A copy of this preliminary prospectus has been filed with the securities regulator authorities in the provinces of Ontario, Alberta and British Columbia, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons authorized to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "**U.S. Securities Act**") and may not be offered or sold within the United States unless registered under the U.S. Securities Act and applicable state laws or an exemption from such registration is available. See "Plan of Distribution" below.*

PRELIMINARY PROSPECTUS

INITIAL PUBLIC OFFERING **March 26, 2019**

YUKOTERRE RESOURCES INC.

OFFERING

Type of Securities	Number of Securities	Price per Security
Common Shares	3,500,000	$0.10

This prospectus (the "**Prospectus**") qualifies the distribution (the "**Offering**") by Yukoterre Resources Inc. (the "**Corporation**" or the "**Issuer**") in the provinces of Ontario, Alberta and British Columbia, through PI Financial Corp. (the "**Agent**"), of 3,500,000 common shares ("**Common Shares**") in the capital of the Corporation at a price of $0.10 per Common Share (the "**Offering Price**") for aggregate gross proceeds of $350,000. See "Description of Securities Distributed" below. The Offering Price was determined by negotiation between the Corporation and the Agent.

The Common Shares are being offered pursuant to an agency agreement (the "**Agency Agreement**") dated ■, 2019 between the Corporation and the Agent.

	Price to Public	Agent's Commission[(1)]	Proceeds to Issuer[(2)]
Per Common Share	$0.10	$0.0075	$0.0925
Total Offering	$350,000	$26,250	$323,750

Notes:

(1) Pursuant to the terms and conditions of the Agency Agreement between the Corporation and the Agent, the Corporation has agreed to pay the Agent upon closing of the Offering (the "**Closing**"), a cash commission (the "**Agent's Fee**") equal to 7.5% of the gross proceeds realized from the sale of the Common Shares under the Offering. The Corporation has further agreed to pay the Agent a corporate finance fee (the "**Corporate Finance Fee**") of $25,000 (plus HST) payable in cash.

(2) Before deducting expenses of the Offering, to be borne by the Corporation, estimated to be $60,000.

There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this Prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading

prices, the liquidity of the securities and the extent of issuer regulation. The securities offered hereunder must be considered highly speculative due to the nature of the Corporation's business. See "Risk Factors".

As at the date of this Prospectus, the Corporation does not have any of its securities listed or quoted, has not applied to list or quote any of its securities and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside Canada and the United States of America (other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc).

The Corporation has applied to list its Common Shares including the Agent's Option Shares on the Canadian Securities Exchange (the "**CSE**"). Listing will be subject to the Corporation fulfilling all of the requirements of the CSE.

The Agent's position is as follows:

Agent's Position	Number of Securities Available	Exercise Period or Acquisition Date	Exercise Price or Average Acquisition Price
Agent's Options[(1)]	245,000	24 months from the Listing Date	$0.10
Total Securities Issuable to Agent	245,000		

Note:
(1) These securities are qualified compensation securities ("Qualified Compensation Securities") within the meaning of National Instrument 41-101 – General Prospectus Requirements ("NI 41-101") and are qualified for distribution by this Prospectus. See "Plan of Distribution" below.

The Agent, as exclusive agent of the Corporation for the purposes of this Offering, offers the Common Shares for sale under this Prospectus at the Offering Price on a commercially reasonable efforts basis, in accordance with the Agency Agreement referred to under "Plan of Distribution" below and subject to the approval of certain legal matters on behalf of the Corporation by Chitiz Pathak LLP and by Cummings Cooper Schusheim Berliner with respect to certain tax matters, and on behalf of the Agent by Miller Thomson LLP. No person is authorized to provide any information or to make any representation in connection with this offering other than as contained in this Prospectus.

This Offering is subject to the completion of a minimum subscription of 3,500,000 Common Shares for gross proceeds to the Corporation of $350,000. If the minimum subscription is not completed within 90 days of the issuance of a receipt for the (final) Prospectus or, if a receipt is issued for an amendment to the (final) Prospectus, within 90 days of the issuance of such receipt and, in any event, not later than 180 days from the date of the receipt for the (final) Prospectus, or such other time as may be consented to by the Agent and Subscribers, all subscription monies will be returned to subscribers without interest or deduction, unless the subscribers have otherwise instructed the Agent.

Subscriptions will be received subject to rejection or allotment in whole or in part by the Corporation and the right is reserved to close the subscription books at any time without notice. It is expected that the share certificates evidencing the Common Shares in definitive form will be available for delivery at the Closing unless the Agent elects for delivery in electronic book entry form through CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee. If delivered in book entry form, purchasers of Common Shares will receive only a customer confirmation from the registered dealer that is a CDS participant from or through which the Common Shares were purchased.

PI Financial Corp.

1900 – 666 Burrard Street,
Vancouver, BC V6C 3N1
Telephone: 604-664-2900
Facsimile: 604-664-3660

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FORWARD-LOOKING STATEMENTS

This Prospectus contains "forward-looking information" within the meaning of applicable securities legislation. Forward-looking information may include, but is not limited to, statements with respect to the future price of coal, historical estimates of mineralization, capital expenditures, success of exploration activities, obtaining the required permits, permitting time lines, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage, the completion of regulatory approvals. In certain cases, forward-looking information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information in this Prospectus includes, among other things, proposed expenditures for exploration work on the Division Mountain Property (as defined herein), general and administrative expenses, expectations generally regarding completion of this Offering, the ability of the Corporation to raise further capital for corporate purposes, the utilization of the net proceeds of the Offering and treatment under applicable governmental regimes for permitting and approvals. See "Narrative Description of the Business – Recommendations", "Use of Proceeds" and "Risk Factors" below.

Such forward-looking statements are based on a number of material factors and assumptions, including, but not limited in any manner, to those disclosed in any other of the Corporation's public filings and include the ultimate determination of mineral reserves, if any, the availability and final receipt of required approvals, licenses and permits, sufficient working capital to develop and operate any proposed mine, access to adequate services and supplies, economic conditions, commodity prices, foreign currency exchange rates, interest rates, access to capital and debt markets and associated costs of funds, availability of a qualified work force and the ultimate ability to mine, process and sell mineral products on economically favourable terms. While the Corporation considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. Actual results may vary materially from such forward-looking information for a variety of reasons, including but not limited to, risks and uncertainties disclosed in this Prospectus. See "Risk Factors" below. The Corporation has no specific policies or procedures for updating forward-looking information. Forward-looking statements are based upon management's beliefs, estimates and opinions on the date the statements are made and, other than as required by law, the Corporation does not intend, and undertakes no obligation, to update any forward-looking information to reflect, among other things, new information or future events.

Investors are cautioned against placing undue reliance on forward-looking statements.

GLOSSARY OF TERMS

"Agency Agreement" means the agency agreement dated ■, 2019 between the Agent and the Corporation.

"**Agent**" means PI Financial Corp.

"**Agent's Fee**" means the cash commission payable to the Agent equal to 7.5% of the gross proceeds in relation to this Offering.

"**Agent's Options**" means the 245,000 options granted to the Agent as compensation for its services in relation to this Offering entitling the Agent to purchase one Agent's Option Share per Agent's Option at the Offering Price within 24 months after the Listing Date.

"**Agent's Option Shares**" means the Common Shares that may be sold to the Agent pursuant to the due exercise of the Agent's Options, as described under the heading "Plan of Distribution" below.

"**Board of Directors**" or "**Board**" means the Corporation's board of directors.

"**Closing**" means the closing of the Offering and the issuance by the Corporation of the Common Shares.

"**Common Shares**" means the common shares in the capital of the Corporation.

"**Corporate Finance Fee**" means the fee to be paid by the Corporation to the Agent of $25,000 (plus HST) on the Listing Date in consideration of corporate finance and structuring services provided by the Agent.

"**Corporation**" or "**Yukoterre**" means Yukoterre Resources Inc.

"**Division Mountain Property**" means the coal property located at latitude 61º20' N and longitude 136º05' W on NTS map sheet 115 H/8, 90 km north-northwest of Whitehorse and 290 km from tidewater at Skagway, Alaska, including five coal leases and four territorial coal exploration licenses.

"**Escrow Agent**" means TSX Trust Corporation.

"**Exchange**" or "CSE" means the Canadian Securities Exchange.

"**Listing Date**" means the date the Common Shares are first listed for trading on the Exchange.

"**NI 43-101**" means National Instrument 43-101 "Standards of Disclosure for Mineral Projects.

"**Offering**" has the meaning ascribed to it on the face page of this Prospectus.

"**Offering Price**" means $0.10 per Common Share.

"**Shares for Debt Transaction**" means the shares for debt settlement agreement entered into between the Corporation and 2227929 Ontario Inc. on February 27, 2019 pursuant to which the Corporation issued 2,100,541 Common Shares at a deemed price of $0.10 per Common Share in full and final settlement of $210,054.10 owed by the Corporation to 2227929 Ontario Inc.

"**Stock Option Plan**" means the stock option plan approved by the Board of Directors on February 9, 2017, providing for the granting of incentive stock options to the Corporation's directors, officers, employees and consultants.

"**Subscriber**" means a subscriber for the Common Shares offered under this Offering.

"**Technical Report**" means the technical report dated November 2018 entitled "*NI 43-101 Technical Report on the Division Mountain Coal Property, Yukon Territory, Canada*" authored by Kevin J. Brewer, P.Geo.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus.

The Corporation:

The Corporation was incorporated under the *Business Corporations Act* (Ontario) on February 8, 2017 under the name "2560344 Ontario Inc.". On October 25, 2017, the Corporation changed its name to “Yukoterre Resources Inc.”.

The Corporation's corporate and registered office is located at 65 Queen Street West, 8th Floor, Toronto, Ontario, Canada, M5H 2M5.

The Corporation's Business:

The Corporation is a natural resource company engaged in the acquisition and exploration of mineral properties. The Corporation’s current main emphasis is on coal exploration in the Yukon Territory where the Corporation has a 100% interest in the Division Mountain Property.

The Corporation intends to fund the exploration of the Division Mountain Property using the proceeds of its prior private placement financing and this Offering.

The Division Mountain Property is more specifically described below in this Prospectus under the heading “Narrative Description of the Business”.

The Property:

The Division Mountain Property consists of five coal leases covering a total area of 776.4 hectares and four coal exploration licences covering a total area of 60862.8 hectares, approximately 90 km north-northwest of Whitehorse. See “Narrative Description of the Business”.

Management, Directors and Officers:

René Bharti – Chief Executive Officer and Director

Deborah Battiston – Chief Financial Officer

Kenny Choi – Corporate Secretary

Fred Leigh – Director and Promoter

Dr. Andreas Rompel – Director

See "Directors and Officers" below.

The Offering:

The Corporation is offering 3,500,000 Common Shares for sale at a price of $0.10 per Common Share in the provinces of Ontario, Alberta and British Columbia.

This Prospectus also qualifies the distribution of 245,000 Agent's Options.

See "Plan of Distribution" below.

Use of Proceeds:

The gross proceeds to the Corporation from the sale of the Common Shares offered hereby will be $350,000. The total funds available to the Corporation at the closing of the Offering, after deducting the estimated expenses of the Offering of $60,000, the Agent's Fee of $26,250 and the Corporate Finance Fee of $25,000 (plus HST), and including the Corporation's estimated working capital deficit as at February 28, 2019 of $20,856 (which includes the Shares for Debt Transaction of $210,054.10), are estimated to be $217,894. The Corporation intends to expend its available funds for the following principal purposes:

Principal Purpose	Funds to be Used[(1)]
To fund the recommended exploration program on the Division Mountain Property[(2)]	$100,000
To provide funding sufficient to meet administrative costs for 12 months	$97,542
Unallocated working capital	$20,352
Total	$217,894

Notes:
(1) See "Use of Proceeds" below. The Corporation intends to spend the funds available to it as stated in this Prospectus. There may be circumstances, however, where for sound business reasons a reallocation of funds may be necessary.
(2) See "Narrative Description of the Business – Recommendations" below for a summary of the work to be undertaken and a breakdown of the estimated costs.

Summary of Financial Information:

The following selected financial information is subject to the detailed information contained in the audited and unaudited financial statements of the Corporation and notes thereto appearing in Schedule "B" to this Prospectus. The selected financial information is derived from the audited financial statements for the period from incorporation to October 31, 2017 and for the fiscal year ended October 31, 2018. The Corporation has established October 31 as its financial year end.

	Period Ended October 31, 2017 (audited)	Fiscal Year Ended October 31, 2018 (audited)
Total Revenues	Nil.	Nil.
Consulting and Management Fees	$22,285	$40,744
Professional fees	$16,175	$9,855
General office expenses	$3,016	$2,097
Interest expense	0	$8,790
Net loss and comprehensive loss	$41,483	$61,484
Basic and diluted loss per Common Share	0.02	0.01
Total assets	$219,679	$331,989
Total liabilities	$15,162	$188,956
Total shareholders' equity	$204,517	$143,033

See "Selected Financial Information and Management Discussion and

Analysis".

Risk Factors: An investment in the Common Shares should be considered highly speculative and investors may incur a loss on their investment. The Corporation has no history of earnings and to date has not defined any commercial quantities of mineral reserves on the Division Mountain Property. The Corporation and its assets may also become subject to uninsurable risks. The Corporation's activities may require permits or licenses which may not be granted to the Corporation. The Corporation competes with other companies with greater financial resources and technical facilities. The Corporation may be affected by political, economic, environmental and regulatory risks beyond its control. The Corporation is currently largely dependent on the performance of its directors, officers and consultants and there is no assurance the Corporation can retain their services. In recent years both natural resource prices and publicly traded securities prices have fluctuated widely. A purchase of any of the securities offered hereunder involves a high degree of risk and should be undertaken only by purchasers whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities offered hereunder should not constitute a major portion of an individual's investment portfolio and should only be made by persons who can afford a total loss of their investment. See "Risk Factors" below.

Currency: Unless otherwise indicated, all currency amounts herein are stated in Canadian Dollars.

CORPORATE STRUCTURE

Name and Incorporation

The Corporation was incorporated pursuant to the *Business Corporations Act* (Ontario) on February 8, 2017 under the name "2560344 Ontario Inc.". On October 25, 2017 the Corporation filed articles of amendment to change its name to "Yukoterre Resources Inc.".

The Corporation filed a statement for registration as an extra-territorial corporation in the Yukon Territory on August 31, 2017 under its former name "2560344 Ontario Inc.". On November 1, 2017, the Corporation filed a notice of change to statement for registration as an extra-territorial corporation to change its name to "Yukoterre Resources Inc." effective as of October 25, 2017.

On February 27, 2019, the shareholders of the Corporation adopted a new By-Law No. 1 (the "**New By-Law**"). The New By-Law is standard in its form and governs all aspects of the business and affairs of the Corporation, such as the establishment of a quorum for meetings of directors and shareholders, the conduct of such meeting, signing authorities, the appointment of officers, the description of the officers' duties, the establishment of committees of the board, the authority of persons to contract on behalf of Corporation and similar matters. Section 3.04 of the New By-Law directs the manner in which nominations for directors may be made and include provisions requiring, in certain circumstances, advance notice of the nomination of directors. The advance notice provisions are designed to ensure that where a shareholders' meeting is called for the election of directors, all shareholders, and in particular, shareholders whose votes are being cast by proxy and who are not able to attend the meeting, receive adequate notice of director nominations in order to be able to make informed decisions as to how to cast their votes on the election of directors.

The Corporation's registered and head office is located at 65 Queen Street West, 8th Floor, Toronto, Ontario, M5H 2M5.

Intercorporate Relationships

The Corporation has no subsidiaries.

GENERAL DEVELOPMENT OF THE BUSINESS

Business of the Corporation

The Corporation is engaged in the business of mineral exploration and the acquisition of mineral property assets in the Yukon Territory. See "Narrative Description of the Business" below.

History

Subsequent to its incorporation, the Corporation has completed a private seed capital equity financing, raising aggregate gross proceeds of approximately $246,000. These funds have been, and are being, used for the acquisition, exploration and maintenance of the Division Mountain Property and general working capital. The Corporation intends to raise funds through the Offering to carry out additional exploration on the Division Mountain Property, as set out in "Use of Proceeds" below.

Acquisitions

On August 8, 2017, the Corporation entered into a purchase agreement with Pitchblack Resources Ltd. to acquire a 100% interest in the Division Mountain Property for a cash payment

of $100,000, including a total of 17 coal licenses (CYW0137 to CYW0138 and CYW0143 to CYW0157) and five coal leases (CMW3000 to CMW3004). The cash payment was made and the acquisition by the Corporation of the Division Mountain Property closed on August 21, 2017. In late 2018, the Corporation renewed four of the coal licenses (CYW0154 to CYW0157) which covers the Division Mountain Property. The remaining coal licenses, which covered areas outside of the Division Mountain Property, were allowed to lapse.

Trends

As a junior mining company, the Corporation is highly susceptible to the cycles of the mineral resource sector and the financial markets as they relate to junior companies.

The Corporation's financial performance is dependent upon many external factors. Both prices and markets for natural resources are volatile, difficult to predict and subject to changes in domestic and international, political, social and economic environments. Circumstances and events beyond its control could materially affect the financial performance of the Corporation. Apart from this risk and the risk factors noted under the heading "Risk Factors", the Corporation is not aware of any other trends, commitments, events or uncertainties that are reasonably likely to have a material adverse effect on the Corporation's business, financial conditions or result of operations.

NARRATIVE DESCRIPTION OF THE BUSINESS

Overview

The Corporation is engaged in the business of acquiring and exploring mineral resource properties. The Corporation's sole property is the Division Mountain Property (in this section, the "**Property**"), located in the Yukon Territory. See "Acquisitions" above.

The Corporation intends to use the net proceeds from this Offering to carry out exploration on the Division Mountain Property and for working capital. The Corporation may decide to acquire other mineral properties in addition to the Division Mountain Property described below.

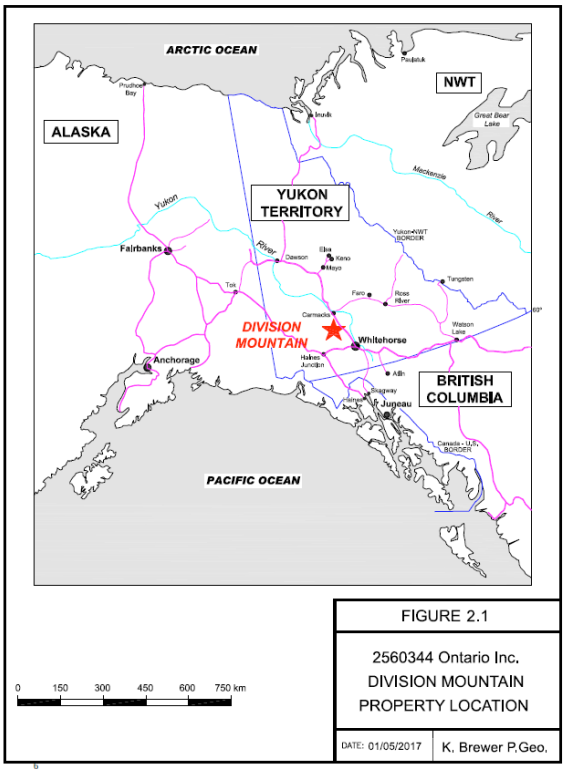
Division Mountain Property

The following information regarding the Division Mountain Property is summarized or extracted from an independent Technical Report dated November, 2018 entitled "*NI 43-101 Technical Report on the Division Mountain Coal Property, Yukon Territory, Canada"* prepared for the Corporation by Kevin J. Brewer, P. Geo (the "**Author**"), in accordance with the requirements of NI 43-101.

All figure and table references herein are numbered in accordance with the Technical Report available on the Corporation's SEDAR profile at www.sedar.com.

Description and Location of the Division Mountain Property

The Division Mountain deposit is located at latitude 61º20' North and longitude 136º05' West on NTS map sheet 115 H/8, 90 km north-northwest of Whitehorse and 290 km from tidewater at Skagway, Alaska (See Figures 2.1 and 4.1).



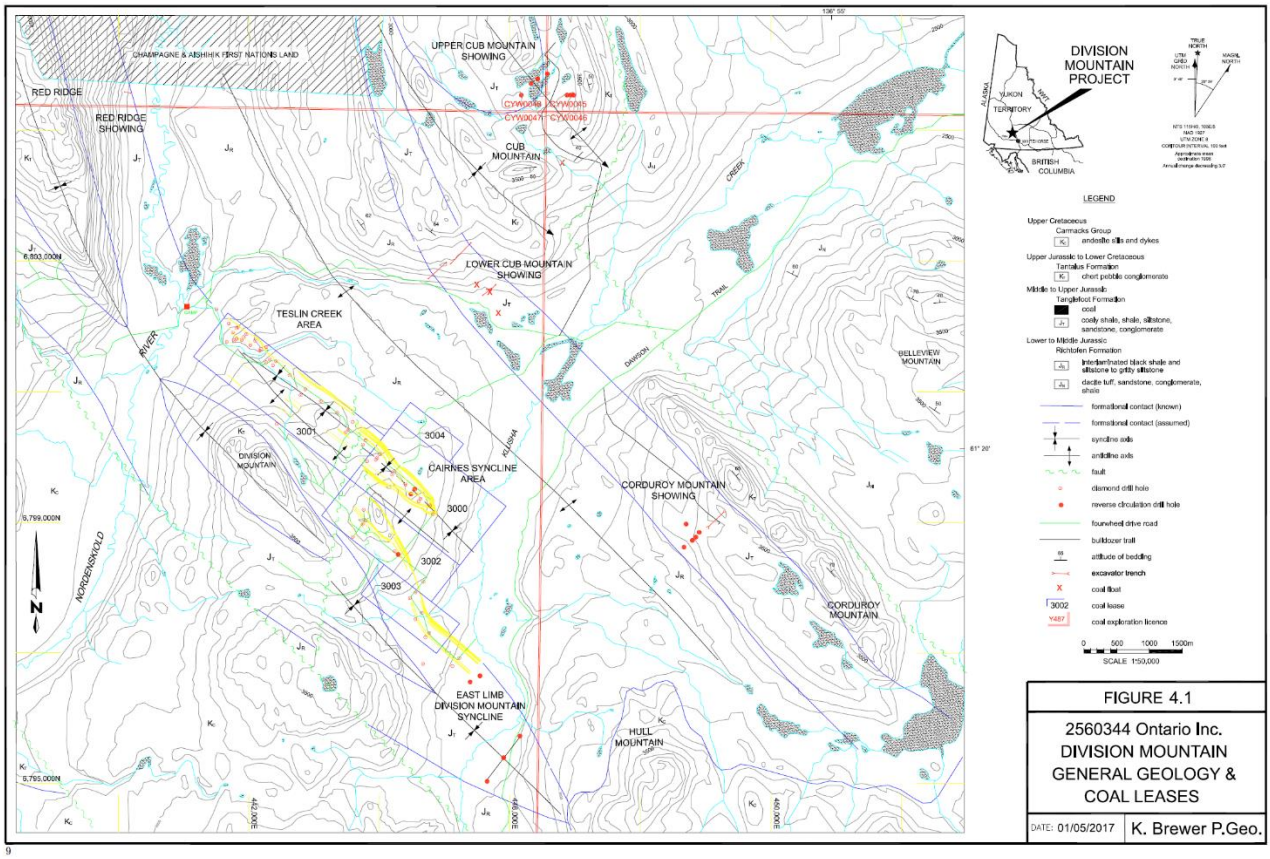
The area of detailed exploration and resource definition at the Division Mountain Property lies largely within five coal leases (the "**Coal Leases**"). These Coal Leases are held by the Corporation and cover 776.4 ha. Under the *Yukon Coal Regulations Act*, the five Coal Leases grant coal mining rights for a renewable twenty-one year term.

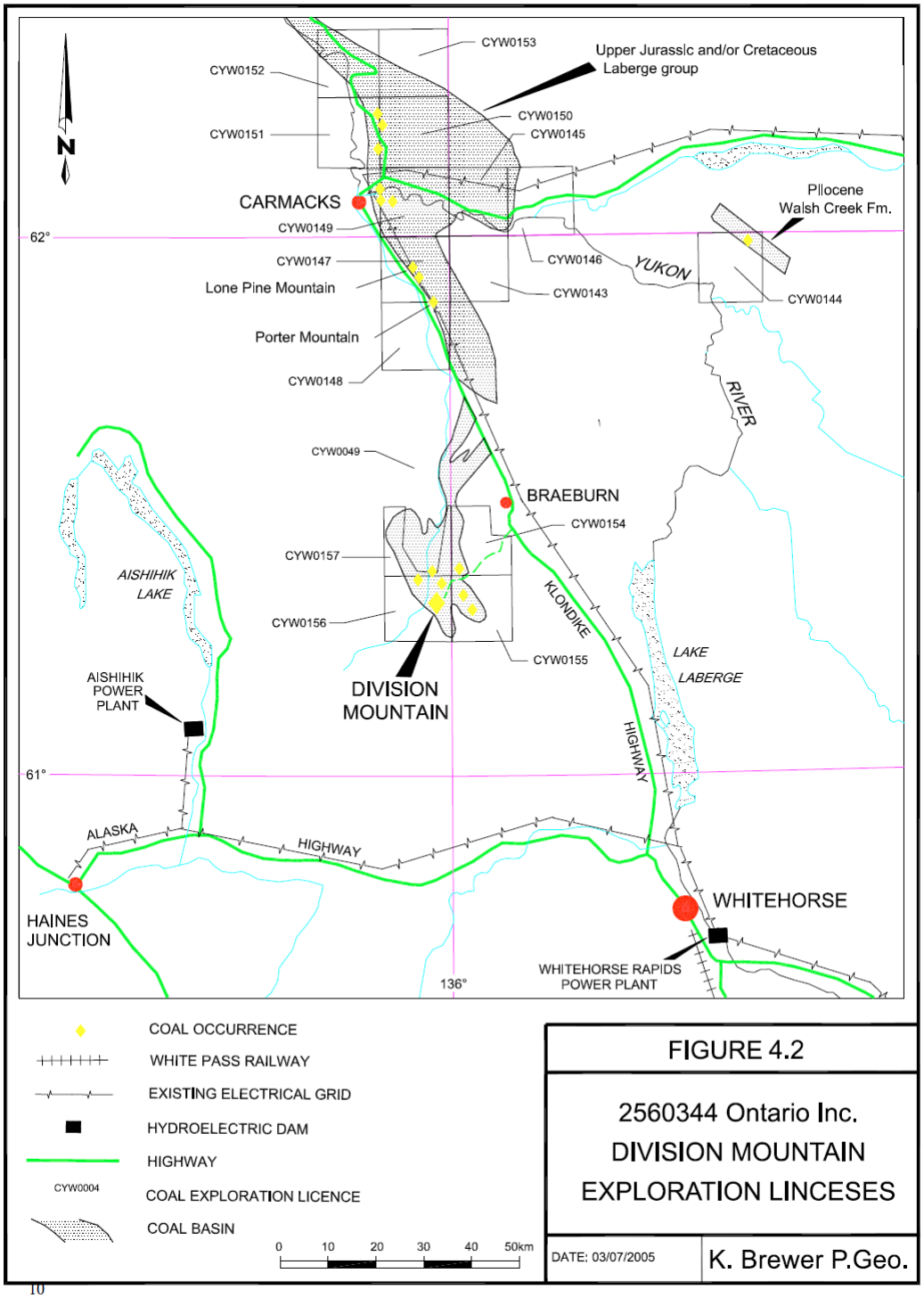
In addition, four territorial coal exploration licences (the "**Coal Licenses**") are also held by the Corporation in the Division Mountain Property area (See Figure 4.2). The Coal Licences cover a total area of 60,862.8 hectares. Under the *Coal Regulations Act*, these licences are valid for a three-year, renewable term.

The exploration licences and leases encompass Upper Jurassic, Lower Cretaceous and Tertiary coal-bearing stratigraphy including a number of previously known coal occurrences. Renewal dates of both Coal Licences and Coal Leases are given below in Table 4.1.

TABLE 4.1 CLAIM LIST

License No.	Mining District	Renewal Date
CYW0154 and CYW0155	Whitehorse	07-Sept-2019
CYW0156 and CYW0157	Whitehorse	06-March-2020
Lease No.		
CMW3000 to 3004	Whitehorse	18-April-2038


CHAMPAGNE & ASHIHIK FIRST NATIONS LAND
RED RIDGE
RED RIDGE SHOWING
UPPER CUB MOUNTAIN SHOWING
CYW0048
CYW0045
CYW0047
CYW0046
CUB MOUNTAIN
LOWER CUB MOUNTAIN SHOWING
TESLIN CREEK AREA
RIVER
DIVISION MOUNTAIN
NORDENSKOLD
CAIRNES SYNCLINE AREA
3001
3004
3000
3002
3003
EAST LIMB DIVISION MOUNTAIN SYNCLINE
HULL MOUNTAIN
CORDUROY MOUNTAIN SHOWING
CORDUROY MOUNTAIN
BELLEVIEW MOUNTAIN
DAWSON
TRAIL
KLUSHA
CREEK
6,803,000N
6,799,000N
6,795,000N
442,000E
446,000E
450,000E
61° 20'
N
DIVISION MOUNTAIN PROJECT
YUKON TERRITORY
BRITISH COLUMBIA
ALASKA
LEGEND
Upper Cretaceous
Carmacks Group
andesite sills and dykes
Upper Jurassic to Lower Cretaceous
Tantalus Formation
chert pebble conglomerate
Middle to Upper Jurassic
Tanglefoot Formation
coal
coaly shale, shale, siltstone, sandstone, conglomerate
Lower to Middle Jurassic
Richtofen Formation
interbedded black shale and siltstone to gritty siltstone
dacite tuff, sandstone, conglomerate, shale
formational contact (known)
formational contact (assumed)
syncline axis
anticline axis
fault
diamond drill hole
reverse circulation drill hole
fourwheel drive road
bulldozer trail
attitude of bedding
excavator trench
coal float
3002 coal lease
Y487 coal exploration licence
0 500 1000 1500m
SCALE 1:50,000
FIGURE 4.1
2560344 Ontario Inc.
DIVISION MOUNTAIN
GENERAL GEOLOGY &
COAL LEASES
DATE: 01/05/2017
K. Brewer P.Geo.



Under the *Yukon Coal Regulations Act*, exploration licenses are currently subject to rental fees of $0.05/acre in the first year, $0.10/acre in the second year and $0.20/acre in the third and final year for each license period. Costs incurred by the license holder on exploration work may be reported to the Yukon Mining Recorder and credited against rental fees. Annual fees for the coal mining leases are currently levied at $1/acre. Work conducted on the leases may be applied against the levy charges for a maximum period of five years.

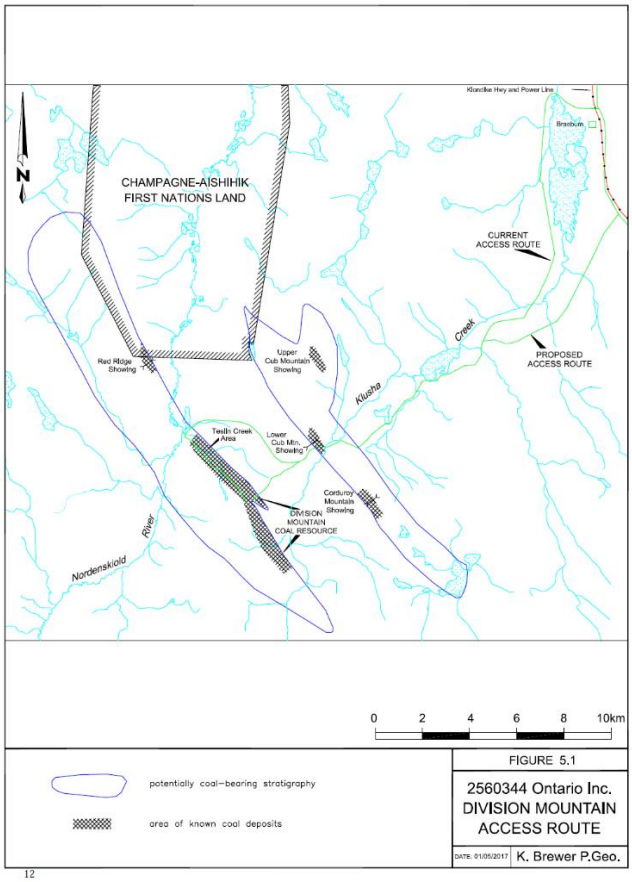
Accessibility, Physiography, Local Resources, Infrastructure and Climate

Accessibility

Access is by 85 km of paved highway from Whitehorse northwards on the Dawson Highway to Braeburn and then on a 31 km all-season four- wheel drive road from Braeburn (Figure 5.1) to the Division Mountain Property.

Approximately one kilometer north of Braeburn Lodge you turn into a residential area. The northernmost portion of the lake has to be forded and this crossing is generally 50 meters wide and approximately 0.5-0.75 meters deep. Just after the crossing there is Scuttlebutt Lodge which can provide crew accommodations and logistical support. The trail then continues to the northwest and eventually joins the historic Dawson Trail stage route, which then extends southward and westward for a distance of approximately 22.5 kilometers to a point opposite the northwest end of Corduroy Mountain and approximately due east of the coal occurrences at Division Mountain. From this point, a variety of exploration trails have been constructed over the decades of activity in the area. The main property trail extends another 8.5 kilometers westward across Klusha Creek Valley and then climbs up the slopes of Division Mountain to the southernmost portion of the deposit area. There are a number of short steep grades (7 – 15% slope) along the stretch just prior to the trail descending into the Nordenskiold valley.

The access trial is generally 3-4 meters wide and is currently passable with an ATV. Minor upgrading of the trail would be required to allow for 4wd truck access.



Physiography

Tree line in the property area is at approximately 1300 meters on south-facing slopes with willow, alder and black spruce at lower elevations giving way to dwarf birch, alder and stunted spruce at tree line, and finally to grass and lichen at elevations above 1500 meters. Stands of heavy timber occur at lower elevations near Braeburn Lake.

Topography in the Division Mountain Property area is characterized by rolling hills and broad river valleys with local regions of moderate to steep relief along northerly-trending ridges. Elevations range between 670 and 1680 meters. Most of the area is mantled by glacial till and outwash between 1 and 60 meters thick.

Permafrost is generally restricted to poorly drained areas of moderate to dense vegetation. Natural bedrock exposure is less than 5%, especially within the generally recessive coal measures. Creeks flowing to the north and west off the property are tributaries of the Nordenskiold River (approximately 5-8 meters wide and 2 meters deep), which is part of the Yukon River watershed, while creeks draining to the south and east flow into Klusha Creek (approximately 3 to 4 meters wide and one meter in depth), which joins the Nordenskiold River further to the north. Several small lakes are present, some of which cover areas of up to 1.0 square kilometer.

The whole areas is covered with volcanic ash to a depth of about 6 inches (Teslin Exploration Ltd., 1970) and appears to have escaped Pleistocene glaciation but glacio-fluvial outwash and loess exceeding 30 meters or more in thickness typically mantles all of the area below the 900 meter elevation level (Carne, 1992). Above the 900 meter elevation level, residual overburden cover is typically thin and bedrock exposures are more common.

Local Resources and Infrastructure

The nearest permanent buildings are at the northern end of Braeburn Lake just off the Klondike Highway. There are about 10-12 year-round and/or seasonal residential homes in the area. Braeburn Lodge is at Mile 55 of the Dawson Highway but now only comprises of a store and a seasonal restaurant. At Braeburn Lodge there is also a 3000 foot airstrip which runs immediately adjacent to the Dawson Highway.

The Whitehorse-Aishihik-Faro electrical transmission line parallels the Klondike Highway, 20 kilometers east of the main coal reserves.

Being only 85 kilometers from Whitehorse, the Division Mountain Property benefits from the infrastructure of the capital city of Yukon. Whitehorse has an international airport, it is the primary center for government and all of the regulatory agencies are also headquartered in Whitehorse, most of the First Nations have offices in Whitehorse or in the nearby communities, and the city also has numerous equipment and supplies stores. The city has a vibrant population of over 28,000 persons.

Yukon College is headquartered in Whitehorse. The college has established the Centre for Northern Innovation in Mining (CNUM) that develops and delivers innovative and flexible employment and career training to suit the labour needs of Yukon's mining sector. Its facilities are state-of-the-art and include mobile classrooms and are designed to help grow and improve the competitiveness of Yukon's mining sector and its environmental sustainability.

Whitehorse also has a large base of consultants and specialists with expertise in environmental, engineering, mine planning, geology, and construction and also a work force that is experienced in all aspects of exploration, mine development and operations.

Climate

The area has a continental climate with low levels of precipitation and a wide temperature range. Temperatures range from – 40C in the winter to 30C in the summer. Summers are typically pleasant with extended daylight hours whereas winters are long and cold. Lakes in the area are suitable for floatplane use during the ice-free period of early June to late September. Exploration programs are usually conducted between late-May and mid-October but winter drill programs have been conducted on the property to take advantage of easier access over frozen ground which also limits the environmental impact associated with construction of temporary drill access roads.

History

There has been over a century of exploration activity in the Division Mountain Property area (see Summary of Exploration Activity, Table 6.1). In 1903, John Quinn and H.E. Porter staked coal near Division Mountain. In 1907 D. Cairnes of the Geological Survey of Canada mapped and sampled three coal seams in Teslin Creek Canyon, 2 km north of Division Mountain. An additional coal occurrence was located by Cairnes near the base of Red Ridge approximately 5 km northwest of the Teslin Creek showings (Figure 6.1).

No exploration was carried out on the showings until 1970 when Arjay Kirker Resources Ltd. for Teslin Exploration Ltd. excavated seven bulldozer pits near the Teslin Creek coal outcrop. Eight seams were exposed ranging in thickness from 0.6 to 4.4 m. A 1047 m, six-hole diamond drill program conducted in the Teslin Creek area by Arjay Kirker in 1972 outlined a geological resource of 2.5 Mt (historic resource estimate was not completed to the standards of NI43-101). Also in 1970, Norman H. Ursel Associates Ltd. conducted geological mapping of the Cub Mountain area. Teslin Exploration Ltd. also conducted exploration and drilling of coal seams north of Carmacks in 1971. Proximate analysis was conducted on samples in 1972.

However in 1974, a decision by the Government of Canada to proceed with construction of the Aishihik hydroelectric project resulted in termination of coal exploration at Division Mountain by Teslin Exploration Ltd.

In 1975, Allen Resource Consultants Ltd. (Resourcex Ltd.) located coal float on Cub Mountain in gopher holes (Allen, 1975).

In 1991, the Geological Survey of Canada carried out detailed analysis of coal samples including petrological and geochemical studies on samples obtained from some of the trench sites still exposed from previous exploration efforts.

The W4 Joint Venture was then encouraged to explore for coal in the area and completed a minor trenching and short hole (2 holes) program at Division Mountain. Sample testing was completed by Birtley Engineering (Canada) Ltd. of Calgary who reported that a trench sample provided a calorific value of 7500 kcal/kg, 0.3% sulphur and 21.8% ash, of which the ash occurred as adventitious material and could therefore be removed by washing (Carne, 1992). They reported various coal seam intersections of between 4.7 and 12.1 meters (Carne, 1990, 1992) and test results of 31.3% ash, 22% volatile matter, 45% fixed carbon, 0.5% sulphur, and a calorific values ranging from 7130-7870 kcal/kg, and 2.5% moisture. Carne (1992) noted that the coal qualities being identified were comparable with thermal coal quality values in a range of coal deposits in British Columbia, Alberta and Alabama. Carne (1992) also concluded that the Division Mountain basin appeared to have good potential for coal bed methane (“CBM”). The coal was noted to have a high liptinite content (spores, cuticular plant matter, resins and waxes) and this coupled with the high volatile rank, suggested that the potential for significant CBM was high. Carne (1992) then further noted that depending on the method of calculation, the CBM potential of the Division Mountain Property area ranged from 17.5 billion cubic meters to 75 billion

cubic meters (Carne, 1992). Carne based his own estimates for CBM potential at that time using the Alberta Geological Survey Method of estimation which was noted at that time to be 13.5 cubic meters of gas per tonne of bituminous coal in seams greater than 0.5 meters thick, half of which is then considered to be recoverable. He concluded that further exploration should be conducted in the area, and along with proximate and ultimate analyses of coal seams, the coal should also be tested for CBM.

In October 1992 Cash Resources Ltd. purchased four Territorial Coal Exploration Licenses enclosing the Division Mountain coal occurrences and later applied for others covering extensions of the favorable rocks to the north. During the 1993 field season 16 holes totaling 1,810 meters were drilled to test the Teslin Creek area (Wengzynowski et al. 1994). This diamond drilling program defined four seams with an average raw coal aggregate thickness of 10 m over a 1 km strike length forming the eastern limb of the Cairnes Syncline. Measured near-surface resources were calculated at 2.6 Mt to a depth of 200 m, confirming the Arjay Kirker estimate (historic resource estimate was not completed to the standards of NI43-101). Hand trenching at Red Ridge 5 km to the north exposed a total thickness of 11.4 m of raw coal in three seams and demonstrated lateral continuity of the coal measures.

An exploration program consisting of 5.9 kilometers of excavator trenching and 6,034 m of HQ-size diamond drilling in 32 holes was carried out during 1994 and 1995 to explore a 5 km long south- easterly extension of previously known coal-bearing strata along the limbs of a northerly-plunging syncline-anticline pair (Gish, 1995 and Gish, 1996). This work was successful in discovering a new area of coal deposition with thicker seams than the Teslin Creek area and a dramatically lower strip ratio.

All coal drill intersections greater than 1 m thick were submitted for proximate analysis, generally in samples composed of the entire seam core intersection. In conjunction with the 1994 and 1995 programs environmental surveys, including biological and botanical inventories and water quality assessment, were carried out (Gish, 1995 and Gish, 1996) and representative intersections of coal from the 1993 drill program was composited for secondary tests such as grindability, washability, ash chemistry and Ultimate Analysis.

Exploration during 1997 consisted of 1,667 m of HQ-size diamond drilling in ten holes and twenty-one excavator trenches totaling 2,695 meters on both Division Mountain and Corduroy Mountain (Gish et al, 1998). The diamond drilling focused on further delineating west-dipping coal-bearing strata discovered during the 1994-1995 exploration season. The objective of the program was to increase resources from approximately 30 million tonnes of coal to 50 million tonnes (Gish, 1998). More than 900 meters of strike length was added to the southwest while the average aggregate raw coal thickness increased to 24.7 meters.

A short excavator trenching program was conducted in early fall 1998 by Cash Resources (Gish, 1998). The work consisted of six excavator trenches totaling 1,329 meters and was designed to test favorable Tanglefoot Formation stratigraphy in the vicinity of Cub Mountain, approximately 4.5 km northeast of Division Mountain. No significant coal seams were exposed in any of the trenches.

Table 6.1 *An outline of exploration activity in the Division Mountain area.*

Date	Exploration company	Work performed and highlights	Reference
1903	John Quinn and H.E. porter	· staked coal near Division Mountain	Yukon Minfile (1997)
1970	Norman H, Ursel Associates Ltd.	· Cub Mountain area; geological mapping, no coal found (NW corner of NTS block 105E/5)	Hunt (1994)
1970, 1971	Arjay Kirker Resources Ltd. for Teslin Exploration Ltd.	· Division and Vowel mountains-bulldozer treching (7 trenches totalling 167 m near Teslin Creek), mapping, sampling and test I.P. survey ove coal outcrops near Teslin Creek · reconnaissance geological mapping, road building · estimated reserves at 41 million tons · exposed aggregate thickness of 18.6 m of coal over an interval approximately 305 m · explored Corduroy Mt, no coal located	Kirker (1971); Craig and Laporte (1972)
1972	Arjay Kirker Resources Ltd. (Archer, Cathro and Associates Ltd.)	· drilled 6 diamond drill holes in Teslin Creek area (totalling 1047 m) · coal seams intersected vary from 4.6 to 5.9 m · 24.8 m aggregate thickness of coal seams > 0.5 m · reserves calculated as 2.8 million tons	Phillips (1973)
1975	Allen Resource Consultants Ltd. (Resoursex Ltd.)	· located coal float on Cub Mountain in gopher holes, believed to be within the Tantalus formation	Allen (1975)
1977	Hill for Cyprus Anvil Mining Corp.	· collected coal samples for analysis	Hunt (1994)
1978	Hill for Utah Mines Ltd.	· collected coal samples for analysis	Hunt (1994)
1978	Manalta Coal Ltd.	failed to locate any additional coal seams	Hunt (1994)
1990-1991	All-North Resources Ltd. and W4 Join Venture	· trenching and mapping near Teslin Creek	Yukon Minfile (1992)
1990	Geological Survey of Canada	· one 1972 bulldozer trench was remapped and carefully sampled (Teslin Creek) for Beaton et al. report	Beaton et al, (1992)
1992	Beaton et al, (University of Western Ontario)	· petrography, geochemistry and utilisation potential of the Division Mountain coal occurrence (Cairnes Seam)	Beaton et al, (1992)
1993	Cash Resources Ltd. (Allister Peach Geo-Consulting Ltd.)	· drilled 16 holes totalling 1810 m near Teslin Creek · intersected over 28 coal seams > 0.5 m thick · total in situ reserves estimated at 11 139 920 tonnes · hand trenching at Red Ridge exposed 11.4 m coal	Peach (1993); Wengzynowski and Carne (1993, 1994)
1994-1995	Cash Resources Ltd. (Archer, Cathro and Associates Ltd.)	· 5.2 km of excavator trenching · 6034 m of HQ-size diamond drilling in 32 holes · aggregate coal thickness 10 to 32 metres · estimated open pit reserves of 31.7 million tonnes	Carne and Gish (1996)
1996-1997	Cash Resources Ltd. (Archer, Cathro and Associates Ltd.)	· 1667 m of HQ-size diamond drilling in 10 holes · 21 excavator trenches totalling 2695 m at Division and Corduroy mountains · hand trenches southwest of Cub Mountain · raw coal reserves estimated at 54.7 million tonnes	Burke (1998); Gish and Carne (1998)
1998	Cash Resources Ltd. (Archer, Cathro and Associates Ltd.)	· 1329 excavator trenching at Cub Mountain · property optio-ed to Usibello Coal Mine Inc.	Burke (1999)
1999	Cash Resources Ltd. (Archer, Cathro and Associates Ltd.)	· 1,869 m of RC drilling in 20 holes and 4 excavator trenches totalling 315 m at Division Mountain	

2000	Usibelli Coal Mine Inc.	· Released Property option for Division Mtn	
2001	Cash Minerals Ltd.	· Cash Resources Ltd. changes name to Cash Minerals Ltd.	SEDAR, 2011
2005	Cash Minerals Ltd.	· 866.6 m of diamond drill holes at Division Mtn. Norwest Corporation Ltd, contracted to complete An NI 43-101 Resource Estimate	SEDAR, 2005 Norwest, 2005
2006	Cash Minerals Ltd.	· SNC Lavatin Ltd complete a study on thermal power · Norwest complete geotechnical drill holes	SEDAR, 2006
2008	Cash Minerals Ltd.	· Norwest complete a prefeasibility study for Division Mtn that concludes coal exporting is not feasible but a mine mouth thermal power facility project is the most feasible development option Mcloskey Group Ltd. complete a market study on steam And PCI coals	SEDAR, 2008
2009	Cash Minerals Ltd.	· Changes in corporate management	SEDAR, 2009
2010	Pitchblack Resources Ltd.	· Cash Minerals Ltd. changes its name to Pitchblack Resources Ltd.	SEDAR, 2010
2013	Pitchblack Resources Ltd.	· Mines Online Inc. contracted to promote the Division Mtn. Property	SEDAR, 2013
2008-2017	Yukon Geological Survey	· Range of studies focus on the hydrocarbon an Cbm potencial in the Whitehorse Trough and highlight the Division Mtn property and Five Fingers area as 2 of 3 areas Trough with significant potential to host hydrocarbon deposits	YGS publications
2017	2560344 Ontario Inc.	· Acquire the Division Mtn Property and related Exploration Licences	SEDAR, 2017

In November 1998 the Division Mountain Property was optioned to Usibelli Coal Mine, Inc. (Usibelli) (Sedar, 1998b). Exploration in the spring of 1999 consisted of 20 reverse circulation percussion drill-holes totaling1,869 meters and 4 excavator trenches totaling 315 meters (Gish, 2000). The excavator trenching and three of the drill-holes were designed as a check of geologic data that formed the basis of the 1998 historic resource estimate but the bulk of the reverse circulation drilling was carried out to explore three target areas outside the defined deposit. The program confirmed the results of earlier drilling and outlined several new coal seams on Corduroy Mountain but ultimately Usibelli dropped its option on the property in May 1999 (Sedar, 1999).

On March 13, 2001 Cash Resources Ltd. announced a change of name to Cash Minerals Ltd.. (Sedar, 2001).

In 2005, Cash Minerals Ltd. completed a total of four diamond drill-holes (886.57 m) on the Division Mountain Property. That same year, Norwest Corporation (“Norwest”) of Salt Lake City, Utah, was contracted by Cash Minerals Ltd. to complete an initial resource estimate to NI 43-101 standards. The results of the 2005 drilling program, a review of all previous assessment work, coal quality tests and a site visit were completed and a report entitled “*Geologic Evaluation and Resources Calculation on the Division Mountain Property, Yukon Territory, Canada*” was prepared by T. Becker and published on March 9, 2005.

This initial report by Norwest was followed up with a series of reports between 2006-2008 including:

- Norwest Corporation, 2008. *Division Mountain Project Pre-Feasibility Study* for Cash Minerals Ltd.
- SNC-LAVALIN Thermal Power, 2006 *Division Mountain Power Project* for Cash Minerals Ltd.
- The McCloskey Group, Ltd., 2008. The Markets for *Division Mountain Steam and PCI coals* for Cash Minerals Ltd.

Various changes in management of the company then occurred and on June 24, 2010 Cash Minerals Ltd. announced a name change and share consolidation to Pitchblack Resources Inc. ("**PIT**"). On January 22, 2013, PIT contracted Mines Online Inc. to undertake promotional efforts to sell the property. The author conducted a series of visits to the property between 2009 and 2011 to update the management on the status of the property, examine the condition of core storage at site, and to locate former diamond drill-hole locations. A majority of the former drill-hole locations were verified and located at their prescribed locations. As whole core of coal samples were removed for testing the author was unable to verify any of the coal data but did find that the remainder of the core was relatively intact. In 2013, PIT contracted Mines Online Inc. to undertake promotional efforts to sell the property.

Recently the Yukon Geological Survey has been actively studying the hydrocarbon and coal bed methane potential of the Whitehorse Trough (YGS Open File 2015-23; Lowey et al, 2008 and 2009; Beaton et al, 1992; Hayes et al, 2012; White et. al, 2012, Hutchison, 2017). These reports noted that the Whitehorse Trough is a frontier intermontane basin that is prospective for oil and gas from both conventional and unconventional reservoirs in nine possible plays. All nine plays were deemed prospective for gas and three were deemed to have potential for oil as well. They further highlighted three areas with the greatest potential for hydrocarbon resources, two of which (i.e. Five Fingers Area and Division Mountain) are within the coal exploration licence areas held by the Corporation. The studies have concluded that the evidence for the presence of both conventional and unconventional hydrocarbons in the Whitehorse trough is compelling and assessed volumes are sufficiently substantial to support additional exploration and assessment work (Hayes et. al, 2012).

Geological Setting and Mineralization

This section describes regional geology, stratigraphy and structural geology of the Division Mountain Property.

Regional Geology

The Division Mountain Property lies within Whitehorse Trough, a northwest-trending, fore-arc basin comprised of Mesozoic volcanic and sedimentary rocks (See Figure 7.1). The Whitehorse Trough constitutes the northern end of the Intermontane Belt of the Canadian Cordillera. The Whitehorse Trough sequences are bounded by the Omineca Crystalline Belt to the east and the Coast Plutonic Complex to the west. The Division Mountain Property terranes are bounded by the Braeburn Fault to the north and the Miners Fault to the south. Yukon Crystalline Terrane comprises both Paleozioc igneous and sedimentary rocks as well as their metamorphosed equivalents. The Whitehorse Trough contains the coal-bearing strata currently under exploration.

During Late Triassic time an island arc assemblage consisting of a 7,000 m thick succession of Lewes River Group aphyric to augite-phyric basaltic andesite flows, breccias and tuff, conglomerate, wacke, limestone and shale was deposited within Whitehorse Trough. Succeeding Jurassic basin-fill stratigraphy is more complex due to disconformities and hiatus in sedimentation and to diachronous or inter-fingering relationships in the shallow water and

nearshore facies. In general, two sequences are present: Lower to Upper Jurassic conglomerate and sandstone turbidites of the marine to deltaic Laberge Group; and, Upper Jurassic to Cretaceous conglomerate, sandstone, mudstone and coal of the largely alluvial Tantalus Formation.

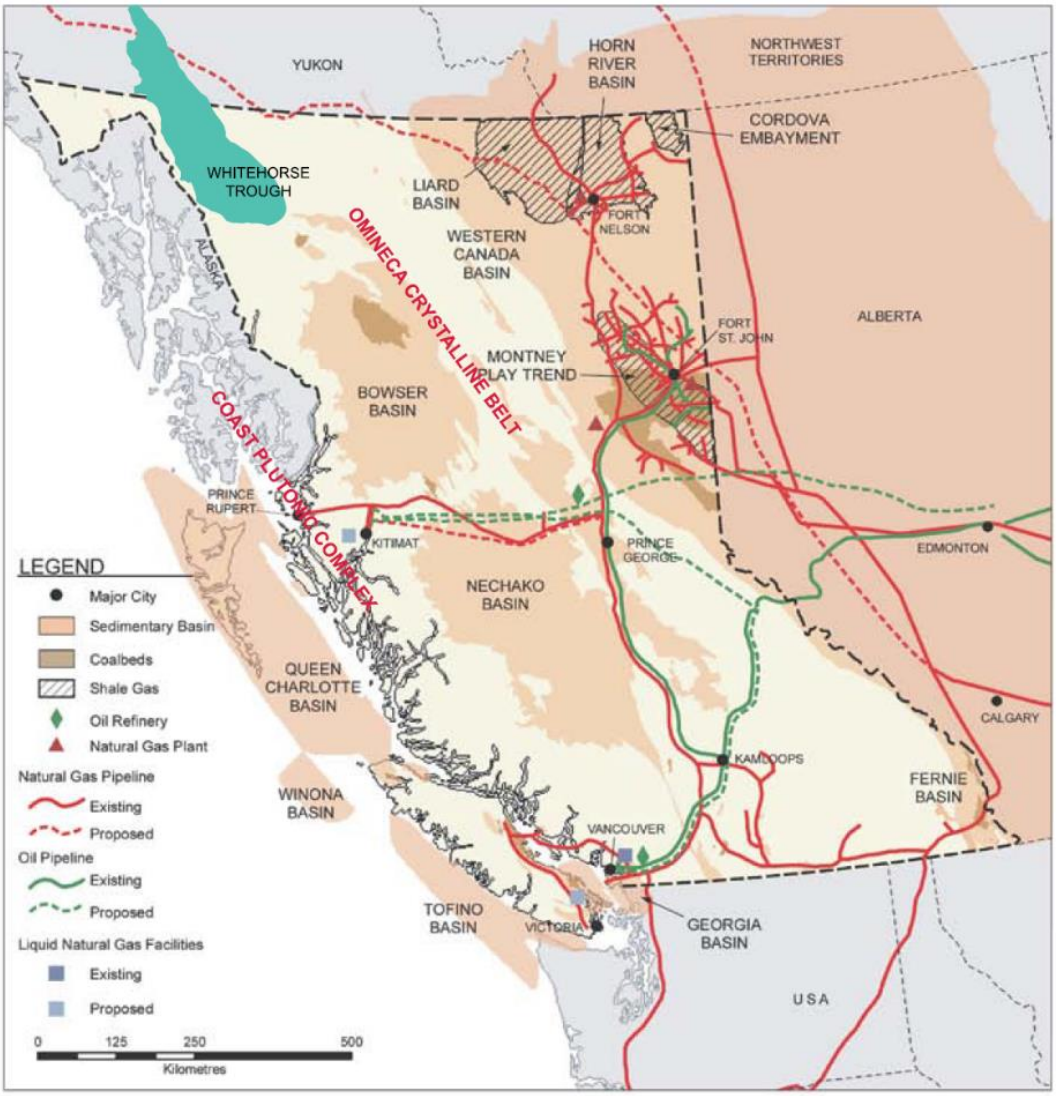


FIGURE 7.1	
2560344 Ontario Inc. MAP OF WESTERN CANADA CORDILLERA, SHOWINS LOCATION OF WHITEHORSE TROUGH AFTER YGS. MR6	
DATE: 01/05/2017	K. Brewer P.Geo.

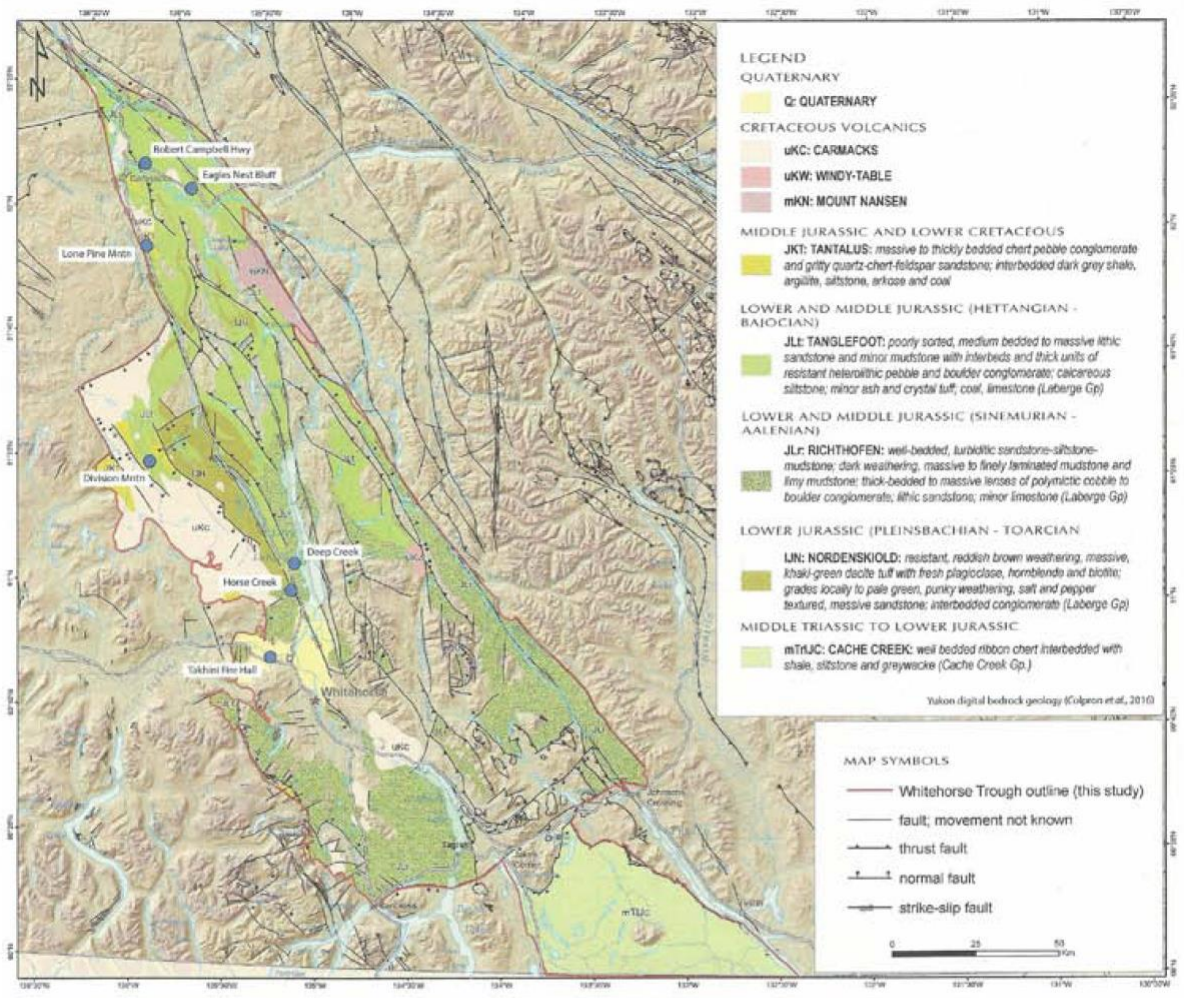


FIGURE 7.2	
2560344 Ontario Inc. GENERALIZED GEOLOGY OF THE WHITEHORSE TROUGH AFTER COLPRON, 2011	
DATE: 01/05/2017	K. Brewer P.Geo.

Stratiagraphy

Generalized geology of the Division Mountain Property is given on Figure 7.2 and 7.5. A stratigraphic representation of the Whitehorse Trough is presented in Figure 7.4 (after Hart, 1997). Detailed geology of the main area of exploration along with Section locations is shown in Figure 2.1, with cross - sections through the coal measures in Appendix 1 of the Technical Report.

Whitehorse Trough stratigraphy can be divided using major bounding disconformities between distinct sedimentary sequences deposited along the basin margins. These sequences are the Lewes River Group shallow marine carbonate and clastic rocks; Laberge Group conglomerate and sandstone turbidites; and the Tantalus Formation, a largely alluvial package of chert pebble conglomerate, sandstone, shale and coal.

The Lewes River Group represents to oldest stratigraphy within the Trough consisting of Upper Triassic to Jurassic volcaniclastic conglomerates overlain by alternating lenses of greywacke and limestone.

The Laberge Group is subdivided into the following formations: (i) Conglomerate Formation, Hettangian to Bajocian in age, and consisting of polymitic cobble-boulder conglomerates dominated by granitic to granodioritic clasts; (ii) Richtofen Formation, Hettangian to Bajocian in age, and consisting of interlaminated black shale and wispy silt to fine sandstone laminae; and (iii) the Nordenskiold Dacite, of Sinemurian to Toarcian age, and consisting of thick epiclastic and primary dacite tuffs and flows.

In the Division Mountain Property, the stratigraphy encountered within the coal measure is comprised of three distinctive lithologies; coal bearing strata within the Tanglefoot Formation; the underlying Richtofen Formation; and intrusive andesite bodies (Gish, 1995).

Tanglefoot Formation

The Tanglefoot Formation is the main coal-bearing unit on the property and occurs as fining-upward cycles of subrounded, clast-supported quartz granule conglomerate, brown coarse-grained sandstone and chocolate brown siltstone that often contains plant fossils; and black shale, coaly shale, shaly coal and coal (Gish, 1995). Contacts vary from gradational over several meters to sharp. Thicknesses of all of the constituents of an individual cycle and the number of cycles encountered per drill section vary greatly (Gish, 1995). Often a unit of grey arkosic sandstone with 2 to 8 mm angular rip-up clasts of coaly shale and/or shale lies between the lower contact of the earliest coal-bearing cycle and the Richtofen Formation (Gish, 1995).

A section measured at Red Ridge consists of fifteen sedimentary cycles, each on the order of approximately 10 m thick. A typical cycle consists of:

1. A scour-based arkosic pebble conglomerate containing fossils, twigs and branches lying transverse to paleoflow along 1 to 2 m trough foresets;
2. Conglomerate lags infilling troughs as lenticular beds;
3. A fining-upward zone of medium- to fine-grained arkose containing trough cross-beds, which exhibit an upward decrease in set size;
4. Grey organic rich shale or shaly mudstone containing leaves, grasses and Metasequoia needles and twigs;
5. Coaly shale to shaly coal, commonly rich in coalified twigs and branches;
6. Banded coal; and,
7. Either a transition back to grey shale or an abrupt termination by the basal pebbly conglomerate bed of the next cycle.

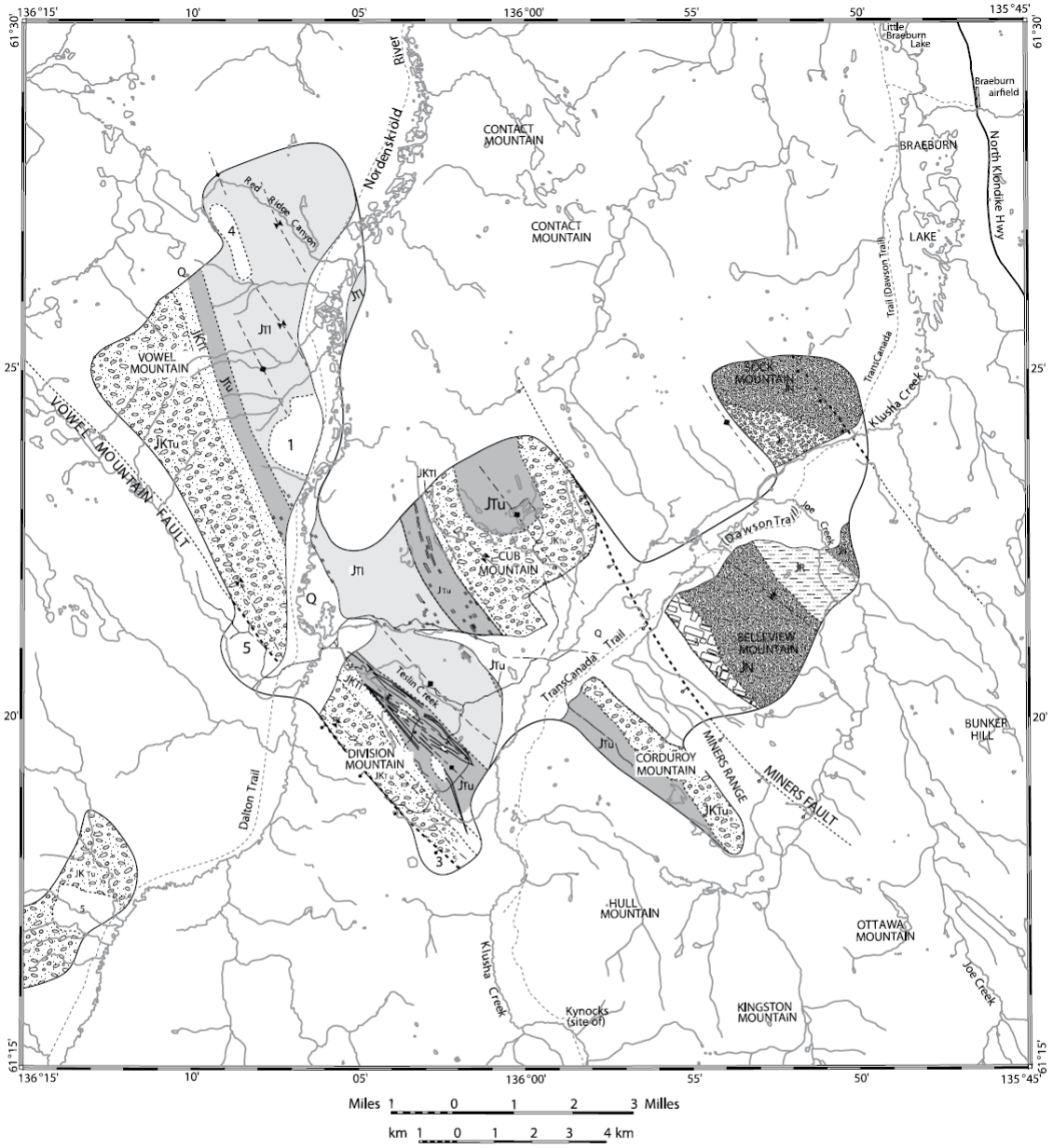


FIGURE 7.3	
2560344 Ontario Inc. GEOLOGICAL MAP OF THE DIVISION MOUNTAIN AREA AFTER ALLEN (2000)	
DATE: 01/05/2017	K. Brewer P.Geo.

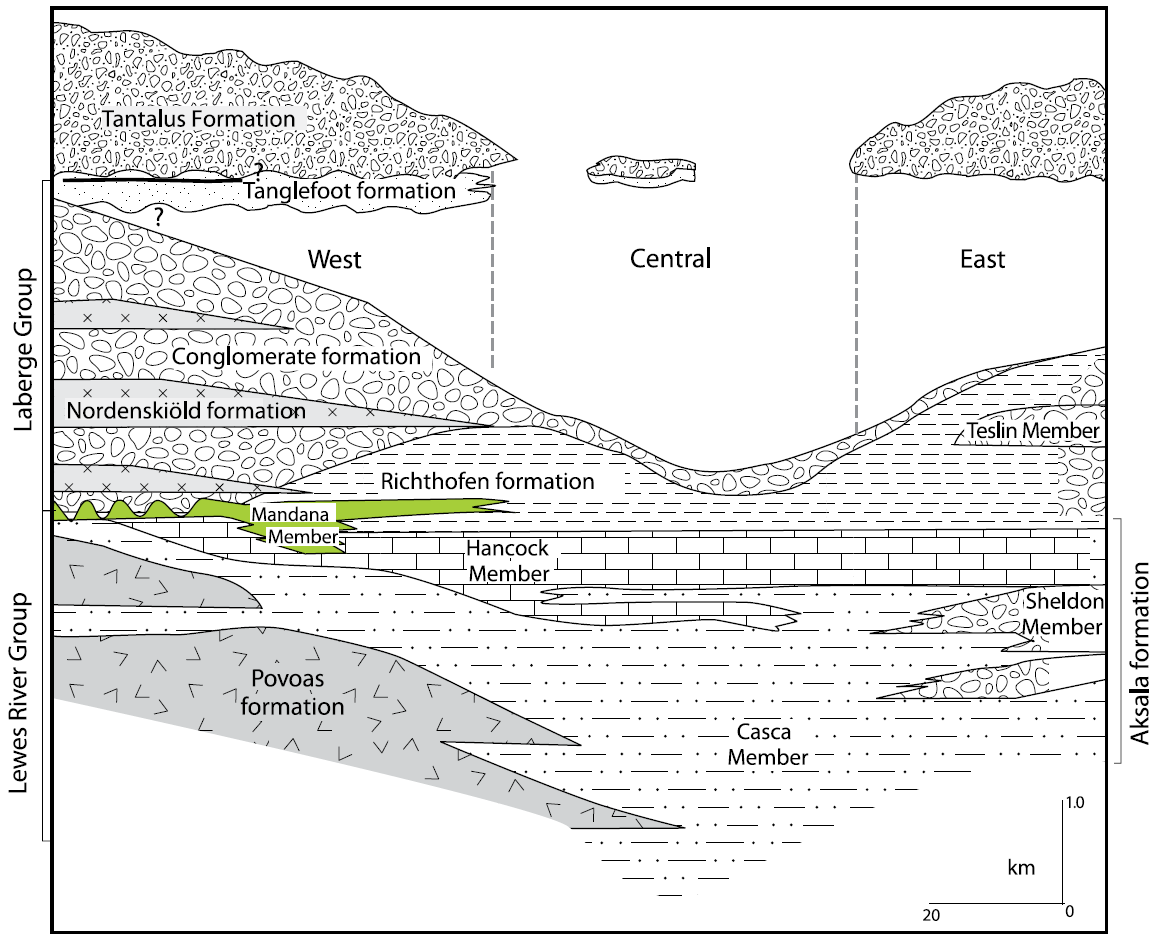


FIGURE 7.4	
2560344 Ontario Inc. STRATIGRAPHIC REPRESENTATION OF THE WHITEHORSE TROUGH (After Hart, 1999)	
DATE: 01/05/2017	K. Brewer P.Geo.

The depositional environment was one of a broad coastal zone characterized by tidal marshes and high- constructive river-dominated deltas (Lowey, 2008), rapidly aggrading flood-dominated delta. Cross-bedded conglomerate-sandstone cycles represent point-bar deposits from a high energy fluvial system. Paleo-current variance supports a meandering river interpretation. Of particular interest is that, despite the generally coarse-grained nature of the channel sandstones and conglomerates, the overbank deposits and related coals are relatively thick and demonstrate remarkable lateral continuity. The coal seams were deposited in long-lived delta plain swamps that served as collection sites for transported organic material and for generation of peat bogs. Closer to the Tanglefoot-Tantalus contact, coal becomes less abundant. Instead, grey shale and coaly shale predominates as much thinner beds than the coal seams lower in the succession.

Trenching in the vicinity of Cub Mountain and Corduroy Mountain exposed northeast-dipping coal and Tanglefoot Formation stratigraphy. This is probably a fold repeat of the coal-bearing Division Mountain and Cairnes Syncline Tanglefoot Formation sequences.

Resistant beds of thick-bedded chert pebble conglomerate of the Upper Jurassic to Lower Cretaceous Tantalus Formation cap the Tanglefoot Formation coal-bearing sequence, forming prominent topographic highs at Division Mountain, Red Ridge and Corduroy Mountain. Depositional environment of the Tantalus Formation appears to be one of an active flood plain. Coal has previously been mined within the Tantalus conglomerates 100 km to the north of Division Mountain in the Carmacks region. Coal float has been found in the vicinity of gopher holes in areas underlain by the Tantalus Formation at Division Mountain and Red Ridge but to date none has been found in bedrock.

Richtofen Formation

The lithologically distinctive Richtofen Formation serves as an easily recognizable base for the overlying coal measures (Gish, 1995). Brown weathering black mudstone, with wispy siltstone to fine sandstone laminae in the form of low amplitude cross-stratification, alternates with thick (>10 m) intervals of massive brown weathering calcareous sandstone. Fossil gastropods were found in the Richtofen Formation in diamond drill-hole 94-38 (Gish, 1995). However these are not considered index fossils and cannot therefore be used for accurate dating (Gish, 1995). A Lower to Middle Jurassic depositional span is recorded elsewhere in Whitehorse Trough for the unit but since this sequence is likely diachronous, being a record of a nearshore facies that migrated with basin fill, the precise age of the Richtofen Formation in this area will remain unknown until it can be locally constrained by paleontological data.

Andesite

Small stocks, dykes and sills of porphyritic basalt, andesite and dacite intrude the Tanglefoot Formation coal measures. This intermediate to mafic altered andesite to basalt sequence, of likely intrusive origin, appears for the most part to be sill-like bodies conformable with the Tanglefoot and Richtofen stratigraphy although they do on occasion crosscut the formations (Gish, 1995). The presence of glassy chill zones and rare amygdaloidal textures are indicative of emplacement in a near-surface setting (Norwest, 2008). Colors vary from pale green to dark green. Carbonate veins, veinlets and stringers are common throughout (Gish, 1995). Composition is primarily cryptocrystalline clay and/or plagioclase, carbonate, augite and quartz (Gish, 1995). Age of the intrusions is unknown but they are probably related to regionally extensive volcanic rocks of the Upper Cretaceous Carmacks Group, which unconformably overlie the Laberge and Tantalus stratigraphy in the Division Mountain Property area. In 1995 eight drill core samples were sent for analysis at Vancouver Petrographics Ltd. in Langley, British Columbia (Gish, 1995). All the samples were recognized as intermediate-mafic volcanic lithology, representing altered porphyritic andesite to basalt.

Stratigraphy – Whitehorse Trough

Other important stratigraphic units assigned to the Whitehorse trough basin underlie the coal exploration licence areas of the Corporation and will now be briefly described in the following sections.

Cache Creek Terrane

The Cache Creek Terrane is an oceanic allochthon within the Whitehorse trough that comprises of a massive, finely crystalline, locally crinoidal and fusiline limestone with limestone breccia, recrystallized limestone, and minor dolostone (Colpron, 2011). These rocks were thrust over Whitehorse Trough strata during a Middle Jurassic accretionary event.

Lewes River Group

In the Whitehorse trough the Lewes River Group is represented by the Povoas Formation and the Aksala Formation.

The Povoas Formation is interpreted as predominantly subaqeous lava flows and volcaniclastic deposits (Templeman-Kluit, 1978).

The Aksala Formation is assigned to the upper member of the Lewes River Group. The Aksala Formation is interpreted as platform to slope, reef, and littoral deposits (Templeman-Kluit, 1978).

An unconformity (spanning approximately 5 Ma.) separates the formation of the Lewes River Group from the overlying Laberge Group (i.e. Richtofen, Nordenskiold and Tanglefoot Formations).

Nordenskiold Formation (Laberge Group)

The Nordenskiold Formation is the middle unit of the Laberge Group and underlies the Tanglefoot Formation and overlies the Richtofen Formation. It is characterized massive bedded crystal-rich volcaniclastic rocks. It is approximately 100 meters thick and occurs mainly as isolated, massive outcrops near the center and western margins of the Whitehorse Trough. U-PB zircon ages date the formation at a range of 188.5 – 182.5 Ma. It represents mainly sub-aerially erupted pyroclastic beds.

Tantalus Formation

The Tantalus Formation (Middle Jurassic-Lower Cretaceous) overlies unconformably with the Tantalus Formation, the uppermost sequence of the Laberge Group. It consists of chert-pebble conglomerate and coal-bearing sandstone and mudstone. This formation is host to the major coal deposits mined at Tantalus Butte and Tantalus immediately northeast of Carmacks. This formation is at least 1000 meters thick and occurs widely scattered throughout the Whitehorse Trough and represents sedimentation in fluvial and lake environments.

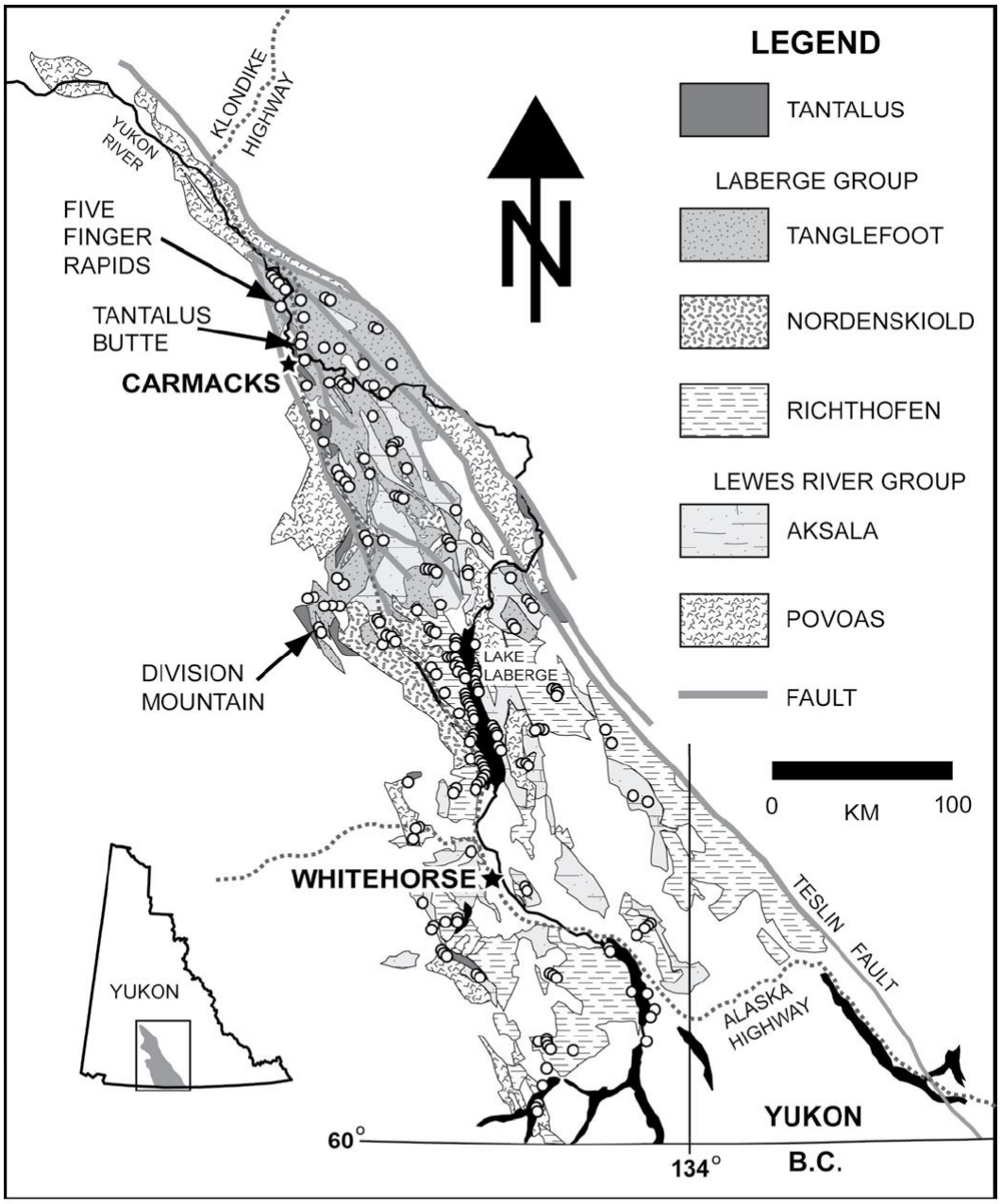


FIGURE 7.5	
2560344 Ontario Inc. GENERAL GEOLOGY MAP OF WHITEHORSE TROUGH YUKON (After Colpron et. al. 2000)	
DATE: 01/05/2017	K. Brewer P.Geo.

Detailed Geology of the Division Mountain Coal Measures

Coal seams occur throughout the 450 meter thick Tanglefoot Formation but to date the thickest and most continuous accumulations of coal in the Division Mountain Property area are found to be present near the base of the Tanglefoot Formation. Internal stratigraphy and structure of the recessive coal measures is best illustrated on the geology map (Figure 7.3) and on cross sections showing drill-hole data (Figure 2.1 and cross sections in Appendix 1 in the Technical Report).

At Division Mountain three depositional basins are present (Gish, 2000). On the southeastern end of the coal deposit at approximately Sections 9+00N and Section 10+050N, Seams 1a to 2b lie near the Tanglefoot-Richtofen contact. Seam 1 a, which forms the base of the coal measures, is unusually thick here. For example in Hole 97-61 Seam 1a reached a maximum thickness of 17.3 meters (Gish, 2000). A relatively thick barren interval lies between Seams 2 and 3.

A stratigraphic cut-out or pinch-out is thought to occur on Section 10+050N where only Seam 1a at 1.7 meters thick is present near surface (Gish, 2000). However Hole 97-60 intersected a 16.8 meter thickness in the same seam just 80 meters down the dip (Gish, 2000).

Between Section 10+050N and Section 13+962N, another pinch-out is present (Gish, 2000). Seams 1 to 3 are moderately thick and lie in an evenly spaced manner within a 50 meter stratigraphic interval approximately 20 to 30 meters above the Tanglefoot-Richtofen contact. Seams 4 and 5 are also present above a 40 to 50 meter barren interval.

Northwest of Section 13+962N, Seams 1 and 2 are not present (Gish, 2000). A number of relatively thin subsidiary splits of Seams 3, 4 and 5 have been intersected by drilling, however only the basal Seams 3c and 3e have any economic significance (Gish, 2000).

Structural Geology

Deformation in the Whitehorse Trough occurred primarily as flexural slip folding during the Middle Cretaceous within synclinal and anticlinal axes trend north-northwest, parallel to the trough axis. Fold wavelengths are generally between 500 m and 2 km, although complex tight folds with wavelengths less than 3 m have been noted (Gish, 2000). The coal-bearing Cairnes Syncline outlined by 1994- 95 exploration trends 310° and plunges 9° to the northwest (Figure 12.1). The limbs dip between 25 and 72°. Drilling in 1997 and 1999 concentrated on the coal rich east limb of the Division Mountain Syncline about 2 km south of the Cairnes Syncline. This syncline also trends approximately 310° with the east limb dipping 45 to 55° to the southwest. Exploration to date has not yet defined either the fold nose or the western limb of the Division Mountain Syncline. The folded stratigraphy has only been slightly modified by northwest- and northeast-trending normal faults with minor dip-slip displacements (Gish, 2000).

In the northernmost area of the Whitehorse Trough, the Tantalus Basins appear to have been deposited in narrow valley-confined systems during intervals of regional convergence of Stikinia, Quesnellia, and the Yukon-Tanana Terranes with the North American craton. Deformation of the pre-Tantalus strata in the Whitehorse Trough began in the Bajocian and continued during deposition of the Tantalus Formation, continuing into the Paleogene. The en echelon pattern of folds in the Whitehorse Trough suggests that some dextral strike-slip movement may have occurred during Upper Jurassic to Lower Creataceous folding and this may have directly influenced the geometry of ther Tantalus basins (Colpron, 2011). Lowey (2008) estimated that the Tantalus and Tanglefoot Formations in the northern part of the Whitehorse Trough must have been buried by about 3-4 kilometers of strata, prior to Aptian to Albian uplift, erosion and deposition of volcanic strata (Mount Nansen Group) and overlying Carmacks Groups (Colpron, 2011).

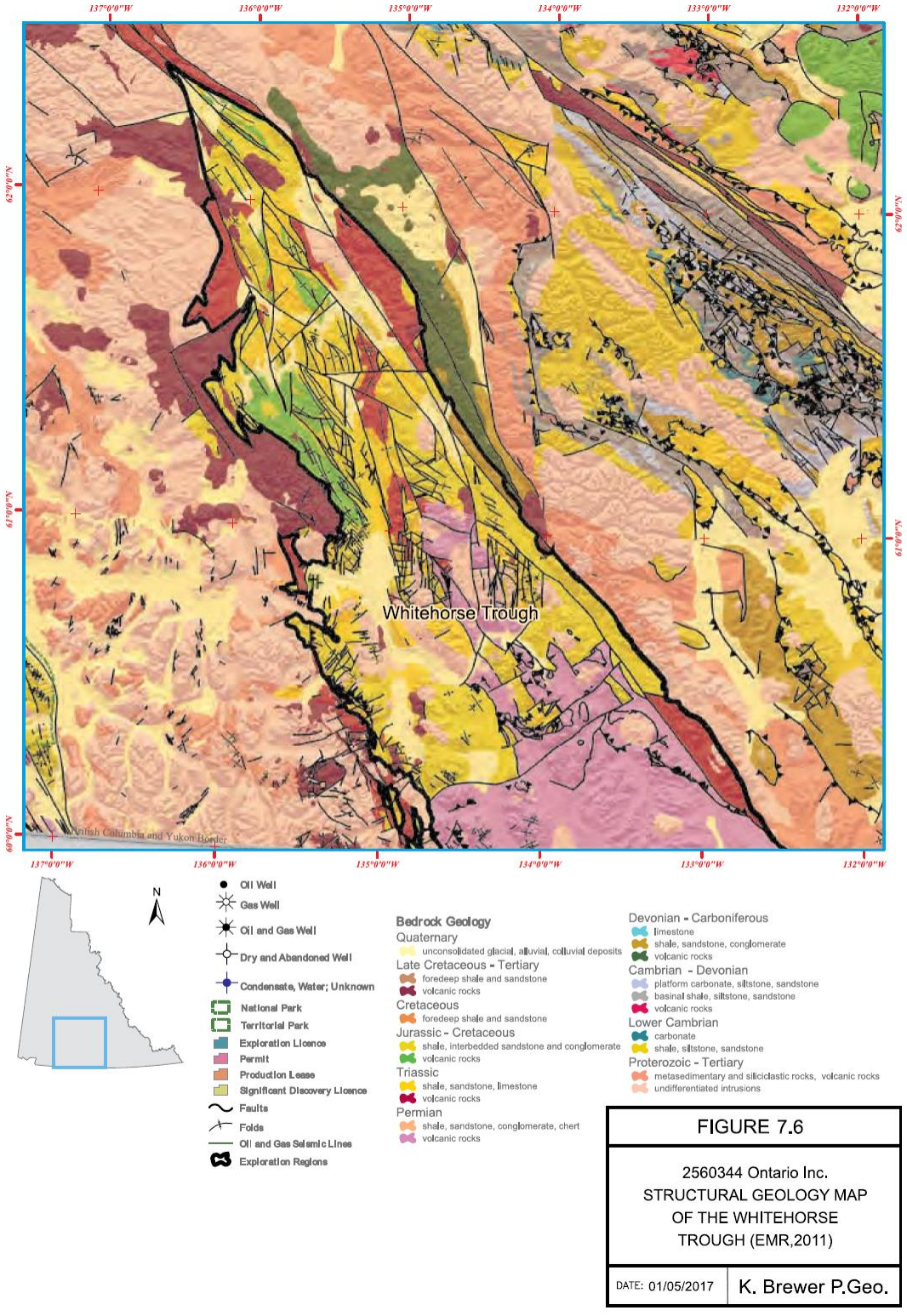


FIGURE 7.6

2560344 Ontario Inc.
STRUCTURAL GEOLOGY MAP
OF THE WHITEHORSE
TROUGH (EMR,2011)

DATE: 01/05/2017 | K. Brewer P.Geo.

Mineralization

Coal mineralization has been identified in a large number of occurrences throughout the Whitehorse Trough. The focus of this report is on the coal found in the Division Mountain Property area but other coal occurrences occur in the Walsh Mountain area, Five Fingers area, and close to the community of Carmacks.

To the author of the Technical Report's knowledge these occurrences have never been fully

compiled in a singular report but they are noted in the following sections.

Division Mountain

There are limited natural exposures of coal in the Division Mountain Property area. Almost all of the bedrock occurrences, with the exception of possible exposures in the westernmost portion of the property, have either been located by hand or machine trenching through glacial till cover in areas of coal float or where coal-bearing stratigraphy has been projected to be present.

Coal seams occur throughout the 450 meter thick Tanglefoot Formation but the thickest and most continuous accumulations of coal are present near the base of the unit. Coal-bearing rocks comprise of interbedded sandstones and shales in roughly equal proportion (Carne, 1992).

The coal seams are generally vitreous to dull black in color fissile to massive bedded and brittle (Gish, 1995). Fissility varies with argillaceous content (Gish, 1995).

Sections of coal with moderate to high amounts of argillaceous matter are also more susceptible to shearing. Pyrite content is low and occurs as flakes or plates along bedding/shear planes. Calcite veins (<1mm) also occur infrequently within the coal seams (Gish, 1995). Competency of the coal intersected in drill-holes is variable but was, for the most part, rated as high (Gish, 1995).

Petrographic analysis of the coal seams noted that on a mineral-matter free basis, the coals form the Teslin Creek portion of the Division Mountain deposit contained an average of 54% vitrinite, predominantly desmocollinite. Macerals of the liptinite group (primarily sporangite) comprised on average 10% of the coal, and an average total inertite content (principally fusinites) was approximately 36% (Gish, 1996).

Internal stratigraphy and structure of the recessive coal measures is best illustrated on the geology map (Figure 7.3) and on cross sections showing drill-hole data (Figure 2.1, and cross sections in Appendix 1 of the Technical Report).

Coal in Other Areas of the Whitehorse Trough

In the northernmost section on previously held licenses by Pitchblack Resources Ltd.,, the coals of the Tantalus deposits have been extensively studied and possibly could provide further reference to the specific nature of coal mineralization in that region. This level of detail is beyond the scope of the study in the Technical Report but research into coal mineralization from the Tantalus mines may aid in exploration of the coal licenses in that region.

Coal Quality

There is extensive information on coal quality in the Whitehorse Trough from studies conducted on the Division Mountain Property and Tantalus Mine deposits. Studies to date suggest that the coal quality improves in the northernmost sections of the Whitehorse Trough. Studies also show that slight variations in coal quality can exist within individual deposits as is the case in the Division Mountain Property. The following sections provide an overview of the coal quality data in these areas.

Division Mountain

During the drilling programs in the late 1990's, whole core samples of coal intersections were sent to Chemex Labs Ltd. of North Vancouver, B.C. in 1992, 1994 and 1995 and to Loring Laboratories Ltd. of Calgary, Alberta in 1997 for proximate analysis (Gish, 2000).

Coal quality data for the 1972 to 1997 drill core intersections are tabulated within the synoptic drill logs (See Appendix 3 of the Technical Report). Analytical certificates from the 1997 diamond drill core samples were are also detailed by Gish (2000).

A seam by seam listing of coal quality data for each drill-hole intersection is also presented in Appendix 3 of the Technical Report. Gish (2000) also calculated a tonnage estimate for each intersection using an area of influence equal to half the distance to the next drill-hole but not exceeding 250 meters from the bedrock surface.

Gish (2000) noted that coal quality in the area of the relatively shallow-dipping southeast limb of the Division Mountain Syncline was better than the deposit average. For instance, he noted that the calorific value of the seam in this portion of the deposit was 5,315 cal/g versus the average of 5,161 cal/g, considered to be due largely to lower ash contents. Other seams in this portion of the deposit were also noted to have lower ash content (Gish, 2000), for example 8.7% ash (Seam 3d, Section 9+100N), 8.2% ash (Seam 3c, section 10+00N), 8.2% ash (Seam 3b, Section 9+700N), 13.0% ash (Seam 2c, section 9+700N), 12.3% ash (Seam 2b, 9+700N) and 14.3% ash (Seam 1b, 9+100N). Gish (2000) concluded that the coincidence of shallow-dipping, low ash coal in thick seams is even more important in the context of the excellent potential for further expansion of near-surface reserves by additional drilling in the south-easternmost portions of the Division Mountain Syncline.

More recent coal quality tests have been conducted by Norwest (2005, 2006). Prior to 2005, limited studies had been conducted with regards to washability analysis and estimating the potential of coalbed methane resources. Norwest completed proximate analysis on samples from the 2005 drilling program and calculated an average analysis for the Division Mountain deposit raw coal, based on an air dried basis, to be 2.8% Residual Moisture, 27.6% Ash content, 26.3% Volatile Matter, 43.7% Fixed Carbon, 0.45% Sulphur and a calorific value of 5,159 cal/g (see Table 7.1).

Seam	Thickness Meters	Calorific Value cal/g	Residual Moisture %	Ash %	Volatile Matter %	Fixed Carbon %	Sulphur %	Bulk Density g/cc
5	3.1	4252	2.0	37.6	2.0	44.0	0.34	1.59
4	6.2	5390	3.6	24.8	3.6	45.3	0.41	1.50
3e	3.9	5207	3.0	27.3	3.0	45.0	0.43	1.52
3d	3.1	5806	2.6	21.3	2.6	46.5	0.48	1.46
3c	3.7	5280	2.6	26.9	2.6	43.1	0.51	1.50
3b	3.4	5006	3.5	29.0	3.5	44.4	0.47	1.54
3a	4.5	5043	2.9	29.2	2.9	41.7	0.47	1.53
2d	7.7	5310	1.9	25.5	1.9	43.0	0.39	1.50
2c	2.2	5880	3.2	19.8	3.2	48.1	0.54	1.47
2b	5.4	4852	2.6	29.9	2.6	43.3	0.43	1.54
2a	3.6	5385	3.5	30.2	3.5	40.3	0.53	1.55
1c	1.3	4364	2.1	32.3	2.1	38.7	0.43	1.56
1b	3.3	5422	2.7	22.9	2.7	45.7	0.50	1.49
1a	10.1	5023	3.5	29.8	3.5	43.2	0.44	1.57
	4.4	5	2.8	2	2.8	4	0	1

Table 7.1 Coal Quality Analysis

The average analysis corresponds to an ASTM rank of High Volatile Bituminous “B” Coal (Norwest, 2006). No coking test, long proximate analysis, or rank analysis has been performed on samples from the property (Norwest, 2008). The low Sulphur nature of the coal may reduce the need for expensive scrubbers in a thermal power generation facility (Carne, 1992). Trace element content is also very low with average selenium values of 0.6 ppm, antimony values of 0.5 ppm and arsenic values of 3.0 ppm (Carne, 1992).

With the current scenario of development proposed to provide coal only to a mine-mouth power generation facility there would be no need for the coal to be washed. However, if the Division Mountain Property coal was to be exported to global markets, it would need to be washed, prior to shipment.

Coal Quality on Other Areas of the Whitehorse Trough

Coal quality data is available from the Tantalus mines and the occurrences at Five Fingers and Andesite.

As previously noted, the Tantalus mines are not included within the coal exploration licences but provide a strong indication of the coal quality that may exist within the northernmost coal licenses held by the Corporation. The main coal seam at Tantalus Butte was classified as high -volatile bituminous coal with an average analysis of 14% ash, 35% volatile, 51% fixed carbon and a gross calorific value of between 11,000 and 12,700 BTU.

At the Andesite coal occurrence, in 1910 the Department of Mines assayed thin seams of anthracite which gave sample results of 4.68% water (Moisture), fixed carbon 72.26%, 7.47% ash and non-coherent coke at 79.73%. Using the Research Council of Alberta formulas this would give a gross calorific value of the coal as between 15,700 to 16,000 g/BTU (Minfile, 115H 002). Teslin Exploration also sampled this occurrence from 3 localities and results ranged from 8.0 to 19.3% water (Moisture), 11.8 to 14.7% volatiles, 23.9 to 66.5% fixed carbon, and 0.5 to 0.6% Sulphur with the coal rank ranging from sub-bituminous A to sub-bituminous C and dry calorific value ranging from 4,750 to 10,340 g/BTU all non-coking .

At the Five Fingers coal occurrence, in 1908 the Department of Mines assayed two coal seams which gave results of 5.29% water (Moisture), 31.64% volatiles, fixed carbon 40.12%, 18.45% ash and reportedly produced an excellent, firm, coherent coke with reported gross calorific value of between 12,100 to 13,600 g/BTU (Minfile, 115I 004). Teslin Exploration also sampled this occurrence and results ranged from 8.4% water (Moisture), 16.7% ash, 32.8% volatiles, 40.1% fixed carbon, and 0.2% Sulphur with the coal rank high volatile bituminous C and dry calorific value of 10,740 g/BTU all non-coking.

Coal Bed Methane and Conventional Hydrocarbons

R.C. Carne was one of the first geologists to discuss the potential for coal bed methane in the Division Mountain Property area. In 1992, he reported that “the coal has a high liptinite content” and this coupled with the high volatile rank, suggests that the potential for significant coalbed methane resource is high.

Coal bed methane is a gas created as a result of coal formation. Natural gas is approximately 74% methane. Gas from coal beds is reported to be approximately 98% methane and is invariably low in hydrogen sulphide and sulphur dioxide. Regardless of the sulphur content of the coal and coal measures, coal bed methane has a calorific value similar to, and substitutes readily for, natural gas (Carne, 1992). The gas content of a coal bed is variable and is related to gas formation during coalification as well as the post-depositional history and current geological condition of the coal bed.

In the 1990’s the Alberta Geological Survey standard used for estimating coal bed methane potential was 13.5 cubic meters of gas per tonne of bituminous coal in seams greater than 0.5 meters thick, half of which is considered to be recoverable. Carne (1992) used this methodology to estimate that the recoverable coal bed methane potential of the Division Mountain Property could be as high as 75 billion cubic meters.

Lowey et al., (2009) evaluated over 600 samples from the Aksala, Richtofen, Tanglefoot and Tantalus Formations using Rock-Eval programmed pyrolysis and combustion testing complimented with a study of thermal alteration indices (TAI) of palynomorphs, conodont alteration indices (CAI) and vitrinite reflectance. The Povoas and Nordenskiold Formations were not sampled as they consist of volcanic and volcaniclastic rocks, and hence have no source rock potential. Both the Tanglefoot and Tantalus Formations were defined to be good source rocks and that are immature to early-mature and gas-prone. They noted that potential petroleum (gas) generative intervals occur at surface and in the shallow subsurface in deltaic mudstones (Tanglefoot Formation) and fluvial mudstones (Tantalus Formation). They concluded that the most prospective areas for petroleum exploration included Five Finger Rapids, Division Mountain and Tantalus Butte and in the northern portion of the Whitehorse Trough. As previously noted, with the exception of Tantalus Butte, the coal exploration licences cover all of these prospective areas for petroleum exploration.

Petrel Robertson Consulting Ltd. who completed an assessment of the petroleum resource potential of the Whitehorse Trough for the Yukon Geological Survey in 2012 concluded that there was hydrocarbon prospectivity in nine plays:

1. Cache Creek Assemblage Structural (speculative)
2. Lewes River Structural
3. Hancock Stratigraphic
4. Tanglefoot (Structural)
5. Tanglefoot (Stratigraphic)
6. Tanglefoot CBM (Speculative unconventional)
7. Richtofen Stratigraphic/Tight shale/shale gas (Speculative unconventional)
8. Tantalus Stratigraphic/Structural
9. Tantalus CBM (Speculative unconventional)

The Technical Report recommended that a summary report compiling all of the study results relating to the potential for conventional and unconventional hydrocarbons, including coal bed methane, be compiled for the Corporation.

Deposit Types

As specified in GSC Paper 88-21 coal deposits are commonly classified with respect to their "Geology Type". Coal "Geology Type" is a definition of the amount of geological complexity, usually imposed by the structural complexity of the area. 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 drill-hole.

The classification scheme of GSC Paper 88-21 is similar to many other international coal reserve 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. Four classes of Geology Type are provided for that range from the first, "low", which is for Plains type deposits with low tectonic disturbance; to the fourth, "severe", which is for Rocky Mountains type deposits.

The Division Mountain Property falls within the 'moderate' category based on broad open folds (wavelengths from 400 m to well over 1.5 km), relatively uncommon faults (displacements ranging from 10's of meters up to 100 m) and average bedding inclinations of approximately 50º (range from 25º to 72º).

Coal deposits are further classified on the basis "Deposit Type" as defined in GSC Paper 88-21 which refers to the extraction method most suited to the coal deposit. There are four categories, which are:

1. Surface
2. Underground
3. Non-conventional
4. Sterilized.

The Division Mountain deposit is considered to be a "Surface" mineable deposit.

Exploration

Extensive exploration during the period 1993-2008 at Division Mountain resulted in a significant reserve definition of Bituminous High Volatile B Coal discussed in Chapters 14 and 15 of the Technical Report.

Trenching and other exploration in the Division Mountain area at Cub Mountain and Corduroy

Mountain exposed northeast-dipping coal sequences and Tanglefoot Formation stratigraphy. Gish (2000) noted that these coals were possibly a fold repeat of the coal-bearing Division Mountain and Cairnes Syncline Tanglefoot Formation sequences.

Exploration of the other coal licence areas held by the Corporation. had limited exploration in the 1990's that was conducted primarily by Archer Cathro and Associates (1981) Limited.

This section provides an overview of exploration efforts since the 1990's on the coal occurrences throughout the Whitehorse Trough.

Division Mountain

Extensive trenching programs have been conducted at Division Mountain and had good success in delineating coal seams and prospective exploration areas.

- The 1994 and 1995 excavator trenching programs utilized a Caterpillar 235 operated under contract by 10983 Yukon Ltd. of Whitehorse. The programs consisted of thirty (30) trenches totaling 5.9 kilometers in length and required 928 hours of excavator time
- The 1997 excavator trenching program required 569 hours of Hitachi UH09 excavator time to complete twenty-one (21) trenches totaling 2,695 m in length. The excavator was operated under contract by 15317 Yukon Inc. of Whitehorse
- Trenching in 1998 consisted of six trenches totaling 1,329 m completed with 116.5 hours of excavator time.
- In 1999 four excavator trenches totaling 315 m were completed with a Caterpillar 235 excavator operated by Caron Diamond Drilling Ltd. of Whitehorse.
- Limited geophysical surveys have been conducted with limited success in delineating coal seams.
- In 1993 VLF-EM, EM-31 and total magnetic field surveys were conducted over 16.5 km on grid crosslines between 10+000N and 15+182N. The readings were taken at 10 m stations by Amerok Geophysics of Whitehorse, Yukon (Wengzynowski et al, 1994).
- Geophysical surveys during the 1994 exploration program included 36.9 kilometers of VLF-EM at 10 meter intervals on 300 meter lines spacing and 576 meters of reflection seismic surveys with a constant 4 meter geophone interval on selected VLF-EM lines (Gish, 1995). VLF-EM lines were run with 27.4 kilometers orientated at 130° and 9.5 kilometers orientated at 040°. The lines orientated at 130° were intended to test the eastern limb of the Division Mountain syncline while those orientated at 040° were used to better delineate the nose of the Cairnes syncline.

As previously noted, extensive drilling of the Division Mountain Property deposit has been conducted. The drilling program to date has been very successful in delineating the coal deposit at the Division Mountain Property. Further drilling is required to explore potential areas for extension of the deposit to the southwest and unexplored areas to the west.

Division Mountain Property Area

Coal measures have also been identified at the Red Ridge, Upper and Lower Cub Mountain and Corduroy Mountain, occurrences, all within 7.5 kilometers of the Division Mountain Property.

Red Ridge

The Red Ridge (also named Vowel, see Minfile 115H 012, Appendix 2 of the Technical Report) coal occurrence was first discovered in 1907 by D.C. Cairnes of the Geological Survey of Canada. It lies approximately 5 kilometers along strike to the northwest of the Teslin Creek discovery area (see Figure 2.1) and occurs approximately 245 meters below the base of the Tantalus Formation (Carne, 1992).

In 1972 Arjay Kirker Resources Ltd. relocated the coal showing and measured a section from the top of Red Ridge northeast to the Nordenskiold River, which defines approximately 245 meters of Tantalus conglomerate overlying finer-grained Tanglefoot sedimentary rocks containing coal and carbonaceous shale.

In 1993, a 25 meter hand trench was cut near the break-in-slope to the Nordenskiold River valley (Figure 6.3). A further 15 meters was added to this trench in 1997. The trench profile consists of a blanket of glacial soil overlying a series of sub- horizontal layers of arkose-sandstone grit, sand lenses and coal fragment horizons varying in thickness from 20 to 70 cm. Structures within the coal fragment horizon are virtually nonexistent (Gish, 2000). The nature of the stratigraphy in the trench is most likely attributed to downhill creep of a coal horizon uphill at least 10 meters from the initial exposure and it was thought that the probable aggregate true width of the bedrock coal may be in the range of 12 to 15 meters (Gish, 2000). Gish (2000) made no comment as to whether the Red Ridge area should be further explored.

Upper and Lower Cub Mountain

The Upper Cub Mountain and Lower Cub Mountain showings (also known as Klusha, see Minfile 105E 028, Appendix 2 of the Technical Report) are located approximately 6 kilometers and 3 kilometers, respectively, to the northeast of the Division Mountain deposit (See Figure 2.1). The Lower Cub Mountain Showing is 1.5 kilometers due south of Cub Mountain and the Upper Cub Mountain Showings are located 1.0-1.3 kilometers north of Cub Mountain.

In 1997 a 30 meter long hand trench was completed on the Lower Cub Mountain occurrence (Figure 6.3). The trench exposed coal, shale, siltstone and sandstone of the Tanglefoot Formation. It was cut perpendicular to bedding near the location where numerous patches of coal float were found. Excavator trenching tested this area in 1998 but only encountered 12.8 meters of coaly shale in fifteen seams, the thickest being 9.1m. Permafrost and overburden exceeding the 6 meter reach of the excavator prevented the exposure of bedrock in many of the trenches. Gish (2000) noted this work exposed a 500 to 600 meter southwest oriented excavator trench from the Tanglefoot-Tantalus contact at Cub Mountain towards Division Mountain.

Favorable stratigraphy was identified at the Upper Cub Mountain occurrence but drilling in 1999 suggests that the area lies near the contact of the Tanglefoot and Tantalus Formations and maybe higher in the stratigraphy compared to where coal has been stratigraphically discovered in the Division Mountain Property area.

Corduroy Mountain

Corduroy Mountain (see Minfile 105E 022, Appendix 2 of the Technical Report) is located approximately 6 kilometers east-southeast of the Division Mountain deposit (See Figure 2.1).

Tanglefoot Formation stratigraphy was explored by trenching on the west side of Corduroy Mountain in 1997. This area is 5 kilometers along strike to the southeast of the same stratigraphy exposed at Cub Mountain.

The 1999 trenching program completed a 360 meter long trench and exposed an aggregate coal thickness of 23 meters in 25 coal seams, the thickest seam being 3 meters (Gish, 2000). Drilling in 1999 below the excavator trench exposed several additional coal seams with one hole returning an aggregate thickness of 17.96 meters of coal.

The rocks strike 130 to 150 degrees and dip 45 to 85 degrees to the northeast. Due to overburden thickness which exceeded the 6 meter limit of the excavator, the most favorable part of the lower Tanglefoot stratigraphy at Corduroy Mountain was not explored (Gish, 2000). Gish

(2000) recommended that further excavation trenching should be used to define targets for resource definition.

Campbell Highway and Walsh Mountain Regions

Several coal occurrences occur along the westernmost portion of the Robert Campbell Highway and in the Walsh Mountain area. From west to east, these include:

- Meyers (Minfile 115I 083): Located at 62 degrees 4 minutes N by 136 degrees 3 minutes 52 seconds W. Dominion Explorers Ltd. conducted geochemical sampling in 1987 and are detailed in Yukon Assessment Report #092118.
- Eugene (Minfile 105L 038): Located at 62 degrees 4 minutes 9 seconds N by 135 degrees 54 minutes 36 seconds W. No information on the nature of the occurrence is given. It was staked as a coal lease in August 2004 by Eugene K. Mack.
- Claire (Minfile 105E 011): Located at 61 degrees 55 minutes 37 seconds N by 135 degrees 19 minutes 32 seconds W. Coal is reported to outcrop in Upper Jurassic Tantalus Formation rocks in the Claire Creek area. Reported by the Geological Survey of Canada but never investigated. This occurrence is helicopter accessible only.
- Jumpont (Minfile 105L 03): Located at 62 degrees 0 minutes 11 seconds by 134 degrees 55 minutes 49 seconds. Atlas EL acquired coal exploration licences in this area in 1969 and conducted a geological mapping program in 1970. Coal was reportedly found both as float and in outcrops in seams up to 5 centimeters thick intercalated with siltstone in either the Laberge or Tantalus Formation. This occurrence is helicopter accessible only.
- Walsh (Minfile 105E 012): Located at 61 degrees 57 minutes 33 seconds N by 134 degrees 47 minutes W. Coal float was reported in Walsh Creek prior to 1938. Anvil Mining Corporation conducted limited prospecting in 1966. Coal Exploration Licence 6 was issued to Atlas Exploration Ltd. in 1969 and they carried out prospecting in 1970 the results of which are detailed in Yukon Assessment Report #060585. In 1976-1977, Kerr Addison Mines Ltd. explored the area as coal licences 59 and 60 and conducted ground and airborne geophysical surveys and geological mapping which was reported in Yukon Assessment files #061630; #061631 and #061632. Anvil are also reported to have located several seams of poor grade shaly coal. This occurrence is helicopter accessible only.

Five Fingers Area

The Five Fingers Area is host to coal occurrences at Five Fingers and Rink. These are as follows:

- Five Fingers (Minfile 115I 004): Located at 62 degrees 12 minutes 9 seconds N by 136 degrees 20 minutes 25 seconds W. Coal was first noted at Five Fingers in 1877 by G.M. Dawson and first staked as coal lease 214 in 1898 by W. T. Edmonds. It was then re-staked as coal leases 256 and 258 in 1899 by J. Cameron and C.E. Miller who mined several hundred tonnes near surface by 1904. The coal was extracted from two, high volatile bituminous coal seams each up to 1.2 meters in thickness and that outcrop on the surface. George J. Milton acquired the property in 1905 and formed the Five Fingers Coal Inc. which attempted unsuccessfully to diamond drill and then drove two declines (a total of 345 meters of development) by 1907. The mine was abandoned in 1908 in favor of the coal seams at the Tantalus Mine. In 1966 the original coal leases were acquired by Yukon Coal CL who then transferred them to Anvil Mining Corp. in 1966. Teslin Explorations Limited acquired the surrounding area in 1970 and these coal leases were then transferred to Cyrpus Anvil Mining Corp who conducted geological mapping of the area in 1977. The occurrence is noted to comprise of two coal seams 1.1 and 1.4 meters wide and separated by 7.6 meters of rock. They seams strike north and dip 16 degrees. The coal is noted to occur within the Laberge Formation. Coal quality at this site is noted in section 7 of this report. This occurrence is road accessible.

- Rink (Minfile 115I 092); Located at 62 degrees 18 minutes 59 seconds N by 136 degrees 22 minutes 32 seconds W. Coaly soil was reported by the Geological Survey of Canada but never investigated. No further information is provided. It would require a boat to access the occurrence as it appears to be on the western side of the Yukon River.

Carmacks Area

There are numerous coal occurrences and former mines near the community of Carmacks. This area includes the Tantalus mine deposits which are not included with the Coal License areas. However, the Coal Licenses do include two occurrences as follows

- Losch (Minfile 115H 001): Located at 61 degrees 56 minutes 13 seconds N by 136 degrees 9 minutes 44 seconds W. This was staked as coal lease 4096 by H.E. Porter in 1902. It was re-staked as Losch in 1958 by D. Jennings and A. Roy who drove a 4.6 meter tunnel in 1959. Resoursex Ltd acquired the coal exploration licence 36 in 1976 and conducted some exploration which was reported in Yukon assessment file #061357. It was then leased in 1981 to Fargo Corp. The coal occurrence is thought to be that reported on Lone Pine Mountain by the Geological Survey of Canada, It is reportedly 2.1 meters thick strikes 150 degrees and dips steeply northeast but is largely obscured by overburden.
- Andesite (Minfile 115H 002): Located at 61 degrees 52 minutes 57 seconds N by 136 degrees 6 minutes 48 seconds W. This occurrence was initially staked as coal lease by. H.E. Porter in 1900. No records of any work done at this time are recorded. It was then re-staked in 1970 by P.F. Guder and sampled by Teslin Explorations Ltd who wrote an assessment report. In 1976 Resoursex Ltd acquired Exploration License 36 who then leased it ot Fargo Corp in 1981. Resoursex completed some work which is reported in Yukon Assessment file #061357. Thin seams of anthracite are noted to occur within contorted beds of Tantalus Formation rocks near the contact of a syenite stock. Bulldozing of the Dawson (Klondike) Highway exposed coal seams on the east side at Mileposts 85.5 and 88.0. High quality samples were reported from this occurrence (see Section 7 of the Technical Report).

Drilling

Coal Exploration Drilling - Division Mountain

A total of 68 diamond drill-holes (11,441.57 meters), 20 reverse circulation percussion drill-holes (1,869 meters), and 4 rotary air-blast (RAB) drill-holes along with numerous trenches have been completed on the property. Geology and drill-hole locations in the area of detailed exploration are shown on Figure 2.1 with cross sections through the coal measures in Appendix 1 of the Technical Report. All 68 of the diamond drill-holes, 3 of the reverse circulation percussion drill-holes, and the 4 RAB holes were drilled in a 6.5 kilometer long by 1.5 kilometer-wide southeast trending area. Seventeen of the reverse circulation percussion drill-holes explored three target areas outside the defined deposit.

The 1993, 1994, 1995 and 1997 diamond drilling programs were contracted to E. Caron Diamond Drilling of Whitehorse. The drilling was done with one or two skid-mounted Longyear 38 wire-line equipped drills. All holes were drilled with HQ (6.25 cm diameter) equipment however, badly broken ground necessitated reducing to NQ (4.75 cm diameter) equipment in some holes. Core recovery of the coal intersections averaged about 96%.

Reverse circulation percussion drilling in 1999 was carried out by Midnight Sun Drilling Co. Ltd. using a track-mounted Schramm T6585WS drill supported with a Clark skidder.

RAB drilling was completed by Ground Truth Exploration Ltd. from Dawson City.

Down-hole geophysical logging was performed in 1999 on all reverse circulation drill-holes by Amerok Geoscience Ltd. of Whitehorse, Yukon (Gish, 2000). Resistivity was measured using an IFG BMP-04 galvanic resistivity tool, with 16 inch and 48 inch electrode spacing. Natural radioactivity was quantified with an IFG BSG-01 four channel gamma probe with windows in the 100 KeV to 3 MeV range. Measurement time was constant at one second. The results of these surveys were inconclusive and failed to accurately define the coal seams.

In 2005 a total of four diamond drill-holes (886.57 meters) were completed on the property. Diamond drilling and bulldozer support was contracted to E. Caron Diamond Drilling of Whitehorse. The drilling was done with one skid-mounted Val d'Or wire-line equipped drill and a D7E bulldozer for drill pad construction and drill moves. Holes 05-85, 05-86 and 05-87 were completed with standard HQ equipment while the bottom of holes 05-87 and all of 05-88 were drilled with HQ3 bits and a split core tube.

PVC tubing with an inside diameter of 5.08 cm was inserted into drill-holes 05-86, 05-87 and 05-88. For each of these holes electrical heat tape was suspended inside the PVC tubing from surface to a depth of 60 meters. The completion of these drill-holes with PVC tubing and heat tape may enable the permafrost to be thawed when access to the hole is required.

Aurora Geosciences Ltd. of Whitehorse, Yukon was retained to perform down-hole geophysical logging. They attempted to record natural gamma, self-potential (SP) and resistivity logs in hole 05-85 but due to excessive caving they were not able to log this hole and abandoned any additional surveys. Roke Oil Enterprises Ltd. of Calgary, Alberta was then asked to perform additional logging. Roke arrived on the property as the final hole of the 2005 program was completed. Roke was unable to perform SP and resistivity surveys since the logging sonde was damaged in transit. They were able to logs holes 05-86, 05-87 and 05-88 with gamma ray, neutron and electron bulk density equipment. For each of these holes the HQ rods were lowered to the bottom of the hole then logging was performed through the rods. The rods were then pulled from the hole and the holes logged with a caliper sonde. The results were plotted on strip logs and provided in digital format.

The 2005 drilling program provided large diameter drill core that was used for geotechnical studies. The geotechnical logging of all drill-holes was performed by Archer Cathro and Associates (1981) Limited personnel under instructions and supervision by EBA Engineering Consultants Ltd. of Whitehorse, Yukon.

All drill-holes were marked with a 1.5 meter long wooden plug, bearing an aluminum tag inscribed with hole number, date drilled, azimuth, dip and total depth. Surface inclination of the diamond drill-holes was determined using a Brunton compass with downhole inclination determined by acid tests. Results from the downhole surveys showed little or no change from surface inclinations.

The four RAB drill-holes were completed in the summer of 2018. They were conducted to test the possible extension of coal seams on the northeastern corner of the proposed Pit 4. The results demonstrated that the seams in this area beyond the proposed extent of the Pit as outlined by Norwest (2005) were not of any significance and therefore the proposed pit outline was determined to be highly accurate (see Appendix 9 of the Technical Report).

Coal Exploration Drilling - Division Mountain Property Area

Hull Mountain

In 2006, the Hull Mountain area was selected as a target for reverse circulation drilling to assess whether the relatively abundant and thick coal seams of Division Mountain continue beneath

Klusha Creek Valley. A track-mounted percussion drill was used. Three holes were attempted but none were completed through the overburden that exceeded 20 meters in thickness. Notwithstanding, further exploration in the form of geological mapping and excavator trenching is warranted on the northwest slope of Hull Mountain where depths may be thinner (Carne, 2006) and/or a return to the proposed original drill sites with a more robust drill.

Cub Mountain

In 1999 an exploration program was funded and managed by Usibelli Coal Mine Inc. under an option agreement from Cash Resources Ltd. Seven holes (99-78 to 99-84) were drilled just north of Cub Mountain and a total of 77 meters of trenching in four locations was conducted (Gish, 2000).

In 2006, four (4) holes totaling 581.5 meters of reverse circulation drilling were completed along the Division Mountain north access road in the Cub Mountain area. The holes were designed to explore the Upper Member of the Tanglefoot Formation for coal (Carne, 2006). Coal float was noted to occur nearby the drill sites (Carne, 2006). The drill-holes intersected (Carne, 2006). Recovery of drill cuttings was poor in softer lithologies, especially below the water table and consequently no uncontaminated samples were available for coal quality analyses. The only significant intersection was a 1.6 meter coal seam with low to moderate apparent ash content. It was thought that the seams in this area were thin and were part of the upper portion of the Tanglefoot Formation Upper Member while better coal intersections in Division Mountain for at the base of the Tanglefoot Formation Upper Member (Carne, 2006). Further exploration was deemed not to be warranted at that time by Carne (2006). Possible targets in this area in further exploration would have to consider possible locales where the lower portion of the Upper Tanglefoot Formation Upper Member may be at or near the surface.

Corduroy Mountain

In a letter from Usibelli to Cash Resources in 1999, Usibelli noted that they also conducted three drill-holes in Corduroy Mountain all of which encountered coal (Gish, 2000). Unfortunately the drill logs were poorly recorded with no specific locations of the drill-holes and so these locations are unknown. However, they do indicate that further exploration in Corduroy Mountain may be warranted.

Coal Exploration Drilling - Other Exploration Licence Areas

With the exception of the Five Fingers occurrence, there is no record of any other drilling on the other coal exploration licenses. The drilling at Five Fingers was noted to be unsuccessful (See Section 7 of the Technical Report).

Geotechnical Drilling at Division Mountain

In July, 2005, four diamond drill-holes were drilled and sampled as part of an exploration program at the Division Mountain Property.

Norwest Corporation was engaged by Cash Minerals to provide stability analysis and pit wall recommendations for geotechnical data obtained in this program. Drilling/logging/sampling were supervised by Archer-Cathro Consultants site geologists with onsite assistance from EBA Engineering from Whitehorse and technical support and review from Norwest.

Development of pit wall angles required the identification of potential failure modes for the given pit configurations. Primary failure modes were evaluated individually to identify failure potential (Norwest, 2006). The failure modes of concern for a pit in bedded geology such as Division Mountain include the failure types described in the following sections.

Toppling Failures

Toppling failures were judged as low probability based on the geometry of the pit walls and bedding which limit kinematic potential for failure.

Wedge Failures

In order to limit the potential for wedge failures along weak bedding planes, the pit designs had been completed with pit walls oriented parallel to bedding structure without undercutting and daylighting of strata bedding. Additional data will be required as part of detailed engineering and design to evaluate potential for wedge failures along cross structures such as cross jointing or faulting.

Planar Failures

Planar failures along weak bedding planes typically represent the highest potential for footwall slope failures. Evaluation of the pit stability included analyses of failures due to planar failure modes.

Circular Failures

Circular failures through the jointed and fractured rock mass affecting overall wall stability were also considered a significant potential failure mode. Deep-seated circular failures may occur in walls of any geometry or structure if stable wall angles are exceeded.

Based on the configuration of the pits and the level of detail of the existing data, the report by Norwest (2006) only considered the last two failure modes, Planar and Circular Failure.

Sample Preparation, Analyses and Security

Sample Preparation

This section describes the sampling method followed during the 1993 to 2005 coal quality testing programs conducted by Cash Minerals Ltd. and its contractors. The 2005 exploration and sampling programs were carried out under the supervision of a qualified person (Mr. R.C. Carne, M.Sc., P.Geo.) with Archer Cathro & Associates (1981) Limited & Associates (!981) Limited of Whitehorse, Yukon.

The following drill core sampling protocol is reported to have been used during the drilling programs:

- Core was lightly washed and measured.
- Core was geotechnically logged using a standardized technique defined by EBA Engineering Consultants Ltd.
- Core was geologically logged using a standardized technique defined by Archer, Cathro & Associates (1981) Limited.
- Sample intervals were selected based on coal and parting lithological breaks selected by using geological logs. Top and bottom coal samples for each coal seam were sampled individually with a maximum interval of 30 cm. The minimum coal sample interval for the remainder of the coal seam was approximately 30 cm. Internal partings were sampled separately, with a minimum interval of 10 cm. Roof and floor materials for each coal seam were sampled at approximate 15 – 30 cm intervals, based on lithologic and natural breaks.
- Sample intervals were marked in the wooden core boxes and all core boxes were stored in a secure manner on the property.

- For each sample interval all the cored material was sent for analysis.
- Sample material was double bagged in 6 mm plastic bags with a sample tag placed between the two sample bags. Two or three samples were placed in a fiberglass bag, sealed with a metal clasp and sample numbers were marked on the outside of the bag with felt pen.

Analysis

This section describes the sample handling procedures followed during 2005 exploration program conducted on behalf of Cash Minerals Ltd. Samples were collected from exploration efforts and submitted for analysis using methods that are consistent with typical industry practices (Carne, 1992, 1995, 1996; Gish, 1999, 2000, Norwest 2005, 2006).

During the program all samples were transported from the property to Whitehorse by truck, escorted by the geological crew, and then shipped via Greyhound Courier Express to SGS Canada Inc. (SGS) in Delta, B.C.

SGS provided proximate analyses on air-dried, as received and dry bases. The SGS facilities are accredited according to the International Standardization Organization 9001 requirements (ISO 9001). For the most part reports on historic test results were based on proximate analysis on “as received” and “air-dried” bases.

Proximate analysis tests were conducted under the strictest of laboratory controls, along with applicable standards that included (After SGS, 2017):

- Moisture (ASTM D 3173, ISO 11722, AS 1038.3: Moisture is the water that exists in the coal at the site, time, and under the conditions it is sampled. The amount of moisture is measured by measuring the loss in mass between an “as-mined” sample that has been heated under controlled condition to drive off the water that is not contained within the chemical structure of the coal.
- Sulphur (ASTM D4239, ISO 351, AS 1038.6): It is important to measure the Sulphur content in coal samples to evaluate the potential for Sulphur emissions from coal combustion, or for contract specification purposes.
- Calorific Value (ASTM D5865, IS) 1928, AS1038.5): The calorific value of coal or coke is the heat liberated when the solid fuel undergoes complete combustion in oxygen. Generally samples are tested in a bomb calorimeter and then a total heat energy measure is obtained.
- Volatile Matter (ASTM D3175, ISO 562, AS 1038.3): Volatile matter includes the components of coal, except for water, which are liberated at high temperature in the absence of oxygen. Volatile matter is a key health and safety concern as coals high in volatiles have an increased risk of spontaneous combustion. Samples are tested by initially measuring the mas of volatiles before and after weight analysis under strictly controlled conditions.
- Fixed Carbon (ASTM D5142, ISO 17246): The fixed carbon content of coal is determined by subtracting the percentages of moisture, volatile matter and ash from the original mass of the coal sample: the solid combustible residue that remains after a coal has had the volatiles driven off. From this an estimate of the amount of coke the individual coal sample will yield is obtained.
- Ash: Most ash analysis tests include ash elemental tests, ash fusion tests and coal ash analysis.

Another form of testing coal is to conduct an Ultimate Analysis Test which produce more comprehensive results than the proximate analysis. Ultimate Analysis Test may be used to determine the elemental composition of the coal including moisture, ash, carbon, hydrogen, nitrogen, Sulphur, and oxygen

SGS provided certified test results for all analysis.

Security

As coal samples are a relatively low-value bulk commodity, no extraordinary security procedures were followed

Data Verification

The sample data described in this report was collected by Archer Cathro & Associates (1981) Limited who conducted the exploration programs on the Division Mountain Property between 1972 and 2005.

In examining and verifying the sample data in this report, Norwest and the author performed the following tasks:

1. Original assay certificates were reviewed.
2. Reported drill core analyses were checked against sampling numbers in the drill logs and the original analysis certificates to ensure accurate reporting.
3. The range of reported results and their geographic distribution were checked against similar ranges and distributions from properties containing similar mineralization.
4. The author personally visited the property on several occasions during the period 2008-12 during the months of July and August, and verified the existence of core but did not log any of it and also verified a large representative portion of the drill-hole locations for their location accuracy.
5. As coal samples were tested with whole core analysis it was impossible for the current author of the Technical Report to verify any previous coal testing and is therefore reliant on previous reporting which appears to have been conducted to NI 43-101 standards.
6. The author of the Technical Report was not involved with any of the data modelling or the reserve and resource calculations by Norwest (2005, 2006, 2008), nor has he been provided with an original copy of the data model used. He is therefore reliant on the previous reporting on these historical reserve and resource calculations which appear to have been conducted by Norwest (2005, 2006, 2008) to NI 43-101 standards. Previous resource calculations to Norwest's efforts by others (e.g.,Carne, 1995, 1996;) are not thought to have been prepared to NI 43-101 standards.
7. T. C. Becker of Norwest (2005, 2006) also logged some of the core from the 1994 and 1995 programs and mapped most of the excavator trenches and was actively involved in the exploration programs in 2005 and 2006.

In 1999 Usibelli drilled three reverse circulation percussion drill-holes and dug four excavator trenches in the area of the historic resource estimate. As part of their quality control measures they selected 5 samples from Trench 04 and sent these samples for analysis to both the Usibelli Coal Mine, Inc. in Healy, Alaska and the Commercial Testing and Engineering Company in Denver, Colorado and results were found to be highly consistent.

No samples were taken in the 2018 program so there is no analysis to report.

Mineral Processing and Metallurgical Testing

The equivalent terminology, which was used in the Technical Report on coal, is "Coal Processing".

There has been very limited work done on metallurgical testing and processing techniques and it is therefore not considered applicable for reporting at this time. Initial results indicate that the

coal may require washing after crushing for market acceptability.

Historic Mineral Resource Estimates

Methodology and Approach

Based on exploration programs, analysis of results, and modelling efforts by Norwest between 2005 and 2008, that also included the results of all previous exploration efforts conducted by Archer Cathro & Associates (See Carne, 1995, 1996, 1998, 1999; Gish 1999, 2000) historic mineral resources were estimated to comply with standards prescribed in National Instrument 43-101. For the classification, estimation and reporting of coal resources for the Division Mountain Property and in accordance with National Instrument 43-101, Norwest (2005, 2006, 2008) used the Canadian Institute of Mining, Metallurgy and Petroleum's CIM "Definition Standards on Mineral Resources and Reserves" adopted by CIM Council on November 14, 2004 and referenced the Geological Survey of Canada Paper 88- 21 "A Standardized Coal Resource/ Reserve Reporting System for Canada" (Hughes, et al, 1989).

The resource calculation methodology by Norwest in deriving resource estimates in 2005 and 2006 approximated that used in 1998 by Mr. R.C. Carne, M.Sc., P.Geo and by Gish (2000) in earlier reports.

The following paragraphs outline the methods used for the resource estimation.

1. Reviewed Exploration Data: Verified data as outlined earlier in this report as well as checked synoptic logs, drill hole locations, geologic model and coal rank.
2. Geology Type: Falls within moderate category based on broad open folds (wavelengths from 500 to well over 1.5 km), relatively uncommon faults (displacements from 10's m up to 200 m) and average bedding inclinations of 50º (range from 25º to 72º).
3. Data Points: Only diamond drill hole data was used. The drill sections are spaced approximately 300 m apart. For coal seams with multiple analyses a weighted average of all samples was taken to represent the seam. For intervals with no analyses due to core loss the interval was assigned a value equal to the arithmetic average of the adjacent intervals.
4. Seam Thickness: Seam thicknesses were calculated using trigonometry and confirmed by measurements from drill sections. Minimum allowable coal bed thickness was 0.5 meters. Only five resource blocks were less than 1.0 m thick and the average for all blocks was 4.4 meters.
5. Definition of Resource Block: Length defined as horizontal distance, width measured in plan of section and thickness measured as true width. The coal bulk density for work prior to 2005 was based on the rank of coal, ash content and extrapolated from a table provided in Paper 88-21, for the 2005 work this data was provided by SGS.
6. Criteria of a Resource: All resources are of immediate interest and fall into the measured categories. Measured resources require the distance from nearest data point to be between 0 and 450 meters.
7. Method of Estimating Resources: On the horizontal plane the length of the measured resource blocks was projected to half the distance between adjacent drill sections. For section 8+950N where there was no adjacent drill section to the southeast the length was projected 225 meters from the drill section.
    a. On the plane of the drill section the width of the measured resource blocks were measured from surface to the first drill hole, this distance never exceeded 225 meters. If two or more drill holes existed on the same section then the width was extended down dip to half the distance between the next drill hole, again this distance never exceeded 225 meters. The resource block width was then extended down dip to a distance, which represented a 'reasonable' resource depth (see below).
    b. For this deposit type the maximum depth from surface, as defined in Paper 88-21, is when the ratio of 'bank' cubic meters/tonne of the last tonne exceeds 20:1. This ratio

was not approached in these resource calculations instead the bottom of the resource was taken to be a 'reasonable' depth.

c. Along the east limb of the Division Mountain Syncline the depth of the resources ranged from 270 meters at the south (8+950N) to 290 meters in the middle and 270 meters at the north (10+710N).
d. In the area of the Cairnes Syncline it ranged from surface at the south (10+610N) to 300 m at the north (12+124N). In the Teslin Creek area the reasonable depth was taken as 200 m for section line 12+754N to 13+353N and 150 m for section line 14+075N to 14+404N.

Historic Measured Resource Estimate

All resources fall into the Measured category based on the criteria provided in GSC Paper 88-21 and the results of the 2005 and 2006 drilling efforts which indicated that seam continuity and geological correlations could be made for distances of over 500 meters (Norwest 2008).

A total near-surface historical "Measured" resource of 52.5 Mt was defined (Table 14.1) by Norwest (2005, 2006, and 2008). Approximately 47.2 Mt of the resource falls into the area covered by the five coal leases while 5.3 Mt lie just to the southeast of Lease CMW3003 on section line 8+950N (covered by Coal License CYW0156).

Table 14.1 Historic Coal Resource Summary

Resource Area	ASTM Coal Rank	In- Place Resources (Tonnes In Millions)		
		Measured	Indicted	Inferred
Division Mt.	High Volatille Bituminous B	52.493	0	0
Total		52.493		0

From the historic resource summary, which appears in Appendix 4 of the Technical Report the following is a summary of the historic resource by section (Table 14.2) and by seam (Table 14.3) as follows:

Table 14.2: Historic Coal Resource (by Section) (After Norwest, 2008)

Section	Measured Tonnes
8+950N	5,276,986
9+510N	6,089,845
9+800N	2,781,878
10+050N	2,165,531
10+375N	4,849,068
10+710N	5,149,910
10+725N	408,011
10+914N	2,830,259
11+244N	3,284,341
11+500N	4,853,319
11+829N	4,815,704
12+134N	4,136,997
12+754N	998,906
12+048N	1,573,850
13+353N	1,847,102
14+075N	543,072
14+267N	512,517
14+404N	376,239
Total	52,493,533

Table 14.3 Historic Coal Resource (by Seam) (After Norwest, 2008)

Seam	Total Tonnes
5	689,459
4	4,000,541
3e	1,568,216
3d	631,286
3c	3,827,802
3b	5,434,376
3a	4,560,362
2d	1,280,810
2c	1,112,480
2b	4,446,186
2a	2,532,918
1c	477,681
1b	2,261,158
1a	19,760,257
Total	52,493,533

Historic Mineral Reserve Estimate

A coal reserve is the economically mineable part of a Measured or Indicated coal resource supported by at least a Preliminary Feasibility level study, which includes information on mining, processing, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. Coal reserves are sub-divided in order of increasing confidence into “Probable” and “Proven” reserves, respectively. A “Probable” reserve is the economically mineable part of an “Indicated” resource and, in some cases may include a portion of a “Measured” resource. A “Proven” reserve is the economically mineable part of a “Measured” resource.

A pre-feasibility level study by Norwest in 2008 included an estimate 26.4 Mt of in-place coal reserves, in the Proven assurance category (see Table 15.1). The study was based on the coal being surface-mined using conventional truck/shovel practices. It was envisioned that there

would be a run-of-mine product that will be sold as fuel for a local “mine mouth” 50MW (net) generating station.

Table 15.1 Historic Coal Reserve Summary

Area	ASTM Coal Rank	In- Place Resources (Tonnes In Millions)	
		Proven	Probable
Division Mt.	High Volatille Bituminous B	26.372	0
Total		26.372	

Key assumptions of the mine plan that formed the basis of the historic reserve estimate by Norwest (2008) included:

- Out-of-seam dilution (OSD) of 5cm from the roof and from the floor of each coal strata
- Minimum mineable coal seam thickness of 0.5 meters
- Includes provisions for mining loss.

Mineral reserves estimates may be materially affected by the following factors (after Norwest, 2008):

- Permitting is expected to be challenging
- Reclamation planning should be performed to a greater level of detail with involvement from regulatory authorities secured as early as possible in the permitting process
- Labor in the region is generally available but if other mine developments proceed it may become more challenging to recruit locally for technical positions.
- The impact on local communities should be evaluated.
- The coal washability database should be expanded for more accurate prediction of wash
- yields.
- Specific markets should be defined.
- The viability of a mine mouth power generation facility needs to be determined.

Mining Methods

Optimum Pit and Geotechnical Analysis

Data related to the pit geotechnical characteristics was gathered from a variety of sources by Norwest (2006) including:

- Geological cross-sections showing the interpreted geological structure in the pit areas
- Geotechnical core logging of diamond drill hole cores from four holes
- Laboratory testing of representative core samples (point load tests)
- Rock mass classification (RMR) of strata based on geotechnical core logs

Details of data analysis may be found in Norwest’s geotechnical report (see Appendix 5 of the Technical Report).

Experience with bedded pit walls in western Canadian coal mines has led to the development of a substantial database of material properties and behaviors which have allowed for the successful design of pit walls in a variety of conditions. Given competent rock strata below the coal seam, pit designs including un-benched walls have been successfully mined to depths in excess of 100 meters.

The limiting factors for the height of un-benched pit walls which can be maintained include:

- Intact pit wall rock strength and jointing
- Dip of the pit wall
- Thickness of bedding.

The rock strata below primary coal seams in each cross-section (see Data Analysis, above) were studied by Norwest (2008) to determine the potential to excavate an un-benched pit wall to some height to minimize the overall pit strip ratio.

Review of the core logs and RMR data by Norwest (2008) showed that the strata below wall coal seams consist of moderate thickness (2-10m) of relatively competent (30-50 RMR) shale and sandstone zones which are subsequently underlain by weaker layers of coal or shale.

Preliminary analyses showed that based on the pit wall rock strength and thickness, an un-benched pit wall in the range of 25-50 meters in height would meet stability criteria for the pit design. The remaining portion of the pit wall would be benched to surface with bench face angles determined by bedding dip on footwalls or cut at 65 degrees on high walls. Berms between benches were set at a minimum width of 8m as per regulatory requirements.

The general stability and failure modes for specific areas of the project are were investigated. In Pit One, three cross sections (10+914, 11+500 and 11+829) were specifically studies that aligned to the 2005 core holes on which rock strength data was based. The geologic cross sections previously prepared by Archer Cathro may be seen in Appendix 1 of the Technical Report.

Pit One – West Wall

The bedding of the rock strata are moderately dipping at a comparatively constant dip for the full height of the west wall.

Based on this bedding configuration, typical practice in western Canadian coal mines is to implement fully benched pit walls where bench heights and berm widths are dependent on variations in rock strength and bedding dip. Pit wall bench and berm design must follow variations in bedding dips. Bilinear planar failure of the pit wall is the failure mode of greatest concern for initial pit wall design. The stratigraphic units in the pit wall vary from the weak coal layers with an RMR of 25 to conglomerates with an RMR of 60.

Circular Failure Mode

Factors of Safety ("**FOS"**) were calculated assuming circular failure in the western wall of Pit 1. Strength properties of reasonably competent rock (mudstone) in relatively large pits were assumed based on the aforementioned data analysis. All values are calculated with the water table drawn down to 150 meters from the surface which assumes groundwater drawdown by deep pumps. Sections 10+914 and 11+829 were found to meet the base criteria (a minimum FOS of 1.2). Section 11+500 was found to exceed the FS, even with the use of 'improved' rock strength properties, suggesting that a high wall angle of less than 37° would be required (see Table 16.1).

Table 16.1 Pit One (West Wall) – Circular Failure (After Norwest, 2008)

Cross Section	Wall Angle (degree)	Base case FOS	Improved FOS
10+914N	32	1.56	NA
11+500N	37	1.10	1.17
11+829N	32	1.26	NA

Planar Failure Mode

In addition to the stability analyses for the circular failure for the full pit wall, pit wall designs were evaluated for bilinear planar failure at a minimum FOS = 1.2 along the footwall strata. This evaluation was carried out to determine if the wall angles suitable for overall circular failure mode were compatible with the bilinear failure mode. The maximum bed thickness for planar failure evaluation was 2 meters which is relatively conservative based on the geotechnical data.

The bi-planar failure mode analyses returned overall pit wall angles equal to the pit wall angles for circular failure mode with the exception of section 11+829. The analyses show that Section 11+829 could be steepened to 35 degrees if planar failure were the dominant mechanism with a corresponding decrease in strip ratio. Limiting overall wall angles for the planar failure mechanism are shown in Table 16.2.

Table 16.2 Pit One (West Wall) – Planar Failure

Cross Section	Wall Angle (degree)
10+914N	32
11+500N	37
11+829N	35

Pit One – East Wall

The geology of the Pit 1 east pit wall can be generally described as having moderately dipping bedding at a relatively constant dip for the full height of the east wall. Stability analyses for the east wall mirrored analyses completed for the Pit 1 west wall, as above. Pit walls were analyzed with consideration to circular wall failure and bilinear planar failure mechanisms.

Circular Planar Mode

Factors of safety were calculated for circular failure of the overall pit wall with ‘base case’ rock strength properties assumed as above. All values were calculated with the groundwater table drawn down to 150 meters from the surface. Similar to the Pit 1 west wall, sections 10+914 and 11+829 met the minimum FOS =1.2 criteria while section 11+500 required the ‘improved’ case strength properties to meet the minimum FOS criteria. The FOS values and overall wall angles are summarized in Table 16.3.

Table 16.3 Pit One (East Wall) – Circular Failure (After Norwest, 2008)

Cross Section	Wall Angle (degree)	Base case FOS	Improved FOS
10+914N	32	1.56	NA
11+500N	37	1.10	1.17
11+829N	32	1.26	NA

Planar Failure Mode

In addition to the stability analyses for the circular failure for the full pit wall, pit wall designs were evaluated for bilinear planar failure at a minimum FOS = 1.2 along the footwall strata. This evaluation was carried out to determine if the wall angles suitable for overall circular failure mode were compatible with the bilinear failure mode. The analyses showed that the planar failure mechanism wall angles are compatible with the circular failure pit walls. Overall wall angles derived from this evaluation are summarized in Table 16.4.

Table 16.4 Pit One (East Wall) – Planar Failure (After Norwest, 2008)

Cross Section	Wall Angle (degree)
10+914N	32
11+500N	41
11+829N	36

Recommended Slopes

Using the available data and estimating “base” case and “improved” case rock strength parameters, stability evaluation of the pit walls was completed focusing on the two failure mechanisms deemed most important in terms of overall pit configuration, specifically circular failure and planar failure.

The geotechnical evaluation showed that although the majority of pit wall cross-sections met the minimum criteria under base case assumptions, certain cross-sections did not meet minimum FOS without assuming “improved” case strengths (Pit 1, 11-500 East and West (marginal). Table 16.5 summarizes the current recommended pit wall angles for the large pit shell design. Note that wall angles obtained using the “improved” case rock strength parameters are shown in italics.

Table 16.5 Pit Shell Recommendations (After Norwest, 2008)

Pit	Cross Section	Wall Angle (west) in degree	Wall Angle (east) in degrees
1	10+914N	32	1.56
1	11+500N	37	1.10
1	11+829N	32	1.26

Optimum Pit Analysis

The Division Mountain Property resource consists of a central plunging syncline, in addition to three separate, outlying synclinal limbs (Figure 2.1). An optimum pit shell was determined that

would provide the reserves required, taking into account strip ratio, geotechnical concerns, ramping and access, and exposure of multiple coal seams for blending.

Various pit shells were designed for each of the four major resource areas that would provide approximately 20 years of coal production. The general criteria in designing these pit shells was to design the pits to be as long, and therefore as shallow, as practical. This was assumed to minimize overall pit depth, thereby easing ramping restrictions and maximizing truck productivity. In addition, it ensured a broad exposure of various coal seams which was assumed to ease blending for coal quality.

A strip ratio was then calculated for various combinations of pit shells at varying depths, taking into account the design parameters and assumptions described below (see Table 16.6). The intent of this was to analyze pit shells in order to arrive at the lowest strip ratio shell (or shells) and thus optimize the project value.

Table 16.6 Strip Ratio Comparison (After Norwest, 2008)

	Waste (bcm)	Coal (tonnes)	Strip Radio (bcm/tonnes)
Pit 1 and 4	13,691,085	5,117,830	2.7
Pit 1.2.3 and 4	14,527,439	5,066,808	2.9
Pit 1	11,145,227	4,981,689	2.2

Once Pit 1 alone was shown to have the lowest strip ratio, the pit shell design was fine-tuned to provide 20 years of production (4.8Mt total).

Pit 1 targets the eastern limb of the Cairnes syncline (Figure 4.1). The ultimate pit shell consists of a 55 – 70 meter deep pit, at geotechnically stable angles. Pit 1 was found by Norwest (2008) to yield the lowest strip ratio, at 2.2 bcm/tonne recovered. Of the various pit shell combinations analyzed, Pit 1 alone is considered to be the optimum based on its low strip ratio, low overall stripping cost and maximized profitability. The low stripping ratio in Pit 1 is attributable to its relatively shallow dip angle, greater coal thickness and lower amount of overlying weathered material.

Selection of Mining Method

Factors considered in selecting an optimum mining method include:
- Depth of reserve and required production levels
- Complexity of seam (dip, number of separate strata, thickness of strata, etc)
- Site location (topography, access)

Based on the factors above, and on Norwest's knowledge of similar mining operations, it is proposed that the Division Mountain be stripped using conventional 'truck/shovel' operations.

This will include topsoil stripping, drilling and blasting of the overlying waste, and stripping of waste and coal using a backhoe excavator. Waste and coal will be loaded into a fleet of mining trucks for haul to the spoil dumps or coal crusher, as appropriate. Selection of specific equipment is discussed further in this section.

Design Criteria and Assumptions

The following is a list of design criteria and assumptions used in the mine planning aspects of this study.

- Annual production of 240,000 tonnes. This supplies an average 4,997 kcal/kg coal to a 50MW

(net) power plant
- A project life of 20 years. It is anticipated that further drilling will delineate additional reserves that may be used as a source for mine-mouth power, or serve in export steam and/ or PCI markets.
- A 30% swell factor for waste material. A final swell of 10% for material that is truck hauled and dumped. Negligible swell for re-compaction of ash. A re-swell of 20% for waste dump material that is re-handled in regrading and reclamation operations. Out-of-seam dilution (OSD) of 5cm from the roof and floor of each coal strata. OSD is assumed to have a SG of 2.2. Overall coal recovery factor of 90%. This accounts for pit loss (fenders, thin seams, transport loss etc).
- Bench height is assumed to be 5 meters, which is an efficient match for the proposed backhoe excavator (see Equipment Selection).

Geotechnical Design Parameters

Pit wall stability in moderately dipping bedded rock formations such as those at Division Mountain may be governed by any one of several mechanisms (after Norwest, 2008):
- Circular failure
- Planar failure along bedding
- Failure within benches (toppling, wedge)
- Wedge failure along weak strata and/or faults.

Given the level of data available, Norwest only considered the first two failure modes in its evaluation (see *Memorandum: Division Mountain Coal Geotechnical Report for Feasibility Study, July 21, 2006*, included in Appendix 5 of the Technical Report).

Pit Wall Stability

The rock strata in the both walls of the proposed pit are at a relatively constant dip. Biplanar failure of the pit wall is the failure mode of greatest concern, though circular failure has also been considered. Wall angles have been recommended to provide a minimum Factor of Safety (FOS) of 1.2. In the absence of definitive hydrology data in the area, it has been assumed that the ground water table would be drawn down 150 meters from the surface.

This assumption relates to a previous proposed project which called for greatly increased annual production and pit depth. The assumed groundwater draw-down depth is therefore far in excess of the 55-70 meter deep pit bottom assumed in this revised study. This would need to be addressed in further groundwater studies.

Dump Slope Stability

As described below, all waste material will be hauled to an adjacent out-of-pit dump. Waste rock dumps will be comprised of waste material comprised of mainly sandstone, siltstone, shale, pebble conglomerates and andesite. The proposed out-of-pit dump is located on gently sloping topography ranging from 1° to 10° slopes.

Dumps will be constructed with mine haul trucks end dumping over a safety berm. A dozer will be required to keep dump areas level and maintain safety berms. The dump will be constructed in 10 meter lifts, with 10 meter safety benches. The material slope is assume to be at angle of repose, for a final overall dump slope of 2H:1V, before reclamation.

Geotechnical investigation of the foundation rock will need to be performed to fully evaluate the suitability of the dump platform. In addition, the composition of dump material will be highly heterogeneous, with various rock types (see Geology, Section 7 of the Technical Report) being present, as well as ‘fly’ and ‘bottom’ ash from the power plant. Depending on the plant design,

some portion of the ash may need to be disposed of in lined-pits to prevent seepage into the water table. Further study of plant design has yet to be completed.

Dump height will range from 10 to 55 meters. No permanent infrastructure, road access or any other area of potential traffic will be located within a horizontal distance equal to the adjacent dump height (minimum horizontal distance at any point is approximately 35 meters). Waste will be dumped in 10 meter lifts, unless further geotechnical analysis of waste material suggests otherwise.

Other Design Parameters

Based on Norwest's geotechnical evaluation of Division Mountain recommendations have been made for maximum overall wall angles (see Table 16.7 and Appendix 5 of the Technical Report).

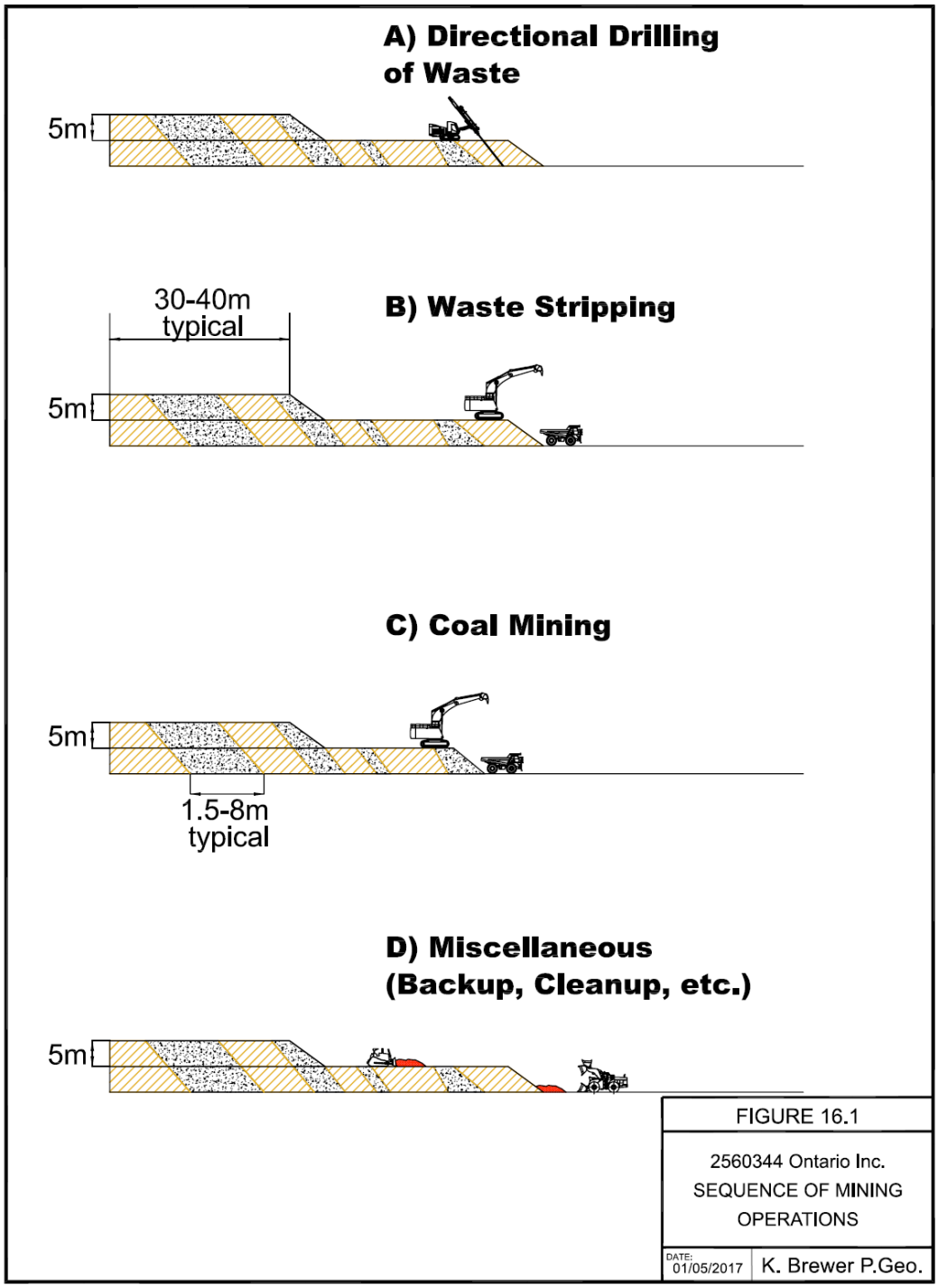
Table 16.7 Recommended Wall Angles

Cross Section	West Pit (Degrees)	East Pit (Degree)
10+914N	32	37
11+500N	37	41
11+829N	32	36

The overall pit shell was constructed based on these recommended angles. The pit shell was designed so that the final designed angle is the lesser of the recommended and natural bedding angles. This ensures that no design pit will be undercut by natural bedding.

Sequence of Operations

The sequence of mining operations proposed in the mining method is described below in approximate order (Figure 16.1). The individual operations need to be planned in greater detail and coordinated to ensure smooth-running and efficient production of coal.



Topsoil Stripping

Topsoil will be stripped in advance of waste stripping operations, waste dumping and facilities construction and stockpiled in a separate dump for later use. “Direct haul” of suitable plant growth material (SPGM) has been demonstrated to be effective in ensuring that re-vegetation efforts are successful. However, as reclamation of the dump begins near the completion of stripping operations, direct haul of significant quantities of topsoil is not expected to be possible.

Drilling and Blasting

It is currently assumed that all waste strata over 50 centimeters thick may need to be drilled and

blasted. Furthermore due to the friable nature of the ore, it is assumed that a powder factor of 0.35 kg/bcm will be sufficient to fragment waste material for suitable loading (any thin seams of waste encountered will be broken by the excavator or ripped by the track dozer). It is proposed that a Atlas Copco ROCL7 (or equivalent) drill be used. This drill will allow 'angled' drilling of the waste interburdens (Figure 16.1). Alternate options are to 'deck' the drill holes or simply drill and lightly blast (or 'bump') both coal and waste in the same block.

In Norwest's experience both these methods would lead to increased out-of-seam dilution (OSD) and so have not been studied in any detail. Significant costs savings in blasting may be possible with further studies on the nature of the coal and waste materials in the proposed pit.

The Division Mountain Property coal is reportedly friable. It is therefore expected that the coal will not require blasting prior to mining and may simply be broken through excavation.

Overburden Stripping

Maximum pit depth will be 55-70 meters below topography. Waste material will be stripped primarily by a backhoe excavator. The excavator may load the material either from the bench floor or top, depending on the thickness of the material and degree of fragmentation (Figure 16.1). It is assumed that issues such as deployment and practice of the machine will be covered in shorter range planning. Top-loading is generally much more productive.

The Front End Loader (FEL) may be used in the event that the backhoe is not operational, or that the FEL is better suited to a specific loading condition (e.g. material pushed to a flat bench). Waste material will be hauled to an out-of-pit dump. As the project progresses material may be directly hauled into the open final pit created, leading to significant gains in productivity and reduced operating costs.

Coal Mining

It is not expected that the coal will require blasting. Coal will be mined using the backhoe excavator (or the FEL, as appropriate). One backhoe excavator will be used for both waste stripping and coal mining operations, and will have to be scheduled accordingly. Particularly in the case of thin seams, it is suggested that the excavator be positioned directly down-dip of the coal it is mining, in order to maximize the operators control over out-of-seam dilution (OSD).

The Division Mountain Property reserve contains an unusually high number of thin seams of coal and, therefore, increased opportunity for contamination and degradation of coal quality by OSD. Every effort must be made to mine the seams cleanly.

Once mined, coal will be hauled by mining truck to the crushing facility. The coal will be dumped into a load pocket and fed to the primary breaker. It will then pass by conveyor for secondary crushing and sizing. Finally the coal will be stockpiled using a radial stacker.

Production and Productivity Levels

Equipment productivities and operating hours are based on Norwest's experience and database of equipment working in similar conditions. Caterpillar's FPC software was used to estimate truck productivities (See Appendix 6 of the Technical Report).

Operating Efficiency

Based on Norwest's experience, mechanical availability is assumed to be 85% for all mobile equipment except the drill and motor grader, which are estimated at 80%. Operating delays are assumed to account for 12% of total time. A 12 hour shift includes the following operational (scheduled) delays:

- Shift start (15 min.)
- Shift break (15 min.)
- Lunch (30 min.)
- Shift break (15 min.)
- Shift end (15 min.)

Equipment Scheduled Hours

Equipment productivities for the excavator and FEL were calculated from first principles using estimates of swing cycle times, load times, etc. Truck productivities were calculated by simulating haulage profiles then modeling them using Caterpillar's FPC productivity estimating software (Appendix 6 of the Technical Report). Ancillary and support equipment hours were either nominal or assumed to be tied to major equipment hours. Table 16.8 summarizes the productivities for the major pieces of equipment (see Appendix 7 of the Technical Report for detailed calculations).

Table 16.8 Major Equipment Productivities

Equipment	Productivity
6 cum Backhoe Excavation (Waste)	376 bcm/op-hr
6 cum Backhoe excavation (Coal)	621 t/op-hr
35 tonne class trucks (Waste)	89-115 bcm /op-hr
35 tonne class trucks (Coal)	219-334 t /op-hr
5.5 cum FEL (Stockpile loading)	433 t /op-hr

For each major piece of equipment and task, the total quantity of material handled is divided by the estimated productivity to yield operating hours.

Mine Maintenance

Routine maintenance of the equipment is assumed to be handled by the on-site maintenance employees. All major maintenance and equipment overhauls are assumed to be covered by service contracts with the equipment dealer.

It is generally considered cost effective to purchase heavy equipment from one of several major mining equipment manufacturers. In the case of excavators, front end loaders and mining trucks those manufacturers would be Caterpillar and Komatsu. While this report does not endorse any particular brand, for the purpose of cost estimating quotes were gathered for used Caterpillar equipment only. The difference between used Caterpillar equipment and its Komatsu equivalent may be considered to be minimal.

Water Management – Mine Pit

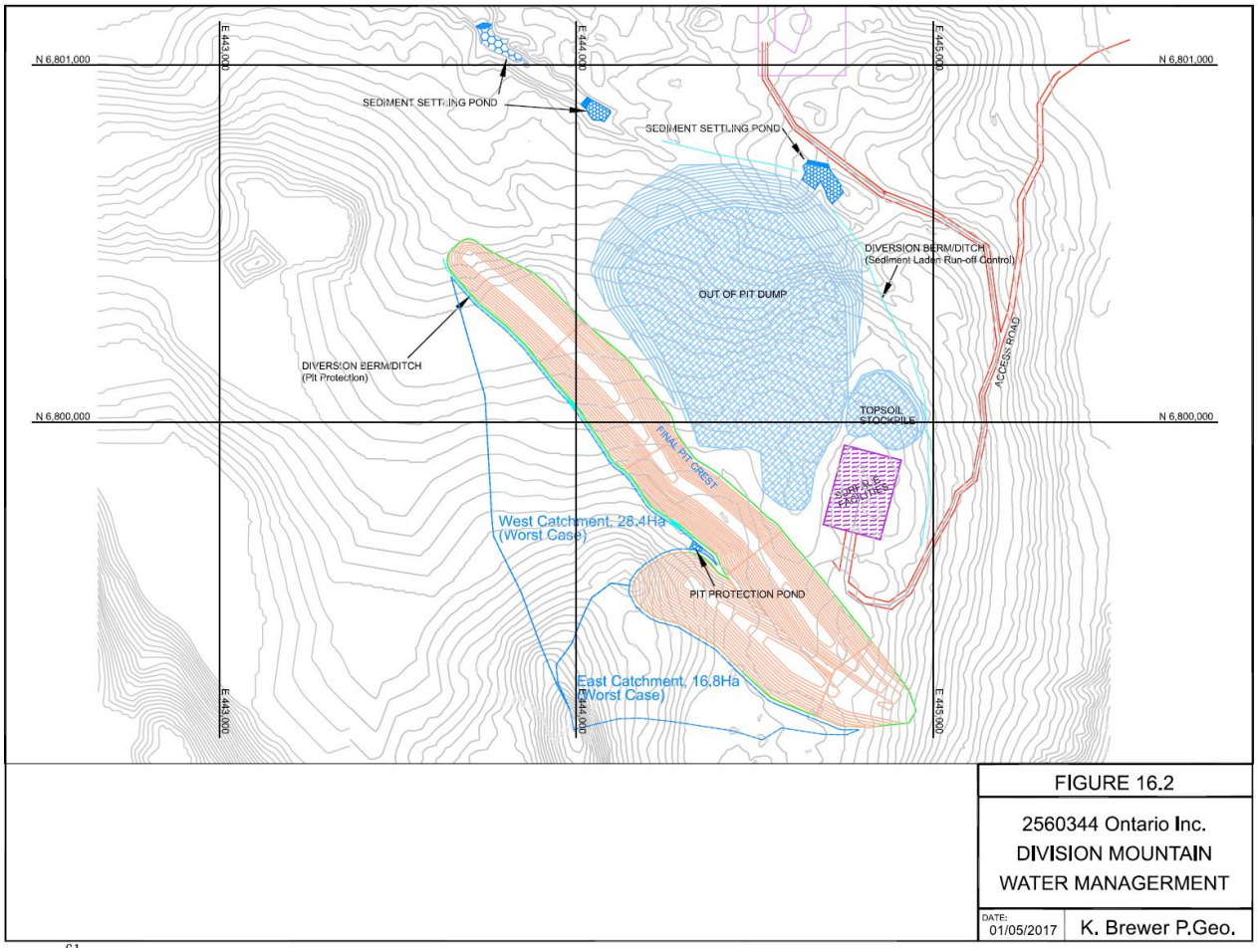
Accumulated water in and around the pit and dump areas may lead to problems in both production and safety including:

- Instability of pit walls
- Instability of in-pit or out-of-pit dump slopes
- Unsafe and unproductive haul road surfaces
- Increased potential for coal loss and OSD.

In the summer of 2005, an exploration drilling program was conducted at the Division Mountain Property site in order to better delineate the geology. A program of geotechnical and hydrological

testing was also intended. However, due to difficulties in accessing the site with the appropriate equipment, there was very little hydrological information gained. Complete hydrological testing must be performed before any detailed project planning may begin.

A water management plan will be essential in order to prevent accumulation of water within the pit. It is proposed that there be two elements to any plan that it is implemented, dealing with issues that arise from both pit in-flow and groundwater.



Pit In-Flow

The first element is to prevent inflow of water into the pit from the surrounding topography. The Division Mountain Property reserve is located on relatively high ground, however, there is still potential for inflow of surface water into the pit.

The final pit limits were analyzed to determine potential in-flows. The largest, or 'worst case' watershed areas were calculated for each direction of flow. In both cases the largest watershed occurred near the end of the project life (Figure 16.2). The worst case watershed areas are approximately 28.4 hectares and 16.8 hectares for the western and eastern limbs, respectively.

Potential surface run-off into the pit may be diverted with the use of diversion dikes or ditches (see Figure 16.2 for proposed locations of these 'pit protection' structures). Flow would be diverted into ponds for settling-out of solid sediments, or later use within the mine, as applicable.

Groundwater

Based on observations of water presence in some of the drill holes on the project area, it is expected that groundwater will be encountered during mining. That groundwater may be collected with the use of in-pit sumps.

It is assumed that sizing and location of those sumps would be adequately covered in short range planning. In-pit water will have to pumped out of the pit in order to ensure that mining operations are not disturbed. Any water from disturbed lands (pit, waste dump, sur-face facilities) is assumed to be contaminated with particulate matter and other impurities. Contaminated water will be collected in sediment-settling ponds prior to release into the undisturbed drainage system.

Further drilling is required be done in order to better understand groundwater flows, regional hydrology, and hydrogeology in the immediate region of the Division Mountain Property and to prepare the project application as water management issues are critically and extensively reviewed by regulatory authorities.

Mine Access and Haul Roads

Haul Road Design Parameters

There will be several different types of access road constructed and/or maintained during the Division Mountain Property project:

- In-pit haul road and ramp
- Out-of-pit temporary surface access
- Permanent surface roads (site access and power plant coal haulage corridor).

The general design parameters are as follows:

- One way traffic – 2 times maximum vehicle width (5 meters) + berm/ditch (2 times 2.7 meters) = 15.4 meters minimum; Two way traffic – 3 times maximum vehicle width (5 meters)+ berm/ditch (2 times 2.7 meters) = 20.4 meter minimum
- Berm height would be a minimum of axle height of the largest wheeled piece of equipment (35tonne-class mining truck, axle height = 0.93 meters)
- Where a ditch is required instead of a berm (i.e., in cut) the width was assumed to be equal to the berm width
- Maximum haul road grades of 8% for mining trucks.

In-pit haul roads/ramps would be aligned along mining benches and excavated in the footwall of the eastern limb. Roads would need to be designed so as to provide adequate drainage.

Temporary surface roads would be constructed with the use of track dozers and motor graders. Cut and fill will be balanced. Any soft spots encountered may be plated with waste shale or coaly shale.

Permanent surface roads would include a 20 kilometer access to the Klondike Highway, and a 2.4 kilometer coal transportation corridor to the nearby power plant. Norwest (2008) assumed that the 2.4 kilometer access road would be initially constructed and paid for by the power plant operators, but that the mine operators would take over maintenance responsibilities once the mine becomes operational. Construction of the power plant access road would be the responsibility of the mine operator.

Based on a site-visit in 2006 by Norwest, they expected that much of the region contains areas of alluvial outflow (gravel and river rock) could be a potential source of road construction material

for sub-grade and top-dressing. Therefore they proposed that permanent haul roads be well constructed and include features such as:

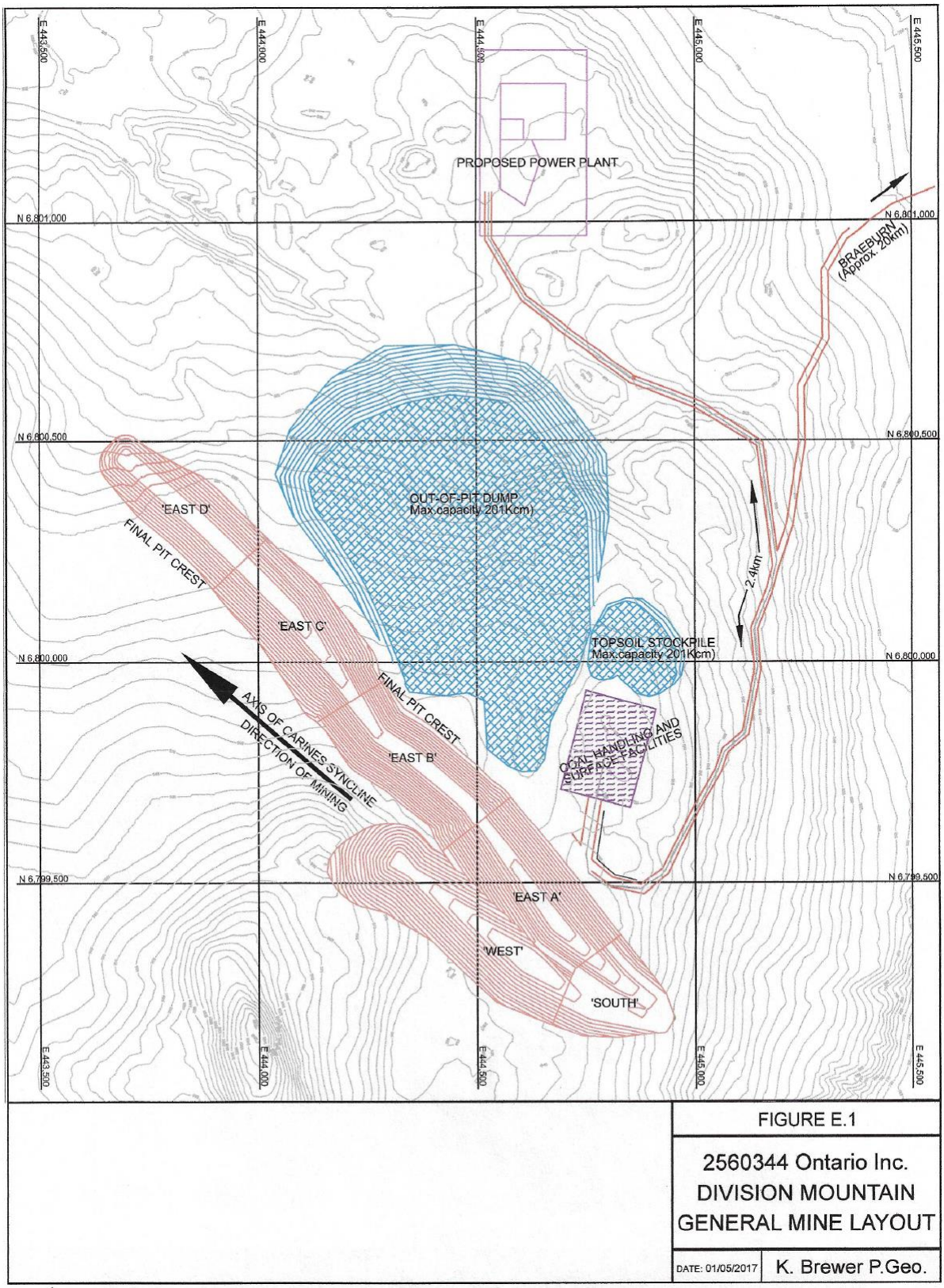
- Sub-grade material (typically 0.3 – 0.6 meters)
- Well graded top-dressing material (typically 200mm – 300mm of crushed 20mm gravel)
- Adequate drainage ditches and road crown
- Super-elevated curves
- 15 meters minimum width.

Mine Access

Norwest (2008) proposed a new access route to the mine and power plant (Figure 5.1). This would require a land use permit. The benefit of this proposed route is that it would bypass all of the local residences and Braeburn Lake. Permitting of the route would require a detailed ground survey, archaeological assessment and consultation with affected First Nations.

Coal Transport

Once sized and stockpiled, coal will be loaded by FEL into a mining truck for haul to the power generating station. It is proposed that the station will be located approximately 2.4 kilometers away (see Figure E.1). Further detailed site surveys are suggested to identify if there is a suitable site closer to the pit. By standard regulation the power plant has to be located at least one kilometer from the pit edge.



Ash Disposal

Combustion by-products from the fluidized bed plant ('fly' and 'bottom' ash) will be hauled from the power generating station back to the Division Mountain Property along the same route used for coal transportation. Ash may be disposed of in a suitable location. All ash placed in the spoil dump will need to be immediately 'plated' with a thin cover of waste rock to reduce the chance

of it becoming airborne. It is assumed that the power plant operators would provide equipment and operator for ash haulage and any associated support, and take on all associated costs.

Reclamation and Closure

Yukon mining law concerning coal projects is still in its infancy. It is assumed that final pit walls and dump slopes will need to be re-graded. This is intended to restore the approximate original topography and drainage patterns in order to create a hydrological stable surface that will ensure long term success in revegetation.

Final slopes will not exceed a sustained 3:1 slope. Once regraded, stockpiled topsoil will be spread, mulched and seeded, in common with similar practices in coal mines within British Columbia.

Mine Planning

A mine planning schedule of the Division Mountain Property has been proposed for the entire 20 years project life (see Table 16.9 for expected mining volumes per year).

Table 16.9 Mining Volumes Summary

Year	Total Waste (bcm)	OB (bcm)	Topsoil (bcm)	Ash (bcm)	Delivered Coal (tonnes)	Effective SR (bcm/tonnes)	CV[1] cal/g	RM %	ASH %	VM %	FC %	S %	S. G. g/cc
1	718,012	623,498	54,243	40,271	240,000	2.8	5,084	2.74	28.53	26.85	42.51	0.45	1.53
2	598,737	536,517	20,169	42,051	240,000	2.3	4,961	2.72	29.79	26.40	41.61	0.45	1.54
3	623,576	560,803	20,022	42,752	240,000	2.4	4,920	2.76	30.28	26.21	41.27	0.44	1.55
4	640,755	587,657	11,668	41,430	240,000	2.5	4,996	2.81	29.35	26.46	42.08	0.44	1.54
5	588,243	546,566	586	41,090	240,000	2.3	5,006	2.89	29.11	26.38	42.48	0.44	1.54
6	483,003	440,149	0	42,853	240,000	1.8	4,891	2.76	30.35	26.01	41.44	0.44	1.55
7	435,475	384,610	7,648	43,217	240,000	1.6	4,861	2.74	30.61	25.88	41.26	0.44	1.55
8	582,895	531,437	9,638	41,820	240,000	2.3	4,945	2.82	29.62	26.11	42.16	0.44	1.54
9	553,938	496,898	14,215	42,825	240,000	2.1	4,871	2.70	30.33	25.93	41.16	0.44	1.55
10	501,068	455,698	3,721	41,650	240,000	1.9	4,951	2.82	29.50	26.12	42.23	0.44	1.54
11-15	2,886,896	2,642,331	39,014	205,551	1,200,000	2.2	4,972	2.71	29.12	26.16	42.05	0.44	1.54
16-21	3,135,286	2,880,346	29,245	225,695	1,382,036	2.1	5,103	2.63	27.76	26.92	42.26	0.45	1.53
Total	**11,747,884**	**10,686,509**	**210,169**	**851,206**	**4,982,036**	**2.2**	**4,997**	**2.72**	**29.05**	**26.40**	**42.00**	**0.44**	**1.54**

Methodology

The mine plan and volumetrics were based on work performed using Carlson's SurvCADD software, a 3D mine-modeling package. This software has become the industry standard within the US coal industries, and is widely used elsewhere (including Canada).

Initially, a 3D "pit-shell" was constructed on SurvCADD to represent the final limits of the ultimate pit. By calculating the total quantities of coal and waste within that pit-shell, the project reserves and strip ratio were then estimated. A pit-shell was chosen that yielded the required reserves (240Ktpa for 20 years, or 4.8 Million tonnes) at the lowest strip ratio.

That pit shell was then divided into smaller blocks for scheduling. The blocks were defined vertically in 5 meter intervals, reflecting the proposed bench height for the backhoe excavator. Each limb of the syncline was also divided into 'panels', typically 400 meters long (along the axis of the limb) and 40 – 180 meters wide (40 meters being the minimum practical working width at pit bottom). The dimensions of the blocks represented the benches in which the backhoe excavator may effectively work. The length of the block also ensured adequate ramp access. In addition, the panel size would provide ample exposure of various coal seams to ensure run-of-pit coal lending for quality control. It is important to note that the block dimensions chosen were merely for estimation and long-range mine planning purposes. They noted that the actual optimum practical dimensions of mining benches may change as operations commence and more detailed, short term, mine engineering was performed.

Once modeled in SurvCADD, the various blocks were analyzed to estimate coal and waste quantities, accounting for inclusion of 5 centimeters of OSD in the coal floor and roof. Those

quantities were then input into a spreadsheet model, assigned run-of-mine (ROM) qualities, and scheduled in annual increments. Again, the blocks were scheduled in sufficient detail for long range, or Life-of-Mine, scale planning. A more detailed schedule would be needed for short range planning.

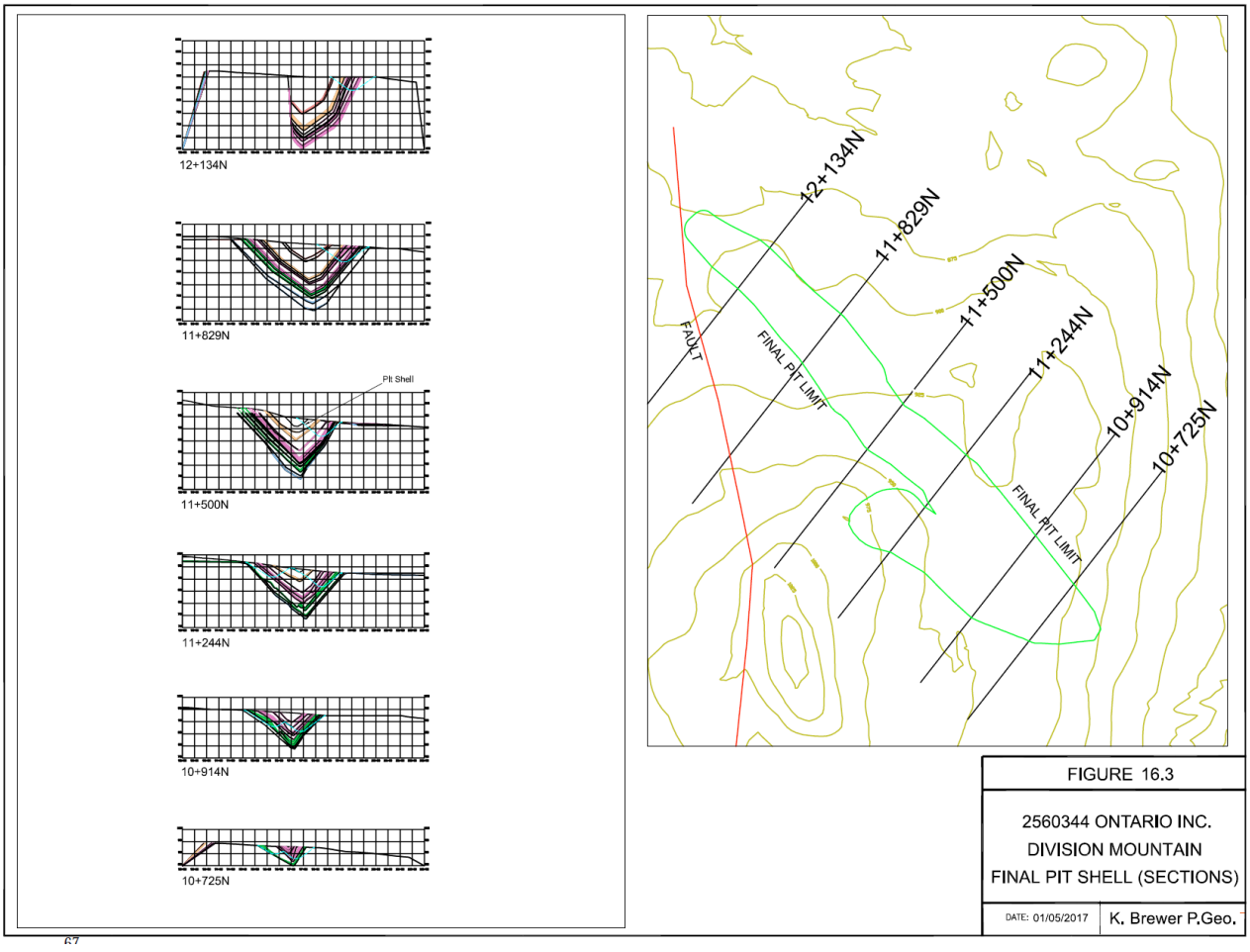
A summary of the annual volumetrics and ROM qualities may be seen in Table 16.9. Cross sections of the final pit shell are shown in Figure 16.3.

Mine Plan Overview

Generally, it is proposed that the Division Mountain reserve be mined from the 'nose' of the syncline to the extremes of its eastern limb, from south-east to north-west (See Figure E.1, General Mine Layout).

There were several advantages identified to this approach when considering mine planning and scheduling, including:

- Targeting of lower strip ratio regions in early years of project (South and West pit average 1.6:1, East C and D average 2.3:1)
- Mining in the direction of assumed water flow as then it is easier to avoid water in working face
- More productive hauls in the early years of the project



These advantages lead to reduced costs and increased efficiencies in the early years of the

project, which is typically the less productive part of a project's life. The Life-of-Mine strip ratio is illustrated in Figure 16.4 and the pit layout with cross sections is in Figure 16.5.

Initial development of an open pit will typically lead to high stripping ratios as some additional work is incurred in developing the pit edge and box cuts. In this mine plan, stripping ratios are also higher for the upper benches in each panel, and lower in deeper benches. This is because there is a decreasing quantity of waste in each bench as the coal seams converge with depth (see Geologic Cross Sections in Appendix 1 of the Technical Report).

While this plan targets the lower ratio region of the syncline in early years, it is not enough to overcome the effect of the high ratio upper benches. Thus, the strip ratio profile over life of mine shows a slightly decreasing ratio over mine life (this effect would be more pronounced if mining were to progress from northwest to southeast).

There are ways to further reduce the strip ratio over the critical early years of the project. One would be to mine coal in narrow strips along the extreme edges where the syncline limbs 'outcrop' (intersect the surface topography). While this would reduce stripping ratio and defer stripping until later, it would also lead to less efficient working conditions and reduced productivities. A trade-off study would have to be done to optimize plans.

Balancing the lower ratio mine schedules with the effect of productivities is a matter of detailed engineering, and not considered within the scope of this study.

An additional advantage to the proposed mine schedule is that it takes advantage of the natural topography to result in more productive hauls of waste in the earlier years of the project. If the mine were to start in the north-west it would require long, uphill hauls of waste to the out-of-pit dump in the early years.

Finally, it is possible that mining 'down' the plunge of the syncline will ease the problem of having water inundate the pit, as it is currently assumed that groundwater is traveling in that same direction. Additional drilling would be required to verify ground water condition and the detailed hydrological investigations will need to be completed in the pit and surrounding areas.

Mine Schedule

The mine schedule in four phases covering five (5) years per phase is described in the following sections (after Norwest, 2006).

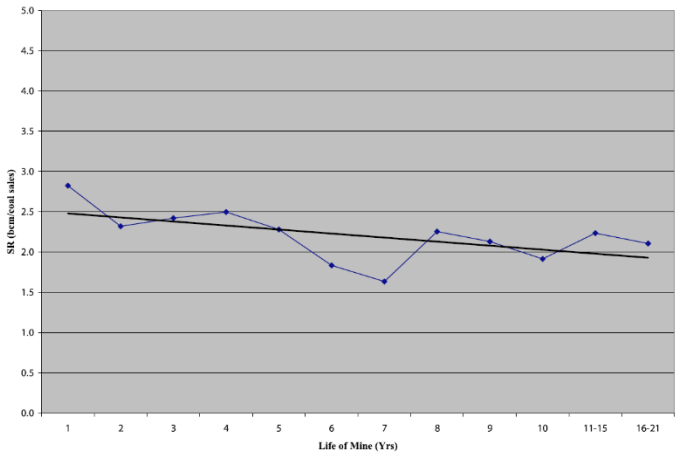


FIGURE 16.4

2560344 Ontario Inc.
DIVISION MOUNTAIN
PROJECT LIFE STRIP
RATIO PROFILE

DATE: 01/05/2017 | K. Brewer P.Geo.

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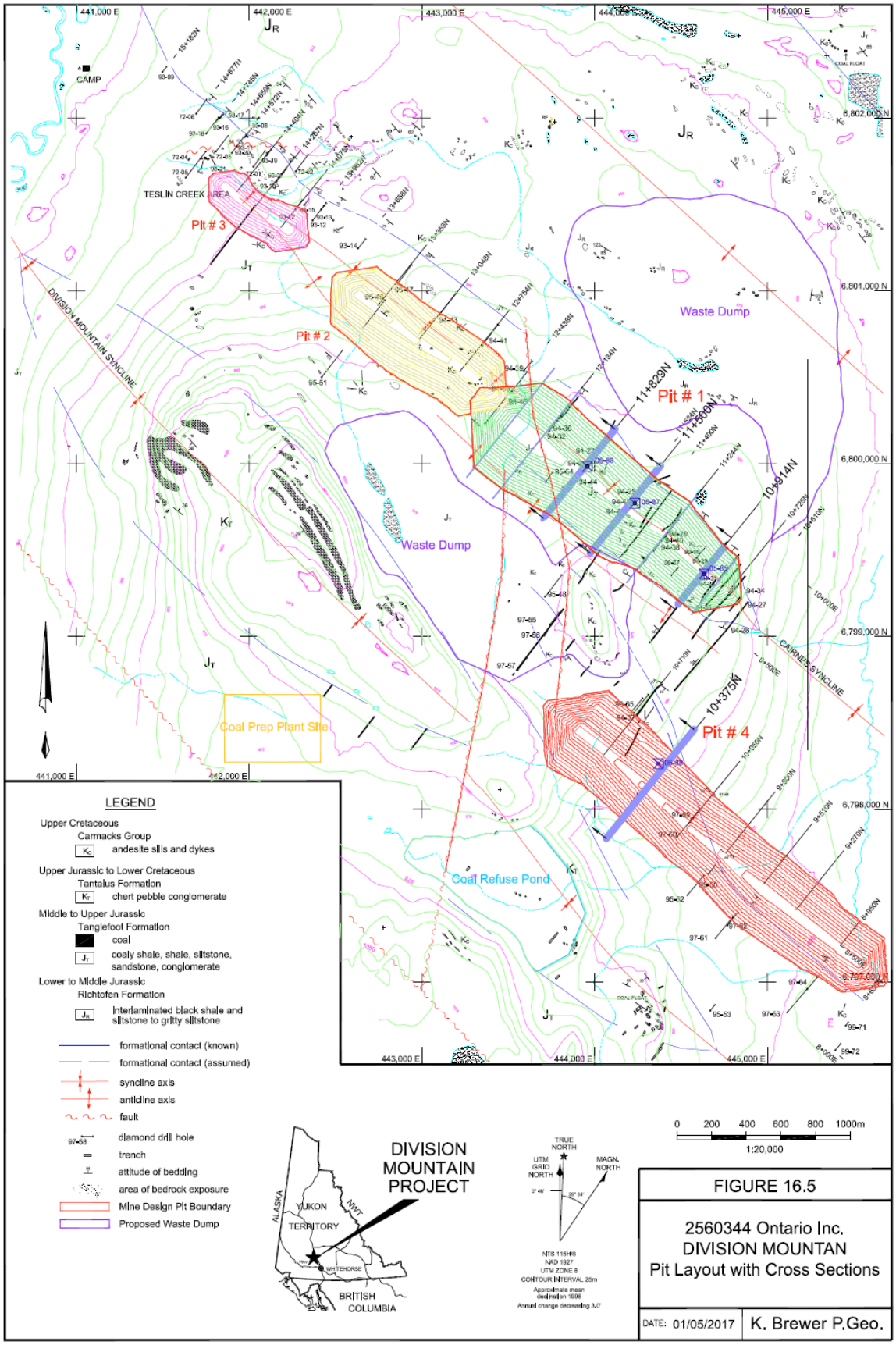
441,000 E
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445,000 E
6,802,000 N
6,801,000 N
6,800,000 N
6,799,000 N
6,798,000 N
CAMP
TESLIN CREEK AREA
Pit # 3
Pit # 2
Pit # 1
Pit # 4
Waste Dump
Waste Dump
Coal Prep Plant Site
Coal Refuse Pond
DIVISION MOUNTAIN SYNCLINE
CARMACKS SYNCLINE
11+829N
11+500N
10+914N
10+375N
LEGEND
Upper Cretaceous
Carmacks Group
Kc andesite sills and dykes
Upper Jurassic to Lower Cretaceous
Tantalus Formation
KT chert pebble conglomerate
Middle to Upper Jurassic
Tanglefoot Formation
coal
JT coaly shale, shale, siltstone, sandstone, conglomerate
Lower to Middle Jurassic
Richtofen Formation
JR interlaminated black shale and siltstone to gritty siltstone
formational contact (known)
formational contact (assumed)
syncline axis
anticline axis
fault
diamond drill hole
trench
attitude of bedding
area of bedrock exposure
Mine Design Pit Boundary
Proposed Waste Dump
ALASKA
YUKON TERRITORY
NWT
WHITEHORSE
BRITISH COLUMBIA
DIVISION MOUNTAIN PROJECT
TRUE NORTH
UTM GRID NORTH
MAGN. NORTH
NTS 115H/8
NAD 1927
UTM ZONE 8
CONTOUR INTERVAL 25m
0 200 400 600 800 1000m
1:20,000
FIGURE 16.5
2560344 Ontario Inc.
DIVISION MOUNTAN
Pit Layout with Cross Sections
DATE: 01/05/2017
K. Brewer P.Geo.

Years 1 through 5

Development begins in the Western panel, the region of highest surface elevation. By early development of the higher elevation region of the mine, advantage is taken of hauling coal and waste across the uninterrupted panel East A. Developing the western panel at any other stage would result in inefficient or difficult hauls across or around open pits. The upper benches of the East A panel are then developed. The South panel follows, with its low strip ratio balancing the higher strip ratios of East A and, to a lesser extent, the West panel. An approximation of the mining schedule is shown in Figures 16.6 - 16.10.

Years 6 through 10

In Year 7, development of the East B panel begins. This allows balancing of the high-ratio upper benches of East B with the lower elevation (and lower strip ratio) benches of East A. The West and South panel continue to be developed. The mining plan was scheduled to ensure that at no point does a West panel bench be developed at a lower elevation that an adjacent East A panel bench. This results in the most efficient haulage route, with no unnecessary rises in elevation. Similarly, at no point does an 'East A' bench descend below a South panel bench (Figure 16.8).

Years 11 through 15

Both the West and South panels are completed in Year 11. The lower benches of East A continue to be balanced with the high ratio, upper benches of East B. During Year 13 development begins in East C (Figure 16.9). Reclamation of the lower portions of the waste dump also begins in Year 13.

Years 16 through 20

Development of the East C panel continues, corresponding with mining of the low-ratio, lower elevations of panel East B. As East B is completed, development of East D begins. As designed, mining continues in panel East D for an additional 9 months beyond the end of Year 20 (Figure 16.10).

Dump Schedule

During the Life of Mine a total of 12.6Mcm of waste material is hauled to an out-of-pit dump located north of the eastern limb (see Figures 16.6 through 16.10).This waste material includes 11.8 million cubic meters of waste rock overlying coal, and an additional 0.8 million cubic meters of ash from the generating station.

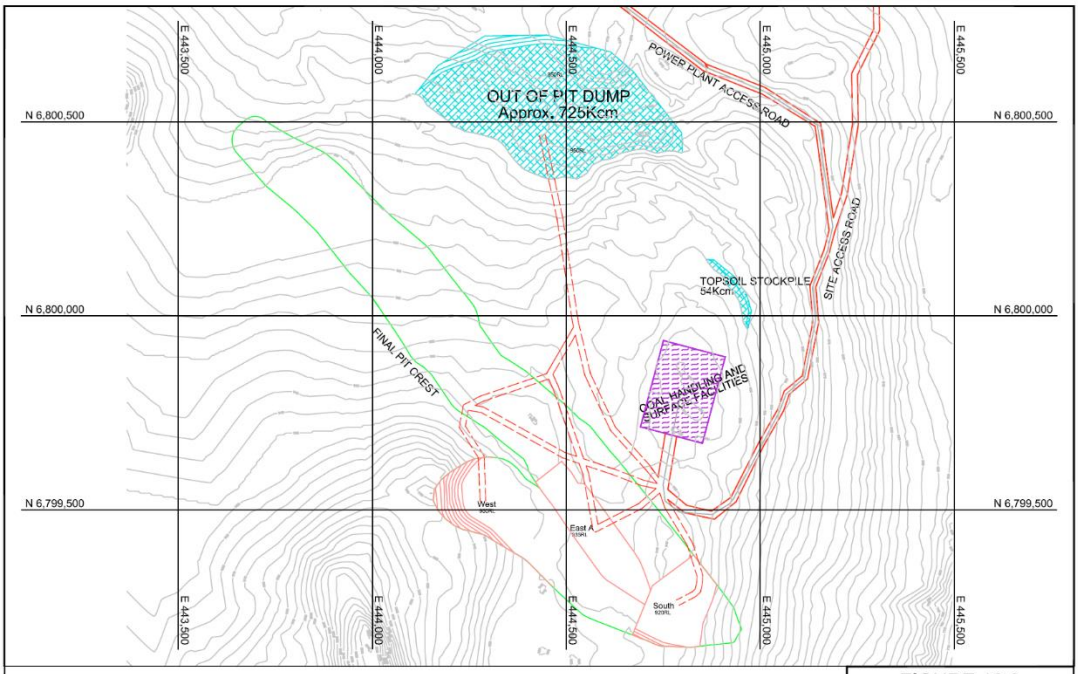

FIGURE 16.6

2560344 Ontario Inc.
DIVISION MOUNTAN
MINE SCHEDULE (YEAR 1)

DATE: 01/05/2017 | K. Brewer P.Geo.

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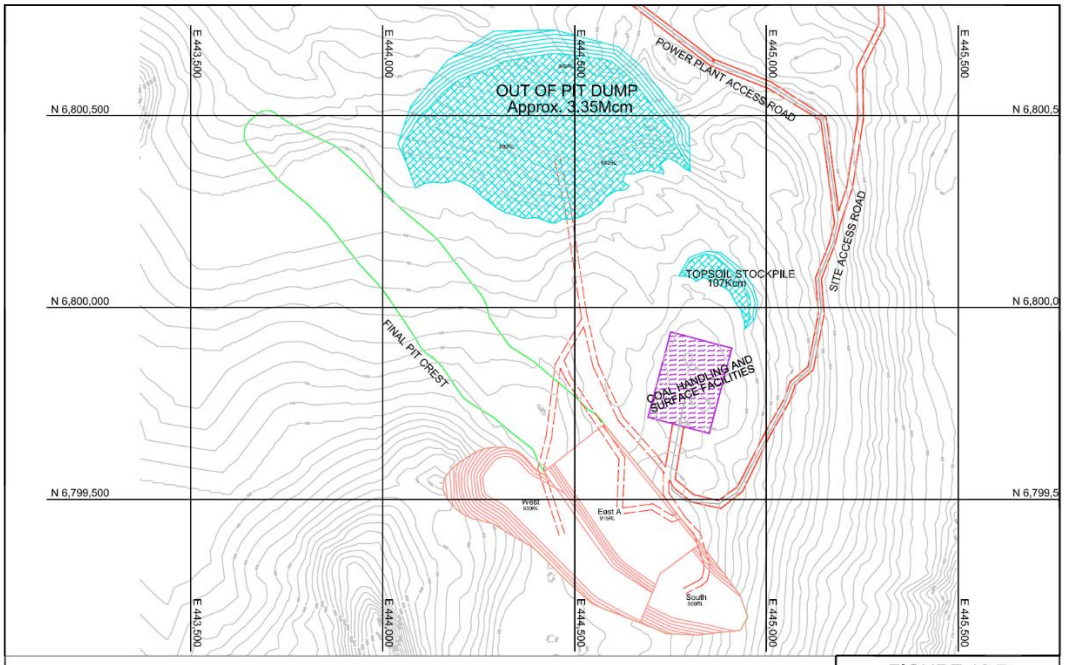

FIGURE 16.7

2560344 Ontario Inc.
DIVISION MOUNTAN
MINE SCHEDULE (YEAR 5)

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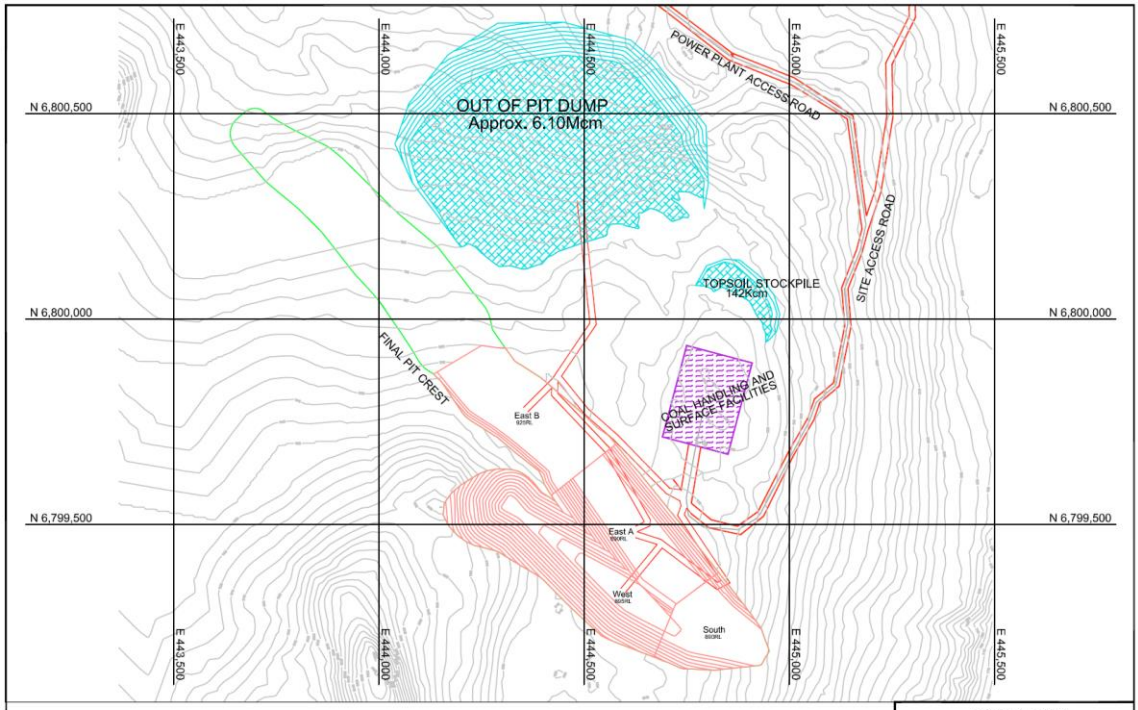

FIGURE 16.8

2560344 ONTARIO INC.
DIVISION MOUNTAIN
MINE SCHEDULE (YEAR 10)

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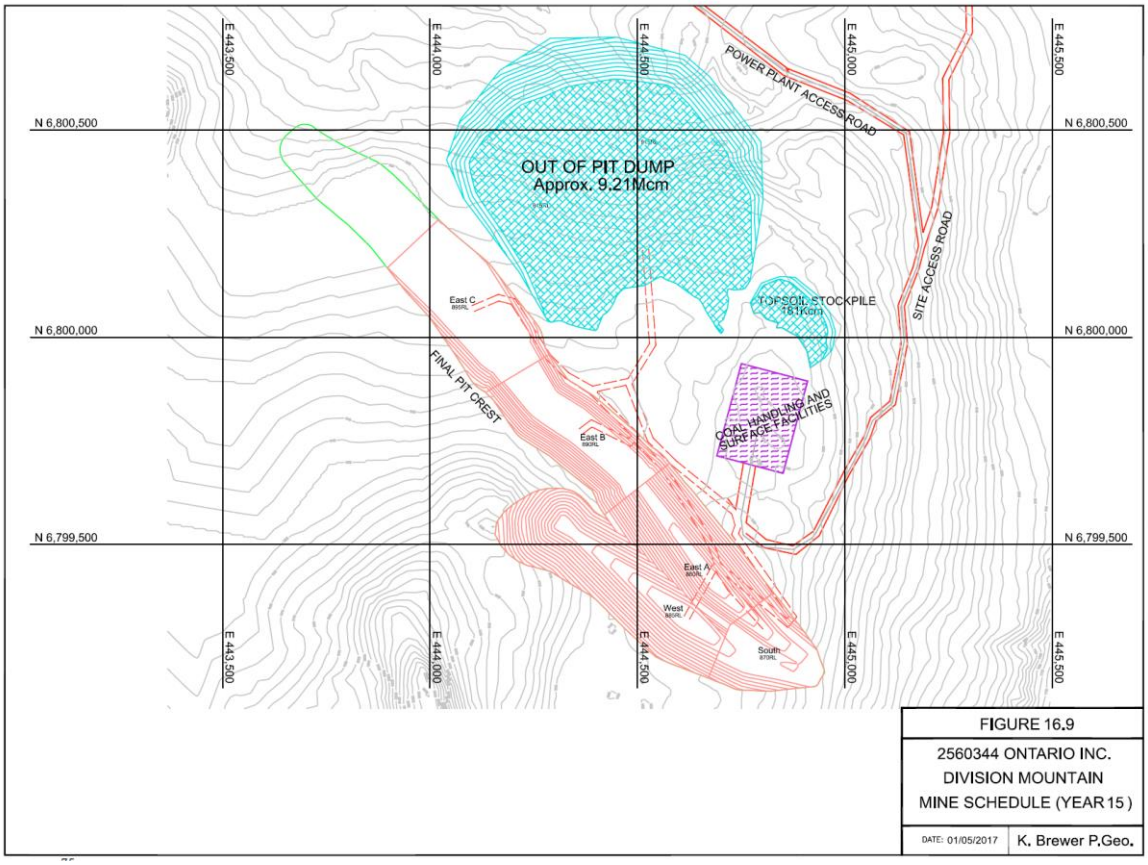
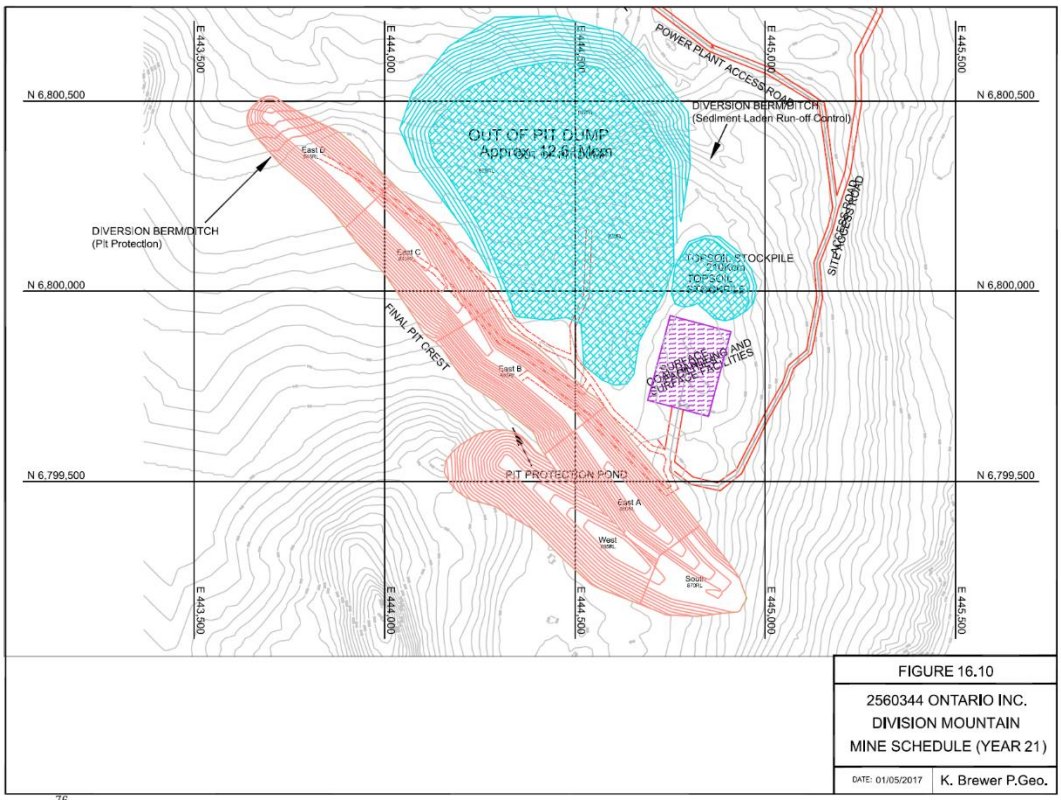


FIGURE 16.9

2560344 ONTARIO INC.
DIVISION MOUNTAIN
MINE SCHEDULE (YEAR 15)

DATE: 01/05/2017 | K. Brewer P.Geo.



Recovery Methods

The only recovery issue is separating the coal from waste which can be conducted with the proposed mining methods outlined by Norwest (2008). The next section discusses how the coal will be recovered and removed from the waste.

Project Infrastructure

Equipment Selection

Based on Norwest's experience with surface mining of complex and steeply dipping seams the equipment in the following sections was proposed (after Norwest, 2006).

Coal Handling Facilities

Figures 18.1 and 18.2 (Material Handling Flowsheet and Site Plan) have been prepared for reference during the following discussion (After Norwest, 2006).

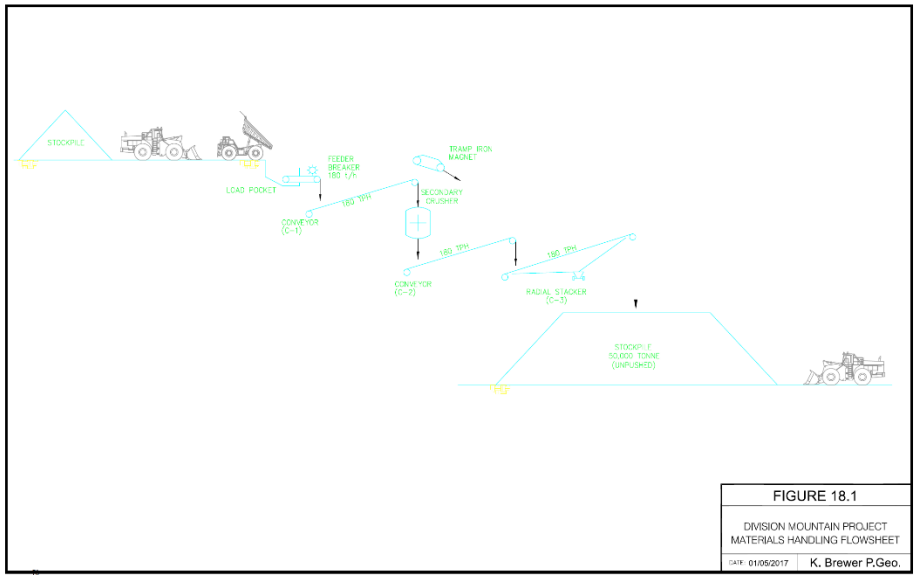
Trucks hauling coal from the mine will dump the raw coal into a load pocket or off load at a nearby stockpile. The load pocket will be approximately 12 meters long by 12 meters wide by 12 meters deep. A front end loader can be used to tram the coal into the load pocket from the nearby stockpile when trucks are not dumping.

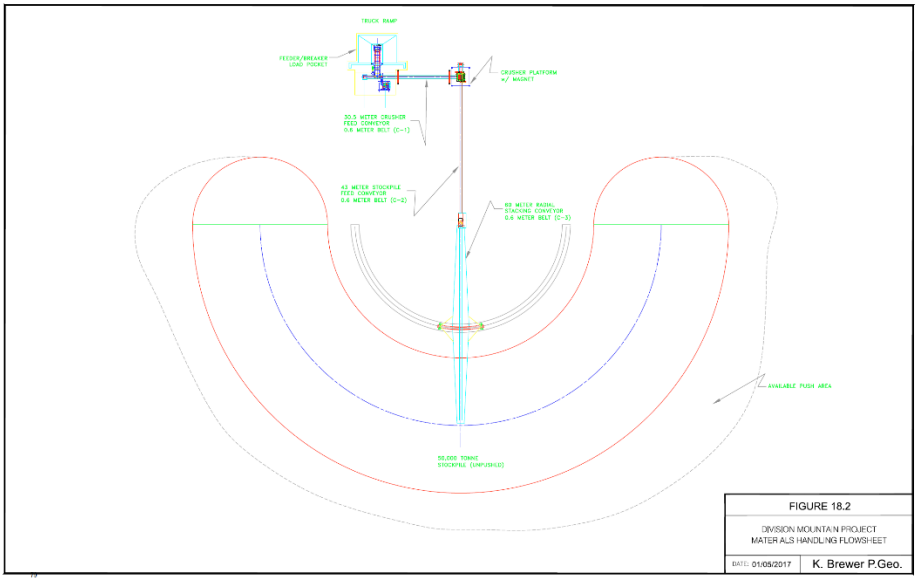
Within the load pocket is a feeder breaker. The feeder breaker moves the raw coal from the load pocket and breaks the larger material to 100mm X 0 prior to transferring the material onto a 0.6 meter wide transfer conveyor (C-1) which discharges into the secondary crusher. The transfer conveyor is built using channel frame and truss structures. Bents are used to support each of the truss sections and the channel frame sections are supported on railroad ties. The truss sections are necessary to elevate to the discharge point of the conveyor to feed the secondary

crusher. A grizzly to protect the downstream equipment from oversized lumps has not been included at the load pocket. It is noted that the coal is reportedly friable, in which case the feeder breaker should be able to handle some degree of oversize feed. However, care should be taken to address oversize lumps of coal in the field in field operations, either by crushing with the excavator bucket, running over with track dozer, etc.

The secondary crusher is used to further break the raw coal to 50mm X 0 prior to stockpiling. A tramp iron magnet is planned at the discharge of conveyor C-1. In the area of the magnet, the discharge chute will be made from stainless steel. The magnet will protect the roll crusher from ferric items lost during mining, such as bucket teeth, bits, etc. This will protect the crusher and reduce downtime. Non-ferric materials cannot be removed with a magnet. If non-magnetic alloys are used in the mine, a metal detector should be included to stop the belt and mark the stream.

The sized coal will be stockpiled using a radial stacker. A 0.6 meter wide conveyor (C-2) is used to transfer the material from the secondary crusher to the radial stacker (C-3). A 60 meter long radial stacker with a 15° incline and a 180° rotation will produce a stockpile of approximately 50,000 tonnes. Depending on the site selection for the stockpile, the transfer conveyor (C-2) could be fabricated from channel stringers.





Cost analysis assumes that the site works design is optimal for the stockpiling system. The 50,000 tonne amount is for an “un-pushed” stockpile. A larger stockpile capacity is possible if a front end loader or dozer is used to help manage the pile. The same front end loader that is used at the load pocket is planned to manage the stockpile. The front end loader is also planned to be utilized to load the coal onto trucks for transport to a processing or loadout facility.

Low cost sand and gravel conveyors are planned to minimize the capital cost for this project. Well executed, high-standard maintenance procedures will be required to ensure that the conveyors will run with minimal problems and provide adequate service. No dust control has been included for the conveyor system or transfers.

Surface Facilities

It was assumed by Norwest (2008) that the power plant would be adequately sized to provide administrative and employee facilities for the mine personnel.

The mine will require maintenance and supply facilities for its rolling stock and heavy equipment (Norwest, 2008). The recommended buildings for maintenance and storage purposes were the Sprung Instant Structures. These structures are insulated stressed membrane structures and can be quickly constructed and used for both temporary and semipermanent applications. Norwest (2008) suggested that one ‘Sprung’ structure be used for a maintenance shop and the second structure be used for storage of supplies and fuel, as well as a weld shop.

Both buildings could also be used to store equipment in the event the mine was shut down. A crane for one in the structures is included to service the haul trucks. Site preparation would require some grading and the building could be placed on a gravel surface.

Mine Support Facilities

It is estimated that 12,000 liters of diesel fuel will be needed on site each week to support the operations. A low cost alternative to a fuel depot was proposed by Norwest (2008). They proposed that a traditional fuel depot would not be used. Instead, their plan called for purchasing a used semi-truck and tanker trailer. However, the author of the Technical Report considers that it is highly unlikely that this would be approved by Yukon regulatory authorities. Therefore any future economic analysis should consider an estimation for a traditional fuel depot.

An explosive storage building is planned for the site. It will consist of a container with shelves. This facility will be locked placed in a remote and secure location. The plant has to be located at least one kilometer from the pit edge. The area will be fenced and surrounded by earth berms.

Norwest (2008) proposed that power be brought into the mine site from the power plant via a 2.4 kilometer power line which will be constructed prior to start-up.

<u>Waste Drilling</u>

As mentioned above, it is proposed that angled drill holes be deployed in order to minimize the need for either decking drill holes or ‘bumping’ the coal seam together with the waste during one shot. A 350-400hp percussion hydraulic crawler drill with a rotating head (Atlas Copco ROC L7, or equivalent) capable of drilling 4 1/8 “ - 5 1/2 “ holes will be required (Norwest, 2008).

<u>Waste Stripping</u>

It is proposed (Norwest, 2008) that a 6m3-class backhoe excavator (Caterpillar 385B, or equivalent), will be the primary loader of waste material. A backhoe-configured excavator is

versatile and maneuverable, making it well-suited for uncovering the multiple, thin seams that make up a significant portion of the reserve.

Waste may also be loaded by a 'highlift' 5.5m3-class (Caterpillar 980G or equivalent) front end loader (see section 18.6).

This will be better suited for areas in which a substantial quantity of waste has been pushed onto a flat bench. It will also serve as a substitute loader in the event that the backhoe excavator is not operational.

Waste will be hauled by a fleet of up to four 35 tonne-class mining trucks (Caterpillar 769D, or equivalent). These are well-matched to the 5.5-6m3-class loaders and will ensure maximum productivity.

Coal Mining

The same 6m3-class backhoe excavator (Caterpillar 385,or equivalent) used for waste stripping support will additionally be used to load coal (Norwest, 20008). The 5.5m3-class (Caterpillar 980G, or equivalent) front end loader may be used as a 'back-up' coal loader.

As in waste stripping, coal will be loaded into a 35 tonne-class mining truck (Caterpillar 769D, or equivalent). It is proposed that 'combination boxes' be fitted to all mining trucks. This arrangement increases the effective carrying capacity of each truck. The trucks could be used interchangeably between coal and waste, increasing equipment flexibility. The capital cost of an additional truck may be saved with the use of 'combination boxes', as assumed by Norwest (2008).

Coal Transport

Once broken and crushed, coal will be stockpiled. The 5.5m3-class (Caterpillar 980 or equivalent) front end loader will then be used to load from the stockpile.

The coal will be loaded into a single 35 tonne-class mining truck (Caterpillar 769D, or equivalent) for the 2.4km haul to the power generating station.

Mining Support Equipment

Various pieces of additional equipment will be needed to construct and maintain haul and access roads, berms, water control structures etc., as well as support the primary stripping and mining equipment. These include:

- Track dozer (Caterpillar D8, or equivalent)
- Water truck
- Motor grader (Caterpillar 14H, or equivalent)
- Rough terrain crane
- Fuel/lube truck
- Bulk explosives truck
- Mechanics service truck
- Pick-up trucks
- Light plants.

The 230kW / 305hp class track dozer (Caterpillar D8, or equivalent) would be needed for various tasks including:

- Construction and maintenance of haul and access roads

- Maintenance of safety benches and berms
- Ripping and pushing of thin seam coal and overburden
- Loader and backhoe assist, as needed
- Regrading and reclamation

A 19,000 liter water truck would also be required for dust suppression of working areas as well as access and transportation routes.

The motor grader would be used for light construction projects, maintenance of haul, access and transportation routes, reclamation operations, and other miscellaneous tasks.

The rough terrain crane, fuel/lube, bulk explosives, mechanics and pick-up trucks would all be used for day to day maintenance and support of field operations and equipment.

Market Studies and Contracts

There have been limited market studies done to date for this project. McLoskey et al (2008) conducted studies on coal prices for the feasibility study for Norwest and Cash Minerals Ltd. However these studies are out of date and at the time were also designed to examine the coal export markets which was then later determined not to be an economic proposition for the Division Mountain Property project.

Future studies on coal pricing to a mine mouth located power generation facility will accompanied with detailed studies on the marketability of the electricity within Yukon's isolated electrical grid or for new industrial developments will need to be completed in the future in order to further determine the actual viability of any coal mine in the Division Mountain Property area.

Environmental Studies, Permitting and Social and Community Impacts

Environmental Setting

The Division Mountain Property is located within the Boreal Cordillera ecozone which covers southern Yukon and Northern British Columbia.

The ecozone consists of several mountain ranges of the Northern Rockies, as well as several plateaus. Ice age glaciers covered virtually all the plateaus, which are heavily eroded and contain large deposits of glacial debris. The mountain ranges of the ecozone are generally lower than those of the coastal ranges.

Summers are brief and cool, winters typically long and cold. Mean annual temperatures are -0.7°C to -0.3°C, with the average temperature rising above 10°C from one to three months per year, depending on elevation. Mean annual precipitation is 460-700mm, with 30-65% falling as snow. Above treeline (1,000 – 1,400 meters) the weather may be considered alpine, with much cooler temperature and permanent ice and snow cover at high elevations.

Lower elevations are generally forested with White Spruce and lesser density of Pine and Aspen. Subalpine Fir becomes more abundant at progressively higher elevations, eventually giving way to deciduous shrubs such as scrub birch and willows. The highest elevations consist of alpine vegetation such as shrubs, herbs moss and lichen.

Species of wildlife include Elk, Moose, Caribou, mountain goats and sheep, bears, as well as several species of migratory and sedentary birds.

Permitting

The mining industry in Yukon is managed according to several key pieces of legislation. In general, *The Yukon Environmental and Socio-economic Assessment Act* (“**YESAA”**), *Yukon Waters Act and Territorial Lands (Yukon) Act*, and *Yukon Coal Regulations* must all be addressed prior to the issuance of any authorizations that would permit the Division Mountain Property coal project proceed and/or exploration of the current licence holdings.

Permitting – Exploration Licence

In 2017, the initial stage of work for Yukoterre Resources Inc. was to renew previous exploration permits so that new work programs could be conducted. Yukoterre Resources Inc. filed and received approval for an exploration permit from the Chief of Mining Lands, Yukon Energy, Mines and Resources to conduct a limited drilling program that was subsequently completed in June, 2018.

The filings involved filing a Form 1 application for a Class 3 Level exploration permit to the Designated Office of the Yukon Environmental and Assessment Board in Whitehorse, Yukon. These document filings were quite detailed and required various support documents including emergency response plans, archeological reports (if available), oil spill response plans, maps depicting proposed areas of exploration, proposed access routes, and a variety of other documentation. Consultation efforts with affected First Nations, who have traditional lands in the area, were also conducted. Typically the primary contact in this situation within the First Nations government is the Director of Lands (or equivalent title) and the author held meetings with three of the four affected First Nations to discuss the proposed program. As the work program undertaken was consistent with previous work programs conducted in the Division Mountain area there will be few to no problems in obtaining the permit.

Assessments formerly undertaken by the Yukon government for any exploration permits are conducted by the arms-length Yukon Environmental and Socio-economic Assessment Board (**“YESAB”**) through one of its six Designated Offices in Yukon. In the instance of this project, the applicable designated office is located in Whitehorse, Yukon. YESAB operates under YESAA which stands for the Yukon Environmental and Socio-economic Assessment Act. This relatively new federal legislation is now fully in effect in the Yukon. It provides for a single environmental and socio-economic assessment process for projects under federal, territorial or First Nation jurisdiction. This assessment is part of the overall review and approval process that will apply to all exploration and development activities for resource and industrial sectors.

YESAA assessors must conduct their assessments within specific time lines. As part of the assessment, they seek input from government and First Nations and provide opportunities for the public to provide comments on proposed projects. The assessment process basically consists of identifying the environmental and socio-economic effects of a project and appropriate mitigation before providing a recommendation to the Decision Body (government) on whether a project should proceed. The YESAB has an on-line public registry that is accessible to anyone who has access to a computer with a connection to the internet. This registry contains all information related to YESAA assessments.

Once the Yukon government reviews the recommendations from the assessor, it will then decide whether to accept, reject or vary the assessment recommendation and state this decision in a Decision Document. The Yukon government continues to be the decision maker and to be responsible for regulating and enforcing permits and licenses for development projects which fall under its legislated authority.

In simple terms, the regulatory process is led by the regulator and generally begins with an application phase where the proponent applies for a permit or license to undertake a regulated

activity. The regulator then reviews the application to see whether it is complete and meets certain regulatory requirements. The regulatory phase ends with the regulator either issuing the proponent a permit or license or rejecting the proponent's application. Steps on the left side of the flowcharts are part of the regulatory process.

In summary the following are the steps for an exploration permit:

1. The proponent contacts the Designated Office and fills out assessment Form 1.
2. The Designated Office conducts the assessment of the project proposal by seeking input from government agencies, First Nations, interested parties and the public. The time from the acceptance of the application by the assessor to the end of the public input period can take up to 30 days or be extended up to 86 days, if required.
3. The assessor concludes the assessment based on input received and produces an assessment report with the recommendation on whether the project should proceed. This process can take up to 14 days.
4. The Yukon government Decision Body issues a Decision Document accepting, varying or rejecting the assessor's recommendation within 30 days of receiving the recommendation.
5. If the Yukon government Decision Body determines that the project may proceed, the proponent receives the Decision Document and fills out a Class 3 notification form in conformity with the Decision Document and submits it to the appropriate Mining Lands district office of EMR. If the Decision Body determines that the project may not proceed, the project is rejected and the proponent is notified.
6. The Mining Lands Officer officially accepts the Class 3 notification and enters key information into the register.
7. Within 25 days, the Chief of Mining Lands makes a decision on whether to approve the Class 3 notification. If rejected, the proponent is notified. If the project is redirected to a Class 4 category, the proponent must resubmit the proposal.
8. If the Class 3 notification is approved, the proponent is notified and can proceed with the Class 3 exploration program.

Permitting – Mine Licence

A similar process is undertaken for a mine application except that the application and review process are far more extensive and comprehensive, the process flow chart is different, and the timelines are much longer.

In the Yukon a project like the Division Mountain Property coal project when moving to development and/ or production activities will require a detailed environmental and socio-economic assessment and various regulatory approvals, including but not limited to a Type A or B Water License and a Coal Mining License along with a range of other permits.

There are two distinct stages that a project goes through before mining activity can commence.

First, an assessment identifies environmental and socio-economic effects, their significance, and related mitigation measures. Secondly, there is the regulatory stage where regulators issue their respective permits, licenses or other authorizations as the case may be.

The following sections will provide a brief outline of the requirements and procedures for obtaining a Mining License (After Yukon EMR, 2017).

Most major mine development and production projects require a screening by the Executive Committee of YESAB, established under the YESAA. Where the development and production level of a project does not meet the threshold for an Executive Committee level screening it will be assessed through the appropriate DO.

Step 1: Initial Consultation with the Regulatory Agencies and YESAB

Proponents are encouraged to first contact the regulators at EMR's Mineral Resources branch for preliminary discussions on regulatory requirements. The Yukon government works with the proponent and YESAB on the integration of the assessment and regulatory requirements. The proponent should also meet with YESAB to discuss the project and receive instructions on any YESAA requirements, processes, and timelines.

Step 2: Consultation with First Nations

YESAA also requires the proponent to consult with affected First Nations and communities prior to submitting their project proposal.

Step 3: Preparation of the Project Proposal

Based on the discussions with the regulatory agencies, YESAB, and First Nations and also on the project requirements, related socio-environmental data collected, and other relevant studies, the proponent will prepare the comprehensive project proposal. This is a major document and generally will take 6-18 months to prepare depending on the requirements outlined by the various agencies and related study and internal company processes and procedures.

Step 4: Proposal Submission, Project Scope, and Screening

Upon receipt of the proposal, the YESAB Executive Committee determines whether it is adequate or whether supplementary information is required from the proponent.

At the outset of its screening, the Executive Committee prepares a statement describing the scope of the project based on the information contained in the proposal. The scope of a project includes activities identified in the proposal and any other activity considered likely to be undertaken in relation to the project.

The scope of a project may be modified by the Executive Committee in the course of conducting its screening, as a result of supplementary information provided by the proponent, or other information available to or received by the Executive Committee relevant to the screening.

Step 5: The Review Process

The Executive Committee publishes a notice on the screening of the project and invites government agencies, interested persons and members of the public to submit views and information relevant to the screening in writing. Public meetings may also be held to seek views about the project and information relevant to the screening.

The Executive Committee determines if it has sufficient information to prepare a draft screening report or if supplementary information from the proponent is required. Upon completion of a draft screening report, government agencies, interested persons and members of the public are again invited to submit views or comments about the draft screening
report in writing.

Step 6: Screening Report and Recommendation(s)

Upon completion of the screening, the Executive Committee prepares a final screening report which includes the recommendation stating whether the project can proceed, and if so, also any recommendations setting proposed terms and conditions. This report is submitted to the Decision Body(s).

Step 7: Project Decision

Once the Yukon government reviews the screening report from the Executive Committee, it decides whether to accept, reject or vary the recommendation and states this decision in a Decision Document. There may be a further referral back to the Executive Committee, prior to the final Decision Document being issued. After the Decision Document has been issued, government regulators may issue the required permits and licenses.

Legislation that must be followed includes (but may not be limited to):

- Yukon Environment Act (Yukon Statute)
- Occupational Health and Safety Act (Yukon Statute)
- Waters Act (Yukon Statute)
- Transportation and Highways Act (Yukon Statute)
- Fisheries Act (Federal Statute)
- Canadian Environmental Protection Act (Federal Statute)
- Yukon Mine Site Reclamation and Closure Policy

Lease Acquisition

It is proposed that as part of the permitting process for the 2019-2020 exploration season, Yukoterre also apply for a coal lease to cover the known resources in the southwestern portion of the Division Mountain Property deposit and it is also suggested that the lease cover additional prospective ground in this area. A lease provides more rights than an exploration licence. The lease application is sent to the Chief of Mining Lands in Yukon EMR for approval. The timelines associated with this application are not defined.

Environmental and Detailed Engineering Studies

As previously noted, there have been limited environmental studies conducted on the Division Mountain area, the proposed mine project and associated power generating facility.

Preliminary engineering studies have been done but again are limited.

Detailed studies will need to be conducted in order to fulfill the requirements for the project application as the findings of these studies will be incorporated into the document.

Examples of study areas include:

- Hydrology and hydrogeology
- Water management
- Climatological
- Wildlife
- Air emissions
- Dust control
- Geotechnical
- Waste dumps and dam design
- Access route design
- Preliminary design and site layout
- Infrastructure plans
- Detailed pit design
- Other

This list is provided not as a means to be comprehensive in nature but to provide a level of understanding of the types of studies that will need to be conducted either from the outset, or from the preliminary plans outlined by Norwest (2006, 2008) to prepare the project application. These will require a significant budget as the typical requirement for water quality studies alone

is generally 24 months of contiguous sampling, monitoring and testing data. Generally the first step for the proponent is to prepare a detailed permitting plan and schedule that will include all of the required studies. Proponents then typically seek a range of expertise to complete the studies with the eventual objective being to complete the project application and to aid internal planning and project financing processes.

Environmental and Socio-Economic Impacts

Generally, once all studies are completed, the proponent will identify all of the environmental and socio-economic impacts arising from the project. This effort will also identify the cumulative project impacts arising from the project as certain impacts have a direct relationship with other impacts.

Impact and Risk Assessments

Risk assessments will also need to be determined on all of the environmental and socioeconomic assessments and those assessments will include proposed mitigation (s) to eliminate or minimize the identified risk and potential impact.

First Nations Relations and Consultation

First Nations have demonstrated that they are willing to work with mining companies and support their projects in exchange for benefits to the local community. Many of these new partnerships are reflected in socio-economic agreements designed to foster more local benefits.

Elements of these agreements include specialized training, scholarships, contracting opportunities, environmental monitoring, etc.

First Nation economic development corporations have already been eager to assist, on a competitive basis, in the construction and supply of existing mining operations and promising exploration programs. Recognition and protection of traditional lifestyles, employment and training opportunities, and equity participation, such as stock options, are some of the topics discussed in these negotiations.

Key considerations for consultation with First Nations that should be addressed by companies when researching and developing a project proposal for either exploration or licensing applications include (After Yukon EMR, 2017):

- identify nearby communities
- identify key contact people in nearby communities (e.g. chief, councillors, lands officer,
- administrators, mayor)
- identify issues and concerns of importance to the communities
- communicate the company's short and long term plans to the community
- be aware of local cultural differences and communication styles
- initiate meetings to exchange information between the company president and the chief
- director of lands and resources or other senior official(s)

The Yukon Chamber of Mineral Resources based in Whitehorse is also an excellent resource to aid companies in preparing for Permitting and First Nations Consultation processes.

General Public Relations

As previously noted public hearings are a requirement for any mine permitting process and occasionally also for exploration permits. The latter requirement is a determination of the Designated Officer within YESAA reviewing the exploration permit application.

There are many different interest groups in Yukon that actively attend and provide interventions at public meetings and/or hearings. It is important for any mining company planning to be active in Yukon to be fully aware of these groups and their advocacy efforts. It is also very important to fully understand the protocol and agenda of the meetings to ensure that fair process is conducted at all times. These sessions are recorded and can greatly influence recommendations arising from the YESAA process and also the Decision Document issued by Yukon EMR.

Yukon Mine Site and Reclamation Policy

The Yukon Mine Site Reclamation and Closure Policy guides hard rock mine developments in the Territory. The policy and supporting guidelines are based on modern industry standards and they are consistent with national mine site reclamation policies. In addition to regulatory requirements, the Yukon government also follows a number of best management practices and technical guidelines to inform decision making.

The basis of the policy is that mine operators are responsible to plan, implement and fund mine reclamation and closure and they must provide financial security to contain the public risk for site reclamation and closure costs. The reclamation and closure plan must be prepared by the mine owner and submitted for review and approval by the government prior to receiving a Mining License. The reclamation and closure plan must be updated periodically throughout the operating mine life (minimum every five years).

Capital and Operating Costs

It is recognized that the Division Mountain Property is a relatively small coal project, and will not benefit from the economies of scale enjoyed by a larger operation. In addition, high transport costs and current market conditions suggest that the resource is not suitable for export. It was therefore assumed that, for the purposes of this study, capital and operating costs would be kept to a minimum (Norwest, 2008).

Canadian dollars ($CAN) are reported throughout. As previously noted, these cost estimates were prepared by Norwest for a feasibility study completed in 2008. They are now all out-of-date and are presented for background context for the project. The costs estimates are therefore considered historical in nature and cannot be relied upon. A complete update of all capital and operating costs will be required to further advance the Division Mountain Property project and to appropriately determine its overall viability.

Capital Costs

Capital expenditure over the project life was projected by Norwest (2008) as shown in Figure 21.1. Norwest proposed to spread out capital expenditures as much as possible, over the life of the project. In the case of the Division Mountain Property, however, production is low enough that there is very little equipment replacement or other capital costs once the project has started. For that reason, there is limited opportunity for spreading of the capital allocation and most of the capital expenditure is incurred prior to project start-up.

Methodology

Capital expenditures may be grouped into three major categories (after Norwest, 2006):

- Mine Development: $0.94M
- Infrastructure and Facilities: $5.08M
- Mobile Equipment: $8.49M

Norwest estimated total capital costs to be CDN$14.51 million. In the case of mine development, infrastructure and facilities, equipment costs were based on budgetary quotations of available equipment for major items. Cost for minor equipment and unit costs for construction had been estimated by Norwest from previous projects. An allowance for incidentals had been included as a percentage of the total cost.

Equipment capital costs were based on quotations of used equipment from a Canadian distributor (see Equipment Selection). Costs included transportation and erection. Equipment was chosen with enough used hours to warrant a significant capital savings, while retaining an adequate remaining life.

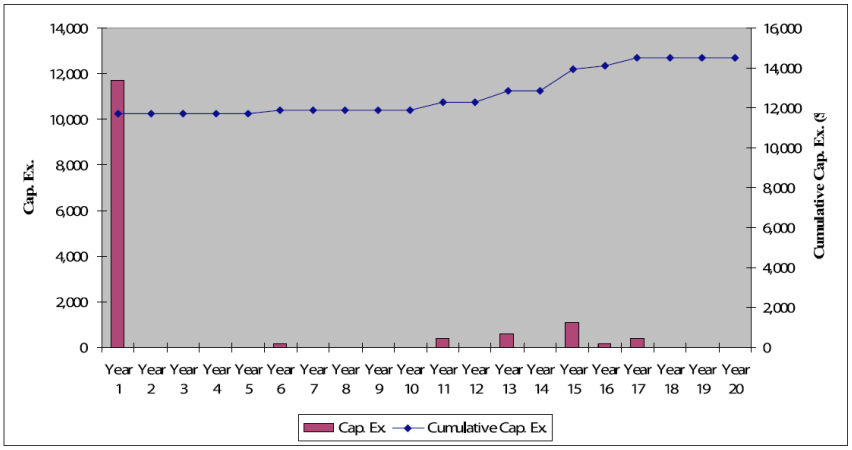


FIGURE 21.1

2560344 Ontario Inc.
DIVISION MOUNTAIN
CAPITAL EXPENDITURES

DATE: 01/05/2017 | K. Brewer P.Geo.

Table 21.1 Capital Expenditure Summary

Mine Infrastructure Development Cost		Cost ($000)		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Total
Plant Facilities																									-
Equipment		3,031		3,031																					3,031
Other		0		0																					-
Subtotal		**3,031**		**3,031**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**3,031**
Support Facilities																									-
Buildings		1,590		1,590																					1,590
Other		0		0																					-
Subtotal		**1,590**		**1,590**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**1,590**
Other Development Costs																									-
Power Line		419		419																					419
Drainage Infrastructure		50		50																					50
Access Development		150		150																					150
Haul Road (6km)		135		135																					135
Consultants		100		100																					100
Subtotal		**854**		**854**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**854**
Mine Infrastructure Development Contingency			10%	548	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	548
SUBTOTAL INFRASTRUCTURE/DEV (wo/cont.)				**5,475**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**5,475**
GRAND TOTAL INFRASTRUCTURE AND DEVELOPMENT				**6,023**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**6,023**

Mobile Equipment Cost	Quantity	Cost/Unit ($000)																							
Overburden Mining Equipment																									-
6 CM Hoe (CAT 385B equiv)	1	580		580	0	0	0	0	0	0	0	0	0	0	0	0	0	580	0	0	0	0	0	0	1,159
35t End Dump Truck (Cat 769 equiv)	4	429		1,717	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,717
365hp percussion drill (Atlas Copco ROCL7)	1	423		423	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	423
Coal Mining Equipment																									
6 CM Hoe (CAT 385B equiv)	1	580		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-
35t End Dump Truck (Cat 769 equiv)	1	429		429	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	429
5 cm Front End Loader (Cat 980 equiv)	1	243		243	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	243
35t End Dump Truck, Transport (Cat 769 equiv)	1	429		429	0	0	0	0	0	0	0	0	0	0	0	0	0	429	0	0	0	0	0	0	859
Mining Support Equipment																									
230 kw Track Dozer (Cat D8 equiv)	1	354		354	0	0	0	0	0	0	0	0	0	0	0	354	0	0	0	354	0	0	0	0	1,062
5 cm Front End Loader (Cat 980 equiv)	1	243		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-
Water Truck	1	267		267	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	267
5.3m Motor Grader (Cat 14H equiv)	1	185		185	0	0	0	0	0	0	0	0	0	0	0	185	0	0	0	0	0	0	0	0	370
80 Ton Rough Terrain Crane		0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-
40 Ton Rough Terrain Crane	1	127		127	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	127
Bulk Explosives Truck	1	41		41	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	41
Field Lube Truck	1	178		178	0	0	0	0	0	0	0	0	0	178	0	0	0	0	0	0	0	0	0	0	355
Mechanic Service Truck (per year)	1	122		122	0	0	0	0	122	0	0	0	0	122	0	0	0	0	122	0	0	0	0	0	487
Light Duty Truck - 3/4 Ton (per year)	1	28		28	0	0	0	0	28	0	0	0	0	28	0	0	0	0	28	0	0	0	0	0	111
Light Plants	2	17		35	0	0	0	0	0	0	0	0	0	35	0	0	0	0	0	0	0	0	0	0	70
Mining Equipment Contingency			10%	516	0	0	0	0	15	0	0	0	0	36	0	54	0	101	15	35	0	0	0	0	772
SUBTOTAL MINING EQUIPMENT (wo/cont.)				**5,158**	0	0	0	0	150	0	0	0	0	362	0	539	0	1,009	150	354	0	0	0	0	**7,721**
GRAND TOTAL MINING EQUIPMENT				**5,674**	0	0	0	0	165	0	0	0	0	398	0	593	0	1,110	165	389	0	0	0	0	**8,493**

GRAND TOTAL CAPITAL				**11,696**	0	0	0	0	165	0	0	0	0	398	0	593	0	1,110	165	389	0	0	0	0	**14,516**

TABLE 21.1

2560344 Ontario Inc.
DIVISION MOUNTAIN
CAPITAL EXPENDITURES
SUMMARY

DATE: 01/05/2017 | K. Brewer P.Geo.

A 10% contingency had been added to all capital expenditures, to account for unforeseeable factors that may arise between this study and project start-up, including any rise in material costs.

Complete estimates of all capital expenditures and depreciation may be seen in Appendix 8 of the Technical Report. A summary of capital costs is shown in Table 21.1. All costs were in constant 2006 Canadian dollars.

Mine Development

Mine development costs included all capital costs associated with establishing the project, not including buildings and equipment.

Total mine development costs were estimated at $0.94M (with a 10% contingency). These costs included (i) power line; (ii) water management and drainage infrastructure; (iii) access development; (iv) coal transportation corridor; and (v) contractor costs (Norwest, 2008).

Power Line

A preliminary estimate prepared by Norwest (2008) suggested that sourcing power from the pro-posed power plant would be less expensive than self-generation of power. The capital cost of constructing a 2.4 kilometer long power line was included at $419,000

Water Management and Drainage Infrastructure

Norwest (2008) noted that all water draining from disturbed land including surface facilities, working pits and waste dumps would have to be treated in sediment settling ponds. In addition, drainage would also have to be controlled to prevent in-flow to the pit, maintain safe working conditions or damage to infrastructure. It was therefore assumed that construction of drainage control structures (ponds, berms, ditches, etc) would be required at a total cost of $50,000.

Access Development

Included cost of leveling and grading ground for construction of surface facilities, as well as construction of minor access roads. This was estimated at $150,000.

Coal Transportation Corridor

A 2.4 kilometer long coal transportation corridor between the project and proposed power generating plant would be constructed before production begins. This was estimated at $135,000.

Contractors

This was a ‘catch-all’ cost that covered the costs of all additional permitting, mine planning, base-line studies, etc required before getting approval to begin operations. It is assumed that $100,000 would be adequate.

Infrastructure and Facilities

This included the cost of purchasing and constructing all plant equipment and housing, as well as surface buildings. Items included:

- Feeder breaker, crusher, conveyor, stacker, coal load-out and associated housing
- ‘Sprung’ structures to house equipment and maintenance facilities
- Surface facilities for mine personnel.

Total capital costs for infrastructure and facilities were estimated to be $5.08M.

Mobile Equipment

Major mobile equipment required at Division Mountain Property was planned by Norwest (2008) to include:

- One hydraulic backhoe excavator (6m3 class)
- One Front End Loader (5.5m3 class)
- Five mining trucks (35 tonne class)
- One angle-headed percussion crawler drill (365hp).

Support and ancillary equipment would also include:

- Track dozer
- Water truck
- Motor grader
- Rough terrain crane
- Bulk explosives truck
- Mechanics service truck
- Pick-up trucks
- Light plants

Quotes by Norwest in 2008 were tendered for used major mobile equipment in an effort to keep capital costs to a minimum. In many cases, the estimate of remaining hours of life on major equipment was thought to be sufficient to last through the project life without replacement.

Transport costs for used equipment were also included in the tender estimates. Light equipment such as pick-up trucks and light plants were assumed to be purchased new.

Total capital costs for mobile equipment were estimated by Norwest (2008) at $8.49M.

Operating Costs

Methodology

The methodology followed for developing operating costs previously undertaken by Norwest (2008) were as follows:

- In developing the mine plan, volumes of waste, coal and topsoil were derived from a computer- based model of the resource
- By applying estimated equipment productivities against those quantities, operating hours were generated
- Equipment operating costs were then estimated by applying operating hours against the estimated hourly operating cost of each piece of equipment
- Hourly operating costs are estimated based on adjusted industry standards, as well as Norwest's experience and database of mining costs
- Labor costs were then added to equipment operating costs to cover operators, maintenance personnel, salaried staff and laborers
- Finally, costs for materials, supplies, taxes and mining royalties were added to generate total cash operating costs.

Operating costs are summarized in Tables 21.2 and 21.3 and Figures 21.2 and 21.3. All costs were in constant 2006 Canadian dollars.

Unit Costs

Total projected cash operating costs were grouped by logical activity and divided by quantities in order to develop meaningful unit costs. These unit costs are summarized in Table 21.4. In Norwest's experience, these unit costs were in-line with what would be expected from an operation of the size and nature of the Division Mountain Property.

Table 21.2 Operating Expenditures Summary

			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Total
COAL SHIPMENTS (tons)			240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	182,036	4,982,036
Total Hourly			20	18	18	18	18	17	17	18	17	17	18	18	18	18	18	18	18	18	18	18	17	
Total Staff			2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	
Total Workforce			22	20	20	20	20	19	19	20	19	19	20	20	20	20	20	20	20	20	20	20	19	
Annual Wage/Salary/Benefits																								
Hourly			$1,143,914	$1,028,162	$1,028,162	$1,028,162	$1,028,162	$970,286	$970,286	$1,028,162	$970,286	$970,286	$1,028,162	$1,028,162	$1,028,162	$1,028,162	$1,028,162	$1,028,162	$1,028,162	$1,028,162	$1,028,162	$1,028,162	$970,286	
Staff			$152,880	$152,880	$152,880	$152,880	$152,880	$152,880	$152,880	$152,880	$152,880	$152,880	$152,880	$152,880	$152,880	$152,880	$152,880	$152,880	$152,880	$152,880	$152,880	$152,880	$152,880	
Benefits		34%	$440,910	$401,554	$401,554	$401,554	$401,554	$381,876	$381,876	$401,554	$381,876	$381,876	$401,554	$401,554	$401,554	$401,554	$401,554	$401,554	$401,554	$401,554	$401,554	$401,554	$381,876	
TOTAL LABOR			$1,737,704	$1,582,596	$1,582,596	$1,582,596	$1,582,596	$1,505,042	$1,505,042	$1,582,596	$1,505,042	$1,505,042	$1,582,596	$1,582,596	$1,582,596	$1,582,596	$1,582,596	$1,582,596	$1,582,596	$1,582,596	$1,582,596	$1,582,596	$1,505,042	$33,001,851
(Total Labor - $/ton)			$7.24	$6.59	$6.59	$6.59	$6.59	$6.27	$6.27	$6.59	$6.27	$6.27	$6.59	$6.59	$6.59	$6.59	$6.59	$6.59	$6.59	$6.59	$6.59	$6.59	$8.27	$6.62
MATERIALS AND SUPPLIES COSTS																								
Equipment Operating Hour																								
Overburden Mining Equipment Operating Hour																								
6 CM Hoe (CAT 385B equiv)			1,857	1,598	1,670	1,750	1,628	1,311	1,146	1,583	1,480	1,357	1,574	1,574	1,574	1,574	1,574	1,490	1,490	1,490	1,490	1,490	1,130	
6 CM Hoe (CAT 385B equiv)			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
5 cm Front End Loader (Cat 980 equiv)			621	621	621	621	621	621	621	621	621	621	621	621	621	621	621	621	621	621	621	621	471	
35t End Dump Truck (Cat 769 eqiuv)			6,814	6,761	6,545	5,731	5,401	4,938	3,877	5,622	5,349	4,899	5,791	5,905	6,022	6,145	6,273	6,017	6,100	6,184	6,271	6,360	4,894	
365hp percussion drill (Atlas Copco ROCL7)			788	678	709	743	691	556	486	672	628	576	668	668	668	668	668	632	632	632	632	632	480	
Coal Mining Equipment Operating Hour																								
6 CM Hoe (CAT 385B equiv)			433	433	433	433	433	433	433	433	433	433	433	433	433	433	433	433	433	433	433	433	328	
35t End Dump Truck (Cat 769 eqiuv)			1,010	862	1,031	809	805	835	860	890	961	1,052	1,076	1,100	1,125	1,152	1,180	1,188	1,196	1,204	1,213	1,221	933	
35t End Dump Truck, Transport (Cat 769 eqiuv)			1,734	1,734	1,734	1,734	1,734	1,734	1,734	1,734	1,734	1,734	1,734	1,734	1,734	1,734	1,734	1,734	1,734	1,734	1,734	1,734	1,315	
Mining Support Equipment Operating Hour																								
230 kw Track Dozer (Cat D8 equiv)			1,857	1,598	1,670	1,750	1,628	1,311	1,146	1,583	1,480	1,357	1,574	1,574	1,574	1,574	1,574	1,490	1,490	1,490	1,490	1,490	1,130	
Water Truck			728	663	681	701	670	591	550	659	633	603	657	657	657	657	657	636	636	636	636	636	482	
5.3m Motor Grader (Cat 14H equiv)			1,626	1,598	1,626	1,626	1,626	1,311	1,146	1,583	1,480	1,357	1,574	1,574	1,574	1,574	1,574	1,490	1,490	1,490	1,490	1,490	1,130	
40 Ton Rough Terrain Crane			205	190	194	199	192	172	161	189	183	175	188	188	188	188	188	183	183	183	183	183	160	
Bulk Explosives Truck			357	331	339	347	334	300	280	330	319	305	329	329	329	329	329	320	320	320	320	320	279	
Field Lube Truck			487	419	438	397	383	344	322	378	366	350	377	377	377	377	377	367	367	367	367	367	319	
Mechanic Service Truck (per year)			1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
Light Duty Truck - 3/4 Ton (per year)			1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
Maintenance Parts, Lube, and Tires																								
Overburden Mining Equipment $/hour																								
6 CM Hoe (CAT 385B equiv)			$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	
6 CM Hoe (CAT 385B equiv)			$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	
5 cm Front End Loader (Cat 980 equiv)			$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	
35t End Dump Truck (Cat 769 eqiuv)			$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	
365hp percussion drill (Atlas Copco ROCL7)			$51.81	$51.81	$51.81	$51.81	$51.81	$51.81	$51.81	$51.81	$51.81	$51.81	$51.81	$51.81	$51.81	$51.81	$51.81	$51.81	$51.81	$51.81	$51.81	$51.81	$51.81	
Coal Mining Equipment $/hour																								
6 CM Hoe (CAT 385B equiv)			$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	$30.16	
35t End Dump Truck (Cat 769 eqiuv)			$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	
35t End Dump Truck, Transport (Cat 769 eqiuv)			$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	$16.18	
Mining Support Equipment $/hour																								
230 kw Track Dozer (Cat D8 equiv)			$24.51	$24.51	$24.51	$24.51	$24.51	$24.51	$24.51	$24.51	$24.51	$24.51	$24.51	$24.51	$24.51	$24.51	$24.51	$24.51	$24.51	$24.51	$24.51	$24.51	$24.51	
5 cm Front End Loader (Cat 980 equiv)			$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	$17.94	
Scraper			$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
Water Truck			$9.47	$9.47	$9.47	$9.47	$9.47	$9.47	$9.47	$9.47	$9.47	$9.47	$9.47	$9.47	$9.47	$9.47	$9.47	$9.47	$9.47	$9.47	$9.47	$9.47	$9.47	
5.3m Motor Grader (Cat 14H equiv)			$13.29	$13.29	$13.29	$13.29	$13.29	$13.29	$13.29	$13.29	$13.29	$13.29	$13.29	$13.29	$13.29	$13.29	$13.29	$13.29	$13.29	$13.29	$13.29	$13.29	$13.29	
40 Ton Rough Terrain Crane			$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	
100 Ton Lowboy			$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
Field Lube Truck			$7.38	$7.38	$7.38	$7.38	$7.38	$7.38	$7.38	$7.38	$7.38	$7.38	$7.38	$7.38	$7.38	$7.38	$7.38	$7.38	$7.38	$7.38	$7.38	$7.38	$7.38	
Mechanic Service Truck (per year)			$2,046	$2,046	$2,046	$2,046	$2,046	$2,046	$2,046	$2,046	$2,046	$2,046	$2,046	$2,046	$2,046	$2,046	$2,046	$2,046	$2,046	$2,046	$2,046	$2,046	$2,046	
Light Duty Truck - 3/4 Ton (per year)			$2,068	$2,068	$2,068	$2,068	$2,068	$2,068	$2,068	$2,068	$2,068	$2,068	$2,068	$2,068	$2,068	$2,068	$2,068	$2,068	$2,068	$2,068	$2,068	$2,068	$2,068	
Total Cost			$359,132	$334,400	$339,899	$329,197	$313,971	$277,275	$244,968	$314,719	$301,800	$284,498	$319,618	$321,853	$324,170	$326,585	$329,111	$317,210	$318,677	$320,172	$321,718	$323,295	$247,921	$6,570,189
Fuel																								
Overburden Mining Equipment liters/hour																								
6 CM Hoe (CAT 385B equiv)			47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	
6 CM Hoe (CAT 385B equiv)			47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	
35t End Dump Truck (Cat 769 eqiuv)			37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	
365hp percussion drill (Atlas Copco ROCL7)			61.58	61.58	61.58	61.58	61.58	61.58	61.58	61.58	61.58	61.58	61.58	61.58	61.58	61.58	61.58	61.58	61.58	61.58	61.58	61.58	61.58	
Coal Mining Equipment liters/hour																								
6 CM Hoe (CAT 385B equiv)			47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	47.65	
35t End Dump Truck (Cat 769 eqiuv)			37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	
35t End Dump Truck, Transport (Cat 769 eqiuv)			37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	
Mining Support Equipment liters/hour																								
230 kw Track Dozer (Cat D8 equiv)			38.80	38.80	38.80	38.80	38.80	38.80	38.80	38.80	38.80	38.80	38.80	38.80	38.80	38.80	38.80	38.80	38.80	38.80	38.80	38.80	38.80	
5 cm Front End Loader (Cat 980 equiv)			34.41	34.41	34.41	34.41	34.41	34.41	34.41	34.41	34.41	34.41	34.41	34.41	34.41	34.41	34.41	34.41	34.41	34.41	34.41	34.41	34.41	
Water Truck			22.60	22.60	22.60	22.60	22.60	22.60	22.60	22.60	22.60	22.60	22.60	22.60	22.60	22.60	22.60	22.60	22.60	22.60	22.60	22.60	22.60	
5.3m Motor Grader (Cat 14H equiv)			26.91	26.91	26.91	26.91	26.91	26.91	26.91	26.91	26.91	26.91	26.91	26.91	26.91	26.91	26.91	26.91	26.91	26.91	26.91	26.91	26.91	
40 Ton Rough Terrain Crane			39.06	39.06	39.06	39.06	39.06	39.06	39.06	39.06	39.06	39.06	39.06	39.06	39.06	39.06	39.06	39.06	39.06	39.06	39.06	39.06	39.06	
Bulk Explosives Truck			20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	
Field Lube Truck			9.61	9.61	9.61	9.61	9.61	9.61	9.61	9.61	9.61	9.61	9.61	9.61	9.61	9.61	9.61	9.61	9.61	9.61	9.61	9.61	9.61	
Mechanic Service Truck (per year)			1,378	1,378	1,378	1,378	1,378	1,378	1,378	1,378	1,378	1,378	1,378	1,378	1,378	1,378	1,378	1,378	1,378	1,378	1,378	1,378	1,378	
Light Duty Truck - 3/4 Ton (per year)			2,067	2,067	2,067	2,067	2,067	2,067	2,067	2,067	2,067	2,067	2,067	2,067	2,067	2,067	2,067	2,067	2,067	2,067	2,067	2,067	2,067	
Total Consumption (liters)			699,859	659,062	667,071	637,149	609,365	545,119	480,686	614,226	591,016	558,878	626,336	631,580	637,017	642,684	648,612	626,500	629,944	633,452	637,079	640,780	491,695	
Fuel Cost ($/liter)		$0.968	$0.968	$0.968	$0.968	$0.968	$0.968	$0.968	$0.968	$0.968	$0.968	$0.968	$0.968	$0.968	$0.968	$0.968	$0.968	$0.968	$0.968	$0.968	$0.968	$0.968	$0.968	
Total Cost			$677,463	$637,972	$645,725	$616,760	$589,865	$527,675	$465,304	$594,570	$572,104	$540,994	$606,293	$611,369	$616,633	$622,118	$627,856	$606,452	$609,785	$613,182	$616,693	$620,275	$475,961	$12,495,051
Blasting Supplies																								
Prime OB (bcm)			623,498	536,517	560,803	587,657	546,566	440,149	384,610	531,437	496,898	455,698	528,466	528,466	528,466	528,466	528,466	500,192	500,192	500,192	500,192	500,192	379,388	
Powder Factor (kg/bcm)		0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	
% ANFO		100%	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
% Emulsion		0%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
ANFO Cost ($/kg)		$0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	
Emulsion Cost ($/kg)		$0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Other Supplies (% of explosives)		9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	
Total Cost			$118,932	$102,341	$106,973	$112,096	$104,257	$83,958	$73,364	$101,372	$94,783	$86,924	$100,805	$100,805	$100,805	$100,805	$100,805	$95,412	$95,412	$95,412	$95,412	$95,412	$72,368	$2,038,452
Coal Storage, Handling, and Loading																								
Materials and Supplies cost, $/ton		$0.61	146,400	146,400	146,400	146,400	146,400	146,400	146,400	146,400	146,400	146,400	146,400	146,400	146,400	146,400	146,400	146,400	146,400	146,400	146,400	146,400	111,042	
Total Cost			$146,400	$146,400	$146,400	$146,400	$146,400	$146,400	$146,400	$146,400	$146,400	$146,400	$146,400	$146,400	$146,400	$146,400	$146,400	$146,400	$146,400	$146,400	$146,400	$146,400	$111,042	$3,039,042
Electricity																								
Operating Hours		4,368	4,368	4,368	4,368	4,368	4,368	4,368	4,368	4,368	4,368	4,368	4,368	4,368	4,368	4,368	4,368	4,368	4,368	4,368	4,368	4,368	4,368	
kW Draw		240																						
Line Power	$/kwh	$0.09	66,014	66,014	66,014	66,014	66,014	66,014	66,014	66,014	66,014	66,014	66,014	66,014	66,014	66,014	66,014	66,014	66,014	66,014	66,014	66,014	66,014	
Total Cost			$66,014	$66,014	$66,014	$66,014	$66,014	$66,014	$66,014	$66,014	$66,014	$66,014	$66,014	$66,014	$66,014	$66,014	$66,014	$66,014	$66,014	$66,014	$66,014	$66,014	$66,014	$1,386,292
In-Pit Pumping																								
Pumping Cost per tonne	$/t	$0.10	$24,000	$24,000	$24,000	$24,000	$24,000	$24,000	$24,000	$24,000	$24,000	$24,000	$24,000	$24,000	$24,000	$24,000	$24,000	$24,000	$24,000	$24,000	$24,000	$24,000	$423	$480,423
TOTAL MATERIALS AND SUPPLIES			$1,391,941	$1,311,127	$1,329,010	$1,294,466	$1,244,508	$1,125,322	$1,020,051	$1,247,075	$1,205,101	$1,148,831	$1,263,130	$1,270,441	$1,278,021	$1,285,922	$1,294,186	$1,255,488	$1,260,288	$1,265,180	$1,270,236	$1,275,396	$973,729	$26,009,448
(Materials and Supplies $/ton)			$5.80	$5.46	$5.54	$5.39	$5.19	$4.69	$4.25	$5.20	$5.02	$4.79	$5.26	$5.29	$5.33	$5.36	$5.39	$5.23	$5.25	$5.27	$5.29	$5.31	$5.35	$5.22

Table 21.2 Operating Expenditures Summary

			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Total
CONTRACTOR COSTS																								
Contract Maintenance																								
Overburden Mining Equipment $/hour																								
6 CM Hoe (CAT 385B equiv)			$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	
6 CM Hoe (CAT 385B equiv)			$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	
35t End Dump Truck (Cat 769 equiv)			$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	
365hp percussion drill (Atlas Copco ROC L7)			$15.32	$15.32	$15.32	$15.32	$15.32	$15.32	$15.32	$15.32	$15.32	$15.32	$15.32	$15.32	$15.32	$15.32	$15.32	$15.32	$15.32	$15.32	$15.32	$15.32	$15.32	
Coal Mining Equipment $/hour																								
6 CM Hoe (CAT 385B equiv)			$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	
35t End Dump Truck (Cat 769 equiv)			$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	
35t End Dump Truck, Transport (Cat 769 equiv)			$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	$1.99	
Mining Support Equipment $/hour																								
230 kw Track Dozer (Cat D8 equiv)			$3.86	$3.86	$3.86	$3.86	$3.86	$3.86	$3.86	$3.86	$3.86	$3.86	$3.86	$3.86	$3.86	$3.86	$3.86	$3.86	$3.86	$3.86	$3.86	$3.86	$3.86	
5 cm Front End Loader (Cat 980 equiv)			$2.84	$2.84	$2.84	$2.84	$2.84	$2.84	$2.84	$2.84	$2.84	$2.84	$2.84	$2.84	$2.84	$2.84	$2.84	$2.84	$2.84	$2.84	$2.84	$2.84	$2.84	
Water Truck			$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	
5.5m Motor Grader (Cat 14H equiv)			$3.64	$3.64	$3.64	$3.64	$3.64	$3.64	$3.64	$3.64	$3.64	$3.64	$3.64	$3.64	$3.64	$3.64	$3.64	$3.64	$3.64	$3.64	$3.64	$3.64	$3.64	
40 Ton Rough Terrain Crane			$0.29	$0.29	$0.29	$0.29	$0.29	$0.29	$0.29	$0.29	$0.29	$0.29	$0.29	$0.29	$0.29	$0.29	$0.29	$0.29	$0.29	$0.29	$0.29	$0.29	$0.29	
Bulk Explosives Truck			$0.33	$0.33	$0.33	$0.33	$0.33	$0.33	$0.33	$0.33	$0.33	$0.33	$0.33	$0.33	$0.33	$0.33	$0.33	$0.33	$0.33	$0.33	$0.33	$0.33	$0.33	
Field Lube Truck			$1.40	$1.40	$1.40	$1.40	$1.40	$1.40	$1.40	$1.40	$1.40	$1.40	$1.40	$1.40	$1.40	$1.40	$1.40	$1.40	$1.40	$1.40	$1.40	$1.40	$1.40	
Mechanic Service Truck (per year)			$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
Light Duty Truck - 3/4 Ton (per year)			$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
Total Contract Maintenance			**$0.961**	**47,239**	**48,146**	**46,993**	**44,835**	**38,947**	**34,255**	**44,734**	**42,698**	**40,037**	**45,298**	**45,573**	**45,858**	**46,154**	**46,465**	**44,635**	**44,816**	**44,999**	**45,189**	**45,383**	**34,650**	**$927,867**
Contract Laboratory	$/t	**$0.02**	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	3,641	
Contract Technical Services		**10%**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Contract Camp Services		**$0**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
TOTAL CONTRACTOR COSTS			**$55,761**	**$52,039**	**$52,946**	**$51,793**	**$49,635**	**$43,747**	**$39,055**	**$49,534**	**$47,498**	**$44,837**	**$50,098**	**$50,373**	**$50,658**	**$50,954**	**$51,265**	**$49,435**	**$49,616**	**$49,799**	**$49,989**	**$50,183**	**$38,291**	**$1,027,508**
(Contractor Costs $/ton			**$0.23**	**$0.22**	**$0.22**	**$0.22**	**$0.21**	**$0.18**	**$0.16**	**$0.21**	**$0.20**	**$0.19**	**$0.21**	**$0.21**	**$0.21**	**$0.21**	**$0.21**	**$0.21**	**$0.21**	**$0.21**	**$0.21**	**$0.21**	**$0.21**	**$0.21**
OTHER COSTS																								
General transportation to sit		**$12,000**	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	
Redemation - Bond Premiums	####	**$97,500**	$97,500	$97,500	$97,500	$97,500	$97,500	$97,500	$97,500	$97,500	$97,500	$97,500	$97,500	$97,500	$97,500	$97,500	$97,500	$97,500	$97,500	$97,500	$97,500	$0	$0	
Redemation - Work Performed			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$108,934	$108,934	$108,934	$140,255	$251,804	$251,804	$251,804	$251,804	$548,528	
Office and Other		**$0**	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
TOTAL OTHER COSTS			**$109,500**	**$109,500**	**$109,500**	**$109,500**	**$109,500**	**$109,500**	**$109,500**	**$109,500**	**$109,500**	**$109,500**	**$109,500**	**$109,500**	**$218,434**	**$218,434**	**$218,434**	**$269,755**	**$361,304**	**$361,304**	**$361,304**	**$263,804**	**$560,528**	**$4,147,301**
(Other $/ton)			**$0.46**	**$0.46**	**$0.46**	**$0.46**	**$0.46**	**$0.46**	**$0.46**	**$0.46**	**$0.46**	**$0.46**	**$0.46**	**$0.46**	**$0.91**	**$0.91**	**$0.91**	**$1.12**	**$1.51**	**$1.51**	**$1.51**	**$1.10**	**$3.08**	**$0.83**
SUMMARY																								
LABOR			$1,737,704	$1,582,596	$1,582,596	$1,582,596	$1,582,596	$1,505,042	$1,505,042	$1,582,596	$1,505,042	$1,505,042	$1,582,596	$1,582,596	$1,582,596	$1,582,596	$1,582,596	$1,582,596	$1,582,596	$1,582,596	$1,582,596	$1,582,596	$1,505,042	$33,001,851
MATERIALS AND SUPPLIES			$1,391,941	$1,311,127	$1,329,010	$1,294,466	$1,244,508	$1,125,322	$1,020,051	$1,247,075	$1,205,101	$1,148,631	$1,263,130	$1,270,441	$1,278,021	$1,285,922	$1,294,186	$1,355,488	$1,260,288	$1,265,180	$1,270,236	$1,275,396	$973,729	$26,009,448
CONTRACTOR			$55,761	$52,039	$52,946	$51,793	$49,635	$43,747	$39,055	$49,534	$47,498	$44,837	$50,098	$50,373	$50,658	$50,954	$51,265	$49,435	$49,616	$49,799	$49,989	$50,183	$38,291	$1,027,508
OTHER			$109,500	$109,500	$109,500	$109,500	$109,500	$109,500	$109,500	$109,500	$109,500	$109,500	$109,500	$109,500	$218,434	$218,434	$218,434	$269,755	$361,304	$361,304	$361,304	$263,804	$560,528	$4,147,301
CONTINGENCY		**10%**	**$329,491**	**$305,526**	**$307,405**	**$303,836**	**$298,624**	**$278,361**	**$267,365**	**$298,870**	**$286,714**	**$280,821**	**$300,532**	**$301,291**	**$312,971**	**$313,791**	**$314,648**	**$315,727**	**$325,380**	**$325,888**	**$326,413**	**$317,198**	**$307,759**	**$6,418,611**
Contingency $/ton			**$1.37**	**$1.27**	**$1.28**	**$1.27**	**$1.24**	**$1.16**	**$1.11**	**$1.25**	**$1.19**	**$1.17**	**$1.25**	**$1.26**	**$1.30**	**$1.31**	**$1.31**	**$1.32**	**$1.36**	**$1.36**	**$1.36**	**$1.32**	**$1.69**	
TOTAL CASH DIRECT MINING COSTS			**$3,624,396**	**$3,360,788**	**$3,381,457**	**$3,342,191**	**$3,284,862**	**$3,061,973**	**$2,941,013**	**$3,287,575**	**$3,153,856**	**$3,089,031**	**$3,305,856**	**$3,314,201**	**$3,442,679**	**$3,451,696**	**$3,461,129**	**$3,473,001**	**$3,579,184**	**$3,584,767**	**$3,590,538**	**$3,489,177**	**$3,385,349**	**$70,604,719**
Total Cash Cost $/ton			**$15.10**	**$14.00**	**$14.09**	**$13.93**	**$13.69**	**$12.76**	**$12.25**	**$13.70**	**$13.14**	**$12.87**	**$13.77**	**$13.81**	**$14.34**	**$14.38**	**$14.42**	**$14.47**	**$14.91**	**$14.94**	**$14.96**	**$14.54**	**$18.60**	**$14.17**

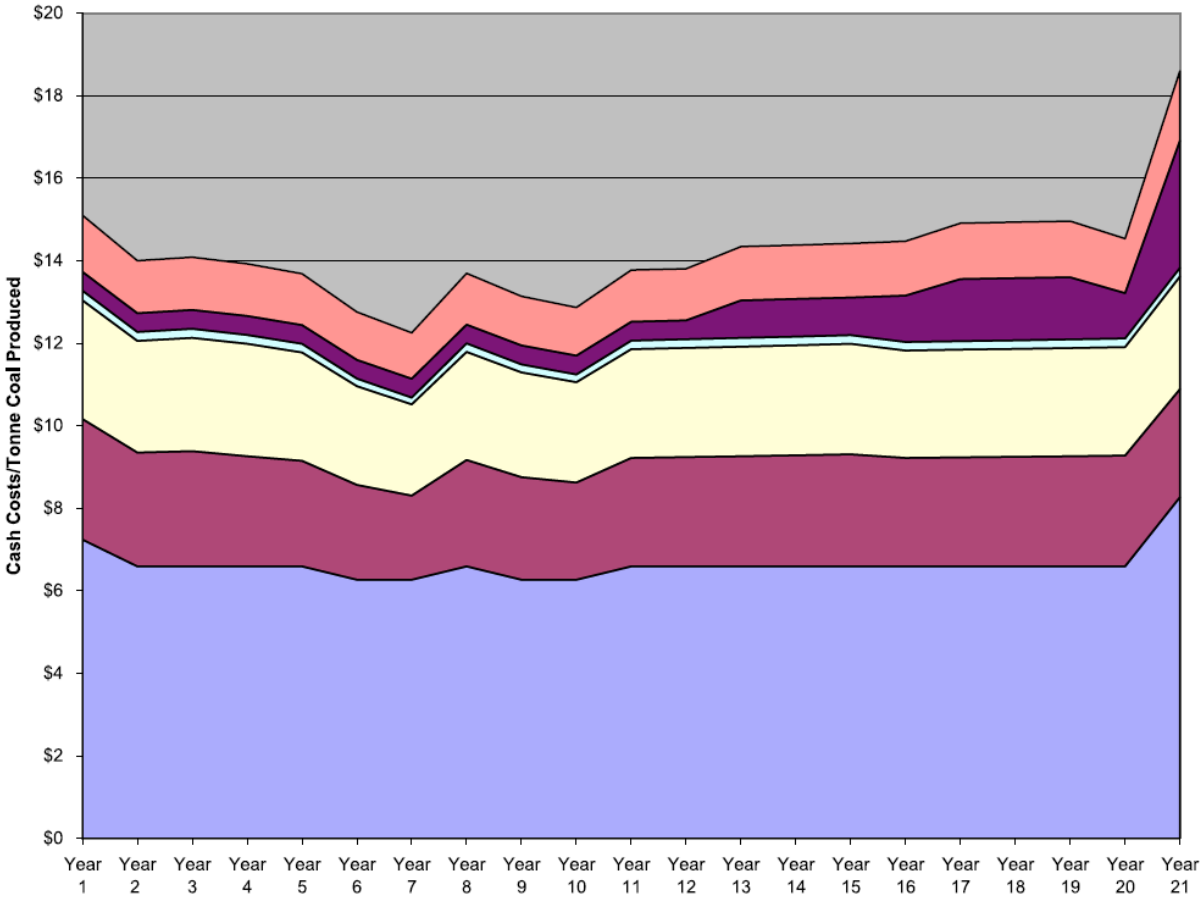


FIGURE 21.2

2560344 Ontario Inc.
DIVISION MOUNTAIN
OPERATING CASH COST ($/T)

DATE: 01/05/2017 | K. Brewer P.Geo.

100

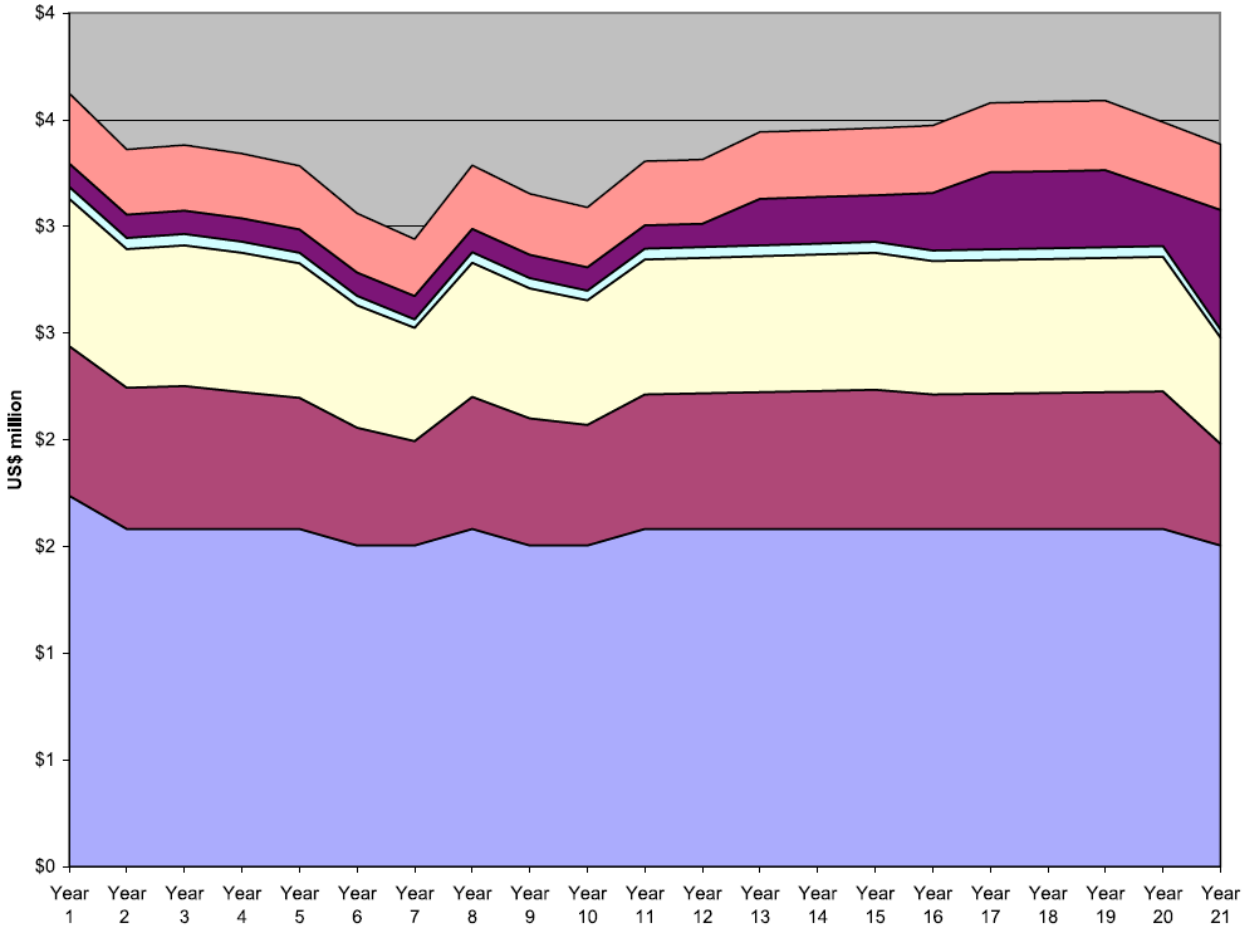


FIGURE 21.3

2560344 Ontario Inc.
DIVISION MOUNTAIN
OPERATING CASH COST
(TOTAL $)

DATE: 01/05/2017 | K. Brewer P.Geo.

Table 21.4 Operating Unit Cost Summary (After Norwest 2008)

Activity	Unit Cost
Waste stripping $ /bcm*	$3.47
Mining $/t	$0.60
Drilling and blasting $/bcm	$3.22
Coal handling $/t	$3.62
Other (G&A, contractors etc., ($t	$1.89
Total	$14.17

(*Sub-total of waste stripping)

Waste Stripping

The unit cost for stripping was expressed by Norwest (2008) as the cash costs for all labor, maintenance parts, major overhauls, materials/supplies and fuel per bcm of waste stripped.

Drilling and Blasting

The unit cost for drilling and blasting was expressed as the cash costs for all labor, maintenance parts, major overhauls, materials/supplies, fuel and blasting product per bcm of waste blasted.

Mining

The unit cost for stripping was expressed as the cash costs for all labor, maintenance parts, major overhauls, materials/supplies and fuel per tonne of coal mined. Norwest (2008) included costs for coal mining as well as transportation to the power plant.

Coal Handling

The unit cost for stripping was expressed as the cash costs for all labor, maintenance parts, major overhauls, materials/supplies, fuel and electricity per tonne of coal mined, sized and stored.

An annual, detailed breakdown of unit costs and operating expenditures estimated by Norwest (2008) are found in Appendix 8 of the Technical Report. Unit costs for equipment are summarized in Table 21.5. It is important to note that the costs for major repair items were assumed by Norwest (2008) to be covered by service contracts.

Table 21.5 Mining Equipment Costs

DESCRIPTION	CAPITAL			OPERATING COSTS							
	Capital Cost ($1000's)	Life (Hours)	Life (Years)	Maint. Parts ($/hr)	Lube ($/hr)	Tires ($/hr)	Wear Parts ($/hr)	Adjustment for Yukon	Total Excluding Labor and Fuel/Power	Electricity (kwhr/hr)	Diesel (liter/hr)
Overburden Mining Equipment								15%			
6 CM Hoe (CAT 385B equiv)	580	25,000	13	13.44	9.66	-	4.39	2.67	30.16		47.65
36t End Dump Truck (Cat 769 eqiuv)	429	46,000	30	3.21	5.62	5.96	-	1.38	16.18		37.96
365hp percussion drill (Atlas Copco ROCL7)	423	28,000	44	26.10	9.94	-	10.32	5.46	51.81		61.58
Coal Mining Equipment											
6 CM Hoe (CAT 385B equiv)	580	25,000	58	13.44	9.66	-	4.39	2.67	30.16		47.65
36t End Dump Truck (Cat 769 eqiuv)	429	45,000	44	3.21	5.62	5.96	-	1.38	16.18		37.96
5 cm Front End Loader (Cat 980 equiv)	243	25,000	41	4.60	4.42	6.63	0.53	1.76	17.94		37.96
36t End Dump Truck, Transport (Cat 769 eqiuv)	429	25,000	15	3.21	5.62	5.96	-	1.38	16.18		37.96
Mining Support Equipment											
230 kw Track Dozer (Cat D8 equiv)	354	19,500	15	5.02	5.09	-	11.86	2.53	24.51		38.80
Water Truck	267		21	4.03	2.55	2.00	-	0.90	9.47		22.60
5.3m Motor Grader (Cat 14H equiv)	185	16,500	11	5.88	4.04	1.10	1.06	1.21	13.29		26.91
40 Ton Rough Terrain Crane	127		21	1.17	2.99	0.05	-	0.18	4.39		39.06
Bulk Explosives Truck	41		21	0.53	0.79	0.79	-	0.20	2.31		20.63
Field Lube Truck	178		10	3.75	1.67	1.22	-	0.74	7.38		9.61
Mechanic Service Truck (per year)	122		5	1,547	-	232	-	267	2,046		1,378
Light Duty Truck - 3/4 Ton (per year)	28		5	1,451	-	348	-	270	2,068		2,067
Light Plants	17		10								

Labor

As mentioned previously, total labor requirements fluctuate between 19 and 22 site personnel over the project life. Salaried personnel were fixed at two (2) people. The distribution of labor by department may be seen in Table 21.7.

Labor assumptions by Norwest (2008) were as follows:

- A 'burden' or benefits rate of 34% of wage
- Possible annual working hours of 2184 hours per calendar year

Table 21.6 Summary of Wages and Salaries

Work Classification	$/year
Non-skilled (hourly)	$45,864
Skilled (hourly)	$57,876
Skilled Maintenance	$63,085
Supervisors	$78,624
Professionals	$74,256
Managers	$107,016

Table 21.7 Labor Distribution

			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Labor Distribution																						
Hourly Workforce	**Pay Grade**	**Annual Comp.**																				
Stripping																						
Hydraulic Excavator Operator	**Skilled**	**57,876**	2	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Loader Operator	**Skilled**	**57,876**	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
OB Drill Operator	**Skilled**	**57,876**	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
OB Truck Operator	**Skilled**	**57,876**	4	4	4	4	4	3	3	4	3	3	4	4	4	4	4	4	4	4	4	4
Subtotal Stripping			8	7	7	7	7	6	6	7	6	6	7	7	7	7	7	7	7	7	7	7
Coal Operations																						
Hydraulic Excavator Operator	**Skilled**	**57,876**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Coal Truck Operator	**Skilled**	**57,876**	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Subtotal Coal Operations			2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Coal Handling Facility																						
Plant Operators	**Skilled**	**57,876**	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Laborers	**Non-skilled**	**45,864**	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Subtotal Coal Handling Facility			2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Reclamation and Support Equipment																						
Track Dozer Operators	**Skilled**	**57,876**	2	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Water Truck Operators	**Skilled**	**57,876**	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Grader Operators	**Skilled**	**57,876**	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Other Ancillary Equip	**Skilled**	**57,876**	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Subtotal Support Equipment			5	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4
Maintenance Personnel																						
Mechanics	**Skilled**	**63,085**	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Electricians	**Skilled**	**63,085**	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Laborers	**Non-skilled**	**45,864**	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Subtotal Maintenance			3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
Total Hourly			**20**	**18**	**18**	**18**	**18**	**17**	**17**	**18**	**17**	**17**	**18**	**18**	**18**	**18**	**18**	**18**	**18**	**18**	**18**	**18**
Staff & Support Workforce		**Annual Comp.**																				
Operations Management																						
Mine Superintendent	**Manager**	**107,016**	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Administration																						
Clerical and Camp Support	**Non-skilled**	**45,864**	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Total Staff & Support			**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Total Hourly			**20**	**18**	**18**	**18**	**18**	**17**	**17**	**18**	**17**	**17**	**18**	**18**	**18**	**18**	**18**	**18**	**18**	**18**	**18**	**18**
Total Staff			**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Total Workforce			**22**	**20**	**20**	**20**	**20**	**19**	**19**	**20**	**19**	**19**	**20**	**20**	**20**	**20**	**20**	**20**	**20**	**20**	**20**	**20**

Hourly Personnel

Hourly wage rates were based by Norwest (2008) on industry standards for Western Canadian surface mines for 2005 compiled by Western Mine Engineering. In 2008, Norwest used hourly wage rates of $21.00, $26.50 and $29.00 for unskilled, skilled laborers and maintenance personnel, respectively.

Salaried Personnel

Similarly, salaried wage rates were based by Norwest (2008) on industry standards for Western Canadian surface mines, as compiled by Western Mine Engineering.

A summary of these hourly and salaried wages appears in Tables 21.6 and 21.7.

Table 21.7 Labor Distribution

			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Labor Distribution																						
Hourly Workforce	**Pay Grade**	**Annual Comp.**																				
Stripping																						
Hydraulic Excavator Operator	**Skilled**	**57,876**	2	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Loader Operator	**Skilled**	**57,876**	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
OB Drill Operator	**Skilled**	**57,876**	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
OB Truck Operator	**Skilled**	**57,876**	4	4	4	4	4	3	3	4	3	3	4	4	4	4	4	4	4	4	4	4
Subtotal Stripping			8	7	7	7	7	6	6	7	6	6	7	7	7	7	7	7	7	7	7	7
Coal Operations																						
Hydraulic Excavator Operator	**Skilled**	**57,876**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Coal Truck Operator	**Skilled**	**57,876**	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Subtotal Coal Operations			2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Coal Handling Facility																						
Plant Operators	**Skilled**	**57,876**	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Laborers	**Non-skilled**	**45,864**	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Subtotal Coal Handling Facility			2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Reclamation and Support Equipment																						
Track Dozer Operators	**Skilled**	**57,876**	2	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Water Truck Operators	**Skilled**	**57,876**	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Grader Operators	**Skilled**	**57,876**	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Other Ancillary Equip	**Skilled**	**57,876**	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Subtotal Support Equipment			5	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4
Maintenance Personnel																						
Mechanics	**Skilled**	**63,085**	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Electricians	**Skilled**	**63,085**	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Laborers	**Non-skilled**	**45,864**	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Subtotal Maintenance			3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
Total Hourly			**20**	**18**	**18**	**18**	**18**	**17**	**17**	**18**	**17**	**17**	**18**	**18**	**18**	**18**	**18**	**18**	**18**	**18**	**18**	**18**
Staff & Support Workforce		**Annual Comp.**																				
Operations Management																						
Mine Superintendent	**Manager**	**107,016**	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Administration																						
Clerical and Camp Support	**Non-skilled**	**45,864**	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Total Staff & Support			**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Total Hourly			**20**	**18**	**18**	**18**	**18**	**17**	**17**	**18**	**17**	**17**	**18**	**18**	**18**	**18**	**18**	**18**	**18**	**18**	**18**	**18**
Total Staff			**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Total Workforce			**22**	**20**	**20**	**20**	**20**	**19**	**19**	**20**	**19**	**19**	**20**	**20**	**20**	**20**	**20**	**20**	**20**	**20**	**20**	**20**

Materials, Supplies and Services

Equipment materials costs were estimated based on operating hours applied against industry standard costs as reported in the "Mine & Mill Equipment Costs: An Estimator's Guide", 2005, published by Western Mine Engineering, Inc. Those benchmarked costs were thought by Norwest (2008) to be typical of surface mines in the western United States.

Norwest then escalated them to 2006 rates and also adjusted them according to the US/Canadian exchange rate, and further adjusted them by 15% to account for any extra costs associated with securing those supplies in the Yukon.

A summary of materials costs for major equipment may be seen in Tables 21.1 and 21.2.

"Wear Parts" included Ground Engaging Tools (GET) such as bucket teeth, cutting edges on track dozers and motor graders, drill bits and steel, wear parts on crushers and conveyors, etc.

"Maintenance Parts" included all non-GET parts that are replaced as part of a regular maintenance program. This does not include any maintenance done for major overhauls, which were assumed to be covered by maintenance service contracts with the equipment manufacturers.

Tire costs account for all costs of tires for rolling equipment only.

"Lube" included the costs for all lubricants, oil and grease for the crushing and conveying system as well as the mobile equipment.

"Blasting supplies" included explosives and detonating devices. ANFO was assumed to be $0.50/ kilogram, with supplies estimated to be 9% of blasting product cost.

Fuel costs for all mobile equipment were assumed to be $0.97/liter for diesel fuel. Diesel fuel cost was assumed to be the price paid at the pump minus excise and road taxes. Hourly consumption rates for various pieces of mobile equipment were estimated from benchmarked industry standards ("Mine & Mill Equipment Costs"guide).

Electricity costs to operate coal handling, office and maintenance facilities were assumed to be $0.09/kilowatt hour, with an annual draw of 240 kilowatts.

Materials and supplies cost for coal handling and storage were estimated at $0.61/tonne, exclusive of labor.

Norwest noted that it was expected that groundwater would be encountered during mining operations. Pit water would need to be removed immediately to maintain safe, efficient working conditions. A cost for in-pit pumping of $0.10/tonne was therefore included.

Laboratory services would be required to maintain quality control and ensure a consistent supply of coal to the power plant. It was assumed that lab services would be contracted out at $0.02/tonne.

Transportation costs to carry mine personnel between the mine site and Whitehorse were assumed to be $2000/month for 12 months.

It was assumed by Norwest (2008) that a reclamation bond would have to be posted before mining operations may commence. This is consistent with the current Mine Reclamation and Closure Policy of Yukon. The intent of the bond was noted to cover estimated potential expenditures by the Yukon Territory to reclaim the land on which the project is located in the

event that mining operations unexpectedly cease and the owner are unable to meet their obligations. This is also consistent with the current policy. The bond amount estimated by Norwest (2008) was deemed as typically sufficient to cover the highest projected costs of any period during the project's life. That 'worst case' cost was estimated at $6.5M. It was assumed that project proponent would pay a premium to a third-party bonding company of a flat 1.5% per year on $6.5M.

Finally, a contingency of 10% was added by Norwest (2008) to the total cash operating costs. This was designed to account for unforeseeable factors that could arise between the timing of their project estimate and project start-up, and also included any rise in costs of materials and supplies, as well as any minor costs that may have not been taken into account in their estimation process.

Economic Analysis

Overview

A cash flow analysis of the project life was developed by Norwest (2008) as a means of estimating the economic value of the Division Mountain Property project. The analysis was based on a full recovery of capital and operating costs as well as a return on investment. As previously noted, these are to be considered as historical only, and are presented for background information only. With revised capital and operating costs that would be required for any project update for advancement of the Division Mountain Property project it would then be possible to prepare a revised economic analysis of the project.

Revenues were calculated by applying an assumed price to the quantity of coal produced, then subtracting mining royalties to the Yukon government. Cash operating costs were then combined with non-controllable costs (corporate overhead) to yield total cash costs. Total revenues less total cash costs yield earnings before interest and depreciation (EBITDA). An escalation of 2.5% has been added on revenues and cash costs, based on a Statistics Canada-generated annual Consumer Price Index (CPI), released June 2006.

Depreciation, provincial and federal taxes were subtracted from EBITDA to yield an after-tax net income. Finally, capital costs were subtracted to give net, after-tax, cash flow on an annual basis over the project life.

With a project cash flow, it was therefore possible to calculate the Net Present Value (NPV) of the project at various discount rates. In addition, the Internal Rate of Return (or 'break-even' rate) was estimated to give an alternate indication of the project's value.

It should be noted that there are situations in which IRR can be an unreliable indicator of project feasibility. These include projects in which there is a long project life, or in which there is high variability in cash flows. While projected cash flows in this case are reasonably consistent, the project life is relatively long (compared to potential changes of discount rate over a similar period), and the IRR, in this case, may be a less reliable indicator than the NPV. A summary of the results of the cash flow analysis may be found below in Table 22.1. The detailed cash flow analysis is shown in Table 22.2.

Table 22.1 Cash Flow Summary

Discount Rate (%)	5%	8%	10%	12%	15%	20%
Net Present Value ($'000)	21,881	15,024	11,720	9,126	6,194	2,963
IRR (%)	28.5%					

Financial Assumptions

Key financial assumptions were made by Norwest (2006) with respect to the (i) cost analysis basis; (ii) coal price; and (iii) taxes and royalties. These are detailed (after Norwest, 2006) in the following sections.

Cost Analyses Basis

All costs are in constant, 2006 Canadian dollars. An exchange rate of $1.1604 ($CDN : $US) as assumed. All NPV and IRR indicators are calculated on an after-tax basis.

Coal Price

A coal price of $28/t was assumed for all coal, FOB power plant. Norwest based their price assumption on discussions with Cash Minerals Ltd. and did not conduct any detailed market studies. For the purpose of financial analysis of cash flow only, Norwest then escalated the coal price by 2.5% on an annual basis, which was also equivalent to the projected annual increase of all applicable project costs. Obviously for an accurate price to be determined f.o.b. power plant gate it will be necessary to conduct independent market studies of both atypical coal prices with other thermal generating plants in Canada and utilize that price in the project economic analysis for the thermal generating plant.

Table 22.2 Cash Flow Analysis

		Year -3	Year -2	Year -1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21
PRODUCTION																									
Power Plant Tonnes Sold (000)		0	0	0	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	182
Overburden (BCM, '000)		0	0	0	623	537	561	588	547	440	385	531	497	456	528	528	528	528	528	500	500	500	500	500	379
Strip Ratio		0.0	0.0	0.0	2.6	2.2	2.3	2.4	2.3	1.8	1.6	2.2	2.1	1.9	2.2	2.2	2.2	2.2	2.2	2.1	2.1	2.1	2.1	2.1	2.1
REVENUE ($000)	0%																								
Coal Sales Price ($/tonne)	28.00	**28.00**	**28.00**	**28.00**	**28.00**																				
Coal Price Escalator	2.5%					**28.70**	**29.42**	**30.15**	**30.91**	**31.68**	**32.47**	**33.28**	**34.12**	**34.97**	**35.84**	**36.74**	**37.66**	**38.60**	**39.56**	**40.55**	**41.57**	**42.61**	**43.67**	**44.76**	**45.88**
Revenue from Power Plant Coal Sales		0	0	0	6,720	6,888	7,060	7,237	7,418	7,603	7,793	7,988	8,188	8,392	8,602	8,817	9,038	9,264	9,495	9,733	9,976	10,225	10,481	10,743	8,352
Total Revenue from Coal Sales		**0**	**0**	**0**	**6,720**	**6,888**	**7,060**	**7,237**	**7,418**	**7,603**	**7,793**	**7,988**	**8,188**	**8,392**	**8,602**	**8,817**	**9,038**	**9,264**	**9,495**	**9,733**	**9,976**	**10,225**	**10,481**	**10,743**	**8,352**
Gross Revenue		**0**	**0**	**0**	**6,720**	**6,888**	**7,060**	**7,237**	**7,418**	**7,603**	**7,793**	**7,988**	**8,188**	**8,392**	**8,602**	**8,817**	**9,038**	**9,264**	**9,495**	**9,733**	**9,976**	**10,225**	**10,481**	**10,743**	**8,352**
Less Yukon Royalties	$1.10	0	0	0	265	265	265	265	265	265	265	265	265	265	265	265	265	265	265	265	265	265	265	265	201
Adjusted Gross Revenue		**0**	**0**	**0**	**6,455**	**6,623**	**6,796**	**6,972**	**7,153**	**7,339**	**7,529**	**7,723**	**7,923**	**8,128**	**8,338**	**8,553**	**8,773**	**8,999**	**9,231**	**9,468**	**9,711**	**9,961**	**10,216**	**10,478**	**8,151**
CASH PRODUCTION COSTS ($ '000)																									
Labor (with Contigency)	10.0%	0	0	0	1,911	1,741	1,741	1,741	1,741	1,656	1,656	1,741	1,656	1,656	1,741	1,741	1,741	1,741	1,741	1,741	1,741	1,741	1,741	1,741	1,656
Materials and Supplies (with Contingency	10.0%	0	0	0	1,531	1,442	1,462	1,424	1,369	1,238	1,122	1,372	1,326	1,264	1,389	1,397	1,406	1,415	1,424	1,381	1,386	1,392	1,397	1,403	1,071
Contractor (with Contingency)	10.0%	0	0	0	61	57	58	57	55	48	43	54	52	49	55	55	56	56	56	54	55	55	55	55	42
Other (With Contingency)	10.0%	0	0	0	120	120	120	120	120	120	120	120	120	120	120	120	240	240	240	297	397	397	397	290	617
Total Direct Mine Costs	0%	**0**	**0**	**0**	**3,624**	**3,361**	**3,381**	**3,342**	**3,285**	**3,062**	**2,941**	**3,288**	**3,154**	**3,089**	**3,306**	**3,314**	**3,443**	**3,452**	**3,461**	**3,473**	**3,579**	**3,585**	**3,591**	**3,489**	**3,385**
Direct Costs $/ton		$0.00	$0.00	$0.00	$15.10	$14.00	$14.09	$13.93	$13.69	$12.76	$12.25	$13.70	$13.14	$12.87	$13.77	$13.81	$14.34	$14.38	$14.42	$14.47	$14.91	$14.94	$14.96	$14.54	$18.60
Direct Costs Escalator	2.5%	**$0**	**$0**	**$0**	**$3,624**	**$3,445**	**$3,553**	**$3,599**	**$3,626**	**$3,464**	**$3,411**	**$3,908**	**$3,843**	**$3,858**	**$4,232**	**$4,349**	**$4,630**	**$4,758**	**$4,890**	**$5,030**	**$5,313**	**$5,455**	**$5,600**	**$5,578**	**$5,547**
NON-CONTROLLABLE COSTS ($ '000)																									
Corporate Overheads	200	0	0	0	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200
PropertyTax	0.1%	0	0	0	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Total Non-Controllable Costs		**0**	**0**	**0**	**202**	**202**	**202**	**202**	**202**	**202**	**202**	**202**	**202**	**202**	**202**	**202**	**202**	**202**	**202**	**202**	**202**	**202**	**202**	**202**	**202**
Non-Controllable Costs $/ton		$0.00	$0.00	$0.00	$0.84	$0.84	$0.84	$0.84	$0.84	$0.84	$0.84	$0.84	$0.84	$0.84	$0.84	$0.84	$0.84	$0.84	$0.84	$0.84	$0.84	$0.84	$0.84	$0.84	$1.11
Non-Controllable Costs Escalator		$0.00	$0.00	$0.00	$202.19	$207.24	$212.42	$217.73	$223.18	$228.76	$234.47	$240.34	$246.34	$252.50	$258.82	$265.29	$271.92	$278.72	$285.68	$292.83	$300.15	$307.65	$315.34	$323.23	$331.31
TOTAL CASH COSTS ($ '000)		**0**	**0**	**0**	**3,827**	**3,652**	**3,765**	**3,817**	**3,849**	**3,693**	**3,645**	**4,148**	**4,089**	**4,110**	**4,491**	**4,614**	**4,902**	**5,037**	**5,176**	**5,323**	**5,613**	**5,762**	**5,915**	**5,901**	**5,879**
Total Cash Costs $/ton		$0.00	$0.00	$0.00	$15.94	$15.22	$15.69	$15.90	$16.04	$15.39	$15.19	$17.28	$17.04	$17.13	$18.71	$19.22	$20.42	$20.99	$21.57	$22.18	$23.39	$24.01	$24.65	$24.59	$32.29
EBITDA ($000)		**0**	**0**	**0**	**2,629**	**2,971**	**3,031**	**3,155**	**3,304**	**3,645**	**3,883**	**3,575**	**3,834**	**4,018**	**3,847**	**3,939**	**3,871**	**3,962**	**4,054**	**4,145**	**4,098**	**4,198**	**4,301**	**4,577**	**2,273**
EBITDA $/ton		$0.00	$0.00	$0.00	$10.95	$12.38	$12.63	$13.15	$13.77	$15.19	$16.18	$14.90	$15.98	$16.74	$16.03	$16.41	$16.13	$16.51	$16.89	$17.27	$17.07	$17.49	$17.92	$19.07	$12.49
Interest Payments	-				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
INCOME TAXES ($000)																									
Territorial Depreciation		0	0	0	1,220	1,168	1,181	1,143	1,109	1,029	956	587	490	420	469	469	469	469	601	585	585	557	492	492	52
Territorial Income Taxes	13.7%	0	0	0	193	247	253	276	301	358	401	409	458	493	463	475	466	479	473	488	481	499	522	560	304
Federal Income Taxes		0	0	0	0	0	0	17	628	689	731	674	725	760	719	730	708	718	718	718	713	739	773	837	407
After-Tax Net Income		**0**	**0**	**0**	**1,216**	**1,556**	**1,596**	**1,720**	**1,266**	**1,569**	**1,796**	**1,905**	**2,161**	**2,344**	**2,196**	**2,264**	**2,228**	**2,297**	**2,263**	**2,354**	**2,318**	**2,403**	**2,513**	**2,688**	**1,510**
After-Tax Net Income $/ton		$0.00	$0.00	$0.00	$5.07	$6.48	$6.65	$7.17	$5.28	$6.54	$7.48	$7.94	$9.00	$9.77	$9.15	$9.43	$9.28	$9.57	$9.43	$9.81	$9.66	$10.01	$10.47	$11.20	$8.29
CAPITAL ($000)																									
Capital		0	0	0	11,696	0	0	0	0	165	0	0	0	0	398	0	593	0	1,110	165	389	0	0	0	0
Total Capital	0%	**0**	**0**	**0**	**11,696**	**0**	**0**	**0**	**0**	**165**	**0**	**0**	**0**	**0**	**398**	**0**	**593**	**0**	**1,110**	**165**	**389**	**0**	**0**	**0**	**0**
Capital Escalator		**0**	**0**	**0**	**11,696**	**0**	**0**	**0**	**0**	**186**	**0**	**0**	**0**	**0**	**510**	**0**	**797**	**0**	**1,568**	**238**	**578**	**0**	**0**	**0**	**0**
NET AFTER-TAX CASH FLOW ($ '000)		**0**	**0**	**0**	**(9,260)**	**2,724**	**2,777**	**2,862**	**2,376**	**2,434**	**2,751**	**2,492**	**2,651**	**2,764**	**2,267**	**2,733**	**2,104**	**2,766**	**1,754**	**2,775**	**2,514**	**2,960**	**3,006**	**3,181**	**1,561**
Cumulative Cash Flow ($ '000)		0	0	0	(9,260)	(6,536)	(3,759)	(896)	1,479	3,913	6,664	9,156	11,807	14,571	16,838	19,571	21,676	24,441	26,195	28,970	31,484	34,444	37,450	40,631	42,192
Cash Flow $/ton		**$0.00**	**$0.00**	**$0.00**	**($38.58)**	**$11.35**	**$11.57**	**$11.93**	**$9.90**	**$10.14**	**$11.46**	**$10.38**	**$11.05**	**$11.52**	**$9.44**	**$11.39**	**$8.77**	**$11.52**	**$7.31**	**$11.56**	**$10.48**	**$12.33**	**$12.52**	**$13.25**	**$8.58**

Interest Rate	**5%**	**8%**	**10%**	**12%**	**15%**	**20%**
NET PRESENT VALUE ($000)	**21,881**	**15,024**	**11,720**	**9,126**	**6,194**	**2,963**

IRR	**28.5%**

Taxes and Royalties

A Yukon coal mining royalty rate of $1.10/tonne had been assumed by Norwest (2008). The author notes that this royalty rate may be high as the stated royalty rate in the Yukon Coal Regulations is $0.10/tonne.

A provincial tax rate of 13.69% (including mining deductions) as well as a federal tax rate of 21.57% were also used by Norwest (2008). Capital expenditures were deducted according to the Capital Cost Allowance (CCA) tax code. Updated tax calculations will need to be completed in any future project economic analysis.

Under specific circumstances some exploration costs may be considered tax deductible, however for conservatism were not estimated by Norwest (2008).

Sensitivity Analysis

Sensitivity of project economics was analyzed with respect to variations in:

- Coal sales price
- Operating cash costs
- Capital costs

Project economics were found to be most sensitive to variations in coal price, with an approximate swing of 75% in base NPV with a change in coal price of + or – 20% (Figure 22.1).

Project economics were less sensitive to variations in operating cost, with an approximate swing of 35% in base NPV from change in coal price of + or – 20% (see Figure 22.2).

The project economics were least sensitive to changes in capital cost. A change in capital expenditures of + or – 20% lead to a variation from base NPV of only 19% (see Figure 22.3).

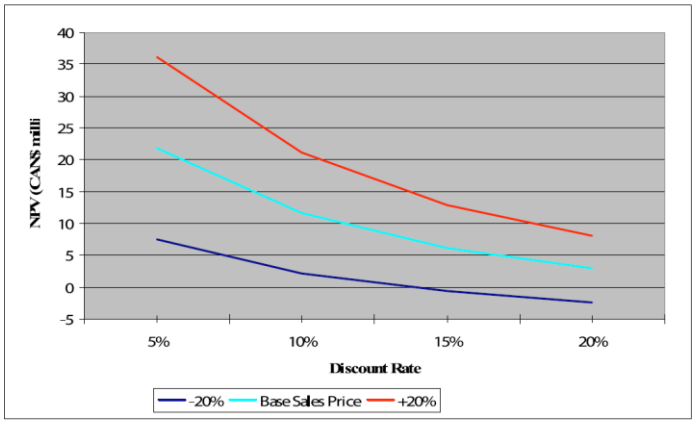


FIGURE 22.1	
2560344 Ontario Inc. DIVISION MOUNTAIN SENSITIVITY TO COAL SALES PRICE	
DATE: 01/05/2017	K. Brewer P.Geo.

Project economics were less sensitive to variations in operating cost, with an approximate swing of 35% in base NPV from change in coal price of + or – 20%

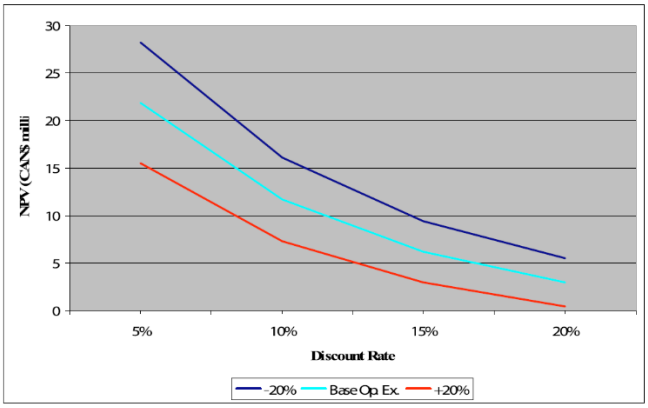


FIGURE 22.2	
2560344 Ontario Inc. DIVISION MOUNTAIN SENSITIVITY TO OPERATING EXPENDITURE	
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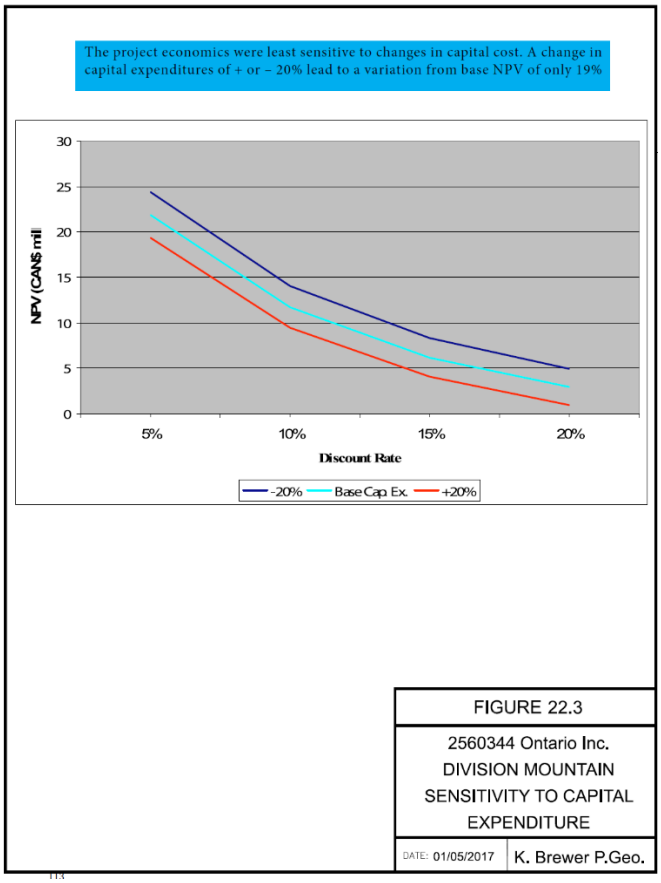


Debt Financing

Project economics were analyzed by Norwest (2008) to assume debt financing. Loans were assumed to be borrowed at an interest rate of 7%. They also assumed that the loan would be secured by the mine equipment, and that the loan period would be no longer than the worstcase remaining equipment life, which was assumed at 6 years. Debt was assumed to cover 75% of start-up capital, with equity financing covering the remainder of the start-up capital, as well as remaining project capital.

Table 22.3 Cash Flow Summary with and without Debt Financing

Interest Rate (%)	5%	8%	10%	12%	15%	20%
NPV (C$'000) without debt	21,881	15,024	11,720	9,126	6,194	2,963
NPV (C$'000) witH debt	13,151	7,063	4,214	2,036	(340)	(2,788)

Under the above assumptions Norwest noted there were significant economic disadvantages to debt financing. They noted that it was due to the cash flow in the critical early years of the project being reduced by payback of the loan and interest payments.

Payback Period

The payback period, i.e., the period required for cash income to return the initial cash investment, is estimated at 4.4 years. This may be seen on Table 22.2, as well as on Figure 22.4. Payback has been calculated on an undiscounted basis. The period is assumed to begin at the beginning of year 1, this may be seen on Table 22.2 as well as on Figure 22.4.

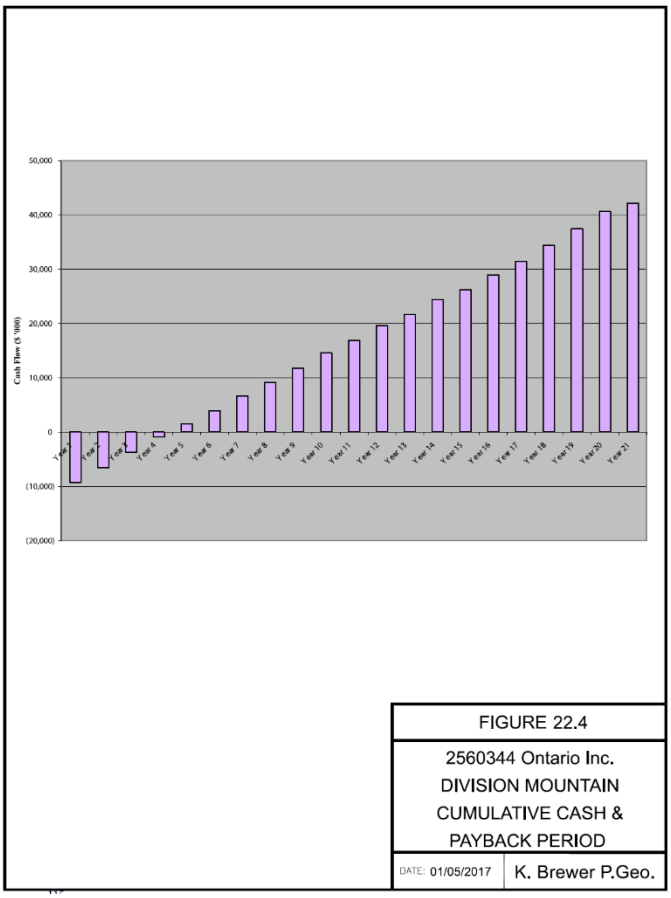


FIGURE 22.4

2560344 Ontario Inc.
DIVISION MOUNTAIN
CUMULATIVE CASH &
PAYBACK PERIOD

DATE: 01/05/2017 | K. Brewer P.Geo.

Adjacent Properties

The Technical Report does not utilize any data and/or interpretations from adjacent properties. Nor are there any known adjacent coal properties to the knowledge of the author.

Other Relevant data and Information

Exploration Work Schedule – 2019

It is proposed that the exploration work in 2019 be conducted during the period late June – mid September. Work after that time can be problematic due to possible early fall/winter conditions. The Division Mountain Property is in the lower elevations and as such will not be as exposed to early winter conditions as experienced in more mountainous areas.

Project Development Schedule - 2019 or Beyond

A preliminary project development schedule was prepared by Norwest (2006) and has been updated to reflect recent experiences of other mine permit processes in Yukon over the past five years and the permitting experiences of the author. It is based on the requirements related to:

- Completion of baseline studies and Environmental Assessment report
- Submittal and approval of permits / licenses
- Construction of infrastructure
- Assumed completion date of the power plant
- Securing of equipment and workforce.

Assumptions concerning the sequence of events, necessary procedures and requirements for per-it submittal and regulatory approvals are based solely on those for the mine development and do not include the necessary environmental studies, plans, and permit processes related to the associated power plant as this is beyond the scope of this report. However as the project further advances towards a development decision it will be necessary for the mine proponent to be fully aware of the requirements associated with permitting of the power plant to ensure that the plans to advance both elements of the project (although they may be completed independently or singularly) are highly coordinated.

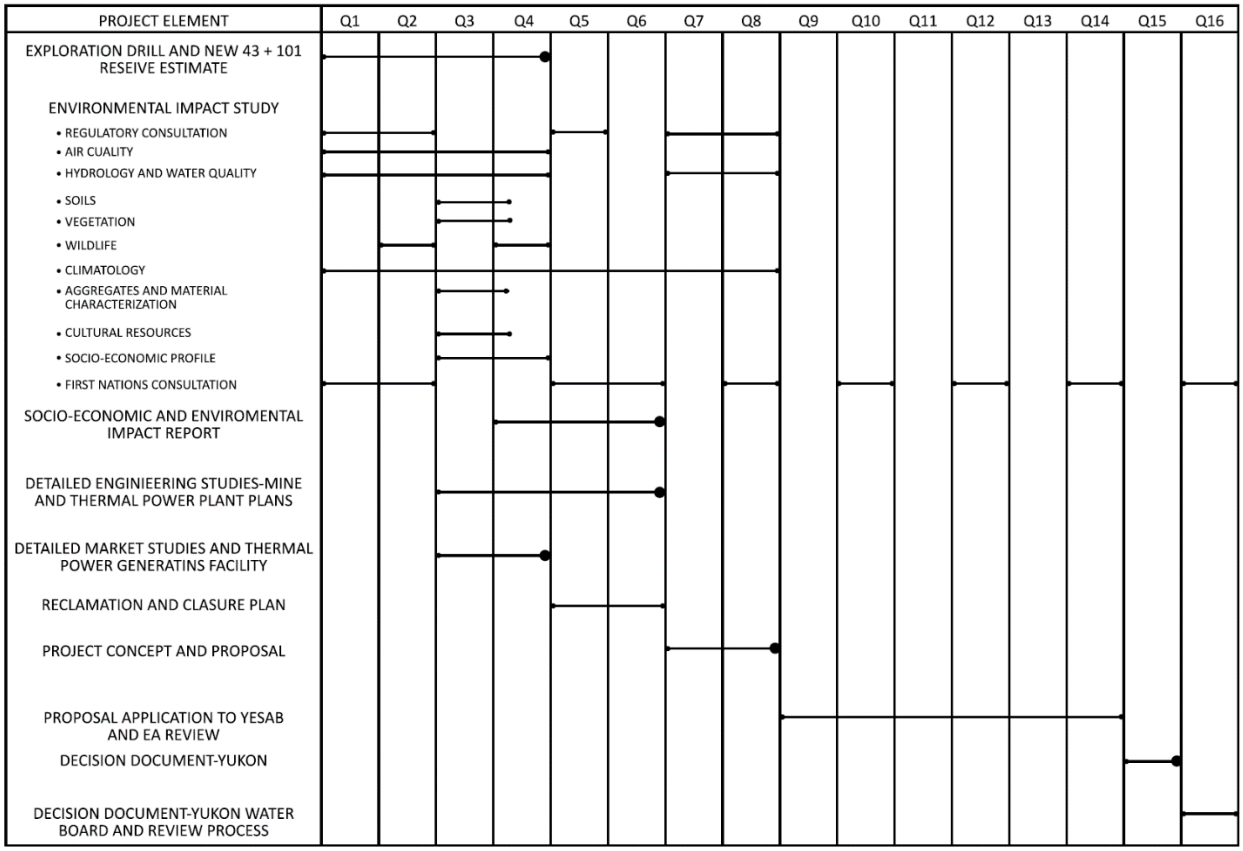
The project development schedule is illustrated in Figure 24.1.

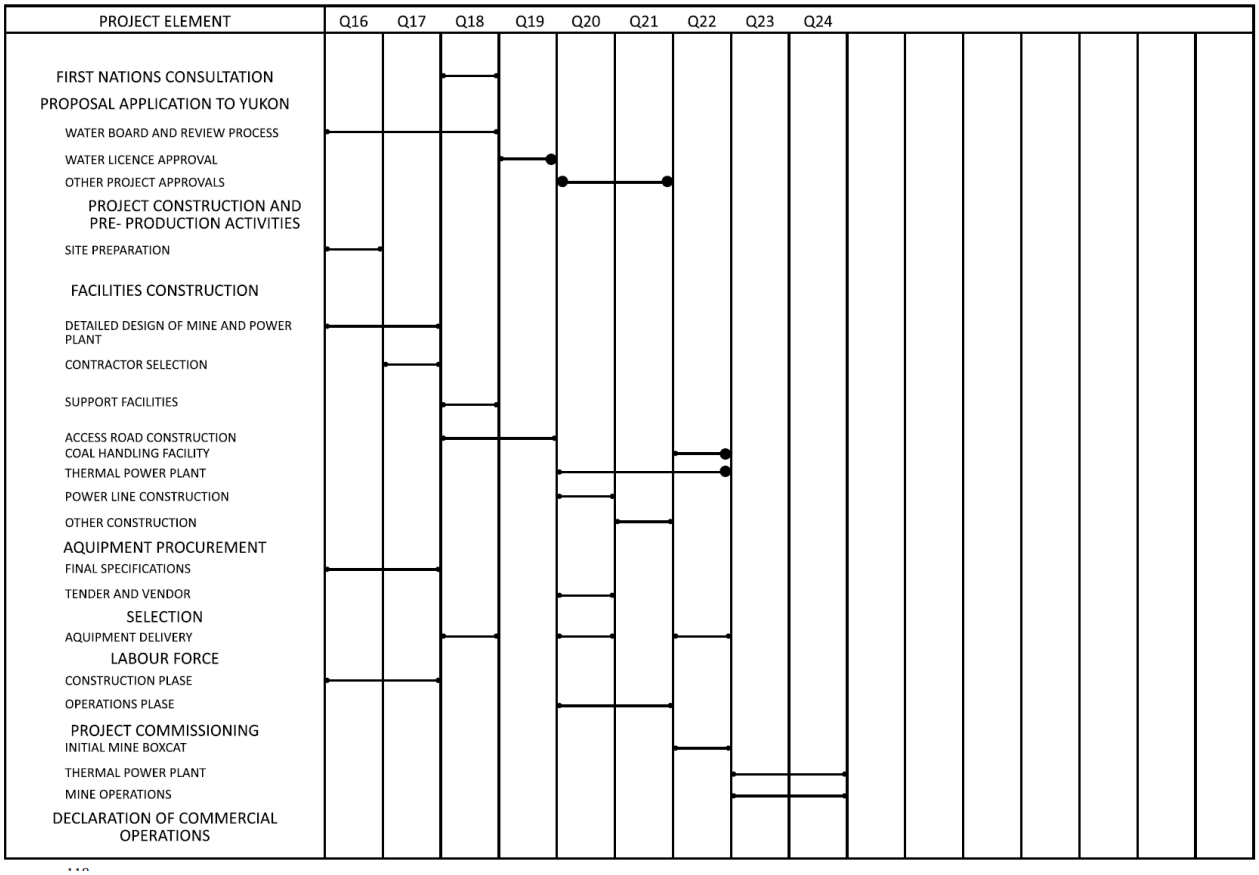
Environmental Assessment and Permitting Timelines

The environmental assessment and permitting timelines vary widely between one project and another. Examining the experience of mine applications in Yukon in the past 5-7 years, the environmental assessment and permitting timelines can range from 24-48 months. The current process is extended by the fact that the Yukon Water Board does not start its own assessment until a Decision Document is issued by Yukon on the assessment conducted by YESAA. This extends the permitting timelines by 9-12 months.

Figure 24.1

Project Development Schedule - Division Mountain Coal Mine and Mine-Mouth Thermal Generating Facility





Other key variable factors on the timelines of the assessment process include, but may not be limited to, the quality of the project application, the quality of environmental data (especially relating to water quality, water management, and environmental controls), and the complexity of the project in terms of projected cumulative impacts, project size, and the level of support for the project to proceed from First Nations, local communities, and advocacy groups.

Facilities and Infrastructure Construction

Immediately following a detailed mine plan, a detailed design of the coal processing facilities may begin. Once a design is complete, requests for bid proposals may be issued to contractors. A contractor would need to be selected by the beginning of summer (May) of Year -1. Surface preparation and construction of all mine maintenance and coal handling facilities would be completed in May through August of Year -1.

Purchase of Mobile Equipment

Immediately following a detailed mine plan (see above) equipment requirements may be reviewed and vendors approached with Requests for Proposals. It is assumed that these steps could be completed within two months (by late fall, Year -2). This would give 6 months to take delivery of all equipment by May of Year -1.

Human Resources

Job openings would be advertised in the local community by late spring of Year -1. This would give 4 summer months in which to interview, screen, hire and train a capable workforce.

Production Start-Up

An initial box-cut may begin in fall of Year -1. Some small amount of coal may be produced during the remainder of Year -1. Full production is assumed to be reached early in Year 1.

Interpretation and Conclusions

The Division Mountain Property hosts significant tonnage of high volatile bituminous “B” coal. Most of the coal occurs in the Middle to Upper Jurassic Tanglefoot Formation, which was deposited in a complex fluvial-deltaic depositional environment. The geology type is “moderate” according to the guidelines set forth in Geological Survey of Canada paper 88-21.

Exploration has focused on a 6.5 kilometer long by 1.5 kilometer wide southeast trending area immediately adjacent to the Division Mountain Property. Drilling has outlined an historic 52.5 million tonne resource of high volatile bituminous “B” coal.

The geologic information gathered in the Division Mountain Property area was adequate for Norwest 2008 to delineate mineable reserves of 26.4 Mt, which are also now deemed as a historic reserve.

The project defined an open pit operation that would provide coal to a thermal power generation facility that would be located in close proximity to the mine. The economics and demand for a 50 MW power facility have never been evaluated. As Yukon’s power grid is isolated there would have to be significant new industrial demand for a project of this nature to be required in Yukon, as the territory is currency able to service all of its electrical demands and can add an additional LNG module to its current facility, if required.

The initial capital and operating cost estimates for the open pit coal operation for the first twenty years as described by Norwest (2008) indicated a marginally economic project at that time. Further analysis is obviously needed to help define areas of possible economic improvements to the project, identify and analyze project trade-offs, conduct detailed market studies, and update all cost estimates as they are also deemed historic.

The Corporation has over 62,000 hectares of land within their current coal exploration licences all of which cover potential coal-bearing (and possibly gas and oil-bearing) strata within the Whitehorse Trough region. Many portions of the licence areas have had little to no exploration for coal conducted on them. Therefore there is the potential to identify new coal resources at Division Mountain and the surrounding area, within the current licence holdings. Previous exploration efforts and recent Yukon government studies have also identified that the Division Mountain Property area has the potential to host coal bed methane and conventional/unconventional petroleum resources. There has been no exploration for coal bed methane and/or hydrocarbons in the Whitehorse Trough to date.

Recommendations

The project recommendations reflect the current objective of the Corporation to further identify additional resources at the Division Mountain Property and conduct some preliminary exploration efforts on some of the northernmost licences in an attempt to examine known coal occurrences, find new coal occurrences and seek higher quality coal resources as compared to the Division Mountain Property.

The recommendations for 2019 are therefore as follows:

- Permitting: An application for an exploration licence will need to be filed with the

designated Chief of Coal Regulations for various exploration activities to proceed in 2019-2020 field seasons. The application will be subject to review by the Yukon Environmental and Socio-Economic Assessment Board and the Yukon Water Board.

- Trail Construction: Trail access is required to be constructed in order to access areas in the westernmost portions of the Division Mountain Property.
- Exploration: A comprehensive exploration program should be conducted in the Division Mountain Property area focusing on the unexplored portions of the property and in particular the East Limb of the Division Mountain Syncline. This will involve detailed prospecting and geological mapping at a 1:5000 scale and possibly trenching.

Proposed Budget

Project Permitting	$5,000
Trail Construction and Development	$20,000
Exploration – Western Part of Division Mountain	$65,000
Miscellaneous Costs (Accommodations, Equipment Rentals etc.)	$10,000
Total	$100,000

The proposed exploration budget is $100,000.

USE OF PROCEEDS

The Agent has agreed to use its commercially reasonable efforts to secure subscriptions for the Common Shares offered pursuant to the Offering in the provinces of Ontario, Alberta and British Columbia. If all of the Common Shares offered pursuant to this Offering are sold, the gross proceeds to the Corporation will be $350,000.

This offering is subject to the completion of a minimum subscription of 3,500,000 Common Shares for gross proceeds to the Corporation of $350,000. If the minimum subscription is not completed within 90 days of the issuance of a receipt for the (final) Prospectus or, if a receipt is issued for an amendment to the (final) Prospectus, within 90 days of the issuance of such receipt and, in any event, not later than 180 days from the date of the receipt for the (final) Prospectus, or such other time as may be consented to by the Agent and Subscribers, all subscription will be returned to Subscribers without interest or deduction unless the subscribers have otherwise instructed the Agent.

Funds Available

The gross proceeds to the Corporation from the sale of the Common Shares offered hereby will be $350,000. The total funds available to the Corporation at the closing of the Offering, after deducting the estimated expenses of the Offering of $60,000, the Agent's Fee of $26,250 and the Corporate Finance Fee of $25,000 (plus HST), and including the Corporation's estimated working capital deficit as at February 28, 2019 of $20,856 (which includes the Shares for Debt Transaction of $210,054.10), are estimated to be $217,894. The Corporation intends to expend its available funds for the following principal purposes:

Principal Purposes

Expenses	Funds to be Used[(1)]
To pay the estimated cost of the recommended exploration program and budget on the Division Mountain Property as outlined in the Technical Report	$100,000

To provide funding sufficient to meet administrative costs for 12 months	$97,542
Unallocated working capital	$20,352
Total	**$217,894**

Notes:

(1) The Corporation intends to spend the funds available to it as stated in this Prospectus. There may be circumstances, however, where for sound business reasons a reallocation of funds may be necessary.

(2) See "Narrative Description of the Business – Recommendations" above for a summary of the work to be undertaken and a breakdown of the estimated costs.

Upon completion of the Offering, the Corporation's working capital available to fund ongoing operations will be sufficient to meet its administrative costs and exploration expenditures for 12 months. Estimated administrative expenditures for the 12 months following completion of the Offering are comprised of the following:

Administrative Expenses	**Funds to be Used**
Office Rent	$12,000
Management Services, Administration Services and Office Supplies	$54,542
Transfer Agent	$18,000
Legal	$0
Accounting and Audit	$13,000
Total	$97,542

Since its incorporation on February 8, 2017, the Corporation has not generated cash flow from its operations and has incurred certain operating losses. Such losses and negative operating cash flow are expected to continue since funds will be expended to pay its administrative expenses and to conduct the recommended Phase 1 exploration program on the Division Mountain Property. Although the Corporation has allocated $97,542 (as above) from the Offering to fund its ongoing operations for a period of 12 months and expects to have $20,352 in unallocated working capital, the Corporation will be reliant on future equity and/or debt financings for its funding requirements.

The Corporation intends to spend the funds available to it as stated in this Prospectus. There may be circumstances, however, where for sound business reasons, a reallocation of funds may be necessary. The Corporation's Chief Financial Officer will be responsible for the investment of unallocated funds.

Stated Business Objectives and Milestones

The Corporation's business objectives in using the available funds are to:

(a) obtain a listing of its Common Shares on the Exchange; and

(b) conduct the Phase 1 exploration program on the Division Mountain Property recommended in the Technical Report.

The listing of the Corporation's Common Shares on the Exchange is subject to the Corporation fulfilling all of the requirements of the CSE and is expected to occur concurrently with completion of this Offering. Upon completion of the Offering, the recommended exploration program is expected to be conducted in the summer of 2019.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS

Annual Information

The following selected financial information is subject to the detailed information contained in the audited and unaudited financial statements of the Corporation and notes thereto appearing elsewhere in this Prospectus. The selected financial information is derived from the audited financial statements for the period from incorporation to October 31, 2017 and for the fiscal year ended October 31, 2018. The Corporation has established October 31 as its financial year end.

	Period Ended October 31, 2017 (audited)	Fiscal Year Ended October 31, 2018 (audited)
Total Revenues	Nil.	Nil.
Consulting and Management Fees	$22,285	$40,744
Professional fees	$16,175	$9,855
General office expenses	$3,016	$2,097
Interest expenses	$0	$8,790
Net loss and comprehensive loss	$41,483	$61,484
Basic and diluted loss per Common Share	$0.02	$0.01
Total assets	$219,679	$331,989
Total liabilities	$15,162	$188,956
Total shareholders' equity	$204,517	$143,033

Dividends

There are no restrictions that would prevent the Corporation from paying dividends on the Common Shares; however, the Corporation has neither declared nor paid any dividends on its Common Shares since incorporation and has not established any dividend or distribution policy. The Corporation does not anticipate paying any dividends on its Common Shares in the foreseeable future.

Management's Discussion and Analysis

The following discussion of the operating results and financial position of the Corporation should be read in conjunction with the audited financial statements and related notes for the fiscal year ended October 31, 2018. The financial statements are included in this Prospectus and should be referred to when reading this disclosure. The financial statements summarize the financial impact of the Corporation's financings, investments and operations, which financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars. The effective date of this management's discussion and analysis is October 31, 2018.

Overview

The Corporation is an independent Canadian coal exploration company focused on pursuing the exploration, evaluation and development of resource assets. Formerly known as 2560344 Ontario Inc., Yukoterre was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation, dated February 8, 2017, and on October 25, 2017 was renamed "Yukoterre Resources Inc." The principal activity of the Corporation is the exploration and evaluation of the Division Mountain Property. The Corporation's head office is located at 65

Queen Street West, 8th floor, Toronto, Ontario, M5H 2M5, Canada.

Division Mountain Property Acquisition

On August 8, 2017, the Corporation entered into a purchase agreement with PitchBlack Resources Ltd. in respect of the purchase of the Division Mountain Property in the Yukon Territory. The Division Mountain Property is located 90 km northwest of Whitehorse in Yukon Territory. The purchase included a total of 17 coal licenses (CYW0137 to CYW0138 and CYW0143 to CYW0157) and five coal leases (CMW3000 to CMW3004). In late 2018, the Corporation renewed four of the coal licenses (CYW0154 to CYW0157) which covers the Division Mountain Property. The remaining coal licenses, which covered areas outside of the Division Mountain Property, were allowed to lapse.

On August 21, 2017, the Corporation, closed the purchase of Division Mountain Property in consideration for cash payment of $100,000 to PitchBlack Resources Ltd. (a NEX-listed company at the time). The Corporation assumed all property maintenance payments and obligations and indemnified PitchBlack Resources Ltd. against any environmental or reclamation obligations and liabilities. The Corporation is not a related party to PitchBlack Resources Ltd., its officers, directors or other insiders. The sale transaction was an arm's length transaction for the purposes of the policies of the NEX Board of the TSX Venture Exchange. This transaction was approved by the NEX Board of the TSX Venture Exchange.

Selected Yearly Information

For the year ended October 31, 2018, the Corporation reported a loss of $61,484 or $0.01 per share. For the period from incorporation (February 8, 2017) to October 31, 2017, the Corporation reported a loss of $41,483 or $0.02 per share. The Corporation had a working capital deficit of $186,646 for the year ended October 31, 2018 compared to a working capital deficit of 158 for the period from incorporation (February 8, 2017) to October 31, 2017.

The Corporation has and expects to continue to report negative earnings until the Corporation's exploration program finds and develops producing assets. The Corporation will continue to utilize proceeds from financing and equity issuances to fund its exploration program and general and administrative operating costs.

As at October 31, 2018, the Corporation had no operating assets and expects to generate negative cash flow from operations for the foreseeable future.

Review of Financial Results

The Corporation recorded consulting and management fees of $9,600 and $40,744 for the three months and year ended October 31, 2018. The Corporation recorded consulting and management fees of $10,442 for the three months ended October 31, 2017 and $22,285 for the period from incorporation (February 8, 2017) to October 31, 2017.

The Corporation recorded $3,000 and $9,855 in professional fees for the three months and year ended October 31, 2018, mainly for audit fees. Professional fees for the three months and for the period from incorporation (February 8, 2017) to October 31, 2017 was $16,175 for audit and legal fees.

General office expenses of $269 and $2,097 for the three months and year ended October 31, 2018 relate to office costs, telephone and computer expenses. The Corporation recorded general office expenses of $1,022 for the three months ended October 31, 2017 and $3,016 for the period from incorporation (February 8, 2017) to October 31, 2017. The Corporation strives to minimize general and administrative type expenses.

Cash Flows

Cash used by operating activities for the year ended October 31, 2018 was $39,781 and cash used by operating activities for the period from incorporation (February 8, 2017) to October 31, 2017 was $32,480. Expenditures during the years was primarily related to consulting and professional fees. For the year ended October 31, 2018, the Corporation received $157,000 in loans from 2227929 Ontario Inc. which accrues interest at 12% with no specific maturity date. Cash raised by financing activities of $246,000 for the period from incorporation (February 8, 2017) to October 31, 2017 relates to a private placement held on June 29, 2017. Investing activities of $125,004 and $204,675 was used to for developing the exploration and evaluation asset for the year ended October 31, 2018 and for the period from incorporation (February 8, 2017) to October 31, 2017.

Liquidity and Capital Resources

On December 18, 2017, the Corporation entered into loan agreements with 2227929 Ontario Inc. Pursuant to the terms of the loans, 2227929 Ontario Inc. agreed to lend the Corporation $52,000 on December 18, 2017, $20,000 on May 25, 2018 and $10,000 on June 12, 2018 at an interest rate of 12% per year with no specified maturity date. A further $40,000 was loaned on August 13, 2018 and $35,000 on August 22, 2018. On October 31, 2018, the loan balance was $165,790 including accrued interest.

As at October 31, 2018, the Corporation had working capital deficit of $186,646 and $1,060 in cash compared to a working capital deficit of $158 and cash of $8,845 for the period from incorporation (February 8, 2017) to October 31, 2017. The Corporation's primary cash flow needs are for development of its mining and exploration activities, administrative expenses and working capital.

At present, the Corporation has no producing properties and consequently no revenue generating assets or operations. The recovery of the amounts expended for resource properties are dependent on the ability of the Corporation to obtain necessary financing to complete the development of the Division Mountain Property or other potential projects and attain future profitable production. The Corporation's financial success will depend on its ability to raise financing to construct potential projects. At present, the Corporation has no established sources of income and the success of its exploration and development programs will be contingent upon the Corporation's ability to raise sufficient equity financing on terms favourable to the Corporation. The Corporation does not expect to generate any internal cash flows to help finance the development costs.

Going Concern

Yukoterre is an exploration stage enterprise. To date, the Corporation has not found proven reserves. The business of exploration for coal involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable operations. The Corporation's continued existence is dependent upon the acquisition of coal properties, preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Corporation to raise alternative financing, if necessary, or alternatively upon the Corporation's ability to dispose of its interests on an advantageous basis. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern. Consequently, the Corporation's ability to continue as a going concern is dependent on the Corporation's ability to obtain additional financing if, as and when required, and, ultimately, the attainment of profitable operations or the profitable sale of the Corporation's exploration interests.

Commitments and Contingencies

Management contracts

The Corporation is party to certain management contracts. Currently, these contracts require payments of $Nil (October 31, 2017 - $Nil) to be made upon the occurrence of a change in control to the officers of the Corporation. The Corporation is also committed to payments upon termination of approximately $9,600 (October 31, 2017 - $9,600) pursuant to the terms of these contracts. As a triggering event has not taken place, these amounts have not been recorded in these financial statements.

Contingencies

Coal operations are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. The Corporation's operations may require licenses and permits from various governmental authorities in the countries in which it operates. There can be no assurance that the Corporation will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development of its projects.

Environmental

The Corporation's exploration and evaluation activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Corporation believes its operations are materially in compliance with all applicable laws and regulations. The Corporation has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Share Capital and Off-Balance Sheet Arrangements

As at the date of this management discussion and analysis, there are 4,920,000 common shares outstanding.

There are no off-balance sheet financing arrangements.

Related Party Transactions

Key management personnel compensation

As at October 31, 2018, no compensation or options have been issued to the executive officers of the Corporation.

Changes in Accounting Policies

The Corporation will monitor the development of the relevant IFRS and change its accounting policies accordingly.

New accounting standards

During 2018, the Corporation adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These new standards and changes did not have any material impact on the Corporation's consolidated financial statements.

IFRS 9 – Financial Instruments ("IFRS 9") was issued July 2014 and introduced new requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with

a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. A new general hedge accounting standard, which aligns hedge accounting more closely with risk management also forms part of IFRS 9. The mandatory effective date is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration ("IFRIC 22") was issued in December 2016 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognized in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepaid asset or deferred income liability is non-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018.

Critical Accounting Estimates and Judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results could differ from those estimates and these estimates could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Impairment of exploration and evaluation assets

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Corporation considers includes changes in the market, economic and legal environment in which the Corporation operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets and goodwill. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Corporation's assets, costs to sell the assets and the appropriate discount rate.

Reductions in coal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Corporation's exploration and evaluation assets.

Income, value added, withholding and other taxes

The Corporation is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Corporation's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Corporation's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Corporation's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Contingencies and provisions

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not wholly within our control occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against us or un-asserted claims, that may result in such proceedings or regulatory or government actions that may negatively impact our business or operations, the Corporation and its legal counsel evaluate the perceived merits of any legal proceedings or un-asserted claims or actions as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a contingent liability or assessing the impact on the carrying value of assets. Contingent assets are not recognized in the financial statements.

Financial Instruments and Risk Management

Fair value

Yukoterre. financial instruments as at October 31, 2018, consist of cash, accounts receivable and accounts payable, accrued liabilities, loans payable and the amounts reflected in the statements of financial position approximate fair value due to the short term maturity of these instruments.

Financial instruments recorded at the reporting date at fair value are classified into one of three levels based upon the fair value hierarchy. Items are categorized based on inputs used to derive fair value based on:

Level 1 - quoted prices that are unadjusted in active markets for identical assets or liabilities;
Level 2 - inputs other than quoted prices included in level I that are observable for the asset/liability either directly or indirectly; and
Level 3 - inputs for the instruments are not based on any observable market data.

The Corporation had no financial instruments recorded at fair value in the statements of financial position at October 31, 2018.

Fair value estimates are made at the relevant transaction date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

Risk management overview

The Corporation has exposure to credit, liquidity and market risks from its use of financial instruments. This note provides information about the Corporation's exposure to each of these risks, the Corporation's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout this MD&A and the financial statements for the year ended October 31, 2018.

Credit risk

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Corporation's receivables.

The carrying amount of accounts receivable represents the maximum credit exposure. As at October 31, 2018 the Corporation's total receivables was $1,250 (October 31, 2017 - $6,159) from the Government of Canada for Harmonized Sales Taxes (HST). There were no derivative instruments held at October 31, 2018 and 2017.

Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, interest rates, and foreign exchange rates, will affect the Corporation's net income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing the Corporation's returns.

i. Commodity price risk
    a. Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for coal are impacted by not only the relationship between the Canadian and United States dollar, as outlined below, but also global economic events that dictate the levels of supply and demand. Lower commodity prices can also reduce the Corporation's ability to raise capital. As the Corporation is not generating revenues, commodity price risk does not directly impact the Corporation's financial results.
ii. Foreign exchange risk
    a. Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates.

As at October 31, 2018, the Corporation had US$20.00 in its bank accounts.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with the financial liabilities. The Corporation's financial liabilities consist of accounts payable, accrued liabilities and loans payable.

The Corporation prepares annual capital expenditure budgets, which are monitored and updated as considered necessary. Financial modeling is used to provide economic outlooks and the Corporation utilizes authorizations for expenditures on projects to monitor capital expenditures.

Accounts payable and accrued liabilities consist of invoices payable to trade suppliers for administration and professional expenditures. The Corporation processes invoices within a normal payment period. Accounts payable have contractual maturities of less than one year.

The Corporation had unsecured loans from 2227929 Ontario Inc. (a company wholly-owned by Mr. Fred Leigh, a director of the Corporation) bearing a 12% annual interest rate. All such

unsecured loans have been settled for Common Shares pursuant to the Shares for Debt Transaction.

Sensitivity analysis

The Corporation has, for accounting purposes, designated its cash and accounts receivable as loans and receivables which are measured at amortized cost. Accounts payable, accrued liabilities and loans payable are classified for accounting purposes as other financial liabilities, which are measured at amortized cost. As of October 31, 2018, both the carrying and fair value amounts of the Corporation's financial instruments are approximately equivalent due to the short term maturity of these instruments.

The sensitivity analysis shown in the notes below may differ materially from actual results. Based on management's knowledge of and experience with the financial markets, the Corporation believes the following movements are "reasonably possible" over a one year period:

i. Cash is subject to floating interest rates. As at October 31, 2018, if interest rates had decreased/increased by 1% with all other variables held constant, there would not have been a material impact to the loss for the year ended October 31, 2018 given the low level of cash on hand throughout the year.

ii. Cash, accounts payable, accrued liabilities and provisions denominated in US dollar are subject to foreign currency risk. As at October 31, 2018, had the US dollar weakened/strengthened by 5% against the Canadian dollar with all other variables held constant, there would have been a change of approximately $1 in the Corporation’s net loss.

Additional Disclosures

Risks and uncertainties

The operations of the Corporation are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration and development of coal properties. These risk factors could materially affect the Corporation’s future operating results and could cause actual events to differ materially from those described in forward-looking information relating to the Corporation.

Substantial capital requirements

The Corporation anticipates making substantial capital expenditures for the acquisition, exploration, development and production of mining reserves in the future. In addition, uncertain levels of near term industry activity coupled with the present uncertainty in global financial markets exposes the Corporation to additional financing risks. There can be no assurance that debt or equity financing, or funds generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation’s business financial condition, results of operations and prospects.

Regulatory

Mining and exploration operations are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. The Corporation’s operations may require licenses and permits from various governmental authorities in the countries in which it operates. There can be no assurance that the Corporation will be able to

obtain all necessary licenses and permits that may be required to carry out exploration and development of its projects.

Litigation and arbitration

All industries, including the mining industry, are subject to legal claims, with and without merit. Legal proceedings and arbitration may arise from time to time in the course of the Corporation's business. Such litigation may be brought against the Corporation or its subsidiary in the future from time to time or the Corporation or its subsidiary may be subject to another form of litigation. Defense and settlement costs of arbitration or legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation and arbitration process, the process of defending such claims (or any other claims that may be brought against the Corporation), could take away from management time and effort and the resolution of any particular legal proceeding to which the Corporation or its subsidiary may become subject could have a material effect on the Corporation's financial position and results of operations.

Competition

The mining industry is competitive in all its phases. The Corporation competes with numerous other organizations in the search for and the acquisition of other properties and in the marketing of coal. Our competitors include mining companies that have substantially greater financial resources, staff and facilities than Yukoterre. Our ability to acquire properties in the future will depend on our ability to select and acquire suitable properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of coal include price and methods, reliability of delivery and control over key operations infrastructure

Conflicts of interest

Certain of the directors and officers of the Corporation may serve from time to time as directors, officers, promoters and members of management of other companies involved in mining or natural resource exploration and development and therefore it is possible that a conflict may arise between their duties as a director or officer of the Corporation and their duties as a director, officer, promoter or member of management of such other companies.

The directors and officers of the Corporation are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Corporation will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with applicable laws and the directors and officers will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

Exploration, development and production risks

Mining operations involve many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of Yukoterre depends on its ability to find, appraise, develop and commercially produce resources and reserves, which will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire additional producing properties or prospects.

The Corporation may not be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, Yukoterre. may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that commercial quantities of

coal will be discovered or acquired by the Corporation. Future exploration may involve unprofitable efforts from mines that are productive but do not produce sufficient coal to return a profit after drilling, operating and other costs. Completion of a mine does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from a successful mine. These conditions include delays in obtaining governmental approvals or consents, insufficient storage or transportation capacity or other geological and mechanical conditions.

DESCRIPTION OF SECURITIES DISTRIBUTED

Authorized and Issued Share Capital

The authorized share capital of the Corporation consists of an unlimited number of common shares. As of the date of this Prospectus, 7,020,541 Common Shares were issued and outstanding as fully paid and non-assessable shares.

Common Shares

The holders of the Common Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Corporation and each Common Share confers the right to one vote in person or by proxy at all meetings of the shareholders of the Corporation. The holders of the Common Shares, subject to the prior rights, if any, of any other class of shares of the Corporation, are entitled to receive such dividends in any financial year as the Board of Directors may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Corporation, the remaining property and assets of the Corporation.

Agent's Options

The Corporation has also agreed to grant to the Agent, Agent's Options entitling the Agent to purchase that amount of Agent's Option Shares as is equal to 7% of the Common Shares to be issued pursuant to the Offering, exercisable at a price of $0.10 per Agent's Option Share for a period of 24 months from the Listing Date.

This Prospectus qualifies the Offering of the Common Shares and the Agent's Options.

CONSOLIDATED CAPITALIZATION

The following table summarizes the changes in the Corporation's capitalization since incorporation and after giving effect to the Offering:

Description	Authorized	Outstanding at October 31, 2018 (audited)	Outstanding as at date of the Prospectus[1] (unaudited)	Outstanding after giving effect to the Offering[2] (unaudited)
Common Shares	unlimited	4,920,000	7,020,541	10,520,541

Notes:

(1) Includes the Common Shares issued pursuant to the Shares for Debt Transaction.

(2) As partial consideration for the sale of Common Shares pursuant to this Prospectus, the Corporation has agreed to grant the Agent's Options entitling the Agent to purchase up to that amount of Agent's Option Shares as is equal to 7% of the number of Common Shares issued pursuant to this Offering. The Agent's Options may be exercised at a price of $0.10 per Agent's Option Share for a period of 24 months from the Listing Date. This Prospectus qualifies the distribution of the Agent's Options to the Agent. The Common Shares issuable on exercise of the Agent's Options are not reflected in these figures.

OPTIONS TO PURCHASE SECURITIES

Stock Option Plan

The Stock Option Plan was approved by the Corporation's directors on February 9, 2017. The purpose of the Stock Option Plan is to assist the Corporation in attracting, retaining and motivating directors, officers, employees and consultants (together "service providers") of the Corporation and of its affiliates and to closely align the personal interests of such service providers with the interests of the Corporation and its shareholders.

The Stock Option Plan provides that, subject to the requirements of the Exchange, the aggregate number of securities reserved for issuance will be 10% of the number of Common Shares of the Corporation issued and outstanding from time to time.

The Stock Option Plan will be administered by the Board of Directors, who will have full and final authority with respect to the granting of all options thereunder.

Options may be granted under the Stock Option Plan to such service providers of the Corporation and its affiliates, if any, as the Board may from time to time designate. The exercise prices shall be determined by the Board, but shall, in no event, be less than the closing market price of the Corporation's shares on the Exchange on the date of grant of such options, less the maximum discount permitted under the Exchange policies. The Stock Option Plan provides that the number of Common Shares issuable on the exercise of options granted to all persons together with all of the Corporation's other previously granted options may not exceed 10% of the Corporation's issued and outstanding Common Shares on a non-diluted basis, from time to time. In addition, the number of Common Shares, which may be reserved for issuance to any one individual upon the exercise of all stock options held by such individual within a one-year period, may not exceed 5% of the Common Shares issued and outstanding on the grant date, on a non-diluted basis, unless otherwise approved by disinterested shareholders of the Corporation. Subject to earlier termination in the event of dismissal for cause, early retirement, voluntary resignation or termination other than for cause, or in the event of death or disability, all options granted under the Stock Option Plan will expire on the date set by the Board as the expiry date of the option, which expiry date shall not be more than 10 years from the date that such options are granted. Options granted under the Stock Option Plan are not transferable or assignable other than by testamentary instrument or pursuant to the laws of succession.

As of the date of this Prospectus, the Corporation has not granted any Options pursuant to the Stock Option Plan.

Agent's Options

The Corporation will issue to the Agent, Agent's Options for the purchase of up to that number of Agent's Option Shares as is equal to 7% of the Common Shares of the Corporation issued pursuant to the Offering exercisable at a price of $0.10 per Agent's Option Share for a period of 24 months from the Listing Date.

PRIOR SALES

On February 27, 2019, at the annual and special shareholders meeting of the Corporation, the disinterested shareholders of the Corporation authorized the Corporation to enter into the Shares for Debt Transaction, whereby the Corporation issued 2,100,541 Common Shares at a deemed price of $0.10 per Common Share in full and final settlement of $210,054.10 owed by the Corporation to 2227929 Ontario Inc. (a company wholly-owned by Mr. Fred Leigh, a director of the Corporation). Other than as disclosed in this paragraph, no securities of the Corporation have

been issued in the 12-month period before the date of this Prospectus.

ESCROWED SECURITIES

Escrowed Securities

Under the applicable policies and notices of the Canadian Securities Administrators, securities held by Principals (as defined below) are required to be held in escrow in accordance with the escrow regime applicable to initial public distributions. Equity securities, including Common Shares, owned or controlled by the Principals of the Corporation are subject to the escrow requirements set out in National Instrument 46-201 - *Escrow for Initial Public Offerings*.

Principals include all persons or companies that, on the completion of the Offering, fall into one of the following categories:

(a) directors and senior officers of the Corporation, as listed in this Prospectus;

(b) promoters of the Corporation during the two years preceding this Offering;

(c) those who own and/or control more than 10% of the Corporation's voting securities immediately after completion of this Offering if they also have appointed or have the right to appoint a director or senior officer of the Corporation or of a material operating subsidiary of the Corporation;

(d) those who own and/or control more than 20% of the Corporation's voting securities immediately after completion of this Offering;

(e) a company, trust, partnership or other entity more than 50% held by one or more principals will be treated as a principal. (In calculating this percentage, include securities of the entity that may be issued to the principals under outstanding convertible securities in both the principals' securities of the entity and the total securities of the entity outstanding.) Any securities of the issuer that this entity holds will be subject to escrow requirements; and

(f) a principal's spouse and their relatives that live at the same address as the principal will also be treated as principals and any securities of the issuer they hold will be subject to escrow requirements.

The Principals of the Corporation are René Bharti, Deborah Battiston, Kenny Choi, Fred Leigh and Dr. Andreas Rompel.

The Corporation is an "emerging issuer" as defined in the applicable policies and notices of the Canadian Securities Administrators and if the Corporation achieves "established issuer" status during the term of the Escrow Agreement (as defined below), it will "graduate" resulting in a catch-up release and an accelerated release of any securities remaining in escrow under the 18 month schedule applicable to established issuers as if the Corporation had originally been classified as an established issuer.

Pursuant to the terms of the Escrow Agreement, the Escrowed Securities may not be transferred or otherwise dealt with during the term of the Escrow Agreement unless the transfers or dealings within the escrow are:

(a) transfers to continuing or, upon their appointment, incoming directors and senior officers of the Corporation or of a material operating subsidiary, with approval of the Board of Directors;

(b) transfers to an RRSP or similar trustee plan provided that the only beneficiaries are the transferor or the transferor's spouse or children or parents;

(c) transfers upon bankruptcy to the trustee in bankruptcy;

(d) pledges to a financial institution as collateral for a loan, provided that upon a realization the securities remain subject to escrow; and

(e) tenders of Escrowed Securities to a take-over bid are permitted provided that, if the tenderer is a Principal of the successor corporation upon completion of the take-over bid, securities received in exchange for tendered Escrowed Securities are substituted in escrow on the basis of the successor corporation's escrow classification.

The following table sets forth details of the Escrowed Securities that are subject to the Escrow Agreement as of the date of this Prospectus:

Name	No. of Escrowed Common Shares[(1)(2)]	Offering Percentage (Prior to Giving Effect to the Offering)	Offering Percentage (After Giving Effect to the Offering)[(3)]
Fred Leigh[(4)]	2,560,541	36.47%	24.34%

Notes:
(1) These shares have been deposited in escrow with the Escrow Agent.
(2) Pursuant to an escrow agreement (the "**Escrow Agreement**") made as of ■, among the Corporation, the Escrow Agent and certain Principals of the Corporation, the Principals agreed to deposit in escrow their Common Shares (the "**Escrowed Securities**") with the Escrow Agent. The Escrow Agreement provides that 10% of the Escrowed Securities will be released from escrow upon the Listing Date and that, where there are no changes to the Common Shares initially deposited and no additional Escrow Securities, the remaining Escrowed Securities will be released in equal tranches of 15% every 6 month interval thereafter, over a period of 36 months.
(3) Does not include exercise of Agent's Options.
(4) Shares are held by 2227929 Ontario Inc., a corporation that is wholly-owned by Mr. Leigh, and includes the Common Shares issued under the Shares for Debt Transaction.

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and officers of the Corporation, as of the date of this Prospectus, no person beneficially owns or exercises control or direction over Common Shares carrying more than 10% of the votes attached to the Corporation's Common Shares except for the following:

	Prior to the Offering		After Giving Effect to the Offering		
Name	Number of Common Shares Owned Directly or Indirectly	Percentage of Common Shares Held	Number of Common Shares Owned Directly or Indirectly	Percentage of Common Shares Held[(1)]	Percentage of Common Shares Held[(2)]
Routemaster Capital Inc.	1,000,000	14.2%	1,000,000	9.5%	9.2%
Forbes & Manhattan Inc.[(3)]	1,000,000	14.2%	1,000,000	9.5%	9.2%
Newdene Gold Inc.[(4)]	1,000,000	14.2%	1,000,000	9.5%	9.2%

Fred Leigh[5]	2,560,541	36.47%	2,560,541	24.34%	23.78%

Notes:
(1) Does not include exercise of Agent's Options.
(2) On a fully-diluted basis, assuming completion of the Offering and the exercise of Agent's Options.
(3) A company wholly-owned by Hannele Bharti.
(4) A company wholly-owned by Kam Gill.
(5) Shares are held by 2227929 Ontario Inc., a corporation that is wholly-owned by Mr. Leigh.

DIRECTORS AND OFFICERS

The following table provides the names, provinces of residence, positions, principal occupations and the number of voting securities of the Corporation that each of the directors and executive officers beneficially owns, directly or indirectly, or exercises control over, as of the date hereof:

Name and Province of Residence and Position with the Corporation	Director / Officer Since	Principal Occupation for the Past Five Years	Number and % of Common Shares Beneficially Owned Directly or Indirectly (as at the date of this Prospectus)
René Bharti[1] Toronto, Ontario *Chief Executive Officer and Director*	April 12, 2017	Former Chairman and current Director of ARHT Media Inc.	20,000
Deborah Battiston Toronto, Ontario *Chief Financial Officer*	April 12, 2017	Chief Financial Officer of Sulliden Mining Capital Inc.	20,000
Kenny Choi Toronto, Ontario *Corporate Secretary*	January 14, 2019	Former Associate of Davies Ward Phillips & Vineberg LLP	20,000
Fred Leigh[1] Toronto, Ontario *Director and Promoter*	January 14, 2019	President of Siwash Holdings Ltd.	2,560,541[2]
Dr. Andreas Rompel[1] Toronto, Ontario *Director*	January 14, 2019	President of Jourdan Resources Inc.	0

Notes:
(1) Denotes a member of the Audit Committee of the Corporation.
(2) Shares are held by 2227929 Ontario Inc., a corporation wholly-owned by Mr. Leigh.

The term of office of the directors expires annually at the time of the Corporation's annual general meeting. The term of office of the officers expires at the discretion of the Corporation's directors.

The Corporation has one committee, the audit committee, comprised of all three current directors, namely René Bharti, Fred Leigh and Dr. Andreas Rompel.

The following is a brief description of the background of the key management, directors and promoters of the Corporation.

René Bharti. Mr. Bharti has held several key roles over the past 20 years in both public and private

companies, including those in the resource, technology and entertainment industry. In particular, Mr. Bharti has held leadership positions in emerging resource companies, including as director of Alder Resources Ltd., and Rosita Mining Corporation. Mr. Bharti is currently a director of ARHT Media Inc. and Jourdan Resources Inc. Mr. Bharti holds a B.Comm (Honours) from Queen's University. Mr. Bharti is an independent contractor of the Issuer, has not entered into a non-competition or non-disclosure agreement with the Corporation and will devote approximately 25% of his time to the affairs of the Corporation and is 46 years of age.

Deborah Battiston. Ms. Battiston is a CPA-CGA who holds BA in Economics from the University of Guelph and has over 20 years of financial management experience. Ms. Battiston has broad public company and mining expertise having served as CFO for a multitude of public resource sector companies. Ms. Battiston has managed the financial departments of numerous successful domestic and international organizations through exploration, development and into production. She formerly served as CFO for Consolidated Thompson Iron Mines, Largo Resources Ltd., Forbes and Manhattan Coal Corp., Allana Potash Corp. and is currently CFO of ARHT Media Inc., Copper One Inc., QMX Gold Corporation and Sulliden Mining Capital Inc. each of which are reporting issuers. Ms. Battiston is an independent contractor of the Issuer, has not entered into a non-competition or non-disclosure agreement with the Corporation and will devote approximately 15% of her time to the affairs of the Corporation and is 61 years of age.

Kenny Choi. Mr. Choi is a corporate lawyer who works as a legal consultant to various TSX and TSX Venture listed companies in the mining and technology industries. He was previously an associate at Davies Ward Phillips & Vineberg LLP, where he worked on a variety of corporate and commercial transactions. Mr. Choi is currently the corporate secretary of Blue Sky Energy Inc., Q-Gold Resources Ltd., Routemaster Capital Inc. and QMX Gold Corporation, each of which are reporting issuers. Mr. Choi studied at Western University, where he obtained a Juris Doctor from the Faculty of Law and an Honours Business Administration degree from the Ivey Business School. Mr. Choi is an independent contractor of the Issuer, has not entered into a non-competition or non-disclosure agreement with the Corporation, will devote approximately 15% of his time to the affairs of the Corporation and is 29 years of age.

Fred Leigh. Mr. Leigh has been involved in the junior resource sector for more than 27 years and has had a significant role as founder, director and/or investor in many public companies. He is also the founder and President of Siwash Holdings Ltd., a privately held company which, for over 18 years has invested in early stage opportunities in the resource sector. Siwash was an early investor in successful companies such as Wheaton River Minerals, Hathor Exploration and Blue Pearl Mining. Mr. Leigh is also currently a director of Magnolia Colombia Ltd., QMX Gold Corporation, Routemaster Capital Inc., Q-Gold Resources Ltd., Halo Labs Inc., Copper One Inc. and the Chief Executive Officer of Apogee Opportunities Inc. and Routemaster Capital Inc., each of which are reporting issuers. Mr. Leigh is not an independent contractor of the Issuer, has not entered into a non-competition or non-disclosure agreement with the Corporation, will devote approximately 10% of his time to the affairs of the Corporation and is 63 years of age.

Dr. Andreas Rompel. Dr. Rompel is a seasoned exploration professional with three decades of exploration and mining experience in a wide range of roles from VP Exploration and Project Manager to Country Manager and Corporate Development. Dr. Rompel has worked in a variety of commodities, including precious metals and base metals as well as energy metals - cobalt. For more than a decade Dr. Rompel evaluated capital projects within Anglo American and was on the board of Spectrem (an Anglo-American Company) as Technical Director. Dr Rompel was formerly the President & CEO of Cobalt Power Group Inc. and is currently a director of QMX Gold Corporation and president and director of Jourdan Resources Inc. Dr. Rompel is a fellow of the South African Institute of Mining and Metallurgy and a member of the Council for Geosciences of South Africa. Dr. Rompel is not an independent contractor of the Issuer, has not entered into a non-competition or non-disclosure agreement with the Corporation, will devote approximately 10% of his time to the affairs of the Corporation and is 57 years of age.

Corporate Cease Trade Orders or Bankruptcies

To the Corporation's knowledge:

a) no existing director, executive officer or promoter of the Corporation is, as at the date of this Prospectus, or was within ten years before the date of the Prospectus, a director or executive officer of any company that, while that person was acting in the capacity of director, chief executive officer or chief financial officer of such company, was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied the company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; and

b) no existing director, executive officer, promoter or a shareholder holding sufficient number of securities to affect materially control of the Corporation is, as at the date of this Prospectus, or was within ten years before the date the Prospectus, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

To the Corporation's knowledge, no existing director, executive officer, shareholder holding sufficient number of securities to affect materially control of the Corporation, promoter or other member of management of the Corporation has been subject to any penalties or sanctions imposed by a court or securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

To the Corporation's knowledge no existing or proposed director, officer, promoter or other member of management of the Corporation has, during the ten years prior to the date hereof, been declared bankrupt or made a voluntary assignment into bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets.

Conflicts of Interest

The directors of the Corporation are required by law to act honestly and in good faith with a view to the best interests of the Corporation and to disclose any interests, which they may have in any project or opportunity of the Corporation. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict will disclose his interest and abstain from voting on such matter.

To the Corporation's knowledge and other than disclosed herein, there are no known existing or potential conflicts of interest among the Corporation, its promoters, directors and officers or other members of management of the Corporation or of any proposed promoter, director, officer or other member of management as a result of their outside business interests except that certain of the directors and officers serve as directors and officers of other companies and, therefore, it is possible that a conflict may arise between their duties to the Corporation and their duties as a director or officer of such other companies.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The executive compensation discussion below discloses compensation paid to the following individuals:

(a) each individual who, in respect of the Corporation, during any part of the most recently completed financial year, served as chief executive officer, including an individual performing functions similar to a chief executive officer;

(b) each individual who, in respect of the Corporation, during any part of the most recently completed financial year, served as chief financial officer, including an individual performing functions similar to a chief financial officer;

(c) in respect of the Corporation and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than $150,000, as determined in accordance with Section 1.3(5) of Form 51-102F6V under National Instrument 51-102 – *Continuous Disclosure Obligations*, for that financial year; and

(d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, as at the end of the most recently completed financial year,

(each, a "**Named Executive Officer**").

During the period from incorporation to October 31, 2017 and the fiscal year ended October 31, 2018, the Corporation had two individuals who were Named Executive Officers, namely (i) René Bharti, who was appointed the Chief Executive Officer of the Corporation on April 12, 2017; and (ii) Deborah Battiston, who was appointed the Chief Financial Officer of the Corporation on April 12, 2017.

Compensation Discussion and Analysis

In assessing the compensation of its Named Executive Officers, the Corporation does not have in place any formal objectives, criteria or analysis; compensation payable is currently determined by the Board of Directors.

As of the date of this Prospectus, the Corporation's Board of Directors has not established any benchmark or performance goals to be achieved or met by Named Executive Officers, however, such Named Executive Officers are expected to carry out their duties in an effective and efficient manner so as to advance the business objectives of the Corporation. The satisfactory discharge of such duties is subject to ongoing monitoring by the Corporation's directors.

The Corporation's Named Executive Officer compensation during the most recently completed financial year ended October 31, 2018 was determined and administered by the Corporation's Board of Directors. The Board of Directors was solely responsible for assessing the compensation to be paid to the Corporation's Named Executive Officers and for evaluating their performance.

It is expected that once the Corporation becomes a reporting issuer, base salary will be the principal component of Named Executive Officer compensation. The base salary for each Named Executive Officer will be based on the position held, the related responsibilities and functions performed by the executive and salary ranges for similar positions in comparable companies.

Individual and corporate performance will also be taken into account in determining base salary levels.

Another component of Named Executive Officer compensation is the grant of stock options pursuant to the Corporation's Stock Option Plan. The objective of this compensation component is to attract, retain and motivate certain persons of training, experience and leadership as key service providers to the Corporation, including its directors, Named Executive Officers and employees and to advance the interest of the Corporation by providing such persons with additional compensation and the opportunity to participate in the success of the Corporation.

In addition to, or in lieu of, the compensation components described above, payments may be made from time to time to individuals, including Named Executive Officers or directors of the Corporation, or companies they control for the provision of management or consulting services. Such services are paid for by the Corporation at competitive industry rates for work of a similar nature by reputable arm's length services providers.

Summary Compensation Table

The following table sets forth the value of the compensation, excluding compensation securities, of the Corporation's directors and Named Executive Officers, for the period from incorporation to October 31, 2017 and the fiscal year ended October 31, 2018:

Name and Principal Position	Year	Salary	Share-Based Awards	Option-Based Awards	Non-Equity Incentive Plan Compensation		Pension Value	All Other Compensation	Total Compensation
					Annual Incentive Plans	Long-Term Incentive Plans			
René Bharti *Chief Executive Officer and Director*	2017	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.
	2018	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.
Deborah Battiston *Chief Financial Officer*	2017	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.
	2018	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.

Director Compensation Table

The table below sets out the compensation of directors that are not also Named Executive Officers of the Corporation.

Name	Year	Fees Earned	Share-Based Awards	Option-Based Awards	Non-Equity Incentive Plan Compensation	Pension Value	All Other Compensation	Total
Adil Suleimanov[(1)]	2017	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.
	2018	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.

Orlando Bustos[1]	2017 2018	Nil. Nil.	Nil. Nil.	Nil. Nil.	Nil. Nil.	Nil. Nil.	Nil. Nil.	Nil. Nil.

Note:

(1) Mr. Suleimanov and Mr. Bustos resigned as directors on January 14, 2019.

External Management Companies

Of the Corporation's Named Executive Officers, neither René Bharti nor Deborah Battiston were or are employees of the Corporation.

As of the date of this Prospectus, the Corporation has not executed any employment, consulting or management agreements with any of its directors, Named Executive Officers or an external management company.

Stock Options and Other Compensation Securities

Stock options are granted to provide an incentive to the directors, officers, employees and consultants of the Corporation to achieve the longer-term objectives of the Corporation; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation; and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Corporation. See "Options to Purchase Securities" above for a description of the material terms of the Corporation's Stock Option Plan.

As at the date of this Prospectus, no stock options granted to the Corporation's directors and Named Executive Officers. See "Options to Purchase Securities" above.

The Corporation has not adopted any defined benefit or defined contributions plans.

Proposed Compensation

During the next 12 months, the Corporation proposes to pay the following compensation to its Named Executive Officers and directors:

Name and Principal Position	Salary	All Other Compensation	Total Compensation
René Bharti *Chief Executive Officer and Director*	Nil.	Nil.	Nil.
Deborah Battiston *Chief Financial Officer*	Nil.	Nil.	Nil.
Fred Leigh *Director*	Nil.	Nil.	Nil.
Dr. Andres Rompel *Director*	Nil.	Nil.	Nil.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Other than routine indebtedness for travel and other expense advances, no existing or proposed director, executive officer or senior officer of the Corporation or any associate of any of them, was indebted to the Corporation as at October 31, 2018, or is currently indebted to the

Corporation at the date of this Prospectus.

AUDIT COMMITTEE AND CORPORATE GOVERNANCE

Audit Committee

National Instrument 52-110 – *Audit Committees* ("NI 52-110"), NI 41-101 and Form 52-110F1 require the Corporation to disclose certain information relating to the Corporation's audit committee (the "Audit Committee") and its relationship with the Corporation's independent auditors.

Audit Committee Charter

The text of the Audit Committee's charter is attached hereto as Schedule "A".

Composition of Audit Committee

The members of the Corporation's Audit Committee are set out below:

René Bharti	Not Independent(1)	Financially Literate(2)
Fred Leigh	Independent(1)	Financially Literate(2)
Dr. Andreas Rompel	Independent(1)	Financially Literate(2)

Notes:

(1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Corporation, which could, in the view of the Corporation's Board of Directors, reasonably interfere with the exercise of a member's independent judgment.

(2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

Relevant Education and Experience

Each member of the Corporation's present Audit Committee has adequate education and experience that is relevant to their performance as an Audit Committee member and, in particular, the requisite education and experience that have provided the member with:

(a) an understanding of the accounting principles used by the Corporation to prepare its financial statements and the ability to assess the general application of those principles in connection with estimates, accruals and reserves;

(b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions;

(c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements or experience actively supervising individuals engaged in such activities; and

(d) an understanding of internal controls and procedures for financial reporting.

See "Directors and Officers" above for further details.

Audit Committee Oversight

The Audit Committee was established on February 15, 2019 and will, among other things, make recommendations to the Board of Directors to nominate or compensate an external auditor. As of the date of this Prospectus, the Audit Committee has not made any such recommendations for the Board to consider.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemptions in Sections 2.4, 3.2, 3.4, 3.5, 3.6 or Part 8 of NI 52-110, or an exemption from subsections 3.3(2) of NI 52-110. The Corporation is relying on the exemption in Section 6.1 of NI 32-110 regarding the composition of the audit committee and reporting obligations.

Pre-Approval Policies and Procedures

The Audit Committee is authorized by the Board of Directors to review the performance of the Corporation's external auditors and approve in advance the provision of services other than auditing and to consider the independence of the external auditors, including a review of the range of services provided in the context of all consulting services engaged by the Corporation. The Audit Committee is authorized to approve in writing any non-audit services or additional work which the Chairman of the Audit Committee deems is necessary and the Chairman will notify the other members of the Audit Committee of such non-audit or additional work and the reasons for such non-audit work for the Committee's consideration and, if thought fit, approval in writing.

External Auditor Service Fees

The aggregate fees charged to the Corporation by the external auditors for last two fiscal years are as follows:

Nature of Services	Fees Paid to Auditor in Year-ended October 31, 2017 ($)	Fees Paid to Auditor in Year-ended October 31, 2018 ($)
Audit Fees[(1)]	$Nil	$8,000
Audit-Related Fees[(2)]	$Nil	$3,500
Tax Fees[(3)]	$Nil	$1,500
All Other Fees[(4)]	$Nil	$Nil
TOTALS	$Nil	$13,000

Notes:

(1) "**Audit Fees**" include fees necessary to perform the annual audit and any quarterly reviews of the Corporation's financial statements. This includes fees for the review of tax provisions and for accounting consultations on matters reflected in the financial statements. This also includes audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

(2) "**Audit-Related Fees**" include fees for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and that are not included in *"Audit Fees"*.

(3) "**Tax Fees**" include fees for professional services rendered by the Corporation's auditors for tax compliance, tax advice and tax planning.

(4) "**All Other Fees**" include fees for products and services provided by the Corporation's auditors other than the services included in *"Audit Fees"*, *"Audit-Related Fees"* and *"Tax Fees"*.

Exemption

The Corporation is relying on Section 6.1 of *National Instrument 52-110 – Audit Committees* with respect to the composition and reporting obligations of the Corporation.

Corporate Governance

General

The Board of Directors believes that good corporate governance improves corporate performance and benefits all shareholders. National Policy 58-201 - *Corporate Governance Guidelines* provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Corporation. In addition, National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("NI 58-101") prescribes certain disclosure by the Corporation of its corporate governance practices. This disclosure is presented below.

Board of Directors

The Board of Directors facilitates its exercise of independent supervision over the Corporation's management through frequent meetings of the Board.

The Board is comprised of three directors, of whom Fred Leigh and Dr. Andreas Rompel are independent for the purposes of NI 58-101. René Bharti is a member of the Corporation's management and is not independent as he serves as Chief Executive Officer of the Corporation.

At this time, the Board of Directors does not have a Chairman. In the absence of a Chairman, and in accordance with the articles of the Corporation, the Chief Executive Officer of the Corporation is responsible for residing over all meetings of the directors and shareholders. He is not an independent director; however, the independent directors either have significant experience as directors and officers of publicly traded companies or as members of the financial investment community and, therefore, do not require the guidance of an independent Chairman of the Board in exercising their duties.

The independent directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. In order to facilitate open and candid discussion among independent directors, directors are encouraged to regularly and independently confer amongst themselves. Additionally, when a matter being considered involves a director, that director does not vote on the matter.

Directorships

Certain of the Corporation's directors are also currently directors of other reporting issuers as follows:

Name	Reporting Issuer
René Bharti	Jourdan Resources Inc. Ridgemont Iron Ore Corp. ARHT Media Inc.
Fred Leigh	Copper One Inc. Halo Labs Inc. Magnolia Colombia Ltd. Q-Gold Resources Ltd. QMX Gold Corporation Routemaster Capital Inc.
Dr. Andreas Rompel	Jourdan Resources Inc. QMX Gold Corporation

Board Mandate

The Board of Directors has not adopted a written mandate or code delineating the Board's roles and responsibilities, since it believes it is adequately governed by the requirements of applicable corporate and securities common and statute law which provide that the Board has responsibility for the stewardship of the Corporation. That stewardship includes responsibility for strategic planning, identification of the principal risks of the Corporation's business and implementation of appropriate systems to manage these risks, succession planning (including appointing, training and monitoring senior management), communications with investors and the financial community and the integrity of the Corporation's internal control and management information systems.

Orientation and Continuing Education

When new directors are appointed they receive orientation, commensurate with their previous experience, on the Corporation's business, assets and industry and on the responsibilities of directors. Meetings of the Board are sometimes held at the Corporation's offices and, from time to time, are combined with presentations by the Corporation's management to give the directors additional insight into the Corporation's business. In addition, management of the Corporation makes itself available for discussion with all members of the Board.

Ethical Business Conduct

The Board of Directors has not adopted a formal code of business conduct and ethics. The Board has found that the fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Corporation.

Nomination of Directors

The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of view and experience.

The Board does not have a nominating committee and these functions are currently performed by the Board as a whole, however, if there is a change in the number of directors required by the Corporation, this policy will be reviewed.

Compensation

The Board is responsible for determining compensation for the directors of the Corporation to ensure it reflects the responsibilities and risks of being a director of a public company.

Other Board Committees

The Board has no committee other than the Audit Committee.

Assessments

Due to the minimal size of the Board of Directors, no formal policy has been established to monitor the effectiveness of the directors, the Board and its committees.

PLAN OF DISTRIBUTION

The Offering consists of 3,500,000 Common Shares at a price of $0.10 per Common Share, to raise gross proceeds of $350,000, and will be conducted through the Agent in the provinces of Ontario, Alberta and British Columbia. The Offering Price was established through negotiations between the Corporation and the Agent.

Pursuant to the Agency Agreement, the Corporation has engaged the Agent as its exclusive agent for the purposes of the Offering. The Offering Price and terms of the Offering were established through negotiation between the Corporation and the Agent, in accordance with the policies of the Exchange. The Agent has agreed to use its commercially reasonable efforts to secure subscriptions for the Common Shares offered pursuant to the Offering in the provinces of Ontario, Alberta and British Columbia. This Prospectus qualifies the distribution of the Common Shares to Subscribers in those jurisdictions. The Agent may offer selling group participation in the normal course of the brokerage business to selling groups of other licensed dealers, brokers, and investment dealers who may or may not be offered part of the Agent's Fee or Agent's Options derived from this Offering.

The Agent may terminate its obligations under the Agency Agreement by notice in writing to the Corporation at any time before the Closing if, on the basis of its assessment of the state of the financial markets or the market for the Common Shares, the Common Shares cannot be marketed profitably or upon the occurrence of certain other stated events. The Agent may also terminate its obligations under the Agency Agreement at any time upon the occurrence of certain events, such as the breach of any term of the Agency Agreement by the Corporation.

The Agency Agreement provides that the Agent will have a right of first refusal to act as the Corporation's fiscal agent for any brokered financing for 12 months following the completion of the Offering. The Agency Agreement also provides that if the Agent exercises its right to terminate the Agency Agreement, then the Corporation will immediately issue a press release setting out particulars of the termination.

The Corporation has agreed to pay the Agent (A) an Agent's Fee equal to 7.5% of the aggregate Offering Price of the Common Shares sold under the Offering; and (B) a cash Corporate Finance Fee of $25,000 (plus HST). In addition, upon successful completion of the Offering, the Agent is entitled to receive, as part of its remuneration, Agent's Options entitling the holder thereof to purchase that number of Agent's Option Shares equal to 7% of the number of Common Shares issued pursuant to this Offering. The Agent's Options will be exercisable at a price of $0.10 per Agent's Option Share for a period of 24 months from the Listing Date.

Pursuant to NI 41-101 the aggregate number of securities which may be distributed under a prospectus to an Agent as compensation must not exceed 10% of the Common Shares offered pursuant to this Prospectus, which in the case of this Offering is 350,000 securities. For the purposes of this Offering, the 245,000 Agent's Options are qualified for distribution by this Prospectus.

This Offering is subject to the completion of a minimum subscription of 3,500,000 Common Shares for gross proceeds to the Corporation of $350,000. If the minimum subscription is not completed within 90 days of the issuance of a receipt for the (final) Prospectus or, if a receipt is issued for an amendment to the (final) Prospectus, within 90 days of the issuance of such receipt and, in any event, not later than 180 days from the date of the receipt for the (final) Prospectus, or such other time as may be consented to by the Agent and Subscribers, all subscription monies will be returned to Subscribers without interest or deduction, unless the Subscribers have otherwise instructed the Agent.

The Corporation has applied to list its Common Shares including the Agent's Option Shares on

the CSE. Listing will be subject to the Corporation fulfilling all of the requirements of the CSE. Confirmation of the listing of the Common Shares on the Exchange as of the Listing Date is a condition of Closing of the Offering.

As at the date of this Prospectus, the Corporation does not have any of its securities listed or quoted, has not applied to list or quote any of its securities and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside of Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.

Subscriptions for the Common Shares will be received and subject to rejection or allotment in whole or in part by the Corporation and the right is reserved to close the subscription books at any time. Upon rejection of a subscription, the subscription price and the subscription agreement will be returned to the Subscriber forthwith without interest or deduction.

RISK FACTORS

The Corporation is in the business of exploring mineral properties, which is a highly speculative endeavor. A purchase of any of the securities offered hereunder involves a high degree of risk and should be undertaken only by purchasers whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities offered hereunder should not constitute a major portion of an individual's investment portfolio and should only be made by persons who can afford a total loss of their investment. Prospective purchasers should evaluate carefully the following risk factors associated with an investment in the Corporation's securities prior to purchasing any of the securities offered hereunder.

Insufficient Capital

The Corporation does not currently have any revenue producing operations and may, from time to time, report a working capital deficit. To maintain its activities, the Corporation will require additional funds which may be obtained either by the sale of equity capital or by entering into an option or joint venture agreement with a third party providing such funding. There is no assurance that the Corporation will be successful in obtaining such additional financing; failure to do so could result in the loss or substantial dilution of the Corporation's interest in the Division Property. The Corporation's unallocated working capital will not suffice to fund the any exploration programs on the Division Mountain Property other than the recommended work program and there is no assurance that the Corporation can successfully obtain additional financing to fund any such exploration programs.

Financing Risks

The Corporation has no history of earnings and, due to the nature of its business, there can be no assurance that the Corporation will be profitable. The Corporation has paid no dividends on its Common Shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Corporation is through the sale of its Common Shares. Even if the results of exploration are encouraging, the Corporation may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists on any of its properties. While the Corporation may generate additional working capital through further equity offerings or through the sale or possible syndication of its properties, there is no assurance that any such funds will be available on terms acceptable to the Corporation, or at all. If available, future equity financing may result in substantial dilution to purchasers under the Offering. At present it is

impossible to determine what amounts of additional funds, if any, may be required.

Limited Operating History

The Corporation has no history of earnings. There are no known commercial quantities of mineral reserves on the Division Mountain Property. The purpose of this Offering is to raise funds to carry out exploration and development on the Division Mountain Property with the objective of establishing economic quantities of mineral reserves.

Resale of Shares

The continued operation of the Corporation will be dependent upon its ability to generate operating revenues and to procure additional financing. There can be no assurance that any such revenues can be generated or that other financing can be obtained. If the Corporation is unable to generate such revenues or obtain such additional financing, any investment in the Corporation may be lost. In such event, the probability of resale of the Common Shares purchased would be diminished.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Corporation in creating revenues, cash flows or earnings. The value of Common Shares distributed hereunder will be affected by such volatility.

Before this Offering, there has been no public market for the Corporation's Common Shares. An active public market for the Common Shares might not develop or be sustained after this Offering. The Offering Price of the Common Shares has been determined by negotiations between the Corporation and representatives of the Agent, and such Offering Price will not necessarily reflect the prevailing market price of the Common Shares following this Offering. If an active public market for the Common Shares does not develop, the liquidity of a shareholder's investment may be limited and the share price may decline below the Offering Price to the public.

Property Interests

There is no guarantee that title to the Division Mountain Property will not be challenged or impugned. The Corporation's mineral property interests may be subject to prior unregistered agreements or transfers or aboriginal or indigenous land claims or title may be affected by undetected defects. Surveys have not been carried out on any of the Corporation's mineral properties, therefore, in accordance with the laws of the jurisdiction in which such properties are situated; their existence and area could be in doubt. Until competing interests in the mineral lands have been determined, the Corporation can give no assurance as to the validity of title of the Corporation to those lands or the size of such mineral lands.

First Nations Land Claims

The Division Mountain Property may now or in the future be the subject of aboriginal or indigenous land claims. The legal nature of aboriginal land claims is a matter of considerable complexity. The impact of any such claim on the Corporation's ownership interest in the Division Mountain Property cannot be predicted with any degree of certainty and no assurance can be given that a broad recognition of aboriginal rights in the area in which the Division Mountain Property is

located, by way of a negotiated settlement or judicial pronouncement, would not have an adverse effect on the Corporation's activities. Even in the absence of such recognition, the Corporation may at some point be required to negotiate with and seek the approval of holders of aboriginal interests in order to facilitate exploration and development work on the Division Mountain Property, there is no assurance that the Corporation will be able to establish a practical working relationship with any First Nations in the area which would allow it to ultimately develop the Division Mountain Property.

Exploration and Development

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Corporation may be affected by numerous factors which are beyond the control of the Corporation and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Corporation not receiving an adequate return of investment capital.

There is no assurance that the Corporation's mineral exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Corporation's operations will in part be directly related to the costs and success of its exploration programs, which may be affected by a number of factors. Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

Uninsurable Risks

In the course of exploration, development and production of mineral properties, certain risks and, in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Corporation may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Corporation.

Permits and Government Regulations

The future operations and exploration plans of the Corporation may require permits, including additional coal leases and licenses to cover the known resources in the southwestern portion of the Division Mountain Property deposit, from various federal, territorial, provincial and local governmental authorities and will be governed by laws and regulations governing prospecting, development, mining, production, export, taxes, labour standards, occupational health, waste disposal, land use, environmental protections, mine safety and other matters. There can be no guarantee that the Corporation will be able to obtain all necessary permits and approvals that may be required to undertake exploration activity or commence construction or operation of mine facilities on the Division Mountain Property. Failure to obtain such permits, leases or licenses may result in delays or cancellation of operations and exploration plans.

Environmental Laws and Regulations

Environmental laws and regulations may affect the operations of the Corporation. These laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. The permission to operate can be withdrawn temporarily where there is evidence of serious breaches of health and safety standards, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on the Corporation for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or noncompliance with environmental laws or regulations. In all major developments, the Corporation generally relies on recognized designers and development contractors from which the Corporation will, in the first instance, seek indemnities. The Corporation intends to minimize risks by taking steps to ensure compliance with environmental, health and safety laws and regulations and operating to applicable environmental standards. There is a risk that environmental laws and regulations may become more onerous, making the Corporation's operations more expensive.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Negative Operating Cash Flow

The Corporation operates at a loss and there is no assurance that the Corporation will ever be profitable. The Corporation had a negative operating cash flow in its most recently completed financial year and will continue to for the foreseeable future. The Corporation may not have enough funds to carry out any additional work programs subsequent to the recommended work program on the Division Mountain Property as set out in the Technical Report and additional financings may be required and cannot be assured.

No Commercial Coal

The Division Mountain Property on which a portion of the proceeds of the Offering is to be expended does not contain any known amounts of commercial coal.

Competition

The mining industry is intensely competitive in all its phases and the Corporation competes with other companies that have greater financial resources and technical facilities. Competition could adversely affect the Corporation's ability to acquire suitable properties or prospects in the future.

Management

The success of the Corporation is currently largely dependent on the performance of its officers. The loss of the services of these persons will have a materially adverse effect on the Corporation's business and prospects. There is no assurance the Corporation can maintain the services of its officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Corporation and its prospects.

Fluctuating Coal Prices and Currency

The Corporation's revenues, if any, are expected to be in large part derived from the extraction and sale of coal. Factors beyond the control of the Corporation may affect the marketability of minerals discovered, if any. Coal prices have fluctuated widely, particularly in recent years. Consequently, the economic viability of any of the Corporation's exploration projects cannot be accurately predicted and may be adversely affected by fluctuations in coal prices. In addition, currency fluctuations may affect the cash flow which the Corporation may realize from its operations, since most mineral commodities are sold in the world market in United States dollars.

Conflicts of Interest

Some of the directors and officers are engaged and will continue to be engaged in the search for additional business opportunities on behalf of other corporations, and situations may arise where these directors and officers will be in direct competition with the Corporation. Conflicts, if any, will be dealt with in accordance with the relevant provisions of the *Business Corporations Act* (Ontario).

Some of the directors and officers of the Corporation are or may become directors or officers of other companies engaged in other business ventures. In order to avoid the possible conflict of interest which may arise between the directors' duties to the Corporation and their duties to the other companies on whose boards they serve, the directors and officers of the Corporation have agreed to the following:

(a) participation in other business ventures offered to the directors will be allocated between the various companies and on the basis of prudent business judgment and the relative financial abilities and needs of the companies to participate;

(b) no commissions or other extraordinary consideration will be paid to such directors and officers; and

(c) business opportunities formulated by or through other companies in which the directors and officers are involved will not be offered to the Corporation except on the same or better terms than the basis on which they are offered to third party participants.

Dividends

The Corporation does not anticipate paying any dividends on its Common Shares in the foreseeable future.

PROMOTERS

Mr. Fred Leigh is considered to be a promoter of the Corporation in that he took the initiative in organizing the Corporation. Mr. Leigh currently holds a total of 2,560,541 (36.47%) of the Corporation's currently issued and outstanding Common Shares, or 24.34% after giving effect to the Offering. See "Principal Shareholders" above for further details.

The named promoter of the Corporation has provided and may continue to provide management and administrative services to the Corporation for monthly fees, as more particularly outlined under the headings "Management's Discussion and Analysis" above and "Interest of Management and Others in Material Transactions" below.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Corporation is not a party to any legal proceedings or regulatory actions and is not aware of any such proceedings known to be contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as set out above, the directors, senior officers and principal shareholders of the Corporation, a person or company that beneficially owns or controls or directs, directly or indirectly more than 10% of the Common Shares of the Corporation, or any associate or affiliate of the foregoing have had no material interest, direct or indirect, in any transactions in which the Corporation has participated within the three year period prior to the date of this Prospectus, or will have any material interest in any proposed transaction, which has materially affected or will materially affect the Corporation.

RELATIONSHIP BETWEEN THE ISSUER AND AGENT

The Corporation is not a related party or connected party to the Agent (as such terms are defined in National Instrument 33-105 *Underwriting Conflicts*).

AUDITORS

The auditor of the Corporation is UHY McGovern Hurley LLP, Chartered Accountants, of 251 Consumers Rd Suite 800, North York, Ontario, M2J 4R3.

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent of the Corporation is TSX Trust Corporation, of 100 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 4H1.

MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by the Corporation since its incorporation and that at are still in effect as of the date hereof:

1. Stock Option Plan approved by the Board of Directors on February 9, 2017 referred to under "Options to Purchase Securities".

2. Escrow Agreement among the Corporation, TSX Trust Corporation and certain Principals of the Corporation dated as of March ■, 2019 referred to under "Escrowed Shares".

3. Agency Agreement between the Corporation and PI Financial Corp. dated as of March, ■, 2019, referred to under "Plan of Distribution".

A copy of any material contract and the Technical Report may be inspected during the distribution of the Common Shares being offered under this Prospectus and for a period of 30 days thereafter during normal business hours at the Corporation's offices at 65 Queen Street West, 8th Floor, Toronto, Ontario, M5H 2M5. As well, the Technical Report is available for viewing on SEDAR located at: www.sedar.com.

EXPERTS

Except as disclosed below, no person or company whose profession or business gives authority to a report, valuation, statement or opinion and who is named as having prepared or certified a part of this Prospectus or as having prepared or certified a report or valuation described or included in this Prospectus holds or is to hold any beneficial or registered interest, direct or indirect, in any securities or property of the Corporation or any associate or affiliate of the Corporation.

Certain legal matters related to this Offering will be passed upon on behalf of the Corporation by Chitiz Pathak LLP and also by Cummings Cooper Schusheim Berliner LLP concerning the opinion provided under “Eligibility for Investment”.

Kevin Brewer, P. Geo, the Author of the Technical Report on the Division Mountain Property, is independent from the Corporation within the meaning of NI 43-101.

UHY McGovern Hurley LLP, Chartered Accountants is the auditor of the Corporation. UHY McGovern Hurley LLP has informed the Corporation that it is independent of the Corporation within the meaning of the rules of professional conduct of the Institute of Chartered Professional Accountants of Ontario.

OTHER MATERIAL FACTS

There are no other material facts other than as disclosed herein.

ELIGIBILITY FOR INVESTMENT

In the opinion of Cummings Cooper Schusheim Berliner, tax counsel to the Corporation, based on the current provisions of the *Income Tax Act* (Canada) (the “**Tax Act**”) and the regulations thereunder in force on the date hereof (the “**Regulations**”), all proposals to amend the Tax Act and Regulations publically announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and counsel's understanding of the current published administrative practices of the Canada Revenue Agency, the Common Shares issued pursuant to the Offering, if issued on the date hereof, would be "qualified investments" under the Tax Act for trusts governed by a registered retirement savings plan ("**RRSP**"), registered retirement income fund ("**RRIF**"), registered education savings plan (“**RESP**”), registered disability savings plan (“**RDSP**”), deferred profit sharing plan and tax-free savings account ("**TFSA**"), each as defined in the Tax Act (collectively, "**Deferred Plans**"), provided that the Common Shares are on the date hereof listed on a "designated stock exchange" for purposes of the Tax Act (which currently includes the Exchange) or the Corporation is otherwise a “public corporation”, as that term is defined in the Tax Act, on the date hereof.

The Common Shares are not currently listed on a “designated stock exchange” and the Corporation is not currently a “public corporation” for the purposes of the Tax Act. The Corporation has applied to list the Common Shares on the Exchange as of the day before Closing, followed by an immediate halt in trading of the Common Shares in order to allow the Corporation to satisfy the conditions of the Exchange and to have the Common Shares listed and posted for trading prior to the issuance of the Common Shares on Closing. The Corporation must rely on the Exchange to list the Common Shares on the Exchange and have them posted for trading prior to the issuance of the Common Shares on Closing, and to otherwise proceed in such manner as may be required to result in the Common Shares being listed on the Exchange at the time of their issuance on Closing. If the Common Shares are not listed on the Exchange at the time of their issuance and the Corporation is not otherwise a “public corporation” for the purposes of the Tax Act at that time, the Common Shares will not be qualified investments for the Deferred Plans at that time.

Notwithstanding that the Common Shares may be qualified investments for a RRSP, RRIF, RESP, RDSP or TFSA, the holder, annuitant or subscriber thereof, as the case may be, will be subject to a penalty tax under the Tax Act if the Common Shares are a "prohibited investment" for purposes of the Tax Act for the RRSP, RRIF, RESP, RDSP or TFSA. The Common Shares will generally be a "prohibited investment" for a particular RRSP, RRIF, RESP, RDSP or TFSA, if the holder, annuitant or subscriber thereof, as applicable, (i) does not deal at arm's length with the Corporation for the purposes of the Tax Act or (ii) has a "significant interest", as defined in the Tax Act, in the Corporation. Generally, a holder, annuitant or subscriber, as applicable, will not have a "significant interest" in the Corporation unless the holder, annuitant or subscriber, together with persons with whom the holder, annuitant or subscriber, as applicable, does not deal at arm's length, does not own, directly or indirectly, 10% or more of the issued shares of any class of the capital stock of the Corporation or of a corporation "related" to the Corporation (for purposes of the Tax Act). In addition, the Common Shares will generally not be a "prohibited investment" if the Common Shares are "excluded property" as defined in subsection 207.01(1) of the Tax Act.

Purchasers who intend to hold Common Shares in a Deferred Plan should consult their own tax advisors in regard to the application of these rules in their particular circumstances.

PURCHASERS' STATUTORY RIGHT OF WITHDRAWAL AND RESCISSION

Securities legislation in the Provinces of Ontario, Alberta and British Columbia provides Subscribers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or damages if the prospectus and any amendment contain a misrepresentation or is not delivered to the Subscriber, provided that the remedies for rescission or damages are exercised by the Subscriber within the time limit prescribed by the securities legislation of the Subscriber's province or territory. The Subscriber should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

FINANCIAL STATEMENTS

Attached as Schedule "B" and forming part of this Prospectus are the audited financial statements of the Corporation for the period from incorporation date to October 31, 2017 and the fiscal year ended October 31, 2018.

SCHEDULE "A"- Audit Committee Charter

YUKOTERRE RESOURCES INC.

AUDIT COMMITTEE CHARTER

1. Mandate and Purpose of the Committee

The Audit Committee (the "**Committee**") of the board of directors (the "**Board**") of Yukoterre Resources Inc. (the "**Corporation**") is a standing committee of the Board whose primary function is to assist the Board in fulfilling its oversight responsibilities relating to:

(a) the integrity of the Corporation's financial statements;

(b) the Corporation's compliance with legal and regulatory requirements, as they relate to the Corporation's financial statements;

(c) the qualifications, independence and performance of the Corporation's auditor;

(d) internal controls and disclosure controls;

(e) the performance of the Corporation's internal audit function;

(f) consideration and approval of certain related party transactions; and

(g) performing the additional duties set out in this Charter or otherwise delegated to the Committee by the Board.

2. Authority

The Committee has the authority to:

(a) engage and compensate independent counsel and other advisors as it determines necessary or advisable to carry out its duties; and

(b) communicate directly with the Corporation's auditor.

The Committee has the authority to delegate to individual members or subcommittees of the Committee.

3. Composition and Expertise

The Committee shall be composed of a minimum of three members, each of whom is a director of the Corporation. The majority of the Committee's members must not be officers or employees of the Corporation or an affiliate of the Corporation.

Committee members shall be appointed annually by the Board at the first meeting of the Board following each annual meeting of shareholders. Committee members hold office until the next

annual meeting of shareholders or until they are removed by the Board or cease to be directors of the Corporation.

The Board shall appoint one member of the Committee to act as Chairman of the Committee. If the Chairman of the Committee is absent from any meeting, the Committee shall select one of the other members of the Committee to preside at that meeting.

4. Meetings

Any member of the Committee or the auditor may call a meeting of the Committee. The Committee shall meet at least four times per year and as many additional times as the Committee deems necessary to carry out its duties. The Chairman shall develop and set the Committee's agenda, in consultation with other members of the Committee, the Board and senior management.

Notice of the time and place of every meeting shall be given in writing to each member of the Committee, at least 72 hours (excluding holidays) prior to the time fixed for such meeting. The Corporation's auditor shall be given notice of every meeting of the Committee and, at the expense of the Corporation, shall be entitled to attend and be heard thereat. If requested by a member of the Committee, the Corporation's auditor shall attend every meeting of the Committee held during the term of office of the Corporation's auditor.

A majority of the Committee who are not officers or employees of the Corporation or an affiliate of the Corporation shall constitute a quorum. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present in person or by means of such telephonic, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously. Business may also be transacted by the unanimous written consent resolutions of the members of the Committee, which when so approved shall be deemed to be resolutions passed at a duly called and constituted meeting of the Committee.

The Committee may invite such directors, officers and employees of the Corporation and advisors as it sees fit from time to time to attend meetings of the Committee.

The Committee shall meet without management present whenever the Committee deems it appropriate.

The Committee shall appoint a Secretary who need not be a director or officer of the Corporation. Minutes of the meetings of the Committee shall be recorded and maintained by the Secretary and shall be subsequently presented to the Committee for review and approval.

5. Committee and Charter Review

The Committee shall conduct an annual review and assessment of its performance, effectiveness and contribution, including a review of its compliance with this Charter. The Committee shall conduct such review and assessment in such manner as it deems appropriate and report the results thereof to the Board.

The Committee shall also review and assess the adequacy of this Charter on an annual basis, taking into account all legislative and regulatory requirements applicable to the Committee, as well as

any guidelines recommended by regulators or the Canadian Securities Exchange and shall recommend changes to the Board thereon.

6. Reporting to the Board

The Committee shall report to the Board in a timely manner with respect to each of its meetings held. This report may take the form of circulating copies of the minutes of each meeting held.

7. Duties and Responsibilities

(a) Financial Reporting

The Committee is responsible for reviewing and recommending approval to the Board of the Corporation's annual and interim financial statements, any auditor's report thereon, MD&A and related news releases, before they are published.

The Committee is also responsible for:

(i) being satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in the preceding paragraph, and for periodically assessing the adequacy of those procedures;

(ii) engaging the Corporation's auditor to perform a review of the interim financial statements and receiving from the Corporation's auditor a formal report on the auditor's review of such interim financial statements;

(iii) discussing with management and the Corporation's auditor the quality of applicable accounting principles and financial reporting standards, not just the acceptability of thereof;

(iv) discussing with management any significant variances between comparative reporting periods; and

(v) in the course of discussion with management and the Corporation's auditor, identifying problems or areas of concern and ensuring such matters are satisfactorily resolved.

(b) Auditor

The Committee is responsible for recommending to the Board:

(i) the auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation; and

(ii) the compensation of the Corporation's auditor.

The Corporation's auditor reports directly to the Committee. The Committee is directly responsible for overseeing the work of the Corporation's auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the Corporation's auditor regarding financial reporting.

(c) **Relationship with the Auditor**

The Committee is responsible for reviewing the proposed audit plan and proposed audit fees. The Committee is also responsible for:

(i) establishing effective communication processes with management and the Corporation's auditor so that it can objectively monitor the quality and effectiveness of the auditor's relationship with management and the Committee;

(ii) receiving and reviewing regular feedback from the auditor on the progress against the approved audit plan, important findings, recommendations for improvements and the auditor's final report;

(iii) reviewing, at least annually, a report from the auditor on all relationships and engagements for non-audit services that may be reasonably thought to bear on the independence of the auditor; and

(iv) meeting in camera with the auditor whenever the Committee deems it appropriate.

(d) **Accounting Policies**

The Committee is responsible for:

(i) reviewing the Corporation's accounting policy note to ensure completeness and acceptability with applicable accounting principles and financial reporting standards as part of the approval of the financial statements;

(ii) discussing and reviewing the impact of proposed changes in accounting standards or securities policies or regulations;

(iii) reviewing with management and the auditor any proposed changes in major accounting policies and key estimates and judgments that may be material to financial reporting;

(iv) discussing with management and the auditor the acceptability, degree of aggressiveness/conservatism and quality of underlying accounting policies and key estimates and judgments; and

(v) discussing with management and the auditor the clarity and completeness of the Corporation's financial disclosures.

(e) **Risk and Uncertainty**

The Committee is responsible for reviewing, as part of its approval of the financial statements:

(i) uncertainty notes and disclosures; and

(ii) MD&A disclosures.

The Committee, in consultation with management, will identify the principal business risks and decide on the Corporation's "appetite" for risk. The Committee is responsible for reviewing related risk management policies and recommending such policies for approval by the Board. The Committee is then responsible for communicating and assigning to the applicable Board committee such policies for implementation and ongoing monitoring.

The Committee is responsible for requesting the auditor's opinion of management's assessment of significant risks facing the Corporation and how effectively they are managed or controlled.

(f) **Controls and Control Deviations**

The Committee is responsible for reviewing:

(i) the plan and scope of the annual audit with respect to planned reliance and testing of controls; and

(ii) major points contained in the auditor's management letter resulting from control evaluation and testing.

The Committee is also responsible for receiving reports from management when significant control deviations occur.

(g) **Compliance with Laws and Regulations**

The Committee is responsible for reviewing regular reports from management and others (e.g. auditors) concerning the Corporation's compliance with financial related laws and regulations, such as:

(i) tax and financial reporting laws and regulations;

(ii) legal withholdings requirements;

(iii) environmental protection laws; and

(iv) other matters for which directors face liability exposure.

(h) **Related Party Transactions**

All transactions between the Corporation and a related party (each a "related party transaction"), other than transactions entered into in the ordinary course of business, shall be presented to the Committee for consideration.

The term "related party" includes (i) all directors, officers, employees, consultants and their associates (as that term is defined in the *Securities Act* (Ontario), as well as all entities with common directors, officers, employees and consultants (each "general related parties"), and (ii) all other individuals and entities having beneficial ownership of, or control or direction over, directly or indirectly securities of the Corporation carrying more than 10% of the voting rights attached to all of the Corporation's outstanding voting securities (each "10% shareholders").

Related party transactions involving general related parties which are not material to the Corporation require review and approval by the Committee. Related party transactions that are material to the Corporation or that involve 10% shareholders require approval by the Board, following review thereof by the Committee and the Committee providing its recommendation thereon to the Board.

8. Non-Audit Services

All non-audit services to be provided to the Corporation or its subsidiary entities by the Corporation's auditor must be pre-approved by the Committee.

9. Submission Systems and Treatment of Complaints

The Committee is responsible for establishing procedures for:

(a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and

(b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

The Committee is responsible for reviewing complaints and concerns that are brought to the attention of the Chairman of the Audit Committee and for ensuring that any such complaints and concerns are appropriately addressed. The Committee shall report quarterly to the Board on the status of any complaints or concerns received by the Committee.

10. Procedure For Reporting Of Fraud Or Control Weaknesses

Each employee is expected to report situations in which he or she suspects fraud or is aware of any internal control weaknesses. An employee should treat suspected fraud seriously, and ensure that the situation is brought to the attention of the Committee. In addition, weaknesses in the internal control procedures of the Corporation that may result in errors or omissions in financial information, or that create a risk of potential fraud or loss of the Corporation's assets, should be brought to the attention of both management and the Committee.

To facilitate the reporting of suspected fraud, it is the policy of Corporation that the employee (the "whistleblower") has anonymous and direct access to the Chairman of the Audit Committee. Should a new Chairman be appointed prior to the updating of this document, the current Chairman will ensure that the whistleblower is able to reach the new Chairman in a timely manner. In the event that the Chairman of the Audit Committee cannot be reached, the whistleblower should contact the Chairman of the Board.

In addition, it is the policy of the Corporation that employees concerned about reporting internal control weaknesses directly to management are able to report such weaknesses to the Committee anonymously. In this case, the employee should follow the same procedure detailed above for reporting suspected fraud.

11. Hiring Policies

The Committee is responsible for reviewing and approving the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former auditor of the Corporation.

SCHEDULE "B"- Financial Statements

Audited Financial Statements for the Period from Incorporation Date to October 31, 2017
And
Audited Financial Statements for the Fiscal Year ended October 31, 2018

Yukoterre Resources Inc.

FINANCIAL STATEMENTS

For the year ended October 31, 2018 and for the period from incorporation (February 8, 2017) to October 31, 2017

(Expressed in Canadian Dollars)

UHY McGovern Hurley LLP
Chartered Professional Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Yukoterre Resources Inc.

We have audited the accompanying financial statements of Yukoterre Resouces Inc., which comprise the statements of financial position as at October 31, 2018 and 2017, and the statements of loss and comprehensive loss, statements of shareholders' equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Yukoterre Resources Inc. as at October 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that Yukoterre Resources Inc. had continuing losses during the year ended October 31, 2018 and a working capital deficiency and cumulative deficit as at October 31, 2018. These conditions along with other matters set forth in Note 1 indicate the existence of material uncertainties that cast significant doubt about the ability of Yukoterre Resources Inc. to continue as a going concern.

UHY McGovern Hurley LLP
"signed"
Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 26, 2019

Yukoterre Resources Inc.

Statements of Financial Position
(Expressed in Canadian dollars)

As at:		**October 31, 2018**		October 31, 2017
ASSETS				
Current				
Cash	**$**	**1,060**	$	8,845
Amounts receivable (Note 5)		**1,250**		6,159
Total current assets		**2,310**		15,004
Non-current				
Exploration and evaluation asset (Note 6)		**329,679**		204,675
Total assets	**$**	**331,989**	$	219,679
LIABILITIES				
Current				
Trade payables and accrued liabilities (Note 7)	**$**	**23,166**	$	15,162
Loans payable (Notes 8)		**165,790**		-
Total current liabilities		**188,956**		15,162
EQUITY				
Share capital (Note 9(b))		**246,000**		246,000
Deficit		**(102,967)**		(41,483)
Shareholders equity		**143,033**		204,517
Total liabilities and equity	**$**	**331,989**	$	219,679

Nature and continuance of operations (Note 1)
Commitments and contingencies (Note 13)
Subsequent event (Note 16)

APPROVED ON BEHALF OF THE BOARD

Signed *"Adil Suleimanov"*, DIRECTOR

Signed *"Orlando Bustos"*, DIRECTOR

See accompanying notes to the financial statements

Yukoterre Resources Inc.

Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended October 31, 2018	For the period from incorporation (February 8, 2017) to October 31, 2017
Expenses		
Consulting and management fees	**$ 40,744**	$ 22,285
Professional fees	**9,855**	16,175
General office expenses	**2,097**	3,016
Foreign exchange loss (gain)	**(2)**	7
Loss before interest expense	**52,694**	41,483
Interest expense	**8,790**	-
Loss and comprehensive loss for the year	**$ 61,484**	$ 41,483
Basic and diluted loss per share (Note 11)	**$ 0.01**	$ 0.02
Weighted average number of common shares outstanding - basic and diluted	**4,920,000**	2,302,189

See accompanying notes to the financial statements

Yukoterre Resources Inc.

Statements of Shareholders' Equity
(Expressed in Canadian dollars)

	Common Shares		Accumulated Deficit	Equity
	#	$	$	$
Balance, October 31, 2017	4,920,000	246,000	(41,483)	204,517
Loss and comprehensive loss for the year	-	-	(61,484)	(61,484)
Balance, October 31, 2018	4,920,000	246,000	(102,967)	143,033
Balance, February 8, 2017	-	-	-	-
Private placements (Note 9(b))	4,920,000	246,000	-	246,000
Loss and comprehensive loss for the period	-	-	(41,483)	(41,483)
Balance, October 31, 2017	4,920,000	246,000	(41,483)	204,517

See accompanying notes to the financial statements

Yukoterre Resources Inc.

Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended October 31, 2018	For the period from incorporation (February 8, 2017) to October 31, 2017
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss for the period	**$ (61,484)**	$ (41,483)
Items not involving cash:		
Accrued interest on loans payable (Note 8)	**8,790**	-
	(52,694)	(41,483)
Net change in non-cash working capital	**12,913**	9,003
Net cash flows (used in) operating activities	**(39,781)**	(32,480)
FINANCING ACTIVITIES		
Private placement	**-**	246,000
Loan proceeds (Note 8)	**157,000**	-
Net cash flows provided by financing activities	**157,000**	246,000
INVESTING ACTIVITIES		
Exploration and evaluation asset (Note 6)	**(125,004)**	(204,675)
Net cash flow (used in) investing activities	**(125,004)**	(204,675)
CHANGE IN CASH DURING THE PERIOD	**(7,785)**	8,845
CASH, beginning of the year	**8,845**	-
CASH, end of the year	**$ 1,060**	$ 8,845

See accompanying notes to the financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Yukoterre Resources Inc. (formerly 2560344 Ontario Inc.) (the "Company") was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation, dated February 8, 2017, and on October 25, 2017 was renamed Yukoterre Resources Inc. The principal activity of the Company is the exploration and evaluation of coal. The Company's head office is located at 65 Queen Street West, 8th floor, Toronto, Ontario, M5H 2M5, Canada.

Going concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The business of exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable coal operations. The Company's continued existence is dependent upon the acquisition of properties, preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

The Company does not have any operating assets that generate revenues, does not have proven reserves and incurred a net loss of $61,484 during the year ended October 31, 2018 (October 31, 2017 - $41,483). As at October 31, 2018, the Company had a working capital deficit of $186,646 (October 31, 2017 – $158) and an accumulated deficit of $102,967 (October 31, 2017 - $41,483). These conditions indicate the existence of material uncertainties which cast significant doubt about the Company's ability to continue as a going concern. The Company's ability as a going concern is dependent on the Company's ability to obtain additional financing if, as and when required, and, ultimately, the attainment of profitable operations or the profitable sale of the Company's exploration interests.

These financial statements do not give effect to adjustments that would be necessary and could be material to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

The following is a summary of significant accounting policies used in the preparation of these financial statements.

Statement of compliance

These financial statements of the Company were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") effective for the Company's reporting for the year ended October 31, 2018.

Basis of presentation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted. These financial statements were approved and authorized by the Board of Directors of the Company on February 26, 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these financial statements for the year end October 31, 2018 and have been approved by the Audit Committee of the Company.

Foreign currency transactions

The presentation currency and functional currency of the Company is the Canadian dollar. Transactions in foreign currencies are recorded in the functional currency at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

General
Provisions are recognized when (a) the Company has a present obligation (legal or constructive) as a result of a past event, and (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of operations, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the statement of operations.

Decommissioning obligations
The Company records a liability for the fair value of legal or constructive obligations associated with the decommissioning of long-lived tangible assets in the period in which they are incurred. The decommissioning liability is recognized at the present value of the estimated future cash flow associated with the decommissioning of the applicable assets or properties. On recognition of the liability there is a corresponding increase in the carrying amount of the related asset known as the decommissioning cost, which is depleted on a unit-of-production basis over the life of the reserves. The liability is adjusted each reporting period to reflect the passage of time using the discount rate, with the interest charged to earnings, and for revisions to the estimated future cash flows. Actual costs incurred upon settlement of the obligations are charged against the liability.

As at October 31, 2018 and 2017, the Company did not have any material decommissioning obligations.

Cash

Cash includes cash on hand and deposits held with banks that have a maturity of less than three months at the date they are acquired. The Company did not have any cash equivalents as at October 31, 2018 and 2017.

Amounts receivable

Amounts receivable and other receivables are amounts that are due from others in the normal course of business. If collection is expected in one year or less, they are classified as current assets; if not, they are presented as non-current assets and discounted accordingly. Accounts receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method less any provision for impairment.

Exploration and evaluation assets

Exploration and evaluation assets include costs to establish an initial mineral resource and determine whether inferred mineral resources can be upgraded to measured and indicated mineral resources and whether measured and indicated mineral resources can be converted to proven and probable reserves. Costs incurred before the Company has obtained the legal right to explore an area are recognized in profit and loss.

Exploration and evaluation relating to the acquisition of, exploration for and development of mineral properties are capitalized and include, but are not restricted to: drilling, trenching, sampling, surveying and gathering exploration data; calculation and definition of mineral resource; test work on geology, metallurgy, mining, geotechnical and geophysical; and conducting geological, geophysical, engineering, environmental, marketing and financial studies.

Capitalized costs, including general and administrative costs, are only allocated to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets (continued)

Exploration and evaluation activities involve the search for mineral resources/reserves, the assessment of technical and operational feasibility and the determination of an identified mineral reserve's commercial viability. Once the legal right to explore has been acquired, exploration and evaluation expenditures less recoveries are capitalized by property.

Capitalized exploration and evaluation assets for a project are classified as such until the project demonstrates technical feasibility and commercial viability. Upon demonstrating technical feasibility and commercial viability, and subject to an impairment analysis, capitalized exploration and evaluation assets are transferred to mine development costs. Technical feasibility and commercial viability generally coincides with the establishment of proven and probable reserves and/or a decision to commence construction of a mine; however, this determination may be impacted by management's assessment of certain modifying factors including: legal, environmental, social and governmental factors. All subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized within mine development costs.

All capitalized exploration and evaluation assets are monitored for indications of impairment. Indicators of impairment may include, but are not limited to:

- the period for which the right to explore is less than one year;
- further exploration expenditures are not anticipated;
- a decision to discontinue activities in a specific area; and
- the existence of sufficient data indicating that the carrying amount of an exploration and evaluation asset is unlikely to be recovered from the development or sale of the asset.

Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that mine development assets are not expected to be recovered, they are charged to profit and loss.

Impairment of non-financial assets

The carrying values of exploration and evaluation assets are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

For exploration and evaluation assets, indicators of impairment would include expiration of a right to explore, no budgeted or planned material expenditures in an area or a decision to discontinue exploration in a specific area. Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the individual assets of the Company are grouped together into cash generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets. This generally results in the Company evaluating its non-financial assets on a geographical basis. If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the statement of loss so as to reduce the carrying amount to its recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation/amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Upon initial recognition all financial instruments, including derivatives, are recognized in the statement of financial position at fair value. Subsequent measurement is then based on the financial instruments being classified into one of the following categories: fair value through profit or loss, held-to-maturity, loans and receivables, available-for-sale, or other financial liabilities.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and such assets are recognized initially at fair value and subsequently on an amortized basis using the effective interest method, less any impairment losses. Loans and receivables are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

All other financial liabilities are recognized initially at fair value plus any direct attributable transaction costs on the date at which the Company becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition, the Company's financial liabilities are measured at amortized cost using the effective interest rate method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company will assess at each reporting period whether any financial assets, other than those classified as held-for-trading, are impaired. An impairment loss, if any, is recorded immediately in profit or loss. Financial assets will be considered impaired if management determines such amounts are or will become uncollectable.

The Company measures and recognizes embedded derivatives separately from the host contracts when the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, when it meets the definition of a derivative and when the entire contract is not measured at fair value. Embedded derivatives are recorded at fair value. The Company has not entered into any contracts with embedded derivatives during the year ended October 31, 2018 and 2017.

Share capital

Proceeds from the issuance of common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options and warrants are recognized as a deduction from equity, net of any tax effects.

Interest income

Interest income is reported on an accrual basis using the effective interest method.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Loss per share

Basic loss per share is calculated using the weighted average number of shares outstanding during the period. Diluted loss per share is calculated by assuming that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would be anti-dilutive.

New accounting standards

During 2018, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These new standards and changes did not have any material impact on the Company's financial statements.

IFRS 9 – Financial Instruments ("IFRS 9") was issued July 2014 and introduced new requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. A new general hedge accounting standard, which aligns hedge accounting more closely with risk management also forms part of IFRS 9. The mandatory effective date is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration ("IFRIC 22") was issued in December 2016 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognized in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepaid asset or deferred income liability is non-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018.

4. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTIES

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results could differ from those estimates and these estimates could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Impairment of exploration and evaluation assets

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets and goodwill. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's assets, costs to sell the assets and the appropriate discount rate.

Reductions in coal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Contingencies and provisions

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not wholly within our control occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against us or un-asserted claims, that may result in such proceedings or regulatory or government actions that may negatively impact our business or operations, the Company and its legal counsel evaluate the perceived merits of any legal proceedings or un-asserted claims or actions as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a contingent liability or assessing the impact on the carrying value of assets. Contingent assets are not recognized in the financial statements.

5. AMOUNTS RECEIVABLE

The amounts receivable balance as at October 31, 2018 and 2017, consists of amounts receivable from the Government of Canada for Harmonized Sales Taxes (HST).

	October 31, 2018	October 31, 2017
Government of Canada HST	**$ 1,250**	$ 6,159
Total	**$ 1,250**	$ 6,159

6. EXPLORATION AND EVALUATION ASSET

Incurred during the period:	**October 31, 2018**	October 31, 2017
Description		
Division Mountain coal acquisition	**$ -**	$ 100,000
Consulting and technical	**19,159**	49,166
Preliminary economic assessment	**-**	5,610
Permits	**6,551**	35,754
Travel	**11,330**	14,145
Reports	**11,000**	-
Drilling and assay	**76,964**	-
Total exploration and evaluation asset	**$ 125,004**	$ 204,675

Balance as at February 8, 2017	$ -
Capitalized expenditures for the period	68,922
Property acquisition and permitting costs	135,753
Balance as at October 31, 2017	$ 204,675
Capitalized expenditures during the year	125,004
Balance as at October 31, 2018	$ 329,679

On August 21, 2017, the Company closed the purchase of the Division Mountain coal property in Yukon Canada, in consideration for a cash payment of $100,000 to Pitchblack Resources Ltd.

The acquisition of the Division Mountain coal property was treated as an asset acquisition from Pitchblack Resources Ltd. for accounting purposes as it does not meet the definition of a business, as defined in IFRS 3, Business Combinations.

	Fair Value
Consideration paid:	
Cash	$ 100,000
	$ 100,000
Allocation of purchase price:	
Exploration and evaluation asset	$ 100,000
	$ 100,000

7. TRADE PAYABLE AND ACCRUED LIABILITIES

	October 31, 2018	October 31, 2017
Trade payable	**$ 8,166**	$ 162
Accrued liabilities	**15,000**	15,000
Total trade payable and accrued liabilities	**$ 23,166**	$ 15,162

Trade payables and accrued liabilities are generally unsecured and non-interest bearing and are expected to be settled on 30 to 60-day terms.

8. LOANS PAYABLE

On December 18, 2017, the Company entered into loan agreements with 2227929 Ontario Inc. Pursuant to the terms of the loans, 2227929 Ontario Inc. agreed to lend the Company $52,000 on December 18, 2017, $20,000 on May 25, 2018 and $10,000 on June 12, 2018 at an interest rate of 12% per year with no specified maturity date. A further $40,000 was loaned on August 13, 2018 and $35,000 on August 22, 2018. On October 31, 2018, the loan balance was $165,790 including accrued interest.

9. CAPITAL STOCK

a. Authorized

Unlimited number of common shares, without par value

b. Common shares issued

	Number of shares	Stated value $
Opening Balance, February 8, 2017	-	$ -
Private placement	4,920,000	246,000
Balance as of October 31, 2017	4,920,000	246,000
Balance as of October 31, 2018	4,920,000	$ 246,000

On June 29, 2017, the Company closed a private placement financing for 4,920,000 shares at a price of $0.05 per share for gross proceeds of $246,000.

10. INCOME TAXES

a. Provision for income taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2017 – 26.5%) were as follows:

	2018 $	2017 $
(Loss) before income taxes	**(61,484)**	(41,483)
Expected income tax recovery based on statutory rate	**(16,000)**	(11,000)
Adjustment to expected income tax benefit:		
Change in benefit of tax assets not recognized	**16,000**	11,000
Deferred income tax provision (recovery)	**-**	-

10. INCOME TAXES (continued)

b. Deferred income tax balances

Deferred tax assets have not been recognized in respect of the following deductible temporary differences as it is not probable that future taxable profit will be available against which the Company can use the benefits.

	2018	2017
	$	$
Non-capital loss carry-forwards	**102,967**	41,483
Capital loss carry-forwards	**-**	-
Total	**102,967**	41,483

As at October 31, 2018, the Company has estimated non-capital loss for Canadian income tax purposes of approximately $102,967 available to use against future taxable income. The non-capital tax losses expire after 20 years.

2037	$	41,483
2038		61,484
	$	102,967

11. NET LOSS PER SHARE

The number of shares used to calculate the basic and diluted net loss per share for the year ended October 31, 2018 and for the period from incorporation (February 8, 2017) to October 31, 2017 included the weighted average number of common shares outstanding of 4,920,000 and 2,302,189.

12. RELATED PARTY DISCLOSURES

Key management personnel compensation

For the year ended October 31, 2018 and the period from incorporation (February 8, 2017) to October 31, 2017, no compensation has been issued to the executive officers of the Company.

13. COMMITMENTS AND CONTINGENCIES

Management contracts

The Company is party to certain management contracts. Currently, these contracts require payments of $Nil as at October 31, 2018 (October 31, 2017 - $Nil) to be made upon the occurrence of a change in control to the officers of the Company. The Company is also committed to payments upon termination of approximately $9,600 (October 31, 2017 - $9,600) pursuant to the terms of these contracts. As a triggering event has not taken place, these amounts have not been recorded in these financial statements.

Contingencies

Coal operations are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. The Company's operations may require licenses and permits from various governmental authorities in the countries in which it operates. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development of its projects.

13. COMMITMENTS AND CONTINGENCIES (continued)

Contingencies (continued)

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

Environmental

The Company's exploration and evaluation activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

The Company's financial instruments as at October 31, 2018, consist of cash, amounts receivable and trade payable, loans payable and the amounts reflected in the statement of financial position approximate fair value due to the short-term maturity of these instruments.

Financial instruments recorded at the reporting date at fair value are classified into one of three levels based upon the fair value hierarchy. Items are categorized based on inputs used to derive fair value based on:

Level 1 - quoted prices that are 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/liability either directly or indirectly; and
Level 3 - inputs for the instruments are not based on any observable market data.

The Company had no financial instruments recorded at fair value in the statements of financial position as at October 31, 2018 and October 31, 2017.

Fair value estimates are made at the relevant transaction dates, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

Risk management overview

The Company has exposure to credit, liquidity and market risks from its use of financial instruments. This note provides information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables.

The carrying amount of amounts receivable represents the maximum credit exposure. As at October 31, 2018 the Company's total receivable was $1,250 (October 31, 2017 – 6,159). There were no derivative instruments held at October 31, 2018 and October 31, 2017.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, interest rates, and foreign exchange rates, will affect the Company's net income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing the Company's returns.

i. Commodity price risk
Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for coal are impacted by not only the relationship between the Canadian and United States dollar, as outlined below, but also global economic events that dictate the levels of supply and demand. Lower commodity prices can also reduce the Company's ability to raise capital. As the Company is not generating revenues, commodity price risk does not directly impact the Company's financial results.

ii. Foreign exchange risk
Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates.

As at October 31, 2018, the Company had the following assets and liabilities denominated in foreign currencies:

October 31, 2018	USD$
Cash at bank	20
	20

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities. The Company's financial liabilities consist of trade payable, accrued liabilities and loans payable.

The Company prepares annual capital expenditure budgets, which are monitored and updated as considered necessary. Financial modeling is used to provide economic outlooks and the Company utilizes authorizations for expenditures on projects to monitor capital expenditures.

Trade payable consist of invoices payable to trade suppliers for administration expenditures. The Company processes invoices within a normal payment period. Trade payable have contractual maturities of less than one year.

Sensitivity analysis

The Company has, for accounting purposes, designated its cash and accounts receivable as loans and receivables which are measured at amortized cost. Accounts payable, accrued liabilities and loans payable are classified for accounting purposes as other financial liabilities, which are measured at amortized cost. As of October 31, 2018, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the short term maturity of these instruments.

The sensitivity analysis shown in the notes below may differ materially from actual results. Based on management's knowledge of and experience with the financial markets, the Company believes the following movements are "reasonably possible" over a one year period:

(i) Cash is subject to floating interest rates. As at October 31, 2018, if interest rates had decreased/increased by 1% with all other variables held constant, there would not have been a material impact to the loss for the year ended October 31, 2018 given the low level of cash on hand throughout the year.

(ii) Cash, accounts payable and provisions denominated in US dollar are subject to foreign currency risk. As at October 31, 2018, had the US dollar weakened/strengthened by 5% against the Canadian dollar with all other variables held constant, there would have been a change of approximately $1 in the Company's net loss.

15. CAPITAL MANAGEMENT

The Company considers the aggregate of its common shares and deficit as capital. The Company's objective, when managing capital, is to ensure sufficient resources are available to meet day to day operating requirements and to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

At October 31, 2018, the Company has no cash-generating operations; therefore, the only source of cash flow is generated from financing activities or loans. The Company's officers and senior management are in the process of searching for additional business opportunities. Potential business activities are appropriately evaluated by senior management and a formal review and approval process has been established at the Board of Directors' level. The Company may enter into new financing arrangements to meet its objectives for managing capital, until such time as a viable business activity is operational and the Company can thereby internally generate sufficient capital to cover its operational requirements.

The Company's officers and senior management take full responsibility for managing the Company's capital and do so through quarterly meetings and regular review of financial information. The Company's Board of Directors is responsible for overseeing this process.

CERTIFICATE OF YUKOTERRE RESOURCES INC.

Dated: March 26, 2019

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of Ontario, Alberta and British Columbia.

"René Bharti"
René Bharti
Chief Executive Officer

"Deborah Battiston"
Deborah Battiston
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS OF YUKOTERRE RESOURCES INC.

"Fred Leigh"
Fred Leigh
Director

"Dr. Andreas Rompel"
Dr. Andreas Rompel
Director

CERTIFICATE OF PROMOTER OF YUKOTERRE RESOURCES INC.

Dated: March 26, 2019

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of Ontario, Alberta and British Columbia.

"Fred Leigh"
Fred Leigh

CERTIFICATE OF THE AGENT

Dated: March 26, 2019

To the best of our knowledge, information and belief, this Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of Ontario, Alberta and British Columbia.

PI Financial Corp.

"Jim Locke"

Jim Locke
Vice President, Investment Banking