



USE OF FUNDS - EXPENDITURE BUDGET.

The table set out below describes the total funds that will be available to the Company at the close of the Offer.

	Subscription (\$11.550 million) (\$)
Existing cash available for operations	2,100,000
Delta Coal Fund cash acquired	150,000
Total raised pursuant to the Offer	11,550,000
Total Funds Available	13,800,000

The Company intends to apply funds raised from the Offer as follows:

Item	Subscription (\$11.550 million) (\$)
Acquisition of Kinney Project-initial consideration	6,916,000
Repayment of Delta Coal loan	835,000
JORC Resource report	90,000
Reclamation Bond	2,183,000
Bankable Feasibility Study	1,589,000
Expenses of the Offer	1,103,000
First year administration costs	515,000
Other working Capital	569,000
Total	13,800,000