UPDATED COAL RESERVES

OF THE BRULE PROJECT

in the

Peace River Coalfield of British Columbia

for

Walter Energy, Inc.

David Lortie, P. Geo.

Michael Allen, P. Eng.

Effective date: December 31, 2011

SIGNATURE PAGE

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Signed and sealed on

February 28, 2012

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ITEM 1: SUMMARY

This report provides an updated basis for Walter Energy, Inc. disclosures relating to the Brule Coal Project mineral resource and mineral reserve estimates.

Walter Energy, Inc. is a United States public company with shares traded on the New York Stock Exchange and on the Toronto Stock Exchange. Western Coal Corp. (WEWC) is a wholly-owned subsidiary of Walter Energy, Inc. and is a significant producer of metallurgical coal from its properties in northeastern British Columbia.

In 1999 through its wholly owned subsidiary, WEWC acquired the Brule coal licenses and began production from the property in 2004 from the Dillon deposit and in 2007 from the Brule deposit.

Property Description, Location and Ownership

The Brule Coal Project (the Project) lies within the WEWC Burnt River Property (the Property) in the eastern Rocky Mountain Foothills of northeastern British Columbia, Canada. The Property is situated in the Liard Mining Division of the Peace River Regional Land District and consists of two coal leases and six contiguous coal licenses.

The Property, located south of Chetwynd, had a number of sizeable low-volatile (LV) bituminous coal deposits including the Brule deposit, Blind deposit and Dillon deposit. The Project consists of two areas: firstly, the Brule deposit which was the subject of a 2005 Feasibility Study (FS) and is currently in production, and secondly, the Blind deposit, which has seen lower strip ratio of the deposit mined in 2007/2008.

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

Exploration

The initial exploration concept utilized on the Property by Teck Corp. and WEWC is to identify coal host sedimentary structures and explore for outcrops. Outcrops are used to drive the location of drill holes to intercept coal at depth. Historically, the Cadomin Formation's massive conglomerates (see Figure 6) have been utilized in the region as a correlation horizon for exploration of the Gething, Moosebar and Gates Formations above. WEWC is continuing to explore the Property and surrounds. In 2006 and 2007, WEWC performed drilling in the Blind deposit area to better delineate the coal resource in the complex geology of the deposit and to increase the density of data points across the deposit. In 2009 and 2010 additional drilling was undertaken in the Brule deposit area to better define the anticline in the extreme southwest area of the ultimate pit and the syncline anticline structure in Brule North.

In 2005 Sandwell International Inc. (Sandwell) was requested by WEWC to coordinate a Feasibility Study (FS) on the Brule coal deposit. Marston Canada Ltd. (Marston) was retained by WEWC to conduct geological model review and mine planning, design, costing and scheduling for the FS. The 2005 Technical Report (TR) presented resource and reserve estimates based on the verified geological model and economic pit designs produced for the 2005 FS by Marston. In 2007, a revised Technical Report was presented by Marston.

Development and Operations

The Brule Mine has been in production since late 2006 when it opened as the successor to the Dillon Mine on the Burnt River Property.

Coal Resources

A substantial amount of exploration work has been conducted on the Property, and LV bituminous coal is present in sufficient quantities to justify development of the Brule deposit into an operating coal mine. The current development and operating conditions, and reviews of reconciliation of the mine production to the resource model have been considered in developing the resource estimate.

The resource estimates are classified as Measured, Indicated and Inferred according to the CIM Definition Standards on Mineral Resources and Mineral Reserves (CIMDS) prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council, December 11, 2005, which are incorporated by reference in National Instrument 43-101 (NI 43-101). For coal resource estimates, the CIMDS incorporates, by reference, the guidelines of GSC Paper 88-21.

The current Measured, Indicated and Inferred LV bituminous resource estimates at a cut-off run of mine (ROM) strip ratio of 20 bank cubic meters (BCM) per tonne of in situ coal are presented in Table 1.

Table 1: Brule Mine Estimated Coal Resource INCLUSIVE of Resources used to Calculate Reserves

Insitu (Kt)

	Seam	Measured	Indicated	Inferred
Brule	Seam 60	6,428	0	0
	Upper Seam / Lower Seam	21,554	0	0
	Totals	27,982	0	0
Blind	Upper Seam / Lower Seam	0	0	1,963
	Totals	0	0	1,963

Resources exclusive of those modified to produce Reserves are shown in Table 2: Brule Mine Estimated Coal Resources EXCLUSIVE of Resources used to Calculate Reserves.

Table 2: Brule Mine Estimated Coal Resources EXCLUSIVE of Resources used to Calculate Reserves

Insitu (Kt)

	Seam	Measured	Indicated	Inferred
Brule	Seam 60	2,211	0	0
	Upper Seam / Lower Seam	2,269	0	0
	Totals	4,480	0	0
Blind	Upper Seam / Lower Seam	0	0	1,963
	Totals	0	0	1,963

The resource estimates are classified as Measured, Indicated and Inferred according to the CIM Definition Standards on Mineral Resources and Mineral Reserves (CIMDS) prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council, December 11, 2005, which are incorporated by reference in National Instrument 43-101 (NI 43-101). For coal resource estimates, the CIMDS incorporates by reference the guidelines of GSC 88-21. No Inferred Resources have been included in the resource estimate for the Brule deposit.

Coal Reserves

CIMDS defines mineral reserves as "the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined."

Based on this study, the coal reserve estimates for the project are as shown on Table 3: Brule Mine Estimated Coal Reserves

Table 3: Brule Mine Estimated Coal Reserves

	Run-of- Mine (Kt)			Clean Coal (Kt)
Seam	Proven	Probable	Total	
Seam 60	4,264	0	4,264	**2,985**
Upper Seam / Lower Seam	19,055	0	19,055	**18,102**
Totals	**23,318**	0	23,318	**21,087**

In accordance with CIMDS, the reserve estimates include the adjustments to the in situ coal resources for mining losses and changes in moisture for the run-of-mine (ROM) coal.

Mining operations at the Brule Mine commenced in November 2006, and the first coal from the mine was produced in January 2007. The reserves and resources stated in the above tables have been validated. In this report, the reserve and resource estimates are based on the updated economic pit developed by WEWC in 2011 and they are effective as of December 31, 2011. No allowances have been made for the raw stockpiles of coal on site in the reserves or production schedule. As of December 31, 2011, approximately 4,200 kt of clean coal have been mined from the Brule deposit and 900 kt of clean coal from the Blind deposit.

The overall project strip ratio is projected to be 8.7 bank cubic meter (BCM) per ROM tonne, requiring the removal of 203 million BCM (MBCM) of waste during the project's life.

These coal reserves are expected to produce 21.09 Mt of recoverable (clean, salable, product) coal.

Conclusion

Based on the results from this revised technical report, the authors conclude that the Project is economic and will yield attractive returns at the current and forecast price levels, input commodities and exchange rates.

Recommendation

It is recommended that WEWC seeks a mine permit amendment to mine the expanded resource outline in this technical report. This will allow for production from the Brule reserves to 2023 based on the current economic environment.

ITEM 2: INTRODUCTION

Walter Energy, Inc. is a United States public company with shares traded on the New York Stock Exchange and on the Toronto Stock Exchange. Western Coal Corp. (WEWC) is a wholly-owned subsidiary of Walter Energy, Inc. and is a significant producer of metallurgical coal from its properties in northeastern British Columbia. WEWC was known as Western Canadian Coal Corp. prior to 2010. This report was prepared for Walter Energy, Inc. by WEWC technical staff.

In 1999 through its wholly owned subsidiary, WEWC acquired the coal licenses and subsequently purchased the historical exploration data on the Property in northeastern British Columbia from the previous owner, Teck Corp.

The Property is located in the Liard Mining Division of the Peace River Regional District of northeastern British Columbia. The Property is located 175 km northeast of the city of Prince George and 57 km by road southwest of Chetwynd; see Figure 1and Figure 2. Mining operations in the Dillon Mine located in the Property ceased in 2006, and currently WEWC is producing coal from the Brule deposit, which is situated approximately 500 meters (m) southwest of the Dillon Mine within the Property, see Figure 3 and Figure 4. The Brule deposit contains significant resources of LV bituminous coal suitable for use in PCI markets.

WEWC sold its Dillon PCI product to steel makers in Asia and Europe and sells Brule coal in the same markets.

In early 2005 WEWC engaged Sandwell to develop a Feasibility Study (FS) for the Brule Coal Project. As a part of this FS, WEWC engaged Marston to conduct detailed geological review, mine planning, design, scheduling and mine costing. Production began in early 2007 from the Brule deposit and is currently proceeding circa 1.5 Mt/a run rate. Recent development has completed the infrastructure required to allow operation at a rate of 2 Mt/a of product coal to customers.

In 2007, WEWC engaged Marston to update the previous TR to account for the changes in economic conditions, the acquisition at the Pine Valley processing facility and load-out and the change in status from a development property to a producing property. Marston conducted an audit of the Project data and WEWC's geological model, and calculated resources and reserves based on the resource model and the ongoing work for the 2005 FS. Resources have been sufficiently defined geologically to permit feasibility level engineering and evaluation work. Marston undertook mine planning, design, scheduling and cost estimation as a part of the 2005 FS compiled by Sandwell.

Terms of Reference

Significant infrastructure, including 69 kV power transmission line, mobile equipment maintenance shop, offices, bulk mining fleet, and the Falling Creek Connector Coal Haul Road (FCCR) have been put in place since the TR. A natural gas pipeline that crossed the deposit has been removed and a gas well has been mined through.

Additional drilling conducted in 2009 and a subsequent program in 2010 provided information for a revised geological model and added quality data. This TR presents Brule deposit resource and reserve estimates based on the new model and updated coal price and mining cost information. The estimates are classified according to the CIMDS prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council on December 11, 2005. The CIMDS estimates are incorporated by reference in NI 43-101.

Purpose

The purpose of this report is to provide an updated basis for WEWC's disclosures relating to the Project and Blind deposit mineral resource and Brule mineral reserve estimates.

Sources of Information

To prepare the Study and this TR, WEWC relied primarily on base information and exploration and sampling data collected by WEWC or generated by others and the references listed in Item 27 of this TR. This report is based on the 2007 technical report prepared by Marston and reflects the changes since the time that report was published. The primary sources of information for this TR were as follows:

- Project baseline information kept by WEWC in its Vancouver offices, including raw drill hole and bulk sample data and exploration reports from various campaigns as listed under Item 27 References.
- Geological model prepared by WEWC.
- The Brule Coal Project Feasibility Study produced by Sandwell Engineering Inc.
- Work completed on geological review, mine planning, design, scheduling and mine costing by Marston
- Review of data for the Willow Creek Mine processing facility and modifications designed by Taggart Global LLC and currently under construction.
- Work completed on geological review, mine planning, design, scheduling and mine costing by WEWC personnel.

Personal Inspection on the Property

David Lortie, P. Geo., is the Chief Geologist for WEWC. He has visited and inspected the Brule property on numerous occasions, most recently August 15, 2010. He directed the 2005 and subsequent exploration programs.

Michael Allen, P. Eng., is the Manager, Mine Engineering for WEWC. He visits the property on at least a monthly basis, and most recently was there on February 23, 2012.

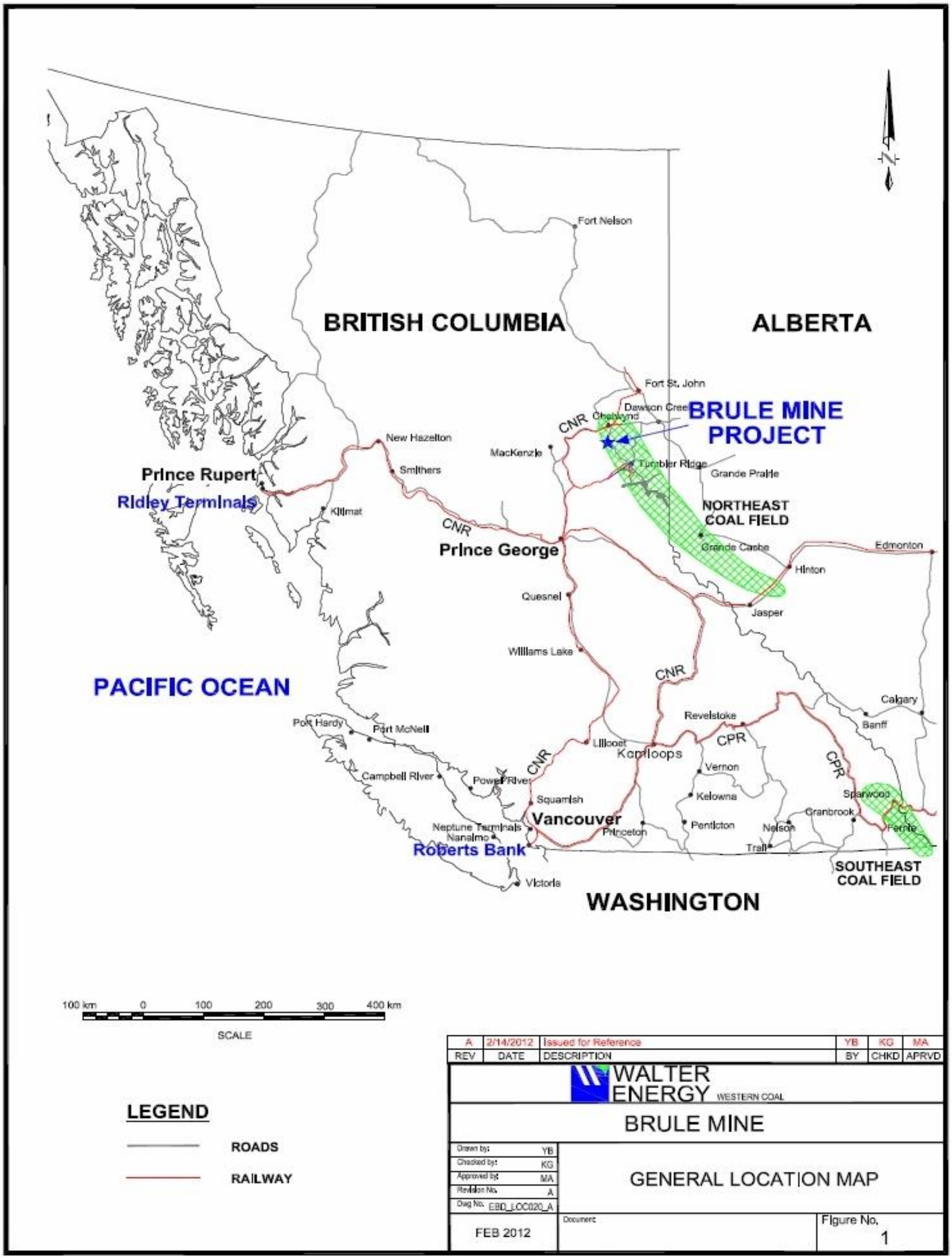


Figure 1: Brule Mine Regional Location Map

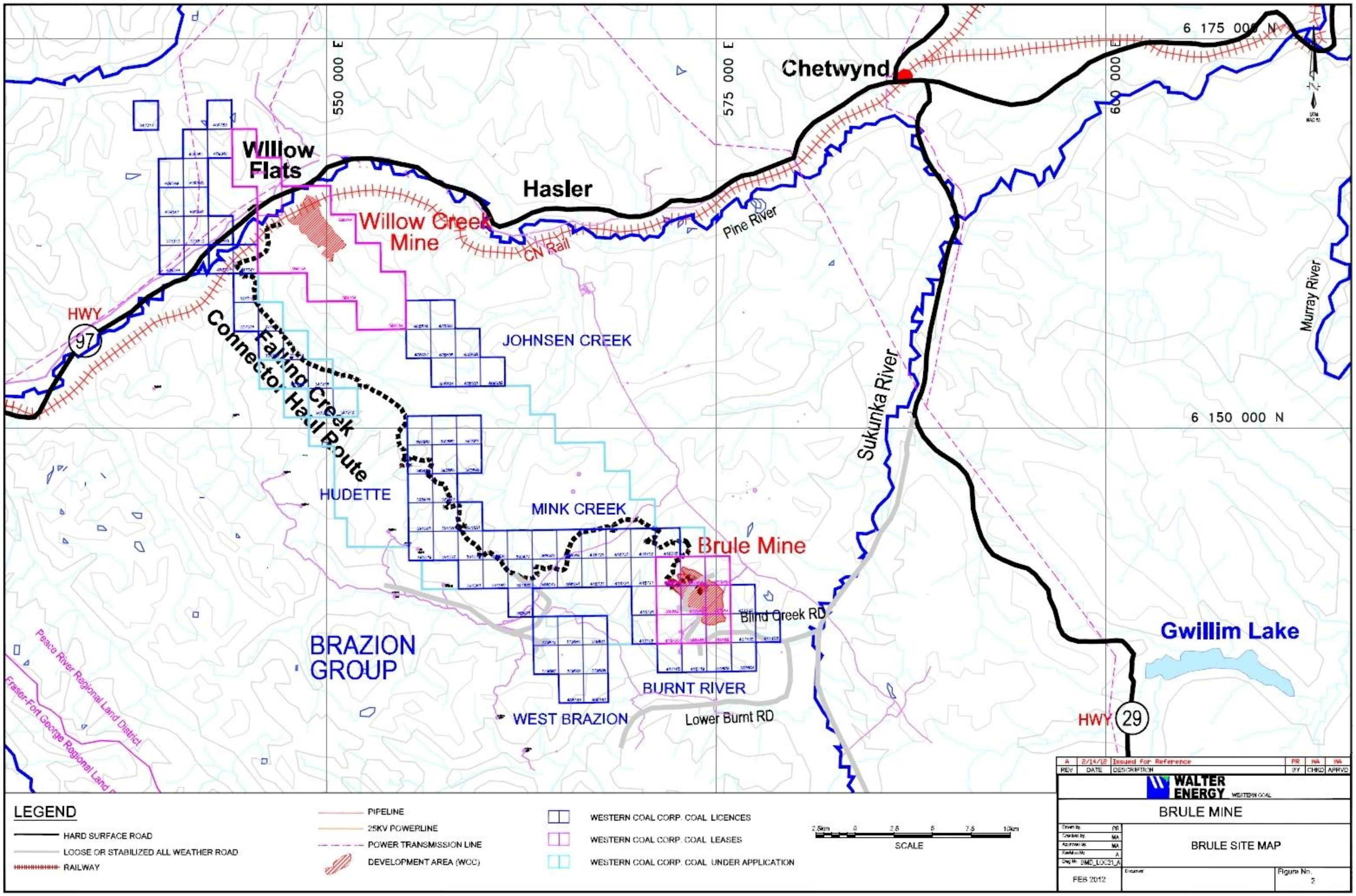


Figure 2: Brule Mine Regional Infrastructure

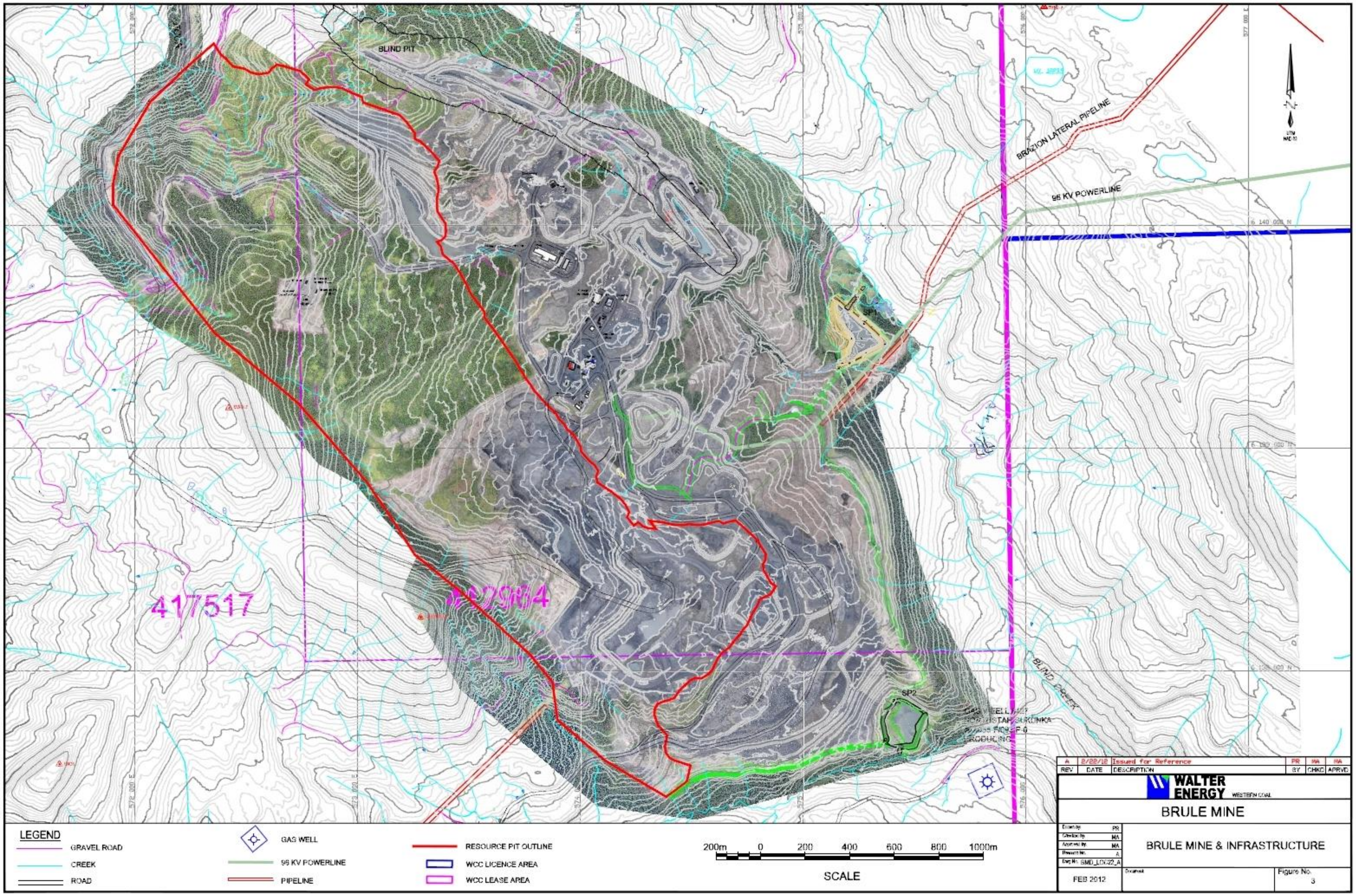


Figure 3: Brule Mine Site Map as of December 31, 2011

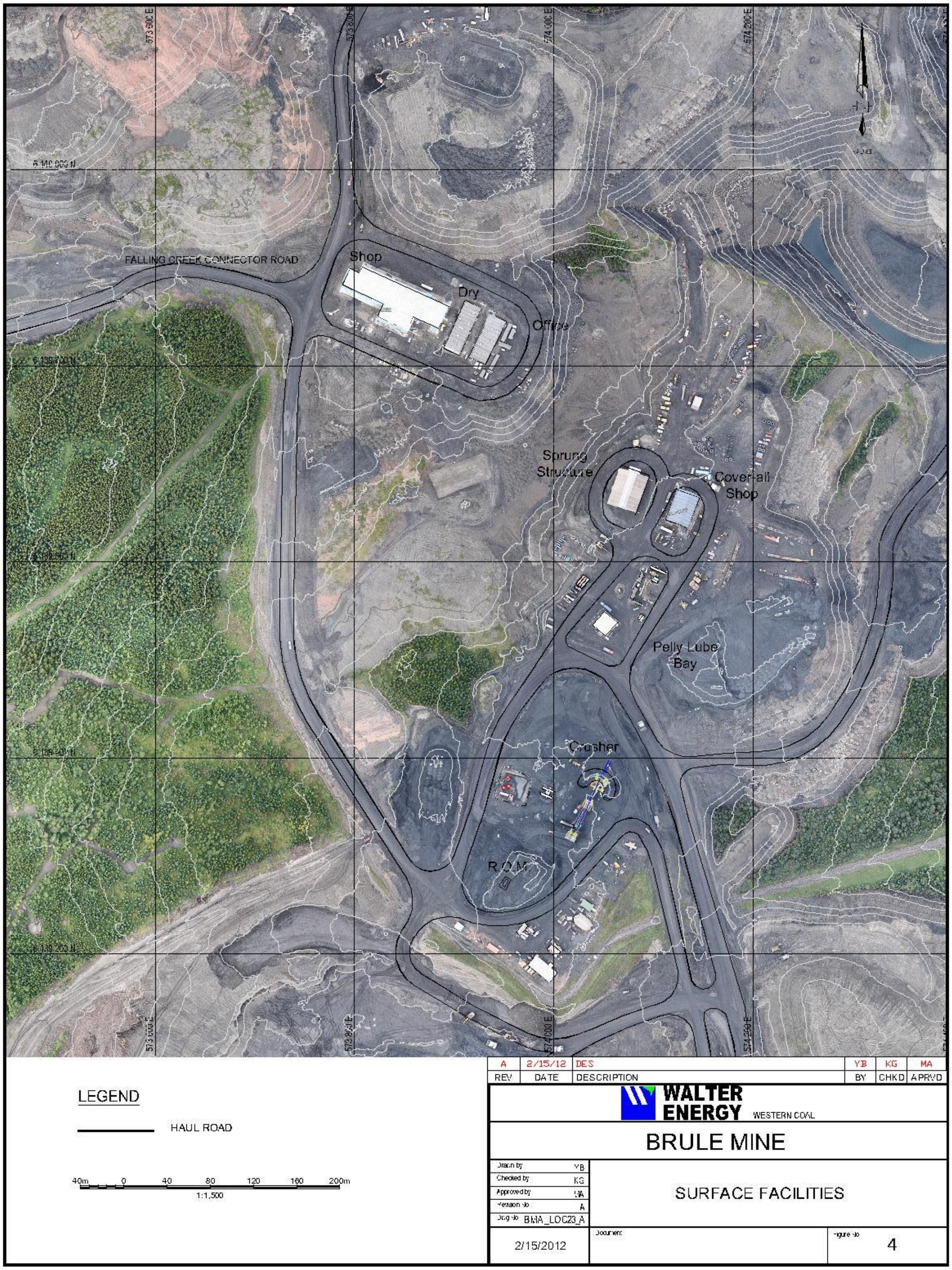


Figure 4: Brule Mine Surface Facilities

ITEM 3: RELIANCE ON OTHER EXPERTS

The authors have relied on other internal experts of WEWC for information related environment, economic analysis, coal markets, and coal price information.

ITEM 4: PROPERTY DESCRIPTION AND LOCATION

The following text has been taken from *Updated Technical Report on the Brule Coal Project for Western Canadian Coal Corp*, by E.H. Minnes, December 2007 and updated as necessary.

Description and Location

The Property is located within the Liard Mining Division of the Peace River Regional Land District of northeastern British Columbia, Canada, as shown in Figure 1 and Figure 2. The Burnt River licenses form approximately 3,524 ha of WEWC's Brazion Group, lying within the eastern Rocky Mountain Foothills.

Regionally, the Property is located approximately 175 km northeast of the city of Prince George and 57 km by road southwest of Chetwynd. Tumbler Ridge is 103 km by road to the southeast of the Property. Highway 29 connects Chetwynd and Tumbler Ridge to access roads developed to the Property. Vancouver is 725 km to the south west of the Property.

WEWC's Drawing Register Numbers	93P31, 93P32, 93P41, and 93P42
NTS Map Sheet	93-P/05W
Easting (NAD83)	573,425 m
Northing (NAD83)	6,139,186 m
Elevation (NAD83)	1,192 m
Latitude	55° 23 minutes 35 seconds north
Longitude	121° 50 minutes 17 seconds west

Expected royalty payable on coal production from the Property is limited to the Crown royalty.

No other encumbrances on the Property are known to the authors.

Title

The Burnt River properties consist of two coal leases and six contiguous surface coal licenses (392554, 392555, 415719, 417474, 417475 and 417476), as shown in Figure 3. WEWC had four original licenses, which it converted to Coal Lease 412964 for its Dillon operations to commence in October 2004. Dillon mining operations ran under the authority of Mine & Reclamation Permit C-221 from the British Columbia Ministry of Energy, Mines and Petroleum Resources, amended for WEWC on July 27, 2005. Current operations operate under the authority of subsequent amendments to Permit C-221.

WEWC had five additional licenses (368865, 368,866, 368869, 368871 and 415720) which it converted to Coal Lease 417517 for its Brule operations. The remaining coal licenses and the current leases are summarized in Table 4*: Brule Mine Coal Licenses & Leases*.

Table 4: Brule Mine Coal Licenses & Leases

License	Area (ha)	Exploration Area	Date Acquired	Expiration Date
392554	294	Burnt River	May 1, 2002	May 1, 2012
392555	294	Burnt River	May 1, 2002	May 1, 2012
415719	295	Burnt River	November 18, 2004	November 18, 2012
417474	296	Burnt River	May 31, 2006	May 31, 2012
417475	295	Burnt River	May 31, 2006	May 31, 2012
417476	882	Burnt River	May 31, 2006	May 31, 2012
Total	**2,356**			

Lease	Area (ha)	Lease Area	Date Approved	Expiration Date
412964	1,175	Dillon Mine	September 8, 2004	September 8, 2034
417517	1,471	Brule Mine	May 1, 2007	May 1, 2027
Total	**2,646**			

Legal Survey of Property

In 1980 a UTM survey grid and associated survey markers were established on the Property by Staples and Associates. At this time, high-level and low-level controls were established for aerial photography. Aerial photography on the Property was completed by Burnett Resource Surveys Ltd. in 1980. In June of 2004 a LIDAR survey of the property was performed and used as the basis for topography for the 2005 FS. WEWC's coal licenses and leases are listed in Table 4, Brule Mine Coal Licenses & Leases. Ground control surveys have tied the Property to the NAD27 UTM grid. WEWC maintains data on regional topography and updated mining topography at Dillon from its internal survey process and aerial survey results. These data were utilized in the formation of the mine planning for the Brule and Blind pits.

The property boundary has not been surveyed for WEWC. However, applications for the lease and other legal documents that include property descriptions have been accepted by the government regulatory agencies.

Location

All mineralized zones, mineral resources, reserves, mine workings, existing tailings ponds, waste deposits and important natural features and improvements within and relative to the outside boundaries of the property known to WEWC are shown Figure 3.

Royalties and Other Encumbrances

The Brule coal licenses are subject to rentals and diligence work pursuant to provincial coal regulations.

Portions of the Brule area are covered by petroleum and natural gas (PNG) tenures. These tenures include oil and gas targets.

Environmental Liabilities

WEWC's environmental liabilities associated with the Property are for reclamation of its Dillon mine workings and the current operations at Brule. WEWC has currently posted reclamation bonds of $3,350,000 for exploration activities and Burnt river operations. There is a bond of $1,328,494 with the Ministry of Forests, Lands and Natural Resource Operations for the FCCR's Road Special Use Permits.

Reportedly, all disturbed areas associated with Teck Corp.'s 1971 – 1999 work were satisfactorily reclaimed prior to WEWC's acquisition of the Property. This work included drill hole and trench sites, bulk sample pits and associated waste dumps and access roads. Also, oil and gas companies have actively explored areas within the Property, and four decommissioned gas wells including a Conoco Phillips wellsite are located within the Property boundary.

The locations of these wells are shown in Figure 3. These wells fed the Brazion Lateral Pipeline, which crossed the southern strike of the Property, as indicated in Figure 2 and Figure 3. In 2010 the gas reserves associated with this pipeline were shut in. The pipeline was decommissioned and removed to allow for mining. The gas well in the south eastern end of the Brule deposit has been mined through and capped off below the footwall of Marker B.

WEWC has obtained an Environmental Assessment (EA) Certificate, mine permit, water license and effluent permit for the existing main and south sediment ponds. In addition, WEWC has a Special Use Permit (SUP) from Ministry of Forests for the Blind Creek Road, which provides access to the Property from the Lower Burnt Road held by Canfor Corporation (Canfor). It also has secured tenure along the route of the Falling Creek Connector Road (FCCR).

Approvals required for a mining operation in British Columbia are listed below:

- Environmental Assessment Act – Environmental Assessment (EA) Certificate

- MEM – Permit approving the Mine Plan and Reclamation Program (Mine Permit)
- MEM Coal Act (coal lease) – Approval to develop and operate a mine on Crown land
- MOE Water Act (water license) – Authorizing diversion, impoundment and use of water
- MOE Water Act (Section 9 Act Approvals) – Authorizing diversion of water
- ILMB Land Act (Amendment to Crown Land Lease) – Authorizing installation of drainage control structures
- MOE Environmental Management Act (Effluent Permit – Construction and Operation) – Authorization to discharge treated mine water from settling ponds and sewage treatment plant effluent
- MOE Environmental Management Act (Air Permit) – Authorizing air emissions from the Project
- MFLNRO Forestry Act (License to Cut) – Authorization to harvest merchantable timber.

Note: EAO; Environmental Assessment Office MAL Ministry of Agriculture and Lands, MEM; Ministry of Energy and Mines, MFLNRO; Ministry of Forest, Lands and Natural Resource Operations; MOE Ministry of Environment; ILMB Integrated Land Management Branch of MAL.

As part of the mine permit conditions, WEWC has to submit an updated five year mine plan five years after having been granted the original Brule Mine permit C-221. Along with the update mine plan, Walter Energy has been requested to submit a revised Selenium Management Plan.

AMEC was commissioned to conduct an options analysis of the different Selenium treatment options and their capital and operating costs. This options analysis concluded that to achieve a concentration of 10ppb in Blind Creek treatment would be necessary. The treatment costs detailed in the report could cost $12.2m of capital and $0.9m per year of operating expense. There has been no final decision on the direction of the selenium management plan and the costs are speculative given this. These costs are not part of the environmental bond and not reflected in the economic analysis of the deposit.

WEWC is not aware of any other obligations that are required to retain the Property.

ITEM 5: ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

The following text has been taken from *Updated Technical Report on the Brule Coal Project for Western Canadian Coal Corp*, by E.H. Minnes, December 2007 and updated as necessary.

The Property is located in northeastern British Columbia, Canada. This area, forming part of the eastern foothills (Inner Foothills Belt) of the Rocky Mountains, is 175 km northeast of the city of Prince George and 57 km by road southwest of Chetwynd, and is easily accessed. Property accessibility is as shown in Figure 1 and Figure 2.

Well-established roads, developed and used by the forestry, gas and early coal industries, currently provide Property access. Primary access to the Property from Chetwynd is south approximately 26 km via paved Highway 29 to the Sukunka Forest Service Road. The Sukunka Forest Service Road is an all-weather gravel road extending to the south along the Sukunka River. The Sukunka Forest Service Road then joins into the gravel Lower Burnt River Road at marker 16.6 km and crosses the expanse of the Sukunka River with a single lane bridge maintained by Talisman Energy. The Lower Burnt River Road joins the gravel Blind Creek Road servicing the Property at marker 2.7 km. Approximately 15 km along the Blind Creek Road from this point is the Brule operation, which exists within the Property.

The current gravel road system is narrow, requiring two-way radios, rights-of-way and pullout systems to allow the safe and efficient passage of traffic. Current road traffic consists of forestry trucks, oil and gas service vehicles and Brule traffic including 40-tonne coal haulers and various mine service vehicles. Some coal from Brule continues to be hauled approximately 94 km to the old Bullmoose Mine rail load-out to the southeast of the Property (Figure 2). This load-out services train traffic on the Tumbler Ridge Branch Line built by British Columbia Rail (BCR). This branch line joins the main BCR system just north of Prince George and connects with port facilities in Vancouver, or via the Canada National Rail (CN Rail) to the Ridley Terminal at Prince Rupert.

WEWC recently completed a 65km road connecting the Brule Mine to the Willow Creek Plant Site. This road is referred to as the Falling Creek Connector Road (FCCR). It is in-service with 60t off highway trucks. The current plan is to add additional power units and increase the capacity of each truck to 110t. It is planned that all of the coal haul will be diverted to FCCR once the full capacity of the haul becomes established. Coal hauled to Willow Creek will be loaded on unit trains at that facility and hauled by rail to the Ridley Terminal.

All rail services are now provided by CN Rail.

Vancouver is 725 km to the south of the Property. Regular flights connect Vancouver to Fort St. John and Dawson Creek. Fort St. John is approximately 140 km north-northeast of the Property, and Dawson Creek is 120 km northeast of the Property.

Other regional communities include Tumbler Ridge, 103 km to the southeast, and Mackenzie to the west. Regionally, the Property lies within the Peace River Coalfield and the Sukunka watershed, with the elevation of the coal resources ranging from 900 m to 1,360 m relative to sea level.

The topographic relief (physiography) of the immediate landscape is that of rolling relief from east to west, and increasing elevation from south to north. Ridgelines on the Property generally strike northwest-southeast and reflect the trend of the geological structure of this region.

Ridges are truncated by a series of mature northeast flowing rivers which are serviced by major creeks; these are part of the region's primary drainage system. Main drainages around the Property are the Mink Creek to the northwest, the Burnt River to the south and the Sukunka to the east. The Brazion and Blind creeks also service the Burnt River drainage system.

The Burnt River region has mild summers but experiences extremely cold winters with significant snowfall. Based on Bullmoose data, the average daily temperature exceeds 10^{o} C during approximately three months of the year and falls below 0^{o} C during five months of the year. The mean monthly temperature ranges from approximately -15^{o} C in January to 15^{o} C in July. The Pacific Ocean drives much of the regional weather and climate, and provides much of the moisture that produces the winter snowfall. Springtime snowmelts present substantial drainage considerations in the form of increased flows and soft ground conditions that affect construction and haulage activities.

Average precipitation in the region is 449 millimeters (mm) for Chetwynd, and 484 mm for Tumbler Ridge, as recorded by the Meteorological Services of Canada (MSC). Precipitation measured at the nearby Bullmoose Mine averaged 776 mm per year between 1982 and 2002 and is considered representative of the Property. Approximately 58% of the precipitation falls between May and September, and the remaining 42% is stated as snowfall between October and April. Snow pack persists from October to June. The prevailing wind direction, as noted at Brule, is from the southwest and extended periods of high wind (> 20 km/h) are common on the ridges and across the plateaus.

Operations at Brule, Dillon, Willow, Wolverine, Trend and the nearby closed Quintette and Bullmoose mine operations, have demonstrated that mining is possible year round.

Vegetation in the region is predominantly pine, spruce and low-level scrub, although these are not particularly well developed over the Brule Mine footprint. Recent logging activity and forest fires have resulted in young pine growth over a number of distinct cuts on the Brule Mine footprint (footprint shown in yellow on Figure 3). Vegetation is similar over the Blind deposit (footprint shown in orange on Figure 3).

Local infrastructure includes oil and gas production facilities. Four wellsites are present on the Property, the decommissioned Brazion Lateral Pipeline, operated by Conoco Phillips, striking Northeast-southwest across the Property and the Brule operations facilities including crushing plant, mine office, dry, security, explosive magazines, emulsion silo, weighbridge, workshop, power line and camp. Forest harvesting, trapping, guide-outfitting and back-country recreation are active in and around the Property.

The Property is situated in the Liard Mining Division and consists of the Brule Lease, Dillon Lease and six contiguous coal licenses. See Item 6 for more information. WEWC retains mining rights through two coal leases: Coal Lease 412964,originally acquired for the Dillon Mine, supplemented with Coal Lease 417515 which was added when operations shifted to the Brule deposit. The Dillon Coal Lease is shown in Figure 3 and is located on NTS Map Sheet 93-P/05W. The Brule coal lease, 417515, covers 1,468 hectares. A detailed mine FS was completed for the Property in 2005, focusing on the Brule deposit. The 2005 FS outlines available alternatives for power to the Property, infrastructure requirements, waste disposal and mining sequence. The economic pit and resulting dump design have been updated based on the current economics of the Brule Deposit.

ITEM 6: HISTORY

The following text has been taken from *Updated Technical Report on the Brule Coal Project for Western Canadian Coal Corp*, by E.H. Minnes, December 2007 and updated as necessary.

The Property lies within the Peace River Coalfield of northeastern British Columbia. This coalfield has a lateral extent of 400 km, and coal was first reported in this region in 1793. Due to the remoteness of the location, and lack of transport infrastructure, early coal production was restricted to very small regional supply/demand style operations. The expansion of worldwide steel production in the 1960s stimulated exploration for metallurgical coking coal, and western Canada exploration focused in the Rocky Mountain Foothills of British Columbia and Alberta.

Land within the Peace River Coalfield was acquired in the 1970s by various mining and oil and gas consortiums following favorable exploration results conducted during the 1960s. Following land acquisitions, markets for British Columbia coal were sought, and the Japanese Steel Industry signed an agreement with Teck Corp., Denison Mines Limited and the governments of Canada and British Columbia to buy 115 Mt of coking and thermal coal from the Quintette (Denison/Quintette Coal Limited) and Bullmoose (Teck Corp. joint venture) mines over a period of 15 years. The governments of Canada and British Columbia assumed responsibility for regional infrastructure to facilitate mine development and shipment of the coal products. The township of Tumbler Ridge was constructed in following years along with rail, highway, power and port facilities. Coal shipments began from Quintette in 1983. Other notable deposits in the region identified at that time included Willow Creek, Sukunka, Mt. Spieker, Monkman and Belcourt (see Figure 1 and Figure 2).

The Quintette and Bullmoose mines began operations in 1983 and continued until exhaustion of then economic reserves in 2000 and 2003, respectively. Regional infrastructure remains, allowing for development of other coal resources including the Property.

Prior Ownership and Exploration of the Burnt River Property

A tabulated Project exploration history is shown in Table 5. Table 6 indicates drilling type and quantities by year for each of the Brule and Blind deposits.

Table 5: Brule Coal Project Exploration History

Description	Year																
	1971	1975	1977	1978	1980	1981	1985	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Geological Mapping	√	√	√	√	√	√											
Cartography	√	√	√	√	√	√											
Aerial Photography				√	√	√					√						
Outcrop Sampling		√	√	√		√	√										
Trenching Mechanical, Hand				√	√	√											
Rotary Drilling						√	√		√		√	√	√	√	√	√	√
Diamond Drilling			√	√	√	√					√	√					√
Stratigraphy	√	√	√	√	√	√	√		√		√	√					
Geophysical Logging			√	√		√			√		√	√	√	√	√	√	√
Bulk Sample Trench / Adits					√											√	√
Trial Pit and Test Shipments							√					√					
Paleontology - Sedimentology						√						√					
Flora And Fauna Identification						√						√					
Geotechnical Studies						√			√			√					

Table 6: Exploration Activities by Year and Area

EXPLORATION WORK													
		Diamond Drill Holes				Rotary Drill Holes		Rotary Core Holes		Winkie Holes (AX)		Bulk Samples	
Year	Area	Quantity (NQ)	Total Meters	Quantity (HQ)	Total Meters	Quantity	Total Meters	Quantity	Total Meters	Quantity	Total Meters	Type	Tonnage
	Blind												
1977	Brule	1	166										
	Blind												
1978	Brule	8	763							7	247		
	Blind												
1980	Brule	38	3,266							24	666	2 Adits &	2,400
	Blind	1	50			4	234						
1981	Brule					45	3,722			6	153		
	Blind												
1985	Brule											2 Pits	43,120
	Blind			2	63	18	1,349						
2001	Brule												
	Blind					4	423						
2002	Brule					17	672	2	48				
	Blind												
2004	Brule			3	392	26	2,210	3	94			3 Drill	0.5
	Blind												
2005	Brule			2	348	1	183						
	Blind					11	1,246						
2006	Brule												
	Blind					26	2,364						
2007	Brule												
	Blind					23	1,047						
2008	Brule												
	Blind												
2009	Brule					31	2,200	3	155			3 Drill	0.5
	Blind												
2010	Brule					79	10,131	1	32			1 Drill	0.1
Total	Blind	1	50	2	63	86	6,663	0	0	0	0		
Total	Brule	47	4,195	5	740	199	19,118	9	329	37	1,066		45,521
Total Brule + Blind		48	4,245	7	803	285	25,781	9	329	37	1,066		45,521

	Total Drill Holes	Total Meters
Blind	89	6,776
Brule	297	25,448
Total	386	32,224

Brameda acquired the first licenses for the Property in 1970, which encompassed a total of 28 license areas covering 8,888 ha. Hopkins and Gluskoter conducted a preliminary mapping and reconnaissance program in 1971; stratigraphy in the region was described and established in the Brameda records. In 1975 further detailed mapping was conducted which identified two thick seams (3 m and 5 m) within the license area, and generally confirmed the earlier work conducted by Hopkins and Gluskoter.

1975 Exploration Program

The main purpose of the 1975 Burnt River exploration program was to study the stratigraphic and structural features of the area, and to conduct a diamond drilling program. Only preliminary geological mapping of parts of the Property was completed by Brameda during the year due to the British Columbia government being unable to grant a required reclamation permit early enough to allow for the diamond drilling program in the summer months of 1975.

Access to the Property at the time was either by foot or helicopter, and the majority of the field work was conducted in June and September 1975. Outcrops were examined, and two potentially economic seams identified; however, the limitations of access over the topography made field work difficult. Correlations against basal conglomerates across the Property gave a basis to the field work. Deformation in the strata was noted, and need for further geological field work was mentioned.

1977 Exploration Program

From July 9, 1977 through September 12, 1977, exploration was carried out on the Brameda Burnt River Property by Teck Corp.. The program consisted of geological mapping and diamond drilling to test the quality of the coals of the Gething Formation (identified in 1975), and to acquire further information on regional stratigraphy and structures in the Burnt River area.

Generally, the Cadomin conglomerate was used as the mapping datum.

Due to limited access onto the Property, the drilling campaign, consisting of four holes, was fully supported by helicopter. In 1977 access by road to the Property was to within 5 km of the Property boundary.

The 1977 exploration program verified that Lower Cretaceous coals are present within the license area and gave more insight to the structural deformation in the Burnt River area. A total of 583.5 m were drilled, and three seams of mineable thickness were intersected with a minimum noted thickness of 1.78 m. Samples of the seams were sent for analysis, and although low free-swelling-index (FSI) values did not support a metallurgical coal classification, low ash and high calorific value did favor the seams as thermal coals. The potential for use of the Burnt River coal in PCI was not realized until later.

A possible in-place resource of 288.3 Mt was identified from estimations made from outcrops, potential areal distribution of the enclosing Gething Formation, seam correlations and thicknesses noted in the four drill holes. Due to the very limited dataset and baseline assumptions regarding overburden and effects of erosion, this possible resource did not comply with Sections 1.3 and 1.4 of NI 43-101. The 1977 report recommended more drilling to guide seam tracing because of the relative structural complexity of the area, the lack of established and readily recognizable marker beds and the concealment of much of the area by extensive overburden. As a result, the total visible outcrop in the Gething Formation was very limited in the Burnt River area.

Ten new licenses were acquired in 1977 on the northeastern margin of the Property and were planned to be mapped in 1978.

1978 Exploration Program

From June 1, 1978 through November 15, 1978, exploration continued on the 28 Brameda licenses in the Burnt River area by Teck Corp. The program consisted of geological mapping, hand seam trenching, prospecting using a portable Winkie drill, diamond drilling and road construction. The objectives of the 1978 exploration were to determine the overall surface mining potential and prove up reserves of mineable coal.

A total of 886 m from 31 Winkie holes were completed, with an average hole depth of 28.6 m. Diamond drilling was conducted by a track-mounted unit. Twenty holes were drilled for a total of 1,794 m. Spacing varied from 200 m to 600 m on hole centers, and core recovery averaged 81%. Sixteen diamond drill holes were geophysically logged using gamma-ray, neutron-neutron and sidewall density.

As previously mentioned, Brameda acquired 10 further licenses located to the northeast of the Property in 1977, and exploration in these areas was conducted in 1978. Reconnaissance mapping showed that the area contained only thin seams of dirty coal. Therefore, Brameda let the new licenses lapse.

The quality of coal explored in 1978 was consistent with the previous reports: low ash, high calorific value and low-volatiles. FSI results remained low; however, petrographic studies showed that the coals had high reflectance and high strength. The exploration report stated "Contrary to earlier reports, it is unreasonable to classify these coals as non-metallurgical at this time."

The 1978 results confirmed the geological structural interpretations of the previous years for the Property.

A potential mining reserve of 12.98 million metric tonnes of coal was discussed at a strip ratio of 6.3:1 bcm/ROM tonne. It was noted that several thick coal seams were present over the Property, but those amenable to open-pit mining were limited due to the perceived structural complexity in the explored areas. The 12.98 Mt were present in the main area of exploration, containing Seam 60 and BR-1 Seam (later to be identified as Upper and Lower seams). It was also noted that the Property was still in very early exploration, and therefore future work programs would potentially change the geological interpretation and reserve estimates. The reserve statement of the time did not comply with categories 1.3 and 1.4 of the NI 43-101.

1979 Exploration Program

Six more licenses were acquired in 1979 due west of the main block (West Brazion). During this year, Brameda became a wholly owned subsidiary company of Teck Corp., and was known as Amalgamated Brameda-Yukon Ltd.

During 1979 a limited amount of geological mapping and diamond drilling was carried out on the West Brazion area. No exploration was carried out on the Burnt River licenses during this program.

1980 Exploration Program

The purpose of the 1980 field work by Teck Corp. for Amalgamated Brameda-Yukon Ltd. (Brameda) was to determine the total quantity and quality of coal in the main Brule deposit, and to gain more detailed information on geological structure in that area through a tighter drill pattern. The 1980 drill program was a direct continuation of the 1978 program with geological mapping, bulk sampling and environmental studies also conducted.

Bulk samples were taken in 1980 from two adits and one trench. The location of these bulk samples is shown on Figure 5. Bulk samples of Seam 60, Upper Seam and Lower Seam were taken in October 1980. The Seam 60 sample was taken directly from the surface outcrop from a 0.6 m x 0.6 m channel sample, and roof and floor samples were also taken at this location for out-of-seam dilution quality testing. No discussion on potential oxidation of the outcrop was mentioned in the 1980 exploration report. The Upper Seam sample was taken from an adit of 38 m in length. The sample was taken from a 1.0 m x 1.0 m channel along the full length of the adit. Lastly, the Lower Seam adit was selected on the basis of Winkie drill hole results. These Winkie drill holes failed to predict the immediate structural complications of the trench construction, with poor ground conditions due to localized faulting and water flow. The Lower

Seam sample collected was taken in relatively hard and undisturbed coal at an adit length of 27 m.

Bulk samples were shipped to Birtley Engineering (Birtley) in Calgary for testing under ASTM standards. Washability testing was conducted. Proximate, calorific value, sulfur and Hardgrove grindability index (HGI) results of the bulk samples are shown in Table 7 below:

Table 7: Trench and Adit Bulk Sample Results from 1980 Exploration Program (adb)

Seam	Air Dry Moisture (%)	Residual Moisture (%)	Ash (%)	Volatile Matter (%)	Fixed Carbon (%)	Sulphur (%)	Calorific Value (BTU/LB)	HGI
Seam 60	6.2	0.7	11.7	16.4	71.2	0.36	13,546	79
Upper	3.4	0.7	6.4	13.0	79.9	0.38	14,486	57
Lower	4.4	0.5	8.6	13.4	77.5	0.39	14,235	65

A total of 3,266 m of NQ diamond drilling in 38 holes was completed in 1980 on an approximate spacing of 200 m. Core recovery was reported as “fair” for the Seam 60 (average 62.6 %), and good for the Upper (average 80.0 %) and Lower seams (average 79.8 %).

Teck Corp. also utilized a portable Winkie drill for the purposes of prospecting and seam tracing, pilot-hole drilling for selection of trench locations and shallow grid drilling. A total of 27 holes and 692 m were drilled, with excellent core recovery noted. Experience from drilling through overburden in previous years was applied to the 1980 program, and hence, greater depths were achieved.

Geophysical logging was conducted “open-hole” via wireline tools where possible. However, where unfavorable ground conditions were encountered, geophysical logs were conducted through the drill rods.

Coal core recovery averaged 74%, and coal seams were sampled in several plies to give better control and understanding of quality characteristics. Out-of-seam dilution was calculated through collection of roof and floor rocks (15 centimeters (cm) of each). The quality results further confirmed earlier observations: the coal is low ash, high calorific value and low in volatile matter. The FSI measured continued to be low; however, high reflectance and strength characteristics were confirmed.

Reserves were estimated in the 1980 exploration report as 18.66 Mt, with a potential 3 Mt to 4 Mt to be further defined in seams identified as big seam, middle seam and seismic seam. The strip ratio, excluding the potential other seam reserves, was noted as 5.6 bcm/ROM tonne, assuming an ultimate pit highwall angle of 45º. Recommendations for further drilling were tabled, particularly along the western margin to determine geological structure there. The reserve statement of the time did not comply with categories 1.3 and 1.4 of NI 43-101.

1981 Exploration Program

The 1981 exploration program was a continuation of the major exploration started in 1978 on the Property. As with the 1980 program, drilling density was increased in the main Brule deposit, and northern extensions of the coal were better defined. The 1981 field work consisted of rotary drilling, diamond drilling, geological mapping and geotechnical and environmental studies.

Nearby logging activity by Canadian Forest Products (Canfor), and road connections constructed by B.P. Oil and Gas allowed substantially better access to the Property. Teck Corp. upgraded the standard of the Canfor winter haul road during the summer period of 1981 to provide all season access. By November 1981 Teck Corp. held a total of 34 coal licenses in the Burnt River area (8,970 ha), and exploration equipment could be transported to the Property via this road with ease. It was noted that several new coal exposures were uncovered and mapped during road construction to the Property.

Rotary drilling during 1981 included 59 5-inch down hole hammer holes of 4,500 m total. The rotary drilling program did not provide for coal sample collection (for quality analysis). Overall spacing in the order of 100 m to 200 m was achieved during the year. Winkie drilling also continued, with 12 holes drilled over 303.2 m by the end of the year. The Winkie drill tested coal seam extent near the surface and confirmed the exposures in 1981, while simultaneously providing core samples for proximate analysis. Core recovery in coal was less than in previously years, with the average falling to 52%; however, overall recovery from the Winkie drill was 78% for AX core.

Winkie coal sections were sampled in plies and shipped to Birtley in Calgary for proximate analysis. Geophysical logging was conducted on each hole drilled during 1981.

The Upper Seam and Lower Seam coal quality had been classified by 1981 as semi-anthracite with low-ash and high calorific value and with the Seam 60 classified as higher-volatile thermal coal. These ratings would later change. Sulfur results were low as was the continued trend of FSI.

1985 Exploration Program

The 1985 project was initiated to upgrade the coal quality data on the Property, and to gather mining information on the coal measures in the main reserve areas. This program was done under the Bullmoose Operating Corporation; however, for clarity this TR continues to refer to the ownership as Teck Corp.

The 1985 program consisted of 1,014 m of rotary reverse-circulation drilling from 33 holes. Two bulk sample pits, one accessing the Upper Seam and the other accessing the Lower Seam, were excavated, totaling 43,120 tonnes of coal production. The bulk sampling program had two main purposes:

1. To provide a large enough sample for full scale testing by potential customers.

2. To provide a better basis for estimation of mining conditions and requirements.

Due to the faulting and folding in the Property, estimation of mining requirements was difficult, particularly with respect to blasting, coal cleaning, dig-ability, coal recovery and dilution. Bulk sampling of Burnt River coals provided better understanding of these factors. The pits were developed off the cropline at the southeast of the proposed Brule Mine footprint, as shown in Figure 5.

An approximate split of 20 kt of Upper Seam and Lower Seam was mined. Seam 60 was not bulk-sampled due to predictions on higher volatiles and moisture that were not suited to the market of the time. Coal was hauled via truck to the Bullmoose Mine load-out and taken by rail to the Prince Rupert, Ridley Terminal, for dispatch via ocean-going vessels to potential customers in Korea.

In 1985 Teck Corp. prepared a resource estimate of 33 Mt of thermal coal. The reserve statement of the time did not comply with mineral resource or mineral reserves as set out in Part 1, Sections 1.3 and 1.4 of NI 43-101.

No exploration on the Property occurred from the end of 1985 to January 1999 when Teck Corp. allowed the licenses to lapse in January of 1999.

Walter Energy Western Coal Exploration 2002 through 2010

Following license acquisition in 1999, WEWC purchased all the compiled geological information and mining studies completed by Teck Corp., and reviewed all data. WEWC initiated rotary drilling exploration on the Property in 2001, the first exploration in 16 years following Teck Corp.'s work in 1985. This drilling focused on the Dillon and Blind deposits to the northeast of the Brule deposit, as shown in Figure 6. Dillon drilling comprised nine rotary and two cored holes over a total of 430 m. Blind drilling comprised 16 rotary and two cored holes over a total of 1,321 m.

A total of 21 holes were drilled in 2002, totaling 922 m depth. One cored hole was completed over the Dillon deposit, and one cored hole over the Brule deposit. Geophysical logging took place on all holes in 2002.

In 2003, WEWC continued rotary drilling on the Dillon deposit. A total of nine holes were drilled, for a total depth of 407.9 m. The Dillon deposit was the focus of a separate Technical Report prepared by Weir International Mining Consultants in September 2004.

In 2004, WEWC continued with 26 rotary drill holes and three diamond drill holes over the Brule deposit, for a total of 2,602.6 m. Three bulk sample drill holes were completed over the Brule deposit in 2004, as shown in Figure 5 to a total depth of 93.5 m, and culminating in 0.5 tonnes of coal sample. Hence, the Brule deposit drilling and logging in 2004 totaled 2,696 m. A total of four rotary drill holes and 184.3 m were completed over the Dillon deposit in 2004.

In 2005, WEWC drilled two diamond drill holes and geophysically logged them. The holes were drilled to intersect the Overburden to Seam 60 lithologic sequence for ARD test purposes. The total depth of coring was 245 m. One of the core holes was deepened to 213 m. Two rotary holes were located within the Dillon deposit to a total depth of 122 m, and one rotary hole was drilled within the Brule deposit to a depth of 183 m. Hence, the Brule deposit drilling and logging in 2005 totaled 531 m.

In 2009, WEWC initiated a drill program to better define the coal seam locations and coal quality ahead of mine development in the Brule South area of the Brule Pit. The drill program consisted of the drilling and geophysically logging of 31 rotary drill holes and the drilling of three 6” bulk sample holes to obtain samples from Seam 60, Upper Seam and Lower Seam. The samples were taken to provide more detailed information on which portion of the 3 seams could be mined for direct shipment and which portions needed to be sent to a wash plant for washing.

In 2010, WEWC undertook a large drill program to increase the geologic confidence in the northwest area of the Brule Pit. The program consisted of the drilling and geophysically logging of 79 rotary drill holes. The drill holes intersected all the seams and provided better definition of the location of the major syncline identified in previous reports as the Owl Creek Syncline. The drilling reduced the cross sectional drill spacing to less an average of 100 meters. One additional bulk sample drill hole was drilled in Seam 60 to obtain an additional sample for product testing.

In summary, to December 2010, a total of 297 drill holes and 25,448 m were drilled by Brameda, Teck Corp. and WEWC on the Brule deposit. Another 44 holes and 2,023 m were drilled on the Dillon deposit. The Blind deposit has a total of 89 holes and 6,776 m. Hence, the Burnt River Property in total has 430 holes and 34,247 m of drilling completed since exploration drilling first commenced in 1977. A further sample trench, two adits and two bulk sample pits have been completed on the Property, which along with seven bulk sample drill holes have resulted in a total of 45,521 tonnes of coal produced from the Property for analytical testing.

Dillon is a mined-out, small open-pit coal mining operation owned by WEWC on the Property. The relevant data and information about this operation are discussed in Item 20 of this TR.

WEWC conducted a drilling program consisting of 11 rotary drill holes in 2006 and 26 rotary drill holes in 2007 in the Blind deposit area. The total depth of drilling in 2006 and 2007 are 1,246 m and 2,364 m, respectively. The 2006/2007 data had not been incorporated into the geological model and the reserve or resource estimates reported in 2007. The Blind deposit remains classified as an Inferred resource and was not used in the economic evaluation of the Brule Project in this TR.

Mining Operations

The Dillon Mine began operations in the autumn of 2004, and was in production through late 2006. The Brule mining operation started on mining a lower ratio phase in the northeast area of the Brule Pit in late 2006. Once this phase was complete, mining transitioned to the Blind Pit in 2007. In 2008 when the Blind Pit was exhausted, mining transition to the southernmost end of the Brule deposit. Since then the deposit has been mined in successive phases working north and west into the higher strip ratio areas of the mine. The Dillon and Brule operations have been mined using a mining contractor since 2004. The construction of the wash plant and load-out, envisioned in the 2005 FS, was not required based on the integration of the Willow Creek infrastructure into the operation.

ITEM 7: GEOLOGICAL SETTING AND MINERALIZATION

The following text has been taken from *Updated Technical Report on the Brule Coal Project for Western Canadian Coal Corp*, by E.H. Minnes, December 2007 and updated as necessary.

Regional Setting

The Project deposit is located within WEWC's Burnt River license area in the Peace River Regional District of northeastern British Columbia. This license area is within the Inner Foothills Belt of the Rocky Mountains, and is situated within the Liard Mining Division. Lower Cretaceous sediments of the Minnes, Bullhead and Fort St. John Groups underlie this region (see Figure 5).

The adopted nomenclature and classification of the regional Lower Cretaceous units have been referenced from D.F. Stott, as discussed in the Geological Survey of Canada Bulletins 152, 219 and 328. Stott's Table of Formations is shown in Figure 5.

Younger sediments of the Upper Cretaceous and Tertiary periods extend to the northeast of the Property, and the older strata below outcrop at the southwest. It is believed that the sediments were deposited in an inter-fingered and alternating succession of transgressive and regressive cycles along the western edge of the Western Canadian Sedimentary Basin. These cycles gave rise to depositional environments that ranged from marine to near-shore to deltaic and alluvial. Consequently, lithologies such as mudstone, shale, siltstone, coal, fine-to-coarse grained sandstone and conglomerate were formed.

A discussion of the regional stratigraphy and how it relates to the Property geology follows.

Rocks within the Bullhead Group comprise sediments deposited along the western margin of the Western Canadian sedimentary basin. Generally, these sediments begin to thin eastward and northeastward across the Rocky Mountain Foothills of northeast British Columbia and into the plains of Alberta. It is believed that the sediments were sourced from an ancient complex of sedimentary, metamorphic and volcanic rocks further to the west and southwest. The base of the Bullhead Group is a regional and angular erosional unconformity that truncates older Cretaceous and Jurassic strata below; it marks a major event in the development of the basin.

Generally, the region is characterized by the inter-tonguing of marine and continental sediments above this unconformity.

Lower Cretaceous Bullhead Group – Cadomin Formation

The Cadomin Formation is exposed to the southwest, coincident with the western margin of the Property. Regionally, the Cadomin Formation is described as a massive conglomerate formation containing chert and quartzite pebbles. In the Burnt River area, a siliceous cement binds a matrix of well-rounded cobblestones and boulders of black, white and green chert, and also white and grey quartzite and quartz with minor flattened and rounded pebbles within this formation. It is mostly identified as coarse sandstone grits with poorly sorted, thin pebble to small cobble conglomerate lenses. This matrix is highly resistant to physical and chemical weathering, and as such, is easily identifiable and well exposed in outcrops compared to the Gething Formation (discussed below).

When the Cadomin Formation is weathered, it takes the form of a rusty gravel. Due to all these traits, this formation is one of the best stratigraphic markers in the Burnt River area. It is frequently used as a regional geological mapping datum. The Cadomin Formation ranges in thickness from 15 m to 45 m within the Property.

Lower Cretaceous Bullhead Group – Gething Formation

The Gething Formation stratigraphically overlies the Cadomin Formation. Comprising multiple fining upward cyclotherms, typical of fluvial to deltaic depositional environments, there also appears to be some evidence of a near-shore transgressive sequence within the middle of the Gething Formation. The Gething sediments inter-tongue with conglomerates from the Cadomin Formation, and regionally the greatest accumulation of these sediments is in the immediate vicinity of Peace River. It is the middle of the Gething Formation that contains the primary coal bearing sequences of the Property.

The Gething Formation's occurrence between the massive Cadomin Formation below and the recessive Moosebar shales above usually permit its easy delineation in aerial photos. It has a positive topographic expression but is not as prominent as the massive Cadomin Formation conglomerate. The lower contact of the Gething Formation is drawn where conglomerates and grits disappear, coarse sandstone becomes rare and medium-to-fine sandstone, shale, clay and coal beds become common. The lower contact forms no persistent stratigraphic horizon but lies above different conglomeratic beds of the Cadomin Formation from place-to-place across the Property.

Generally, the Gething Formation lithology comprises fine-to-coarse grained brown, calcareous, carbonaceous sandstone; siltstones, shale, carbonaceous shale, coal, sandy shale and conglomerates. Immediately adjacent to the Cadomin Formation contact, there are thickly bedded and massive sandstones with conglomeratic phases present. The Gething Formation is poorly exposed on the Property. Basal conglomerates and sandstones form the only real distinctive horizons for identification. Overall, the Gething Formation thickness is interpreted to be approximately 450 m. Variations in thickness are due to depositional factors and to facies changes.

Past exploration (as outlined in Item 8) has identified three main coal seams in the middle of the Gething Formation. The uppermost seam, Seam 60, lies below fine-to-medium grained sandstones, shales and carbonaceous shale units. Seam 60 generally has an average thickness of 4.6 m in the Project area. Stratigraphically below Seam 60 are carbonaceous shales, minor siltstone units and a marker seam of an approximate thickness of 0.75 m.

The next seam located stratigraphically below Seam 60 is the Upper Seam. The offset distance is approximately 60 m vertically on average. The offset distance varies from 50 m in the southeast of the Brule deposit to 75 m in the northwest. Bordered by fine-to-medium grained sandstones, siltstones and shales, the Upper Seam generally has an average thickness of 3 m in the Project area. The Upper Seam is also shown to be split by a carbonaceous parting in various locations within the Property, with an average parting thickness of 1 m.

In relatively close proximity below, and separated by approximately 15 m vertically on average from the Upper Seam, is the thicker Lower Seam. Bordered by fine-to-medium grained sandstones, siltstones and shales, the Lower Seam generally has an average thickness of 4.6 m and is shown to be split by a carbonaceous parting in various locations; the parting has an approximate thickness of 1.4 m.

Higher in the Gething Formation, another seam is seen sporadically over the Property but is mostly truncated and removed by erosion and weathering. Some exploration reports termed this seam the Seismic Seam. There is little material data on this seam for review. The upper contact of the Gething Formation is defined by a thin bed of pebbly conglomerate, and then followed by a bed of glauconitic sandstone. The glauconitic sandstone leads into the marine sediments of the overlying Moosebar Formation.

Lower Cretaceous Fort St. John Group – Moosebar Formation

The Moosebar Formation is the lowest formation of the Fort St. John Group in the Pine and Peace River valleys and lies between the Gething Formation of the Bullhead Group below and the Gates and Torrens formations of the Fort St. John Group above.

The Moosebar Formation is not positively identified on the Property but is primarily a sequence of marine shales that were deposited during the transgression of the Moosebar Sea in Lower Cretaceous times. Exposure of the Moosebar sediments is normally restricted to areas of high relief, where creek channels or gullies cut along the strike of the beds.

The shales in the lower part of the formation are dark grey to black, rubbly to blocky and contain ironstone sideritic concretions up to 0.3 m in thickness and sporadically thin layers of bentonite.

They weather rusty. The shales grade upward into mudstone and siltstone, and in some places, highly glauconitic beds occur near the base of the Moosebar Formation. These glauconitic beds in places include shale, siltstone and sandstone.

The upper part of the Moosebar Formation consists of banded or fissile sandy shale, very fine grained sandstone and sandstone with interspersed shales; this part generally shows an increase in coarser clastic material contained in the beds of siltstone and silty sandstone. This latter sequence forms the transition from marine sediments to massive continental sands at the base of the overlying Gates Formation within the Fort St. John Group. The variable nature of the transition sequence accounts for the overall variation in the formation thickness, ranging from 120 m to 215 m.

Regional and Local Structural Setting

Structurally, the Property lies within the northwest extension of the Rocky Mountain Thrust Belt.

Regional deformation is generally in the form of northwest trending folds, interspersed with southwest dipping thrust faults. Two major zones of thrusting define the regional structure; the Bullmoose Thrust and the Chamberlain Thrust. Folds dominate the structural fabric and are characterized by broad, open synclines with tight, sharp anticlines.

The structural deformation zone of economic interest occurs immediately east of the main Rocky Mountain structural zone, which is defined by a broad syncline basin (termed the Owl Creek Syncline) that trends northwest-southeast, and sharp anticline limb structures dipping to the west. Regional structures can be seen in Figure 5.

The southwest dipping thrust faults truncate and transect the region. A major strike-slip fault, called the Mount Chamberlain Fault, exists southwest of the Project area, and another major thrust fault, the Bullmoose Thrust Fault, lies to the east of the Project area.

Folds tend to plunge gently to the southeast. Fold axes typically have gently undulating profiles that can give rise to double plunging canoe-shaped synclines. The anticlines are often composed of multiple subsidiary folds and flexures.

Observation of the distinct and relatively narrow synclinal basin during production at the Dillon Mine on the Property lent confidence to the discussion presented above and the modeled geological structure of the adjacent Brule and Blind deposits. These deposits are a geological connect of Dillon, and are truncated from each other by the Property topographic relief. Drilling confirms the structures as modeled.

The presence of coal on the Burnt River Property is confirmed through the Brule and Dillon mining operations, Property bulk sampling practice, outcrop exposures and drilling completed in exploration activities first started in 1971.

Mineralization

LV bituminous coals are found on the Property. Ten coal seams occur in the middle to upper Gething Formation, three of which have been determined to be of mineable thickness. These seams are of Lower Cretaceous age. The marine and non-marine sediments of the Gething Formation average over 240 m in total thickness and are believed to arise from a transgressive/regressive depositional sequence. The environment of deposit affected the in situ characteristics of the bituminous coals, and these characteristics are directly related to the amount and composition of partings (rock bands within the seams). For the Upper Seam and Lower Seam splits, the partings will be removed in mining to produce a marketable product when greater than 0.3 m in thickness. Minor partings will be removed by the preparation plant.

The structural deformation zone of economic interest occurs immediately east of the Main Rocky Mountain structural zone, which is defined by a broad syncline basin (the Owl Creek Syncline) that trends northwest-southeast, and sharp anticline limb structures dipping to the west. The regional geological traces shown in Figure 5 include outcrops, structural trends and faults. Apart from when impacted by one of six reverse faults, the seams are relatively continuous, with seam splits noted in the Upper and Lower seam group in distinct areas of the proposed Brule Mine footprint. These have been well defined by drilling (see Figure 6 for drill hole location plan).

The seams of LV bituminous coal across the Property are distributed into three main deposit areas identified through drilling and surface outcrop: 1) the centrally located Brule deposit, which was the focus of a bankable 2005 FS by Sandwell, and resource and reserve estimates by Marston in 2005 and 2007 (discussed in Item 14 and Item 15 of this TR); 2) the steep-dip monocline of the Blind deposit, located to the northeast of the Brule deposit; and, 3) the sharp and relatively narrow synclinal basin Dillon deposit, also to the northeast of the Brule deposit. Mining of the Dillon deposit was completed in September 2006. See Figure 3 for the distribution of deposits.

The 10 coal seams designated from oldest to youngest are: Marker A, Marker A-A, Marker B, Lower Seam, Upper Seam, Marker C, Marker D, Seam 60, Marker E and Marker F. They vary in thickness from thin traces of 0.4 m up to 11 m in the Lower Seam group. The two most notable markers are identified as Marker B, which lies approximately 1 m to 2 m below the Lower Seam, and Marker C, which lies approximately 20 m above the Upper Seam.

LV bituminous coal is the highest rank of bituminous coals under ASTM classification standards. It is found in Seam 60, Upper Seam and Lower Seam on the Property and forms the total resource tonnage in Item 19. The Upper Seam group averages 3 m in thickness, while the Lower Seam and Seam 60 are the thicker of the LV measures with an average of 4.6 m.

The upper-most economic coal is located in Seam 60. Seam 60 is a higher ash coal than Upper Seam and Lower Seam coals below, averaging 12% in situ. Ash values ranged from 8.5% to 23.3%. The dataset standard deviation was 3.9. Seam 60 ranges in thickness from 2.7 m to 8.4 m with an average thickness of 4.6 m. Seam 60 is vertically offset from the Upper Seam by approximately 60 m. Due to its high stratigraphic placement over the Brule footprint, it does not laterally cover the proposed Brule Mine footprint to the same extent that Upper Seam and Lower Seam do. It is truncated by the unconsolidated layer at the very top of the stratigraphic column and is oxidized above this layer. As such, Seam 60 comprises only 23.0% of the remaining Brule resource.

The Upper Seam is generally composed of dull-banded coal, and has splits in the northwest section of the Brule deposit. The seam's true thickness ranges from 0.4 m in the split area in the northwest to 4.7 m in the northeast and southeast. Upper Seam true thickness averages 3 m in the unsplit area and comprises 24.9 % of the Brule resource. The average in situ ash is 7.1% and ranges from 3.3% to 20%. The standard deviation for ash in the Upper Seam is 3.7.

The rock types above Upper Seam are primarily fine-to-medium grained sandstones, shales, carbonaceous shales, siltstones and minor mudstones. The floor rock below the Upper Seam is predominantly fine-to-medium grained sandstones, siltstones and minor carbonaceous shales as shown in Figure 7.

The separation (interseam thickness) between Upper Seam and Lower Seam is approximately 15 m to 20 m in the Brule deposit.

The Lower Seam (basal economic seam) is the cleanest and brightest seam on the Property and also covers the greatest lateral extent, comprising 52.1% of the Brule resource. True thickness values range from 0.7 m in the splits (at the far southwest of the Brule footprint), up to isolated areas of 11.1 m in the northwest. Lower Seam true thickness averages 4.6 m. The lack of substantial areas of seam splits contributes to its overall low ash content. The average in situ ash is 6.9%, with readings ranging between 2.8% to 17.6%. The standard deviation for ash in Lower Seam is 3.6. The roof rock of Lower Seam is the same as the floor rock of the Upper Seam (sandstones, siltstones and minor carbonaceous shales), and the floor rock (above Marker B) is predominantly shale, carbonaceous shale and minor siltstone. This is also shown in Figure 7.

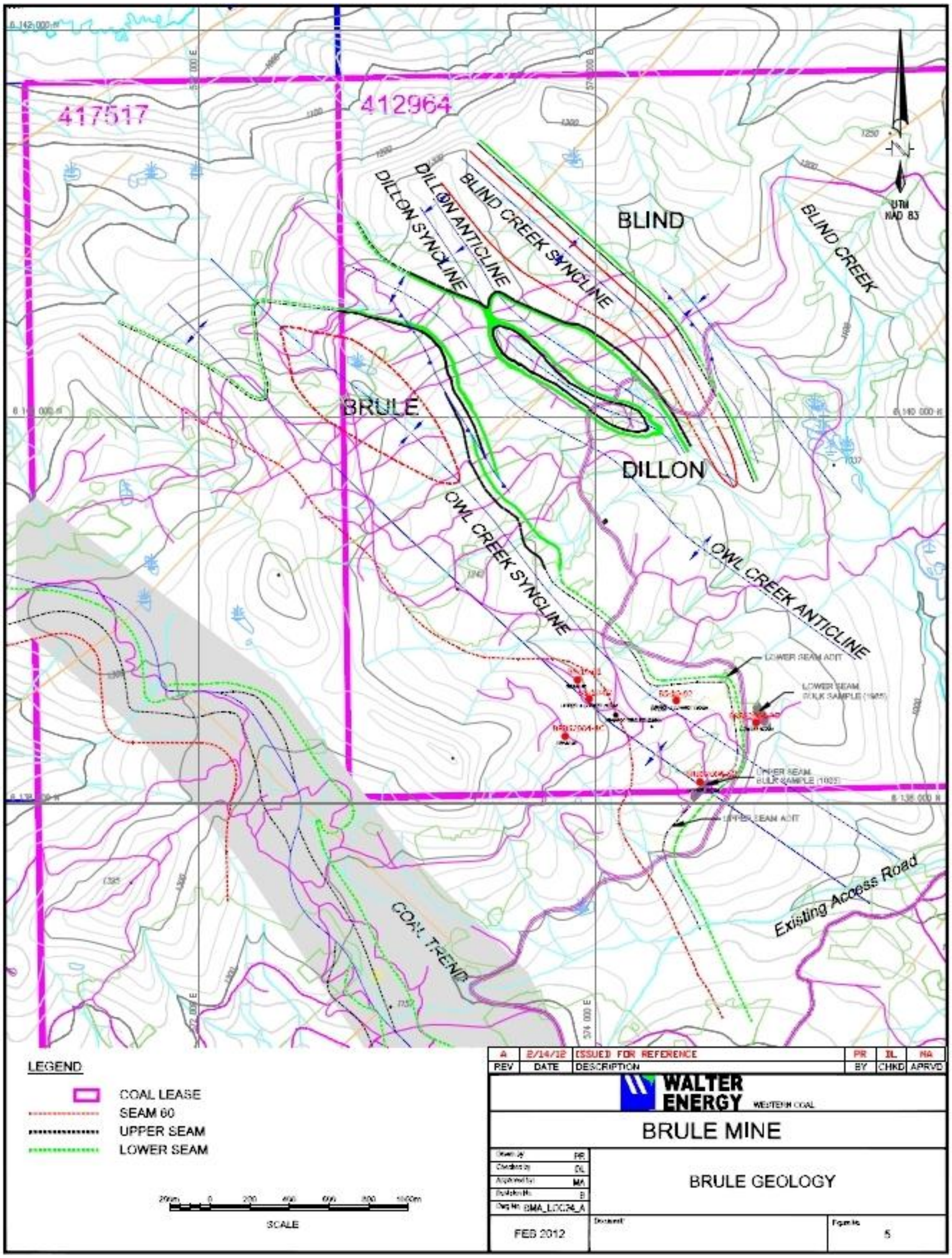
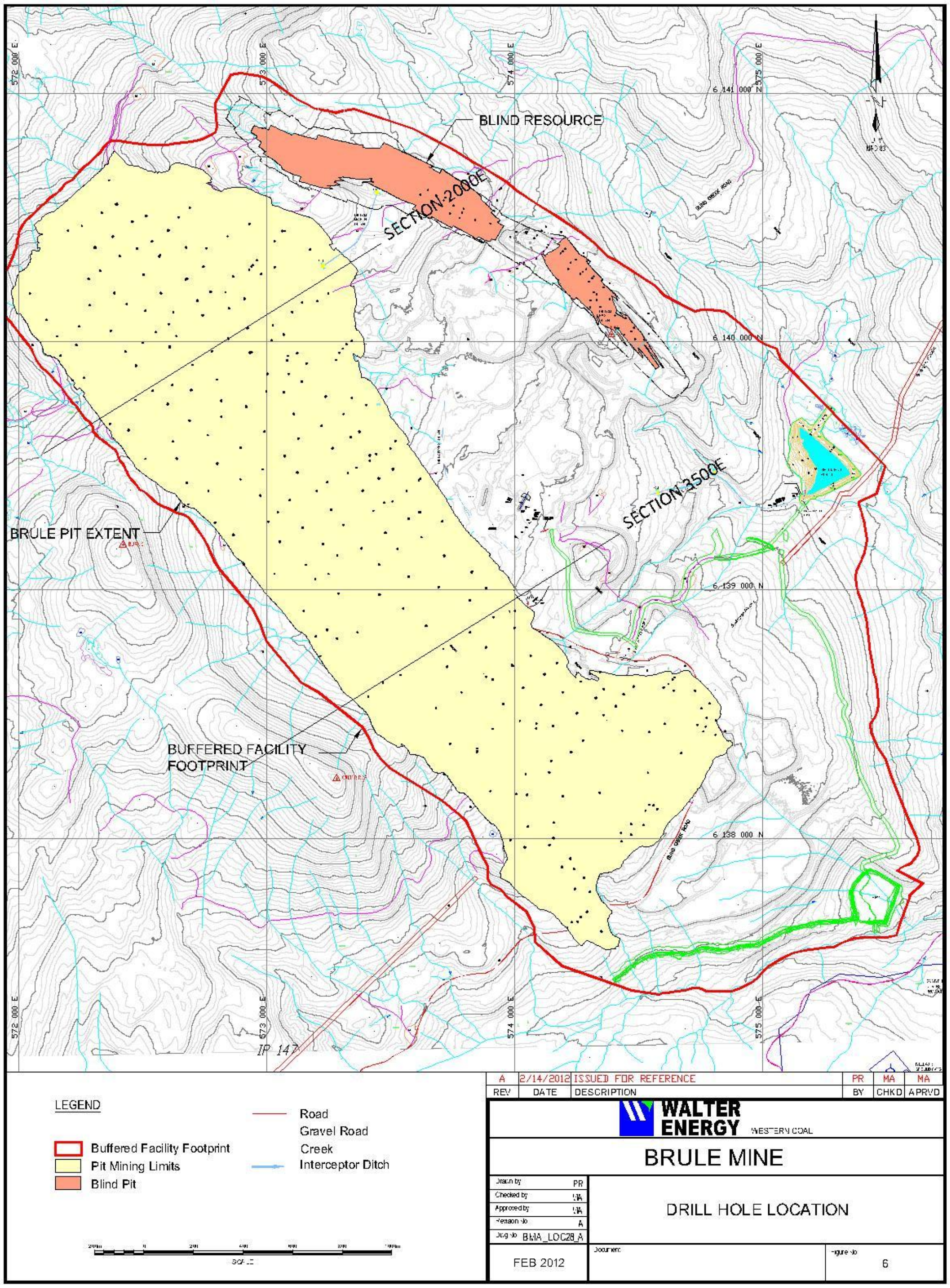


Figure 5: Brule Geology



BLIND RESOURCE
SECTION 2000E
SECTION 3500E
BRULE PIT EXTENT
BUFFERED FACILITY FOOTPRINT
572 000 E
573 000 E
574 000 E
575 000 E
6 141 000 N
6 140 000 N
6 139 000 N
6 138 000 N
LEGEND
Buffered Facility Footprint
Pit Mining Limits
Blind Pit
Road
Gravel Road
Creek
Interceptor Ditch
A 2/14/2012 ISSUED FOR REFERENCE PR MA MA
REV DATE DESCRIPTION BY CHKD APRVD
WALTER ENERGY
WESTERN COAL
BRULE MINE
DRILL HOLE LOCATION
FEB 2012
6

Figure 6: Brule Mine Drill Hole Location Plan

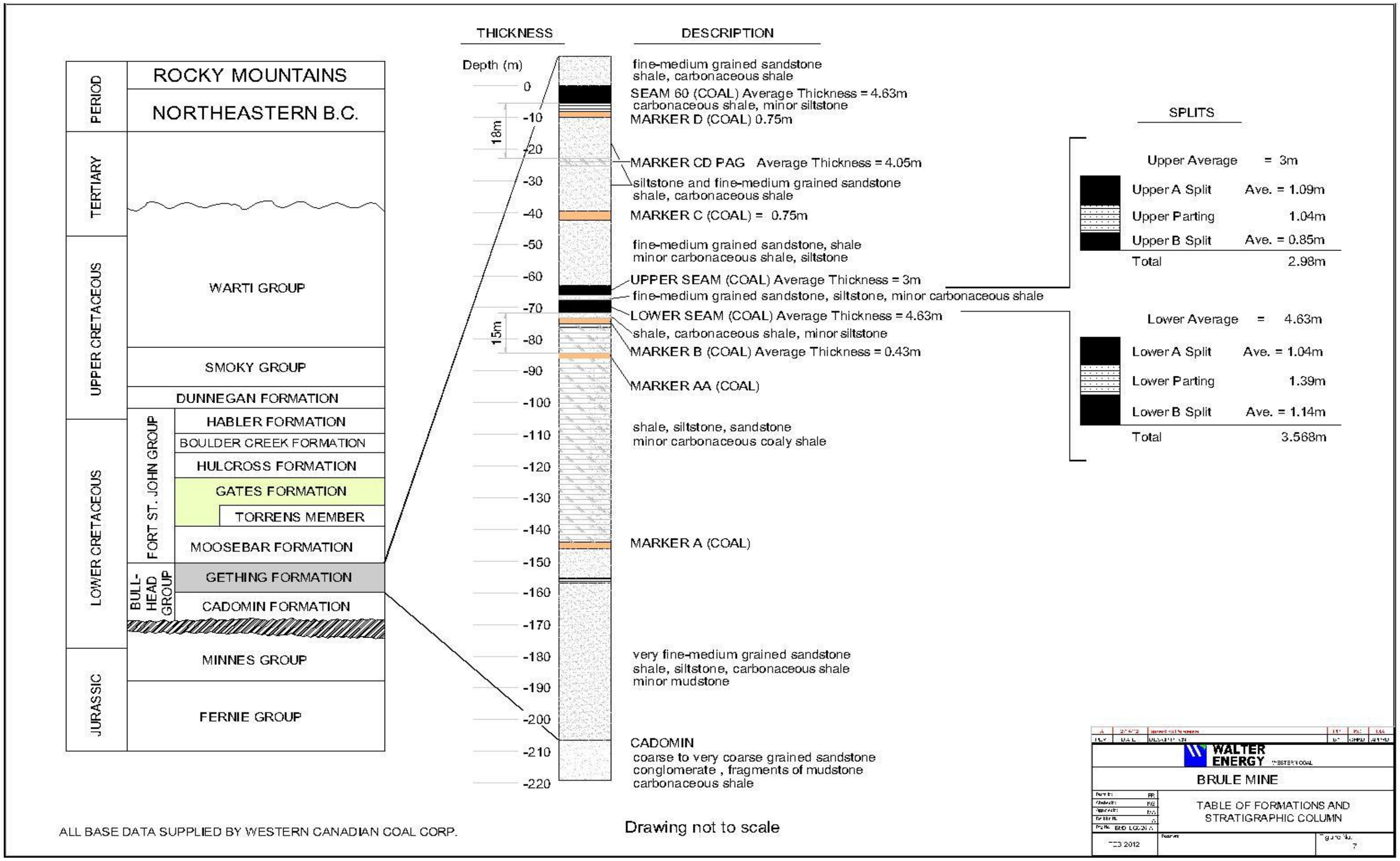


Figure 7: Brule Mine Typical Stratigraphic Column

ITEM 8: DEPOSIT TYPES

The following text has been taken from *Updated Technical Report on the Brule Coal Project for Western Canadian Coal Corp*, by E.H. Minnes, December 2007 and updated as necessary.

The mineral type being investigated at the Property is LV bituminous coal.

The Brule deposit is comprised of three LV bituminous coal seams deposited as layers in sedimentary rock formations. The three potentially economic seams are Seam 60, Upper Seam and Lower Seam. The Blind deposit, located to the northeast of the Brule deposit (see Figure 5) has two inferred and potentially economic seams: the Upper Seam and Lower Seam. The coal seams and sediments were deposited in an inter-fingered and alternating succession of transgressive and regressive cycles along the Western Canadian Sedimentary Basin, and therefore are variable in thickness and coal quality.

The rock formations on the Property were subjected to post-depositional tectonic deformation and are faulted and folded across the Property.

Generally for the Brule deposit, the folds trend to the northwest and are open, regular, consistent and predictable. The wavelength of the folds is greater than 1.5 km and the bedding inclinations average around 30º. Six faults have been identified in the area of interest in the Brule deposit. These faults are limited in extent and are generally of reverse orientation. These are shown in Figure 5 and Figure 8. The Brule deposit geological structure has been categorized as a Moderate geology type under the terms of GSC Paper 88-21.

The Blind deposit is centered on a single northeast-facing steeply dipping anticline limb (monocline). The modeled geological structure, based on drill hole intercepts and surface outcrops, includes a centrally-located drag structure, single reverse orientation fault and minor seam overturn toward the southeast. The Blind deposit geological structure has been categorized as a Complex geology type under the terms of GSC Paper 88-21.

Recommendations for the Blind deposit are outlined in Item 26.

Within the Gething Formation, a number of marker beds have been identified. These are shown in Figure 7. Markers A through F have been identified in drill holes on the Property and are further discussed in Item 9. Combined with the three prevalent seams in the middle Gething Formation (Seam 60, Upper Seam and Lower Seam), these marker seams are assisted with the correlation of individual seams between drill holes and outcrops within the Property. The geological model is typical of those used for stratigraphic deposits. The seams are continuous apart from separation due to faulting and intersections with unconsolidated layers or topography.

Surface mapping conducted between 1971 and the present day, and various aerial and land based surveys were used to define regional and local structures in the Property. Drill hole cores and chip samples, geophysical logs and interpretation with surface intercepts were used to verify and measure seam thicknesses and track seams across the Property at depth. Interpretations of the correlations, with particular emphasis on the three prevalent seams in the middle Gething Formation, have been reviewed and verified by Marston.

The exploration concept utilized on the Property by Teck Corp. and WEWC is to identify coal host sedimentary structures and explore for outcrops. Outcrops are used to drive the location of drill holes to intercept coal at depth. Historically, the Cadomin Formation's massive conglomerates (see Figure 6) have been utilized in the region as a correlation horizon for exploration of the Gething, Moosebar and Gates formations above. WEWC is continuing to explore the Property and surrounds. WEWC recently completed drilling programs at the Property to better delineate the coal resource in the Complex geology of the Blind deposit and increase the density of data points across the deposit.

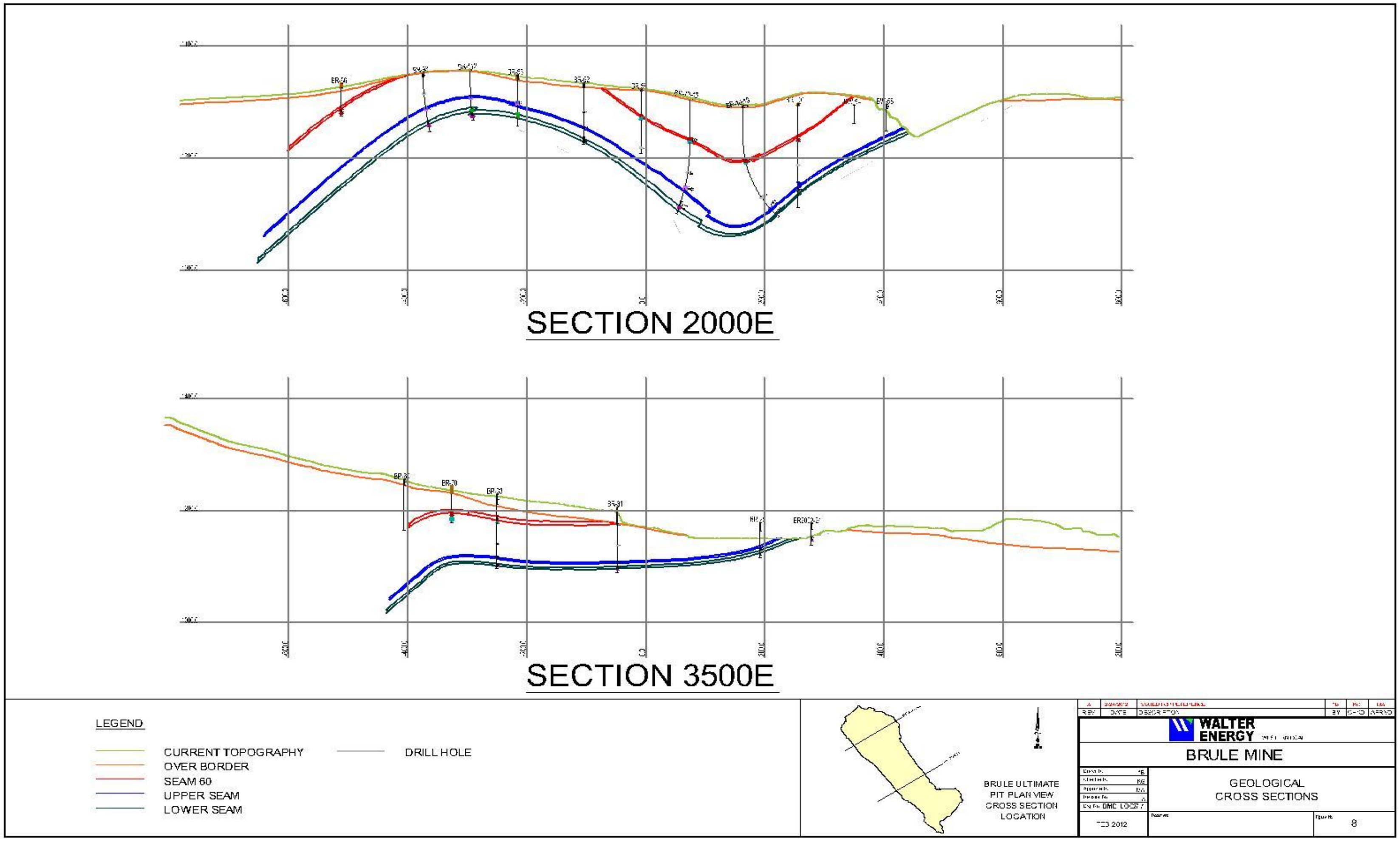


Figure 8: Brule Mine Geological Cross-Sections

ITEM 9: EXPLORATION

WEWC commenced first exploration on the Burnt River Property in 2001 following license acquisition from Teck Corp. in 1999. A description of this exploration is given in Item 6. The aim of the WEWC exploration was to further confirm past drilling results of Teck Corp. and to move the Brule and Dillon deposits into the Measured category under the terms of GSC Paper 88-21.

WEWC developed a series of procedures for drill core logging for exploration activities on the Property, and these were subsequently reviewed by Marston in 2005 and 2007.

In the 2007 TR Marston stated: "*The procedures appear thorough in content and of sufficient quality to support the delineation of resources and reserves based on exploration results obtained.*

The geology data obtained through Property exploration and provided to Marston electronically and in hard copy appear to accurately represent the targeted coal seams based on spot checks of 20% of holes against geophysical logs.

Exploration results were provided to Marston by WEWC in the form of an electronic drill hole database which included survey coordinates of hole collars, down hole azimuth and dip, total depth achieved, stratigraphy and coal lithology correlations, coal quality information (including ash, calculated density, Bore Core Normal (BCN)) and intercept depths. These data were verified by Marston from the paper-copy geophysical wireline and stratigraphic logs." This is further discussed in Item 12, Data Verification.

Apart from data analysis and interpretation of driller's logs and stratigraphic and geophysical wireline logs by professional staff of WEWC, all other tasks relevant to Property exploration (as outlined in Item 6) were conducted by professional contracting firms.

Table 8: WEWC Exploration Contractors 2001-2010

Contracting Party	YEAR									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Down Hole Geophysical Logging										
Century Wireline Services	√	√	√	√	√	√	√	√	√	√
Access (Road Construction) and Support										
Can West Industrial Contractors							√			
Pelly Construction						√		√		
Can West Exploration Ltd.									√	√
GM Backhoe Services				√	√					
Ken Murfitt Mechanical	√	√	√							
Rotary Drilling										
George Lindsay Drilling										√
RC Drilling									√	√
Derex Drilling						√				
Anderson Air Drilling				√						
Cameco Ventures				√			√	√		√
Dan Gare Drilling					√					
Ken Murfitt Mechanical	√	√	√							
Core Drilling										
Anderson Air Drilling				√						
RC Drilling									√	√
Dan Gare Drilling					√					
Ken Murfitt Mechanical	√	√	√							
Surveying										
Holmlund Exploration Services	√	√	√	√	√					
Laboratories										
Loring Laboratories	√	√	√	√	√					
GWIL - Birtley Coal & Mineral Testing Division			√						√	√
Consultants										
JHP Coal-EX Consulting Ltd.			√							
Lucas Geological Services	√									
Pika Geological	√	√	√							
ResourceEye Services Inc.			√	√						

The major aim of the WEWC exploration was to increase the drilling density over the Brule coal deposit to further define the structure of the mineralization and to have enough data points (defined by GSC Paper 88-21) over the Brule deposit to move the vast majority of the mineralization into the Measured category. This was achieved and is discussed in Item 14 and Item 15. In this way, previous geological modeling by Teck Corp. could be confirmed or modified as required to the new data collected. These data were used by WEWC to develop a new geological model utilizing Gemcom® software, a well-recognized industry standard modeling package. This new model was used to move the Brule mineralization into the Measured category under terms of GSC Paper 88-21. The original geological model developed by WEWC was provided to Marston in 2005 and was verified (Item 12) from both the Teck Corp. exploration data, and the later WEWC data collected during its 2001 through 2005 exploration campaigns on the Burnt River Property. This model has since been replaced by a new resource model developed from both the historical Tech Corp. data and the WEWC exploration data from 2001 to 2010.

ITEM 10: DRILLING

WEWC acquired Burnt River Property licenses in 1999 and commenced summer drilling operations in 2001; these drilling operations have continued off and on in summer-time periods through to present day. These operations have substantially increased the knowledge of the structural definition of the deposit, the limits of the seams, and have led to an improved geological model for the overall site from that first developed by Teck Corp.. It is this WEWC geological model which Marston verified as a part of the 2007 TR.

Details of WEWC's drilling locations and exploration activities have been included in Item 6.

Table 9 below summarizes the amount and type of drilling activity WEWC has undertaken on the Brule deposit since acquisition.

Table 9: Summary of WEWC Exploration Activities - Brule Deposit 2002-2010

Year	Drill Holes	Total Meters Drilled	Hole Type	Geophysical Logs
2002	19	720	17R, 2 RC	d,g,n,c,r
2004	26	2,210	26R	d,g,n,c,r
2004	6	486	3D, 3RC 6"core	d,g,n,c,r
2005	3	531	2D, 1R	d,g,n,c,r
2009	34	2,355	31R, 3RC 6"core	d,g,n,c,r
2010	80	10,163	79R, 1RC 6"core	d,g,n,c,r
Totals	**168**	**16,465**		

Note: D – Diamond Drill Hole, R – Rotary Drill Hole (RC - With Cored Sections). d, g, n, c, r – density, gamma ray, neutron, caliper, resistivity geophysical logs.

A large amount of the WEWC drilling in 2010 focused on the northwest and central part of the Brule deposit, yielding geological structure data in the syncline-anticline at this location, and moving the deposit into the Measured category under the GSC Paper 88-21 definition by maintaining a maximum spacing of data points to 450 m.

The down hole logging and sampling length specified within the WEWC Drill Core Logging procedure is sufficient for seam resolution and determination of mineralization contacts.

Detailed wireline logs were completed on the majority of the Burnt River drill holes, and these are supported by detailed stratigraphic logs and / or interpretations by WEWC. This is further discussed in Item 12.

The relationship between true thickness and sample length has been defined in Item 14, and was checked and verified from the drill hole logs. No significant discrepancies were found.

In the 2005 FS, Marston recommended that additional drilling should be conducted on the Blind deposit to allow for increased confidence in the geological model developed for that deposit.

WEWC completed drilling programs between 2006 and 2007.

Table 10, Summary of WEWC Exploration Activities – Blind Deposit 2001 – 2007, summarizes the amount and type of drilling activity WEWC has undertaken at the Blind deposit since acquisition.

Table 10: Summary of WEWC Exploration Activities - Blind Deposit 2001-2007

Year	Drill Holes	Total Meters Drilled	Hole Type	Geophysical Logs
2001	18	1,321	2D, 16R	d,g,n,c,r
2002	1	152	1R	d,g,n,c,r
2006	11	1,246	11R	d,g,n,c,r
2007	26	2,364	26R	d,g,n,c,r
2008	23	1,047	23R	d,g,n,c,r
Totals	**79**	**6,130**		

Note: D – Diamond Drill Hole, R – Rotary Drill Hole (RC - With Cored Sections). d, g, n, c, r – density, gamma ray, neutron, caliper, resistivity geophysical logs.

Marston did not verify the data obtained from the 2006 and 2007 drilling for the 2007 TR. The data has been incorporated into the current WEWC resource and reserve model. The Blind deposit is classified as an Inferred resource and was not used in the economic evaluation of the Brule Property.

ITEM 11: SAMPLE PREPARATION, ANALYSIS AND SECURITY

The following text has been taken from *Updated Technical Report on the Brule Coal Project for Western Canadian Coal Corp*, by E.H. Minnes, December 2007 and updated as necessary.

Sampling Method and Approach

Sampling of the LV bituminous seams in the Brule deposit of the Burnt River Property was conducted by Brameda, Teck Corp., Bullmoose and WEWC in the following seven ways:

1. Diamond drilling, first started in 1977, was used to locate, measure and collect samples from seams occurring at depth. In these holes, cores were collected of all the rock and coal from the base of the unconsolidated layer down to the bottom of the hole. Core recovery was generally logged in all holes. The majority of the coal cored intervals were sent by Teck Corp. to Cyclone Engineering Sales Ltd. in Edmonton, Alberta, for proximate analysis. This is further discussed in Item 15.

2. A trench was excavated off outcrop in 1980 to provide a bulk sample of Seam 60 coal, as shown in Figure 5.

3. Adits were driven in 1980 from surface outcrop to provide bulk samples of the Upper Seam and Lower Seam, as shown in Figure 5.

4. Bulk sample pits were excavated in 1985, and a total tonnage of 43,120 tonnes of Upper Seam and Lower seam coal was excavated from the Brule deposit for large scale trial cargoes to potential customers.

5. Rotary drilling, first started in 1981, was used to locate and measure seams occurring at depth. In some cases chip samples were collected for analysis, but most were logged and then disposed of.

6. Shallow depth Winkie drilling, first started in 1978, was used to test the extent of near-surface coal.

7. Bulk sample drilling first done by WEWC in 2004, using 6” core, was used to provide samples for washability testing.

From the diamond drill holes, core samples were taken of the three main economic seams (Seam 60, Upper and Lower). In general, drilling covers the Brule deposit along northeast-southwest oriented section-lines. The average spacing between the drill sections across the Brule deposit is 100 m, and distance between individual holes along the section lines is no more than 300 m, with the average being 130 m.

The maximum depth of any drill hole was 203 m on the Brule deposit, with the average depth achieved being 64 m. Most drill holes were geophysically logged on the Property. The down hole seam occurrences were measured in this logging process. Most drill holes were vertical, but some drill holes were angle drilled to intercept the seams in areas of more complicated geology. Drill hole locations can be seen in Figure 5.

In drill holes, Teck Corp. and WEWC geologists measured seam thicknesses from down-hole geophysical logs of rock density and core correlations. Geophysical logging is a standard tool for measuring the depth and thickness of coal seams because coal generally has a significantly lower specific gravity than interbedded rock layers. As such, a density log provides a distinctive marker to the presence of coal down-hole. Teck Corp. and WEWC geologists also measured the bore core normal (BCN) angle of rocks surrounding the coal seams to estimate the true thickness of dipping seams via a cosine function. This is discussed in Item 14.

Core recovery was variable for the drill holes, and varied between exploration periods on the Property. An issue of lesser-quality drill bits led to poor core recovery in 1981; however, the issue was recognized and resolved in future years. In the moderate geology, core recovery was generally good to excellent, between 70 and 100%. Core recovery does not impact seam thickness measurement, which was measured in all holes from geophysical logs.

Core recovery is however important for obtaining representative samples to determine in situ coal quality, and for subsequent laboratory test work. There were areas of low core recovery (38% to 53% on average) in the thinner splits of the Upper Seam and Lower Seam. While these areas may have reduced confidence, their contribution to the estimated resource at Brule is less than 5%.

The reviewed drill hole coal quality samples with recorded ash content were used to calculate the specific gravity of the coal. As a result, the ash content was key in the development of resource and reserve estimates. These samples averaged 76.6% core recovery, which was considered adequate overall for the purposes of estimating specific gravity.

From the trench and adits, Teck Corp. geologists, or technicians working under their supervision, collected channel samples from the exposed seams, and out-of-seam dilution samples were also collected along coal contacts. The trench and adit locations can be seen in Figure 5: Brule Geology. The Seam 60 trench bulk sample was used in Norwest's coal processing plant design work.

Bulk sample pits were formed on the Upper and Lower seam outcrops to the southeast of the Brule deposit. A total of 43,120 tonnes of coal was excavated by front-end loader and sent for trial cargoes. The sample pit locations can be seen in Figure 5, and relative to the outcrop traces in Figure 5.

Typically, Teck Corp. and WEWC geologists sampled all LV bituminous coal occurrences greater than 0.4 m in thickness. The sample intervals included all coal and rock bands comprising the seam. Frequently, sample intervals took into account in-seam parting contact locations, and as such detailed ash values were collected for the in-seam partings. Generally, greater than 0.5 m thick rock bands were deemed to be removable during mining, and were excluded from coal samples taken.

Teck Corp.'s exploration program included comprehensive proximate quality analysis of samples delivered to Cyclone Engineering Sales Ltd in Edmonton, Alberta.

Sample Preparation, Analysis and Security

Both WEWC and previous owners Brameda, Teck Corp. and Bullmoose collected coal samples across the Burnt River Property, including drill core, chip samples, outcrop samples, and bulk tonnage samples.

Sampling procedures from Brameda, Teck Corp. and Bullmoose are not reported; however, review of the contracted laboratory Cyclone Engineering Sales Ltd. (Edmonton, Alberta) and Birtley Coal and Minerals Testing (Calgary, Alberta) data of the time indicates that all tests were performed using American Society for Testing and Materials (ASTM) standard test methods.

Cyclone Engineering Sales Ltd. (Cyclone Engineering) typically performed proximate analyses on the samples. Occasionally, ultimate analysis, ash mineral analysis, Sulfur content, calorific value, HGI and FSI were tested.

Birtley Coal and Minerals Testing performed washability tests on the 1980 trench samples including raw head analysis, sizing, float-sink analysis, and froth flotation on minus 100 mesh material.

Birtley and Cyclone Engineering are independent coal laboratories familiar with coal testing and subject to the International Standards Organization (ISO) quality control measures of each lab.

Specific measures or checks of quality control employed by the laboratories prior to 1999 was not available for review.

Following license acquisition in 1999, WEWC also collected samples from the Property. This was also in the form of drill core, chip samples, and drill hole bulk tonnage samples. WEWC furnished its Drill Core Logging procedure, which Marston reviewed in 2005 and they subsequently determined that it was sufficient to support the collection of samples and delineation of coal and surrounding lithologies during core drilling practice. For stratigraphic logging, WEWC's procedure requires that lithology greater than 20 cm and differences in coal plies and in-seam partings greater than 5 cm are delineated. Marston considered this to be reasonable and sufficiently detailed for the Project.

The current WEWC coal core sampling protocol is as follows. Drill core containing coal is logged, photographed and placed in core boxes. Samples are identified at minimum intervals of 10 cm, and maximum intervals of 150 cm. Samples are tagged with hole ID, date and sample interval.

The tag and the sample are placed in Ziploc bags. These, in turn, are placed with all other samples from the coal interval in larger Ziploc bags or rice bags depending on sample size. These coal samples are then transported to the laboratories for processing and analysis.

Samples collected by WEWC were sent for analysis at Loring Laboratories Ltd. (Loring) of Calgary, Alberta. Loring performed analysis in 2001, 2002 and 2004 for WEWC.

The 2001 and 2002 analysis, under raw coal blend instructions of WEWC, typically included proximate analysis, sulfur and calorific value. Occasionally ash mineral analysis, HGI, FSI, phosphorous (in coal), ultimate analysis, ash fusion and petrography were also done.

In 2004, Loring performed ash analysis, sizing, proximate analysis, sulfur, sink-float analysis and froth flotation on Seam 60, Upper Seam and Lower Seam from samples collected in three bulk sample exploration holes.

Loring are industry recognized professionals in coal quality testing, and are subject to work under the stipulations of ASTM and ISO standards. Marston did not perform an audit of Loring procedures.

Samples collected by WEWC in 2009 and 2010 were sent for analysis at GWIL – Birtley Coal & Mineral Testing of Calgary, Alberta. On these samples, Birtley performed ash analysis, sizing, proximate analysis, sulfur, sink-float analysis and froth flotation on Seam 60, Upper Seam and Lower Seam from samples collected from 6" core bulk sample exploration holes.

In 2007 Marston stated: "*WCCC, Teck Corp., Brameda and Bullmoose's sampling, sample preparation, security and analytical procedures are reasonable and based on proven industry standards. This opinion is based on a) the materials reviewed and data verification process conducted in the preparation of this TR; b) the observations of Edward H. Mines during the site visit; and c) Teck Corp., Brameda, Bullmoose and WCCC's use of laboratories recognized for coal analytical work and high standards."* Having directed the recent WEWC programs and from a review of the previous work, the authors concur with this conclusion.

ITEM 12: DATA VERIFICATION

The resource and reserve estimates in this TR are based on the 2010 resource model. An internal review and verification was undertaken of the coal seam surfaces modeled by WEWC. This included review of exploration stratigraphic and geophysical logs on the Brule deposit, and detailed checking of the electronic geological database.

Drill hole records retained by WEWC included geophysical wireline logs, stratigraphic logs, WEWC drill hole lithology reports, Teck Corp. drill hole datasheets, and Cyclone Engineering proximate analysis results. In some cases, ultimate analysis, sulfur and calorific value results were also available as quality data.

WEWC prepared and provided the data for the previous Marston Technical Reports. For those reports Marston verified the following key technical and scientific data from WEWC: topographic mapping, drill hole and sample locations, WEWC's geological models, in situ coal quality analyses and coal washability results used for process plant design and to predict saleable product yield.

For topographic mapping, WEWC provided digital contour data from LIDAR surveys. The LIDAR data compared reasonably with drill hole collar elevations.

For the 2007 Study, Marston verified the drill hole data by comparing copies of original driller's logs on file at WCC with the WEWC electronic data files provided. The data logs and files were also compared with geophysical logs for selected holes to verify seam location and apparent thickness. WEWC's geological models of each coal seam and major rock units were compared with the drill hole logs. The base drill hole data compared well with WEWC's geological models.

For the coal quality data, Marston compared WEWC's electronic data with copies of original independent laboratory reports or summaries of such reports. Similarly, coal washability data provided by WEWC were compared with the independent laboratory reports. In all cases, the data compared well. For the Study, Marston used this data to prepare in situ coal quality models of the seams and to project product yield by seam for comparison to WEWC's assumptions. Marston's product yield projections compared well with WEWC's yield estimates.

Marston reported that the primary limitation on the verification work described above is that it was not contemporaneous with the actual field work; i.e., Marston was not present at the time that the data were collected and reported. However, Marston found no reason to believe that the data as presented were not collected in a reasonable manner and to reasonable industry standards.

WEWC (the author and others) has direct knowledge of the drill sites, and has utilized internal controls and checks and conducted similar verification work to have confidence in the data.

ITEM 13: MINERAL PROCESSING AND METALLURGICAL TESTING

Bulk sampling on the Brule deposit was first conducted by Teck Corp. in 1980 following the excavation of a trench and two adits into the three seam groups. The locations of the excavations from the 1980 exploration program are shown in Figure 5.

Near surface coal was sampled off the outcrop lines toward the southeast of the Brule deposit footprint. Out-of-seam dilution samples were also collected for use in laboratory analysis. The bulk samples collected are listed below in Table 11:

Table 11: 1980 Bulk Sample Composite Percentages

Sample	Seam 60 (%)	Upper Seam (%)	Lower Seam (%)	Dilution (%)
Bulk Sample Seam 60	100.0	0.0	0.0	0.0
Bulk Sample A	25.0	35.0	40.0	0.0
Bulk Sample B	22.5	31.5	36.0	10.0

Samples from this program were sent to Birtley in Calgary, Alberta, for washability analysis. Birtley, now part of GWIL Industries, is a recognized coal industry specialist in washability and coal quality analysis and adheres to the standards put forth by ASTM and ISO.

The test work by Birtley included a screen analysis on apertures of 3/4", 3/8", 28 mesh and 100 mesh of coal samples crushed to -2". Proximate analysis was performed on an air dried basis for each of the above size fractions, consisting of weight %, ash %, residual moisture %, volatile %, fixed carbon %, sulfur % and FSI. The above size fractions, with the exception of 100 mesh x 0, were subjected to sink-float analysis. Froth flotation was performed on the 100 mesh x 0 fraction. The results of the washability testing are summarized in Table 12 and Table 13.

Table 12: 1980 Bulk Sample Analysis - Birtley Coal and Minerals Testing

SAMPLE COMPOSITE "A"

60% SEAM 60, 35% UPPER SEAM, 40% LOWER SEAM

HEAD RAW ANALYSIS							
ADM %	MOIST %	ASH %	VOL %	FC %	S %	FSI	CALC. BASIS
4.5	0.5	8.8	14.2	76.5	0.41	1/2	a.d.b.
	5.0	8.4	13.6	73.0	0.39	–	a.r.b.
		8.8	14.3	76.9	0.41	–	d.b.

SIZE AND RAW ANALYSIS, a.d.b.									
SIZE FRACTION	WT %	RM %	ASH %	VOL %	FC %	S %	FSI	CUMULATIVE	
								WT %	ASH %
2" x 3/4"	16.6	0.7	6.1	12.7	80.5	0.37	1/2	16.6	6.1
3/4" x 3/8"	12.5	0.7	7.9	13.6	77.8	0.35	1/2	29.1	6.9
3/8" x 28 m	51.5	0.6	9.0	13.5	76.6	0.39	1/2	80.6	8.2
28 m x 100 m	12.3	0.6	10.4	14.2	74.8	0.45	1/2	92.9	8.5
100 m x 0	7.1	0.8	12.9	14.8	71.5	0.55	N.A.	100.0	8.8

	S.G. FRACTION	WT %	ASH %	FSI	CUMULATIVE WT %	CUMULATIVE ASH %
SINK-FLOAT ANALYSIS a.d.b. 2" x 3/4"	- 1.30	11.6	1.8	2	11.6	1.8
	1.30 - 1.35	74.5	3.0	1/2	86.1	2.8
	1.35 - 1.40	4.6	8.8	1/2	90.7	3.1
	1.40 - 1.45	3.3	13.1	1/2	94.0	3.5
	1.45 - 1.50	1.5	18.6	1/2	95.5	3.7
	1.50 - 1.60	1.0	29.4	1/2	96.5	4.0
	1.60 - 1.70	0.5	36.3	1/2	97.0	4.2
	1.70 - 1.80	0.8	44.3	1/2	97.8	4.5
	1.80 - 1.90	0.2	54.8	N.A.	98.0	4.6
	+1.90	2.0	81.6	N.A.	100.0	6.1
SINK-FLOAT ANALYSIS a.d.b. 3/4" x 3/8"	- 1.30	26.1	2.0	1 1/2	26.1	2.0
	1.30 - 1.35	55.8	3.1	1/2	81.9	2.7
	1.35 - 1.40	6.0	8.5	1/2	87.9	3.1
	1.40 - 1.45	2.8	13.6	1/2	90.7	3.5
	1.45 - 1.50	1.9	17.6	1/2	92.6	3.8
	1.50 - 1.60	1.4	28.4	1/2	94.0	4.1
	1.60 - 1.70	1.1	37.8	1/2	95.1	4.5
	1.70 - 1.80	0.8	45.4	1/2	95.9	4.9
	1.80 - 1.90	0.4	55.0	N.A.	96.3	5.1
	+1.90	3.7	80.0	N.A.	100.0	7.8
SINK-FLOAT ANALYSIS a.d.b. 3/8" x 28 m	- 1.30	48.8	1.6	2	48.8	1.6
	1.30 - 1.35	32.4	3.7	1/2	81.2	2.4
	1.35 - 1.40	4.2	9.2	1/2	85.4	2.8
	1.40 - 1.45	2.9	13.6	1/2	88.3	3.1
	1.45 - 1.50	1.9	19.8	1/2	90.2	3.5
	1.50 - 1.60	1.7	28.8	1/2	91.9	3.9
	1.60 - 1.70	1.3	37.1	1/2	93.2	4.4
	1.70 - 1.80	1.0	44.3	N.A.	94.2	4.8
	1.80 - 1.90	0.7	53.2	N.A.	94.9	5.2
	+1.90	5.1	76.7	N.A.	100.0	8.8
SINK-FLOAT ANALYSIS a.d.b. 28 m x 100 m	- 1.30	42.2	1.6	2	42.2	1.6
	1.30 - 1.35	29.4	3.0	1/2	71.6	2.2
	1.35 - 1.40	7.8	6.3	1/2	79.4	2.6
	1.40 - 1.45	4.9	10.9	1/2	84.3	3.1
	1.45 - 1.50	2.4	16.4	1/2	86.7	3.4
	1.50 - 1.60	3.4	23.1	1/2	90.1	4.2
	1.60 - 1.70	2.1	34.9	N.A.	92.2	4.9
	1.70 - 1.80	1.3	44.6	N.A.	93.5	5.4
	1.80 - 1.90	1.1	54.1	N.A.	94.6	6.0
	+1.90	5.4	77.0	N.A.	100.0	9.8
FROTH FLOTATION TEST, a.d.b. 100 m x 0	Stage I	58.7	7.6	1/2	58.7	7.6
	Stage II	8.3	14.4	N.A.	67.0	8.4
	Tailings	33.0	20.3	N.A.	100.0	12.4

Source: Birtley Coal & Minerals Testing, Lab No. 6588. For Teck Mining Group.

Table 13: 1980 Bulk Sample Analysis - Birtley Coal and Minerals Testing

SAMPLE COMPOSITE "B"

90% COMPOSITE A, 10% DILUTION ROCK

HEAD RAW ANALYSIS							
ADM %	MOIST %	ASH %	VOL %	FC %	S %	FSI	CALC. BASIS
4.2	0.6	15.9	13.1	70.4	0.37	1/2	a.d.b.
	4.8	15.2	12.5	67.5	0.35	–	a.r.b.
		16.0	13.2	70.8	0.37	–	d.b.

SIZE AND RAW ANALYSIS, a.d.b.									
SIZE FRACTION	WT %	RM %	ASH %	VOL %	FC %	S %	FSI	CUMULATIVE WT %	CUMULATIVE ASH %
2" x 3/4"	17.4	0.4	13.8	12.2	73.6	0.34	N.A.	17.8	13.8
3/4" x 3/8"	13.2	0.6	18.6	12.0	68.8	0.33	N.A.	31.0	15.8
3/8" x 28 m	50.7	0.8	14.8	13.1	71.3	0.35	1/2	81.7	15.2
28 m x 100 m	11.2	0.7	12.5	14.5	72.3	0.43	1/2	92.3	14.9
100 m x 0	7.1	0.9	15.3	14.7	69.1	0.52	1/2	100.0	14.9

	S.G. FRACTION	WT %	ASH %	FSI	CUMULATIVE WT %	CUMULATIVE ASH %
SINK-FLOAT ANALYSIS a.d.b. 2" x 3/4"	- 1.30	16.0	1.7	2	16.0	1.7
	1.30 - 1.35	65.1	3.2	1/2	81.1	2.9
	1.35 - 1.40	2.2	9.8	1/2	83.3	3.1
	1.40 - 1.45	3.0	13.7	1/2	86.3	3.5
	1.45 - 1.50	0.9	19.7	1/2	87.2	3.6
	1.50 - 1.60	0.8	29.9	1/2	88.0	3.9
	1.60 - 1.70	0.6	38.2	1/2	88.6	4.1
	1.70 - 1.80	0.3	48.0	1/2	88.9	4.2
	1.80 - 1.90	0.2	54.3	N.A.	89.1	4.4
	+1.90	10.9	86.7	N.A.	100.0	13.3
SINK-FLOAT ANALYSIS a.d.b. 3/4" x 3/8"	- 1.30	27.4	1.9	1 1/2	27.4	1.9
	1.30 - 1.35	46.9	3.6	1/2	74.3	3.0
	1.35 - 1.40	2.2	9.9	1/2	76.5	3.2
	1.40 - 1.45	2.5	14.3	1/2	79.0	3.5
	1.45 - 1.50	1.0	18.9	1/2	80.0	3.7
	1.50 - 1.60	1.2	26.8	1/2	81.2	4.1
	1.60 - 1.70	1.0	35.3	1/2	82.2	4.4
	1.70 - 1.80	0.8	46.1	N.A.	83.0	4.8
	1.80 - 1.90	0.5	51.4	N.A.	83.5	5.1
	+1.90	16.5	86.0	N.A.	100.0	18.5
SINK-FLOAT ANALYSIS a.d.b. 3/8" x 28 m	- 1.30	49.2	1.9	2	49.2	1.9
	1.30 - 1.35	24.5	3.9	1/2	73.7	2.6
	1.35 - 1.40	4.7	9.0	1/2	78.4	3.0
	1.40 - 1.45	2.1	13.8	1/2	80.5	3.2
	1.45 - 1.50	1.6	18.2	1/2	82.1	3.5
	1.50 - 1.60	1.9	27.5	1/2	84.0	4.1
	1.60 - 1.70	1.2	35.6	1/2	85.2	4.5
	1.70 - 1.80	1.0	44.0	N.A.	86.2	5.0
	1.80 - 1.90	0.9	50.7	N.A.	87.1	5.4
	+1.90	12.9	82.6	N.A.	100.0	15.4
SINK-FLOAT ANALYSIS a.d.b. 28 m x 100 m	- 1.30	38.5	1.6	1 1/2	38.5	1.6
	1.30 - 1.35	26.1	3.3	1/2	64.6	2.3
	1.35 - 1.40	10.3	6.1	1/2	74.9	2.8
	1.40 - 1.45	6.3	10.1	1/2	81.2	3.4
	1.45 - 1.50	2.1	15.8	1/2	83.3	3.7
	1.50 - 1.60	3.2	23.3	N.A.	86.5	4.4
	1.60 - 1.70	2.5	32.3	N.A.	89.0	5.2
	1.70 - 1.80	1.6	44.7	N.A.	90.6	5.9
	1.80 - 1.90	1.1	53.6	N.A.	91.7	6.5
	+1.90	8.3	78.7	N.A.	100.0	12.5
FROTH FLOTATION TEST, a.d.b. 100 m x 0	Stage I	44.0	9.1	1/2	44.0	9.1
	Stage II	10.0	15.6	N.A.	54.0	10.3
	Tailings	46.0	20.5	N.A.	100.0	15.0

Source: Birtley Coal & Minerals Testing, Lab No. 6590. For Teck Mining Group.

Each specific gravity fraction from the sink-float analysis was subsequently tested for weight %, ash % and FSI. In January 1981, Simon-Carves performed a series of computer predictions of coal washability on the Burnt River Property. Simon-Carves evaluated a low capital alternative as directed by Teck Corp.. As such, the process method put forth by Simon-Carves is substantially different than the one put forth by Norwest in the FS, and utilized a Baum-Jig for a higher ash product.

The wash process for the 2005 FS was developed by Norwest. It was developed to minimize the production of fines by washing only the coarse fraction of the ROM coal. Employing this method allows the relatively small amount of slurried fines in the reject to be filtered and combined with coarse refuse and eliminates the requirement for a tailings pond. The coarse fraction of the coal was washed to an ash specification that allowed the non-washed fines to be blended with the washed coal and meet overall product specifications.

ROM ash content was calculated based on the 1980 bulk sample data and rock contact quality data obtained from recent WEWC drilling. Based on all data available, it was determined that the fines resulting from screening at 3 mm could be added to the washed +3 mm coal and meet product specifications. This estimation included an allowance for 4% of misplaced -3 mm material in the feed to report to the wash plant; see Table 14.

A process flowsheet was developed by Norwest. The ROM coal is fed into a rotary breaker where a portion of the coarse waste material is rejected. Coal exiting the breaker was then dry screened to separate the -3 mm coal. The +3 mm size fraction coal was then processed by using a large heavy media cyclone. The clean coal was then sized with the +25 mm size fraction being crushed to -50 mm. The -50 mm, -25 mm washed product and the -3 mm raw coal was then combined for shipment.

The results of the washability testing show that the yield and product quality of the Upper Seam and Lower Seam is superior to that of Seam 60. This is primarily due to the higher ash content of the in-situ Seam 60 coal. In order to meet the targeted quality of 7.5% ash (adb), the seams would need to be blended in a proportion of 75% Upper and Lower seams and 25% Seam 60.

Reserves for the FS estimate the percentage of Seam 60 at 15%, which would indicate the potential for marginally lower ash or higher yields than predicted. Total yield used for predicting clean coal tonnages was 92% based on the data shown in Table 14: Estimated Coal Yield and Coal Quality14, and is calculated below.

Table 14: Estimated Coal Yield and Coal Quality

Coal Washability Characteristics - Upper and Lower Seams

	Process Type	Specific S.G.	Weight Percent	R.O.M. Feed (ad)	Process Yield percent	Product tonnes (ad)	Ash percent (ad)	Surface Moisture	Total Moisture	As Received Tonnes
+3 mm	HM Cyclone	1.6	64.8	259	90	233	3.7	4.5	5.5	244
-3 mm	Bypass		35.2	141	100	141	12.5	7.0	7.9	152
			100	400		374	7.0	5.4	6.4	396

Coal Washability Characteristics - Seam 60

	Process Type	Specific Gravity	Weight Percent	R.O.M. Feed (ad)	Process Yield percent	Product tonnes (ad)	Ash percent (ad)	Surface Moisture	Total Moisture	As Received Tonnes
+3 mm	HM Cyclone	1.5	68.9	275.6	85	234	4.2	4.5	5.5	245
-3 mm	Bypass		31.1	124.4	100	124	17.5	7.0	7.9	134
			100	400		359	8.8	5.4	6.3	379

Note: Coal wash characterisitics were developed from 1980 bulk sample data

Upper and Lower Yield = Product Tonnes / ROM Tonnes = 374 / 400 = 93.5%

Seam 60 Yield = Product Tonnes / ROM Tonnes = 359 / 400 = 89.8%

At proportions of 75% and 25%:

(300 tonnes * 93.5% + 100 tonnes * 89.8%) / 400 = 92.6%

In April 2007 WEWC entered into an agreement to purchase the Willow Creek Coal Mine which is located approximately 45 km west of Chetwynd, British Columbia. The Willow Creek property includes coal handling, processing and rail facilities which would eliminate the need to construct a new preparation plant and load-out facility for the Brule operation. ROM coal from Brule would be trucked approximately 63 km along the Fallen Creek Connector road to the Willow Creek facility for processing and load-out.

Through 2010 and 2011, Brule coal was washed at the Wolverine plant and old Willow plant. The higher ash portions of the upper and lower seam (10% of the ROM tonnage) and seam 60 were washed at both facilities. This resulted in an average yield of 50% for the higher ash portions of upper and lower seam and 70% yield for seam 60. These yields have been used as the basis for the reserves. All this coal is assumed to be processed through the upgraded Willow Creek Plant. At the time of this report, there was no experience with running Brule coal through the upgraded Willow Creek Plant.

The option of using the Willow Creek plant for Brule coal was reviewed. The evaluation began with a review of the Willow Creek plant flowsheet which had been modified from the existing plant to provide fines capacity for processing the Pine Valley coal. The capacity for this flowsheet was 450 tph. The circuit and equipment loadings on this revised flowsheet were near the rated capacity in the water only cyclone, spiral and screen bowl circuits. The simplified solids flowsheet is shown in

Figure 11.

A further study was conducted to review the Willow Creek flowsheet to incorporate the Brule coal as an additional feed source. The size data for Brule coal showed a much coarser size consist than the Pine Valley coal. When processing the Pine Valley coal, the fine circuits are the capacity limiting factors. When processing the Brule coal, the coarse circuit is the capacity limiting factor.

To accommodate 2.2 million raw tonnes per annum (Mt/a) of Brule PCI coal with 2.2 Mt/a of Pine Valley coal consisting of 1.25 Mt/a PCI coal and 0.95 Mt/a hard coking coal, the plant capacity is being upgraded to 660 tph. The fines circuit and the coarse circuit have both have had a 50% increase in capacity to process the hard coking coal at 660 tph.

In June 2011 the construction of an expansion project at the Willow Creek processing facility was started. This upgrade consisted of three areas being upgraded or expanded.

The ROM handling system is changed with a new rotary breaker installed to replace the existing two double roll crushers. The new rotary breaker is also accompanied with a new truck dump facility. In the new system the operations now have the flexibility to crush coal and feed it directly onto the clean coal stockpile by-passing the plant. They also have the option of only feeding the coarse material (+13mm) to the wash plant and feed the finer material (-13mm) directly to the clean coal stockpile. The third option will be to feed all the crushed material to the wash plant.

The second area that is upgraded is the coarse and fine circuits of wash plant. The equipment in the plant was upgraded to handle the increase in feed capacity from 450t/h to 660t/h. A flotation circuit is also added to capture the fine fraction of the Hard Coking coal from Willow Creek.

The refuse handling system is upgraded to handle the increased production.

The facility at the Willow creek plant will now be able to handle all the Brule and Willow Creek coal, regardless of the quality. If the coal quality is acceptable for directly ship when it comes from the mine, it can be crushed at the Willow plant and conveyed directly to the clean coal stockpile. If the coal needs to be beneficiated it can be crushed and beneficiated in the upgraded facility.

The upgraded facility will be in full operation from March 2012.

With the plant improvements noted above, the Willow Creek preparation plant is expected to have sufficient capacity to handle the combined feed from Brule and Willow Creek and have the proper processing functionality to achieve the 92% yield developed by Norwest for the 2005 FS.

Seam 60 Quality Discussion -

WEWC has shipped 4.5mt coal from the Brule Deposit that has been recognized as a premium Low Volatile (LV) PCI coal. These shipments were acceptable with WEWC's customers and were received with infrequent minor penalties for ash content. Seam 60 has successfully been blended with Upper and Lower into the LV PCI product. This coal has been processed through the Willow Creek Plant and the Wolverine Plant.

In 2001 WEWC utilized exploration drill cores to produce a variety of coal blends for testing. Loring Laboratories Ltd. (Loring) of Calgary, Alberta was utilized to perform quality analysis on these blends, which included proximate analysis, ultimate analysis, phosphorous (in coal), sulfur, ash mineral analysis, ash fusion, HGI, calorific value, FSI and petrography tests. These tests further confirmed the coal quality as determined from the 1980s test work by Bullmoose and coal type as LV bituminous coal. As the Norwest study was used only for the purposes of estimating yield and product ash, these (2001) results were not utilized in their analysis. The results of this test work are found in Table 15: WEWC Indicative Specification. This table has been updated from the 2005 FS to include analysis of two recent shipments for comparison.

In 2004 WEWC drilled three bulk sample holes (BSBR2004-3 through BSBR2004-5) as shown in Figure 5. Proximate and sulfur analysis were conducted by Loring on these samples, and a sink-float analysis on Seam 60, Upper Seam and Lower Seam was conducted on size fractions 19 x 3mm, 3 x 0.6mm and froth flotation on the 0.6 x 0mm fraction. The data presented were not used in the development of the washability estimates but do support the washability estimates developed by Norwest.

Table 15: WEWC Indicative Specification

SAMPLE ID: Western LV PCI Coal

Basis	Dry
Proximate Analysis	
Ash %	8.10
Volatile Matter %	15.50
Fixed Carbon %	76.50
Sulphur %	0.56
Calorific Value (kcal/kg)	7900
Phosphorous %	0.05
FSI	1/2 - 1
HGI	65
Ultimate Analysis	
Total Carbon %	89.60
Hydrogen %	4.03
Nitrogen %	1.22
Sulpher %	0.60
Oxygen %	4.50
Ash Analysis	
SiO_2 %	63.90
Al_2O_3 %	20.10
TiO_2 %	0.92
Fe_2O_3 %	4.91
CaO %	2.28
MgO %	0.90
Na_2O %	1.32
K_2O %	1.59
P_2O_5 %	1.31
SO_3 %	1.79
Undet. %	0.98
Ash Fusion Temperatures (Reducing)	
Initial ℃	1438
Softening ℃	1460
Hemispherical ℃	1482+
Fluid ℃	1482+

ITEM 14: MINERAL RESOURCE ESTIMATES

Coal Resources have been calculated for the Brule deposit. Only areas that can be potentially surface mined have been targeted for evaluation. Coal that could be mined using underground methods has not been analyzed in this report.

The term "resource" is utilized to quantify coal contained in seams occurring within specified limits of thickness and depth from surface. The term "resource" refers to the in- place inventory of coal that has 'reasonable prospects for economic extraction'. Coal resources are always reported as in-place tonnage and not adjusted for mining losses or recovery. However, minimum mineable seam thickness and maximum removable parting thickness are considered.

In accordance with NI 43-101, for estimating coal resources and reserves of the Brule Mine, WEWC has applied the definitions of "Mineral Resource" and "Mineral Reserve" as set forth in the CIM Definition Standards (CIMDS).

Under CIMDS, a Mineral Resource is defined as "… a concentration of natural, solid, inorganic or fossilized organic material in or on the Earth's crust in such form and quantity and of such a grade or quality that is has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge." Mineral resources are subdivided into classes of Measured, Indicated and Inferred, with the level of confidence reducing with each class, respectively. Coal resources are always reported as in situ tonnage, and are not adjusted for mining losses or mining recovery.

CIMDS also states it is acceptable to use *Geological Survey of Canada Paper 88-21, A Standardized Coal Resource/Reserve Reporting System for Canada* (GSC 88-21) as a framework for the development and categorization of coal resource estimates, but that the GSC 88-21 categories should be converted to the equivalent CIMDS categories for public reporting.

WEWC applied the GSC 88-21 parameters of deposit type, geology type, coal thickness, overburden depth, distance from data point and coal parting thickness to evaluate and classify resources and reserves at Brule Mine.

WEWC estimated mineral resources within a conceptual pit design based at a 20:1 bcm/ROM tonne cut-off strip ratio. The resources were calculated on a geological model that was updated by WEWC from coal roof and floor structure data for the Brule and Blind deposits.

The Measured, Indicated and Inferred classifications are in accordance with the CIMDS, which was approved in December 2005 by the CIM Council. CIMDS specifies that additional guidelines for coal resource estimates are set forth in GSC 88-21. The GSC 88-21 guidelines essentially describe the data point density required to estimate Measured, Indicated and Inferred resources given different coal deposit geology types. WEWC applied the GSC 88-21 guidelines to estimate the mineral resources for the Brule Coal Project area.

Table 16 shows the Measured, Indicated and Inferred bituminous resource estimates for the Property by seam. At a 20:1 BCM/ROM tonne cut-off strip ratio, the estimated Measured and Indicated bituminous in situ resources total 28 Mt for the Brule deposit. Incremental analysis of the LG pits was completed for a cut-off strip ratio of 20:1 BCM/tonne ROM. Coal within the 20:1 bcm/tonne ROM cut-off was classified as a coal resource under the guidelines in GSC paper 88-21 with Measured, Indicated and Inferred resources calculated as described above.

The Blind deposit contains an additional 1.9 Mt of in situ Inferred resources within the 20:1 BCM/ROM tonne cut-off ratio.

The recent drilling programs around the Blind deposit were performed to allow for increased confidence in the geological model developed for the deposit. The results of these drillings were incorporated into the Blind resource model. The Blind deposit is classified as an Inferred resource and was not used in the economic evaluation of the Brule Property.

Table 16: Brule Mine Coal Resource Estimates by Seam

Insitu (Kt)

	Seam	Measured	Indicated	Inferred
Brule	Seam 60	6,428	0	0
	Upper Seam / Lower Seam	21,554	0	0
	Totals	27,982	0	0
Blind	Upper Seam / Lower Seam	0	0	1,963
	Totals	0	0	1,963

ITEM 15: MINERAL RESERVE ESTIMATES

A Mineral Reserve is defined as "… the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined." A Mineral Reserve is subdivided into two classes, Proven and Probable, with the level of confidence reducing with each class, respectively. The CIMDS provides for a direct relationship between Indicated mineral resources and Probable mineral reserves, and between Measured mineral resources and Proven mineral reserves. Inferred mineral resources cannot be combined or reported with other categories.

An updated mine design and a financial analysis have been completed for the Brule Mine.

Key Assumptions, Parameters and Methods Used to Estimate Mineral Resources

Walter Energy created a three-dimensional digital geological model in Gemcom Gems® software package from coal seam surfaces provided by WEWC. The seam quality data used in the model is summarized in Table 17 from 2005 FS Geologic Model. The data used were from WEWC's electronic files of Teck Corp. and WEWC exploration and analysis data, which were verified by Marston.

Table 17: Coal Seam Data from 2005 FS Geologic Model

Seam	No. of Quality Datapoints	Minimum Thickness (m)	Maximum Thickness (m)	Average Thickness (m)	Average In Situ Ash Content (adb) %	Average In Situ Specific Gravity (adb) t/bcm	Norwest Average Product Yield (Product % of ROM)
C60	45	2.7	8.4	4.6	12.0%	1.34	92%
Upper	71	2.0	4.7	3.0	7.1%	1.29	92%
Upper split A	25	0.4	1.2	0.9	11.2%	1.35	92%
Upper split B	31	0.6	1.6	1.1	11.9%	1.37	92%
Lower	101	1.9	11.1	4.6	6.9%	1.29	92%
Lower split A	9	0.8	1.3	1.0	8.7%	1.30	92%
Lower split B	9	0.7	1.6	1.1	10.5%	1.33	92%
Total / Average	**291**	**0.4**	**11.1**	**4.0**	**8.5%**	**1.31**	**92%**

The Brule and Blind bituminous resource model was developed using seam surfaces and solids modeling by WEWC, and block modeling controlled by the solids, topography and unconsolidated surfaces. The Brule coal deposit is of Moderate geology type as defined in GSC Paper 88-21; see Item 10 of this TR. Based on the drilling data available, the Blind Inferred resource is categorized as a complex deposit.

Drill hole, outcrop, trench and bulk sample pit data points were used by WEWC to construct the seam surfaces. This work was verified by first validating approximately 20% of the drill holes against the geophysical logs, and secondly, by examining how the seam roofs and floors honored the drill data. No significant discrepancies were discovered. This validation is further discussed in Item 12 of this TR.

WEWC constructed seam solids from the seam surfaces (roof and floors). A seam solid is a term used for a closed triangulation used to model a solid object. All solids in the block models that were developed carry a seam designation for identification. Cross sections were constructed through the model at a spacing of 100 m to allow for the checking of modeling validity and correlations with known fault surfaces. The models were thoroughly reviewed to ensure they were consistent with the previous structural interpretation of the Property except where new data indicated otherwise.

Seam true thickness values were verified from down hole exploration wireline geophysical logs and borehole core normal (BCN) angles as follows:

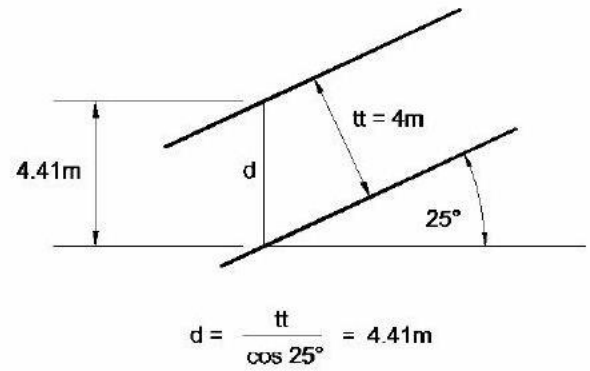
Seam true thickness (tt) = apparent seam thickness (d) * cosine (dip of coal (BCN))

For example, if apparent thickness (d) is 4.41 from the wireline logs, and the BCN

reports a dip of 25º, then *Seam tt = d * cosine (BCN)*

*Seam tt = 4.41 * cosine (25)*

= 4 m



A block model was created using the solid models to code seam identification into the blocks. A variable size block model was utilized. The model was created with a parent block size (maximum block size) of 30 m x 30 m x 10 m and a smallest sub-block size of 1 m x 1 m x 1 m.

The seam solids, topographic surface, unconsolidated surface, marker solids and faults define the creation of the solids model. Seams were coded independently of each other based on; a) location to a fault (above or below); b) minable seam parting thickness (Upper Seam and Lower seam were split into Upper A & B and Lower A & B when the seam parting thickness exceeded 0.60 cm true thickness) and c)mineable high ash zones.

In situ coal seam density (specific gravity) was estimated based on in situ ash measurements included in WEWC's and Teck Corp.'s analytical exploration data. Because apparent specific gravity is used, the resource estimates are designated as "air-dried," which reflects the sample condition in the standard specific gravity measurement. After mining and processing, the actual density of mined and product coal differs from apparent specific gravity depending on the coal's actual pore volume and surface moisture. Standard industry practice is to use apparent specific gravity measurements as a starting point for in situ coal resource estimates and apply any adjustments for density changes due to mining and processing to reserve estimates.

Coal seam density is a function of ash content because of the influence of in-seam rock partings on the average density of the seam. A study commissioned by the BC Geological Survey in 1999 explored the correlation between ash and in-situ specific gravity in highly sheared coals within the province. For the block modeling in this study, the following equation was developed by Ryan and Takkinen and published the GSC in 1999 (as referenced in Item 23 of this TR):

$SG = 0.000{,}008 \times ash^3 - 0.000{,}009 \times ash^2 + 0.008 \times ash + 1.2278$

ROM coal tonnage was calculated from in situ coal volume, mining recovery and average specific gravity with a moisture adjustment as follows:

ROM tonnage = (in situ volume x coal mining loss x average specific gravity adjusted to the ROM moisture)

ROM moisture = 3.5%

Coal Mining Loss = 5% of in situ volume

ROM moisture Adjustment = (100) / (100 – ROM moisture)

Product coal tonnage was calculated from ROM tonnage, yield and a moisture adjustment as follows:

Product Tonnage = ROM tonnage x yield x product moisture adjustment

Where

Yield = 86.2% (Dry Basis)

ROM moisture = 3.5%

Product moisture = 8%

Product moisture adjustment = (100 – ROM moisture) / (100 – Product moisture)

See Item 13 for additional information on the development of yield estimates.

The Brule and Blind deposits were then designated a geology type. Based on the broad folding with seam dips generally less than 30º and the limited extent of faulting, the Brule geology type was classified as Moderate. The model was coded as Measured, Indicated or Inferred based on the distance to the nearest data point as shown below.

• Measured Resources Data point distance – Zero to 450 m

• Indicated Resources Data point distance – 450 m to 900 m

• Inferred Resources Data point distance – 900 m to 2,400 m

Based on the steeply dipping and overturned areas in the Blind Pit, this area was designated as Complex. With the limited drilling data and experience gained with mining the low strip ratio areas available during the time of this report, the resources within the Blind Pit were conservatively designated as Inferred.

In 2005 and 2007, pit shells were developed using an average pit wall angle of 45º and LG pit design tools in the Vulcan 3-D® software package. In 2011, WEWC updated the LG pit using Gemcom's Whittle® software package using an overall pit wall angle of 47.25º. This method of targeting resources delineates coal meeting the pit slope and economic constraints but does not account for access. Estimated unit costs were used with the LG routine to develop a detailed design pit at a breakeven price of CAN$131. Based on the positive results of the FS, the resources within the FS design pit were classified as reserves in accordance with the CIMDS and GSC 88-21.

Based on the positive results of the 2005 FS, WEWC elected to develop the Brule Property. Mining operations commenced in November 2006, and the first coal from the Brule Property was produced in January 2007 and has been mined continuously to the time of this report.

WEWC detailed a reconciliation of material mined against the resource model. The data provided showed that WEWC has mined 16.6% of the ROM reserves of the Brule deposit. The resource model predicted the in-situ coal tonnage within an accuracy of 5%.

WEWC has incorporated the 2006 to 2010 drilling and designed the pit using the following mining criteria:

- Minimum coal seam thickness: 0.6m;
- Recommended highwall and footwall design parameters
- ROM density based on insitu seam ash % and coal loss of 5% averaged over all seams

In addition to the application of mining criteria, breaker and plant yield factors are used to estimate clean saleable reserves on a seam by seam basis. A nested series of conceptual pit shells was developed using Whittle® Lerchs-Grossman (LG) analysis and evaluated using preliminary production cost criteria as follows:

- Waste Related Cost $ 5.85 per BCM
- ROM Related Cost $ 13.05 per ROM tonne
- Clean Coal Related Cost $ 24.30 per clean tonne

Exchange rates and metallurgical coal prices are currently very volatile. These rates were compared against the projected exchange rates and metallurgical coal prices, and an average long term price of CAD 131.25 per tonne of PCI coal was selected as the basis for defining the ultimate pit boundary. The selected resulting LG pit shell was refined into final wall designs, considering access and other practical mining limitations. The ultimate pit, i.e. excavation limits, is shown on Figure 9 with the plan view of the mine at end of mining is given on Figure 10.

A production schedule was developed using a database consisting of logical mining benches and phases within the ultimate pit designs for the Study. The volumes of coal and waste in each mining block were derived from the WEWC geological model. The coal resource volumes and tonnage estimates were then modified using the following mining criteria:

a) Mining bench height – 12 m.

b) Minimum coal mining thickness – 0.6 m.

c) Minimum removable parting thickness – 0.2 m.

d) Coal loss – 5% of the coal volume is not recovered.

e) Product yield - Based on ROM ash, dry basis versus yield functions for each seam with adjustments for the Willow Creek Plant.

Using the scheduling database, a logical mining sequence and production schedule was developed to produce an average of 2.2 Mt/a of ROM coal product from the ROM coal mined from the Brule area. The Brule area is being mined with conventional open-pit mining methods using hydraulic excavators and off-highway rear-dump haulage trucks for waste and coal mining.

Based on the Study and its economic results, the estimated remaining coal reserves for the Brule Mine are as shown on Table 18.

Table 18: Brule Mine Estimated Coal Reserves

	Run-of- Mine (Kt)		
Seam	**Proven**	**Probable**	**Total**
Seam 60	4,264	0	4,264
Upper Seam / Lower Seam	19,055	0	19,055
Totals	**23,318**	0	23,318

For the Brule Project, the total estimated Proven and Probable ROM coal reserves are 23.32 Mt. All of the Brule reserves are classified as Proven. The Brule Mine stripping ratio is projected to be 8.7 BCM waste per ROM tonne requiring the removal of 203 MBCM of waste during the remainder of the mine life.

Based on the estimated ROM coal and process recoveries, the estimated recoverable (saleable clean) coal is set out in Table 19: Brule Mine Estimated Recoverable Coal.

Table 19: Brule Mine Estimated Recoverable Coal

	Clean Coal (Kt)
Seam	
Seam 60	**2,985**
Upper Seam / Lower Seam	**18,102**
Totals	**21,087**

Coal Quality

The coal in the Project area is LV bituminous in rank under ASTM standards. A large amount of in situ coal quality data was compiled by Teck Corp. through laboratory test work on coal cores by Cyclone Engineering Sales Ltd. of Edmonton, Alberta. WEWC has also collected quality samples, analyzed through Loring Laboratories Ltd. of Calgary, Alberta. This test work is discussed in Item 6 and Items 9 through 13 of this TR. The estimated saleable coal quality of the Brule Mine saleable coal is shown in Table 20.

Table 20: Brule Project - Coal Seam Quality Data

Product Quality Specification	Clean Coal Specifications
Moisture	8.5 max
Ash (%, db)	8.0 ± 0.5
Volatile Matter (%, db)	14.5 - 15.8
Fixed Carbon (%, db)	76.80
Sulfur (%, db)	<0.55
Free Swelling Index	1 to 2
Calorific Value kcal/kg	7850
Plant Yield (%,db)	86.2

Discussion on Material Effects of Issues on Mineral Resource Estimates

A basic assumption of this report is that the estimated coal resources in the Brule area are currently being exploited and assuming a reasonable outlook for all issues that may materially affect the mineral resource estimates.

Failure to achieve reasonable outcomes in the following areas could result in significant changes to the resources and reserve estimates presented in this TR:

- WEWC must retain customers and achieve current and forecast market prices for the saleable coal reserves in the Brule area.

- WEWC must complete the upgrades to the Willow Creek CHPP in order to achieve the production rates and operating costs that form the basis of the reserve estimate. This is scheduled for completion in the first quarter of 2012.

Except as stated herein, WEWC is not aware of any modifying factors exogenous to mining engineering considerations (i.e., competing interests, environmental concerns, socio-economic issues, legal issues, etc.) that would be of sufficient magnitude to warrant excluding reserve tonnage below design limitations or reducing reserve classification (confidence) levels from Proven to Probable or otherwise.

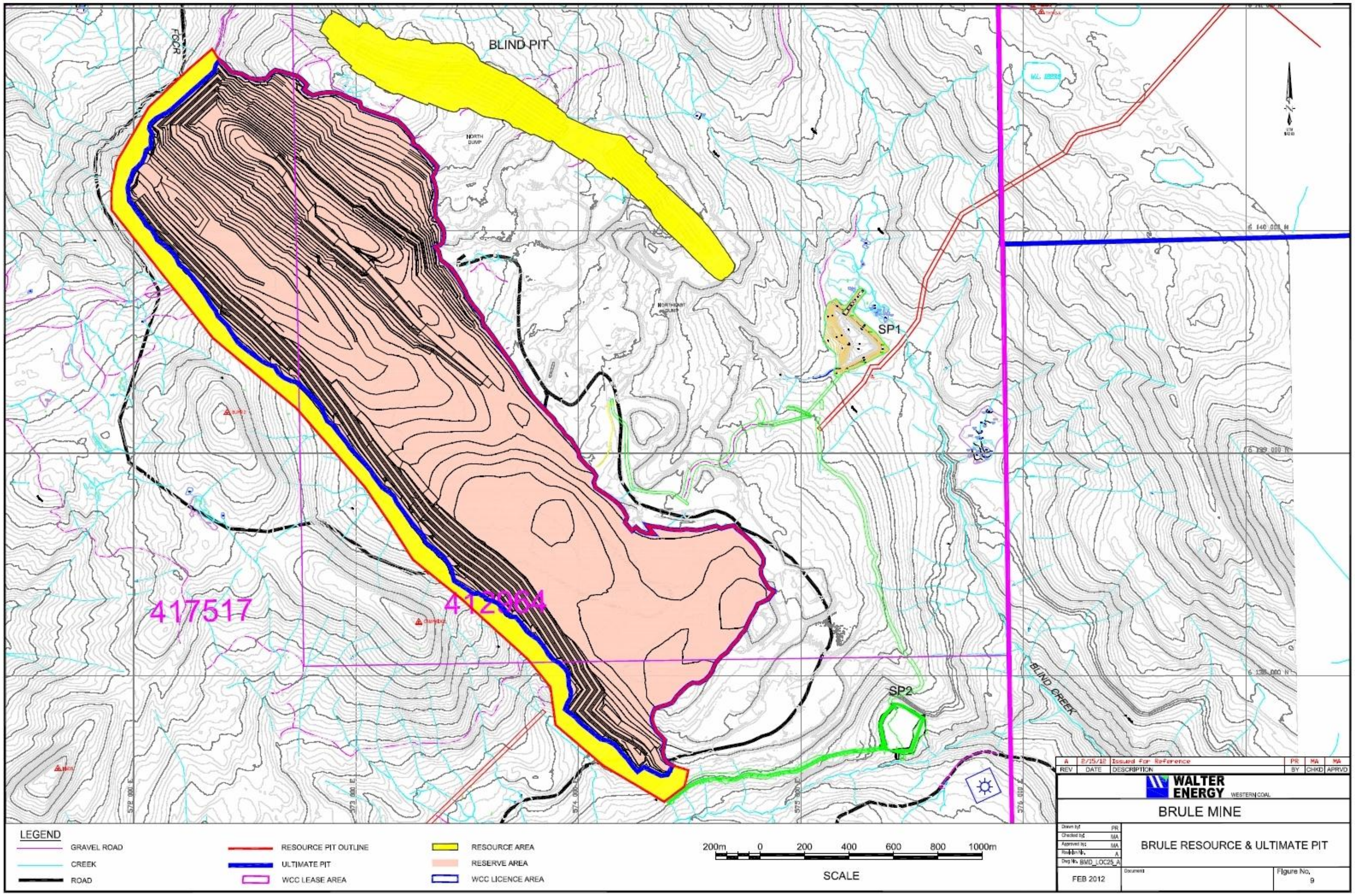


Figure 9: Brule Mine Resource Pit Outline and Ultimate Pit

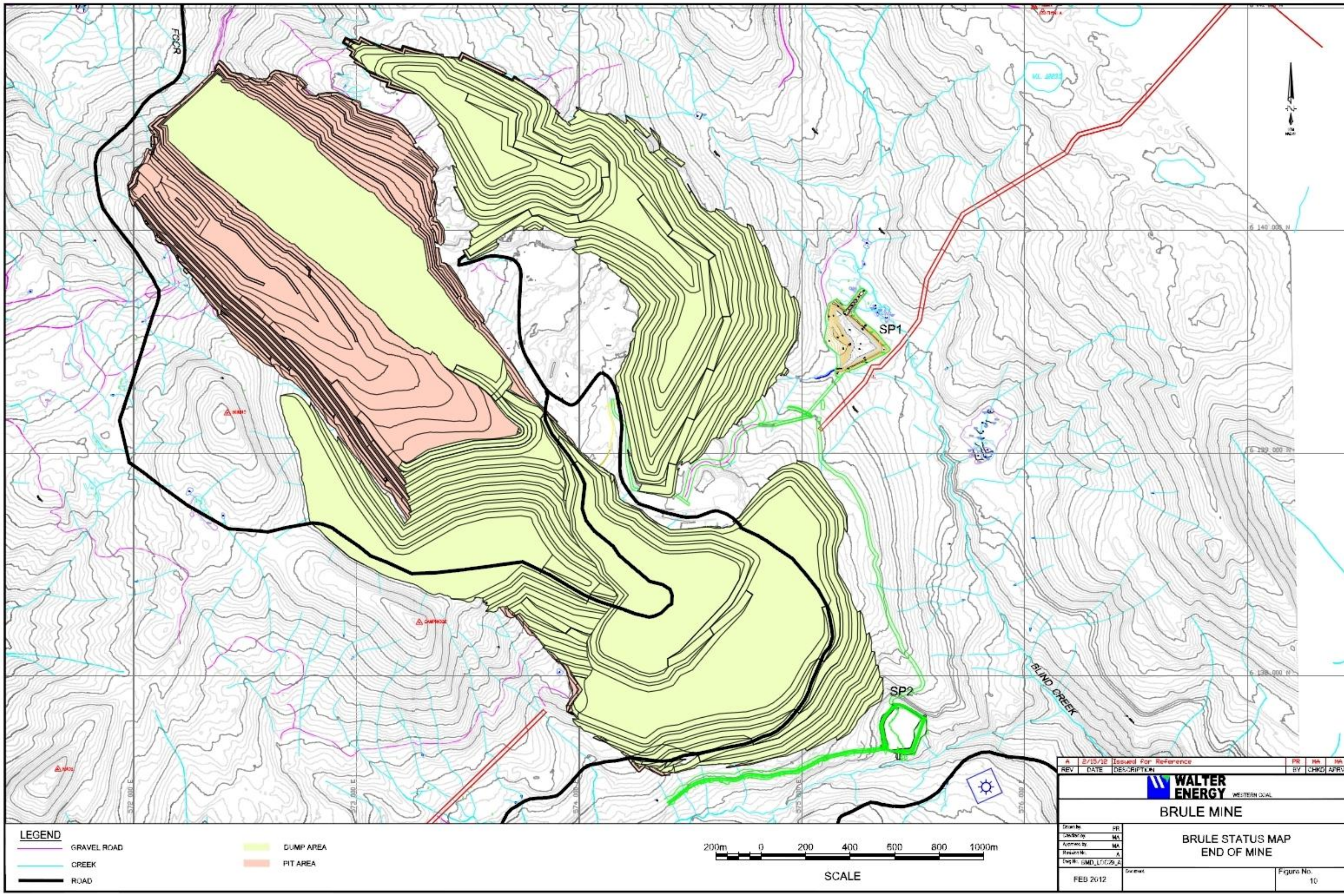


Figure 10: Brule Mine - End of Mining

ITEM 16: MINING METHODS

The Brule Mine uses standard open-pit mining equipment that is diesel fuel-powered. This equipment includes hydraulic excavators, front end loaders, off-highway rear-dump haulage trucks, rotary drills and support machinery. About 35% of the waste material excavated to uncover coal (Seam 60, Upper Seam and Lower Seam) will be placed in waste dumps to the south and east of the developing pit.

The remaining 65% of waste material will be backfilled into the resulting pit to minimize impact on the environment and reduce cost.

The Brule Coal Project was started in October 2006 as a small pit utilizing the existing infrastructure along with some additional water management structures. In 2010, a bulk waste mining fleet was purchased to supplement the mining contractor's fleet. The bulk mining fleet comprised of a forty cubic meter front shovel, a twenty cubic meter loader and 10 - 217t class haul trucks. The mine plan used for the remaining reserves commenced on December 31, 2012.

The Brule production forecast for the remaining reserve is set out in Table 21: Brule Mine Production Forecast:

Table 21: Brule Mine Production Forecast

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Waste (MBCM)	19.15	19.15	19.78	18.62	18.98	18.99	19.22	17.9	18.34	17.7	12.58	3.13
ROM Coal (MT)	2.02	2.03	2.04	1.95	1.9	2.06	2.02	1.99	2.02	2.25	2.15	0.88
Clean Coal (MT)	1.75	1.76	1.76	1.76	1.73	1.91	1.89	1.78	1.83	2.14	1.94	0.83

Coal from the Brule Mine area will be transported by truck via the FCCR approximately 63 km to the Willow Creek CHPP at the Willow Creek Mine.

The mining equipment is being used to carry out unit operations that are designed to minimize coal loss and dilution. Coal wedge removal, contact cleaning and excavation are planned to be performed with hydraulic backhoes operating in modes that are designed to eliminate any blasting or dozing of the coal seams. Backhoe operating modes should change as seam dips change to optimize coal recovery.

ITEM 17: RECOVERY METHODS

All coal mined will be transported to the Willow Creek CHPP for sizing (rotary breaker) and, when required, for processing to reduce the coal ash content to 8% percent on an air-dried basis. The new Willow Creek CHPP uses standard coal washing methods of heavy media cyclones, water only cyclones, spiral circuits and flotation to achieve a yield equivalent to the original Sandwell flowsheet.

The Willow Creek coal processing flowsheet was developed by Taggart Global LLC of Canonsberg, Pennsylvania, USA, WEWC's EPC contractor for the modification to the Willow Creek CHPP they originally built as Sedgman. Taggart is an experienced coal preparation engineering firm, and WEWC has reviewed and verified the plant designs and assumptions. Willow Creek process flowsheet incorporates current preparation plant design practices and state-of-the-art process equipment to selectively remove undesirable mineral matter within the coal seam and the OSD that is mined along with the coal, and thus produce a saleable metallurgical coal product. The plant design capacity is 660 tonnes per hour (tph). At this rate, the Willow Creek CHPP can accommodate the typical ROM tonnage of both Willow Creek and Brule mines. The major facilities from mine to the train load-out are shown on

Figure 11.

Final target product specifications will be as shown in Table 22.

Table 22: Brule Project Target Specifications for Brule Product Coal

Product Quality Specification	Clean Coal Specifications
Moisture	8.5 max
Ash (%, db)	8.0 ± 0.5
Volatile Matter (%, db)	14.5 - 15.8
Fixed Carbon (%, db)	76.80
Sulfur (%, db)	<0.55
Free Swelling Index	1 to 2
Calorific Value kcal/kg	7850
Plant Yield (%,db)	86.2

Coarse and fine (minor) tailings from the preparation plant will be transported to designated storage areas on the Willow Creek mine site. Average projected clean coal yield from ROM production is 86.2% and 90.4% when moisture gains are taken into account.

The proposed processing method is standard and typical for beneficiating coal from non-coal. See Item 13: Mineral Processing and Metallurgical Testing, and Item 17: Recovery Methods, for further information.

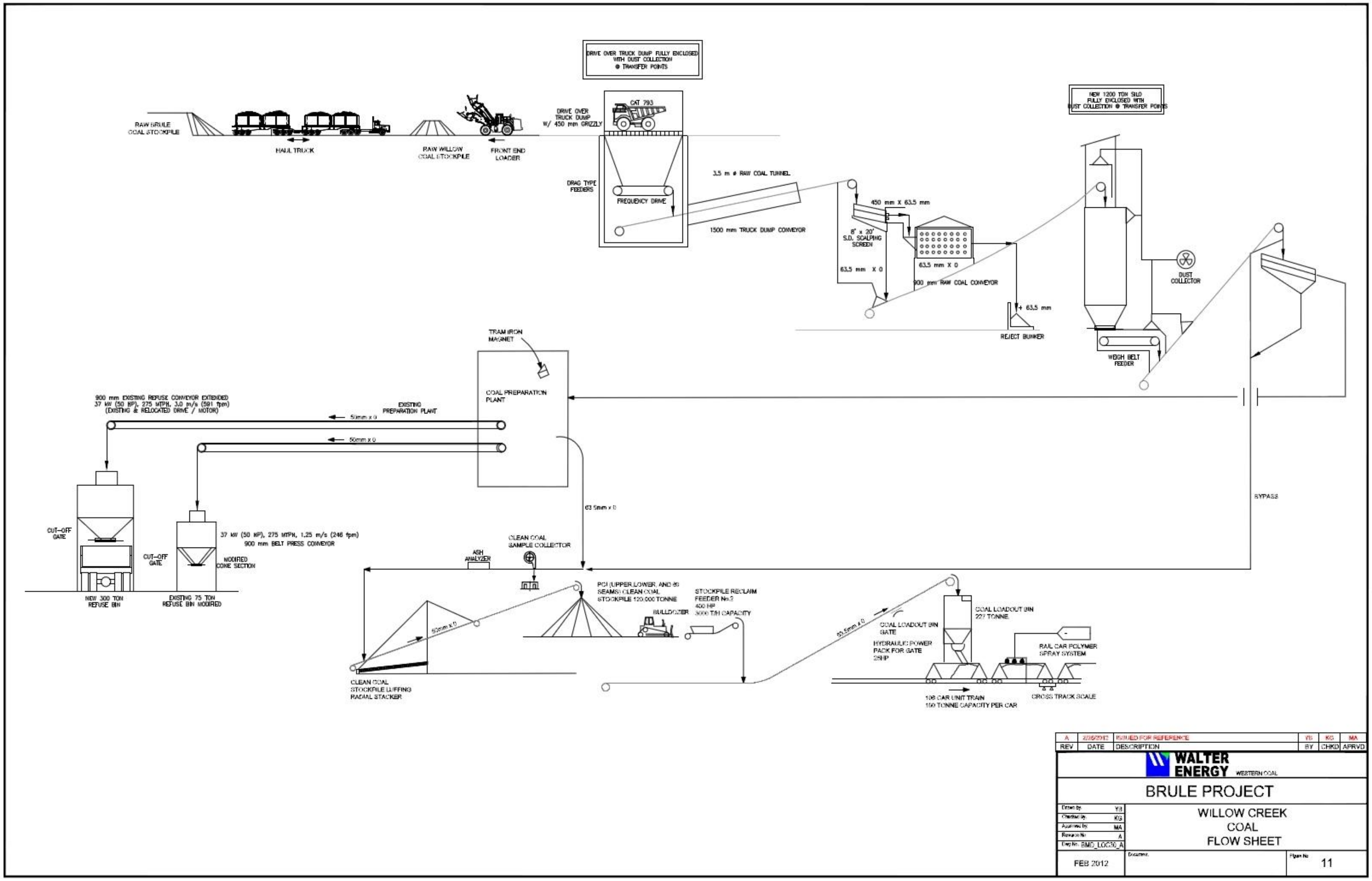


Figure 11: Brule Coal Flow

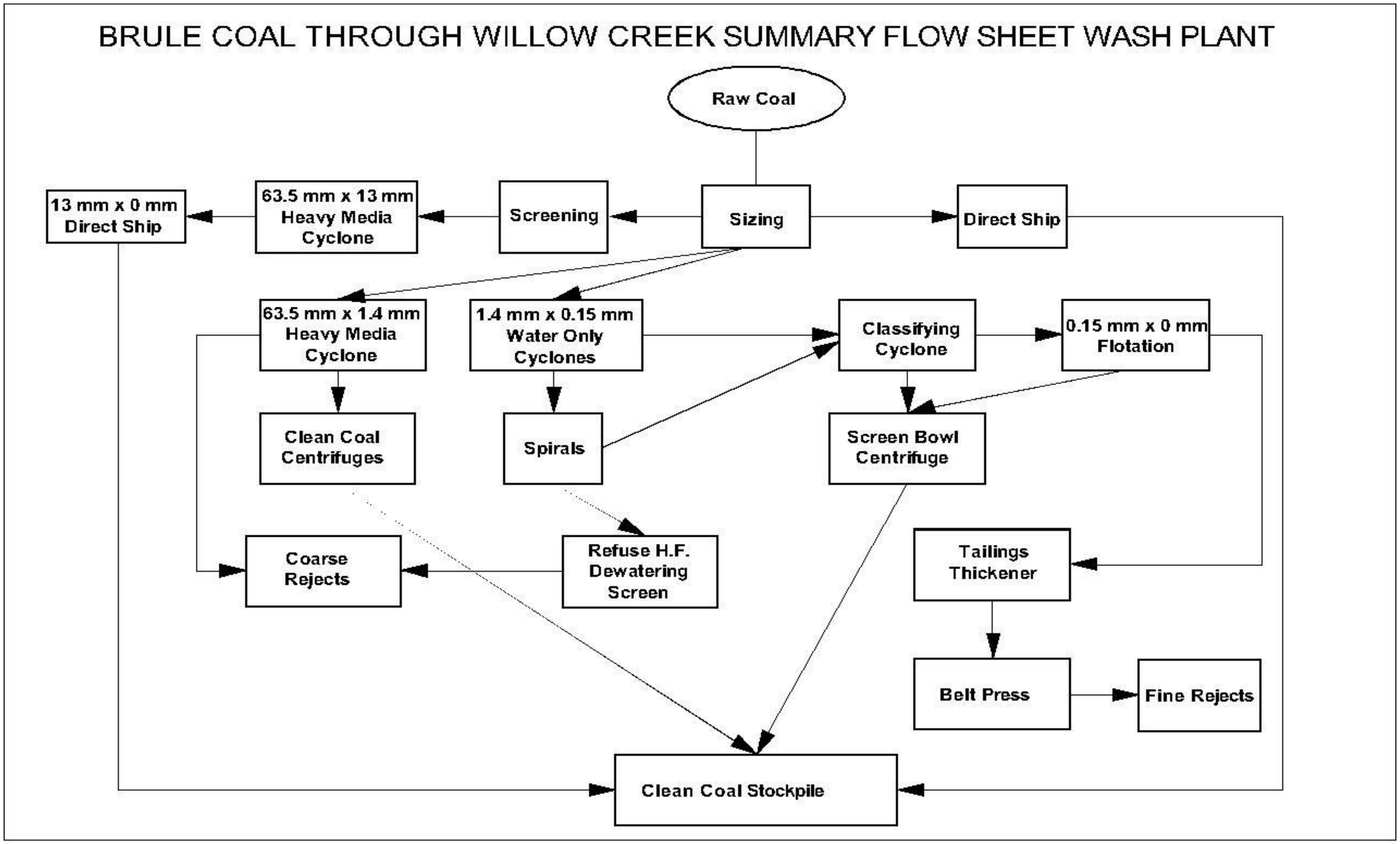


Figure 12: Wash Plant Schematic

ITEM 18: PROJECT INFRASTRUCTURE

Mine Site

Brule site facilities currently accommodate a maintenance facility and fuel/lubricant storage facility; an office/dry facility; and a ROM coal stockpile area respectively; see Figure 3: Brule Mine and Infrastructure.

The ROM coal stockpiles platform is located on the south side of the facilities area: two of the stockpile areas have capacity for 70,000 tonnes, one holds 40,000 tonnes, and holds 30,000 tonnes.

The FCCR, located North East of the existing forest service roads and recently constructed road, will connect the Brule Mine with the Willow Creek ROM coal stockpiles.

Water requirements for washing and maintenance will be supplied by groundwater wells. Bottled water will be provided for potable supplies. A sewage plant and tile disposal field will be located on the office/dry platform. Wash water will be disposed of through a septic field located immediately south of the facilities.

The project will be powered by a power line with capacity of 30 MW.

Fuel storage on site includes diesel for fuel for equipment and gas for vehicles. The facility will be upgraded in 2012 provide adequate storage for a minimum 3 days' supply in the event of a supply interruption.

There is onsite storage of explosives and explosive agents. Explosives and explosive agents will be transported by the suppler to site explosives magazine and a 40t storage silo, as required.

Plant Site, Processing and Load-out

Brule ROM coal will be hauled to the ROM coal stockpiles at the Willow Plant site. No modifications are required to the stockpiles, processing facilities or load-out facilities at the Willow site to accommodate the Brule coal production.

ITEM 19: MARKET STUDIES AND CONTRACTS

Markets for Brule Coal

Product coal will be loaded at the Willow Creek Mine into unit trains supplied and operated by CN Rail for transporting the coal to Ridley Terminal at Prince Rupert, British Columbia, where it will be loaded onto standard ocean-going bulk carriers for delivery to steelmakers and customers worldwide. Primary markets are in Japan, Taiwan, Korea and China, but other customers may also be found in North America, Europe, Brazil and India.

The Brule coal, based on 6.4 million tonnes of deliveries to customers to date from Brule Mine and the predecessor adjacent Dillon Mine, have been identified as premium PCI coal based on low ash, LV matter content, high calorific value, low sulfur and relatively low phosphorus. It is not suited for coke-making because of very low FSI.

PCI coal is used as a direct substitution for a portion of the coke that would otherwise be required to provide energy in blast furnaces. Depending on the particular furnace and steelmaking practices, up to 30% of the energy can be provided by PCI coal instead of coke.

LV PCI coal such as is produced at Brule Mine can replace coke on almost a tonne for tonne basis, i.e. 1 tonne of PCI coal can replace 0.9 to 1 tonne of coke. When considering that it typically requires approximately 1.5 tonnes of coal to make 1 tonne of coke, it becomes apparent that this coal has significant value in use to the steelmakers. This use for coal had not been significantly developed at the time of the 1985 bulk samples.

Contracts

WEWC has contracted for sale all of the current year's production from Wolverine Mine, Willow Creek Mine and Brule Mine, and one- to five-year term contracts have been agreed with customers for most of the planned production for the next year. In export markets, metallurgical coal is typically sold under quarterly, and in some cases, longer term contracts. Traditionally, there has been annual re-pricing, but recent practice has moved to quarterly pricing.

ITEM 20: ENVIRONMENTAL STUDIES, PERMITTING AND SOCIAL OR COMMUNITY IMPACT

Environmental Considerations

WEWC currently has posted reclamation bonds totaling $22 million, which is applicable to its current operating mines. WEWC's environmental liabilities associated with the Property are for reclamation of its Dillon mine workings and the current operations at Brule. WEWC has currently posted reclamation bonds of $3,350,000 for exploration activities and Burnt River operations. There is a bond of $1,328,494 with the Ministry of Forests, Lands and Natural Resource Operations for the FCCR's Road Special Use Permits.

WEWC will be required to post additional bonds as the Brule Mine develops. Remediation and reclamation of the site has been initiated in areas where final no further disturbances will occurred. On completion of mining, this will be required for the entire site in accordance with federal and provincial regulations.

Required bonding amounts generally increase with disturbed areas during the course of mining operations, and eventually bonded amounts are released as reclamation is successfully completed.

Permits

WEWC has the necessary permits and approvals for mining at Brule.

Currently, the primary step to regulatory approval for a mining project in British Columbia includes obtaining an EA Certificate under the Environmental Assessment Act. This consists of a review that is coordinated by the Environmental Assessment Office (EAO) and an assessment of completeness of the project baseline study and environmental impact assessment. This approval has been given under Environmental Assessment Certificate M06-02.

The company must also obtain approval of the Mine Plan and Reclamation Program, also referred to as a Mine Permit, under the Mines Act, regulated by the Ministry of Energy and Mines (MEM). This is provided under Permit C-221 approving Brule Mine.

Approvals required for a mining operation in British Columbia are listed below:

- Environmental Assessment Act – Environmental Assessment (EA) Certificate
- MEM – Permit approving the Mine Plan and Reclamation Program (Mine Permit)
- MEM Coal Act (coal lease) – Approval to develop and operate a mine on Crown land
- MOE Water Act (water license) – Authorizing diversion, impoundment and use of water

- MOE Water Act (Section 9 Act Approvals) – Authorizing diversion of water
- ILMB Land Act (Amendment to Crown Land Lease) – Authorizing installation of drainage control structures
- MOE Environmental Management Act (Effluent Permit – Construction and Operation) – Authorization to discharge treated mine water from settling ponds and sewage treatment plant effluent
- MOE Environmental Management Act (Air Permit) – Authorizing air emissions from the Project
- MFLNRO Forestry Act (License to Cut) – Authorization to harvest merchantable timber.

Note: EAO; Environmental Assessment Office MAL Ministry of Agriculture and Lands, MEM; Ministry of Energy and Mines, MFLNRO; Ministry of Forest, Lands and Natural Resource Operations; MOE Ministry of Environment; ILMB Integrated Land Management Branch of MAL.

As part of the mine permit conditions, WEWC has to submit an updated five year mine plan five years after having been granted the original Brule Mine permit C-221. Along with the update mine plan, Walter Energy has been requested to submit a revised Selenium Management Plan.

AMEC was commissioned to conduct an options analysis of the different Selenium treatment options and their capital and operating costs. This options analysis concluded that to achieve a concentration of 10ppb in Blind Creek treatment would be necessary. The treatment costs detailed in the report could cost $12.2m of capital and $0.9m per year of operating expense. There has been no final decision on the direction of the selenium management plan and the costs are speculative given this. These costs are not part of the environmental bond and not reflected in the economic analysis of the deposit.

Application for approvals of a mining project in British Columbia can also trigger requirements under the Canadian Environmental Assessment Act (CEAA), if approvals are required in areas of federal jurisdiction. Federal agencies have determined that the Brule Mine did not trigger requirement for a federal approval and therefore did not require a federal comprehensive project review. CEAA review for the Project is limited to a review of the explosives storage facility.

ITEM 21: CAPITAL AND OPERATING COSTS

The Brule Mine is a property currently in production. As such, the initial capital required has already been put in place. The Falling Creek Connector Coal haul Road (FCCR) between Brule Mine and Willow Creek Mine is completed and in service, and a new power line and new maintenance facility are in place and in use. However, mining is still being undertaken by contractor, and additional equipment will be required when WEWC takes over direct operation of the mine.

Mine Capital Cost Estimate

Capital costs for plant, property and equipment over the remaining Brule Mine plan life are set out in Table 23: Brule Mine Capital. Sustaining capital is the estimated funds required to replace and add equipment and facilities that are necessary to sustain production over the plan period.

WEWC prepared capital cost estimates for the mine equipment based on recent quotations from mining equipment suppliers and information compiled from the Willow Creek Expansion Project. Growth capital in 2013 reflects the change-over from contractor operations to employee operations and the additional equipment required to effect that change.

Table 23: Brule Mine Capital

(Constant 2011 Dollars in 000's)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Initial / Growth Capital Costs	18,635	75,902	-	-	-	-	-	-	-	-	-	-
Sustaining Capital Costs	15,375	3,870	500	7,500	4,250	3,500	2,900	2,000	1,000	1,000	-	-

Initial/Growth capital costs are divided as $63.0m mining mobile equipment, with the balance for completion of infrastructure development begun in 2010 and 2011.

Mine Operating Cost Estimate

As part of the Study, WEWC estimated annual production costs for the life of the mine. Based on the mining sequence and production schedule, WEWC estimated annual work effort in terms of equipment and labor hours required to achieve the annual waste volumes and coal tonnages scheduled. Direct operating costs were then estimated based on the annual equipment and labor hours and unit equipment and labor costs. All mine support and maintenance, coal processing and loading, supervision and administration and other direct mining costs were estimated annually. Indirect mining costs including permitting and bonding, final reclamation and closure accrual, insurance, taxes, fees and similar costs were also estimated annually.

Coal processing cost estimates are based on the process flowsheet developed by Taggart Global LLC of Canonsburg, Pennsylvania, USA, WEWC's EPC contractor for the modification to the Willow Creek CHPP they originally built as Sedgman.

For the Study, WEWC estimated annual offsite costs including transportation, port and marketing costs based on information developed internally. All metallurgical coal product produced at Brule is scheduled to be loaded onto unit trains and transported by rail to the Ridley Terminal at Prince Rupert, British Columbia. The Westshore Terminal at Roberts Bank, British Columbia and the Neptune Terminal in Vancouver, British Columbia are potential alternative destinations.

Annual Production FOR (free-on-rail at the train loadout) and FOB (free-on-board at the port) cash costs (including crown royalties) are shown in Table 24: Brule Project Production Cost Estimates.

Table 24: Brule Project Production Cost Estimates

(C$/tonne)

	Average	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Pit Costs	$53.12	$73.40	$56.08	$59.17	$56.37	$58.51	$53.69	$54.74	$56.68	$52.93	$40.29	$34.91	$29.67
Non-Pit Direct Costs	$37.32	$45.26	$37.80	$37.54	$36.48	$36.33	$35.40	$35.23	$36.54	$36.13	$34.11	$35.94	$52.19
Sales Related / Offsite Transportation	$32.16	$32.11	$32.07	$32.08	$32.09	$32.11	$32.14	$32.16	$32.18	$32.21	$32.24	$32.26	$32.29
Total	**$122.60**	**$150.76**	**$125.94**	**$128.78**	**$124.94**	**$126.96**	**$121.22**	**$122.13**	**$125.40**	**$121.27**	**$106.63**	**$103.11**	**$114.14**

Royalty and Tax Assumptions

The cash flow model prepared utilizes a federal tax rate of 20.5% in 2008, decreasing to 19% in 2010 and to 15% in 2012 for the remainder of the mine life. Provincial royalties were deducted for federal income tax purposes, but provincial taxes are non-deductible. The provincial income tax rate in British Columbia used was 10%.

Royalty costs reflect required payments to the province of British Columbia for the mining of coal on Crown-owned lands. According to the November 2004 edition of the British Columbia Ministry of Provincial Revenue "Mineral Tax Handbook," provincial coal revenue liabilities consist of a Net Current Proceeds (NCP) tax and a Net Revenue Tax (NRT). Based on information contained in the "Mineral Tax Handbook," NCP royalties were assessed as 2% of annual net revenue with net revenue defined as total gross revenue less cash operating costs exclusive of royalty payments. The NRT tax was calculated as 13% of profit in excess of a "normal return on investment over the life of the mine."

ITEM 22: ECONOMIC ANALYSIS

WEWC utilized a forecast of sales prices, which averaged over $154 per tonne for PCI coal over the life of the mine plan with higher initial prices decreasing to lower prices in the middle and later years of the plan. Based on these prices and the estimates of mining costs, WEWC developed an economic model for the Project of estimated annual after-tax cash flows. The income tax model was based on current British Columbia mineral tax, federal and provincial regulations.

WEWC constructed an economic model of the Project to estimate a net present value based on annual cash flows. WEWC utilized a tax model based on BC mineral tax regulations and BC provincial and federal income taxes.

Revenues in the cash flow model are based on price forecasts provided by Wood Mackenzie, a respected industry resource for supply, demand and price information. Forecasted PCI prices are shown in the cash flow summary provided in Table 25.

Canadian to US dollar exchange rate at time of writing is close to par. Canadian dollar strength against the US dollar tends to move up and down with the coal price, creating a natural buffer or hedge, i.e. when coal prices are down in US dollars, the Canadian dollar is weaker, making Canadian costs lower in US dollars as well, offsetting some of the impact. For this analysis, the Canadian dollar was conservatively assumed to hold at par. Brule Project cash flow information is summarized on Table 25 and in Figure 13.

The model includes all Proven and Probable reserves projected to be mined utilizing the mine plan developed for a remaining mine life of 12 years.

The key outcomes of the financial analysis are:

• Under the price assumptions, the BRULE Project has an estimated after-tax net present value of $232 million when discounted at 10%.

• Because the mine is already in production, forward- looking internal rate of return and payback calculations are not meaningful.

Sensitivity analyses have been conducted on the financial model for changes in discount rates, coal prices, operating costs and capital costs. These are shown on Table 26.

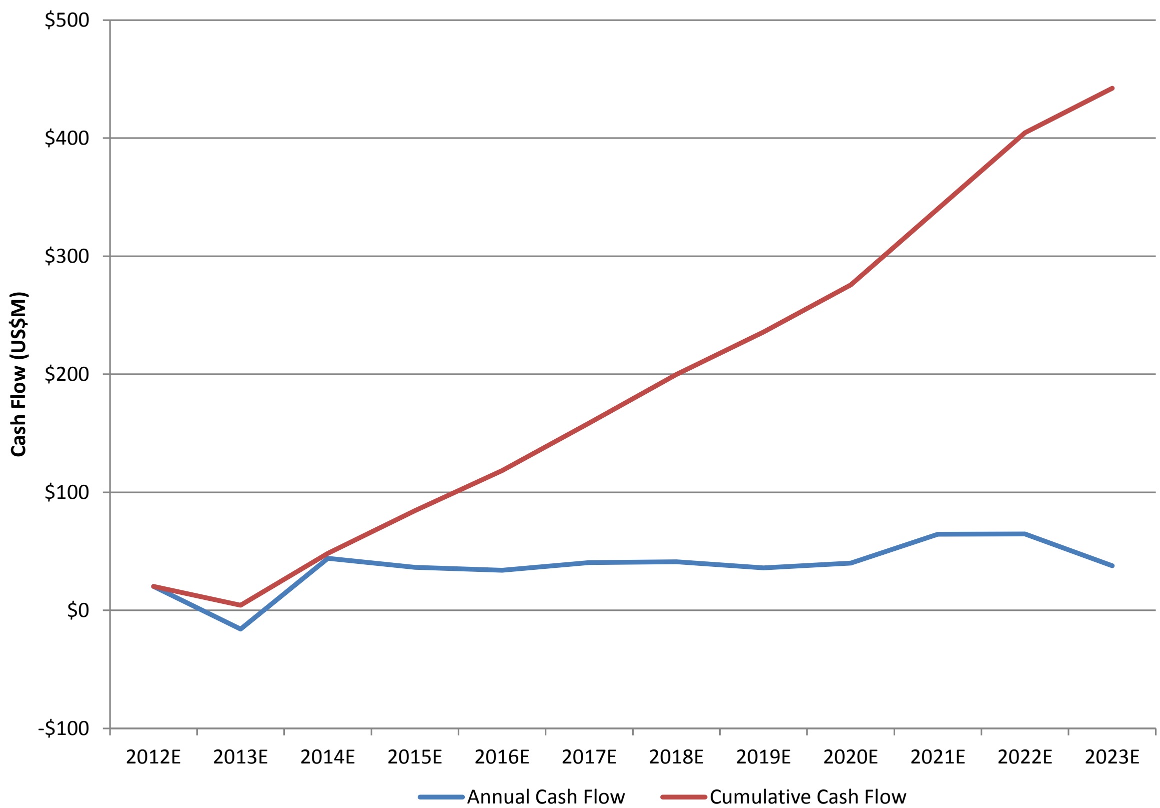


Figure 13: Brule Project Annual and Cumulative Cash flow

Table 25: Brule Project Cash Flow Summary

(All figures in C$000s except as stated)

Brule		TOTAL	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Summary														
Production														
Total Run of Mine	MMT	23.1	2.02	2.03	2.04	1.95	1.90	2.06	2.02	1.99	2.02	2.25	2.15	0.63
Total Saleable Coal	MMT	20.8	1.75	1.76	1.76	1.76	1.73	1.91	1.89	1.78	1.83	2.14	1.94	0.59
Pricing														
LVPCI	$ / T		183.75	161.25	153.75	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00
Revenue	**$MM**	**3,212.3**	**322.3**	**283.4**	**270.1**	**264.6**	**260.1**	**286.0**	**283.5**	**267.7**	**274.5**	**321.2**	**290.4**	**88.4**
Expenses														
Sales Related Expenses	$MM	(33.5)	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)	(3.0)	(3.0)	(2.9)	(3.0)	(3.6)	(3.3)	(1.0)
Pit Costs	$MM	(1,107.3)	(128.8)	(98.6)	(103.9)	(99.5)	(101.5)	(102.4)	(103.5)	(101.1)	(96.9)	(86.3)	(67.6)	(17.5)
Non-Pit Direct Costs	$MM	(777.9)	(79.4)	(66.4)	(65.9)	(64.4)	(63.0)	(67.5)	(66.6)	(65.2)	(66.1)	(73.0)	(69.6)	(30.8)
Offsite Transportation	$MM	(636.8)	(53.6)	(53.7)	(53.7)	(53.9)	(53.0)	(58.2)	(57.7)	(54.5)	(55.9)	(65.4)	(59.1)	(18.0)
Total costs	*(US$/clean tonne)*	*$122.60*	*$150.76*	*$125.94*	*$128.78*	*$124.94*	*$126.96*	*$121.22*	*$122.13*	*$125.40*	*$121.27*	*$106.63*	*$103.11*	*$114.14*
EBITDA	**$MM**	**656.8**	**57.9**	**62.0**	**43.9**	**44.2**	**40.0**	**54.9**	**52.7**	**43.9**	**52.6**	**92.9**	**90.8**	**21.1**
Taxes														
Cash Taxes	$MM	(76.7)	(0.3)	(1.3)	-	(0.1)	(1.6)	(7.0)	(7.9)	(6.8)	(9.9)	(20.4)	(18.0)	(3.3)
Resource Taxes	$MM	(25.2)	(1.2)	(1.2)	(0.9)	(0.9)	(0.8)	(1.1)	(1.1)	(0.9)	(1.1)	(1.9)	(11.6)	(2.7)
Other Cash Items														
Change in net w orking capital	$MM	23.8	(2.2)	4.3	1.5	0.6	0.5	(2.9)	0.3	1.8	(0.8)	(5.2)	3.4	22.4
Capital Expenditures														
Maintenance capital expenditures	$MM	(41.9)	(15.4)	(3.9)	(0.5)	(7.5)	(4.3)	(3.5)	(2.9)	(2.0)	(1.0)	(1.0)	-	-
Expansion capital expenditures	$MM	(94.5)	(18.6)	(75.9)	-	-	-	-	-	-	-	-	-	-
Free Cash Flow	**$MM**	**442.2**	**20.2**	**-15.9**	**44.0**	**36.3**	**33.8**	**40.4**	**41.1**	**35.9**	**39.9**	**64.4**	**64.6**	**37.6**
Cumulative free cash flow	*$MM*		*20.2*	*4.3*	*48.2*	*84.5*	*118.3*	*158.7*	*199.8*	*235.7*	*275.6*	*340.0*	*404.6*	*442.2*

NPV	**$232**
IRR	**#NUM!**
Payback Period	-

Table 26: Brule Project Cash Flow Sensitivity to Changes in Discount Rate

Discount Rate	**6%**	**8%**	**10%**	**12%**	**14%**
NPV	$295	$261	$232	$207	$186
Price	**-20%**	**-10%**	**0%**	**10%**	**20%**
NPV	-$110	$76	$232	$361	$489
Operating Costs	**-20%**	**-10%**	**0%**	**10%**	**20%**
NPV	$437	$335	$232	$108	-$39
Capital Expenditure	**-20%**	**-10%**	**0%**	**10%**	**20%**
NPV	$249	$240	$232	$223	$214

ITEM 23: ADJACENT PROPERTIES

No information is included in the report regarding scientific and technical data for adjacent properties. The depleted Dillon Mine is considered part of the Property.

ITEM 24: OTHER RELEVANT DATA AND INFORMATION

There are no other relevant data and information required to make this Technical Report understandable.

ITEM 25: INTERPRETATION AND CONCLUSIONS

Interpretation

There has been sufficient data obtained through various exploration and bulk sampling programs to support the geological interpretations of seam structure and thickness for Seam 60, Upper Seam, and Lower Seam in the Brule deposit of the Burnt River Property. With the application of washing, the combined coal from these seams makes a high quality LV bituminous product suitable for the PCI markets. The data provided by WEWC are of sufficient density and reliability to reasonably support the mineral resource and reserve estimates in this TR under CIMDS and NI 43-101. This geological data are sufficient to support the FS and classify all stated resources within the FS Brule ultimate pit limit as Proven reserves under CIMDS and NI 43-101.

The determination of resources and reserves were based on seam roof and floor structures provided by WEWC which were verified internally and imported into the Gemcom® geological and mine planning software. Scheduling and production tonnes were based on in situ and ROM tonnes calculated using GEMCOM® to which washabilities were applied to calculate clean coal product.

Additional data, which were obtained from the 2006 and 2007 drilling programs, were incorporated into the Blind resource model; however, WEWC has proceeded with mining a portion of the Blind resources based on the data available.

Risk and Uncertainty

Most significantly, the economic performance of the operating plan will be sensitive to the future market price of Low Volatile PCI coal. It will also be impacted by changes in labour, fuel, and other input commodities.

Decisions regarding mining of Willow Creek Mine could impact the viability of Brule Mine because the operations share services.

Changes to the production sequence or significant design aspects could create pit access difficulties and reduce opportunities for backfill of waste rock. The backfill of the syncline in the north east section of the pit has to be backfill to prevent a pit lake from forming.

Ongoing concurrent reclamation will reduce costs and allow for early placement of soils and seeding. Delays of reclamation will not significantly impact operation but could lead to increased bonding requirements.

At the time of this report, there is no final decision on the selenium management plan. The costs of implementing this plan have been detail in this report and are preliminary in nature. The economic analysis does not reflect these costs. When a final management plan is committed to, the economic should be updated to reflect this.

Conclusion

WEWC's geological and sampling program met its original objective, which was to delineate sufficient resources in the Brule deposit to perform bankable feasibility studies. The feasibility level analysis concludes that the Brule ultimate pit as defined in Figure 9 would be economic under a reasonable expectation for LV PCI market prices.

Based on the results of the Study, the authors conclude that the Brule Project is economic and will yield attractive returns at the saleable coal price levels forecast by industry analysts.

ITEM 26: RECOMMENDATIONS

Based on the Study results described in this Technical Report, it is recommended that WEWC continue operating the Brule Project.

The authors recommend WEWC undertake the following actions in the course of the Project's development as part of optimizing Wolverine's performance and economic returns.

Coal processing costs are based on a shared CHPP operation with the Willow Creek Mine.

Based on the results of the Study, the authors recommend that WEWC proceed with the an amendment to the current Mine Permit for the expanded Brule reserves. The estimated cost to take the project through a permit amendment is $1.3 million. This will be sufficient to complete the necessary engineering and environmental studies, prepare and submit permit amendment applications, conduct stakeholder engagement activities, and respond to permit issues that may arise.

No new construction will be required as a result of amendments to the existing mining permits with the exception of any commitments made for the Selenium Management Plan.

ITEM 27: REFERENCES

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CERTIFICATE OF QUALIFIED PERSON – LORTIE

I, David Phillippe Lortie, P. Geo., do hereby certify that:

a.) I am currently employed as Chief Geologist by Western Coal Corp., 1000 – 885 Dunsmuir Street, Vancouver, British Columbia, Canada, V6C 1N5. Western Coal Corp. is a subsidiary of Walter Energy, Inc. of Alabama, USA.

b.) This certificate applies to the Technical Report entitled "Updated Coal Reserves of the Brule Project in the Peace River Coalfield of British Columbia for Walter Energy, Inc.", dated February 28, 2012, and with effective date of December 31, 2011.

c.) I graduated with a Bachelor of Science in Geology degree from Acadia University in 1976. I have worked as a Geologist for more than 19 years since my graduation from university. I am a member of the Association of Professional Engineers and Geoscientists of British Columbia (License #31067) I am a "qualified person" for purposes of National Instrument 43-101 ("NI 43-101").

d.) I most recently personally inspected the Brule Property on August 15, 2010.

e.) I am responsible for the preparation of Items 1 to 14 of the Technical Report.

f.) I am not independent of the issuer as described in section 1.5 of NI 43-101 for the reason that I am a regular full time employee of Western Coal Corp., a subsidiary of the producing issuer, Walter Energy, Inc.

g.) I have previously been involved with the property since 2004 as the Chief Geologist within Western Coal Corp. (previously Western Canadian Coal Corp.) planning and supervising the exploration work and liaising with the independent qualified persons who produced previous technical reports on the property.

h.) I have read NI 43-101 and the technical report has been prepared in compliance with NI 43-101.

i.) At the effective date of the Technical Report, to the best of my knowledge, information, and belief, the portions of the technical report that I am responsible for contains all scientific and technical information that is required to be disclosed to make the technical report not misleading.

Dated this 28 day of February, 2012

ORIGINAL SIGNED AND SEALED BY AUTHOR

D.P. Lortie P. Geo.

CERTIFICATE OF QUALIFIED PERSON

I, Michael G. Allen, P. Eng., do hereby certify that:

a.) I am currently employed as Manager, Mining Engineering by Western Coal Corp., 1000 – 885 Dunsmuir Street, Vancouver, British Columbia, Canada, V6C 1N5. Western Coal Corp. is a subsidiary of Walter Energy, Inc. of Alabama, USA.

b.) This certificate applies to the Technical Report entitled "Updated Coal Reserves of the Brule Project in the Peace River Coalfield of British Columbia for Walter Energy, Inc.", dated February 28, 2012, and with effective date of December 31, 2011.

c.) I graduated with a Bachelor of Applied Science in Mining and Mineral Process Engineering degree from the University of British Columbia in 1999. I have worked as a Mining Engineer for more than 9 years since my graduation from university. I am a member of the Association of Professional Engineers and Geoscientists of British Columbia (License #32696). I am a "qualified person" for purposes of National Instrument 43-101 ("NI 43-101").

d.) I most recently personally inspected the Brule Property on February 23, 2012 and have been there frequently in prior years.

e.) I am responsible for the preparation of Items 15 to 27 of the Technical Report.

f.) I am not independent of the issuer as described in section 1.5 of NI 43-101 for the reason that I am a regular full time employee of Western Coal Corp., a subsidiary of the producing issuer, Walter Energy, Inc.

g.) I have previously been involved with the property since 2008 conducting regular mine design and engineering for the operations.

h.) I have read NI 43-101 and the technical report has been prepared in compliance with NI 43-101.

i.) At the effective date of the Technical Report, to the best of my knowledge, information, and belief, the portions of the technical report that I am responsible for contains all scientific and technical information that is required to be disclosed to make the technical report not misleading.

Dated this 28 day of February, 2012

ORIGINAL SIGNED AND SEALED BY AUTHOR

Michael G. Allen, P. Eng.

<u>CONSENT</u>

February 27, 2012

TO: British Columbia Securities Commission, as Principal Regulator

AND TO: Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
New Brunswick Securities Commission
Nova Scotia Securities Commission
Prince Edward Island Securities Offices
Newfoundland and Labrador, Securities Administration Division

(together, the "Commissions")

Dear Sirs and Mesdames:

Re: Filing of Technical Report by Walter Energy, Inc.

Reference is made to the technical report with effective date December 31, 2011, entitled "Updated Coal Reserves of the Brule Project in the Peace River Coalfield of British Columbia" which the undersigned prepared for Walter Energy, Inc. (the "Technical Report").

Pursuant to Section 8.3 of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*, the undersigned hereby consents to the public filing of the Technical Report by Walter Energy, Inc. with the Commissions in support of filing of the Annual 10-K form for the year ended December 31, 2011 (the "Form 10-K") with the United States Securities and Exchange Commission on February 29, 2011 and consents to the use of extracts from or a summary of the Technical Report in the Form 10-K. I have read the Form 10-K and confirm that it fairly and accurately represents the information in the Technical Report.

Yours very truly,

David Lortie

David Lortie

CONSENT

February 28, 2012

TO: British Columbia Securities Commission, as Principal Regulator

AND TO: Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
New Brunswick Securities Commission
Nova Scotia Securities Commission
Prince Edward Island Securities Offices
Newfoundland and Labrador, Securities Administration Division

(together, the "Commissions")

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Yours very truly,

Michael G. Allen