	Contingency Surface	Pre-production Expense & Development UG Longwall	Equipment UG Longwall	Longwall Infrastructure	Pre-production Expense & Development UG Room & Pillar	Equipment UG Room & Pillar	Room & Pillar Infrastructure	Total
Total Capital												
FY 2015	1,748	3,140	–	–	–	–	–	–	–	1,785	10,755	**17,429**
FY 2016	2,000	–	710	–	71	–	–	–	19,363	5,327	6,300	**33,771**
FY 2017	6,000	–	2,554	17,425	1,998	–	–	–	100	41,299	5,361	**74,737**
FY 2018	6,000	–	2,265	19,575	2,184	–	–	–	100	19,763	648	**50,534**
FY 2019	2,000	2,125	557	15,775	1,633	11,382	–	4,604	100	3,836	486	**42,499**
FY 2020	2,000	146,180	–	26,325	2,633	18,947	30,205	29,976	–	4,086	–	**260,351**
FY 2021	–	15,000	6,806	1,600	841	–	35,139	1,700	–	6,889	–	**67,974**
FY 2022	2,000	–	2,917	4,000	692	–	32,968	1,735	–	2,092	–	**46,403**
FY 2023	–	–	4,094	1,600	569	–	8,778	–	–	–	–	**15,042**
FY 2024	2,000	–	11,218	36,400	4,762	–	3,561	–	–	4,215	–	**62,157**
FY 2025–2029	4,000	–	9,007	117,800	12,681	–	47,347	–	–	–	–	**190,835**
FY 2030–2034	6,000	–	8,368	58,175	6,654	–	41,836	5,977	–	–	–	**127,010**
FY 2035–2039	4,000	–	10,329	84,700	9,503	–	81,070	–	–	–	–	**189,601**
FY 2040–2056	2,000	–	29,173	196,650	22,582	–	73,366	2,520	–	–	–	**326,292**
Total	39,748	166,445	87,997	580,025	66,802	30,329	354,270	46,512	19,663	89,293	23,550	**1,504,635**

21.2.1 Surface Mine Capital

Capital for the surface mine includes replacement of major mining equipment, additional stripping capacity, support and miscellaneous equipment, and mine development costs.

Major mining equipment such as shovels, excavators, loaders, drills, trucks, dozers, water trucks and graders are replaced based on the expected useful life in hours and the annual operating hours derived from the mine plan. When a machine reaches its expected life in hours, a provision for replacement is made in that year in the capital schedule. The replacement costs and the expected useful lives are based on recent experience at GCC and verified by the 2014 Mine and Mill Equipment Cost Guide.

Additional stripping capacity is added from 2025 to 2027 in the form of an additional P&H 2800 class shovel and a Hitachi 5600 class excavator, 11 additional Komatsu 830E 240 ton haul trucks and the requisite support equipment as the mine moves into the 2, 9 and 16 mine areas. This is required to meet the expected increase in overburden movement from approximately 20M BCM annually to approximately 35M BCM annually which increases ROM coal production from approximately 2.0M tonnes per year to approximately 3.0M tonnes per year. The capital cost for this increase in capacity is approximately C$100M over the three year period from 2025 to 2027.

Support and miscellaneous equipment consists of light duty vehicles, light plants, mechanics trucks, equipment service trucks, utility backhoes and loaders and other small equipment. Capital expenditures for this equipment is estimated at C$800,000 annually per operating mining area.

Mine development costs include tree clearing, coversoil stockpiling, pond construction and haul road construction. As new areas are developed costs are included in the capital schedule in the appropriate year. Costs are based on C$2,500/ha for tree removal, C$9.00 per BCM for coversoil stockpiling and C$500,000 each for sediment ponds. Haul road construction is included at C$507,000/km.

Table 21.8 Summarizes the capital cost projection for the surface mining operation.

Table 21.8 Surface Mining Capital Cost Projection

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025–29	FY 2030–2034	FY 2035–2039	FY 2040–56	Total
Surface Equipment Capital															
Drills – P&H 320XPC	–	–	–	–	–	–	–	–	–	–	6,000	–	–	–	6,000
Drills – P&H 250	–	–	–	–	–	–	–	–	–	–	4,800	–	–	–	4,800
Drills – PV271	–	–	–	–	–	–	–	–	–	–	3,000	–	–	–	3,000
Shovels – P&H 2800XPC	–	–	–	–	–	–	–	–	–	20,800	–	–	20,800	20,800	62,400
Shovels – EX5500	–	–	–	–	–	–	–	–	–	12,100	12,100	–	12,100	12,100	48,400
Shovels – EX3600	–	–	–	–	–	–	–	–	–	–	9,400	–	–	9,400	18,800
Haultrucks – 830E AC	–	–	4,725	14,175	14,175	23,625	–	–	–	–	56,700	33,075	37,800	103,950	288,225
Dozers – D10T	–	–	1,100	3,300	–	–	–	1,100	–	1,100	6,600	4,400	2,200	12,100	31,900
Graders – 16G/H	–	–	–	–	–	1,100	–	–	–	–	3,300	1,100	2,200	4,400	12,100
RTD – 834	–	–	800	–	–	–	–	–	–	800	–	800	800	800	4000
Water Truck – 777	0	0	0	1300	0	0	0	1300	0	0	0	1300	0	1300	5200
Backhoe – PC3000	0	0	0	0	0	0	0	0	0	0	5500	5500	0	0	11000
Loader – WA1200	0	0	0	0	0	0	0	0	0	0	0	0	0	4600	4600
Support Equipment	0	0	10800	800	1600	1600	1600	1600	1600	1600	10400	12000	8800	27200	79600
Subtotal Surface Equipment Capital	**–**	**–**	**17,425**	**19,575**	**15,775**	**26,325**	**1,600**	**4,000**	**1,600**	**36,400**	**117,800**	**58,175**	**84,700**	**196,650**	**580,025**
Mine Development and Road Support															
Surface Mine Development and Pre-Strip	–	–	1,185	1,276	329	–	4,676	2,004	3,384	9,140	5,864	5,174	4,752	17,512	55,296
Road Support	–	710	1,369	989	228	–	2,129	913	710	2,079	3,143	3,194	5,577	11,661	32,702
Subtotal Surface Equipment Capital	**–**	**710**	**2,554**	**2,265**	**557**	**–**	**6,806**	**2,917**	**4,094**	**11,218**	**9,007**	**8,368**	**10,329**	**29,173**	**87,997**
Surface Other/Contingency (10%)	**–**	**71**	**1,998**	**2,184**	**1,633**	**2,633**	**841**	**692**	**569**	**4,762**	**12,681**	**6,654**	**9,503**	**22,582**	**66,802**
Exploration															
Exploration	1,748	2,000	6,000	6,000	2,000	2,000	–	2,000	–	2,000	4,000	6,000	4,000	2,000	39,748
Subtotal Exploration Capital	**1,748**	**2,000**	**6,000**	**6,000**	**2,000**	**2,000**	**–**	**2,000**	**–**	**2,000**	**4,000**	**6,000**	**4,000**	**2,000**	**39,748**
Total Surface Capital	**1,748**	**2,781**	**27,977**	**30,024**	**19,966**	**30,958**	**9,246**	**9,608**	**6,263**	**54,380**	**143,488**	**79,197**	**108,532**	**250,405**	**774,573**

21.2.2 Underground Capital Cost Estimates

Norwest reviewed the capital cost projections provided by GCC for the No. 12 South B2 and No. 12 South A utilizing our experience in room and pillar mining operations. Key capital and construction projects are projected for the start of 4 Seam development at the No. 12 South B2 for $12.5M in 2015 and for $25.8M in 2016 for the No. 12 South A Area. Both projects are required to be completed prior to the projected start of coal production. Both require regulatory approval prior to commencing the construction projects and timely completion is necessary to meet the production schedule. The No. 12 South B2 maintains an ongoing equipment rebuild schedule throughout the completion of the 4 Seam and the 7/8 Seam in the East Extension.

The capitalization for the No. 12 South A Area peaks in 2016–2017 with the access installation and the addition of three new continuous miner units of equipment. The capitalization of the No. 9D Area longwall mining operation has an initial peak in 2019–2022 with the portal access facilities and new development equipment with a longwall for the steeper gradient seams. A later capitalization period is planned for 2035–2039 period as different longwall system is required for the 4 Seam.

Underground capital projected for the completion of the No. 12 South B2 and East Extension, the No. 12 South A Area, and the longwall operation in the No. 9D Area are summarized in Table 21.9.

Table 21.9 Underground Mining Capital Cost Projection

	Primary Underground Room and Pillar Equipment	Primary Underground Longwall Equipment	Conveyor, Power, Water, etc. Systems	Support Equipment	Surface Infrastructure and Construction	Fans, Shafts, Slopes	Equipment Rebuild	Surface Mobile Equipment	Total
Underground Capital									
FY 2015	–	–	–	–	10,755	–	1,785	–	**12,540**
FY 2016	–	–	4,627	–	19,363	6,300	700	–	**30,990**
FY 2017	20,246		18,365		100	5,361	1,400	1,288	**46,760**
FY 2018	9,124		8,851		100	648	500	1,288	**20,511**
FY 2019	1,700		2,136		11,482	5,090			**20,408**
FY 2020	17,457		10,644		18,947	29,976	1,350	4,840	**83,214**
FY 2021	9,134		30,194			1,700	2,700		**43,728**
FY 2022		14,404	20,656			1,735			**36,795**
FY 2023	390		7,753				636		**8,779**
FY 2024	1,512		4,885				636	744	**7,777**
FY 2025–2029	8,082	1,972	23,080	5,932	–	–	8,057	225	**47,348**
FY 2030–2034	9,212	–	9,522	14,820	–	5,977	8,057	225	**47,813**
FY 2035–2039	5,129	34,204	15,348	16,460	–	–	5,088	4,840	**81,069**
FY 2040–2056	–	–	13,767	23,281	–	2,520	35,644	675	**75,887**
Total	81,986	50,580	169,828	60,493	60,747	59,307	66,553	14,125	**563,619**

22 ECONOMIC ANALYSIS

22.1 Principal Assumptions

As noted in Section 21, all costs are stated in Canadian dollars. The cash flow and financial analysis is presented in constant 2014 dollars, there is no provision for inflation.

Since revenues are denominated in US dollars and the costs are in Canadian dollars, the model uses an assumed exchange rate for converting the US dollar denominated revenue to Canadian dollars. The exchange rate is based on recent five year futures quotes from several firms and a long range forecast using the last ten years actual exchange rates. The recent five year futures quotes are approximately C$1 equals US$0.80. The ten year historical average is C$1 equals US$0.93. The assumption in the model is that the exchange rate will be C$1 equals US$0.80 for the next five years and will then increase rateably over the next five years to the historical average of C$1 equals US$0.93 and remains at that level for the remaining life of the project.

Tonnes sold are from the reserve statements and mine plans provided in sections 15 and 16. Selling prices of the metallurgical coal are taken from the market analysis provided in Section 19. Norwest used the mid-point of the range provided in the market study for each time period. Selling prices for thermal coal are based on recently negotiated contracts. Table 22.1 below shows metallurgical coal prices in US$.

Table 22.1 Projected Metallurgical Coal Prices (US$)

Sales Price	Metallurgical Coal, US$/t FOB West Coast
FY 2015	$95
FY 2016	$104
FY 2017	$110
FY 2018	$140
FY 2019	$143
FY 2020	$145
FY 2021	$170
FY 2022	$170
FY 2023	$170
FY 2024	$170
FY 2025–29	$170
FY 2030–2034	$170
FY 2035–2039	$170
FY 2040–56	$170

Selling expenses include wages for the GCC marketing staff, testing, weighing and demurrage and a 1.5% marketing fee. Loading and transportation costs include rail transport to Western Canadian ports and loading into ships. The loading and transportation costs average $32/t. Port costs and rail rates are based on the agreements between GCC, the railroad and the ports.

Direct Mining Costs are described in detail in Section 21 of this report.

Corporate overhead is included at C$12M annually which is based on an average of the last three years actual costs.

Royalties are based on provisions of the Alberta royalty structure which is 1% of mine mouth revenue until the mine operator achieves a return of capital and a 10% return when an additional 13% of net revenue is due.

Capital Expenditures are described in detail in Section 21 of this report.

The Change in Working Capital includes C$8M for coal inventory at the mine site and approximately 45 days coal sales revenue during the period of restarting the mine in 2017 and the increase in production in 2021.

22.2 Cash Flow

Table 22.2 summarizes the cash flow from the mine.

As described in Section 16 of this report, the mine is planned to operate for an additional 41 years from 2014. As of January 2015, the surface operations are idle and are planned to remain so until 2017. During 2015 and 2016, the only mining activity is in the underground mine in the 12SB2 area. The coal produced during this time is largely blended with coal recovered from the tailings pond.

Surface mining operations are planned to be resumed in 2017 at a rate of approximately 2.0M ROM tonnes per year until 2026 when it is increased to approximately 3.0M tonnes per year. Production varies over the years due to changing strip ratios and the mining sequence in developing the 2, 9, 12, and 16 mines. In the last 11 years of the mine life, surface production increases to approximately 4.8M tonnes per year due to the lower strip ratio in the mine 12 area. Total surface mine production is 125M ROM tonnes and 90M clean tonnes over the 41 year remaining mine life.

Table 22.2 Cash Flow Summary, C$ (000's)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025–29	FY 2030–2034	FY 2035–2039	FY 2040–56	Total
Coal Sales, Kt	751	1,048	2,526	3,282	3,053	3,094	3,541	3,744	3,819	4,447	20,776	18,087	18,635	73,355	**160,159**
Metallurgical Coal, Kt	751	1,048	2,415	2,986	2,689	2,753	3,428	3,574	3,624	4,265	17,733	16,617	17,227	68,999	**148,112**
Thermal Coal, Kt	0	0	111	296	364	340	113	170	195	182	3,043	1,470	1,408	4,356	**12,047**
Revenue, C$K	$89,236	$136,137	$340,447	$542,960	$504,021	$505,604	$690,284	$701,033	$691,319	$787,638	$3,409,423	$3,113,395	$3,220,925	$12,824,811	**$27,557,231**
Cost $K	$115,320	$166,360	$359,669	$414,026	$410,685	$678,689	$521,314	$544,832	$493,932	$581,418	$2,618,416	$2,555,246	$2,584,241	$8,633,747	**$20,677,897**
Cost of Sales	$97,891	$132,589	$284,933	$363,492	$368,186	$418,339	$453,340	$498,428	$478,891	$519,261	$2,427,581	$2,428,237	$2,394,639	$8,307,456	**$19,173,263**
Royalty – Tier 1	$593	$956	$2,476	$4,218	$3,911	$3,913	$5,583	$5,622	$5,501	$6,240	$26,991	$24,927	$25,819	$103,228	**$219,978**
Royalty – Tier 2	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$29,760	$63,070	$549,253	**$642,083**
On Site Operating Costs, $K	$67,319	$91,070	$189,566	$238,151	$251,365	$300,147	$315,801	$353,938	$332,157	$349,417	$1,690,266	$1,752,835	$1,666,767	$5,152,951	**$12,751,750**
Off Site Operating Costs, $K	$29,980	$40,564	$92,891	$121,122	$112,910	$114,278	$131,956	$138,869	$141,233	$163,604	$710,324	$620,715	$638,982	$2,502,024	**$5,559,452**
Income Taxes	$0	$0	$0	$10,884	$6,682	$0	$23,018	$21,009	$30,054	$48,062	$173,097	$136,716	$159,028	$1,023,208	**$1,631,757**
Total Capital Costs, $K	$17,429	$33,771	$74,737	$50,534	$42,499	$260,351	$67,974	$46,403	$15,042	$62,157	$190,835	$127,010	$189,601	$326,292	**$1,504,635**
After-Tax Net Cash Flow, $K	($26,559)	($30,633)	($87,068)	$116,777	$81,326	($173,085)	$117,825	$133,654	$164,816	$156,931	$616,558	$421,657	$479,869	$3,304,511	**$5,276,577**
Cumulative DCF @ 10.0%	$622														**$622**

Underground mining operations continue from 2015 through the end of the mine life in 2055. ROM production varies over the years from 1.2M to 3.8M tonnes as the different mine areas are developed and production changes from room and pillar mining to longwall mining. The average annual ROM production is 2.1M tonnes. A total of 82M ROM tonnes and 56M clean tonnes are planned to be produced from the underground mines. Combined surface and underground ROM production are estimated at 221M tonnes over the remaining 41 year mine life.

Clean metallurgical coal production ranges from 2.6M to 5.0M tonnes and totals 146M tonnes over the 41 year remaining mine life. Approximately 14M thermal tonnes are sold over the mine life.

Details regarding direct mining costs are described in Section 21 while details regarding overhead and taxes and royalties are described in Section 22.1. A summary of the unit average selling prices and unit costs are shown in Table 22.3 below.

Table 22.3 Unit Revenue and Cost Summary

Description	**$/Tonne**
Gross Revenue (Includes thermal coal)	$172
Selling Expenses	$3
Loading and Transportation Expenses	$32
Net Revenue FOB Mine	**$137**
Direct Mining Costs	$80
Royalties	$5
Total Cash Costs of Production	**$85**
Net Margin	$52
Income Taxes	$10
Cash Flow from Operations	**$42**
Capital Expenditures	$9
Net Cash Flow	**$33**

22.3 Financial Analysis

Due to the low production volume in 2015 and 2016, low metallurgical coal prices and significant capital expenditures, cash flow from the mine is negative for the next three years. Cumulative EBITDA is C$50M during that period while negative after tax cash flows total C$144M due to the capital requirements in those years. Significant capital expenditures in 2020 result in a large negative cash flow that year of $173M. Cumulative after tax cash flows turn positive in 2019, when metallurgical coal prices are projected to improve to the $143/t level and clean coal production increases to the 3.1M level. Cumulative undiscounted cash flows over the 41 year project life are C$5.3 billion (B).

The after tax internal rate of return for the project is approximately 40%. After tax net present values at 8%, 10%, 12% and 15% are shown in Table 22.4.

Table 22.4 Npv Results ($M)

Interest Rate	8%	10%	12%	15%
NPV	$878	$622	$454	$294

22.4 Sensitivity Analysis

The economics of the project are extremely sensitive to the Canadian/US dollar exchange rate and the price of metallurgical coal. For example, if metallurgical coal prices do not recover in the next five years and then increase over the next five to the maximum projected price of US$170 per tonne, the after tax NPV at 10% would be reduced to C$266M and the IRR would be 15%. In that case, cumulative cash flows are negative until 2026 and peak at (C$590) in 2021. Of course, if prices do not recover, some capital could be delayed. In addition, if the Canadian/US dollar exchange rate increases to the long term historical average in the next two years instead of over the next ten years, the after tax NPV at 10% decreases to C$450M and the IRR decreases to 25%.

Sensitivity of the economics regarding Canadian/US exchange rate, coal sales price, direct mining costs and capital expenditures were evaluated. The results are summarized in Table 22.5.

Table 22.5 Sensitivity Analysis ($M)

	IRR	NPV at 8%	NPV at 10%	NPV at 12%	NPV at 15%
1.0% Decrease in C$ to $US	35%	$710	$495	$354	$223
10% Increase in Met Coal Prices	75%	$1,300	$955	$725	$503
10% Decrease in Met Coal Prices	19%	$427	$260	$156	$63
10% Increase in Total Cash Costs	23%	$517	$336	$220	$114
10% Decrease in Total Cash Costs	71%	$1,236	$906	$685	$472
10% Increase in Capital Costs	35%	$824	$576	$413	$260
10% Decrease in Capital Costs	46%	$931	$669	$495	$329

23 ADJACENT PROPERTIES

GCC holds mineral leases for the majority of the coal bearing lands adjacent to GCC's mining areas. The major exceptions are Maxim Power Corp. (through Summit Coal Inc.) which owns a coal lease, originally called the No. 14 Mine lease, on the east side of the Smoky River and Highway 40 nearer to the town of Grande Cache. Additionally, Summit Coal acquired a lease located to the northwest of the No. 16/No. 12 North Areas and Canadian Dehua International Mines Group Inc. holds a lease at the very north most end of No. 9D. The leases do not affect the operations of GCC.

24 OTHER RELEVANT DATA AND INFORMATION

24.1 Application for Permit Amendment

Some coal reserves and resources are contingent on GCC successfully obtaining the required amendments to the mine permit from government regulators. GCC has already successfully obtained the original mine permit and subsequent amendments thereto. The methodology and procedure for obtaining amendments is well known by GCC.

The economic analysis and ultimately the total coal reserve estimate for these mining areas assume the successful and timely receipt of the necessary amendments to the permit. If these permit amendments are not received, or if the amendments contain stringent conditions, then this could materially affect the economic analysis and possibly the reserve estimate.

GCC has received all the licences to operate the current West Extension and North Pit of No. 8 surface operation and the 7/8 Seam of No. 12 South B2 underground operation. GCC, as of the effective date of this report, was in the process of preparing applications for amendment of licences for the East Pit and East Extension of No. 8 surface operation, and the 4 Seam No. 12 South B2 underground operation. GCC is still in the process of responding to Supplemental Information Requests for the 4 Seam No. 12 South B2, which is budgeted to begin mine development production in May 2015. GCC expects to submit the No. 12 South A underground operation application for regulatory approval in 2015, which is budgeted to begin development production in September 2018.

GCC is developing a long term mining strategic plan that will guide the licence application process.

24.2 No. 12 South A Surface Area

The No. 12 South A Area was originally designed in 2011 as a surface operation to complete recovery of a coal reserve left un-mined by the previous operator. The geologic modelling and mining feasibility study performed by GCC and Norwest in 2013 indicated preferable economics by underground mining this area. In late 2014, GCC redesigned the underground mine plan for No.12 South A using a surface mined trench pit to the 7/8 Seam where portals will be installed. The No. 12 South A underground operation will replace the No. 12 South B2 operation and ensure coal availability and quality of underground coal. The No. 12 South A underground operation will be a room and pillar mine utilizing continuous miners. The projected average annual production capacity is 1.4Mtpa ROM with peak annual production of 2.0Mtpa ROM. GCC needs to finalize mine planning efforts and submit a permit application by mid-2015 to meet the budgeted production schedule which shows production from the No. 12 South A underground operation in September 2018.

24.3 No. 9d Underground Mine

The geologic model of the No. 9D Mine within GCC's coal lease boundary covers over 90 km^2. The northern part of No. 9D underground area is proposed to be longwall mined. Room and pillar potential exists in a smaller area in the middle of the No. 9 Area, but requires additional exploration to bring these resources into the "indicated" category. The No. 9D Area is designed primarily as a fully mechanized longwall retreat mining system. The No. 9D Mine is planned to begin development in 2018 with first coal production in 2020 and longwall operations in 2022. The No. 9D Mine contains sufficient longwall reserves in the 10 Seam and 4 Seam to support a 36 year mine life at an average 1.8Mt ROM production rate.

GCC is planning an exploration program to gain a better understanding of the coal quality, geotechnical properties, methane content and hydrologic conditions in the area planned for underground mining. Based upon the information collected from the exploration program, an engineering study is planned to be conducted by China Shenyang Design and Engineering Company.

24.4 No. 9 Surface Area

The No. 9 Surface mining area is in proximity to the former mined-out No. 9A, No. 9B, No. 9G and No. 9H underground operations and No. 9 West Extension, North Limb and Barrett pits. It is the potential replacement for the No. 8 Surface operation. The No. 9 Surface operation is projected to be mined by the current fleet by shovels and trucks for stripping. Raw coal from No. 9 Surface operation can be hauled to current coal ROM Pad by truck or it could be fed to the Smoky River process plant by the same proposed belt system which carries clean coal from the proposed Beaverdam Creek process plant. Either way raw coal will be processed at the current coal processing plant.

24.5 Future Planned Mining Areas

The No. 9, No. 2, No. 16, and No. 12 North surface pits are planned to supplement or succeed the No. 8 surface operations pits. The No. 16 and No. 12 North pits are located in an environmentally sensitive area, which will necessitate a rigorous approach to the permitting process expected to take several years.

At present, future underground mining is planned to start in the No. 12 South A operation in 2018, and the No. 9D Longwall operation in 2020. Feasibility studies for these developments are scheduled in 2015 for No. 12 South A and in 2016 for No. 9D.

GCC also is planning to undertake geologic model updates and pre-feasible studies for the No. 1, No. 5, and No. 11 Areas in 2014.

Norwest, on behalf of GCC, completed a highwall mining scoping feasibility study for 4 Seam at No. 7 Area and 10 Seam at No. 9 Area in 2012. A further exploration program has been planned to verify the geotechnical information in these seams. GCC will investigate additional potential highwall mining areas within current coal leases. The reserve for highwall mining has not been included in this report.

24.6 Plant Rejects Disposition

In response to the limited availability of storage room for the fine plant rejects, GCC is now dewatering the majority of the fine coal refuse and co-disposing this with the coarse rejects. GCC is currently using the completed South Pit bottom of No. 8 Area as waste dump to co-mingle and store the mixed rejects.

A new coal preparation plant, with 5.4Mtpa ROM processing capacity and DMC processing technique, is planned near the proposed portal of No.9D underground located 4km south of No. 12 South B2, No. 16 and No. 12 North Mines. It will be the processing center for coal from the mine areas mentioned above. Rejects will backfill to No. 12 South A P1 pits, which is less than 1km from the plant.

Coal from No. 9 Mine Surface, No. 2 Mine and future mining areas will be processed in the current CPP based on current long term planning.

Reserve estimates for GCC are based on the assumption that this disposition system will remain suitable for the plant rejects, allowing coal processing to continue as planned in the mid- and long- term.

25 INTERPRETATION AND CONCLUSIONS

In summary, Norwest concludes that there are 147.6Mt of saleable metallurgical coal reserves that can be economically mined from the Grande Cache Coal project using a combination of both surface and underground mining methods. These coal reserves are projected to be mined at annual production rates ranging from 3.5Mt to 5.0Mt with a mine life of approximately 41 years. Capital costs required to develop both the surface and underground operations to full production is approximately C$560M and is planned to be expended over approximately 8 years starting in 2015. Using all the assumptions discussed throughout this report, the project achieves an after tax IRR of approximately 46%. Risks associated with mining the reserves and achieving the projected financial results are discussed throughout the report and are summarized below.

The financial results presented in this report represent forward-looking information regarding future projections of mining operations and resulting cash flows. By its nature, forward-looking information involves a number of assumptions, known and unknown risks and uncertainties, which could cause actual results to differ materially from those forecasts. These risks include, but are not limited to the future price of coal, rail freight rates and availability of coal cars to transport the coal to port. There may be inflation of input costs such as diesel, steel, and labour as well as mining equipment. The potential for a high level of activity in the mining industry and other industries that rely on large earth moving equipment may cause delays in delivery of mining equipment, which could delay or impair GCC's ability to achieve budgeted production. The problem of retaining and recruiting skilled personnel is an industry wide issue. There can be delays in obtaining or renewing mining permits. Concerns over greenhouse gas emissions and compliance with greenhouse gas regulations may place additional costs on a coal mining operation or negatively impact the coal market.

There is risk involved in GCC's aggressive plans to increase the production rates used in the economic analysis. This includes the requirement for timely regulatory approvals, the practical aspects of establishing several new mining operations, along with a new process plant and the conveyor system in a short time period. Issues with timing and production rate however, would not have a significant impact on the reserves reported in this document in the opinion of the QPs.

GCC will be challenged to maintain a skilled and experienced underground workforce with the ramp up of mining sections along with the introduction of new equipment and conditions as operations begin in the No. 9D longwall mine. Manpower for a one unit operation in early 2015 quickly increases to two units in mid-2015 to three units in 2016 to four units in 2020, five units in 2021, and seven units in 2022 with the addition of a steep seam longwall production face.

In order to address this issue, GCC will need to incorporate an aggressive employee location and skill training plan and/or identify a contract workforce with available experience to offset manpower short falls.

GCC budgeted underground production rates may be challenged by the fact that there are currently no operating steep seam longwalls in North America. All equipment technology, experienced skilled personnel and training must be sourced from Asia or Eastern Europe where this technology and expertise is currently available. GCC should initiate discussions with potential equipment manufacturers to determine which providers will be willing to work with Alberta regulatory agencies to obtain necessary approvals.

A discussion of the following identified risks is contained in the relevant sections of this report.

- Timing of the improvement of metallurgical coal prices
- Foreign exchange movement, especially in the next five years
- Achieving permit timelines
- Selenium issues
- Ramp up of both surface and underground production
- Approval and success of longwall operation
- Tailings management
- Water rights

- Conveyor system with partial underground route

- Restarting the No. 8 Surface mine after being idle for two years.

26 RECOMMENDATIONS

Recommendations are categorized with reference to underground and surface mining topics. In general, it is recommended that an optimization study be conducted to optimize the production, capital and economics for both the surface and underground operations in conjunction with each other.

26.1 Underground Mining Areas

Norwest has the following recommendations regarding the underground mining operation at GCC.

26.1.1 Development Drilling

Horizontal and/or vertical drilling should be utilized to delineate and confirm the projected access from the No. 12 South B2 4 Seam to the No. 12 South B2 EE 7/8 Seam via rock declines. The No. 12 South A Area should incorporate additional horizontal and vertical drilling conducted along projected surface access locations to identify any geologic anomalies and confirm access, prior to excavation of the 3,300,000 BCM trench.

The No. 9D mine area should include a multi-year drilling program to eliminate inferred areas that limit the mineable boundary and improve confidence levels in the delineated areas. This program shoud include additional data adequacy covered in other topic areas.

26.1.2 Mine Planning Refinement

The No. 12 South A Area should include additional refinement of mine design based on 2014 drilling, and the resulting geological model update.

To increase the confidence level in the timeline required to bring the No. 9D Area into production and confirm the reserve base, additional exploration drilling and data collection must be conducted. The addition of such data will aid in the identification of key critical paths, including those subject to regulatory approvals.

26.1.3 Washability – Saleable Yields

Large diameter coring along with ROM stockpile sampling should be included on an ongoing basis. The 7/8 Seam horizon and the 10 Seam show a high potential for additional ash to be introduced in the mining process. The 7/8 Seam with the mined interburden rock and other OSD can affect the operation period of the No. 12 South B2 and the No. 12 South A Areas.

The estimated washing yield of 10 Seam in the No. 9D operation required refinement diameter and large core information would augment the limited currently available information.

26.1.4 Geotechnical Studies

The No. 12 South B2 and No. 12 South A Areas have testing information from the 2013 and 2014 drilling programs which should be incorporated into the ground control review and ongoing modeling for these mining operations. Mining operations in the No. 12 South B2 4 Seam are projected to begin April 2014. Geotechnical monitoring should be incorporated in the 4 Seam operations to verify seam interactions in this area of multiple seam mining. This information will assist in the ongoing No. 12 South A design work and finite element modeling.

The No. 9D mine area has limited geotechnical information. Geotechnical information including detailed core logging, coal mine roof rating (CMRR) and strength testing should be obtained to assist in further study, ground control design, and projection of OSD. In particular some areas of the 10 Seam appear to contain weaker immediate roof and therefore geotechnical investigations of the 10 Seam should be considered as priority.

26.1.5 Methane Liberation – Desorption Studies

The No. 9D mine area will present the deepest underground mining considered by GCC with depths in excess of 500m. It is well established that with increased depth, increased methane content is likely. Norwest recommends that desorption testing be conducted on the seams to be mined (10 Seam and 4 Seam), including the coal seams and any carbonaceous shales above these seams as caving will fracture such seams/strata releasing methane into caved areas. Methane liberation parameters are necessary for the ventilation system design and if necessary methane degasification systems.

26.1.6 Hydrologic Studies

Although the hydrology of the No. 9D mine area is expected to be similar to that of historic mining operations adjacent to this area, the No. 9D mine area will require hydrologic studies to better define water recovery, aquifer and ground water inflows prior to project implementation. The No. 9D drilling program will need to utilize planned development drilling to establish the hydrologic regime to establish water supply, and the impact that caving will have on the inflow of ground water for underground mine dewatering system design.

26.1.7 Preliminary Meetings with AER and OHS

Although longwall mining has been done by prior operators in mines adjacent to the No. 9D mine area. It has been an issue how the AER and OHS understand the current regulations and their intrepretations of electrical hazard zoning in regard to a cave (gob) line. Norwest recommends meetings with AER and OHS enforcement regulators be planned both as education and evaluation of the stance that the regulators will take in respect to longwall operation and the steeper grades present in the No. 9D mine area. These meetings should identify issues that need to be addressed in the mine licence application and possibly focus site visits to locations with longwall operations.

26.2 Surface Mining Areas

26.2.1 Regulatory Issues

The priority regulatory issue for the surface mine is the licensing of both No. 8 East and No. 8 West areas. Areas not yet licensed in No. 8 Mine are scheduled for production in the proposed cash flow analysis in Section 22 commencing as early as 2nd quarter 2017. Submission for these licence applications should be targeted for 1st quarter 2015 at the latest.

The long lead time for the regulatory approval of greenfield areas above the treeline such as No. 12 North Area and No. 16 Area requires initiation of the process very shortly in order to achieve the proposed production schedule.

26.2.2 Planning Parameters

Adjustments to reserves in the No. 8 Area in this report compared to previous NI43–101 Technical Reports are based on changes in mining economics and in particular the economics of waste haulage. Therefore, a reconciliation of actual haul performance versus projected haul economics is recommended.

This report has reduced the reserves in the No. 8 Area. This reduction is primarily in the area of No. 8 East. More detailed study and refinement of the most appropriate plan for mining this area is recommended to determine the net present value of the various No.8 East Area mining options.

26.2.3 Coal Preparation Plant and Capital Projects

The new coal preparation plant, the mine infrastructure and the conveyor system projects should be studied in more detail along with feasibility level designs and cost estimates. Conveyor systems proposed in this report have a major impact on operating costs. Details of the proposed system are significant to capital spending projections. Detailed feasibility study for surface belt systems, including options to extend them to the No. 9D Area, would add confidence to projections of future economics. This would include the proposed underground conveyor that is part of the proposed conveyor system from the Beaverdam Creek CPP to the existing train loadout.

26.2.4 Engineering

Studies are ongoing to evaluate upgrade options to the current plant circuitry, with the objective to improve the throughput rate, reliability and efficiency of the facility. These studies should be integrated with the proposed new process plant design.

Opportunity exists to improve processing economics by the co-disposal method of mixing the plant refuse streams with mine waste material. Further study is warranted in defining the applicability of this method relative to environmental, geotechnical and operational considerations.

26.2.5 Regulatory

The new coal process plant proposed for this report is sufficiently well understood from a capital and performance perspective for the purposes of the cash flow analysis. However, the current sensitivity to water use and other environmental considerations mean the details of location and process must be resolved to start the regulatory process within the next 2 years.

26.3 Geology

26.3.1 Exploration

A number of areas would, with minimal additional exploration, convert resources currently classed as "inferred" to "indicated". These areas include parts of No. 12 North, No. 12 South A, and a potential room and pillar area in the No. 9D Area. Exploration either by drilling or, in the case of the No. 12 North, trenching at previous trench locations from the 1970s would infill these areas with sufficient surveyed coal thickness data points to expand the reserve areas to match proposed mining areas, and hence inclusion into financial analysis.

The reserves in this report, as qualified, meet the standards of data point density required based on the complexity of the geology, as classed under the recommended guideline, GSC Paper 88–21. However, detailed mine planning in coal mines in thrust and fold belts such as on the GCC property requires additional exploration beyond the essential confidence in the in-situ coal volume and coal rank as required by the guidelines. The areas that should be prioritized for additional exploration based on their proposed timing and current data point density are: No. 8, northwest area; No. 2, Maskwa and Muskeg pits; and No. 12 South A, northwest area.

The current exploration data base covers adequately the basic coal quality parameters such as proximate and basic rheology. Future quality projections would benefit from acquisition of additional petrographic and ash chemistry data, particularly phosphorus, and the organization of existing data into forms suitable for observing at property trends in these parameters.

26.4 Future Resource Areas

Historic data for the No. 1, No. 5, and No. 11 Areas should be evaluated for the potential to expand the resource base into these areas, which are within the current coal leases of GCC.

Shallow reflection seismic data in the area northeast of the No. 9D Area should be reviewed to evaluate the potential of this area for expansion of the resource base for underground mining in an area interpreted to be of shallow and dip suitable for either room and pillar or longwall mining.

The current analysis of highwall mining opportunities should be completed, and included in future resource updates.

26.5 Planning Parameters Reconciliation

Key planning parameters such as coal recovery are based on historical analysis. The planning process would benefit from a reconciliation between the projections of quality parameters, dilution and loss from exploration data and the current as-mined quality and seam recovery from both surface and underground operations. ROM ash from the current operations is in agreement with projections from the block modeling, but information on recovery by seam would benefit from more detailed analysis.

The confidence in the current methods and exploration density would benefit from reconciliation between the in-situ coal volume models and the as-mined coal seams using all available survey control from trenches, to blast hole intersections, to excavated seam hangingwall and footwall survey data.

The current practice of interpolating yield using ash balance equations is adequate, being as it is based on an extensive processing data base to estimate reject stream volume and ash. However, the database of both actual plant performance and adit and core wash testing on the property is extensive and the accuracy of yield projections would benefit from more sophisticated yield analysis in the planning process.

27 REFERENCES

27.1 References

1. Canadian Securities Administrators (2011): *National Instrument 43–101 Standards of Disclosure for Mineral Projects, Form 43–101F1, Technical Report, and Companion Policy 43–101CP.*

2. CIM Coal Sub-Committee (2003): *Estimation of Mineral Resources and Mineral Reserves, Best Practice Guidelines, Coal.*

3. CIM Standing Committee on Reserve Definitions, 2010, *CIM Definition Standards on Mineral Resources and Reserves, Canadian Institute Of Mining, Metallurgy and Petroleum*.

4. Geological Survey of Canada, 1989, *Paper 88–21, A Standardized Coal Resource/Reserve Reporting System For Canada, Energy, Mines and Resources Canada.* J.D. Hughes, L. Klatzel-Mudry, and D.J. Nikols.

5. Ryan, B.D. (1995): *Bituminous coal; in Selected British Columbia Mineral Deposit Profiles, Volume 1*.

6. D.V. Lefebure and G.E. Ray, Editors, *British Columbia Ministry of Energy, Mines and PetroleumResources*.

7. "*A Review of the Waste Dump Stability Considerations – Proposed 8 Mine East Extension.*" December 7, 2008. KEH & Associates Ltd.

8. "*Geotechnical Assessment of Grande Cache Coal No. 12 Underground Mine, April 2010 Update.*" April 2010. Golder Associates Ltd.

9. "*Geotechnical Assessment – GCCC No.8 Mine East Middle Pit Phase 1*." September 20, 2010. KEH &Associates Ltd.

10. "*Geotechnical Assessment – GCCC No.12 South A Pit Phase 1 Pushback*." March 1, 2010. KEH & Associates Ltd.

11. "*Grande Cache Coal Corporation – Alberta Crown Coal Lease Encumbrances*". February 19, 2013. Osler Hoskin & Harcourt LLP, Opinion Letter to GCC.

12. "*Grande Cache Coal Corporation and Grande Cache Coal LP*". January 25, 2013. Osler Hoskin & Harcourt LLP, Letter to James F Jones, GCC.

13. "*Independent Qualified Persons Review and Technical Report No. 8 Mine Area Grande Cache, Alberta*". June 29, 2005. AMEC Americas Limited.

14. "*National Instrument 43–101, Standards of Disclosure for Mineral Projects, Form 43–101F1 Technical Report*". June 24, 2011. Ontario Securities Commission.

15. "*National Instrument 43–101, Standards of Disclosure for Mineral Projects, Companion Policy 43–101CP*". June 24, 2011. Ontario Securities Commission.

16. "*No. 8 Mine Geotechnical Report Volume 2 – Highwalls and West Dumps.*" January 7, 2009. KEH & Associates Ltd.

17. "*Pit Slope Considerations No. 8 Mine East South Pit*." June 8, 2010. KEH & Associates Ltd.

18. "*Slope Stability Review of the Proposed No.8 Mine North Pit Phase 2*." October 5, 2010. Golder Associates Ltd.

19. "*Taxes and Royalties, Grande Cache Coal LP*." March 7, 2013. Max Wang, President and CEO, GCC.

20. "*15 Year Mine Plan Technical Presentation*." 1998. Smoky River Coal Limited.

21. "*2007 NI 43–101 Technical Report Grande Cache Coal Corporation*." June 15, 2007. AMEC Americas Ltd.

22. "*2009 NI 43–101 Technical Report Grande Cache Coal Corporation*." June 26, 2009. AMEC Americas Ltd.

23. "*2010 NI 43–101 Technical Report Grande Cache Coal Corporation.*" May 26, 2010. AMEC Americas Ltd.

24. "*2011 NI 43–101 Technical Report Grande Cache Coal Corporation.*" June 27, 2011. AMEC Americas Ltd.

25. "*2012 NI 43–101 Technical Report Grande Cache Coal Corporation.*" March 25, 2012. AMEC Americas Ltd.

26. "*Grande Cache Coal 2014 Budget*". January 25, 2014. GCC.

27. "*Grande Cache Coal Long Term Planning for Surface Infrastructures*." January 27, 2014. GCC.

28. "*Grande Cache Coal Long Term Exploration Plan*." January 25, 2014. GCC

29. "*Grande Cache Coal No.9D Longwall Conceptual Feasibility Study Report.*" 2014. CCEG Shenyang Engineering Company

30. "*93–46 NI43–101 Technical report UG DRAFT 012514*." February 26, 2014. Norwest Corporation.

27.2 Abbreviations, Definitions, and Acronyms

"*adit*"	a horizontal opening to access a coal seam.
"*anticline*"	a fold, generally convex upward, whose core contains the stratigraphically older rocks.
"*ash*"	ash forming constituents which may be subdivided into two basic classes: those that are structurally a part of the coal and hence inseparably mixed with it and segregated impurities that can be eliminated to a greater or lesser extent by ordinary cleaning methods.
"*as-received*"	represents an analysis of a sample as received at a laboratory.
"*ASTM*"	the American Society for Testing Materials.
"*BCM*"	bank cubic metre, which represents one cubic metre of material measured prior to disturbance.
"*bedrock*"	consolidated rock underlying the Earth's surface.

"*bituminous coal*"	a class of coal having heat values, calculated on an ash-free basis, typically ranging from 24,400 to 32,600 KJ/kg, commonly used for utility and industrial steam purposes and in the steel-making industry, for making coke or for pulverized coal injection into the blast furnace.
"*BTU*"	British thermal unit; the amount of heat needed to raise the temperature of one pound of water by one degree Fahrenheit.
"*BTU/lb*"	BTUs per pound, an imperial unit of measure used to describe the amount of heat released on combustion of a pound of material, such as coal, under specific conditions.
"*clean coal*"	coal that has been processed to meet metallurgical coal market specifications.
"*climate*"	the statistical description of the weather of a region averaged over a period of, typically, 30 years.
"*coal*"	readily combustible rock containing more than 50% by weight and more than 70% by volume of carbonaceous material, including inherent moisture, formed from compaction and alteration of various plant remains.
"*coal field*"	region in which deposits of coal occur.
"*coal rank*"	the qualitative classification of coal from lignite to anthracite based on calorific content and other qualitative and quantitative characteristics.
"*coal washability*"	the analysis of the specific gravity distribution of chemical and physical characteristics of coal.
"*coke*"	a hard, dry carbon substance produced by heating coal to a very high temperature in the absence of air, used primarily in the manufacture of iron and steel.
"*coking coal*"	metallurgical coal that exhibits the physical and chemical properties that are necessary to form coke.
"*continuous miner*"	a mining machine designed to remove coal from the face and to load that coal into cars or conveyors without the use of cutting machines, drills or explosives.

"*cross-section*"	diagram of a vertical section through a volume of the Earth's subsurface generally drawn normal to the strike direction the retreat mining of pillars left in place during development.
"*dip*"	the angle at which a stratum is inclined from the horizontal, measured perpendicular to the strike and in the vertical-plane.
"*drainage basin*"	area that gathers water which contributes to a body of water.
"*drillhole*"	a circular hole made by drilling either to explore for minerals or to obtain geological information.
"*dry basis*"	coal that has moisture removed by prescribed laboratory procedure or excluded by calculation.
"*excavator*"	see "shovel".
"*fault*"	a fracture in rock along which the adjacent rock surfaces are differentially displaced.
"*fixed carbon*"	the solid residue, other than ash, remaining after the volatile matter has been liberated from coal during combustion.
float/sink"	a laboratory procedure which measures the floating and sinking of particles of material of various size fractions in heavy liquids at various specific gravities.
"*free swelling index*" or "*FSI*"	a number assigned to particular coal used in determining its suitability for coke making or other uses. The index, from one to nine, is determined by tests established by ASTM standards.
"*front end loader*"	a wheel loader with a digging bucket mounted on the front end that dumps.
"*froth flotation*"	a process for recovering particles of coal or other minerals, in which the particles adhere to bubbles and can be removed as part of the froth.

"*geophysical log*"	a graphic record of the measured or computed physical characteristics of the rock section encountered in a borehole, plotted as a continuous function of depth.
"*groundwater*"	water present below the surface of the Earth.
"*highwall*"	the unexcavated face of exposed overburden and coal or ore in an open-cast mine or the face or bank of the uphill side of a contour strip-mine excavation.
"*interburden*"	the waste material located between economically recoverable resources.
"*ISO*"	International Organization for Standardization, a worldwide federation of national standards bodies.
"*isopach*"	the a real extent and thickness variation of a stratigraphic unit in geology.
	kilojoules per kilogram, a metric unit of measure used to describe the amount of heat released on combustion of a kilogram of combustible material, such as coal, under specific conditions.
"*lease*"	a contract between a landowner and a lessee, granting the lessee the right to search for and produce coal upon payment of an agreed rental, bonus and/or royalty.
"*LOM Plan*"	Life of Mine Plan, referred to the production schedule for the entire mine as designed.
"*long wall mining*"	a coal mining method for miners, namely excavating a U-shape mining work face in the coal seam with exits arranged at both upper and lower ends. The length of the mining work face ranges from 100m to 300m and on the work face the coal mining equipment mines coal back and forth.
"*MBCM*"	million BCM.
"*metallurgical coal*"	the various grades of coal suitable for making steel and includes coking coal and PCI coal.

"*mineable*" capable of being mined under current mining technology and environmental and legal restrictions, rules and regulations.

"*out-of-seam dilution*" or "*OSD*" the contamination of mined coal with rock outside of the coal seam being mined.

"*outcrop*" coal which appears at the surface; the intersection of a coal seam with the surface.

"*overburden*" materials that overlie a mineral deposit.

"*parting*" layer of non-coal material between separate coal seams.

"*preparation stage of mine construction*" It is the period for mine construction from completion of land expropriation, access of constructors to the date of official commencement of mine openings.

"*PCI*" pulverized coal injection, a process in which coal is pulverized and injected into a blast furnace. Those grades of coal used in the PCI process are generally non-coking. However, since such grades are utilized by the metallurgical industry, they are considered to be a metallurgical coal. PCI grade coal is used primarily as a heat source in the steel making process in partial replacement of high quality coking coals which are typically more expensive.

"*pit*" an open excavation from which the raw mineral being mined is extracted.

"*place change mining method*" a mining cycle which requires relocation of the coal cutting machine from roadway to roadway as the location where coal was recently removed by the cutting machine must be supported by installing roof bolts using a roof bolting machine. The relocation time required to relocate the cutting machine from roadway to roadway subsequent to installation of roof support results in a production delay where coal cannot be mined.

"*processing plant*" a facility where coal is prepared for market or other usage. It consists of equipment that separates coal from impurities. Coal is washed, thermally or mechanically dried, sized, stored and loaded for shipment or conveyed to use point.

"*proximate analysis*"	a laboratory analysis to determine the percentage by prescribed methods of moisture, volatile matter, fixed carbon and ash.
"*raw coal*"	coal from the breaker that has not been processed in a processing plant.
"*reclamation*"	the rehabilitation of land at a mining site after the coal is extracted to a standard of land capability as existed before mining. Reclamation operations are usually conducted as production operations are taking place elsewhere at the site. This process commonly includes re-contouring or reshaping the land to its approximate original appearance, restoring topsoil and planting native grasses, trees and ground covers.
"*retractable belt conveyor*"	it is a belt conveyor equipped with storage belt and capable of adjusting belt length by adapting itself to changeable location of excavation working face.
"*room-and-pillar mining*"	a system of mining in which the coal is mined in rooms separated by pillars, which are subsequently mined.
"*rotary drill*"	a drill machine that rotates a rigid, tubular string of rods to which is attached a bit for cutting rock to produce boreholes.
"*royalty*"	a share of the product or profit reserved by the owner for permitting another to use the property.
"*run of mine coal*" or "*ROM*"	the coal produced from the mine before it is processed.
"*saleable coal*"	the shippable product of a coal mine or processing plant. Depending on customer specifications, saleable coal may be ROM, crushed- and-screened (sized) coal, or the clean coal from a processing plant.
"*seaborne*	metallurgical coal" metallurgical coal that is exported by ocean going ship from the producing country to the consuming country.
"*seam*"	large deposit or layer of coal.

"*shovel*"	a large electric or diesel powered machine used in the open pit mining process to remove and load overburden or coal.
"*shuttle car*"	self-discharging underground equipment used for receiving coal from the mining machine and transferring it to an underground loading point or belt conveyor system.
"*Shearer*"	coal mining machinery that breaks coal by rotary working mechanism and loads broken coal to the conveyor or other transportation equipment.
"*Shield*"	equipment that is lifted, forwarded by hydraulic power, to provide strength for roof support.
"*strike*"	the course or bearing of an inclined bed, vein or fault plane on a level surface; the direction of a horizontal line perpendicular to the direction of the dip.
"*strip ratio*"	the ratio of the volume of overburden moved to the tonnage of coal produced, measured in terms of BCM of overburden per tonne of coal produced. A lower strip ratio is an operational advantage because less overburden has to be removed in order to expose the raw coal.
"*surface mine*"	a mine in which the mineral deposit lies sufficiently near the surface to be extracted by removing the overburden.
"*service area*"	a site occupied by surface buildings, facilities as well as administrative offices which provides services for surface and auxiliary production system of a colliery.
"*syncline*"	a series of flat-lying rock strata that has been folded into a trough-like geological structure.
"*thrust fault*"	a fault with a dip of 45° or less over much of its extent, on which the hanging wall appears to have moved upward relative to the footwall.
"*tonne*"	a metric tonne, which is approximately 2,205 pounds, as compared to a "short" ton, which is 2,000 pounds, or a "long" ton, which is 2,240 pounds. Unless expressly stated otherwise, the metric tonne is the unit of measure used in this document.

"*tunnel way*"	a long, narrow, horizontal or nearly horizontal underground passage that is open to the atmosphere at both ends.
"*underground mine*"	a mine that is located below the earth's surface. Coal is removed mechanically and transferred by shuttle car or conveyor to the surface.
"*volatile matter*"	those products, exclusive of moisture, given off by a material such as gas or vapour, determined by definite prescribed methods, which may vary according to the nature of the material.
"*yield*"	the ratio of the clean coal product to the raw coal plant feed, expressed as a percentage.

Above mean sea level	amsl
Annum (year)	a
Billion years ago	Ga
British thermal unit	Btu
Centimetre	cm
Cubic centimeter	cm^3
Cubic metre	m^3
Day	d
Days per week	d/wk
Days per year (annum)	d/a
Degree	°
Degrees Celsius	°C
Diameters	ø
Dry metric ton	dmt
Gigajoule.	GJ
Gram	g
Grams per litre	g/L
Grams per tonne	g/t
Greater than	>
Hectare (10,000 m2)	ha
Hertz	Hz
Horsepower	hp
Hour	h

Hours per day	h/d
Hours per week	h/wk
Hours per year	h/a
Kilo (thousand)	k
Kilocalorie	kcal
Kilogram	kg
Kilograms per cubic metre	kg/m^3
Kilograms per hour	kg/h
Kilograms per square metre	kg/m^2
Kilometre	km
Kilometres per hour	km/h
Kilonewton	kN
Kilopascal	kPa
Kilovolt	kV
Kilovolt-ampere	kVA
Kilovolts	kV
Kilowatt	kW
Kilowatt hour	kWh
Kilowatt hours per tonne (metric ton)	kWh/t
Kilowatt hours per year k	Wh/a
Less than	<
Litre	L
Litres per minute	L/m

Megavolt-ampere	MVA
Megawatt	MW
Metre	m
Metres above sea level	masl
Metres per minute	m/min
Metres per second	m/s
Metric ton (tonne)	t
Micrometre (micron)	µm
Milliamperes	mA
Milligram	mg
Milligrams per litre	mg/L
Millilitre	mL
Millimetre	mm
Million	M
Million tonnes	Mt
Minute (plane angle)	'
Minute (time)	min
Percent	%
Second (plane angle)	"
Specific gravity	SG
Square centimeter	cm^2
Square kilometer	km^2
Square metre	m^2

Thousand tonnes	kt
Tonne	t
Tonnes per day	t/d
Tonnes per hour	t/h
Tonnes per year	t/a
Year (annum)	A

GRANDE CACHE COAL OPERATION,
GRANDE CACHE,
ALBERTA,
CANADA
VALUATION REPORT

Submitted to:
Up Energy Development Group Limited

Report Date:
March 27, 2015

Norwest Corporation
136 E. South Temple, 12th Floor
Salt Lake City, UT
84111 USA

Tel:	(801) 539-0044
Fax:	(801) 539-0055
Email	slc@norwestcorp.com

www.norwestcorp.com

Authors:
A. CARL POLLASTRO
PATRICK G. AKERS
LAWANCE D. HENCHEL
JOHN LEWIS, N. E.
JAMES D. SORENSEN

NORWEST
CORPORATION

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

1 SUMMARY

Norwest Corporation (Norwest) has completed a Technical Reserve Report (TR) dated February 24, 2015 on the Grande Cache Coal Operation (GCC) located in Grande Cache, Alberta, Canada in accordance with NI 43-101 reporting standards. In addition, Norwest is preparing this Valuation Report (VR) on the GCC Operation based upon the TR and in accordance with the Standards and Guidelines for Valuation of Mineral Properties prepared by CIMVAL. Most of the background information required for this VR is cited and repopulated in the report from the TR. A copy of the TR will be included as an attachment to the VR. The Valuation of this property is dated as of December 31, 2014.

1.1 Location and Accessibility

The GCC property is located in West Central Alberta, approximately 400 kilometers (km) west of the City of Edmonton, the capital of the Province of Alberta in Canada. The property is accessed via Highway 40, a two lane, paved provincial highway which connects the town of Grande Cache to the major, east-west, provincial Highway 16. The property is also serviced by a branch line of the Canadian National Railway which connects to the main east-west rail line at the town of Hinton, approximately 145km south of the mine.

1.2 Surface and Mineral Tenure

In Alberta, coal tenure is held through coal leases granted by the province. Surface and underground mining rights are also granted by the province first through a mine permit, then by a mine license for each individual mining area. GCC currently has approximately 29,968 hectares (ha) under coal lease, with dates of record ranging from the year 2000 through 2014.

The mineral leases that contain the coal resources and reserves presented are summarized in Table 4.1 and displayed on Figure 4.2 of the TR.

1.3 Regional Structure and Stratigraphy

The Gates Formation is the stratigraphic unit within the Smoky River Coalfield that contains the coal seams of economic interest. The Gates Formation consists of 320 meters (m) of sandstone, shale and coal, and is subdivided into three members:

- The Torrens Member, the lowermost unit of the Gates Formation, is a marine sandstone and siltstone sequence approximately 30m in thickness.

- The Grande Cache Member is composed of interbedded sandstone, siltstone, coal and mudstone. The unit is up to 150m thick. Eight coal seams (3 Seam through 8 Seam, 10 Seam and 11 Seam) are present.

- The Mountain Park Member, the uppermost unit of the Gates Formation, consists of 150m to 180m of non-marine fine-grained sandstone and siltstone with minor interbedded coal seams.

The Smoky River Coalfield was deformed by tectonic events of the Laramide Orogeny which created the Rocky Mountains approximately 60 million (M) years ago. The rock strata are folded, often in tight, steep anticlinal/synclinal pairs, and are cut by numerous thrust faults. Structural shortening of the region is estimated to be one-third of the original flat-lying strata. Surface traces of these folds and thrust faults trend northwest-southeast. The majority of the faults are southwest-dipping thrusts, displaying ramps that cut up stratigraphic section and flats that are parallel to bedding. Asymmetric folds with relatively long, straight limbs and short, narrow hinge zones are common. The folds generally have chevron or box shapes and maintain their profile over distances of up to 2km along trend. These folds are conical at their tapering ends. Amplitude of the major fold sets generally range from 200m to 1,000m. Minor, parasitic folds along the limbs of the major anticlines and synclines are common.

1.4 Data Sources

The information used to estimate the coal resources and reserves of the Smoky River Coalfield was gathered using industry standard data acquisition techniques. With over 43 years of mining activity and coal processing, data from operations were also used to help predict coal recovery, yield, and quality from the different seams and mining areas. Drilling was and still is the most common method used to acquire data prior to mining. Over 4,300 holes have been drilled in the coal field since the late 1950s. Summaries of drillholes in the reported coal resource and reserve areas are found in Section 10. Development of adits was a common method utilized for obtaining bulk samples for coal washability test work prior to opening a new mine area. A total of 129 adits have been driven within the Smoky River Coalfield.

1.5 Deposit Geology

The coal seams in the Smoky River Coalfield are numbered sequentially, beginning with 3 Seam occurring as the lowermost coal of interest in the Grande Cache Member, through the 11 Seam at the top of the stratigraphic sequence.

The coal seam thickness and continuity across the individual mine areas is discussed in detail in Section 7.1.

1.6 Coal Quality

The majority of samples were collected and submitted for analysis by previous operators. Results have been stored electronically within GCC's mining software package and in spread sheets. For metallurgical coal, important quality parameters are:

- Ash Content – The relative amount of non-combustible material in the coal.
- Free Swelling Index (FSI) – A measure of the amount the coal swells when heated under controlled conditions. It gives a rough indication whether the coal is suitable for metallurgical use.
- Sulphur Content – The relative amount of sulphur in the coal.
- Volatile Matter Content – other than moisture, the substances that are given off as gas and vapour during combustion of the coal.

The in-situ coal quality data are discussed in Section 7.2 of the TR.

The operation produces a high quality, low-ash, low-volatile, hard coking coal, with an ash content of 8.5% to 9% sold for coke oven blends or as a pulverized injection coal. The quality of GCC's coal resources make them suitable for use as a metallurgical coal which has been successfully marketed over the life of the operation.

Minor quantities of oxidized coal, occurring at the coal seams eroded contact, is sold occasionally on the spot market for thermal coal.

1.7 Coal Resources

Coal resource models are generated from the drillhole information through the use of cross-sections and/or seam surface interpretation. Computer software has been used to translate the geologic geometry interpretations into 3D block models. The QP for coal resources has verified the interpretation of these elements. These models form the basis of the resource estimates reported in this document as well as the basis of reserve estimates after additional mining and recovery criteria are applied. The coal resource estimates are subdivided into categories based on "assurance of existence" using GSC Paper 88-21 criteria and reported using the equivalent mineral resource categories specified in NI 43-101.

The coal resources with an effective date of December 31, 2014 are shown in Table 1.1 and Table 1.2. As no new information has been generated for the No. 16, No. 12 North and No. 2 mining areas since the resources were compiled in the 2013 Technical Report, and no production has occurred, these estimates have been carried over. The No. 7 underground mine was mined out in 2012. This report does not include resources from highwall mining areas, and former surface mines No. 1, No. 5 and No. 11 and other potential mining areas within GCC's leased land.

Table 1.1 Summary of Coal Resources, Measured and Indicated

	Measured (Mt)	Indicated (Mt)	Total (Mt)	Ash (%)	FSI
Surface Mining Area[2]					
No. 2 Area	61.4	23.2	84.6	26.8	5.0
No. 8 Area	35.4	7.4	42.8	23.2	5.0
No. 9 Area	38.2	70.6	108.8	22.2	5.0
No. 12 South B2 Area[3]	2.6	1.0	3.6	13.9	3.0
No. 12 North Area	39.1	15.6	54.7	16.6	3.5
No. 16 Area	56.0	20.2	76.2	13.9	3.5
Total Surface Areas	**232.7**	**138.0**	**370.7**	**20.8**	**4.0**
Underground Area[4]					
No. 9 Area	108.2	33.6	141.8	21.9	5.0
No. 12 South B2 Area	4.3	5.2	9.5	13.9	3.0
No. 12 South A Area	25.4	39.6	64.9	14.8	3.0
Total Underground Areas	**137.9**	**78.4**	**216.2**	**19.4**	**4.5**
Grand Total	**370.6**	**216.4**	**586.9**	**20.3**	**4.0**

Notes:

(1) Quality of all resources classified as Low Volatile Bituminous (ASTM)

(2) Surface mining resources estimated by GCC staff based on a 20:1 strip ratio cut-off and a 45 pit wall angle

(3) No.12 South B2 surface resources are those remaining after the open pit reserves have been mined out

(4) Underground resource estimated by GCC staff. Minimum depth of cover approx. 50m. Maximum underground extraction angle 30°; 20m buffer from faulting, 50m buffer from highwalls

(5) Coal resources are inclusive of the coal reserves

(6) The resource estimates are effective December 31, 2014 and have been prepared under supervision of Lawrence D. Henchel, P. Geo. and Qualified Person

(7) Rounding as required by reporting guidelines may result in apparent summation differences

Table 1.2 Summary of Coal Resources, Inferred

	Inferred (Mt)	Ash (%)	FSI
Surface Mining Area(2)			
No. 2 Area	6.3	23.2	5.0
No. 8 Area	0.7	24.4	5.0
No. 9 Area	27.5	20.5	5.0
No. 12 South B2 Area(3)	0.5	17.9	4.0
No. 12 North Area	2.2	21.2	3.0
No. 16 Area	15.9	15.3	4.0
Total Surface Areas	**53.1**	**19.3**	**4.5**
Underground Area(4)			
No. 9D Area	20.1	20.1	5.0
No. 12 South B2 Area	0		
No. 12 South A Area	3.4	16.0	3.0
Total Underground Areas	**23.5**	**19.5**	**4.5**
Grand Total	**76.6**	**19.4**	**4.5**

Notes:

(1) Quality of all resources classified as Low Volatile Bituminous (ASTM)

(2) Surface mining resources estimated by GCC staff based on a 20:1 strip ratio cut-off and a 45 pit wall angle

(3) No.12 South B2 surface resources are those remaining after the open pit reserves have been mined out

(4) Underground resource estimated by GCC staff. Minimum depth of cover approx. 50m. Maximum underground extraction angle 30°; 20m buffer from faulting, 50m buffer from highwalls

(5) Coal resources are inclusive of the coal reserves

(6) The resource estimates are effective December 31, 2014 and have been prepared under supervision of Lawrence D. Henchel, P. Geo. and Qualified Person

(7) Rounding as required by reporting guidelines may result in apparent summation differences

1.8 Coal Reserves

To convert coal resources to coal reserves, a number of economic and technical factors must be applied. These include but are not limited to the following:

- An estimate for the long term price of metallurgical coal in the domestic and international market place; in the case of this report, C$180 per tonne (/t) has been used, based on recently published data. This price was only used to determine preliminary mining limits and was not used in the financial analysis of the project.

- Operating costs associated with open pit mining, underground mining, transporting and processing the coal at the mine site.

- Overhead costs associated with marketing and transporting the finished coal product to customers. Overhead costs associated with administrative and technical functions relative to running a mine.

- Geotechnical parameters governing the orientation of the pit slopes, haul roads, waste dumps and other parameters associated with water flow and climate.

- Estimates for the recovery of coal and addition of dilution material during the mining and coal handling process (resulting in the Run-of-Mine (ROM) estimate).

- Estimate for the recovery of coal from processing – approximately 70% – resulting in the Clean or Saleable estimate.

Using these and other factors, Norwest and GCC engineers and their consultants used mining software to produce economic mine designs at the Grande Cache operation. The QPs have reviewed these procedures and parameters and determined that the mine designs are valid.

The parameters used for the mine designs are based on previous operating experience and the most recent geotechnical investigations (see Reference Nos. 5, 6, 7, 13, 14 and 15 in Section 27.0 of this report).

The QP for surface mining has determined that the assumptions used for the 2013 Technical Report for the design of the No. 16, No. 12 North and No. 2 pits are still appropriate; consequently, the reported reserves for these areas have not changed. Mining of these deposits has not yet occurred.

The completion of an updated pit design based on revised economic analysis for the No. 8 along with production in 2014 resulted in a revised reserve estimate for this area. No. 12 South B2 underground production in 2014 reduces the reported reserve from this area.

The No. 9 Area has been included in the reserves since 2013 based on the existing exploration database in this area of drillholes and adits dating between 1969 and 1997. No changes have been made to this reserve area.

The reserves with the effective date of December 31, 2014 are summarized on Table 1.3 and Table 1.4.

Table 1.3 Summary of Proven and Probable ROM Reserves

	Proven (Mt)	Probable (Mt)	Total (Mt)
Surface Mining Areas			
No. 2 Area	13.7	1.2	14.9
No. 8 Area	12.5	0.1	12.6
No. 9 Area	13.5	11.2	24.7
No. 12 North Area	31.3	12.2	43.5
No. 16 Area	19.7	9.6	29.4
Total Surface Mining	**90.7**	**34.3**	**125.1**
Underground Areas			
No. 9D Area	59.8	3.7	63.5
No. 12 South B2 Area	3.0	1.4	4.5
No. 12 South A Area	4.6	9.4	14.0
Total Underground Mining	**67.5**	**14.5**	**82.0**
Grand Total	**158.2**	**48.8**	**207.1**

Notes:

(1) Quality of all reserves classified as Low-Volatile Bituminous (ASTM)

(2) Average ROM coal quality for reserves is reported in Section 7.2 under the respective mining areas

(3) Planned surface pits only

(4) Underground ROM estimates include mining recoveries ranging from 44% to 62%, which are inherent to multi-seam room-and-pillar operations

(5) Both underground and surface mineable estimates include allowance for loss and dilution and are supported by mining designs as described in Section 16.0

(6) The surface reserve estimates do not include thermal coal consistent with previous GCC Technical Reports

(7) The surface reserve estimates are effective December 31, 2014 and have been prepared under the supervision of James Sorensen, Sr. Mining Eng.

(8) The underground reserve estimates are effective December 31, 2014 and have been prepared under the supervision of John Lewis, P. Eng., Qualified Person

(9) Rounding as required by reporting guidelines may result in apparent summation differences

Table 1.4 Summary of Proven and Probable Saleable Coal Reserves

	Proven (Mt)	Probable (Mt)	Total (Mt)
Surface Mining Areas			
No. 2 Area	9.2	0.8	10.0
No. 8 Area	8.8	0.1	8.9
No. 9 Area	10.4	8.3	18.8
No. 12 North Area	22.5	8.3	30.8
No. 16 Area	14.4	7.0	21.4
Total Surface Mining	**65.3**	**24.5**	**90.0**
Underground Mining			
No. 9 Area	41.4	2.6	44.0
No. 12 South B2 Area	2.3	1.1	3.3
No. 12 South A Area	3.4	6.8	10.3
Total Underground Mining	**47.1**	**10.5**	**57.6**
Grand Total	**112.4**	**35.0**	**147.6**

Notes:

(1) Quality of all reserves classified as Low-Volatile Bituminous (ASTM)

(2) Total coal will be marketed as hard coking coal

(3) Planned surface pits only

(4) Saleable coal from Table 15-3 considers a yield of 69% based on the historic average plant yield from No. 7 and No. 12 South B2 mines

(5) Plant yield for the surface mineable coal varies in relation to the ROM ash content:
Plant Yield = (ROM Ash%-Plant Reject Ash%) / (Clean Coal Ash%-Plant Reject Ash%), where
Plant Reject Ash = 55% to 63% depending on mine area and seam and Clean Coal Ash = 8.5%

(6) Saleable (Clean) coal reserves are a subset of and not additive to Run-of-Mine reserves

(7) The surface reserve estimates do not include thermal coal consistent with previous GCC Technical Reports

(8) The surface reserve estimates are effective December 31, 2014 and have been prepared under the supervision of James Sorensen, Mining Eng.

(9) The underground reserve estimates are effective December 31, 2014 and have been prepared under the supervision of John Lewis, P.Eng., Qualified Person

(10) Rounding as required by reporting guidelines may result in apparent summation differences

1.9 Mine Production

Operations were suspended in January 2015 at the No. 8 surface operation and to resume operation in the first quarter of 2017. The No. 2 surface pits, which lie adjacent to the No. 8 pits, are planned to be brought into production in start of 2019. The No.16 pits and No. 9 pits are scheduled to commence operations in 2025 and in 2027, respectively at the completion of the No.8 surface operations. The No. 12 North area will be the last pits to be developed starting in 2038.

The surface mines are proposed to be operated by GCC as a typical truck-shovel operation, using large electric cable shovels and large hydraulic shovels as the primary loading units similar to the current operation. The waste would be hauled in large rear dump trucks (220t capacity) to nearby waste dumps. Coal movement is proposed to be accomplished by a combination of contract highway class trucks, large off road haulers with coal boxes and new conveying systems.

The No. 2, No. 9, No. 16, and No. 12 North pits will be developed with similar operating techniques, equipment, and other shared facilities in the proposed plan.

The underground operations currently employ the room-and-pillar mining method; activities include development and panel preparation followed by de-pillar mining. Five- or six-entry panels are developed with one belt conveyor system. The proposed new room-and-pillar mine is in the No. 12 South A area and like No. 12 South B2, mines the 4 Seam and the 7/8 Seam horizons. Underground coal production from the No. 9 Area is planned to occur from the proposed No. 9D Mine, which would utilize development and longwall equipment suitable for producing coal in steep gradient conditions in the 10 Seam and 4 Seam. Based on current similar underground mines operating in China, the No. 9D Mine would average approximately 2 million (M) ROM tonnes per year.

GCC plans to reduce production in 2015 with the shut down of surface mining operations until 2017. GCC plans to continue underground operations through this period at an average 0.7M clean coal tonnes per calendar year to an approximate production rate of 4.0M clean coal tonnes per calendar year by CY 2024.

1.10 Coal Processing and Planned Coal Production

The majority of the GCC coal washing plant circuitry is typical for the plants built around the 1970s. ROM coal is delivered by truck from the operating areas to a ROM coal stockpile. After removal of the oversize material in a Bradford breaker, the feed coal is conveyed to the raw coal silo. Cleaning of the coarse coal takes place in heavy media cyclones using finely ground magnetite in water as the dense medium. Fine coal is cleaned in froth flotation circuits. The coal is dewatered in centrifuges or on disc filters as well as in a fluidized bed dryer. The clean coal is transferred to a clean coal stockpile for loading on to rail cars. Fine coal refuse is dewatered and combined with the coarse refuse for disposal at the No. 8 area waste dumps, or pumped in slurry form to the fine tailings facility.

In order to achieve the planned processing capacity of 5M clean tonnes per year, a second processing plant is proposed in the Sheep Creek valley near portal of planned No. 9D Underground Mine. This plant would be tied into the current load-out in the Smoky River valley by a conveyor.

1.11 Mine Life

The mine life for the combined operation as currently scheduled is approximately 41 years starting in 2015. This includes all of the current reserves, most of which are exhausted prior to 2048. There are additional areas on the property, they include but are not limited to No. 1, No. 5 and No. 11 Mines, and some highwall mining areas in No. 7 and No. 9 Mines studied by Norwest and other potential areas with previous mining, which have the potential to extend the current reserve base and mine life.

1.12 Risk Statement

The financial results presented in this report represent forward looking information regarding future projections of mining operations and resulting cash flows. By its nature, forward-looking information involves a number of assumptions, known and unknown risks and uncertainties, which could cause actual results to differ materially from those forecasts. These risks include, but are not limited to the future price of coal, rail freight rates and availability of coal cars to transport the coal to port. There may be inflation of input costs such as diesel, steel, and labour as well as mining equipment. The high activity in the mining industry and other industries that rely on large earth moving equipment may cause delays in delivery of mining equipment. The problem of retaining and recruiting skilled personnel is an industry wide issue. There can be delays in obtaining or renewing mining permits. Concerns over greenhouse gas emissions and compliance with greenhouse gas regulations may place additional costs on a coal mining operation or negatively impact the market for coal.

There is risk involved in GCC's aggressive plans to increase the production rates used in the analysis. This includes the requirement for timely regulatory approvals, the practical aspects of establishing several new mining operations, along with a new process plant and the conveyor system in a short time period. Issues with timing and production rate however, would not have a significant impact on the reserves reported in this document in the opinion of the QPs.

1.13 Recommendations

Key recommendations for the attainment of the plan proposed in this report are listed below. A more detailed list of recommendations is in Section 26.

- The No. 12 South A mine area should have additional refinement of mine design based on 2014 drilling, and the resulting geological model update.

- The new location for the fault crossing to access the No. 12 South B2 EE 7/8 Seam reserves should be drilled to determine displacement and distance for the rock tunnel development.

- The No. 9D mine area should have a multi-year drilling program to eliminate inferred areas that limit the mineable boundary and improve confidence levels in the delineated areas. This program would include additional testing to refine estimates of in-place coal quality, washing yield, geotechnical parameters, hydrology and in-seam gas content.

- The priority regulatory issue for the surface mine is the licensing of both No. 8 East and No. 8 West areas. Areas not yet licensed in No. 8 Mine are scheduled for production in the proposed cash flow analysis in Section 22 commencing as early as 2nd quarter 2017. Submission for these license applications should be targeted for 1st quarter 2015 at the latest.

- The long lead time for the regulatory approval of greenfield areas above the treeline such as No. 12 North Area and No. 16 Area requires initiation of the process very shortly in order to achieve the proposed production schedule.

- The No. 9D mine area licence application will be presenting longwall mining method in a steep seam environment. Pre-application education of the AER and OHS enforcement staff on the longwall operation and the planned system for the No. 9D could identify any potential issues that would delay the licence process so application preparation could focus on providing information to resolve any issues.

- The new coal process plant proposed for this report is sufficiently well understood from a capital and performance perspective for the purposes of the cash flow analysis. However, the current sensitivity to water use and other environmental considerations mean the details of location, and process must be resolved to start the regulatory process within the next 2 years.

- The areas that should be prioritized for additional exploration based on their proposed timing and current data point density are: No. 8 Mine, northwest area; No. 2 Mine, Maskwa and Muskeg pits; and No. 12 South A, northwest area.

- The proposed Beaverdam Creek Coal Preparation Plant, the associated overland conveyor system and the underground conveyor system to the Smoky River Coal Preparation plant should be studied in more detail.

- The timing of the increase in production and the required capital expenditures for both the surface and underground mines should be the subject of an optimization study.

1.14 Valuation Approaches and Methods

CIMVAL highlights three basic approaches to mineral property valuation, these being the Income Approach, the Market Approach and the Cost Approach. It further recognizes that various specific valuation methodologies exist under each approach, appropriateness of which to a particular case must be assessed by the valuator.

Given the relatively few comparable sales of similar properties in the last twelve months and the considerable data available from the TR and the long history of mining on this property, Norwest used the Discounted Cash Flow Method as the primary valuation method. Norwest did evaluate the recent transactions of metallurgical coal properties as an indicator of value and not as a secondary method of valuation for this property.

1.15 Valuation and Conclusion

The mineral property that is the subject of this Valuation Report is the Grand Cache Coal mine in Alberta, Canada. Norwest used the Discounted Cash Flow Method as the primary method for valuing this property based on the long history of mining and the volume of information and analysis included in the TR that formed the basis for the after tax cash flow from the property.

Because the cash flow calculation is very sensitive to changes in exchange rate and coal sales price and the NPV calculation is very sensitive to the assumptions for risk and debt interest rates, Norwest has assigned a value of C$622M or US$579M with a range of plus 5% and minus 10% for this property.

2 INTRODUCTION

Norwest Corporation (Norwest) was engaged by Up Energy Development Group (Up Energy) located in Hong Kong, China, a company incorporated in the Bermuda with limited liability, to prepare the Valuation Report (VR) for the Grande Cache Coal Operation (GCC) located in Grande Cache, Alberta, Canada. Marubeni Coal Canada Limited (Marubeni), a company incorporated under the laws of British Columbia, Canada and an indirect wholly-owned subsidiary of Marubeni and 0925165 B.C. Limited (Winsway), a company incorporated in the Province of British Columbia, Canada and an indirect wholly-owned subsidiary of Winsway are the current owners of the GCC Mineral Property. Up Energy and Winsway are providing the funding to prepare the VR.

2.1 Valuation Mandate

The Valuation Report is mandated by Section 18.09 (3) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The acquisition of a substantial interest in Grand Cache Coal Company by Up Energy is a Relevant Notifiable Transaction under the rules which require compliance with Section 18 among other things. This Valuation Report is prepared in accordance with the Standards and Guidelines for Valuation of Mineral Properties prepared by CIMVAL which complies with the requirements of Section 18 of the Hong Kong Exchange Listing Rules.

2.2 Terms of Reference

The purpose of the VR on the GCC Operations is in support of an announced acquisition and more specifically as follows:

- Very substantial acquisition in relation to the acquisition of approximately 82.74% interests in Grande Cache Coal Corporation and Grande Cache Coal LP respectively.

- Possible major transaction in relation to the Marubeni buy-back right agreement.

- Possible major and connected transaction in relation to the Winsway buy-back right agreement.

- The proposed continuing connected transaction in relation to the Winsway marketing agency agreement.

This VR encompasses the existing mining operation of the Grande Cache Coal Company including the coal leases, mining equipment and facilities and infrastructure as well as the planned future development of the reserves as more fully described in the TR. The GCC operation has coal tenure which is held through coal leases granted by the province. Surface and underground mining rights are also granted by the province first through a mine permit, then by a mine license for each individual mining area. GCC currently has approximately 29,968 hectares (ha) under coal lease, with dates of record ranging from the year 2000 through 2014. The mineral leases that contain the coal resources and reserves presented in this report are summarized in Table 4.1 and displayed on Figure 4.2 in the TR.

This property is an historic operating property dating back to production beginning in 1969 with previous owners and having mined over 95M tonnes through the end of 2014. It is currently an operating property with active surface and underground mining and processing facilities.

The date of the valuation is December 31, 2014 based upon the same closing date of the TR of December 31, 2014 which was released on February 24, 2015. The qualified Norwest professionals that were involved in the TR and also subsequently to the VR are as follows:

Qualified Valuator	Carl Pollastro, Sr. Vice President Engineering/International
Financial Analyst	Pat Akers, Vice President Surface Mining/Financial Services
QP Resources	Larry Henchel, Vice President Geologic Services
QP Underground Mining	John Lewis, Manager, Underground Mining
QP Surface Mining	James Sorensen, Sr. Mining Engineer

All of these professionals are employees of Norwest and are independent of any of the parties involved.

All definitions in the TR or VR are found in Section 27.2 of the TR titled "Abbreviations, Definitions, and Acronyms".

3 SCOPE OF THE VALUATION

The Scope of Work was to prepare the VR in accordance with CIMVAL Standards for an operating mineral property. The VR encompasses the mineral property only and does not include a valuation of the corporations or other entities that hold the mineral property. For an operating mineral property, the scope of the valuation includes a review of the necessary information to support an analysis based on the Comparable Sales Approach and the Income Approach. This is more fully discussed in Section 16, Valuation Approaches and Methods.

The basis of information, background and preparation for the Income Approach was the development of the recent TR. The development of the TR was a compilation of a complete GCC data room of information populated by the GCC staff, site visits, calls with GCC personnel, and existing knowledge of the property of Norwest professionals. Once compiled, a thorough diligence effort by a team of Norwest professionals in the disciplines of environmental/permitting, geology, surface mining, underground mining, processing/infrastructure and finance contributed to the final product of the TR.

A TR was completed as of the end of the year for 2013 primarily by GCC personnel assisted Norwest. The recently completed TR for 2014 was developed as a complete independent TR for the purpose of filing on the Hong Kong Stock Exchange with an accompanying VR of the ending date. As information was received into the GCC data room and with the basis of the 2013 TR, each of the Norwest disciplines worked in their specific areas to validate all information provided by GCC and also quantify what had changed during 2014 that needed to be reflected for the new TR. Each of the specific sections in the TR discusses the work performed and the independent findings. Those findings formed the basis of the economic analysis for the TR which in turn was the basis of many of the assumptions for the VR.

Two different site visits to GCC were conducted by the following Qualified Valuator/Qualified Persons:

- QV: Carl Pollastro – October 20-22, 2014
- QP: John Lewis – October 20-22, 2014
- QP: Larry Henchel – January 27-28, 2015
- QP: James Sorensen – January 27-28, 2015

During the October 2014 visit which spanned over three days Carl Pollastro and John Lewis had an overview presentation of the operation by GCC senior management, conducted an operational overview of the operating surface mine and underground mine, made a site visit to each of the proposed areas that are included in the future reserves of the TR and held discussions with senior management of GCC to gain greater understanding of mine and business plans, present data requests and answer questions that Norwest had.

During the January visit which was two days on the property, Larry Henchel and James Sorensen were able to visit the operating surface mine and visit all of the surface areas which are proposed for surface reserves along with many of other reserves areas of the TR, and meet with GCC surface mining engineers, geologists and some senior management to understand specifics to meet the requirements of their QP visits.

All data which has been provided by Up Energy or GCC for the development of the TR and subsequent VR is confidential under the terms of the contractual agreement with Up Energy and Norwest.

For disclosure, there was no Mineral Property title search conducted and information and opinion provided was relied upon as it was last published in the preceding 43-101 TR and information provided by GCC personnel through communication.

Data for the Comparable Sales Approach was taken from publicly available sources.

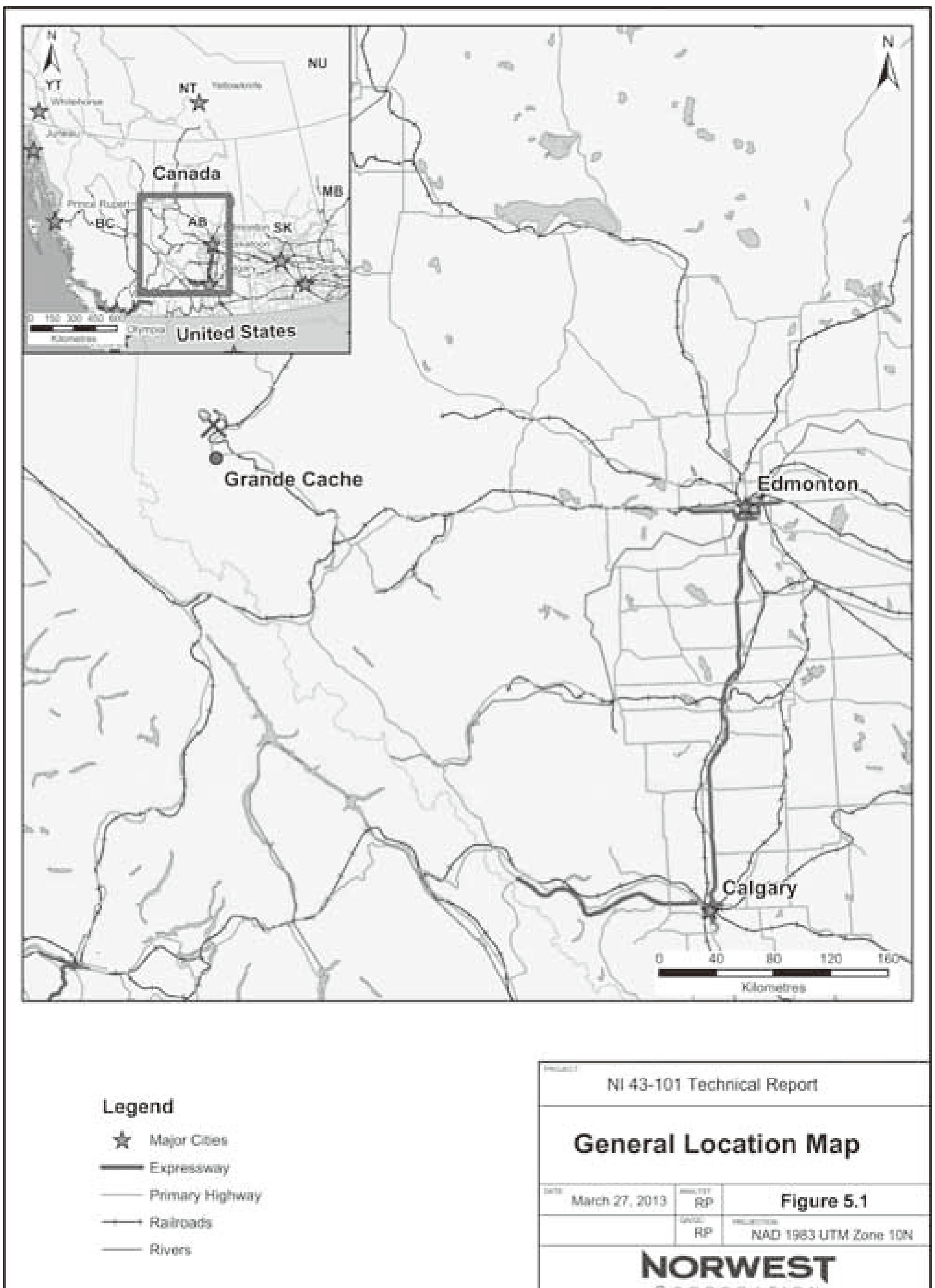
4 COMPLIANCE WITH THE CIMVAL STANDARDS

This valuation report was prepared by a qualified person/qualified valuator as defined under Canadian Securities Administrators National Instrument 43-101 (NI-43-101). It also reflects the author's understanding of standards and guidelines presented in "CIMVAL Standards and Guidelines For Valuation Of Mineral Properties – February 2003 Final Version" prepared by the Special Committee Of The Canadian Institute Of Mining, Metallurgy And Petroleum On Valuation Of Mineral Properties.

5 PROPERTY LOCATION, ACCESS AND INFRASTRUCTURE

The GCC mine and process facilities are located within GCC's coal mining lease blocks in the Grande Cache area of West Central Alberta (Figure 5.1). The mine site is approximately 20km north of the town of Grande Cache in the Municipal District of Greenview.

For the complete detailed description of the property location, access, and infrastructure, please refer to Section 4 titled "Location" and Section 5 titled "Accessibility, Climate, Local Resources, Infrastructure and Physiography" of the TR which is attached to this VR.



6 PROPERTY OWNERSHIP, STATUS AND AGREEMENTS

In Alberta, coal tenure is held through coal leases granted by the province. Surface and underground mining rights are also granted by the province through a mine permit, followed by a mine licence. GCC currently has 29,968ha under coal lease.

For the complete detailed description of the property ownership, status and agreements, please refer to Section 4.2 titled "Surface and Mineral Tenure" of the TR which is attached to this VR.

7 HISTORY OF EXPLORATION AND PRODUCTION

McIntyre Mines Ltd. began operations in the Smoky River Coalfield in 1969. In 1985, Dome Mines (Dome) purchased McIntyre and established Smoky River Coal Limited (SRCL) as an operating company. In March 1987, a private Canadian-controlled corporation owned by Kaieteur Investments Inc., an Alberta corporation, and Dong Jin Commercial Inc., a commodity trading company based in Korea, purchased SRCL from Dome.

On March 31, 2000, SRCL was placed into receivership by a group of secured lenders. This culminated a two-year period of operations under Corporate Creditor Arrangement Act. The receivership resulted from depressed market conditions and an investment in longwall mining technology, a change from SRCL's traditional room and pillar underground mine operations, commencing in 1996.

GCC was incorporated in 2000 as a private Alberta corporation to reactivate coal mining and processing in the Grande Cache area on selected coal leases. In November 2006, GCC ended its relationship with North American Energy Partners, who had been contracted to operate the surface pit through the initial phase. In September 2007, operations at the No. 12 South B2 pit resumed with GCC employees and equipment. Development of the No. 8 Area surface operation commenced in December 2009. The No.12 South B2 Area underground operation started in August 2011 to replace the No. 7 Mine.

On March 1, 2012 the Grande Cache Corporation was acquired jointly by a numbered company, owned by Winsway Coking Coal Holdings Ltd., and Marubeni Corporation. In late 2014, a pending acquisition was announced in which 82.74% interest in Grande Cache Coal Corporation and Grande Cache Coal LP would be acquired by Up Energy Development Group Limited. This transaction is not complete as of the date of this report.

For the complete detailed description of the history of exploration and production, please refer to Section 6 titled "History" of the TR which is attached to this VR. For more information regarding adjacent properties, refer to Section 23 titled "Adjacent Property" in the TR.

8 GEOLOGY AND MINERALIZATION

The Grande Cache area is situated in the Inner Foothills of the Rocky Mountain fold and thrust belt. In this area, the Inner Foothills are bounded on the southwest by the Rocky Pass Thrust and on the northeast by the Muskeg Thrust. Because of a general northwesterly plunge of Paleozoic carbonate rocks, the Inner Foothills are much wider along the Smoky River than along the Athabasca River.

Coal quality trends within the Smoky River Coalfield have been modeled from an extensive database of exploration drillhole cores, reverse circulation drill samples and adits. Within the Smoky River Coalfield, coal rank has the greatest impact on the value of the product. Coal rank is indicated by the volatile matter and Free Swelling Index (FSI) tests, which both decrease as coal rank increases. While product ash can be controlled by processing, coal rank can only be controlled by blending coals from different mine areas. Coal rank is the primary determinant of the coking properties and coke yield of the product. In general, the coal rank can be categorized as low-volatile bituminous coal based on the American Society for Testing and Materials (ASTM) coal classification system. The overall trend is an increase in coal rank to the northwest for all seams.

For the complete detailed description regarding geology and mineralization, please see Section 7 titled “Geologic Setting and Mineralization” and Section 8 titled “Deposit Types” of the TR attached to this VR.

9 EXPLORATION RESULTS AND POTENTIAL

Exploration commenced in the Smoky River Coalfield in the late 1950s and a substantial amount of work has been carried out over the years. The amount of work completed to date consists of:

- 129 adits that have been driven across the Smoky River Coalfield to provide bulk samples for coal washability test work. Additionally, GCC has carried out re-mapping of accessible adits where possible. Adit locations are shown in Figure 9.1 of the TR.
- Outcrop mapping in areas of natural exposure and exposures created by the construction of access roads for drilling was carried out on a periodic basis since the 1970s. A large amount of rock outcrops were logged during this time for lithology and bedding orientation.
- Surface trenches used to determine seam positions and thickness.

Previous audits determined that former mine operators used industry standard techniques gathering coal data on the Smoky River Coalfield. Drilling was the most common method used for data acquisition.

For the complete detailed description regarding exploration results and potential, please see Section 9 titled “Exploration” and Section 10 titled “Drilling” of the TR attached to this VR.

10 SAMPLING AND ASSAYING

The consulting firm AMEC previously reviewed the sample preparation, analysis and security for the drilling prior to an audit completed in 2007. AMEC concluded the procedures were appropriate and generally are the procedures employed by the coal industry today.

The Norwest Qualified Persons for the report have undertaken a site inspection of the GCC coal operations on October 20 through 22, 2014 and on January 27 and 28, 2015. During the site inspection the Qualified Persons conducted interviews with GCC geologic, mine planning and coal processing staff. Inspections of the coal processing facilities, mining operations and explorations areas were also completed during these site visits. Along with this verification, diligence provided verification to geologic data and geologic modeling.

For the complete detailed description regarding sampling and assaying, please see Section 11 titled "Sample Preparation, Analyses and Security" and Section 12 titled "Data Verification" of the TR attached to this VR.

11 MINERAL RESOURCES AND MINERAL RESERVES

For the No. 2, No. 16, and No. 12 North areas, the coal resource estimates for this report were generated by the consulting firm AMEC with input from GCC staff geologists and were checked and reviewed by AMEC in 2012. No exploration, modeling or design work has been done in the No. 2, No. 16, and No. 12 North areas since the AMEC evaluation. For the No. 8, No. 9, No. 12 South B2 and No. 12 South A areas, the resource estimates have been updated based on new exploration, and/or modeling, and/or mining activity by GCC staff. Norwest has performed sufficient review and validation of the base data, geologic models, and resource estimates for the QP to confirm that these results meet industry standards for accuracy.

To qualify coal resources as coal reserves, a number of economic and technical factors must be applied. Revenue and cost factors considered in the evaluation of coal reserves include:

- Estimates for the near and long term price of metallurgical coal in the domestic and international market place.

- Operating costs associated with mining, transporting and processing the coal at the mine site.

- Overhead costs associated with marketing and transporting the finished coal product to customers.

- Overhead costs associated with administrative and technical functions relative to operating a mine.

Norwest has reviewed these economic factors as supplied by GCC and used in previous Technical Reports prepared by Norwest and the consulting firm AMEC, and confirmed them as appropriate to verify the economic viability of the individual mining areas. These also form the basis of the economic analysis summarized in Section 22.3 in the TR.

For the complete detailed description regarding mineral resources and mineral reserves, please see Section 14 titled "Mineral Resource Estimates" and Section 15 titled "Mineral Reserve Estimates" of the TR attached to this VR.

12 ENVIRONMENTAL CONSIDERATIONS

GCC has collected the environmental data required by AER for the permitting of the current mine facilities. This is evidenced by the approved permits for the operations.

In October 2014, GCC submitted an application for renewal of its 10-year Environmental Protection and Enhancement Act (EPEA) Approval No. 155804-00-08. The application summarizes GCC's environmental performance for the previous 10 years and outlines environmental management programs to achieve compliance with current approval requirements.

GCC has developed a LOM plan for the future properties along with an anticipated schedule. GCC staff has developed an environmental schedule to ensure that collection of environmental data is accomplished in a timely manner to ensure that the permitting requirements can be met.

For the complete detailed description regarding environmental considerations, please see Section 20 titled "Environmental Studies, Permitting and Social or Community Impact" of the TR attached to this VR.

13 MINERAL PROCESSING AND TESTING

Large samples, collected from the coal preparation plant (CPP) feed stream, have been collected and laboratory analyzed for washability characterization. The washability characteristics and simulations of Grande Cache's CPP process are discussed below.

The coals mined at Grande Cache can be characterized as high rank low-volatile metallurgical grade coking coals. The primary seams, highest to lowest rank, are Seam 4, Seam 6, Seam 7 and Seams 10 and 11. This determination has been made with petrographic analysis. These test data are used to characterize the key properties as they relate to coking operations.

The coal preparation plant (CPP), located in the Smoky River valley next to Highway 40 and the CNR, and is currently processing coal from the No. 12 underground operation and the No. 8 Area surface operations. The plant area and facilities include ROM coal stockpiles and reclaim platform, a screening and crushing station, a coal washing plant, a clean coal thermal drying station, clean coal stockpiles, fine refuse ponds, mine-dry and administration buildings, pump stations, roads and conveyors as well as a train load-out system. Refer to flow sheet presented in Section 17.2 in the TR.

For the complete detailed description regarding mineral processing and testing, please see Section 13 titled "Mineral Processing and Metallurgical Testing" and Section 17 "Recovery Methods" of the TR attached to this VR.

14 MINING AND PROCESSING OPERATIONS

14.1 Mining Operations

Operations were suspended in January 2015 at the No. 8 surface operation and are planned to resume operation in the first quarter of 2017. The No. 2 surface pits, which lie adjacent to the No. 8 pits, are planned to be brought into production in early 2019. The No.16 pits and No. 9 pits are scheduled to commence operations in 2025 and in 2027, respectively at the completion of the No.8 surface operations. The No. 12 North area will be the last pits to be developed starting in 2038.

As of the effective date of this report, GCC is producing coal from the No. 12 South B2 underground operation in the 7/8 Seam. The underground mining areas consist of the No. 12 South B2 underground operation, the No. 12 South A Area, and the No. 9D Area. The No. 12 South B2 underground operation and the adjacent No. 12 South A Area are both multi-seam mines designed to extract the 7/8 Seam horizon and the 4 Seam. The No. 12 South B2 underground operation began development in August 2011 in the 7/8 Seam. Development of the 7/8 Seam was completed in April 2014 and depillaring of the developed mine workings is planned to be completed by October 2015. Portal development of the No. 12 South B2 4 Seam began in October 2013, however development of the 4 Seam has been idled since late 2013 due to regulatory issues. Development of the 4 Seam mains is scheduled to re-commence in May of 2015 with 4 Seam mining completed in 2019.

14.2 Processing Recovery Methods

The CPP circuitry is generally typical for Western Canadian metallurgical coal. Stockpiled ROM coal is first processed through a rotary breaker where 2% to 10% of the feed is rejected as lump refuse consisting mostly of dilution rock and parting material. The breaker undersize product (smaller than 50mm) material is transferred to the CPP, where the coarser fraction reports to the heavy medium (HM) cyclone circuit for separation and the finer coal reports to the froth flotation banks for cleaning. The HM cyclone overflow goes to clean coal which, if required, is dried to reduce moisture content to product specifications, while the HM cyclone underflow goes to rejects.

14.3 Infrastructure

The operation uses the existing coal processing, coal loading, rail and waste storage infrastructure as well as a central office, bathhouse, warehouse and maintenance complex. These are located along the north bank of the Smoky River and the local CNR trackage. The central operations complex is shown in Figure 18.1 in the TR.

New main pit access roads have been constructed on the east slopes of Horse Mountain Ridge to support the development of the No. 8 pits. Sufficient surface area and infrastructure facilities are available to support the planned increase in production.

14.4 Markets

Grande Cache coking coal is the only high rank, low volatile (LV) coking coal produced in Canada. As such it competes with LV coking coals from the Appalachian region of the United States, and with low volatile coking coals from Queensland.

For the complete detailed description regarding mining methods, recovery methods, project infrastructure and markets and contracts, please see Section 16 titled "Mining Methods", Section 17 "Recovery Methods", Section 18 titled "Project Infrastructure", and Section 19 titled "Markets and Contracts" of the TR attached to this VR.

14.5 Capital and Operating Costs

All capital and operating costs are stated in constant 2014 Canadian dollars. There is no provision for inflation. Direct mine cash operating costs for both the surface and underground mines were developed on a unit cost basis except for the 9D longwall mine which was developed from first principles in conjunction with Norwest's experience and knowledge of underground longwall mining operations in North America and Asia.

As further discussed in the TR, the unit costs developed for this report were based on recent historical costs from Grande Cache Coal mines, from the 2014 Mine and Mill Equipment Cost Guide, and on Norwest's experience in surface and underground mining.

For the complete detailed description regarding capital and operating costs, contracts, taxes and royalties, please see Section 21 titled "Capital and Operating Costs" of the TR attached to this VR.

14.6 Economic Analysis

Since revenues are denominated in US dollars and the costs are in Canadian dollars, the model uses an assumed exchange rate for converting the US dollar denominated revenue to Canadian dollars. The exchange rate is based on recent five year futures quotes from several firms and a long range forecast using the last ten years actual exchange rates. The recent five year futures quotes are approximately C$1 equals US$0.80. The ten year historical average is C$1 equals US$0.93. The assumption in the model is that the exchange rate will be C$1 equals US$0.80 for the next five years and will then increase rateably over the next five years to the historical average of C$1 equals US$0.93 and remains at that level for the remaining life of the project.

Tonnes sold are from the reserve statements and mine plans provided in sections 15 and 16 of the TR. Selling prices of the metallurgical coal are taken from the market analysis provided in Section 19 of the TR. Norwest used the mid-point of the range provided in the market study for each time period. Selling prices for thermal coal are based on recently negotiated contracts.

For the complete detailed description regarding cash flow analysis or economic studies, please see Section 22 titled "Economic Analysis" of the TR attached to this VR.

15 KEY ASSUMPTIONS, RISKS AND LIMITATIONS

The financial results presented in this report represent forward looking information regarding future projections of mining operations and resulting cash flows. By its nature, forward-looking information involves a number of assumptions, known and unknown risks and uncertainties, which could cause actual results to differ materially from those forecasts. These risks include, but are not limited to the future price of coal, rail freight rates and availability of coal cars to transport the coal to port. There may be inflation of input costs such as diesel, steel, and labour as well as mining equipment. The high activity in the mining industry and other industries that rely on large earth moving equipment may cause delays in delivery of mining equipment. The problem of retaining and recruiting skilled personnel is an industry wide issue. There can be delays in obtaining or renewing mining permits. Concerns over greenhouse gas emissions and compliance with greenhouse gas regulations may place additional costs on a coal mining operation or negatively impact the market for coal.

There is risk involved in GCC's aggressive plans to increase the production rates used in the analysis. This includes the requirement for timely regulatory approvals, the practical aspects of establishing several new mining operations, along with a new process plant and the conveyor system in a short time period. Issues with timing and production rate however, would not have a significant impact on the reserves reported in this document in the opinion of the Norwest QPs.

GCC has supplied significant base data used in the preparation of this report. In their professional judgement, the authors have reviewed the data supplied by Grande Cache and other experts and have taken appropriate steps to ensure that the work, information, and advice of other parties are sound for the purpose of the TR.

The Market Study discussed in Section 19 of the attached TR was prepared by Kobie Koornoff Associates of Vancouver Canada. Norwest relied on this report in preparing the cash flows for the Technical Report.

For the complete detailed description regarding key assumptions, risks and limitations, please see Section 1.15 titled "Risk Statement", Section 3 titled "Reliance on Other Experts", Section 22 titled "Economic Analysis", Section 24 titled "Other Relevant Data and Information", Section 25 titled "Interpretations and Conclusions" and Section 26 titled "Recommendations" of the TR attached to this VR.

16 VALUATION APPROACHES AND METHODS

There have been no recent valuations of the Grand Cache Coal Company.

The property area considered in this report is in a rural area of the province of Alberta, Canada where the competing uses of land are forestry and mineral development. There are no issues known to the author that would indicate a better use of the property than the development of the mineral reserves identified in the TR. The long history of mining on this property supports this conclusion.

CIMVAL highlights three basic approaches to mineral property valuation, these being the Income Approach, the Market Approach and the Cost Approach. It further recognizes that various specific valuation methodologies exist under each approach, appropriateness of which to a particular case must be assessed by the valuator. Table 16.1 below presents these approaches in the context of their application to different types of mineral properties and shows that production properties can only be valued using the Market and Income Approaches.

Table 16.1 Valuation Approaches

Valuation Approach	Exploration Properties	Mineral Resource Properties	Development Properties	Production Properties
Income	No	In some cases	Yes	Yes
Market	Yes	Yes	Yes	Yes
Cost	Yes	In some cases	No	No

Source: CIMVAL – February 2003, Table 1

Given the relatively few comparable sales of similar properties in the last twelve months and the considerable data available from the TR and the long history of mining on this property, Norwest used the Discounted Cash Flow Method as the primary valuation method. Norwest did evaluate the recent transactions of metallurgical coal properties as an indicator of value and not as a secondary method of valuation for this property.

17 VALUATION

17.1 Economic Context

This Valuation is being conducted at a difficult period in the metallurgical coal industry. Current prices for metallurgical coal are less than one-third of the price only three years ago. Current demand for steel and metallurgical coal is expected to show moderate increases in the near term but there is a persistent over supply of metallurgical coal in the market. When prices were well over US$300 per tonne in 2011, there was a considerable amount of production developed and there were several significant sales of metallurgical coal properties at what are now considered to be very high prices. Producers have been slow to idle production and there have been several low cost mines brought into production in Australia recently that contribute to the over supply problem. As discussed in more detail in the Market Section of the TR, the over-supply situation and the low metallurgical coal price is not expected to change in the near term.

This valuation is denominated in both US and Canadian dollars. As further explained in the TR, an exchange rate assumption was applied to the selling prices of coal since they are denominated in US$. All other items in the TR are in Canadian dollars. For the valuation in US$, Norwest converted the operating costs and capital to US$ using the same exchange rate assumptions noted in the TR for the coal sales prices.

17.2 Application of the Discounted Cash Flow Method

As noted above, Norwest used the Discounted Cash Flow Method as the primary method for valuing this mineral property. In preparing the value using this method, there are two important components, the after tax cash flows from the property and the discount rate used in the calculation.

The after tax cash flows from the TR form the basis of the Discounted Cash Flow method for this valuation. The details of the assumptions, production volumes, revenues, operating costs, administration costs, capital expenditures, income taxes and the resulting after tax cash flows are detailed in the TR. Undiscounted after tax cash flows from the property total C$5.3B over the 41 year life of the mine.

The discount rate used in this valuation is Norwest's estimate of the Weighted Average Cost of Capital (WACC) for similarly situated projects. The development of the WACC includes an analysis of the cost of equity, the cost of debt and the debt/equity ratio. The cost of equity includes the risk free rate of return, a market premium, and a volatility measure or Beta. Norwest used the 30 year Canadian Long Bond Rate of 2.2% as of March 10, 2015 as the risk free rate. This is essentially the same rate that exists for US long term government bonds. The market premium of 6% was taken from an analysis prepared by KPMG in December 2014. Norwest noted that this was consistent with recent estimates of other financial firms. The Beta of 2.62 was taken from the average of six major metallurgical coal producing companies on March 6, 2015 including Peabody Energy, Walter Energy, Alpha Natural Resources, Cliffs Natural Resources, Arch Coal and James River Coal. These relatively high Beta's are a reflection of the markets perception of the risk associated with these companies and the business they are in and not a specific project. The resulting cost of equity is 17.9%.

The cost of debt included in the WACC calculation is an after tax interest rate on debt of the organization. The current indebtedness of GCC is under the terms of a loan agreement which will expire with the change in control contemplated by the sale of GCC. The current interest rate is LIBOR plus 4.5% with an additional 1% "monitoring" fee. It is uncertain what the new terms of the loan agreement will be, however, Norwest understands that Up Energy has been in discussions with the bank and they are awaiting approval of the loan renewal at the same terms as the current agreement. Based on this information, Norwest used 6% as the cost of debt and applied the appropriate income tax rate to arrive at a 4.6% after tax rate of interest on debt.

Based on discussions with UP Energy, the long term debt/equity ratio is projected to be 66% assuming that the existing debt of GCC of C$415M is refinanced and the cash required for working capital and cash requirements for the first three years of operations of C$211M is from equity contributions.

All of these factors result in an estimated WACC of 9%. As noted above, the risk adjustment using the Beta's is a reflection of the average risks the market assigns to these companies. In Norwest's opinion, the discount rate for this project should include a risk premium over the calculated WACC. This is due to the Beta's used for major metallurgical coal producers reflect the market perception of risk for those companies as a whole and not one specific project as is the case in this valuation. In addition, as noted in the TR, there are risks associated with this project that can have an impact on the cash flows from this project. These include exchange rate risk, coal price risk, permitting and environmental risks, operating and capital cost risks, and mining risks, especially those associated with the longwall mining. The longwall risks affect approximately 45 million tonnes of metallurgical coal reserves or approximately one-third of the 148 million total tonnes of metallurgical coal reserves. The risks have been identified as regulatory approval of this type of longwall mining in Alberta and geo-technical risks associated with the steepness of the grade and the depth of cover in the longwall mining area. Norwest's assessment of these risks results in a project risk adjusted WACC of 10% as the appropriate discount rate for this project.

Applying the 10% discount rate to the after tax cash flow stream from the TR results in an NPV of C$622M and US$579M.

17.3 Application of the Market Approach

As noted above, Norwest only considered the Comparable Transactions Method as an indicator of value and not a secondary valuation method. This is due to the fact that there have been very few transactions in the recent past and the difficulty in obtaining the necessary detailed information to properly evaluate these transactions and compare them to this project. However, Norwest feels that the transactions discussed below offer some insight into the market for metallurgical coal properties and thus can be used to support the conclusions from the Discounted Cash Flow Method described above.

Norwest identified three metallurgical coal property sales in the second half of 2014 from publicly available information. The three transactions were the Rio Tinto's sale of its Mozambique properties to ICVL for US$50M, OAO Severstal's sale of its PBS Coals to Corsa Coal for a total of US$140M, and Cliffs Natural Resources sale of its Logan County Coal property to Coronado Coal for a total of US$180M.

The Rio sale included some 2.6B tonnes of reserves but the project requires several hundred million dollars of investment and is hampered by the lack of infrastructure and an economic means of transporting coal to the coast for loading into ocean going vessels. For these reasons, this sale was not considered in the analysis.

The OAO Severstal sale included 37M tons of metallurgical coal reserves and an operating mining company producing approximately 2.0M tons annually. The sales price of US$140M equates to a value of US$3.78 per ton of in place reserves. It should be noted that this sale closed in August 2014 and the new owner closed two of the mines in January 2015 and reduced their workforce by 25%.

The Cliffs sale included 58M tons of metallurgical reserves and 50M tons of thermal coal reserves. The sales price of US$180M included all of the reserves and closed on December 31, 2014. Based on our knowledge of thermal coal transactions, Norwest assigned a value of US$.50 per ton to the thermal reserves leaving a value of US$2.66 per ton for the metallurgical reserves.

Considering that Corsa Coal has had to reduce its production and that the Cliffs sale closed in December, Norwest estimates that the value of the in place metallurgical coal reserves are approximately US$2.75 to US$3.00 per ton. Adjusting this value for the Canadian exchange rate and the conversion from short tons to metric tonnes results in a value per tonne of C$3.78 to C$4.125. Applying this rate per tonne to the reserve estimate of 146.5M tonnes results in a value of C$550 to C$600M. In US$ this would result in a value of US$440 to US$480.

It should be noted that there is not enough publicly available information to properly adjust these transactions for any differences between these properties and the GCC property. Therefore, this calculation is for reference purposes only.

18 VALUATION CONCLUSIONS

The mineral property that is the subject of this Valuation Report is the Grand Cache Coal mine in Alberta, Canada. Norwest used the Discounted Cash Flow Method as the primary method for valuing this property based on the long history of mining and the volume of information and analysis included in the TR that formed the basis for the after tax cash flow from the property.

Because the cash flow calculation is very sensitive to changes in exchange rate and coal sales price and the NPV calculation is very sensitive to the assumptions for risk and debt interest rates, Norwest has assigned value of C$622M or US$579M with a range of plus 5% or minus 10% for this property.

19 REFERENCES

Norwest Corporation *National Instrument 43-101 Technical Report "Grande Cache Coal Operation, Grande Cache Alberta, Canada"* February 24, 2015

20 CERTIFICATE OF QUALIFICATIONS

Anthony Carl Pollastro

Patrick G. Akers

John C. Lewis

Larry D. Henchel

James D Sorenson

CERTIFICATE OF QUALIFICATIONS

I, Anthony Carl Pollastro, of Salt Lake City, Utah, do hereby certify that:

1. I am currently employed as Senior Vice President Engineering/International with Norwest Corporation, 136 East South Temple, 12th Floor, Salt Lake City, Utah, 84111 USA.

2. I graduated from the University of Utah with a Bachelor of Science degree in Mining Engineering in 1976.

3. I am a Registered Qualified Person in Mining and Ore Reserves with the Mining and Metallurgical Society of America (#01427QP).

4. I have worked as a mining engineer for 39 years since graduation from university of which 33 years were working directly in underground coal mining industry experience in Utah and Wyoming in senior technical and operational roles and 6 years as an international consultant in underground coal mining throughout the world and senior manager in the consultancy.

5. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with professional associations (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.

6. I have read the qualifications and responsibilities of "qualified valuator" set out in CIMVAL Standards and Guidelines S5.0 and hereby state that I meet the requirements contained therein.

7. I am responsible for the oversight and certification of the Valuation Report titled "Grande Cache Coal Operation, Grande Cache, Alberta, Canada Valuation Report", with an effective date of December 31, 2014 (the "VR").

8. As at the effective date of the Valuation Report, to the best of my knowledge, information and belief, the parts of the Valuation Report for which I am responsible contain all scientific and technical information that is required to be disclosed to make the parts of the Technical Report for which I am responsible not misleading.

9. I personally visited the portions of the property relating to the operating No. 12 South B2 Mine underground mine, the operating No. 8 surface mine, the planned location of the No. 12 South A Underground Mine, and the proposed No. 9D Underground Mine and all other sites of potential areas of reserves listed in the Technical Report during the site visit on October 20–22, 2014.

10. Prior to being engaged with Up Energy, I have performed work under contract as a Norwest professional for Grande Cache Coal on various projects since 2009.

11. I am independent of Up Energy Development Group Limited and Grande Cache Coal Corporation LP applying all of the tests in Section 1.5 of NI 43-101.

12. I have read NI 43-101 and CIMVAL and all of the Technical Report and Valuation Report for which I am responsible and certify they have been prepared in compliance with NI 43-101 and CIMVAL standards and guidelines.

13. I certify that the Mining and Metallurgical Society of America (MMSA) of which I am registered with meets all the attributes of a Professional Association or a Self-Regulatory Professional Association.

Dated this 27th day of March, 2015.

"ORIGINAL SIGNED AND SEALED BY AUTHOR"

Anthony Carl Pollastro, QP-MMSA
Senior Vice President Engineering/International

CERTIFICATE OF QUALIFICATIONS

I, Patrick G. Akers, of Salt Lake City, Utah, do hereby certify that:

1. I am currently employed as Vice President Surface Mining/Financial Services with Norwest Corporation, 136 East South Temple, 12th Floor Salt Lake City, Utah 84111 USA.

2. I graduated from Brescia College in Owensboro, Kentucky with a Bachelor of Science degree in Accounting in 1977.

3. I have an inactive Certified Public Accountant license in Illinois.

4. I have worked in the mining industry for over 35 year and held positions as a mine controller, Vice-President of Finance, Director of Finance and Administration and General Manager. I am a member of the American Institute of Certified Public Accountants.

5. I have read the qualifications and responsibilities of "qualified valuator" set out in CIMVAL Standards and Guidelines S5.0 and hereby state that I meet the requirements contained therein.

6. I am responsible for the preparation of the Valuation Report titled "Grande Cache Coal Operation, Grande Cache, Alberta, Canada Valuation Report", with an effective date of December 31, 2014 (the "VR").

7. As at the effective date of the Valuation Report, to the best of my knowledge, information and belief, the parts of the Valuation Report for which I am responsible contain all scientific and technical information that is required to be disclosed to make the parts of the Technical Report for which I am responsible not misleading.

8. I am independent of Up Energy Development Group Limited and Grande Cache Coal Corporation LP applying all of the tests in Section 1.5 of NI 43-101.

9. Prior to being retained by Up Energy Development Group Limited in connection with the preparation of this Technical Report, I have had limited involvement with the property that is the subject of the Technical Report.

10. I have read NI 43-101 and CIMVAL and all of the Technical Report and Valuation Report for which I am responsible and certify they have been prepared in compliance with NI 43-101 and CIMVAL standards and guidelines.

11. I certify that the American Institute of Certified Public Accountants of which I am registered with meets all the attributes of a Professional Association or a Self-Regulatory Professional Association.

Dated this 27th day of March, 2015.

"ORIGINAL SIGNED AND SEALED BY AUTHOR"

Patrick G. Akers
Vice President Surface Mining/Financial Services

CERTIFICATE OF QUALIFICATIONS

I, Lawrence D. Henchel, P.Geo., PG, of Salt Lake City do hereby certify that:

1. I am currently employed as Vice President of Geologic Services with Norwest Corporation, 136 East South Temple, 12th Floor, Salt Lake City, Utah 84111 USA.

2. I graduated with a Bachelor of Science Degree in Geology from Saint Lawrence University, Canton, NY, USA in 1978.

3. I am a licensed Professional Geoscientist in the province of Alberta, Canada, #159013. I am a licensed Professional Geologist in the State of Utah, #6087593-2250 and I am a Registered Member of The Society for Mining, Metallurgy and Exploration, Inc., #4150015RM.

4. I have worked as a geologist for a total of thirty-two years since my graduation from university, both for coal mining and exploration companies and as a consultant specializing in coal and industrial minerals. The first ten years of my work were almost exclusively in the coal industry which continues to be a large part of the consulting work that I perform.

5. I have read the definition of "qualified person" set out in National Instrument 43-101 (NI 43-101) and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.

6. I am responsible for Sections 1.1 through 1.7, 2.6.3, 2.6.4, 4 through 12, and 14 of the technical report titled "Technical Report, Grande Cache Coal Operation, Grande Cache, Alberta, Canada" (the "Technical Report") dated March 27, 2015, with an **effective date of December 31, 2014**.

7. I personally inspected the Grande Cache coal property and mining operations on January 27 and 28, 2015.

8. As at the effective date of the Technical Report, to the best of my knowledge, information and belief, the parts of the Technical Report for which I am responsible contain all scientific and technical information that is required to be disclosed to make the parts of the Technical Report for which I am responsible not misleading.

9. I am independent of Up Energy Development Group Limited applying all of the tests in Section 1.5 of NI 43-101.

10. I have read NI 43-101 and the parts of the Technical Report for which I am responsible have been prepared in compliance with NI 43-101.

Dated this 27th day of March, 2015.

"ORIGINAL SIGNED AND SEALED BY AUTHOR"

Lawrence D. Henchel, P.Geo, PG
Vice President Geologic Services, Norwest Corporation

CERTIFICATE OF QUALIFICATIONS

I, John Lewis, of Salt Lake City, Utah, do hereby certify that:

1. I am currently employed as Manager, Underground Mining with Norwest Corporation, 136 East South Temple, 12th Floor, Salt Lake City, Utah, 84111 USA.

2. I graduated from the University of Utah with a Bachelor of Science Degree in Mining Engineering in 1993, and a Master of Engineering Degree in 1997.

3. I am a Registered member of the Society for Mining and Metallurgy and Exploration (Member #1898600) a Registered Professional Engineer in the State of Utah, (License #191488), and I am a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGA membership #143601).

4. I have worked as a mining engineer for 20 years of which 15 years were underground coal mining industry experience in Utah, Wyoming, and Colorado.

5. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with professional associations (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.

6. I am responsible for the preparation of Sections 1.8, 1.9, 1.12, 1.14, 1.16, 15.2, 15.4, 16.1, 16.2.2, 16.3.2, 16.4.2, 16.5.2, 21.1.2, 21.2.2, 25 and 26.1.1, and 26.1.7 relating to underground coal operations of the technical report titled "Technical Report, Grande Cache Coal Operation, Grande Cache, Alberta" and dated March 27, 2015, with an **effective date of December 31, 2014** (the "Technical Report").

7. As at the effective date of the Technical Report, to the best of my knowledge, information and belief, the parts of the Technical Report for which I am responsible contain all scientific and technical information that is required to be disclosed to make the parts of the Technical Report for which I am responsible not misleading.

8. I personally inspected the portions of the property relating to the operating No. 12 South B2 Mine, the planned No. 12 South A Mine, and the proposed No. 9D Mine on October 20 – 22, 2014.

9. I am independent of Up Energy Development Group Limited applying all of the tests in Section 1.5 of NI 43-101.

10. I have read NI 43-101 and the parts of the Technical Report for which I am responsible have been prepared in compliance with NI 43-101.

Dated this 27th day of March, 2015.

"ORIGINAL SIGNED AND SEALED BY AUTHOR"

John C. Lewis, P.Eng.
Manager, Underground Mining

CERTIFICATE OF QUALIFICATIONS

I, James D Sorensen, of Salt Lake City, Utah, do hereby certify that:

1. I am currently employed as Senior Mining Engineer, Surface Mining with Norwest Corporation, 136 East South Temple, 12th Floor, Salt Lake City, Utah, 84111 USA.

2. I graduated from the University of Utah with a Bachelor of Science Degree in Mining Engineering in 2000.

3. I am a Registered member of the Society for Mining and Metallurgy and Exploration (Member # 4117148), recognized as a Qualified Professional Member by the Mining and Metallurgical Society of America (Member # 01426-QP).

4. I have worked as a mining engineer for 15 years since my graduation from university, both working for mining companies and as a consultant working in areas related to the surface coal mining industry.

5. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with professional associations (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.

6. I am responsible for the preparation of Sections 1.8, 1.9, 1.14, 15.1, 15.2, 15.3, 15.5, 16.1, 16.2.1, 16.3.1, 16.4.1, 16.5.1, 21.1.1, 21.1.3, 21.2.1, 25, and 26.2.1 through 26.2.5 relating to surface coal operations of the technical report titled "Technical Report, Grande Cache Coal Operation, Grande Cache, Alberta" and dated March 27, 2015, with an **effective date of December 31, 2014** (the "Technical Report").

7. I personally inspected the Grande Cache coal property and mining operations on January 27 and 28, 2015.

8. As at the effective date of the Technical Report, to the best of my knowledge, information and belief, the parts of the Technical Report for which I am responsible contain all scientific and technical information that is required to be disclosed to make the parts of the Technical Report for which I am responsible not misleading.

9. I am independent of Up Energy Development Group Limited applying all of the tests in Section 1.5 of NI 43-101.

10. I have read NI 43-101 and the parts of the Technical Report for which I am responsible have been prepared in compliance with NI 43-101.

Dated this 27th day of March, 2015.

"ORIGINAL SIGNED AND SEALED BY AUTHOR"

James D Sorenson, QP, MMSA
Senior Mining Engineer

GRANDE CACHE COAL OPERATION,
GRANDE CACHE, ALBERTA, CANADA
BUY-BACK RIGHT VALUATION REPORT

S Submitted to:
UP ENERGY DEVELOPMENT GROUP LIMITED

Report Date:
April 3, 2015

Norwest Corporation
136 E. South Temple, 12th Floor
Salt Lake City, UT
84111 USA
Tel: (801) 539-0044
Fax: (801) 539-0055
Email slc@norwestcorp.com

www.norwestcorp.com

Authors:
A. CARL POLLASTRO
PATRICK G. AKERS

NORWEST
CORPORATION

TABLE OF CONTENTS

LIST OF TABLES

1 BACKGROUND

Norwest Corporation (Norwest) was retained by Up Energy to prepare an NI43-101Resource and Reserve Technical Report on the Grand Cache Coal Company property in Alberta, Canada. In addition, Norwest was retained to prepare a Valuation Report on the same property under the CIMVAL Standards and Guidelines. As part of its proposed acquisition of the Grand Cache Coal Company, Up Energy granted certain buy-back rights to the sellers, Winsway Enterprises Holdings Limited (Winsway) and Marubeni Coal Canada Limited (Marubeni). Up Energy has retained Norwest to prepare a valuation of those rights.

The valuation is mandated by Section 18.09(3) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The acquisition of a substantial interest in Grand Cache Coal Company by Up Energy is a Relevant Notifiable Transaction under the rules which require compliance with Section 18 among other things.

1.1 Buy-Back Rights

The Marubeni buy-back right agreement provides the following:

- Only exercisable once by notice at any time within the three month period immediately following any date upon which the HCC Benchmark Price is within the trigger price range during the Buy-Back Period.

- The Buy-Back Period begins on the date the Stock Purchase Agreement (SPA) completion occurs and ends on the later of three years from the date of completion of the SPA or the date the first principle repayment is due under the Minsheng Facilities Agreement.

- In any event, if the first principle repayment under the Minsheng Facilities Agreement has not occurred within 5 years of the completion date of the SPA, then the Buy-Back Period will expire 5 years from the date of the completion date of the SPA.

- The buy-back percentage is any percentage up to 15.78% interest in GCC LP and 15.78% interest in GCC.

- The trigger price range in each year of the Buy-Back Period is a range equal to or greater than the HCC Floor Benchmark Price but equal to or less than the HCC Ceiling Price as shown in Table 1.1 below.

Table 1.1 Marubeni Buy-Back Trigger Price

Year (After SPA Completion)	0	1	2	3	4
HCC Floor Benchmark Price (US$)	138	160	170	174	176
HCC Ceiling Benchmark Price (US$)	200	200	200	200	240

- The HCC Benchmark price is the quarterly agreed US$ FOB price of a top-tier Australian Hard Coking Coal for the Asian market, such as BMA's Peak Downs or Anglo American's German Creek, being published in the Platts' "Coal Trader International" or "SBB Steel Markets daily" from time to time.

- The purchase price is the relevant percentage being re- purchased times the aggregate amount injected into GCC LP by the Purchaser (or its affiliates) from the completion of the SPA through the date of the completion of the buy-back right. In addition, Marubeni will pay interest on the above amount at the compound interest rate as shown in Table 1.2 below.

Table 1.2 Marubeni Buy-Back Compound Interest Rate

Year (After SPA Completion)	0	1	2	3	4
Compound Interest Rate	10%	15%	18%	21%	24%

The Winsway buy-back right agreement provides the following:

- Only exercisable once by notice at any time within the three month period immediately following any date upon which the HCC Benchmark Price is within the trigger price range during the Buy-Back Period.

- The Buy-Back Period begins on the date the Stock Purchase Agreement (SPA) completion occurs and ends on the later of three years from the date of completion of the SPA or the date the first principle repayment is due under the Minsheng Facilities Agreement.

- In any event, if the first principle repayment under the Minsheng Facilities Agreement has not occurred within 5 years of the completion date of the SPA, then the Buy-Back Period will expire 5 years from the date of the completion date of the SPA.

- The buy-back percentage is any percentage up to 16.86% interest in GCC LP and 16.86% interest in GCC.

- The trigger price range in each year of the Buy-Back Period is a range equal to or greater than the HCC Floor Benchmark Price but equal to or less than the HCC Ceiling Price as shown in Table 1.3 below.

Table 1.3 Winsway Buy-Back Trigger Price

Year (after SPA Completion)	0	1	2	3	4
HCC Floor Benchmark Price (US$)	138	160	170	174	176
HCC Ceiling Benchmark Price (US$)	200	200	200	200	240

- The HCC Benchmark price is the quarterly agreed US$ FOB price of a top-tier Australian Hard Coking Coal for the Asian market, such as BMA's Peak Downs or Anglo American's German Creek, being published in the Platts' "Coal Trader International" or "SBB Steel Markets daily" from time to time.

- The purchase price is the relevant percentage being re- purchased times the aggregate amount injected into GCC LP by the Purchaser (or its affiliates) from the completion of the SPA through the date of the completion of the buy-back right. In addition, Winsway will pay interest on the above amount at the compound interest rate as shown in Table 1.4 below.

Table 1.4 Winsway Buy-Back Compound Interest Rate

Year (after SPA Completion)	0	1	2	3	4
Compound Interest rate	10%	15%	18%	21%	24%

1.2 Buy-Back Right Valuation

The primary trigger of the Buy-Back rights for both Marubeni and Winsway is the HCC Floor Benchmark Price noted in Tables 1.2 and 1.4 above. If the actual HCC Benchmark price never reaches the HCC Floor Price, then the Buy-Back rights cannot be exercised. If this does not occur within the time frames noted above, the Buy- Back Rights expire. In any event, the timeframe for expiration will not exceed five years from the completion of the SPA.

Based on the Market Study performed as part of the NI43-101 Technical Report noted above, the HCC Benchmark price is not projected to reach the HCC Benchmark Floor Price set out in Tables 1.2 and 1.4 above within the next five years. Table 1.5 below shows the medium term price outlook for Prime Hard Coking Coal which includes the Anglo American German Creek coal.

Table 1.5 HCC Price Forecast

(US$ per Tonne in 2013)	Price as % of HCC	Current Market	Medium Term Price 2018–2020		Long Term Price 2021 on
Prime Hard Coking Coal	100%	117	160's	170's	190

It should be noted that the Buy-Back Rights could well expire sooner than five years from the completion of the SPA. It should also be noted that the HCC Benchmark price is not expected to reach the US$170 mark until 2019 or 2020. Assuming the SPA is completed in 2015, the longest the Buy-Back Right is available is 2019 when the HCC Benchmark Floor Price is US$176 which is above the HCC Benchmark Price forecast.

Based on the above observations of the projections for the HCC Benchmark Price, Norwest assigns no value to the Marubeni and Winsway Buy-Back Rights.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interest in Shares, underlying Shares and debentures

As at the Latest Practicable Date, the Directors and the chief executive of the Company had the following interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

Name of Director	Capacity	Number of Ordinary Shares held (long position)	Number of underlying Shares held	Total	Approximate percentage of interest
Qin Jun	Beneficiary Interest of Trust	1,321,636,885(L)	2,909,457,570(L)	4,231,094,455(L)	100.71%
	Corporate Interest	11,508,000,(L)	430,761,134(L)	442,269,134(L)	10.53%
	Beneficiary Interest of Trust	1,310,931,166(S)	2,612,094,182(S)	3,923,025,348(S)	93.38%

Notes:

1. Mr. Qin Jun and his wife, Ms. Wang Jue, are the beneficiaries of the J&J Trust. The J&J Trust is a discretionary trust found by Mr. Wang Mingquan, the father in-law of Mr. Qin. Mr. Qin Jun and Ms. Wang Jue are therefore taken to be interested in the relevant Shares and short position by virtue of the SFO.

2. 11,508,000 Shares and 430,761,134 derivatives interests are beneficially owned by UECL. UECL is a company wholly owned by Mr. Qin Jun. Mr. Qin Jun is therefore taken to be interested in the relevant Shares by virtue of the SFO.

3. As at the Latest Practicable Date, the number of issued Shares of the Company was 4,201,157,935 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares and/or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' interest in Shares and underlying Shares

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the persons ("**Substantial Shareholders**") (other than the Directors or the chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital are set out below:

Name of Shareholder	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of interest	Notes
UEGL	Corporate Interest	1,321,636,885(L)	2,909,457,570(L)	4,231,094,455(L)	100.71%	*2*
		1,310,931,166(S)	2,612,094,182(S)	3,923,025,348(S)	93.38%	
Up Energy Holding	Corporate Interest	1,321,636,885(L)	2,909,457,570(L)	4,231,094,455(L)	100.71%	*2*
		1,310,931,166(S)	2,612,094,182(S)	3,923,025,348(S)	93.38%	
Perfect Harmony Holdings Limited	Corporate Interest	1,321,636,885(L)	2,909,457,570(L)	4,231,094,455(L)	100.71%	*2*
		1,310,931,166(S)	2,612,094,182(S)	3,923,025,348(S)	93.38%	
Seletar Limited	Corporate Interest	1,321,636,885(L)	2,909,457,570(L)	4,231,094,455(L)	100.71%	*2*
		1,310,931,166(S)	2,612,094,182(S)	3,923,025,348(S)	93.38%	
Serangoon Limited	Corporate Interest	1,321,636,885(L)	2,909,457,570(L)	4,231,094,455(L)	100.71%	*2*
		1,310,931,166(S)	2,612,094,182(S)	3,923,025,348(S)	93.38%	
Credit Suisse Trust Limited	Trustee	1,321,636,885(L)	2,909,457,570(L)	4,231,094,455(L)	100.71%	*3*
		1,310,931,166(S)	2,612,094,182(S)	3,923,025,348(S)	93.38%	
Liu Huihua	Beneficiary Interest of Trust	1,321,636,885(L)	2,909,457,570(L)	4,231,094,455(L)	100.71%	*4*
		1,310,931,166(S)	2,612,094,182(S)	3,923,025,348(S)	93.38%	

Name of Shareholder	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of interest	Notes
Wang Mingquan	Founder of Trust	1,321,636,885(L) 1,310,931,166(S)	2,909,457,570(L) 2,612,094,182(S)	4,231,094,455(L) 3,923,025,348(S)	100.71% 93.38%	*4*
Wang Jue	Beneficiary Interest of Trust/ Spouse Interest	1,321,636,885(L) 1,310,931,166(S)	2,909,457,570(L) 2,612,094,182(S)	4,231,094,455(L) 3,923,025,348(S)	100.71% 93.38%	*5*
UECL	Corporate Interest	11,508,000(L)	430,761,134(L)	442,269,134(L)	10.53%	*6*
Capital Sunlight Limited	Beneficiary Interest	1,556,425(L)	341,239,917(L)	342,796,342(L)	8.43%	*7*
ICBC Internatioanl Holdings Limited	Corporate Interest	1,556,425(L)	341,239,917(L)	342,796,342(L)	8.43%	*7*
ICBC International Investment Management Limited	Corporate Interest	1,556,425(L)	341,239,917(L)	342,796,342(L)	8.43%	*7*
Industrial and Commercial Bank of China Limited	Corporate Interest	1,556,425(L)	341,239,917(L)	342,796,342(L)	8.43%	*7*
Central Huijin Investment Ltd	Corporate Interest	1,556,425(L)	593,204,296(L)	594,760,721(L)	14.62%	*7 to 10*
CCB International Asset Management Limited	Investment Manager /Beneficiary Interest	–	517,303,796(L)	517,303,796(L)	12.72%	
CCB International (Holdings) Limited	Corporate Interest/Beneficiary Interest	–	517,303,796(L)	517,303,796(L)	12.72%	*8*
CCB Financial Holdings Limited	Corporate Interest	–	517,303,796(L)	517,303,796(L)	12.72%	*8*
CCB International Group Holdings Limited	Corporate Interest	–	517,303,796(L)	517,303,796(L)	12.72%	*8*
China Construction Bank Corporation	Corporate Interest	–	517,303,796(L)	517,303,796(L)	12.72%	*8*
Proper Way Profits Limited	Beneficiary Interest	–	320,028,420(L)	320,028,420(L)	8.55%	

Name of Shareholder	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of interest	Notes
Yun Dahui	Beneficiary Interest	300,000,000(L)	–	300,000,000(L)	8.01%	
		300,000,000(S)		300,000,000(S)	8.01%	
ExploratoryCapital Limited	Beneficiary Interest	300,000,000(L)	–	300,000,000(L)	8.01%	*11*
		300,000,000(S)		300,000,000(S)	8.01%	
Wong Ben Koon	Corporate Interest	329,100,000(L)	–	329,100,000(L)	8.26%	*11*
Hao Tian Development Group Limited	Beneficiary Interest	369,500,000(L)	–	369,500,000(L)	9.87%	
		140,000,000(S)		140,000,000(S)	3.74%	
	Corporate Interest	2,000,000(L)		2,000,000(L)	0.05%	

Notes:

1. Pursuant to Section 336 of the SFO, the Shareholders are required to file disclosure of interests forms (the "DI Forms") when certain criteria are fulfilled and the full details of the requirements are available on the Stock Exchange's official website. When a Shareholder's shareholdings in the Company changes, it is not necessary to notify the Company and the Stock Exchange unless certain criteria are fulfilled. Therefore, substantial Shareholders' latest shareholdings in the Company may be different to the shareholdings filed with the Company and the Stock Exchange. The above statements of substantial Shareholders' interests are prepared based on the information in the relevant DI Forms received by the Company. The Company may not have sufficient information on the breakdown of the relevant interests and cannot verify the accuracy of information on the DI Forms. Therefore, the Company may not be able to disclose the breakdown of interests in relation to some substantial Shareholders' interests in Shares or short positions disclosed above.

2. These Shares were the same parcel of Shares held by the J&J Trust of which Mr. Wang Mingquan was the founder. UEGL is 100% wholly owned by Up Energy Holding. Up Energy Holding is wholly owned by Perfect Harmony Holdings Limited (the "Perfect Harmony"). Perfect Harmony is a company incorporated in Bahamas and owned by Seletar Limited (the "Seletar") and Serangoon Limited (the "Serangoon") as nominees in trust of Credit Suisse Trust Limited, the trustee of the J&J Trust. Accordingly, UEGL, Up Energy Holding, Perfect Harmony, Seletar and Serangoon are also deemed to be interested in the relevant Shares and short position by virtue of the SFO.

3. Credit Suisse Trust Limited, as a trustee of the J&J Trust, is deemed to be interested in the relevant Shares and the short position by virtue of the SFO.

4. Mr. Wang Mingquan is the founder of the J&J Trust and Ms. Liu Huihua is the spouse of Mr. Wang Mingquan. Mr. Wang Mingquan and Ms. Lui Huihua are therefore taken to be interested in the relevant Shares and short position by virtue of the SFO.

5. Ms. Wang Jue is the beneficiary of the J&J Trust, the daughter of Mr. Wang Mingquan and the wife of Mr. Qin Jun, a Director of the Company. Ms. Wang Jue is therefore taken to be interested in the relevant Shares and short position by virtue of the SFO.

6. UECL is a company wholly owned by Mr. Qin Jun, a Director of the Company. Accordingly, Mr. Qin Jun is deemed to be interested in the same parcel of Shares by virtue of the SFO.

7. Capital Sunlight Limited (the "Capital Sunlight") is wholly owned by ICBC International Investment Management Limited (the "ICBC Investment"). ICBC Investment is wholly owned by ICBC International Holdings Limited (the "ICBC Holdings"). ICBC Holdings is wholly owned by Industrial and Commercial Bank of China Limited (the "ICBC"). By virtue of the SFO, Capital Sunlight, ICBC Investment, ICBC Holdings and ICBC and are deemed to be interested in the same parcel of Shares.

8. CCB International Asset Management Limited (the "CCB-IAM") is wholly owned by CCB International (Holdings) Limited (the "CCB International"). CCB International is wholly owned by CCB Financial Holdings Limited ("CCB Financial"). CCB Financial is wholly owned by CCB International Group Holdings Limited ("CCBI Group"). CCBI Group is wholly owned by China Construction Bank Corporation ("CCB Corp"). By virtue of the SFO, CCB International, CCB Financial, CCBI Group, CCB Corp. and Central Huijin Investment Ltd. (the "Central Huijin") are deemed to be interested in the same parcel of Shares.

9. CCB Corp is in turn 57.26% beneficially owned by Central Huijin. By virtue of the SFO, Central Huijin is deemed to be interested in the Shares in which CCB Corp was interested.

10. ICBC is in turn 35.12% beneficially owned by Central Huijin. By virtue of the SFO, Central Huijin is deemed to be interested in the Shares in which ICBC was interested.

11. Exploratory Capital Limited is 80.12% owned by Mr. Wu Tao. Accordingly, Mr. Wu Tao is deemed to be interested in the same parcel of Shares in the Company by virtue of the SFO.

12. As at the Latest Practicable Date, the number of issued Shares of the Company was 4,201,157,935 Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any other persons who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing and proposed service contract with any members of the Group other than contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

4. MATERIAL CONTRACTS

The following material contracts (not being contracts entered in the ordinary course of business) entered into by the any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed since 30 September 2014, being the date to which audited consolidated financial statements of the Company have been made up) within two years immediately preceding the date of this circular which are or may be material:

1. the placing agreement entered into between the Company as issuer and a placing agent dated 2 September 2014 for the purpose of procuring placees on a best effort basis to subscribe for eight year 7.5% coupon unlisted bonds with an aggregate principal amount of up to HK$100,000,000 and five-year 7.0% coupon unlisted bonds with an aggregate principal amount of up to HK$100,000,000 then to be issued by the Company;

2. the Bridge Loan Agreement;

3. the Marubeni MOU;

4. the Winsway MOU;

5. the Marubeni SPA;

6. the Winsway SPA;

7. the Amendment Agreement;

8. the Interim Support Agreement;

9. the Amended and Restated Bridge Loan Agreement;

10. the deeds of amendments dated 26 January 2015 entered into between the Company with UECL and UEGL respectively in relation to the amendment of terms of the tranche A convertible notes ("Tranche A Convertible Notes") in the aggregate principal amount of HK$1,368,000,000 and the tranche B convertible notes ("Tranche B Convertible Notes") in the aggregate principal amount of HK$1,496,250,000;

11. the deed of amendments dated 18 March 2015 entered into between the Company and an independent convertible noteholder in relation to the amendment of terms of the Tranche A Convertible Notes in the aggregate principal amount of HK$130,000,000 and the Tranche B Convertible Notes in the aggregate principal amount of HK$100,000,000;

12. the placing agreement dated 19 March 2015 entered into between the Company as issuer and a placing agent for the purposes of procuring the placees on a best effort basis to subscribe for eight year 7.5% coupon unlisted bonds with an aggregate principal amount of up to HK$100,000,000 and five-year 7.0% coupon unlisted bonds with an aggregate principal amount of up to HK$100,000,000 then to be issued by the Company;

13. the share placing agreement dated 15 May 2015 entered into among the Company as issuer, a placing agent and UEGL as vendor in relation to the placing of a maximum of 303,823,000 existing Shares owned by UEGL on a best effort basis to not less than six independent placees at the placing price of HK$0.55 per Share;

14. the top-up subscription agreement dated 15 May 2015 entered into between UEGL as subscriber and the Company as issuer in relation to the subscription of a maximum of 303,832,000 new Shares at the subscription price of HK$0.55 per Share;

15. the convertible notes placing agreement dated 15 May 2015 entered into between the Company as issuer and a placing agent in relation to the placing of a maximum principal amount of HK$240,000,000 with 5% coupon due on the third anniversary of the date of issue of the convertible notes to not less than six independent placees at the conversion price of HK$0.55 per convertible note;

16. the deeds of amendments dated 23 June 2015 entered into between the Company and an independent convertible noteholder in relation to the amendment of terms of the Tranche A Convertible Notes in the aggregate principal amount of HK$50,000,000 and the Tranche B Convertible Notes in the aggregate principal amount of HK$320,080,286.

5. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors or Experts had any direct or indirect interest in any assets which have been, since 30 September 2014 (being the date to which the latest published audited accounts of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

6. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or substantial shareholder (as defined in the Listing Rules) or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

7. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group have been engaged in any litigation or claims of material importance and, so far as the Directors are aware, there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given their opinion or advice which are contained in this circular:

Name	Qualification
Donvex Capital	independent financial adviser
Norwest Corporation	independent professional valuer and independent technical adviser
KPMG	Certified Public Accountants
KPMG LLP	Chartered Accountants, Alberta

(collectively, the "Experts")

As at the Latest Practicable Date, the above Experts did not have:

(a) any direct or indirect interest in any assets which have been, since 31 March 2014 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and

(b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The above Experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their reports, letters and the references to their names in the form and context in which they appear.

9. GENERAL

(a) The Company Secretary of the Company is Ms. Chu Lai Wan, who has been appointed as the Company Secretary and Authorized Representative of the Company with effect from 22 September 2014. She is an associate member of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries, and has worked in the company secretarial and legal field for over 14 years;

(b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business in Hong Kong of the Company is at Room 3201, 32/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong;

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong; and

(d) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in case of any inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekdays other than public holidays at the Company's principal place of business in Hong Kong at Room 3201, 32/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong for a period of 14 days from the date of this circular:

(a) the memorandums and articles of association of the Company;

(b) the financial information on the Target, the text of which is set out in Appendix II to this circular;

(c) the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(d) the Competent Person's Report, the text of which is set out in Appendix V to this circular;

(e) the Valuation Report as set out in Appendix VI to this circular;

(f) the annual reports of the Company for the two financial years ended 31 March 2013 and 2014;

(g) a copy of each circular of the Company issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules since 31 March 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up);

(h) the material contracts of the Enlarged Group referred to the paragraph headed "Material contracts" in this appendix;

(i) the written consents referred to in the paragraph headed "Experts and consents" in this appendix;

(j) the letter from Donvex Capital containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from Donvex Capital" to this circular;

(k) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" to this circular; and

(l) this circular.

UP ENERGY DEVELOPMENT GROUP LIMITED
優派能源發展集團有限公司*

(Incorporated in the Bermuda with limited liability)

(Stock code: 307)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Up Energy Development Group Limited (the "**Company**") will be held at Room No. 1, United Conference Centre, 10/F., United Centre, 95 Queensway, Hong Kong at 11:00 a.m. on Friday, 17 July 2015, to consider and, if thought fit, pass, with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

(a) the sale and purchase agreement dated 14 November 2014 (the "**Winsway SPA**", a copy of which has been produced to this meeting marked "A" and initialed by the chairman of the meeting for the purpose of identification) entered into among (i) Up Energy Resources Company Limited, a wholly-owned subsidiary of the Company ("**Purchaser**"); (ii) the Company; and (iii) 0925165 B.C. Limited in relation to the sale and purchase of the approximately 42.74% of the total issued share capital in Grande Cache Coal Corporation ("**GCC**") and approximately 42.74% of partnership interest in Grande Cache Coal LP ("**GCC LP**") and the terms thereof be and are hereby approved, confirmed and ratified;

(b) the sale and purchase agreement dated 14 November 2014 (the "**Marubeni SPA**", a copy of which has been produced to this meeting marked "B" and initialed by the chairman of the meeting for the purpose of identification) entered into among (i) the Purchaser; (ii) the Company; and (iii) Marubeni Coal Canada Limited in relation to the sale and purchase of the 40% of the total issued share capital in GCC and 39.996% of partnership interest in GCC LP and the terms thereof be and are hereby approved, confirmed and ratified; and

(c) any one director of the Company be and are hereby authorised to, for and on behalf of the Company, to approve, execute, deliver and exercise all documents, and to affix the seal of the Company thereon where required in accordance with the bye-laws of the Company, and do all such acts, matters and things and execute all such documents as they in their absolute discretion consider necessary, desirable or expedient to carry out and give effect to and/or complete the Marubeni SPA and the Winsway SPA and the implementation of

* *For identification purposes only*

all transactions contemplated thereunder or in connection therewith, and to make and agree such variations to the Marubeni SPA and the Winsway SPA or document contemplated thereunder or in connection therewith as they in their absolute discretion may deem necessary, desirable or appropriate and in the interests of the Company."

2. "**THAT**, subject to the passing of Resolution 1 as set out in the notice of this meeting,

(a) the buy-back right agreement agreed to be entered into on the completion date of the Marubeni SPA (a copy of which has been produced to this meeting marked "C" and initialed by the chairman of the meeting for the purpose of identification) among the Purchaser, the Company and Marubeni Corporation ("**Marubeni**") regarding the right to be granted to Marubeni in respect of the buy-back of a partnership interest of up to 15.78% in GCC LP and a number of ordinary shares in the capital of GCC beneficially owned by and registered in the name of the Purchaser representing up to 15.78% of the total issued ordinary shares in the capital of GCC, the form and substance and the terms thereof be and are hereby approved, confirmed and ratified;

(b) the buy-back right agreement agreed to be entered into on the completion date of the Winsway SPA (a copy of which has been produced to this meeting marked "D" and initialed by the chairman of the meeting for the purpose of identification) among the Purchaser, the Company and Winsway Enterprises Holdings Limited ("**Winsway**") regarding the right to be granted to Winsway in respect of the buy-back of a partnership interest of up to 16.86% in GCC LP and a number of ordinary shares in the capital of GCC beneficially owned by and registered in the name of the Purchaser representing up to 16.86% of the total issued ordinary shares in the capital of GCC, the form and substance and the terms thereof be and are hereby approved, confirmed and ratified;

(c) the marketing agency agreement agreed to be entered into on the completion date of the Winsway SPA (a copy of which has been produced to this meeting marked "E" and initialed by the chairman of the meeting for the purpose of identification) among the Company, Winsway and GCC LP regarding certain marketing rights to be granted to Winsway, the form and substance and the terms thereof be and are hereby approved, confirmed and ratified; and

(collectively, the "**Agreements**")

(d) any one director of the Company be and are hereby authorised to, for and on behalf of the Company, to approve, execute, deliver and exercise all documents, and to affix the seal of the Company thereon where required in accordance with the bye-laws of the Company, and do all such acts, matters and things and execute all such documents as they in their absolute discretion consider necessary, desirable or expedient to carry out and give effect to and/or complete the Agreements and the implementation of all transactions contemplated thereunder or in connection therewith, and to make and agree such variations to the Agreements or document contemplated thereunder or in connection therewith as they in their absolute discretion may deem necessary, desirable or appropriate and in the interests of the Company."

By order of the Board
UP ENERGY DEVELOPMENT GROUP LIMITED
Qin Jun
Chairman

Hong Kong, 30 June 2015

Head office and principal place of business in Hong Kong:
Room 3201, 32/F, Tower 1
Admiralty Centre
18 Harcourt Road
Admiralty, Hong Kong

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Notes:

(a) A form of proxy for use at the meeting is enclosed herewith.

(b) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.

(c) Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one, or if he is the holder of two or more shares, more than one, proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.

(d) In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding of the above meeting or any adjournment thereof.

(e) Completion and delivery of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or at any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.

(f) Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.

(g) As required under Rule 13.39 of the Listing Rules, the ordinary resolution will be decided by way of poll.