# COAL LICENCE PURCHASE AGREEMENT

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**SCHEDULE "E" PROPERTY EXPLORATION ASSETS**

**COAL LICENSE PURCHASE AGREEMENT**

THIS AGREEMENT dated for reference the 1st day of May, 2015

AMONG:

**HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA**, as represented by the Minister of Energy and Mines

(the "**Province**")

AND:

**BRITISH COLUMBIA RAILWAY COMPANY**, a company continued under the *British Columbia Railway Act*, R.S.B.C. 1996, c. 36

("**CrownCo**")

AND:

**FORTUNE MINERALS LIMITED**, a corporation incorporated under the laws of Ontario and extra-provincially registered in British Columbia, having a head office at 148 Fullarton Street, Suite 1600 London, Ontario N6A 5P2

("**Fortune Minerals**")

AND:

**FORTUNE COAL LIMITED**, a corporation incorporated under the laws of Ontario and extra-provincially registered in British Columbia, having a head office at 148 Fullarton Street, Suite 1600, London, Ontario N6A 5P3

("**Fortune Coal**")

(**Fortune Minerals and Fortune Coal, are together, "Fortune")**

AND:

**POSCO CANADA LIMITED**, a company incorporated under the laws of British Columbia and having a registered and records office at 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia V7X 1T2

("**POSCO Canada**")

AND:

**POSCO KLAPPAN COAL LTD.**, a company incorporated under the laws of British Columbia and having a registered and records office at 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia V7X 1T2

("**POSCO Klappan**")

(**POSCO Canada and POSCO Klappan, are together, "POSCO")**

**WITNESSES THAT WHEREAS:**

A. Fortune Coal and POSCO Klappan together are the sole recorded holders of all the coal licences described in Schedule "A" (collectively, the "**Property**") comprising the Arctos anthracite coal project, which for greater certainty are shown on the map included in Schedule "A".

B. Fortune Coal holds an 80% legal and beneficial interest, and POSCO Klappan holds a 20% legal and beneficial interest, in each of the coal licences comprising the Property.

C. Fortune Coal is a wholly-owned subsidiary of Fortune Minerals and POSCO Klappan is a wholly-owned subsidiary of POSCO Canada.

D. Fortune Coal holds Permit CX-1-004, associated with coal exploration activities on the Property, and Permit C-160 associated with mining activities on the Property, both issued pursuant to the British Columbia *Mines Act* (together, the "**Mines Act Permits**").

E. CrownCo is a British Columbia Crown corporation wholly owned by the Province and, pursuant to section 4 of the *British Columbia Railway Act,* R.S.B.C. 1996, c. 36 (the "**Act**"), is for all its purposes an agent of the Province of British Columbia and its powers may be exercised only as an agent of the Province of British Columbia.

F. In contemplation of the above Recitals:

(a) Fortune Coal and POSCO Klappan each wish to sell and CrownCo wishes to purchase the entire right, title and interest in and to the Property;

(b) Vendor Group wishes to sell and CrownCo wishes to purchase the entire right, title and interest in and to the Property Exploration Assets (as hereinafter defined); and

(c) upon completion of the sale of the Property to CrownCo as contemplated herein, Fortune Coal wishes to continue to hold the Mines Act Permits in its own name, and the Vendor Group agrees to be responsible for and complete the Reclamation Obligations on the Property as set out under the terms of the Mines Act Permits and this Agreement.

**NOW THEREFORE THIS AGREEMENT WITNESSES** that in consideration of the premises and of the mutual covenants and agreements hereinafter contained, the Parties agree as follows:

## 1. INTERPRETATION

### 1.1 Definitions

In this Agreement:

(a) "**Act**" has the meaning given to it in Recital 'E';

(b) 7"**Affiliate**", in relation to the Vendor Group, has the meaning ascribed in the *British Columbia Business Corporations Act*, as may be amended from time to time;

(c) "**Agreement**" means this agreement and the recitals and Schedules thereto, as amended, supplemented or restated from time to time;

(d) "**Business Day**" means a day, other than a Saturday, Sunday or statutory holiday in the Province of British Columbia or the Province of Ontario;

(e) "**Closing**" means the completion of the transfer of the Property and the Property Exploration Assets to CrownCo on the Closing Date as contemplated under this Agreement;

(f) "**Closing Date**" means the first Business Day after execution of this Agreement, provided the executed Bill of Sale is delivered to the Chief Gold Commissioner's office pursuant to Section 5.3 prior to 2:30pm on the date of execution of the Agreement, otherwise the Closing Date will be the second Business Day after execution of this Agreement, or as otherwise agreed to by the Parties;

(g) "[redacted]" means [redacted]; [Name of Royalty holder]

(h) "**Environmental Laws**" means any law, bylaw, order, ordinance, ruling, regulation or directive of any applicable federal, provincial or municipal government or governmental department, agency or regulatory authority or any court of competent jurisdiction relating to environmental matters, the protection or remediation of the natural environment, and/or regulating the import, manufacture, storage, distribution, labelling, sale, use, handling, transport or disposal of Hazardous Materials;

(i) "**Hazardous Materials**" means any underground storage tanks, any explosive or radioactive materials, pollutants, contaminants, hazardous, corrosive or toxic substances, special waste or waste of any kind, including without limitation, compounds known as chlorobiphenyls, petroleum and any other substance or material the storage, manufacture, disposal, treatment, generation, use, transportation, remediation or release into the environment of which is prohibited, controlled, regulated or licensed under Environmental Laws;

(j) "**Laws**" means all legislation, regulations, orders in council, orders, bylaws, ordinances, rulings, directives, policies, the Constitution of Canada, statutory decisions and guidelines of any federal, provincial, municipal or other governmental department, agency or authority;

(k) "**Mines Act Permits**" has the meaning given to it in Recital 'D';

(l) "**Option**" has the meaning given to it in Section 6.2;

(m) "**Parties**" means the Parties to this Agreement, and "**Party**" means any one of them;

(n) "**Property**" has the meaning given to it in Recital 'A';

(o) "**Property Exploration Assets**" means any and all core samples, exploration results, data, maps, reports, filings, instruments, registrations and other information relating to the Property or any one of the coal licences comprising the Property, including without limitation information concerning the status of the coal licences, information concerning the environmental or reclamation liabilities affecting all or part of the Property, and any other documentation to enable the full and complete transfer, assignment, acquisition, assumption and administration of the Property, owned by and in the possession and control of the Vendor Group;

(p) "**Purchase Price**" has the meaning given to it in Section 3.3;

(q) "**Reclamation Obligations**" means the reclamation obligations of Fortune Coal under the terms of the Mines Act Permits;

(r) "**Reclamation Security**" means the financial and other security in the amount of $306,900 posted by Fortune Coal pursuant to the *Mines Act* to secure performance of the obligations in relation to the Mines Act Permit C-160, as may be required by the *Mines Act* or other applicable Laws;

(s) "**Release**" means the release by Fortune and POSCO of each of the Province, CrownCo, and CrownCo's Subsidiaries, and each of their own directors, officers, employees, servants, and agents thereof, in the form attached as Schedule "B";

(t) "**Remaining Property**" has the meaning given to it in Section 7.3;

(u) "**Royalty**" means the Royalty owing to [redacted] (now [redacted]) pertaining to the commercial production of coal from the Property, pursuant to a royalty agreement dated [redacted] (the "**Royalty Agreement**");

(v) "**Royalty Cancellation Agreement**" means the agreement between [redacted], Fortune Coal, Fortune Minerals and POSCO Klappan terminating the Royalty as of the Closing Date;

(w) "**Subsidiary**" in relation to CrownCo, has the meaning ascribed in the Act, as may be amended from time to time; and

(x) "**Vendor Group**" means, together, Fortune Minerals, Fortune Coal, POSCO Canada, and POSCO Klappan, and for greater certainty: "**each Party comprising the Vendor Group**" means individually, each of Fortune Minerals, Fortune Coal, POSCO Canada, and POSCO Klappan.

### 1.2 Headings, Sections and Table of Contents

The division of this Agreement into articles, sections and subsections, the insertion of headings and the provision of a table of contents are for convenience of reference only and do not affect the construction or interpretation of this Agreement.

### 1.3 References

Unless otherwise specified, references in this Agreement to articles, sections, subsections and schedules are to articles, sections and subsections of and schedules to this Agreement.

### 1.4 Currency

All references to amounts of money mean lawful currency of Canada.

### 1.5 Gender

Wherever the singular or neuter are used herein the same will be deemed to include the plural, feminine or masculine.

### 1.6 Schedules

The following Schedules are attached to and form part of this Agreement:

| | | |
|---|---|---|
| Schedule "A" | - | Property |
| Schedule "B" | - | Form of Release |
| Schedule "C" | | Form of Bill of Sale |
| Schedule "D" | | Notice Addresses |
| Schedule "E" | | Property Exploration Assets |

## 2. REPRESENTATIONS AND WARRANTIES

### 2.1 Representations and Warranties of Fortune

Fortune Minerals and Fortune Coal each represent and warrant to CrownCo and the Province, with the knowledge and intent that CrownCo and the Province are relying on these representations and warranties in entering into and proceeding in accordance with the terms of this Agreement, that:

(a) it has the corporate power and capacity to enter into this Agreement and to perform its respective obligations hereunder;

(b) the execution and delivery of this Agreement, the performance of the transactions and obligations contemplated under this Agreement will not conflict with or result in a breach of its constating documents, or any provision of any agreement to which it is a party, including, without limitation, any agreement to which it is a party concerning the Property, the Property Exploration Assets, or any of its other assets;

(c) no proceedings are pending for, and it is unaware of any basis for the institution of any proceedings leading to placing of it in bankruptcy;

(d) this Agreement has been duly executed and delivered by it, and is a legal, valid and binding obligation of it, enforceable against it in accordance with the terms of this Agreement, except as the enforcement thereof may be limited by bankruptcy, insolvency and other applicable Laws affecting the enforcement of creditors' rights generally and subject to the qualification that equitable remedies may be granted only in the discretion of a court of competent jurisdiction;

(e) Fortune Coal is a recorded and beneficial holder of the Property, holding an undivided 80% legal and beneficial interest in and to the Property;

(f) each and every one of the coal licences making up the Property:

(1) to its knowledge, has been validly and properly located, staked and recorded in accordance with all applicable Laws;

(2) are valid and subsisting coal licences, and are accurately described in Schedule "A", and

(3) are in good standing, and except for the Royalty are free and clear of all liens, mortgages, claims, encumbrances and security interests of any kind or nature whatsoever, and it has not done, acquiesced, or permitted anything to be done, or omitted to do anything whereby the Property or any part thereof may be encumbered in the future;

(g) except for the Royalty and as imposed by Laws of general application applicable to the coal licences making up the Property, no other royalties or other payments in the nature of rent or royalties are payable in respect of the Property and the coal interests thereon and thereunder;

(h) all taxes, royalties, assessments, rentals, or other charges or payments due in respect the Property have been paid, and all filings required in respect of the Property have been made up to date;

(i) there are no actions, suits or proceedings, pending or threatened against Fortune in respect of the Property or any part thereof;

(j) except for the Royalty, no person other than Fortune Coal and POSCO Klappan has any interest in the Property including any part of the Property or coal licence or the production therefrom or any option, agreement or right granted by it or any other person to acquire any such interest;

(k) immediately upon release of the executed Royalty Cancellation Agreement and payment to [redacted] of $308,000 of the Purchase Price as contemplated in Section 5.3, the Royalty will be terminated, and neither the Province nor CrownCo, their successors and assigns will have any obligations in respect of the Royalty Agreement;

(l) to its knowledge, the Property is free of Hazardous Materials, and the Property has not been used in whole or in part by it (including by its associates, contractors and Affiliates)

or by any other person in a manner which is contrary to any Environmental Laws, and there are no existing or threatening claims, actions, orders or investigations under any Environmental Laws against it (or any of its associates, contractors and Affiliates) or against the Property;

(m) to its knowledge, the Property has not been used by any person as a landfill or waste disposal site nor has it contained any aboveground or underground storage tanks except for a buried “gray water” tank and a Sea-Can and provided further that a trailer containing primarily wood for camp floors as well as a weather station and drill holes and piezometers used to monitor water levels and water quality remain at the Property;

(n) it is not a non-resident for the purposes of section 116 of the *Income Tax Act* (Canada);

(o) Schedule "E" contains a complete list of all categories of the Property Exploration Assets, and the list is true, correct and accurate in all respects; and

(p) to its knowledge, the Property Exploration Assets and all other information, statements, documents, assignments of copyright and reports concerning the Property provided to either the Province or to CrownCo, was true, correct and accurate in all material respects at the time each was prepared, and remains true, correct and accurate in all material respects, except to the extent superseded by other Property Exploration Assets, and does not omit anything that may cause it to be materially misleading.

Fortune Minerals and Fortune Coal each acknowledges that CrownCo and the Province are relying on the foregoing representations and warranties in connection with CrownCo’s purchase of the Property and the Property Exploration Assets notwithstanding any prior or subsequent investigation by or on behalf of CrownCo or the Province.

**2.2 Representations and Warranties of POSCO**

POSCO Canada and POSCO Klappan each represent and warrant to CrownCo and the Province, with the knowledge and intent that CrownCo and the Province are relying on representations and warranties in entering into and proceeding in accordance with the terms of this Agreement, that:

(a) it has the corporate power and capacity to enter into this Agreement and to perform its respective obligations hereunder;

(b) the execution and delivery of this Agreement, the performance of the transactions and obligations contemplated under this Agreement will not conflict with or result in a breach of its constating documents, or any provision of any agreement to which it is a party, including, without limitation, any agreement to which it is a party concerning the Property, the Property Exploration Assets, or any of its other assets;

(c) no proceedings are pending for, and it is unaware of any basis for the institution of any proceedings leading to placing of it in bankruptcy;

(d) this Agreement has been duly executed and delivered by it, and is a legal, valid and binding obligation of it, enforceable against it in accordance with the terms of this

Agreement, except as the enforcement thereof may be limited by bankruptcy, insolvency and other applicable Laws affecting the enforcement of creditors' rights generally and subject to the qualification that equitable remedies may be granted only in the discretion of a court of competent jurisdiction;

(e) POSCO Klappan is a recorded and beneficial holder of the Property, holding an undivided 20% legal and beneficial interest in and to the Property;

(f) each and every one of the coal licences making up the Property:

(1) to its knowledge, has been validly and properly located, staked and recorded in accordance with all applicable Laws;

(2) are valid and subsisting coal licences, and are accurately described in Schedule "A", and

(3) are in good standing, and except for the Royalty are free and clear of all liens, mortgages, claims, encumbrances and security interests of any kind or nature whatsoever, and it has not done, acquiesced, or permitted anything to be done, or omitted to do anything, whereby the Property or any part thereof may be encumbered in the future;

(g) except for the Royalty and as imposed by Laws of general application applicable to the coal licences making up the Property, no other royalties or other payments in the nature of rent or royalties are payable in respect of the Property and the coal interests thereon and thereunder;

(h) all taxes, royalties, assessments, rentals, or other charges or payments due in respect of the Property have been paid, and all filings required in respect of the Property have been made up to date;

(i) there are no actions, suits or proceedings, pending or threatened against it in respect of the Property or any part thereof;

(j) except for the Royalty, no person other than Fortune Coal and POSCO Klappan has any interest in the Property including any part of the Property or coal licence or the production therefrom or any option, agreement or right granted by it or any other person to acquire any such interest;

(k) immediately upon release of the executed Royalty Cancellation Agreement and payment to [redacted] of $308,000 of the Purchase Price as contemplated in Section 5.3, the Royalty will be terminated, and neither the Province nor CrownCo nor their successors and assigns will have any obligations in respect of the Royalty Agreement;

(l) to its knowledge, the Property is free of Hazardous Materials, and the Property has not been used in whole or in part by it (including by its associates, contractors and Affiliates) or by any other person in a manner which is contrary to any Environmental Laws, and there are no existing or threatening claims, actions, orders or investigations under any

Environmental Laws against it (or any of its associates, contractors and Affiliates) or against the Property;

(m) to its knowledge, the Property has not been used by any person as a landfill or waste disposal site nor has it contained any aboveground or underground storage tanks except for a buried “gray water” tank and a Sea-Can and provided further that a trailer containing primarily wood for camp floors as well as a weather station and drill holes and piezometers used to monitor water levels and water quality remain at the Property;

(n) it is not a non-resident for the purposes of section 116 of the *Income Tax Act* (Canada);

(o) Schedule "E" contains a complete list of all categories of the Property Exploration Assets, and the list is true, correct and accurate in all respects; and

(p) to its knowledge, the Property Exploration Assets and all other information, statements, documents, assignments of copyright and reports concerning the Property provided to either the Province or to CrownCo, was true, correct and accurate in all material respects at the time each was prepared, and remains true, correct and accurate in all material respects, except to the extent superseded by other Property Exploration Assets, and does not omit anything that may cause it to be materially misleading.

POSCO Canada and POSCO Klappan each acknowledges that CrownCo and the Province are relying on the foregoing representations and warranties in connection with CrownCo’s purchase of the Property and the Property Exploration Assets notwithstanding any prior or subsequent investigation by or on behalf of CrownCo or the Province.

**2.3 Survival of Vendor Group’s Representations and Warranties**

The representations and warranties of each Party comprising the Vendor Group in this Agreement will survive the Closing and will continue in full force and effect for the benefit of CrownCo and the Province. Such representations and warranties will apply to the Bill of Sale described in Section 5.1 herein and any and all assignments, conveyances, transfers and other documents delivered in connection with this Agreement, and there will not be any merger of any representations and warranties in such document notwithstanding any rule of law, equity or statute to the contrary and all such rules are hereby waived.

CrownCo and the Province will each have the right to waive any representation and warranty made by Fortune Minerals, Fortune Coal, POSCO Canada or POSCO Klappan in either CrownCo’s or the Province’s favour without prejudice to the other, or any of their recourses with respect to any other breach by another member of the Vendor Group.

Fortune Minerals and Fortune Coal will jointly and severally indemnify and save harmless each of the Province, CrownCo and its Subsidiaries from and against any losses, damages, actions and costs arising from any representations and warranties of Fortune Minerals and Fortune Coal given hereunder or pursuant to this Agreement being incorrect or breached.

POSCO Canada and POSCO Klappan will jointly and severally indemnify and save harmless each of Province, CrownCo and its Subsidiaries from and against any losses, damages, actions and costs arising

from any representations and warranties of POSCO Canada and POSCO Klappan given hereunder or pursuant to this Agreement being incorrect or breached.

### 2.4 CrownCo's Representations and Warranties

CrownCo represents and warrants to the Vendor Group that:

(a) it is continued under the Act and it is for all its purposes an agent of the Province of British Columbia, and its powers may be exercised only as an agent of the Province of British Columbia;

(b) it has the corporate power and capacity to enter into this Agreement and to perform its obligations hereunder;

(c) the necessary corporate action has been taken by CrownCo to authorize the execution and delivery of this Agreement by CrownCo;

(d) this Agreement has been duly executed and delivered by CrownCo and is a legal, valid and binding obligation of it, enforceable against it in accordance with its terms; and

(e) no proceedings are pending for, and it is unaware of any basis for the institution of any proceedings leading to, the dissolution or winding up of it or the placing of it in bankruptcy or subject to any other Laws governing the affairs of insolvent corporations.

CrownCo acknowledges that the Vendor Group is relying on the foregoing representations and warranties in connection with the sale of the Property and the Property Exploration Assets.

### 2.5 Survival of CrownCo's Representations and Warranties

The representations and warranties of CrownCo in this Agreement will survive the Closing and will continue in full force and effect for the benefit of the Vendor Group. Such representations and warranties will apply to the Bill of Sale described in Section 5.1 and delivered in connection with this Agreement, and there will not be any merger of any representations and warranties in such document notwithstanding any rule of law, equity or statute to the contrary and all such rules are hereby waived.

The Vendor Group will have the right to waive any representation and warranty made by the Province or CrownCo in the Vendor Group's favour without prejudice to their recourses with respect to any of CrownCo or the Province's other representations and warranties.

## 3. PURCHASE AND SALE

### 3.1 Purchase and Sale

Fortune Coal and POSCO Klappan agree to sell to CrownCo an undivided 100% interest in and to the Property, and the Vendor Group agrees to sell to CrownCo an undivided 100% interest in and to the Property Exploration Assets, and CrownCo, as directed by the Province, agrees to purchase the Property from Fortune Coal and POSCO Klappan, and the Property Exploration Assets from the Vendor Group, all free and clear of all mortgages, claims, liens and encumbrances.

In consideration for the purchase of the Property and the Property Exploration Assets, CrownCo will pay a total of $18,308,000 to Fortune Coal and POSCO Klappan, with a net total of $18,000,000 paid to Fortune Coal and POSCO Klappan, plus a total of $308,000 to Conoco. for the cancellation of the Royalty, all in accordance with Section 3.3.

### 3.2 Mines Act Permits

For greater certainty, notwithstanding the transfer of the coal licences comprising the Property to CrownCo as set out herein, Fortune Coal agrees to maintain in good standing the Mines Act Permits and the Reclamation Security in its own name, until such time as the Reclamation Obligations are completed to the satisfaction of the Chief Mines Inspector.

### 3.3 The Purchase Price

On the Closing Date, CrownCo will pay the $18,308,000 purchase price (the "**Purchase Price**") subject to and in accordance with the terms of this Agreement.

Notwithstanding that Fortune Coal holds and will transfer its entire 80% interest in the Property to CrownCo at Closing, and POSCO Klappan holds and will transfer its entire 20% interest in the Property to CrownCo at Closing, each Party comprising the Vendor Group irrevocably agrees and directs CrownCo to pay $9,154,000 of the Purchase Price to each of Fortune Coal and POSCO Klappan in exchange for a total undivided 100% interest in the Property and the Property Exploration Assets.

Each of Fortune Coal and POSCO Klappan, in turn further irrevocably agree and direct CrownCo to pay $154,000 of their $9,154,000 portions of the Purchase Price to [redacted] for the cancellation of the Royalty pursuant to the Royalty Cancellation Agreement, in accordance with the Closing procedures outlined in Section 5.3, the result of which is that the net payment from CrownCo to Fortune Coal and POSCO Klappan at Closing will be $9,000,000 each.

Each Party comprising the Vendor Group acknowledges and agrees that the Purchase Price, and the amounts to be paid to Fortune Coal, POSCO Klappan and [redacted] in accordance with the terms of this Section 3.3, represent full and sufficient value received from CrownCo for the transfer of the Property and the Property Exploration Assets to CrownCo.

## 4. CONDITIONS PRECEDENT

### 4.1 Conditions Precedent of CrownCo and the Province

The obligation of CrownCo to complete the purchase and sale of the Property and the Property Exploration Assets on the Closing Date as contemplated by this Agreement is subject to the satisfaction of the following conditions precedent at the Closing Date:

(a) that CrownCo has not become or made aware of any material issue affecting the ownership of the Property or obligations or liabilities associated with the Property;

(b) that the Province and the CrownCo are satisfied that neither the Province nor CrownCo will have any obligations pursuant to the Royalty Agreement, including but not limited to, any obligation to notify or compensate the holder of the royalty, or to transfer the Property

to the Royalty Owner under Section 7.2 of the Royalty Agreement should coal exploration and development from the Property be limited or restricted;

(c) that the solicitors of CrownCo and the Province have received fully-executed copies of all the documents listed in Section 5.1; and

(d) each Party comprising the Vendor Group will have performed and complied in all material respects with all of its obligations to CrownCo and, as applicable, the Province, from time to time, arising out of or in connection with this Agreement.

The foregoing conditions precedent are inserted for the benefit of CrownCo and the Province, and may be waived in whole or in part by either CrownCo or the Province by notice in writing to the Vendor Group.

**4.2 Vendor Group's Conditions Precedent**

The obligation of the Vendor Group to complete the sale of the Property and the Property Exploration Assets on the Closing Date as contemplated by this Agreement is subject to the satisfaction of the following conditions precedent:

(a) that the solicitors of the Vendor Group have received fully-executed copies of all the documents listed in Section 5.2;

(b) that CrownCo's representations and warranties will be true and correct in all material respects on the Closing Date as is made at that time; and

(c) that CrownCo and the Province will have performed and complied in all material respects with all of their obligations to the Vendor Group, from time to time, arising out of or in connection with this Agreement.

The foregoing conditions precedent are inserted for the benefit of the Vendor Group and may be waived in whole or in part by the Vendor Group by notice in writing to CrownCo.

**5. CLOSING**

The Closing will take place on the Closing Date in Victoria, British Columbia, or at such other place, date and time as the Parties may mutually agree in writing.

**5.1 Vendor Group's Closing Deliveries**

Upon execution of this Agreement, the Vendor Group will deliver or arrange for delivery to the solicitors of CrownCo and the Province the following documents, in form and substance approved by CrownCo, the Province and the Vendor Group, each acting reasonably:

(a) a Bill of Sale, in the form attached hereto as Schedule "C", fully executed by the Vendor Group, transferring legal title of all the coal licences comprising the Property and the Property Exploration Assets to CrownCo, free and clear of all encumbrances;

(b) the Release, in the form attached hereto as Schedule "B", fully executed by the Vendor Group;

Province give notice to the Vendor Group of its decision to terminate this Agreement by exercising such option, then this Agreement will be of no further force or effect.

## 6. OPTION TO REPURCHASE

### 6.1 Land Use Planning and Consultation Process

The Vendor Group acknowledges that the Province is currently engaged in discussions with First Nations regarding resource development in the Klappan Valley.

### 6.2 The Option

Subject to restrictions under any applicable Laws and this Article 6, upon Closing, for consideration of $10 from each of Fortune Coal and POSCO Klappan payable to CrownCo (the receipt and sufficiency of which is hereby acknowledged and confirmed), CrownCo hereby grants to Fortune Coal and POSCO Klappan together the sole, exclusive, irrevocable and non-transferrable and non-assignable option and right to re-acquire the 100% interest in and to the coal licences comprising the Property (as such licences may be amended or modified from time to time by operation of Law) on the terms and conditions provided herein (the "**Option**").

For greater certainty, the Option will only be exercisable:

(a) if all Parties seeking to exercise the Option have held and have maintained the Option in accordance with all applicable Laws;

(b) if all Parties seeking to exercise the Option are in full compliance with all of their obligations under this Agreement, and all applicable Laws;

(c) in accordance with either Section 6.3 or 6.4, and upon the exercise of the Option under either Section 6.3 or 6.4, exercising the Option under the other Section will be precluded; and

(d) in accordance with and subject to the terms of this Article 6.

### 6.3 Option Exercisable Following Notice from Province

The Option will be exercisable upon:

(a) provision by the Province of written notice to Fortune Coal and POSCO Klappan that (1) the consultation process resulting from the discussions described in Section 6.1 has been completed, and (2) the outcome of such consultation process is that coal exploration and development in the region of the Klappan Valley where the Property is located will be permitted. For greater certainty, the Province will provide such notice herein as soon as reasonably possible only after both (1) and (2) have occurred;

(b) receipt by Fortune Coal and POSCO Klappan of written notice described in subsection (a) above on or before May 1, 2025; and

(c) receipt by the Province and CrownCo of joint written notice from Fortune Coal and POSCO Klappan within 12 months of receipt of notice from the Province described in subsection (a) that Fortune Coal and / or POSCO Klappan wish to exercise the Option under one of the following acquisition structures:

(1) Fortune Coal and POSCO Klappan each will re-acquire a 50% respective interest in the Property;

(2) Fortune Coal and POSCO Klappan each will re-acquire an alternative ownership interest split in the Property agreed to by Fortune Coal and POSCO Klappan totalling a 100% interest in the Property; or

(3) either Fortune Coal or POSCO Klappan will acquire a 100% interest in the Property.

**6.4 Option Exercisable by Notice to Province**

The Option will be exercisable and the Property purchasable, in accordance with the following:

(a) at any time on or before May 1, 2025, so long as notice from the Province described in subsection 6.3(a) has not yet been delivered, Fortune Coal and POSCO Klappan may jointly deliver a written notice to both the Province and CrownCo, stating that Fortune Coal and POSCO Klappan, together or separately, are interested in reacquiring a 100% interest in the Property;

(b) upon receipt of written notice described in subsection (a) above, the Province will use reasonable efforts to engage in a consultation process in a timely manner with affected First Nations regarding the purchase of the Property from CrownCo;

(c) once the consultation process referred to in subsection (b) above has concluded, the Province will, as soon as reasonably possible, provide written notice to Fortune Coal and POSCO Klappan, summarizing the results of the consultation process and what accommodations regarding the repurchase of the Property (if any) are expected to be required; and

(d) if, after receiving the information from the Province as described in paragraph (c) Fortune Coal and/or POSCO Klappan wish to exercise the Option, they will provide within 30 days joint written notice to the Province and CrownCo that Fortune Coal and / or POSCO Klappan wish to exercise the Option under one of the following acquisition structures

(1) Fortune Coal and POSCO Klappan each will re-acquire a 50% respective interest in the Property;

(2) Fortune Coal and POSCO Klappan each will re-acquire an alternative ownership interest split in the Property agreed to by Fortune Coal and POSCO Klappan totalling a 100% interest in the Property; or

(3) either Fortune Coal or POSCO Klappan will acquire a 100% interest in the Property.

**6.5 Exercise of the Option**

The Option will be exercised upon:

(a) receipt of payment by CrownCo in the amount of $18,308,000 within 30 days of receipt of notice by CrownCo and the Province either under Section 6.3(c) or 6.4(d);

(b) receipt by CrownCo of a fully executed copy of a release signed by the Vendor Group in a form satisfactory to CrownCo, acting reasonably, releasing CrownCo from any and all liability and claims associated with the Property;

(c) receipt by CrownCo and each Party exercising the Option of all necessary government authorizations and approvals required by Law, which CrownCo will use commercially reasonable efforts to obtain, associated with the transfer of all the coal licences comprising the Property; and

(d) receipt of a Bill of Sale in a form satisfactory to CrownCo and each Party exercising the Option, acting reasonably, executed by CrownCo and each Party exercising the Option and transferring each of the coal licences comprising the Property,

On the due exercise of the Option, CrownCo will transfer its right, title and interest in and to the Property to and in accordance with the ownership interests described in either under Section 6.3(c) or 6.4(d), free and clear of all liens, charges and encumbrances arising out of acts or omissions of CrownCo.

**6.6 Restrictions on Exercise**

Fortune Coal and POSCO Klappan's right and ability to exercise the Option will be subject to the following terms and conditions:

(a) neither Fortune Coal nor POSCO Klappan will earn any interest in or to the Property whatsoever until such time as the Option has been exercised;

(b) the exercise of the Option is subject to CrownCo's ability, in its sole discretion, to transfer the coal licences comprising the Property free and clear of all encumbrances, in accordance with the statutory procedural obligations of all applicable Laws; and

(c) the Option cannot be exercised unless the conditions of this Article 6, including Sections 6.2 and 6.5, have been met.

**6.7 Transfer to Title**

Upon the exercise of the Option, and receipt by CrownCo of the payment in whole described in Section 6.5(a), CrownCo and the purchasing Party will effect the transfer of the interests in the Property in accordance with the applicable acquisition structure provided in the notice delivered pursuant to Section 6.3(c) or 6.4(d), and the requirements of the *Coal Act.* In the event of a conflict or inconsistency between

either Section 6.3(c) or 6.4(d) and applicable Laws (including the *Coal Act* ) the provisions of the applicable Laws in effect at the time will prevail.

**6.8 Acknowledgements Regarding Repurchase**

Each member of the Vendor Group acknowledges and agrees that, in consideration of the exercise of the Option in accordance with Section 6.5, and at all times thereafter:

(a) the Province makes no representation regarding the timing or outcome of the First Nation consultation process described in Section 6.4(b), or any accommodations that may be required;

(b) neither the Province nor CrownCo will be responsible, in the event that the re-purchase cannot be completed due to any legal proceeding commenced by a First Nation or a member of a First Nation;

(c) except as may be required under any applicable Laws or to keep the coal licences in good standing in accordance with Section 7.1(a), CrownCo is under no obligation to further develop any of the coal licences comprising the Property, or carry out any work, including any exploration work to define the extent of the Property's resources;

(d) neither the Province nor CrownCo makes any representation or warranty regarding the Property or the coal licences comprising the Property at the time the Option is exercised, including that

(1) the coal licences that, as of the Closing Date, comprise the Property, may be revised, amended, cancelled or terminated without any action by or on behalf of CrownCo, and

(2) some or all of the rights under the coal licences comprising the Property may not be exercisable by the repurchasing Party once the Option is exercised;

(e) the results of the consultation process described in 6.4(b) do not determine the outcome of any future First Nation consultations required in respect of regulatory matters associated with the exploration or development of coal resources from the Property; and

(f) the coal licences comprising the Property remain subject to all applicable regulations, authorizations, and assessment processes, and neither the Province nor CrownCo makes any representation and warranty with respect to the outcome of any such authorizations or processes, and that all such authorizations and processes will be carried out in accordance with the Province's constitutional obligations and applicable Laws.

**6.9 Non-Transferrable**

Neither Fortune Coal's nor POSCO Klappan's rights to exercise the Option as set out in this Article 6 are assignable or transferrable to any other person, except as permitted by Section 9.9.

## 7. POST CLOSING COVENANTS

### 7.1 CrownCo's Post Closing Covenants

CrownCo covenants with Fortune and POSCO that it will:

(a) at all times after the Closing Date, maintain the coal licences comprising the Property in good standing, free and clear of all liens, mortgages, claims, encumbrances and security interests of any kind or nature whatsoever, until the earliest of

(1) May 1, 2025, provided the Province has not delivered the written notice described in Section 6.3(a) and Fortune Coal and POSCO Klappan have not delivered the written notice described in Section 6.4(a),

(2) a failure by Fortune Coal and POSCO Klappan to deliver written notice to the Province either within the 12 month period described in Section 6.3(c) or the 30 day period described in Section 6.4(d),

(3) a failure by Fortune Coal and/or POSCO Klappan to complete the exercise the Option within the 30 day period in accordance with Section 6.5, including payment of the $18,308,000 payment to CrownCo, or

(4) completion of the exercise of the Option and registration of the disposition of the Property with the Chief Gold Commissioner in accordance with the acquisition structure described in the written notice under Section 6.3(c) or 6.4(d), as required by section 6(2) of the *Coal Act*

provided however, that Fortune and POSCO agree that except as may be required under any applicable Laws, CrownCo is under no obligation to further develop any of the coal licences comprising the Property, or carry out any work, including any exploration work to define the extent of the Property's resources.

### 7.2 Reclamation Obligations

Except as further described in this Section 7.2, and subject to delays caused by an inability to access the surface of the Property outside of its control, and Fortune Coal's ability to obtain any associated and necessary permits, Fortune Coal will complete all work necessary to fulfill the Reclamation Obligations on the Property under the terms of the Mines Act Permits before December 31, 2015.

The Parties acknowledge that the Mines Act Permits may be amended at a later date to exclude those Reclamation Obligations associated with the deactivation of the road into the Property from the rail-bed to Lost Ridge (the "**Road**"). Until such amendments are made to the Mines Act Permits, the Province hereby agrees to perform, at its cost and expense, the work required by Chief Mines Inspector under the Mines Act Permits or otherwise required under the Mines Act Permits, specifically associated with the deactivation of the Road.

### 7.3 Removal of Equipment and Infrastructure

Subject to delays caused by an inability to access the surface of the Property outside of its control, as part of the Reclamation Obligations, the Vendor Group will remove or cause to be removed by December 31, 2015, all equipment and infrastructure which has been erected or affixed to, or brought into the Property (the "**Remaining Property**") including, without limitation the gray water tank, Sea-Can and trailer containing wood for camp floors, and will provide confirmation to CrownCo upon removal of the Remaining Property.

### 7.4 Maintenance and Delivery of the Property Exploration Assets

To the extent certain Property Exploration Assets have not already been provided to CrownCo prior to Closing, each party comprising the Vendor Group will hold the Property Exploration Assets for the sole benefit and account of CrownCo as beneficial owner of the Property Exploration Assets, for a period of 90 days after the Closing Date.

Subject to the exception below, and except for those Property Exploration Assets which CrownCo does not wish to acquire and that have been specifically identified by means of notice delivered by CrownCo within 90 days of the Closing Date to the Vendor Group (which the Vendor Group may retain or destroy at its discretion), the Vendor Group will, at its sole cost and expense deliver all other Property Exploration Assets to CrownCo at a time and location designated by CrownCo as soon as practicable following the end of the 90 day period.

To the extent that any of the Property Exploration Assets are contained in commercial storage, the Vendor Group will utilize commercially reasonable efforts to assign the associated contracts with third party storage providers to CrownCo, and if the terms of such contracts are acceptable to CrownCo, upon assignment the Vendor Group will be relieved of its obligation hereunder to deliver those Property Exploration Assets to CrownCo.

Should the Vendor Group become aware of any Property Exploration Assets not already provided to CrownCo pursuant to this Section, the Vendor Group will promptly notify CrownCo, and if requested by CrownCo, deliver such Property Exploration Assets to CrownCo at the Vendor Group's sole cost and expense, at a time and location designated by CrownCo as soon as practicable thereafter. If requested by CrownCo, each Party comprising the Vendor Group will use commercially reasonable efforts to assist with the assignment of any intellectual property rights associated with the Property Exploration Assets, with the third party costs associated with such assignments to be borne by CrownCo.

CrownCo will maintain the Property Exploration Assets until the exercise or expiry of the Option. If the Option is exercised, CrownCo will deliver the Property Exploration Assets delivered to CrownCo pursuant to this Section to the optionee, at CrownCo's cost and expense, and if the Option expires unexercised, neither CrownCo nor the Province will have any further obligations under this Section. Until the exercise or expiry of the Option, the Province and CrownCo agree to keep the Property Exploration Assets confidential.

## 8. INDEMNITIES

### 8.1 Indemnity by the Vendor Group

In addition to the indemnities provided in Section 2.3, each Party comprising the Vendor Group will jointly and severally protect, indemnify and save harmless each the Province, CrownCo and its Subsidiaries, and each of their respective present and future directors, officers, employees , servants, affiliated and related entities and agents, in respect of:

(a) any and all losses, costs, expenses, fines, penalties, payments, damages, liabilities, claims and demands whatsoever (including, without limitation, all solicitor fees on a solicitor and own client basis), directly or indirectly incurred, sustained or suffered by any of the Province, CrownCo or its Subsidiaries, and each of their respective directors, officers, employees, agents, successors and assigns as a result of: (i) a breach of any warranty or covenant or the inaccuracy of any representation made in this Agreement by any Party of the Vendor Group; (ii) a failure to carry out the Reclamation Obligations as required pursuant to this Agreement; (iii) any breaches of Environmental Laws or liabilities associated with the remediation of Hazardous Substances arising from the activities on the Property by any Party of the Vendor Group, or by persons in the course of the third party's contract with any Party of the Vendor Group; (iv) the Royalty or any obligations under the Royalty Agreement; or

(b) any liability, cost or payment incurred or paid, including contingent or unascertained liabilities, of the Vendor Group arising or incurred in respect of the Property Exploration Assets or activities on the Property on or before the Closing Date, including but not limited to those relating to, arising out of, resulting from or in any way connected with obligations arising prior to the Closing Date pursuant to the indemnification clause of any of the coal licences which form part of the Property (collectively, the "**Vendor Group Liabilities**"), except to the extent the Vendor Group Liabilities are already subject to indemnification under Section 8.1(a).

## 9. GENERAL

### 9.1 Further Assurances

Each Party will execute all further documents and give such further assurances as the other Party may reasonably require in order to carry out the terms and intention of this Agreement. This Agreement may be executed in counterparts, each of which shall be deemed to be an original and both of which shall constitute one and the same agreement.

### 9.2 Public Disclosures

Except as required in order for the Province to fulfill its obligations in relation to Section 6.1 of this Agreement, if any Party proposes to make a public, written disclosure about this Agreement or the transactions contemplated hereby:

(a) such Party will provide a summary of the proposed disclosure to the other Parties and give the other Parties a reasonable opportunity to consider and comment on such disclosure;

(b) the other Parties will provide any comments on the proposed disclosure to the disclosing Party as soon as reasonably practicable taking into account any obligations of the disclosing Party under applicable Laws; and

(c) the disclosing Party will incorporate any changes to the proposed disclosure reasonably requested by the other Parties, including changes that are requested because the proposed disclosure does not accurately describe the Agreement, transactions or applicable Laws.

**9.3 Notice**

Each notice, demand or other communication required or permitted to be given under this Agreement will be in writing and will be delivered to the notice addresses included in Schedule "D" to this Agreement as follows:

(a) by hand to the addressee's physical address, in which case it will be deemed to be received on the day of its delivery;

(b) by prepaid post to the addressee's physical address, in which case if mailed during any period when normal postal services prevail, it will be deemed to be received on the fifth Business Day after its mailing;

(c) by fax to the addressee's fax number, in which case it will be deemed to be received on the day of transmittal unless transmitted after the normal business hours of the addressee or on a day that is not a Business Day, in which cases it will be deemed to be received on the next following Business Day; or

(d) by email to the addressee's email address with attached document(s) scanned in PDF format, in which case it will be deemed to be received when the email enters the information system designated or used by the addressee for the receipt of email. Either Party may at any time, and from time to time, notify the other Party in writing of a change to the notice addresses specified in Schedule "D".

**9.4 Recording of Interest**

During the term of this Agreement, a Party may, at its expense, register notice of this Agreement and of its right, title and interests therein and thereunder in a registry, recording or other office or on title to the Property.

**9.5 Payment**

Unless the Parties otherwise agree, all payments to be made to any Party hereunder will be made by electronic wire transfer.

### 9.6 Entire Agreement

Subject to the terms of the Confidentiality Agreement among all Parties except CrownCo dated March 11, 2015, which continues in full force and effect in accordance with its terms, and except as provided herein, this Agreement constitutes the entire agreement between the Parties and replaces and supersedes all agreements, memoranda, correspondence, communications, negotiations and representations, whether oral or in writing, or express or implied, statutory or otherwise, between the Parties with respect to the subject matter herein.

### 9.7 Character of Agreement

The rights, privileges, duties, obligations and liabilities of the Parties are only such as are explicitly stated in this Agreement and, except as otherwise explicitly provided, are separate and not joint or collective. In addition, except as explicitly provided in this Agreement as between the Province and CrownCo, no fiduciary, agency, partnership or confidential relationship of any kind exists between the Parties to his Agreement nor will such relationships hereafter come into existence, arise or be implied, or be deemed to exist, arise or be implied, by reason of any conduct, fact or circumstance whatsoever.

For greater certainty, nothing in this Agreement shall be construed as fettering the discretion of any statutory decision maker or legislative authority.

### 9.8 Amendment

No amendment, supplement, termination or restatement of any provision of this Agreement is binding unless it is in writing and signed by each person who is a Party to this Agreement at the time of the amendment, supplement or restatement.

### 9.9 Assignment

Except as otherwise specifically provided for in this Agreement, no Party may assign all or any part of this Agreement without the prior written consent of the other Parties, not to be unreasonably withheld or delayed. Any attempt to assign any of the rights or to delegate or subcontract any of the duties or obligations of this Agreement without such prior written consent is void.

CrownCo may transfer the coal licences comprising the Property at any time:

(a) after the earliest of the occurrences specified in Section 7.1(a); and

(b) before the earliest of the occurrences specified in Section 7.1(a), only to

(1) to a person who is not a Party to this Agreement if CrownCo has received the prior written consent of both Fortune Coal and POSCO Klappan, and

(2) to another Crown Corporation if (i) such Crown Corporation has agreed to join the Agreement as a replacement party to CrownCo; and (ii) the Province provides written notice to Fortune Coal and POSCO Klappan prior to the transfer.

POSCO Klappan may assign all (but not less than all) of its rights and obligations of this Agreement at any time to POSCO Canada if (i) POSCO Canada assumes all of POSCO Klappan's obligations under

the Agreement; and (ii) POSCO Klappan provides written notice to the Province and CrownCo prior to the transfer.

**9.10 Enurement**

This Agreement enures to the benefit of and binds the Parties and their respective successors and permitted assigns.

**9.11 Severability**

Each provision of this Agreement is severable. If any provision of this Agreement is or becomes illegal, invalid or unenforceable in any jurisdiction, the illegality, invalidity or unenforceability of that provision will not affect:

(a) the legality, validity or enforceability of the remaining provisions of this Agreement; or

(b) the legality, validity or enforceability of that provision in any other jurisdiction,

except that if:

(c) on the reasonable construction of this Agreement as a whole, the applicability of the other provision presumes the validity and enforceability of the particular provision, then the other provision will be deemed also to be invalid or unenforceable; and

(d) as a result of the determination by a court of competent jurisdiction that any part of this Agreement is unenforceable or invalid and if, as a result of this section, the basic intentions of the Parties in this Agreement are entirely frustrated, then the Parties will use all reasonable efforts to amend, supplement or otherwise vary this Agreement to confirm their mutual intention in entering into this Agreement.

**9.12 Taxes**

All taxes payable in connection with the sale, transfer or conveyance of the Property and the Property Exploration Assets will be borne by the Party in respect of whom the tax liability lies, and each Party will be responsible for its own fees, costs and expenses incurred in connection with carrying out its obligations under this Agreement.

**9.13 Time of the Essence**

Time will be of the essence in this Agreement.

### 9.14 Governing Laws

This Agreement will be governed by the laws of British Columbia. In the event of a conflict or inconsistency between any provision of this Agreement and any applicable Law, the provision is of no force and effect, and the applicable Law will prevail.

The Parties irrevocably submit to the exclusive jurisdiction of the Courts of British Columbia with respect to any legal proceedings arising herefrom.

**9.15 Counterparts**

This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument. Counterparts may be executed either in original, faxed or electronic form and the Parties adopt any signatures received by a receiving fax machine or electronic means as original signatures of the Parties; provided, however, that any Party providing its signature in such manner will promptly forward to the other Party an original of the signed copy of this Agreement which was so faxed or electronically communicated.

**IN WITNESS WHEREOF** this Agreement has been executed by the Parties hereto as of the day and year first above written.

**HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA**

Per: *"W.R. Bennett"*
Authorized Signatory

**BRITISH COLUMBIA RAILWAY COMPANY**

Per: *"G. J. Westlake"*
Authorized Signatory

**FORTUNE MINERALS LIMITED**

Per: "*Robin Goad"*
Authorized Signatory

**FORTUNE COAL LIMITED**

Per: *"Robin Goad"*
Authorized Signatory

**POSCO CANADA LIMITED**

Per: *"Jong Ho Kim"*
Authorized Signatory

**POSCO KLAPPAN COAL LTD.**

Per: *"Jong Ho Kim"*
Authorized Signatory

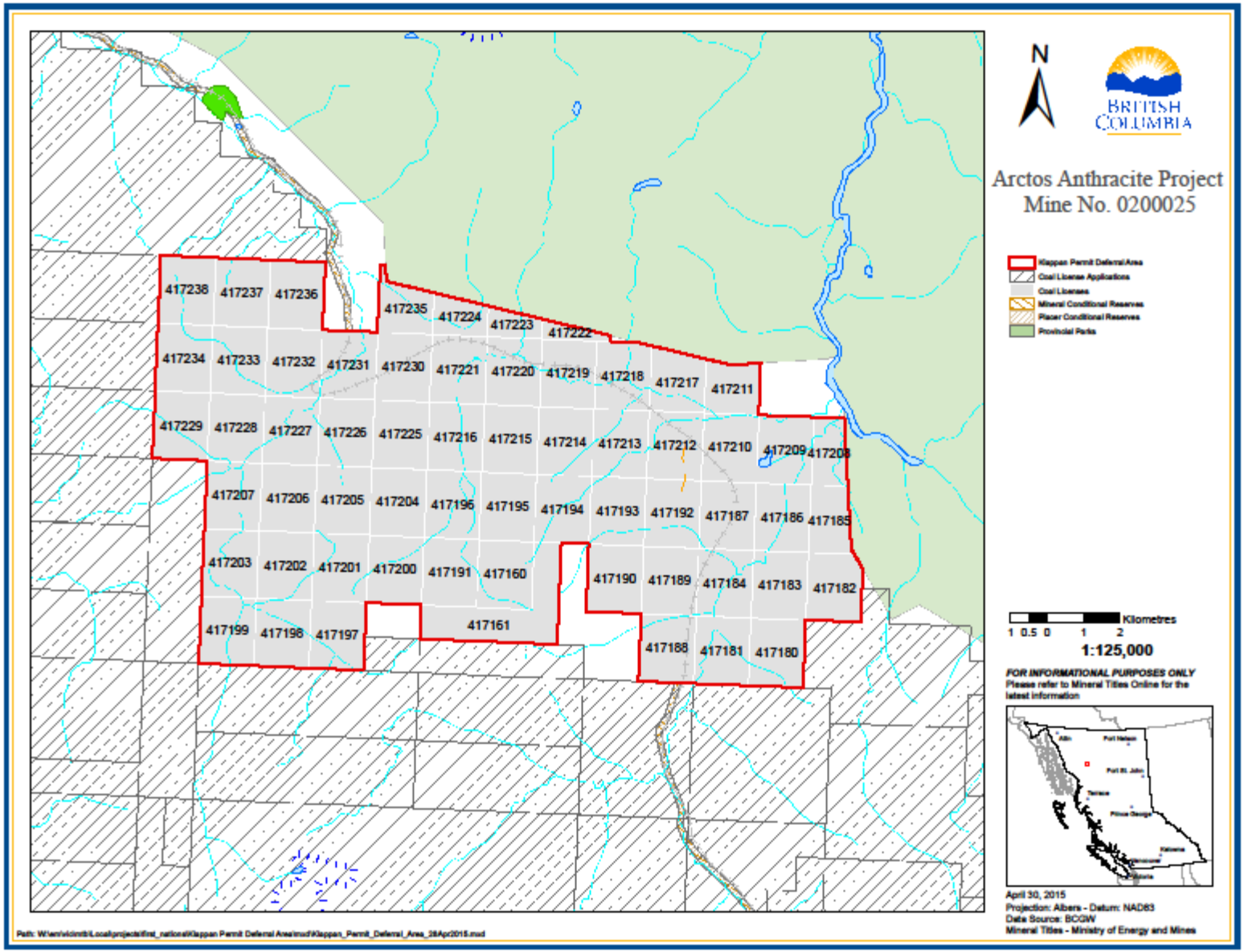
**SCHEDULE "A"**

**PROPERTY**

The coal licences listed in the table below and issued pursuant to the *Coal Act* (British Columbia) comprise the Property. Each and every coal licence listed in the table below are held 80% by Fortune Coal Limited and 20% by POSCO Klappan Coal Ltd.

| Licence Number | Map Number | Good to Date | Area (in Hectares) |
|---|---|---|---|
| 417160 | 104H026 | 2015/Dec/21 | 281 |
| 417161 | 104H026 | 2015/Dec/21 | 491 |
| 417180 | 104H017 | 2016/Feb/01 | 281 |
| 417181 | 104H017, 104H027 | 2016/Feb/01 | 281 |
| 417182 | 104H027 | 2016/Feb/01 | 276 |
| 417183 | 104H027 | 2016/Feb/01 | 281 |
| 417184 | 104H027 | 2016/Feb/01 | 281 |
| 417185 | 104H027 | 2016/Feb/01 | 205 |
| 417186 | 104H027 | 2016/Feb/01 | 280 |
| 417187 | 104H027 | 2016/Feb/01 | 280 |
| 417188 | 104H017, 104H027 | 2016/Feb/01 | 281 |
| 417189 | 104H027 | 2016/Feb/01 | 281 |
| 417190 | 104H026, 104H027 | 2016/Feb/01 | 281 |
| 417191 | 104H026 | 2016/Feb/01 | 281 |
| 417192 | 104H027 | 2016/Feb/01 | 280 |
| 417193 | 104H026, 104H027 | 2016/Feb/01 | 280 |
| 417194 | 104H026 | 2016/Feb/01 | 280 |
| 417195 | 104H026 | 2016/Feb/01 | 280 |
| 417196 | 104H026 | 2016/Feb/01 | 280 |
| 417197 | 104H016, 104H026 | 2016/Feb/01 | 281 |
| 417198 | 104H016, 104H026 | 2016/Feb/01 | 281 |
| 417199 | 104H016, 104H026 | 2016/Feb/01 | 281 |
| 417200 | 104H026 | 2016/Feb/01 | 281 |
| 417201 | 104H026 | 2016/Feb/01 | 281 |
| 417202 | 104H026 | 2016/Feb/01 | 281 |
| 417203 | 104H026 | 2016/Feb/01 | 281 |
| 417204 | 104H026 | 2016/Feb/01 | 280 |
| 417205 | 104H026 | 2016/Feb/01 | 280 |
| 417206 | 104H026 | 2016/Feb/01 | 280 |
| 417207 | 104H026 | 2016/Feb/01 | 280 |
| 417208 | 104H027 | 2016/Feb/01 | 173 |
| 417209 | 104H027 | 2016/Feb/01 | 280 |
| 417210 | 104H027 | 2016/Feb/01 | 280 |
| 417211 | 104H027 | 2016/Feb/01 | 211 |
| 417212 | 104H027 | 2016/Feb/01 | 280 |

| Licence Number | Map Number | Good to Date | Area (in Hectares) |
|---|---|---|---|
| 417213 | 104H026, 104H027 | 2016/Feb/01 | 280 |
| 417214 | 104H026 | 2016/Feb/01 | 280 |
| 417215 | 104H026 | 2016/Feb/01 | 280 |
| 417216 | 104H026 | 2016/Feb/01 | 280 |
| 417217 | 104H027 | 2016/Feb/01 | 247 |
| 417218 | 104H026, 104H027 | 2016/Feb/01 | 279 |
| 417219 | 104H026 | 2016/Feb/01 | 280 |
| 417220 | 104H026 | 2016/Feb/01 | 280 |
| 417221 | 104H026 | 2016/Feb/01 | 280 |
| 417222 | 104H026 | 2016/Feb/01 | 58 |
| 417223 | 104H026 | 2016/Feb/01 | 104 |
| 417224 | 104H026 | 2016/Feb/01 | 149 |
| 417225 | 104H026 | 2016/Feb/01 | 280 |
| 417226 | 104H026 | 2016/Feb/01 | 280 |
| 417227 | 104H026 | 2016/Feb/01 | 280 |
| 417228 | 104H026 | 2016/Feb/01 | 280 |
| 417229 | 104H025, 104H026 | 2016/Feb/01 | 280 |
| 417230 | 104H026 | 2016/Feb/01 | 280 |
| 417231 | 104H026 | 2016/Feb/01 | 280 |
| 417232 | 104H026 | 2016/Feb/01 | 280 |
| 417233 | 104H026 | 2016/Feb/01 | 280 |
| 417234 | 104H025, 104H026 | 2016/Feb/01 | 280 |
| 417235 | 104H026 | 2016/Feb/01 | 202 |
| 417236 | 104H026 | 2016/Feb/01 | 280 |
| 417237 | 104H026 | 2016/Feb/01 | 280 |
| 417238 | 104H025, 104H026 | 2016/Feb/01 | 280 |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Arctos Anthracite Project
Mine No. 0200025
Klappan Permit Deferral Area
Coal License Applications
Coal Licenses
Mineral Conditional Reserves
Placer Conditional Reserves
Provincial Parks
417238 417237 417236 417235 417224 417223 417222
417234 417233 417232 417231 417230 417221 417220 417219 417218 417217 417211
417229 417228 417227 417226 417225 417216 417215 417214 417213 417212 417210 417209 417208
417207 417206 417205 417204 417196 417195 417194 417193 417192 417187 417186 417185
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417199 417198 417197 417161 417188 417181 417180
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FOR INFORMATIONAL PURPOSES ONLY
Please refer to Mineral Titles Online for the latest information
April 30, 2015
Projection: Albers - Datum: NAD83
Data Source: BCGW
Mineral Titles - Ministry of Energy and Mines

**SCHEDULE "B"**

**FORM OF RELEASE**

**THIS RELEASE** is made as of this 1st day of May 2015.

**TO:** Her Majesty the Queen in right of the Province of British Columbia (the "**Province**") and British Columbia Railway Company ("**Crownco**") including its subsidiaries (as defined in the *British Columbia Railway Act*, R.S.B.C. 1996, c. 36) and their respective past, present and future directors, officers, shareholders, members, affiliated and related entities, predecessors, employees, servants, agents, successors and assigns (collectively, the "**Releasees**")

**WHEREAS:**

A. Pursuant to a Coal Licence Purchase Agreement (the "**Purchase Agreement**") dated as of May 1, 2015 among the Province and Crownco, as purchasers, and Fortune Minerals Limited ("**Fortune Minerals**"), Fortune Coal Limited ("**Fortune Coal**"), POSCO Canada Limited ("**POSCO Canada**") and Posco Klappan Coal Ltd. ("**POSCO Klappan**"), as vendors, (each vendor more particularly described in the Purchase Agreement and referred to herein collectively as the "**Vendor Group**"), the Province and Crownco agreed to purchase, and the Vendor Group agreed to sell, the Property and the Property Exploration Assets (as defined in the Purchase Agreement); and

B. Pursuant to the Purchase Agreement, the Vendor Group on their own behalf and on behalf of their respective successors and assigns (the "**Releasors**") agreed to release the Releasees from the matters described herein.

**NOW THEREFORE** for good and valuable consideration now paid by the Province and Crownco (the receipt and sufficiency of which is acknowledged by the parties hereto), the Releasors hereby agree as follows:

**1.** The Releasors **DO HEREBY RELEASE** and forever discharge the Releasees from all legal and equitable claims, suits, actions, causes of action, or demands whatever which the Releasors ever had, now have, or which the Releasors may at any time in the future have against the Releasees by reason of, arising out of, or in any way connected with any cause existing up to the present time or in the future, directly or indirectly as a result of or in connection with:

(a) the Releasors' present and previous ownership of the Property and the Property Exploration Assets;

(b) the purchase of the Property by Crownco from Fortune Coal and POSCO Klappan;

(c) the purchase of the Property Exploration Assets by Crownco from the Vendor Group; and

(d) any member of the Vendor Group's inability to exercise certain rights in relation to the Property following the exercise of the Option for any reason, including but not limited to anything directly or indirectly connected to the existence or assertion of aboriginal rights or title in the Klappan Valley

but for greater certainty, the release provided in this Paragraph 1 will not apply to:

(e) claims by Fortune Coal and POSCO Klappan associated with their conditional right to exercise the Option pursuant to Article 6 of the Purchase Agreement (the "**Option**"); or

(f) claims from any member of the Vendor Group in connection with any breach by the Province or Crownco of its representations, warranties, covenants or agreements as expressly and specifically contained within the Purchase Agreement.

2. This Release shall survive regardless of whether the Option is exercised.

3. The Releasors agree not to make any claim or take any proceedings against any other person or corporation who might claim contribution or indemnity from the Province or Crownco in respect of a claim or proceeding subject to the release set forth in paragraph 1. If a claim contrary to proceeding sentence results in a claim by a person against any of the Province or Crownco for contribution or indemnity the Releasors shall indemnify the Province or Crownco, as applicable, for any costs, including legal fees, expenses and disbursements incurred by the Province or Crownco in connection with such a claim for contribution or indemnity, including any proceedings for declaratory relief.

4. The Releasors joint and severally represent, warrant and covenant that they have not assigned and will not assign to any other person or entity any of the actions, causes of action, suits, demands, debts, accounts, covenants, contracts, damages and other claims which they are releasing herein.

5. Capitalized terms used in this Release and not otherwise defined have the meanings given to them in the Purchase Agreement.

6. This Release is governed exclusively by, and is to be enforced, construed and interpreted exclusively in accordance with, the laws of British Columbia and the laws of Canada applicable in British Columbia which are deemed to be the proper law of this Release.

7. Each of the parties hereto acknowledges that it understands this Release and has had full and free opportunity to consider this release and seek legal counsel before signing this release.

8 This Release will enure to the benefit of and be binding upon the Releasors and the Releasees and their respective legal representatives, successors and assigns, as the case may be.

**EACH OF THE RELEASORS** has executed this Release as of the date on the first page of this Release.

**FORTUNE MINERALS LIMITED**

Per: _____
Authorized Signatory

**FORTUNE COAL LIMITED**

Per: _____
Authorized Signatory

**POSCO CANADA LIMITED**

Per: _____
Authorized Signatory

**POSCO KLAPPAN COAL LTD.**

Per: _____
Authorized Signatory

**SCHEDULE "C"**

**FORM OF BILL OF SALE**

THIS BILL OF SALE made as of the ___ day of _____, 2015.

BETWEEN:

**BRITISH COLUMBIA RAILWAY COMPANY**, a company continued under the *British Columbia Railway Act*, R.S.B.C. 1996

("**CrownCo**")

AND:

**FORTUNE MINERALS LIMITED**, a corporation incorporated under the laws of Ontario and extra-provincially registered in British Columbia, having a head office at 148 Fullarton Street, Suite 1600 London, Ontario N6A 5P2

("**Fortune Minerals**")

AND:

**FORTUNE COAL LIMITED**, a corporation incorporated under the laws of Ontario and extra-provincially registered in British Columbia, having a head office at 148 Fullarton Street, Suite 1600, London, Ontario N6A 5P3

("**Fortune Coal**")

(**Fortune Minerals and Fortune Coal, are together, "Fortune")**

AND:

**POSCO CANADA LIMITED**, a company incorporated under the laws of British Columbia and having a registered and records office at 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia V7X 1T2

("**POSCO Canada**")

AND:

**POSCO KLAPPAN COAL LTD.**, a company incorporated under the laws of British Columbia and having a registered and records office at 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia V7X 1T2

("**POSCO Klappan**").

(**POSCO Canada and POSCO Klappan, are together, "POSCO")**

WHEREAS pursuant to a purchase agreement dated May 1, 2015 among the Province, CrownCo, Fortune Minerals, Fortune Coal, POSCO Canada and Posco Klappan (the "**Purchase Agreement**") CrownCo has agreed to acquire "Property" (as defined in the Purchase Agreement, and also attached hereto as Appendix "C-1") together with the "Property Exploration Assets" (as defined in the Purchase Agreement) for the consideration and on the terms and conditions set out in the Purchase Agreement.

NOW THEREFORE THIS BILL OF SALE WITNESSES that for good and valuable consideration now paid by CrownCo to Fortune Coal and POSCO Klappan under the terms of the Purchase Agreement (the receipt and sufficiency of which are hereby acknowledged), the parties hereto covenant and agree as follows:

**1. Definitions**

All capitalized terms used herein and not otherwise defined will have the meaning ascribed to them in the Purchase Agreement.

**2. Sale**

Pursuant to and subject to the terms and conditions of the Purchase Agreement, as and from the date hereof:

(a) Fortune Coal and POSCO Klappan each hereby sells, assigns, transfers, sets over, delivers and conveys to CrownCo all of its interest in and to the Property to have and to hold for CrownCo's own use absolutely, all and singular, with full power to CrownCo to take such measures for the full recovery and enjoyment of the rights that Fortune Coal and POSCO Klappan, but for the Purchase Agreement and this Bill of Sale, may have itself taken; and

(b) Fortune Minerals, Fortune Coal, POSCO Canada and POSCO Klappan each hereby sells, assigns, transfers, sets over, delivers and conveys to CrownCo all of its interest in and to the Property Exploration Assets to have and to hold for CrownCo's own use absolutely, all and singular, with full power to CrownCo to take such measures for the full recovery and enjoyment of the rights that it, but for the Purchase Agreement and this Bill of Sale, may have itself taken.

**3. Subject to Purchase Agreement**

This Bill of Sale is intended to evidence delivery to CrownCo of the Property and the Property Exploration Assets as contemplated by the Purchase Agreement and will therefore be read and construed together with the Purchase Agreement. In the event that the provisions of the Purchase Agreement conflict with or differ from the provisions hereof, those provisions of the Purchase Agreement will prevail.

**4. General**

This Bill of Sale will enure to the benefit of and be binding upon the Parties and their respective successors and assigns. This Bill of Sale is to be interpreted in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein. In this Bill of Sale, words importing the singular include the plural and vice versa.

**5. Counterparts**

This Bill of Sale may be executed in any number of counterparts and delivered in the same manner described in Section 9.16 of the Purchase Agreement with the same effect as if all Parties to this Bill of Sale had signed and delivered the same document, and all counterparts will be construed together as an original and will constitute one and the same agreement.

IN WITNESS WHEREOF the parties have executed this Bill of Sale as of the day and year first above written.

**BRITISH COLUMBIA RAILWAY COMPANY**

| | |
|---|---|
| Signature of Witness | Authorized Signatory |
| Name of Witness | |

**FORTUNE MINERALS LIMITED**

| | |
|---|---|
| Signature of Witness | Authorized Signatory |
| Name of Witness | |

Signature blocks continue on Page 4.

**FORTUNE COAL LIMITED**

| | |
|---|---|
| Signature of Witness | Authorized Signatory |
| Name of Witness | |

**POSCO CANADA LIMITED**

| | |
|---|---|
| Signature of Witness | Authorized Signatory |
| Name of Witness | |

**POSCO KLAPPAN COAL LTD.**

| | |
|---|---|
| Signature of Witness | Authorized Signatory |
| Name of Witness | |

**APPENDIX "C-1"**

**THE PROPERTY**

The coal licences listed in the table below and issued pursuant to the *Coal Act* (British Columbia) comprise the Property. Each and every coal licence listed in the table below are held 80% by Fortune Coal Limited and 20% by POSCO Klappan Coal Ltd.

| Licence Number | Map Number | Good to Date | Area (in Hectares) |
|---|---|---|---|
| 417160 | 104H026 | 2015/Dec/21 | 281 |
| 417161 | 104H026 | 2015/Dec/21 | 491 |
| 417180 | 104H017 | 2016/Feb/01 | 281 |
| 417181 | 104H017, 104H027 | 2016/Feb/01 | 281 |
| 417182 | 104H027 | 2016/Feb/01 | 276 |
| 417183 | 104H027 | 2016/Feb/01 | 281 |
| 417184 | 104H027 | 2016/Feb/01 | 281 |
| 417185 | 104H027 | 2016/Feb/01 | 205 |
| 417186 | 104H027 | 2016/Feb/01 | 280 |
| 417187 | 104H027 | 2016/Feb/01 | 280 |
| 417188 | 104H017, 104H027 | 2016/Feb/01 | 281 |
| 417189 | 104H027 | 2016/Feb/01 | 281 |
| 417190 | 104H026, 104H027 | 2016/Feb/01 | 281 |
| 417191 | 104H026 | 2016/Feb/01 | 281 |
| 417192 | 104H027 | 2016/Feb/01 | 280 |
| 417193 | 104H026, 104H027 | 2016/Feb/01 | 280 |
| 417194 | 104H026 | 2016/Feb/01 | 280 |
| 417195 | 104H026 | 2016/Feb/01 | 280 |
| 417196 | 104H026 | 2016/Feb/01 | 280 |
| 417197 | 104H016, 104H026 | 2016/Feb/01 | 281 |
| 417198 | 104H016, 104H026 | 2016/Feb/01 | 281 |
| 417199 | 104H016, 104H026 | 2016/Feb/01 | 281 |
| 417200 | 104H026 | 2016/Feb/01 | 281 |
| 417201 | 104H026 | 2016/Feb/01 | 281 |
| 417202 | 104H026 | 2016/Feb/01 | 281 |
| 417203 | 104H026 | 2016/Feb/01 | 281 |
| 417204 | 104H026 | 2016/Feb/01 | 280 |
| 417205 | 104H026 | 2016/Feb/01 | 280 |
| 417206 | 104H026 | 2016/Feb/01 | 280 |
| 417207 | 104H026 | 2016/Feb/01 | 280 |
| 417208 | 104H027 | 2016/Feb/01 | 173 |
| 417209 | 104H027 | 2016/Feb/01 | 280 |
| 417210 | 104H027 | 2016/Feb/01 | 280 |
| 417211 | 104H027 | 2016/Feb/01 | 211 |

| Licence Number | Map Number | Good to Date | Area (in Hectares) |
|---|---|---|---|
| 417212 | 104H027 | 2016/Feb/01 | 280 |
| 417213 | 104H026, 104H027 | 2016/Feb/01 | 280 |
| 417214 | 104H026 | 2016/Feb/01 | 280 |
| 417215 | 104H026 | 2016/Feb/01 | 280 |
| 417216 | 104H026 | 2016/Feb/01 | 280 |
| 417217 | 104H027 | 2016/Feb/01 | 247 |
| 417218 | 104H026, 104H027 | 2016/Feb/01 | 279 |
| 417219 | 104H026 | 2016/Feb/01 | 280 |
| 417220 | 104H026 | 2016/Feb/01 | 280 |
| 417221 | 104H026 | 2016/Feb/01 | 280 |
| 417222 | 104H026 | 2016/Feb/01 | 58 |
| 417223 | 104H026 | 2016/Feb/01 | 104 |
| 417224 | 104H026 | 2016/Feb/01 | 149 |
| 417225 | 104H026 | 2016/Feb/01 | 280 |
| 417226 | 104H026 | 2016/Feb/01 | 280 |
| 417227 | 104H026 | 2016/Feb/01 | 280 |
| 417228 | 104H026 | 2016/Feb/01 | 280 |
| 417229 | 104H025, 104H026 | 2016/Feb/01 | 280 |
| 417230 | 104H026 | 2016/Feb/01 | 280 |
| 417231 | 104H026 | 2016/Feb/01 | 280 |
| 417232 | 104H026 | 2016/Feb/01 | 280 |
| 417233 | 104H026 | 2016/Feb/01 | 280 |
| 417234 | 104H025, 104H026 | 2016/Feb/01 | 280 |
| 417235 | 104H026 | 2016/Feb/01 | 202 |
| 417236 | 104H026 | 2016/Feb/01 | 280 |
| 417237 | 104H026 | 2016/Feb/01 | 280 |
| 417238 | 104H025, 104H026 | 2016/Feb/01 | 280 |

**SCHEDULE "D"**

**NOTICE ADDRESSES**

**HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA**
**Represented by the Minister of Energy and Mines**
8th Floor, 1810 Blanshard Street
Victoria BC V8W 9N3

Attention: Dave Nikolejsin, Deputy Minister, Energy and Mines
Telephone: 250.952.0120
Fax: 250.952.0269
E-mail: dave.nikolejsin@gov.bc.ca

**BRITISH COLUMBIA RAILWAY COMPANY**
Suite 600 – 221 West Esplanade
North Vancouver BC V7M 3J3

Attention: Gordon Westlake, President & CEO
Telephone: 604.678.4742
Fax: 604.678.4736
E-mail: westlakeg@bcrp.ca

**FORTUNE MINERALS LIMITED**
148 Fullarton Street, Suite 1600
London Ontario N6A 5P2

Attention: President
Fax: 519.858.8155

**FORTUNE COAL LIMITED**
148 Fullarton Street, Suite 1600
London Ontario N6A 5P2

Attention: President
Fax: 519.858.8155

**POSCO CANADA LIMITED**
650 West Georgia Street, Suite 2350
Vancouver BC  V6B 4N9

Attention: President
Fax: 604.669.5805

**POSCO KLAPPAN COAL LTD.**
650 West Georgia Street, Suite 2350
Vancouver BC  V6B 4N9

Attention: President
Fax: 604.669.5805

## SCHEDULE "E"

## PROPERTY EXPLORATION ASSETS

1. Drill Core stored in a Sea-Can at [redacted] in [redacted];
2. ~80 barrels of coal samples stored at [redacted] in [redacted];
3. ~500 bankers and other size cardboard boxes of hardcopy data – including reports, maps, photos, and written records in storage at [redacted];
4. Hardcopy reports and computer records stored in the [redacted] office of [redacted];
5. 3, three-dimensional models of the proposed Arctos development in indoor storage at [redacted] in [redacted]