

FORDING CANADIAN COAL TRUST  
Form 40-F/A  
April 21, 2005

**As filed with the Securities and Exchange Commission on April 20, 2005**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

---

**FORM 40-F/A**

(Check One)

Registration Statement pursuant to Section 12 of the Securities Exchange Act of 1934

or

☒ [X]

Annual Report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2001

Commission file number 1-15230

**FORDING CANADIAN COAL TRUST**

(Exact Name of Registrant as Specified in its Charter)

**ALBERTA**

**1221**

**98-0393766**

(Province or Other Jurisdiction of  
Incorporation or Organization)

(Primary Standard Industrial  
Classification Code Number)

(I.R.S. Employer Identification  
Number, if applicable)

**Suite 1000, 205 - 9th Avenue SE, Calgary, Alberta T2G 0R3, (403) 260-9800**

(Address and Telephone Number of Registrant's Principal Executive Offices)

**Brad R. Johnston, General Manager, NYCO Minerals, Inc.**

**124 Mountain View Drive, Willsboro, New York 12996-0368, (518) 963-4262**

(Name, Address and Telephone Number of Agent for Service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

**Units, no par value**

**The New York Stock Exchange**

**Unit Purchase Rights<sup>(1)</sup>**

(Name of Each Exchange on which Registered)

(Title of Each Class)

(1) The Unit Purchase Rights initially are attached to and trade with the Units.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

**None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

**None**

For annual report, indicate by check mark the information filed with this form:

☒ Annual Information Form

☒ Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

**As of December 31, 2004, there were 48,980,479 Units of the issuer outstanding.**

Indicate by check mark whether the registrant by filing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the file number assigned to the registrant in connection with such rule.

Yes

82 - \_\_\_\_\_

No

[X]

---

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such report(s); and (2) has been subject to such filing requirements for the past 90 days.

Yes

☒ [X]

No

---

### **Explanatory Note**

Fording Canadian Coal Trust (the "Trust") is filing this Form 40-F/A to include certain Exhibits that were inadvertently either not included, or not included in their entirety, in the Trust's original filing on Form 40-F made on March 31, 2005. This situation resulted from a technical error that occurred when the third-party service provider retained by the Trust to undertake its EDGAR filings was loading the file provided by the Trust, and containing the complete filing, onto a submission template resulting in an incomplete filing. The Issuer became aware on April 19, 2005 that the original filing was incomplete and accordingly, is updating its original filing with this amendment.

The following Exhibits were either incomplete, or were omitted from the original filing but are included, in their entirety, in this filing:

#### **Exhibit "B"**

Audited Consolidated Financial Statements, including consolidated balance sheets as at December 31, 2004 and 2003 and consolidated statements of income, accumulated earnings and cash flows for each of the years in the three-year period ended December 31, 2004 (including a reconciliation to US GAAP).

#### **Exhibit "C"**

2004 Management Discussion and Analysis.

#### **Exhibit "D"**

Consent of the Independent Accountants.

#### **Exhibit "E"**

Certifications Required by Rule 13a-14(a) of the Securities Exchange Act of 1934.

#### **Exhibit "F"**

Section 906 certification of James L. Popowich, the President, and Ronald A. Millos, the Vice-President and Chief Financial Officer.

The Trust notes that complete versions of Exhibits "B and "C" were filed on the System for Electronic Document Analysis and Retrieval (SEDAR) on March 14, 2005, and that Exhibit "E" was filed on SEDAR on March 29, 2005. Complete versions of Exhibits "B" and "C" were filed on EDGAR on March 21, 2005.

### **Information to be Filed on This Form**

#### **Exhibit**

#### **Description**

"A"

2004 Annual Information Form.

"B"

Audited Consolidated Financial Statements, including consolidated balance sheets as at December 31, 2004 and 2003 and consolidated statements of income, accumulated earnings and cash flows for each of the years in the three-year period ended December 31, 2004 (including a reconciliation to US GAAP).

"C"

2004 Management Discussion and Analysis.

"D"

Consent of Independent Accountants.

"E"

Certifications Required by Rule 13a-14(a) of the Securities Exchange Act of 1934.

"F"

Section 906 certification of James L. Popowich, the President, and Ronald A. Millos, the Vice-President and Chief Financial Officer.

---

## **Disclosure Controls and Procedures**

Disclosure controls and procedures are defined by the Securities and Exchange Commission as those controls and procedures that are designed to ensure that information required to be disclosed in our filings under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms. The management of the Trust is responsible for establishing and maintaining adequate disclosure controls and procedures for the Trust and this involves ensuring that appropriate disclosure controls and procedures are in place and operating effectively. As of December 31, 2004, an evaluation was carried out under the supervision of and with the participation of the Trust's management, including the principal executive officer and principal financial officer, of the effectiveness of the Trust's disclosure controls and procedures. Based on that evaluation, our principal executive officer and principal financial officer have determined that such disclosure controls and procedures are effective.

## **Code of Ethics for Principal Executive Officer and Senior Financial Officers**

The Trust and Fording Inc. have adopted a Joint Code of Business Conduct that applies to all employees, including the Trust's principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. This code is available on the Trust's web site at [www.fording.ca](http://www.fording.ca) and in print to any unitholder who requests it. All amendments to the code, and all waivers of the code with respect to any of the principal executive or financial officers covered by it, will be posted on the Trust's web site and provided in print to any unitholder who requests them. There were no waivers of the Joint Code of Business Conduct in 2004.

## **Audit Committee**

### *Identification of Audit Committee*

The Trust has a separately-designated standing audit committee established in accordance with Exchange Act regulations. The following trustees constitute such Audit Committee: Harry G. Schaefer, F.C.A., committee chairman; Michael S. Parrett, C.A.; and Peter Valentine, F.C.A. Each of these trustees has been determined by the board to be independent and financially literate as those terms are defined by the New York Stock Exchange for audit committee members.

### *Audit Committee Financial Expert*

The Trust's board of trustees has determined that more than one member of the Audit Committee meets the legal requirements of an audit committee financial expert. Of those members, Harry G. Schaefer, F.C.A. is designated as an audit committee financial expert.





**Principal Accounting Fees and Services**

The following is a summary of professional services provided by the Trust's principal auditors, PricewaterhouseCoopers LLP, during the years ended December 31, 2003 and 2004, and the related fees:

	<b>2004</b>	<b>2003</b>
Audit fees	\$277,500	\$258,000
Audit related fees	\$128,413	\$241,500
Tax fees	\$ 22,750	\$ 57,510
All other fees	\$ 1,625	\$ 1,625
<b>Total</b>	<b>\$430,288</b>	<b>\$558,635</b>

*Audit fees*

Audit fees were for professional services rendered by PricewaterhouseCoopers LLP for the audit of the annual consolidated financial statements, review of the Annual Information Form and Management Discussion and Analysis and completion of limited reviews of quarterly financial information.

*Audit related fees*

Audit related fees include professional services rendered by PricewaterhouseCoopers LLP in the following areas: accounting consultations; review of documents required for debt refinancing; audits related to pension plans; compliance with terms of various contractual agreements; and requirements of the Sarbanes-Oxley Act of 2002.

*Tax fees*

Tax fees include assistance rendered to the Trust in connection with various tax compliance issues in Canada and the United States.

*All other fees*

Other fees include the purchase of a license to access a financial reporting and assurance information database developed by PricewaterhouseCoopers LLP.

*Pre-approval Policies and Procedures*

All services provided by and fees paid to PricewaterhouseCoopers LLP were approved by the Audit Committee in advance of the services being performed. The Audit Committee has considered the compatibility of the non-audit services provided by the Trust's principal auditors with auditor independence.

**Off-Balance Sheet Arrangements**

Reference is made to the section titled "Other Information - Off-Balance Sheet Arrangements" in the 2004 Management Discussion and Analysis attached as an Exhibit hereto.

---

### **Contractual Obligations**

Reference is made to the contractual obligations table included in the section titled "Liquidity and Capital Results" in the 2004 Management Discussion and Analysis attached as an Exhibit hereto.

### **New York Stock Exchange Corporate Governance Disclosures**

In 2004, the Trust had four independent trustees and three non-independent trustees, within the meaning of the rules of the New York Stock Exchange. A majority of the trustees will be independent after the Trust's annual meeting in 2005 in the event that all of the candidates nominated by the Trust's Governance Committee are elected. A majority of the directors of Fording Inc. are independent, within the meaning of the rules of the New York Stock Exchange.

### **Undertaking**

Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

### **Consent to Service of Process**

The Registrant has previously filed with the Commission a written irrevocable consent and power of attorney on Form F-X.

---

**Signatures**

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F/A and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereto duly authorized.

Date: April 20, 2005

**FORDING CANADIAN COAL TRUST**

By:

/s/ James Frederick Jones

James Frederick Jones

Trust Secretary

---

**Exhibit D**  
**Consent of Independent Accountants**

We hereby consent to the inclusion in this Annual Report on Form 40-F of Fording Canadian Coal Trust of our report dated February 28, 2005 and our Comment by Auditors for US Readers on Canada-US Reporting Differences also dated February 20, 2005 relating to the consolidated financial statements, which appears in the Annual Report to Unitholders.

**PricewaterhouseCoopers LLP**  
Calgary, Alberta, Canada

Date: March 31, 2005

**Exhibit E**  
**Certifications Required by Rule 13a-14(a) of the Securities Exchange Act of 1934**

I, James L. Popowich, President of the Fording Canadian Coal Trust, certify that:

1.

I have reviewed this annual report on Form 40-F of the Fording Canadian Coal Trust;

2.

Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.

The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-115(e)) for the issuer and have:

(a)

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b)

Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c)

Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5.

The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of issuer's board of directors (or persons performing the equivalent function);

(a)

All significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b)

Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 31, 2005

/s/ James L. Popowich

James L. Popowich

President

---

I, Ronald A. Millos, Vice-President and Chief Financial Officer, certify that:

1.

I have reviewed this annual report on Form 40-F of the Fording Canadian Coal Trust;

2.

Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.

The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-115(e)) for the issuer and have:

(a)

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b)

Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c)

Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5.



The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of issuer's board of directors (or persons performing the equivalent function);

(a)

All significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b)

Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 31, 2005

/s/ Ronald A. Millos

Ronald A. Millos,

Vice-President and Chief Financial Officer

**Exhibit F\***  
**Certification Pursuant to 18 U.S.C. Section 1350,**  
**as enacted by Section 906 of the Sarbanes-Oxley act of 2002**

In connection with the Annual Report on Form 40-F of Fording Canadian Coal Trust (the "Company") for the period ended December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, James L. Popowich, the President, and Ronald A. Millos, the Vice-President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

6.

The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

7.

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2005

/s/ James L. Popowich

James L. Popowich

President

/s/ Ronald A. Millos

Ronald A. Millos

Vice-President and Chief Financial Officer

---

A signed original of this written statement required by Section 906 has been provided to Fording Canadian Coal Trust and will be retained by Fording Canadian Coal Trust and furnished to the Securities and Exchange Commission or its staff upon request.

\* This exhibit is "furnished" and not "filed" for the purposes of Section 18 of the *Exchange Act*



---

**Exhibit A**  
**Annual Information Form**

**FORDING CANADIAN COAL TRUST**

**ANNUAL INFORMATION FORM**

**March 29, 2005**

## **TABLE OF CONTENTS**

### **FORWARD-LOOKING INFORMATION ADVISORY**

1

### **NON-GAAP FINANCIAL MEASURES**

1

### **DEFINED TERMS**

2

### **CONVERSION TABLE**

2

### **REFERENCES TO CURRENCY**

2

### **CORPORATE STRUCTURE**

3

### **GENERAL DEVELOPMENT OF THE BUSINESS**

3

### **DESCRIPTION OF THE BUSINESS**

6

### **RESERVES AND RESOURCES**

18

### **RISK FACTORS**

27

OTHER INFORMATION REGARDING THE TRUST

27

ANNUAL AND QUARTERLY FINANCIAL INFORMATION

31

CAPITAL STRUCTURE

31

MARKETS FOR SECURITIES

36

GOVERNANCE

36

LEGAL PROCEEDINGS

44

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

44

TRANSFER AGENT AND REGISTRAR

44

MATERIAL CONTRACTS

45

ADDITIONAL INFORMATION

47

APPENDIX "A": GLOSSARY OF TECHNICAL TERMS

A-1

APPENDIX "B": GENERAL GLOSSARY

B-1

APPENDIX "C": DEFINITIONS FOR RESERVES AND RESOURCES

C-1

APPENDIX "D": FORDING CANADIAN COAL TRUST AUDIT COMMITTEE CHARTER

D-1

i

---

## **FORWARD-LOOKING INFORMATION ADVISORY**

This annual information form contains forward-looking information within the meaning of the United States *Private Securities Litigation Reform Act of 1995* relating, but not limited, to Fording Canadian Coal Trust's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may", and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance.

Unitholders and prospective investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be inaccurate. These factors include, but are not limited to: changes in commodity prices and exchange rates; changes in steel-making methods and other technological changes; the strength of various economies; difficulties inherent with operating and selling in foreign countries; changes in the regulation in respect to the use of metallurgical coal and wollastonite products; the effectiveness of the managing partner of the Elk Valley Coal Partnership in managing its affairs; the effects of competition and pricing pressures in the metallurgical coal and industrial minerals markets; the oversupply of, or lack of demand for, metallurgical coal and wollastonite products; currency and interest rate fluctuations; various events which could disrupt operations and/or the transportation of products, including labour stoppages and severe weather conditions; the demand for and availability of rail, port and other transportation services; and management's ability to anticipate and manage the foregoing factors and risks.

Information relating to the magnitude or quality of mineral deposits is deemed to be forward-looking information. The reliability of such information is affected by, among other things: uncertainty involving geology of mineral deposits; uncertainty of estimates of their size or composition; uncertainty of projections relating to costs of production, transportation or estimates of market prices for the mineral; the possibility of delays in mining activities; changes in plans with respect to exploration, development projects or capital expenditures; and various other risks including those relating to health, safety and environmental matters.

The Trust cautions that the list of factors set forth above is not exhaustive. Some of the risks, uncertainties and other factors which negatively affect the reliability of forward-looking information are discussed in the Trust's public filings with the Canadian securities regulatory authorities, including its most recent management information circular, annual report, quarterly reports, material change reports and news releases, and with the United States Securities and Exchange Commission, including its most recent annual report on Form 40-F as supplemented by its filings on Form 6-K. Copies of the Trust's Canadian public filings are available at [www.sedar.com](http://www.sedar.com) and U.S. public filings are available at [www.sec.gov](http://www.sec.gov), respectively. The Trust further cautions that information contained on, or accessible through, these websites is current only as of the date of such information and may be superseded by subsequent events or filings. The Trust undertakes no obligation to update publicly or otherwise revise any information, including any



forward-looking information, whether as a result of new information, future events or other such factors that affect this information.

### **NON-GAAP FINANCIAL MEASURES**

Financial measures such as cash available for distribution, Distributable Cash and net income before unusual items, future income taxes and discontinued operations are not measures recognized under Canadian generally accepted accounting principles ("GAAP") and do not have standardized meanings prescribed by GAAP. These measures are presented in this Annual Information Form because management of the Trust believes these non-GAAP measures are relevant measures of the ability of the Trust to earn and distribute cash returns to holders of Units. These measures as computed by the Trust may differ from similar computations made by other similar issuers and accordingly, may not be comparable to such measures as reported by such other issuers.

## DEFINED TERMS

The meanings of certain capitalized terms used in this Annual Information Form can be found in the Glossary of Technical Terms and the General Glossary set forth respectively at Appendix "A" and Appendix "B".

## CONVERSION TABLE

<b>To Convert To</b>	<b>From</b>	<b>Multiply By</b>
Cubic Yards	Cubic metres	1.308
Feet	Metres	3.281
Miles	Kilometres	0.621
Acres	Hectares	2.471
Pounds	Kilograms	2.205
Short Tons	Tonnes	1.102
Long tons	Tonnes	0.984
BTU/lb	kJ/kg	0.430

## REFERENCES TO CURRENCY

Unless otherwise noted, all references in this document to monetary amounts are expressed in Canadian dollars and "\$" means Canadian dollars.

## **CORPORATE STRUCTURE**

### **Name and Formation**

The Fording Canadian Coal Trust is an open-ended mutual fund trust created pursuant to the Declaration of Trust and governed by the laws of Alberta. The Trust's head office is located at Suite 1000, 205 - 9th Avenue SE, Calgary, Alberta T2G 0R4.

### **Intercorporate Relationships**

The following chart sets forth all material subsidiaries of the Trust as at December 31, 2004 and indicates their respective jurisdictions of incorporation or organization and the ownership percentage of each such entity beneficially owned, or over which control or direction is exercised by the Trust.

Notes:

(1)

Reducing to 61% on April 1, 2005 and to 60% on April 1, 2006. See "*Three-Year History - Achievement of Synergies*."

(2)

Fording Inc. holds a single voting share in Minera NYCO S.A. de C.V. in compliance with Mexican corporate law which requires that corporations have at least two shareholders.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### **General Description of the Business**

The Trust is one of the largest income trusts in Canada. The Units are publicly traded in Canada on the TSX (FDG.UN) and in the United States on the NYSE (FDG). Through investments in metallurgical coal and industrial minerals mining and processing operations, the Trust makes quarterly cash distributions to Unitholders from its Distributable Cash.

### **Three-Year History**

The Trust was established in connection with the Arrangement between Old Fording, Teck Cominco, Westshore, Sherritt Coal Partnership II and CONSOL that became effective on February 28, 2003. The nature and development of the businesses in which the Trust, through Fording Inc., has invested during the three most recently completed financial years is described in "*Elk Valley Coal Partnership - The Last Three Years*" and "*NYCO - The Last Three Years*".

#### *Reorganization*

Pursuant to the Arrangement, the business of Old Fording was reorganized under the Trust and its subsidiary, Fording Inc. and the Elk Valley Coal Partnership was formed. The Elk Valley Coal Partnership is a general partnership, the Partners of which, on December 31, 2004, were Fording Inc., Teck Cominco and certain affiliates of Teck Cominco. As part of the Arrangement, Luscar Energy Partnership (the partners of which are affiliates of each of Sherritt and OTPP) and CONSOL contributed indirectly to the Elk Valley Coal Partnership their respective interests in the Line Creek mine, the Luscar mine and the undeveloped Cheviot project as well as their collective 46.4% interest in Neptune, the corporation that owns Neptune Terminals in Vancouver, British Columbia. Old Fording contributed to the Elk Valley Coal Partnership its metallurgical coal business comprised substantially of the Fording River mine, the Coal Mountain mine and its interest in the Greenhills mine. Teck Cominco contributed to the Elk Valley Coal

Partnership its North American metallurgical coal business comprised substantially of the Elkview mine. These contributions established the Elk Valley Coal Partnership as the world's second-largest producer of seaborne metallurgical hard coking coal.

In addition, and as part of the Arrangement, and subject to the Fording Royalty, Old Fording sold its Prairie Operations to Sherritt Coal Partnership II and each of Teck Cominco, Westshore, Sherritt and OTPP subscribed for Units. The Arrangement is described in detail in the Trust's 2003 Annual Information Form. On March 22, 2005, Golden Apple Income Inc., a wholly owned subsidiary of OTPP, announced that it plans to sell 750,000 Units.

#### *Issuance of Two Million Units*

The Trust filed a short form prospectus on April 12, 2004 in connection with the issuance of two million Units on a bought deal basis to a syndicate of underwriters led by RBC Capital Markets at \$52.50 per Unit. The offering closed on April 16, 2004. The Trust invested the net proceeds of the offering of \$99 million in additional Fording Preferred Shares and Fording Subordinated Notes. In turn, Fording Inc. used the proceeds to pay down indebtedness, which provided it with a greater range of financing alternatives for funding its portion of the development of the Cheviot Creek pit at the Cardinal River mine.

#### *Achievement of Synergies*

The Elk Valley Coal Partnership was initially owned 65% by the Trust and 35% by Teck Cominco and certain affiliates of Teck Cominco. The Partnership Agreement provided for an increase in Teck Cominco's interest in the Elk Valley Coal Partnership to a maximum of 40% in the event that Teck Cominco, as managing Partner, was able to realize certain synergies as a result of the combination of the various mines and other properties comprising the Partnership. After discussions among the Partners and upon review of reports of various experts, the Partners determined that synergies had been achieved and that Fording Inc.'s interest would be reduced to 62% effective April 1, 2004, to 61% on April 1, 2005 and to 60% on April 1, 2006. Teck Cominco's entitlements will increase correspondingly over the same period. The entire 5% reduction in interest in the Elk Valley Coal Partnership is being recorded to earnings. This charge is reduced by an estimate of cash to be received for the estimated additional Distribution Entitlements of 2% for the year ended March 31, 2005 and 1% for the year ended March 31, 2006. These additional Distribution Entitlements will be included in cash available for distribution over the period ending March 31, 2006.

#### *Quintette Mine Asset Transfer*

The Elk Valley Coal Partnership accepted the contribution of certain of the Quintette mine assets and purchased certain other assets of Teck Cominco related to the Quintette mine on December 31, 2004. The contribution of mine assets, including equipment, coal leases, permits and licenses associated with the Quintette Mine was contemplated



by the Arrangement and was to occur once Teck Cominco had completed the reclamation of the Quintette minesite. However, the Elk Valley Coal Partnership agreed to an earlier transfer of the Quintette mine assets before reclamation was completed in return for an agreement by Teck Cominco to complete the reclamation and provide the Elk Valley Coal Partnership with an indemnity against any liability arising from the early transfer.

#### *Elkview Mine Equity Interest*

On December 20, 2004, the Trust announced jointly with Teck Cominco, NSC and POSCO that they had signed letters of intent which contemplate that NSC and POSCO would enter into 10 year sales contracts for 4.85 million tonnes per annum in aggregate of metallurgical coal for 2005 from the Elkview mine and other Elk Valley mines, increasing to 6.25 million tonnes per annum in aggregate in 2007. The letters of intent also contemplate that each of NSC and POSCO would acquire, through subsidiaries, a 2.5% equity interest in a new entity which would own and operate the Elkview mine. Consideration of US\$25 million is being paid by each of NSC and POSCO for such equity interests. Completion of this transaction is subject to due diligence, completion of definitive documentation and board approval.

#### *Proposed Reorganization*

At the Annual and Special Meeting, Unitholders will be asked to approve a three-for-one split of the Trust's Units. It is anticipated that the Unit split will result in a corresponding reduction in the market price per Unit making them more affordable for retail investors.

Unitholders will also be asked to provide conditional approval of a two-step reorganization of the Trust and its subsidiaries. The first step would result in the creation of a flow-through structure which would effectively see distributions from Elk Valley Coal Partnership taxed at the Unitholder level. The second step, if undertaken, would be a transaction whereby the Trust would acquire a direct interest in the Elk Valley Coal Partnership.

In addition to Unitholder approval, completion of the reorganization is subject to receipt of certain regulatory and third-party approvals. A more detailed description of the reorganization and the required approvals will be contained in the Notice of Meeting and Management Information Circular that will be mailed to Unitholders in early April in advance of the Annual and Special Meeting.

#### **Changes to Applicable Tax Legislation**

The Government of Canada announced a number of proposals in 2004 that had or have the potential to affect the manner in which certain types of distributions from an income trust are taxed and to limit investment in those vehicles by certain classes of investors. These proposals are summarized below. Unitholders are encouraged to consult their own tax advisors regarding the application of the proposals to their particular circumstances.

#### *Limits on Investments by Designated Taxpayers*

One of the initiatives proposed in the March 23, 2004 Federal Budget would have the effect of limiting the level of investment in business trusts, such as the Trust, by certain designated taxpayers, including registered pension plans, pension corporations and various tax-exempt pension investment corporations, through the imposition of a tax on Units held by such taxpayers. Following the announcement of these initiatives, various affected taxpayers made submissions to the Federal Department of Finance regarding such proposals. These measures have now been suspended to allow for further consultation.

*Withholding on Distributions to Non-Residents*

The March 23, 2004 Federal Budget contained further proposals impacting distributions made by an income trust to Unitholders not resident in Canada ("Non-Residents") for the purposes of the Tax Act. Generally, these proposals, which are stated to apply as of January 1, 2005, contemplate that certain types of distributions made by an income trust to Non-Residents that are otherwise not subject to Canadian tax, including withholding tax, will be subject to withholding under the Tax Act at a rate of 15% of the gross amount of the distribution.



### *Limitations on Non-Resident Ownership*

The Tax Act provides that a trust will lose its status as a mutual fund trust if it is maintained primarily for the benefit of Non-Residents. On September 16, 2004, the Federal Department of Finance released a proposed amendment to this test which would have provided that status as a mutual fund trust would be lost if the fair market value of the units of a trust owned by Non-Residents exceeded 50% of the fair market value of all units of the trust. However, the Notice of Ways and Means Motion tabled in the House of Commons on December 6, 2004 did not include this proposed amendment. In the accompanying Department of Finance press release, it was noted that further discussions would be pursued with the private sector concerning the appropriate Canadian tax treatment of non-residents investing in resource property through mutual funds.

In the Federal Budget released on February 23, 2005, the Minister of Finance indicated that he will continue to monitor developments in the markets for business income trusts and future initiatives, if any, will be taken following these consultations and in full consideration of the costs and benefits related to business income trusts.

Based on geographical reports received by the Trust, the Trustees believe that the Trust is not maintained primarily for the benefits of Non-Residents. See "*Capital Structure - Limitations on Non-Resident Unitholders*".

## **DESCRIPTION OF THE BUSINESS**

The Trust does not carry on any active business. Distributions to Unitholders are facilitated by the Trust's investment in Fording Inc. The Trust holds all of the issued and outstanding Fording Common Shares, Fording Preferred Shares and Fording Subordinated Notes and does not own any other material assets.

Through Fording Inc., the Trust holds a 62% interest, declining to 61% effective April 1, 2005 and to 60% effective April 1, 2006, in the Elk Valley Coal Partnership and a 100% interest in NYCO. The Trust uses the cash it receives from its investment in Fording Inc. to make quarterly cash distributions to its Unitholders. The Elk Valley Coal Partnership accounted for 96% of the Trust's revenues in 2004 and NYCO accounted for the balance.

The Trust had revenues of \$1.17 billion in 2004 and revenues of \$1.04 billion in 2003.

### **The Elk Valley Coal Partnership**

#### *Overview*

The Elk Valley Coal Partnership is a general partnership formed under the laws of the Province of Alberta. On December 31, 2004 the Partners of the Elk Valley Coal Partnership were Fording Inc., Teck Cominco and certain affiliates of Teck Cominco. On February 28, 2005, Teck Cominco and TBCI contributed their interests in the Elk Valley Coal Partnership to the Teck Cominco Coal Partnership of which Teck Cominco and TCBI are the partners with the result that the Partners are now comprised of Fording Inc., Teck Cominco Coal Partnership (which serves as

managing partner) and QCP.

#### *Summary of Partnership Agreement*

The Elk Valley Coal Partnership is operated pursuant to the terms of the Partnership Agreement, the material terms of which are summarized below.

#### Management of the Elk Valley Coal Partnership

On December 31, 2004, Teck Cominco was the managing partner of the Elk Valley Coal Partnership. As set forth above, effective February 28, 2005, Teck Cominco Coal Partnership became the managing partner. The managing partner supervises management of the Partnership, provides strategic direction and assists in the realization of synergies. However, certain significant matters regarding the Partnership must be approved by Partners holding not less than 95% of the outstanding Distribution Entitlements (a "Special Resolution of Partners"), as further described below.

The managing partner can resign as managing partner on 60 days advance notice to the other Partners. Further, the managing partner will be deemed to have resigned in certain circumstances (insolvency, reduction in its interest below 20%, or wilful default of the Partnership Agreement). In such circumstances, Partners holding a Distribution Entitlement of more than 5% (other than the resigning managing partner if the managing partner was deemed to have resigned due to insolvency or wilful default of the Partnership Agreement) must unanimously select a new managing partner. Pending the selection of a new managing partner, the Partner then holding the largest Distribution Entitlement can designate a temporary managing partner.

The day-to-day operations of the Elk Valley Coal Partnership are undertaken by officers of the Elk Valley Coal Partnership and other management personnel designated by the managing partner.

#### Annual Budget Approval Process

The annual operation of the Elk Valley Coal Partnership, including budgeting and capital spending, must be set out in a capital and operating plan and budget for each calendar year (the "Operating and Capital Plans"). The Operating and Capital Plans must be presented to the Partners by no later than November 15 of each year for the following calendar year and must be approved by a Special Resolution of the Partners.

The managing partner must use its best efforts to ensure that the business of the Partnership is conducted substantially in accordance with Operating and Capital Plans, except in certain extraordinary circumstances. Any material amendment or variation to such plans must also be approved by Special Resolution of Partners.

#### Special Resolution of Partners Matters

In addition to the approval of the Operating and Capital Plans or any material amendment thereto, a special resolution of Partners is required in a variety of other circumstances such as any change in the distribution policy of the Elk Valley Coal Partnership, any proposed merger, arrangement or reorganization of the Elk Valley Coal Partnership, the admission of new Partners (other than wholly owned subsidiaries or affiliates of existing Partners) or the decision to

institute bankruptcy or insolvency proceedings.

### Distribution Entitlements

Each Partner is entitled to share in the profits and losses of the Partnership and to participate in the distribution of assets on liquidation or dissolution of the Partnership in proportion to its Distribution Entitlement. As at December 31, 2004, the Distribution Entitlements of the Partners were as follows:

	<b>Distribution</b>
<b>Partner</b>	<b>Entitlement</b>
Fording Inc.	62.000%
Teck Cominco	37.833%
QCP	0.164%
TBCI	0.003%
Total	100.000%

Teck Cominco's Distribution Entitlement will increase to 39.833% and Fording Inc.'s will decrease to 60% over the course of the next two coal years. See "*Three-Year History - Achievement of Synergies*".

### Reporting

The Elk Valley Coal Partnership reports monthly to the Partners with respect to the operational results and financial performance of the Partnership. In addition, on a quarterly basis, the managing partner reports to the Board of Directors with respect to the operational results and financial performance of the Elk Valley Coal Partnership and such other matters as the Board of Directors may reasonably request.

The Elk Valley Coal Partnership is also required to provide to each Partner, within 55 days of the end of each calendar year, audited financial statements of the Partnership for the previous calendar year and such other financial information relating to such calendar year as the Partners may request.

Further, the Elk Valley Coal Partnership is required to provide to each of the Partners such information as those Partners may require in order to satisfy their public company reporting obligations. In this regard, the Elk Valley Coal Partnership is required to provide to the Partners a report of any material change in the affairs of the Partnership, quarterly and annual financial statements prepared in accordance with generally accepted accounting principles, management's discussion and analysis for the relevant period covered by the aforementioned financial statements and such other documents as are customarily required in connection with the preparation and release of quarterly and annual financial information by public issuers in Canada and the United States.

Sale/Assignment of Partnership Interest

A Partner may sell, assign, transfer or dispose of its Elk Valley Coal Partnership interest to a subsidiary or affiliate (a "permitted transferee"); however, any intended sale, assignment, transfer or disposition to other than a permitted transferee is subject to a right of first offer to the other Partners. Notwithstanding the foregoing, the sale by Teck Cominco and certain affiliates of Teck Cominco of their Elk Valley Coal Partnership interest, other than to a permitted transferee, will be subject to the consent of the Independent Directors, such consent not to be unreasonably withheld.

*Assets of the Elk Valley Coal Partnership*

The Elk Valley Coal Partnership has six operating mines. It owns Fording River, Coal Mountain, Elkview, Line Creek and Cardinal River and has an 80% interest in a joint venture that operates the Greenhills mine. The remaining 20% interest in the joint venture is owned by POSCO Canada Ltd., an affiliate of POSCO, a Korean steel company. Five of the six mines are located in close proximity to each other in the Elk Valley region of southeast British Columbia. The sixth mine, Cardinal River, which includes the Cheviot Creek pit, is located in west central Alberta. The Elk Valley Coal Partnership operates its mines through its wholly owned subsidiary, the Elk Valley Coal Corporation. The Elk Valley Coal Partnership also owns numerous other properties, including the coal preparation plant and coal resources at the former Quintette mine and other coal resources in northeast British Columbia and a 46.4% interest in Neptune which owns Neptune Terminals in Vancouver, British Columbia.

All of the Elk Valley Coal Partnership's mines are open-pit mining operations and are designed to operate year-round, 24 hours per day, seven days per week. However, the operating schedules can be varied depending on market conditions. All of the mines are serviced by two-lane all weather roads. The Elk Valley Coal Partnership's Reserves, facilities and waste dumps are all proximate to its mine locations.

The following map shows the location of the Elk Valley Coal Partnership's six mines:

**Mine Locations**

Ca

Source: Fording Data.

### *Principal Product and Markets*

The principal product of the Elk Valley Coal Partnership is hard coking coal. Hard coking coal is a type of metallurgical coal that is used primarily for making coke in integrated steel mills. When making steel, two of the key raw ingredients are iron ore and coke. Coke is used to convert the iron ore into molten iron. Coke is made by heating coking coal to about 2000°F (1100°C) in the absence of oxygen in a coke oven. The lack of oxygen prevents the coal from burning. The coking process drives off various liquids, gases and volatile matter. The remaining solid matter forms coke, a solid mass of nearly pure carbon. Approximately 1.5 tonnes of metallurgical coal are needed to produce one tonne of coke. Only certain types of bituminous coal have the necessary characteristics required to make coke. These characteristics include caking properties (the ability to melt, swell and re-solidify when heated) and low impurity (e.g. moisture, ash, sulphur, etc.).

Metallurgical coal is a term used to describe coal products suitable for making steel in the integrated steel mill process. There are three main categories of metallurgical coal: hard coking coal that forms high-strength coke; semi-soft coking coal that produces coke of lesser quality; and PCI coal that is used primarily for its heat value and is not typically considered a coking coal. Semi-soft and PCI coals have lower sales values compared to hard coking coal due to the relative availability of these products. Integrated steel mills will optimize the use of semi-soft and PCI coals in order to reduce overall costs. However, there are limits to the ability of integrated steel mills to substitute semi-soft and PCI coals for hard coking coal. Higher use of PCI coals reduces overall coking coal requirements but the coking coal used has to be of higher quality. Hard coking coal improves coke oven production yields and during periods of high coke demand the use of semi-soft coking coals is generally reduced. The following schematic outlines how steel is produced in an integrated steel mill.

The principal market for the Elk Valley Coal Partnership's hard coking coal is the seaborne hard coking coal market. The seaborne hard coking coal market is defined by the global nature of international steel-making, the relative concentration of quality metallurgical coal deposits in Australia, Canada and the United States and the relative low cost of seaborne transportation. Total worldwide production of higher quality seaborne hard coking coal was estimated to be approximately 120 million tonnes in 2004. Australia is the largest source of seaborne hard coking coal while Canada is the second largest source, with the Elk Valley Coal Partnership accounting for substantially all of Canadian production in 2004. Australia, Canada and the United States account for approximately 80% of the world's seaborne hard coking coal production.

Trade in the seaborne hard coking coal market is influenced by crude steel production that, in turn, is largely dependent on the overall state of regional and global economic conditions. The global trade of steel products is very large and fluctuations in supply and demand in various regions throughout the world are common. Although there are fluctuations in the total amount of steel produced worldwide, the amount of steel produced by the integrated steel mill process has been relatively stable. In turn, the volume of hard coking coal used in this process has not experienced the same variability as total steel production. In 2004, Canada's share of the seaborne hard coking coal market was approximately 21% or about 25 million tonnes. Canadian hard coking coal is competitive in the seaborne market due to its high quality, its suitability for blending with coking coals from other countries and the desire of steel producers to diversify their supplier base in order to create competition and security of supply. The Elk Valley Coal Partnership's principal markets are Asia and Europe. See "*The Elk Valley Coal Partnership - Last Three Years*".

#### *Principal Competition*

The Elk Valley Coal Partnership currently competes primarily with coal producers from Australia and the United States in the seaborne hard coking coal market. The supply of coal in the global markets and the demand for coal among the world's steel producers has historically provided for a competitive seaborne market. Coal pricing is generally established in U.S. dollars and the competitive positioning among producers can be significantly affected by exchange rates. For example, a decline in the U.S. dollar value of the Australian dollar compared to that of the Canadian dollar has in the past and may in the future provide Australian producers with a cost advantage over Canadian producers such as the Elk Valley Coal Partnership. In addition, a number of steel producers deal with multiple coal suppliers in order to promote security of supply and further competitiveness in this market, although this dynamic has been off-set somewhat by consolidation of producers. The competitive position of the Elk Valley Coal

Partnership continues to be determined primarily by its production and transportation costs compared to those of other producers throughout the world. Costs are influenced largely by the location and nature of coal deposits, mining and processing input costs, transportation and port costs, currency exchange rates, operating and management skill and government taxation and policy.

*Cyclical Nature of Seaborne Hard Coking Coal Markets*

Between 1997 and 2000, the price of seaborne hard coking coal dropped by more than 30% due to over supply and a general economic downturn in a number of Asian countries. In 2000, supply and demand returned to balance and supply remained tight through 2001. Price increases were achieved in most of Old Fording's markets for the 2001 and 2002 coal years. However, excess supply resulted in average pricing for the 2003 coal year decreasing by approximately 3% from 2002. Demand for hard coking coal strengthened in the last half of 2003 resulting in sales volumes of the Partnership for the fiscal year ended December 31, 2003 that were 24% higher than sales volumes for the same mines for the fiscal year ended December 31, 2002. Demand for seaborne hard coking coal was strong in 2004 and is expected to remain strong into 2005. Integrated steel mills and coke producers around the world are currently finding it difficult to secure sufficient quantities of hard coking coal. In addition, steel production in China

is forecast to increase in the next few years. Although not as large as the forecasted increase for China, India's steel production is also expected to increase. These factors could result in further increased demand for hard coking coal. Accordingly, sales and production for the 2005 coal year are expected to be at or near capacity.

The following chart sets forth the average hard coking coal price received by Old Fording from 1980 to 2002 and by the Elk Valley Coal Partnership thereafter:

### *Coal Markets*

Hard coking coal markets continue to remain tight due to the strong demand from the global steel industry. A significant factor in market demand is that China has reversed its position from a net exporter of hard coking coal to that of a net importer. The loss of Chinese coke exports has increased the global steel industry's demand for hard coking coal from producers such as the Elk Valley Coal Partnership.

Increasingly, steel producers are signing long-term contracts or purchasing interests in coal producers in order to secure supplies of hard coking coal to meet their future needs. Higher coal prices are also attracting new supply to the market. In addition to the Elk Valley Coal Partnership's planned production increases, other smaller-scale Canadian producers have now started production and began making their first metallurgical coal shipments in 2004. Australian producers have also announced plans for capacity increases. There are a limited number of brownfield opportunities of significance existing globally that can be brought into production quickly and logistics chains in Canada and Australia are operating at or near capacity and will require expansion to accommodate significant new production supply. The global increase in mining activity throughout the world has resulted in significant lead time for delivery of large mining equipment, which will be needed in order to bring new sources of supply online. These factors and expected continued strong demand suggest that it may be one to two years before metallurgical coal markets return to balance.

The Elk Valley Coal Partnership's production is fully contracted for the 2005 coal year, with more than 95% of volumes contracted under evergreen or long-term agreements. The strong metallurgical coal market and undersupply situation has resulted in significant increases in coal prices.

In response to these market opportunities, the Elk Valley Coal Partnership is proceeding with the development of the Cheviot Creek pit at the Cardinal River operations. Capacity expansions at the other existing mines are also being reviewed with the objective of increasing total annual production at all operations to 30 million tonnes over the next two to three years. Elk Valley Coal Partnership is presently discussing its future increased production plans with its rail and port service providers and their ability to handle the higher production volumes.

---

### *Mining and Processing*

The Elk Valley Coal Partnership's operations employ conventional open-pit mining techniques using truck and shovel methods, although a dragline may be used at the Fording River and Cardinal River mines in some circumstances. Overburden is drilled and blasted with explosives and loaded onto large trucks by shovels and loaders and hauled to



waste dumps outside of the pit. Once the overburden is removed, the coal is loaded onto trucks for transport to the coal preparation plant. Coal preparation plants employ rotary breakers to break the coal to a predetermined size and remove rock. The coal is then washed using a variety of techniques and conveyed to coal or gas fired dryers for drying.

### *Production and Quality Control*

All exposed coal seams are sampled and analyzed under the supervision of professional geologists and categorized by quality and coking potential. This data is then used to determine stockpiling and blending strategies. As a result, the Elk Valley Coal Partnership has an available inventory of coal sources of varying qualities, which can be combined, as required, to form blended products. In addition to sampling at source, coal is sampled at all stages of coal preparation, at the rail loadout and at the port, to control quality. By blending coals of different qualities, the Elk Valley Coal Partnership is able to create a consistent, high quality product.

### *Coal Transportation*

Processed coal is conveyed to clean coal silos or other storage facilities for storage and loadout to rail cars. The loadout facilities are set up to load and weigh unit trains (each train carrying up to 13,000 tonnes). A spray system coats the coal in each rail car with a dust inhibitor to minimize the escape of coal dust during transportation.

Rail service to the five mines located in the Elk Valley is provided by the Canadian Pacific Railway ("CPR"). Service from the Fording River, Greenhills and Coal Mountain mines to west coast ports is provided pursuant to an agreement expiring March 31, 2007. Separate agreements for rail service to the Elkview and Line Creek mines expired on March 31, 2004.

The Elk Valley Coal Partnership and CPR are in a dispute concerning the manner in which freight rates for coal shipped to west coast ports from the five mines is to be determined. Legal proceedings in relation to the dispute have been initiated by CPR in the Alberta Court of Queen's Bench and by the Elk Valley Coal Corporation in a final offer arbitration under the *Canadian Transportation Act* ("CTA") in respect of the Elkview Mine. On December 13, 2004, an arbitrator accepted CPR's final offer in the arbitration, which could determine the rate payable by the Elk Valley Coal Partnership for coal shipped from the Elkview Mine to the west coast ports. The arbitrated rate is confidential and cannot be disclosed. However, CPR has also challenged the Canadian Transportation Agency's jurisdiction under the CTA to refer the determination of freight rates for the Elkview Mine to the arbitrator. If that challenge is successful, it would supersede the decision of the arbitrator. If CPR's jurisdictional challenge is not successful, the arbitrated rate for the Elkview Mine may apply to some or all of the other four mines, depending on the outcome of the Alberta Court of Queen's Bench action.

Regardless of the outcome of the proceedings, rail rates for westbound coal will increase and such increase is likely to be material. An unfavourable outcome of one or both of the legal proceedings will also result in a material increase in rail rates charged to the Elk Valley Coal Partnership for westbound coal.

In January 2005, the Elk Valley Coal Partnership and CPR agreed to engage in a confidential mediation/negotiation process to attempt to resolve the dispute and that process is ongoing. CPR has stated that the dispute is not expected to adversely affect the shipment of coal from the Elk Valley mines.

Rail service provided by CPR to eastern destinations from the Elk Valley Mines is not the subject of either legal proceeding. Rail service in respect of the Cardinal River mine is provided by Canadian National Railway.

Westshore Terminals Ltd. provides ship-loading services at Roberts Bank for approximately 75% of the Elk Valley Coal Partnership's metallurgical coal pursuant to long-term contracts. Neptune Terminals, in which the Elk Valley Coal Partnership has a 46.4% ownership interest, provides ship-loading services for approximately 12% of the Elk Valley Coal Partnership's metallurgical coal. The remaining 13% of the Elk Valley Coal Partnership's metallurgical

coal products are shipped from the sites to eastern North American customers either directly by rail or by rail and ship via Thunder Bay Terminals in Thunder Bay, Ontario. A small amount of product is shipped by truck to customers in western Canada.

#### *Changes to Coal Sales Contracts*

Beginning with the 2004 coal year, approximately 95% of the Elk Valley Coal Partnership's sales contracts are in the form of multi-year evergreen supply agreements with customers. Evergreen contracts allow for coal prices to be set annually, but provide greater certainty of sales volumes, as customers are obligated to continue to purchase coal for a number of years after notice of termination is given by either party. See Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2004 in the Trust's 2004 Annual Report.

#### **The Elk Valley Coal Partnership - The Last Three Years**

Price increases for seaborne hard coking coal were achieved in most of Old Fording's markets for the 2002 coal year. However, excess supply resulted in average pricing for the 2003 coal year decreasing by approximately 3% from 2002. Demand for hard coking coal strengthened in the last half of 2003 resulting in the Elk Valley Coal Partnership sales volumes for the fiscal year ended December 31, 2003 that were 24% higher than sales volumes for the same mines for the fiscal year ended December 31, 2002. Demand for seaborne hard coking coal was strong in 2004. Average realized price per tonne, including the impact of foreign currency hedges, increased in 2004 by approximately 14% to \$73.10 per tonne over 2003, while sales volumes remained unchanged from 2003 at 15.3 million tonnes.

In view of the strength of the seaborne hard coking markets, the Elk Valley Coal Partnership announced that it was proceeding with the development of the Cheviot Creek pit using the infrastructure of the Cardinal River mine. In 2004, the Partners approved \$120 million of capital spending to develop the pit, build a haul road, upgrade the plant and acquire mining equipment with the goal to increase production to 2.8 million tonnes per year. It is anticipated that the full annual production rate will be achieved in the third quarter of 2005. In addition, the Partners approved \$30 million in capital expenditures to increase the Fording River mine's capacity by about one million tonnes to 10.5 million tonnes annually, with full capacity expected to be achieved near the end of the second quarter of 2005.

Fording Inc.'s capital expenditures, including its proportionate share of Partnership Sustaining Capital Expenditures, were \$73 million during 2004, of which \$44 million was for the development of the Cheviot Creek pit. This is a substantial increase from capital expenditures of \$12 million for ten months in 2003.

*Coal Sales by Geographical Area*

The chart below sets forth coal sales information by geographical area for the last three years:

	Coal Sales by Area (millions of tonnes)					
	2004 <sup>(3)</sup>		2003 <sup>(2)</sup>		2002 <sup>(1)</sup>	
	% of sales	Tonnes	% of sales	Tonnes	% of sales	Tonnes
Europe	32%	7,993	31%	6,923	34%	4,151
Japan	23%	5,801	26%	5,826	28%	3,443
Korea	13%	3,237	13%	2,984	20%	2,453
China	5%	1,287	3%	602	-	-
Taiwan	4%	955	4%	1,050	4%	537
South America	8%	1,899	9%	1,985	5%	679
North America	15%	3,832	14%	3,214	9%	1,067
<b>Total</b>	<b>100%</b>	<b>25,004</b>	<b>100%</b>	<b>22,584</b>	<b>100%</b>	<b>12,330</b>

Notes:

(1)

2002 sales are by Old Fording.

(2)

2003 sales include sales by Old Fording prior to February 28, 2003 and sales by the Elk Valley Coal Partnership thereafter.

(3)

2004 sales are by the Elk Valley Coal Partnership (of which the Trust's share is 65% to March 31, 2004 and 62% thereafter).

**The Elk Valley Coal Partnership - Mines and Neptune Terminals**

# Edgar Filing: FORDING CANADIAN COAL TRUST - Form 40-F/A

The following table sets forth the area, current production capacity, actual production and known reserve life of the Elk Valley Coal Partnership's mines.

	Hectares		Current Production Capacity <sup>(2)</sup>		Production <sup>(2)</sup>			Known Reserve Life <sup>(3)</sup> (years)	Date of Initial Operation
	Total	Mined or to be Mined <sup>(1)</sup>	Mine	Plant	2004	2003	% Change		
Fording River	20,304	3,955	10.0	9.5	9.6	8.9	8%	25	1969
Elkview	27,054	3,526	6.0	7.0	5.9	5.4	9%	35	1969
Greenhills	10,964	2,155	4.5	5.5	4.9	4.1	20%	20	1981
Coal Mountain	3,044	759	2.7	3.5	2.5	2.0	25%	10	1975
Line Creek	9,025	1,236	2.5	3.2	2.5	1.7	47%	7	1981
Cardinal River	12,489	2,343	2.5	3.0	0.4	1.0	(60)%	20	1969
<b>Total</b>	<b>82,877</b>	<b>13,974</b>	<b>28.2</b>	<b>31.7</b>	<b>25.8</b>	<b>23.1</b>	<b>12%</b>	-	-

Notes:

(1)

Represents total hectares of coal lands where mining has or is scheduled to occur.

(2)

Million tonnes of saleable coal.

(3)

Years that reserves are projected to support mining at 2004 production rates, except for Elkview which is based on expected capacity of 7.0 million tonnes.

## *Mining Costs*

Mining and processing input costs such as fuel, steel, tires, labour and maintenance parts and supplies can have a significant impact on the cost of producing metallurgical coal. In 2004, the Elk Valley Coal Partnership experienced higher costs for operating supplies such as diesel fuel and steel. In addition, the recent growth in global mining activities has created a demand for equipment and supplies that outpaces supply. As a result, future operations could be impacted if the Partnership experiences difficulty obtaining equipment and supplies on a timely basis. Lastly, growth in the mining industry has created demand and competition for certain skilled services.

## *Fording River*

The Fording River mine is located 29 kilometres northeast of Elkford, British Columbia. It was constructed in 1969 as a three million tonne per year operation and has been operated continuously since that time. The Fording River mine was contributed to the Elk Valley Coal Partnership by Fording Inc. pursuant to the Arrangement. Coal produced at the Fording River mine is primarily metallurgical coal, although a very small amount of thermal coal is also produced. The majority of current production is derived from the Eagle Mountain pit.

The Fording River mine's quality management system is in compliance with the ISO 9001 quality standard and its environmental management system is in compliance with the ISO 14001 environmental standard as verified by the Quality Management Institute.

#### *Elkview*

The Elkview mine is located just outside Sparwood, British Columbia. It was constructed in 1969 by Kaiser Resources Ltd. and has been operating on a nearly continuous basis for over 30 years. It was operated by Kaiser Resources Ltd. until 1980 when it was sold to BC Coal Limited, a predecessor of Westar Mining Limited ("Westar"). The Elkview mine was purchased by Teck Cominco from the trustee in the bankruptcy of Westar in 1992 and has operated continuously since 1993. The mine was contributed to the Elk Valley Coal Partnership by Teck Cominco pursuant to the Arrangement. On December 20, 2004, the Trust announced jointly with Teck Cominco, NSC and POSCO a proposed expansion of the Elkview Mine. See *"Three-Year History - Elkview Mine Equity Interest"*.

Coal produced at the Elkview mine is primarily metallurgical coal. Lesser quantities of lower grade hard coking coal are also produced and make up roughly 15% of the total production. The majority of current production is derived from seams in the area of Baldy and Natal Ridge pit.

The Elkview mine's quality management system is in compliance with the ISO 9001 quality standard as verified by the Quality Management Institute.

#### *Greenhills*

The Greenhills mine is located eight kilometres northeast of Elkford, British Columbia. It was constructed in the early 1980's by BC Coal Limited, a predecessor of Westar. Old FCL purchased Westar's 80% interest in the Greenhills mine from the trustee in bankruptcy of Westar in December 1992.

Since 1993, the Greenhills mine has operated under a joint venture agreement (the "Greenhills Joint Venture Agreement") among Old FCL, POSCO Canada Ltd. (POSCAN) and POSCAN's parent, POSCO. Pursuant to the agreement, Old FCL had an 80% interest in the joint venture while POSCAN had a 20% interest. As part of the Arrangement, the 80% interest held by Old FCL was assigned to the Elk Valley Coal Partnership. The mine

equipment and coal preparation plant are owned by the Elk Valley Coal Partnership and POSCAN in proportion to their respective joint venture interests. The Elk Valley Coal Partnership and POSCAN bear all costs and expenses incurred in operating the Greenhills mine in proportion to their respective joint venture interests. POSCAN, pursuant to a property rights grant, has a right to 20% of all of the coal mined at the Greenhills mine from certain defined lands until termination of the Greenhills Joint Venture Agreement on the earlier of the date the reserves on the defined lands have been depleted or March 31, 2012.

Coal mined at the Greenhills mine is primarily metallurgical coal, although a small amount of thermal coal is also produced. Production is derived from the Cougar reserve which is divided into two distinct pits, Cougar North and Cougar South. Cougar North currently produces the majority of the coal for the mine.

The Greenhills mine's quality management system is in compliance with the ISO 9001 quality standard and its environmental management system is in compliance with the ISO 14001 environmental standard as verified by the Quality Management Institute.

#### *Coal Mountain*

The Coal Mountain mine is located 30 kilometres southeast of Sparwood, British Columbia. Old FCL purchased the mine in 1994 from Corbin Creek Resources Ltd. and it has been operated continuously since that time. Corbin Creek Resources Ltd. acquired the mine in the early 1990's from Esso Resources Canada Ltd. The Coal Mountain mine was contributed to the Elk Valley Coal Partnership by Fording Inc. pursuant to the Arrangement. The Coal Mountain mine produces both metallurgical and thermal coal.

The Coal Mountain mine's quality management system is in compliance with the ISO 9001 quality standard as verified by the Quality Management Institute.

#### *Line Creek*

The Line Creek mine is located 22 kilometres north of Sparwood, British Columbia. The mine has operated continuously since its start up by Crowsnest Resources Limited in 1981. It was acquired by the Luscar/CONSOL Joint Ventures in 1998 and contributed to the Elk Valley Coal Partnership by Fording Inc. pursuant to the Arrangement.

The Line Creek mine produces both metallurgical and thermal coal. After taking over the management of the Line Creek mine in 2003, the Elk Valley Coal Partnership implemented changes to the mining plan to reduce production costs. These changes resulted in a reduction in the annual production from the mine to approximately two million tonnes and, as a consequence, the workforce was reduced by approximately 40% to 290 employees. In response to

improvements in the metallurgical coal markets in 2004, the mine plan was altered and production was increased to 2.5 million tonnes annually.

#### *Cardinal River*

The Cardinal River mine is located 42 kilometres south of Hinton, Alberta and is comprised of the Luscar mine and the Cheviot Creek pit. The Luscar mine commenced operations in 1970. It has been owned continuously since its start up by the Luscar/CONSOL Joint Ventures and their predecessors. The Luscar mine and Cheviot Creek pit were contributed to the Elk Valley Coal Partnership by Fording Inc. pursuant to the Arrangement.

In March 2004, the Partners approved the development of the Cheviot Creek pit in response to the demand for high quality coking coal. In total, \$120 million in capital spending was approved to build a haul road, develop the pit, refurbish the plant and acquire mining equipment in order to produce 2.8 million tonnes on an annual basis. All licenses and approvals have been received, although legal proceedings are underway, challenging the issue of certain environment authorizations. See "Legal Proceedings - Cardinal River Operations". Initial coal production began in the fourth quarter of 2004. It is anticipated that the full annual production rate will be achieved in the third quarter of 2005.

Pursuant to the Arrangement, employee severance costs and reclamation obligations for mining activities at the Cardinal River mine prior to March 1, 2003, are the responsibility of the Luscar/CONSOL Joint Ventures. In June of 2004, Fording Inc. and the Elk Valley Coal Partnership entered into an agreement with the Luscar/CONSOL Joint Ventures to assume these obligations in exchange for a cash payment.

#### *Production of Mines Under Prior Ownership*

Prior to being contributed to the Elk Valley Coal Partnership pursuant to the Arrangement, the Elkview mine was operated by Teck Cominco and the Line Creek and Cardinal River mines were operated by Luscar.

Production at the Elkview mine was 5.5, 5.5 and 4.0 millions of tonnes of coal for the years 2002, 2001 and 2000 respectively. Production at the Line Creek mine was 3.0, 2.8 and 2.6 millions of tonnes of coal for the years 2002, 2001 and 2000 respectively. Production at the Cardinal River mine was 2.1, 3.0, and 2.7 millions of tonnes of coal for the years 2002, 2001 and 2000 respectively.

#### *The Elk Valley Coal Partnership - Neptune Terminals*

The Elk Valley Coal Partnership holds a 46.4% interest in Neptune, the corporation that owns Neptune Terminals. Neptune Terminals is a multi-product bulk handling port facility located at North Vancouver, British Columbia, which is owned by its users. Neptune Terminals has a long-term lease with the Vancouver Port Authority which expires on December 31, 2026. Shippers can access the Neptune Terminals facilities from the Canadian National rail system and, through interconnection, with the CPR system. By agreement among the shareholders of Neptune, rates charged for the handling of coal and other products are based on the actual costs allocated to the handling of each product.

Neptune's shareholder agreement requires that its shareholders guarantee their respective interest in, the outstanding bank indebtedness of Neptune. At December 31, 2004, the Elk Valley Coal Partnership's proportionate interest in this

guarantee was approximately \$10 million. In addition, the Elk Valley Coal Partnership's share of Neptune's asset retirement obligations is \$7 million.

## **NYCO**

### *Overview*

NYCO consists of NYCO Minerals, Inc. ("NYCO Minerals") with operations at Willsboro, New York, Minera NYCO S.A. de C.V. ("Minera") with operations near Hermosillo in the northwestern state of Sonora, Mexico and American Tripoli, Inc. ("American Tripoli") with operations near Seneca, Missouri.

### **NYCO - The Last Three Years**

The principal factor that has affected NYCO over the last three years is the oversupply of its principal product, wollastonite. NYCO Minerals and Minera compete primarily with producers in India, China and Europe, as well as with producers of substitute industrial minerals. Since 1996, aggressive competition from other producers, particularly in China, has resulted in significant weakening of commodity prices, especially in low-value products.

This trend continued into 2002 and sales of industrial minerals declined as NYCO Minerals and Minera exited lower-priced markets. As a result, lower sales volumes were partially offset by higher average sales prices. Sales of low-value wollastonite products continued to face intense competition in 2003, but sales of high-value wollastonite products for the automotive and industrial coatings industries increased as manufacturers continued to convert traditional metal components to plastic.

Due to a history of operating losses and uncertainty around future improvement, Old Fording updated its assessment of the recoverability of its investment in assets related to the Minera operation following completion of the 2002 fiscal year. Projections of undiscounted future net cash flows generated by these assets were less than their carrying values and as a result, Old Fording wrote down these assets by \$140 million in 2002 to their estimated fair market value.

Throughout this period, NYCO has worked to stabilize its position in key markets and improve marketing, sales and distribution networks by focusing on new and higher-value products. Research and development focused on those products and applications for which the unique characteristics of wollastonite would add significant value as a replacement for competitive materials like glass fibre, talc and mica. The marketing initiatives also included the development and roll out of a new strategy to more effectively brand, position and raise awareness of NYCO Mineral's and Minera's extensive range of wollastonite products.



Annual sales of wollastonite totalled 82,000 tonnes in 2004, an 11% increase from the previous year, while sales of tripoli increased by 5% to 11,300 tonnes. NYCO has seen a strengthening in results due to higher energy costs that drove up prices for competing products, a lower U.S. dollar that generated pricing advantages against the Euro and the impact of higher bulk shipping costs on wollastonite competitors from China and India.

In 2002, analyses of some of the wollastonite product produced and shipped from the Willsboro facility indicated the presence of small quantities of asbestiform tremolite at levels giving rise to certain labelling requirements in Canada and other jurisdictions, not including the United States. The source of asbestiform tremolite was traced to one of several ore sources supplying the operation and this ore source was segregated from Willsboro's mining operations.

Product testing conducted by the Willsboro operation since segregation of the ore source indicates only trace levels of asbestiform tremolite in some product shipped. Fording Inc. is not aware of any labelling or disclosure requirements relating to these trace levels. Independent analyses of on-going airborne particle sampling at the Willsboro operation indicate that the air quality meets the applicable standards mandated by the U.S. Mine Safety and Health Administration and the U.S. Occupational Safety and Health Administration. Product testing at Minera indicates no detectable levels of asbestiform mineral.

## **NYCO - Mines and Processing Facilities**

### *NYCO Minerals*

NYCO Minerals and its predecessors have owned the Willsboro operation since purchasing it from Interpace Corporation in 1979. NYCO Mineral's processing plant is located in Willsboro, New York and the mine is located 22 kilometres west of the plant. The processing facilities include dry processing equipment, a surface treatment plant, warehouse space and truck and rail loadout facilities. The mining operation consists of the active Lewis Pit and the permitted Oak Hill deposit located about 1.6 kilometres from the Lewis Pit. The minesites are comprised of 289 hectares of wollastonite lands that are held through direct ownership or controlled through mineral leases. Approximately 43 hectares of these lands are currently being mined or are scheduled for mining.

NYCO Mineral's primary product is wollastonite. It is extracted using shallow open-pit mining techniques and trucked to the Willsboro processing plant. In 2004, NYCO Minerals produced 52,000 tonnes of wollastonite (43,900 tonnes in 2003 and 49,500 tonnes in 2002). The current annual production capacity of the processing plant is 120,000 tonnes of wollastonite and the current annual production capacity of the mine is 300,000 tonnes of wollastonite ore.

The current mine plan contemplates the production of wollastonite from this property for in excess of 30 years at 2004 production rates. NYCO Mineral's products are marketed through a network of distributors, agents and direct sales personnel.

NYCO Mineral's quality management system is in compliance with the ISO 9001:2000 quality standard as verified by Intertek Systems Certification.

### *Minera*

Minera was developed by a subsidiary of Old Fording and commenced operations in 1998. Minera's processing facilities, truck loadout and mine are located approximately 50 kilometres northwest of Hermosillo, Sonora, Mexico. The processing facilities include wet and dry processing plants, a surface treatment plant, warehouse space and truck loadout facilities. In addition, a warehouse and a rail loadout facility are located in Hermosillo. The minesite is comprised of 1,855 hectares of surface lands and mining concessions of which approximately 100 hectares are currently being mined or are scheduled for mining.

Minera's primary product is wollastonite. Wollastonite ore is extracted using open-pit mining techniques for processing at the on-site processing facilities. In 2004, the Minera operation produced 28,100 tonnes of wollastonite (31,200 tonnes in 2003 and 29,200 tonnes in 2002). The current annual production capacity of the processing facilities is 150,000 tonnes of wollastonite and the current annual production capacity of the mine is 240,000 tonnes. Reserves at Minera are sufficient to support annual production of 240,000 tonnes for in excess of 50 years. Minera's products are marketed through a network of distributors, agents and direct sales personnel. Minera contracts with an affiliate, Nycomex S.A. de C.V., for the supply of labour.

Minera's quality management system is in compliance with the ISO 9001:2000 quality standard and the ISO 14001:1996 environmental standard as verified by the Quality Management Institute.

### *American Tripoli*

American Tripoli is a wholly owned subsidiary of NYCO Minerals. It was acquired by NYCO Minerals from Interpace Corporation in 1979. American Tripoli's primary product is tripoli. It is extracted using open-pit mining techniques and trucked to American Tripoli's processing located in Seneca, Missouri. The processing facilities include a processing plant and drying shed. The minesite is located approximately 12 kilometres northwest of Seneca in Ottawa County, Oklahoma. The minesite is comprised of 1,168 hectares of fee simple lands of which approximately 14 hectares are currently being mined or are scheduled for mining.

In 2004, American Tripoli produced approximately 11,200 tonnes of tripoli (10,700 tonnes in 2003 and 12,700 tonnes in 2002). The current annual production capacity of the mine and processing facility is 22,500 tonnes and 31,500 tonnes, respectively. The current mine plan for American Tripoli contemplates the production of tripoli from this property for at least the next 30 years at 2004 production rates. American Tripoli directly markets a variety of abrasive products to the construction and manufacturing industries for use in buffing and polishing applications.

## **RESERVES AND RESOURCES**

Reserves and resources of the Elk Valley Coal Partnership and NYCO as at December 31, 2004, have been estimated internally by the Elk Valley Coal Partnership's engineers and geologists in accordance with the National Instrument, under the supervision of C.J. McKenny, a professional geologist and the Elk Valley Coal Partnership's Manager, Energy Resource Planning. Mr. McKenny is a "qualified person" for the purposes of the National Instrument. Estimates are reviewed and updated periodically to reflect new data from mining experience, drilling results and analysis.

The Trust is subject to the provisions of the National Instrument with respect to the manner in which it reports reserves and resources and it is also subject to United States securities laws. Accordingly, in this section, reserves and resources have been presented in tabular form in accordance with the National Instrument and a paragraph has been included after each reserve table reporting such information in accordance with SEC Guide 7.

### **Terminology**

With respect to coal, Part One of Appendix "C" to this document contains the definitions ascribed by the Geological Survey of Canada Paper 88-21, "A Standardized Coal Resource/Reserve Reporting System for Canada" (the "GSC Standards") to the terms "Reserve", "Resource", "Proven", "Probable", "Measured", "Indicated" and "Inferred", which are applicable to reporting coal deposits in accordance with the National Instrument.

With respect to minerals other than coal, Part Two of Appendix "C" to this document contains the definitions ascribed by the Canadian Institute of Mining, Metallurgy and Petroleum Standards in "The CIM Definition Standards on Mineral Resources and Mineral Reserves", adopted August 20, 2000 (the "CIM Standards"), to the terms "Reserve", "Resource", "Proven", "Probable", "Measured", "Indicated" and "Inferred", which are applicable to reporting mineral deposits (other than coal) in accordance with the National Instrument.

Part Three of Appendix "C" to this document contains the definitions ascribed by SEC Guide 7 to the terms "Reserve", "Proven Reserves" and "Probable Reserves", which are applicable to the reporting by the Trust of mineral reserves, including coal, when being reported on in accordance with SEC Guide 7. Unlike the National Instrument, SEC Guide 7 does not recognize the reporting of mineral deposits which do not meet the definition of "Reserve" contained in such guide.

### **Assumptions**

Feasibility studies assume technological and economic conditions prevailing at the time the study is prepared. Coal Reserves are coal quantities that are anticipated to be mineable, based on feasibility studies, utilizing existing technology, under prevailing economic conditions and which have no legal impediments to mining. The price of metallurgical coal assumed in connection with the determination of coal Reserves is approximately \$53 per tonne FOB (free on board) at Westshore Terminals Limited Roberts Bank export terminal.

Coal Reserves are reported in millions of metric tonnes of clean coal (i.e., tonnage remaining after mining and processing losses but including coal used in coal preparation plant operations). Coal Resources are reported in millions of metric tonnes in the ground before recovery through mining and without the application of recovery factors.

## Geological Setting and Mineralization

### *Elk Valley Area*

Some of the oldest rock strata present are the Rundle Group limestones located on the west bank of the Fording River. They are in faulted contact with the Kootenay Group to the west and in uncomfortable contact with the Rocky Mountain Formation quartzites to the north. The Fernie Formation shales occur throughout the area, generally along the sides of the valleys on the lower flanks of the mountains. The Morissey Formation is known locally as the "basal sandstone" of the Kootenay Group. It is the prominent cliff-forming marker horizon in many locations. On the top of the Fording River property, the top of Moose Mountain member, the Morissey Formation, is in sharp contrast to the lowermost bed of the Mist Mountain Formation.

The coal fields in the Elk Valley region of British Columbia have supported coal mining for decades. Coal is contained within the sedimentary Mist Mountain Formation of the lower cretaceous Kootenay Group. The Mist Mountain sediments were involved in the mountain building movements of the late cretaceous to early tertiary Laramide orogeny and are approximately 500 metres thick, with the depth of burial ranging from zero to 1,500 metres. The major structural features are north-south trending synclines with near horizontal to steep westerly dipping thrust faults and a few high angle normal faults. This has allowed for the Mist Mountain sequence to be repeated throughout the Elk Valley.

Over 13 coal seams are considered to be economic, consisting of medium to high volatile bituminous coal that is primarily of metallurgical quality, with minor amounts of thermal quality coal along the seam outcrops. The coal seams are characterized by high alginate content and are referred to as "needle" coal. They vary in thicknesses up to 12 metres and are generally overlain comfortably by strata of the Elk Formation. This formation is commonly a succession of sandstones, shales, siltstones, mudstones, chert pebble conglomerates and the coal seams.

### *Cardinal River*

The Cheviot Creek pit is close to the western margin of the original sedimentary basin responsible for coal deposition. This strata has been subjected to deformation from tectonic forces, creating either complex faulted or folded anticlinal and synclinal structures or repeated sequences from low angle thrust faults. The coal bearing Luscar Group is of lower cretaceous age and is marked at the base by the Cadomin Conglomerate, a resistant unit easily identified in outcrops. Overlying the Cadomin Conglomerate is the Gladstone Formation, dominated by shales and siltstones. It is the equivalent to the coal bearing Gething Formation found in northeastern British Columbia. Above the Gladstone Formation is the Moosebar Formation, composed of marine shales, siltstones, carbonates and shaley coal horizons. The overlying Gates Formation is divided into three members; the Torrens (sandstones and torrens coal marker), Grande Cache (siltstone, shales, coal) and Mountain Park (sandstone). Above the Gates Formation are the recessive marine shales of the Blackstone Formation. The Luscar Group of sediments in the Cheviot mine is exposed within a broad synclinal basin in which dominant low angle thrust faulting effectively repeats geologic successions throughout the property.

## NYCO

It is generally accepted there are two methods for the formation of commercial deposits of wollastonite. Both involve heat and pressure that alter limestones. In silica bearing limestones, silica and calcite react to form wollastonite.

Wollastonite can also form by the passage of highly siliceous hydrothermal solutions through limestone beds or zones. Heated groundwater dissolves large amounts of silicate. Hot silicate laden water migrates into surrounding limestone beds where the silica precipitates and carbon dioxide is carried out of the deposit. Wollastonite precipitates and slowly forms characteristic wollastonite crystal structures in what was formerly limestone.

### The Elk Valley Coal Partnership - Reserves and Resources

All coal Reserves and Resources in the following tables are mineable using conventional open-pit mining methods.

#### Proven and Probable Coal Reserves

The following table sets forth the Elk Valley Coal Partnership's Proven and Probable coal Reserves at December 31, 2004. All of the reserves are bituminous coal.

20

<b>COAL RESERVES</b> <b>As At December 31, 2004</b> <b>(millions of tonnes)<sup>(1,3)</sup></b>						
<b>Rank</b>	<b>Proven</b>	<b>Probable</b>	<b>Total</b>	<b>Ownership (%)(<sup>2</sup>)</b>	<b>Calorific Value kJ/kg</b>	<b>Sulphur % (by wt.)</b>
Metallurgical Coal						
Fording River	145	112	257 L	100	32,600	0.62%
Greenhills	91	7	98 FS	100	32,600	0.62%
Coal Mountain	27	1	28 L	100	29,900	0.35%
Elkview	184	65	249 FS	100	32,200	0.38%
Line Creek	17	-	17 L	100	32,200	0.46%

Edgar Filing: FORDING CANADIAN COAL TRUST - Form 40-F/A

Cardinal River	36	25	61 FS/L	32,700	0.38%
			5/95		
<b>Total Metallurgical</b>	<b>500</b>	<b>210</b>	<b>710</b>		
Thermal Coal					
Line Creek	3	-	3 L	26,500	0.35%
			100		
<b>Total Thermal</b>	<b>3</b>		<b>3</b>		

Notes:

(1)

Reserves are reported exclusive of interests of third parties except at Greenhills where Reserves are reported inclusive of POSCAN's interest. For a description of POSCAN's interest, see "*Description of the Business - the Elk Valley Coal Partnership - Greenhills*". Reserve numbers are rounded and exclusive of resources.

(2)

Ownership of the coal Reserves is described as "FS" for fee simple or "L" for leasehold. If the Reserves are not entirely fee simple or not entirely leasehold, the ratio of the percentage of fee simple holdings to the total holdings and the leasehold holdings to the total holdings is presented as FS%/L%.

(3)

See definitions in Appendix "C".

Had these Proven and Probable coal Reserves been determined in accordance with SEC Guide 7, they would have been the same as those determined in accordance with the National Instrument as presented in the above table. In 2004, the Partnership had all necessary material and non-routine permits and licenses required to mine the Reserves attributed to the above noted mines. For information as to how the Elk Valley Coal Partnership holds its interest in the lands in which Reserves are situated, see "*The Elk Valley Coal Partnership - Reserves and Resources - Real Property*".

The Trust has sufficient surface rights for mining operations, as well as the availability of power, water, mining personnel, potential tailings storage areas and potential waste disposal areas.

*Measured and Indicated Coal Resources*

The following table sets forth the Elk Valley Coal Partnership's coal Resources, all of which are bituminous, as at December 31, 2004:

**COAL RESOURCES**  
**As At December 31, 2004**  
**(millions of tonnes)<sup>(1,4)</sup>**

<b>Rank</b>	<b>Measured<sup>(4)</sup></b>	<b>Indicated<sup>(4)</sup></b>	<b>Total<sup>(4)</sup></b>	<b>Ownership<sup>(2)</sup></b>	<b>Calorific Value kJ/kg<sup>(4)</sup></b>	<b>Sulphur % (by wt.)<sup>(4)</sup></b>
<b>Metallurgical Coal</b>						
Fording River	460	194	654	L	30,200	0.62%
Greenhills	5	325	330	FS	30,200	0.62%
Coal Mountain	66	41	107	L	28,600	0.35%
Elkview	1,318	308	1,626	FS	30,200	0.38%
Line Creek	59	153	212	L	30,200	0.46%
Cardinal River	2	9	11	FS/L	30,200	0.38%
				5/95		
Other <sup>(3)</sup>	213	274	487	L	30,200	0.60%
<b>T o t a l</b>	<b>2,123</b>	<b>1,304</b>	<b>3,427</b>			
<b>Metallurgical</b>						
<b>Thermal Coal</b>						
Line Creek	5	24	29	L	25,000	0.35%
<b>Total Thermal</b>	<b>5</b>	<b>24</b>	<b>29</b>			

Notes:

(1)

Coal Resources are reported in millions of metric tonnes in the ground before recovery through mining and without the application of recovery factors. Resources are reported exclusive of interests of third parties except at Greenhills where Resources are reported inclusive of POSCAN's interest. For a description of POSCAN's interest, see "*Description of the Business - the Elk Valley Coal Partnership - Greenhills*". Resource numbers are rounded and exclusive of resources. Reserves are not included in Resources. Resources do not have demonstrated economic viability.

(2)

Ownership of the coal Resources is described as "FS" for fee simple holdings or "L" for leasehold holdings. If the Resources are not entirely fee simple or not entirely leasehold, the ratio of the percentage of fee simple holdings to the total holdings and the leasehold holdings to the total holdings is presented as FS%/L%.

(3)

"Other" includes non-operating coal properties, such as Elco, Mt. Duke, Gregg River, Muskiki and Quintette.

(4)

See definitions in Appendix "C".

Although the terms "Measured Resources" and "Indicated Resources" are recognized by the National Instrument, they are not recognized by the United States Securities and Exchange Commission. Investors should not assume that all or any part of the mineral deposits identified as "Measured" or "Indicated" will ever be classified as Reserves. SEC Guide 7 only permits the quantification of coal deposits in public reports that meet the definition of "Reserves". However, the National Instrument permits the quantification of Resources in disclosure documents and the Trust has elected to include such information in this document. In previous disclosure documents filed in the United States, Old Fording has referred to Resources as "non-reserves".

### *Inferred Coal Resources*

The following table sets forth the Elk Valley Coal Partnership's Inferred Resources for coal as at December 31, 2004, all of which are bituminous:

<b>INFERRED COAL RESOURCES</b>		
<b>As At December 31, 2004 (millions of tonnes)<sup>(1,3)</sup></b>		
<b>Rank</b>	<b>Inferred Resources</b>	
Metallurgical Coal		
Fording River	2,721	
Greenhills	650	
Coal Mountain	24	
Elkview	181	
Line Creek		110
Cardinal River	4	
Other <sup>(2)</sup>	473	
<b>Total Metallurgical</b>	<b>4,163</b>	
Thermal Coal		
Line Creek		10
<b>Total Thermal</b>	<b>10</b>	

Notes:

(1)



Coal Resources are reported in millions of metric tonnes in the ground before recovery through mining and without the application of recovery factors. Resources are reported exclusive of interests of third parties except at Greenhills where Resources are reported inclusive of POSCAN's interest. For a description of POSCAN's interest, see "*Description of the Business - the Elk Valley Coal Partnership - Greenhills*". Resource numbers are rounded. Reserves are not included in Resources. Resources do not have demonstrated economic viability.

(2)

"Other" includes non-operating coal properties, such as Elco, Mt Duke, Muskiki , Gregg River and Quintette.

(3)

See definitions in Appendix "C".

Although the term "Inferred Resource" is recognized by the National Instrument, it is not recognized by the United States Securities and Exchange Commission. "Inferred Resources" have a great amount of uncertainty as to their existence and economic and legal feasibility. Investors should not assume that all or any part of an "Inferred Resource" exists or will ever be upgraded to a higher category or be economically or legally mineable. SEC Guide 7 only permits the quantification of coal deposits in public reports that meet the definition of "Reserves". However, the National Instrument permits the quantification of Inferred Resources in disclosure documents and the Trust has elected to include such information in this document. In previous documents filed in the United States, Old Fording has referred to Inferred Resources as "non-reserves".

### *Changes in Reserves and Resources*

The following tables set forth the changes in the Elk Valley Coal Partnership's coal Reserves and Resources during 2004. The changes are categorized as "production", "additions" or "deletions" to Reserves and Resources as at December 31, 2004:

Notes:

(1)

Coal Reserves are reported in millions of metric tonnes of clean coal (i.e., tonnage remaining after mining and processing losses but including coal used in plant operations). Reserves are reported exclusive of interests of third parties except at Greenhills where Reserves are reported inclusive of POSCAN's interest. For a description of

POSCAN's interest, see "*Description of the Business - the Elk Valley Coal Partnership - Greenhills*". Reserve numbers are rounded and exclusive of resources.

(2)

Coal Resources are reported in millions of metric tonnes in the ground before recovery through mining and without the application of recovery factors. Resources are reported exclusive of interests of third parties except at Greenhills where Resources are reported inclusive of POSCAN's interest. For a description of POSCAN's interest, see "*Description of the Business - the Elk Valley Coal Partnership - Greenhills*". Resource numbers are rounded. Reserves are not included in Resources. Resources do not have demonstrated economic viability.

(3)

Significant Changes to Reserves include:

Proven: net gain of 7.4 million tonnes metallurgical and 2.1 million tonnes thermal at Line Creek mine due to addition of two new pits (two seam pit at Burnt Ridge South). Addition of 1.9 million tonnes metallurgical coal at Fording River mine; negative adjustment of 4.0 million tonnes metallurgical coal to Elkview mine (geological revisions) .

Significant Changes to Resources include:

Measured: transfer of 2.9 million tonnes in situ to proven reserves at Fording River mine;

Indicated: Cardinal River mine - positive adjustment of 2.8 million tonnes due to reconciliation;

Inferred: Cardinal River mine - positive adjustment of 3.9 million tonnes due to reconciliation.

(4)

Tonnage below 500,000 tonnes is shown as (0) million tonnes.

(5)

See definitions in Appendix "C".

#### *Exploration and Development Activities*

In 2004, the Elk Valley Coal Partnership spent approximately \$1.7 million on the exploration of areas outside of its active mining areas. These activities were directed at refining mine plans to best exploit reserves scheduled for future development. In addition, a substantial amount of routine drilling was undertaken in active mining areas as part of

normal operations and was expensed as such. No material exploration was conducted on any of the Elk Valley Coal Partnership's undeveloped properties in 2004.

Drilling activity in 2004 totalled 34,432 metres for exploration, development and production planning purposes. All drilling, logging and sampling activities were conducted under a combination of ISO quality standards, the material testing standards established by the American Society for Testing Materials and the Elk Valley Coal Partnership's internal standards.

Of the total metres drilled, 20,453 metres represented drilling conducted at all minesites within current pit boundaries for short to medium range planning purposes. The remaining 13,979 metres were drilled as part of programs conducted by the Coal Mountain and Line Creek mines on coal lands adjacent to those operations that were contributed to the Elk Valley Coal Partnership by Teck Cominco and Old Fording. The drilling provided additional information about the quantity and quality of coal Resources that may be available to extend the life of the Coal Mountain and Line Creek mines. Further drilling programs are planned for 2005.

#### *Real Property*

The following chart lists significant coal rights held by the Elk Valley Coal Partnership as at December 31, 2004:

<b>Mineral Holdings (thousand hectares)</b>	<b>Fee Simple</b>	<b>Crown Lease and License</b>	<b>Total</b>
Coal			
British Columbia	39	67	106
Alberta	1	49 <sup>(2)</sup>	50
All Mines and Minerals except			
Petroleum & Natural Gas			
British Columbia	10	-	10
<b>Total<sup>(1)</sup></b>	<b>50</b>	<b>116</b>	<b>166</b>

Notes:

(1)

Numbers have been rounded.

(2)

The reduction in Alberta mineral holdings from 65.8 thousand hectares in 2003 to 49 thousand hectares in 2004, is to correct an error that resulted in the inclusion of certain mineral holdings were to be transferred to Luscar pursuant to the Arrangement as coal rights held by the Elk Valley Coal Partnership as of December 31, 2003.

In British Columbia, coal licenses are issued for one-year terms and have an initial cost of \$7 per hectare, increasing by \$5 per hectare every five years to a maximum of \$30 per hectare. The Elk Valley Coal Partnership currently pays license fees ranging from \$7 to \$30 per hectare. Coal leases are granted for periods of 30 years and have an annual cost of \$10 per hectare. In Alberta, Crown leases are granted by the provincial government and are generally issued for 15 years. Annual lease rentals are approximately \$4 per hectare. In the past, renewals of these licences and leases have generally been granted although there can be no assurance that this will continue in the future.

Five of the Elk Valley Coal Partnership's six coal mines operate in British Columbia and are therefore subject to mineral taxes. British Columbia mineral tax is a 2-tier tax with a minimum rate of 2% and a maximum rate of 13%. A minimum tax of 2% applies to operating cash flows, as defined by the regulations. A maximum tax rate of 13% applies to cash flows after taking available deductions for capital expenditures and other permitted deductions. For a discussion of mineral taxes see Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2004 in the Trust's 2004 Annual Report.

## NYCO - Reserves and Resources

### *Proven and Probable Industrial Mineral Reserves*

The following table sets forth Fording Inc.'s Proven and Probable Reserves of wollastonite and tripoli as at December 31, 2004:

<b>INDUSTRIAL MINERAL RESERVES</b>				
<b>As At December 31, 2004 (millions of tonnes)<sup>(1,3)</sup></b>				
<b>Minerals</b>	<b>Proven<sup>(4)</sup></b>	<b>Probable<sup>(4)</sup></b>	<b>Total<sup>(4)</sup></b>	<b>Grade<sup>(2)</sup></b>
Wollastonite				
NYCO Minerals	5	1	6	54.5%
Minera	20	85	105	54.8%
<b>Total Wollastonite</b>	<b>25</b>	<b>86</b>	<b>111</b>	-
<b>Total Tripoli</b>	<b>2</b>	-	<b>2</b>	94-98%

Notes:

(1)

Wollastonite and tripoli Reserves are reported in millions of metric tonnes in the ground before recovery through mining and without application of recovery factors. Reserves are reported exclusive of interests of third parties.

(2)

All grades are reported as a percentage (by weight) of material. For wollastonite, it is percentage of  $\text{CaSiO}_3$  (wollastonite). For tripoli, it is reported as a percentage  $\text{SiO}_2$  (silicon dioxide).

(3)

Numbers have been rounded.

(4)

See definitions in Appendix "C".

Had the above industrial mineral reserves been determined in accordance with SEC Guide 7, they would have been the same as those determined in accordance with the National Instrument. In 2004, Fording Inc. and its subsidiaries had all necessary permits which are required to mine the tonnes attributed to Reserves.

*Measured and Indicated Industrial Mineral Resources*

The following table sets forth Fording Inc.'s industrial mineral Resources (consisting of "Measured Resources" and "Indicated Resources") of wollastonite and tripoli as at December 31, 2004:

INDUSTRIAL MINERAL RESOURCES				
As At December 31, 2004				
(millions of tonnes) <sup>(1)(3)</sup>				
Minerals	Measured	Indicated	Total	Grade <sup>(2)</sup>
Wollastonite				
NYCO Minerals	1	2	3	54.5%
Minera	-	-	-	-
<b>Total Wollastonite</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>-</b>
<b>Total Tripoli</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Notes:

(1)

Wollastonite and tripoli Resources are reported in millions of metric tonnes in the ground before recovery through mining and without application of recovery factors. Resources are rounded and reported exclusive of interests of third parties. Reserves are not included in Resources. Resources do not have demonstrated economic viability.

(2)

All grades are reported as a percentage (by weight) of material. For wollastonite, it is percentage of CaSiO<sub>3</sub> (wollastonite). For tripoli, it is percentage SiO<sub>2</sub> (silicon dioxide).

(3)

See definitions in Appendix "C".

Although the terms "Measured Resources" and "Indicated Resources" are recognized by the National Instrument, they are not recognized by the United States Securities and Exchange Commission. Investors should not assume that all or any part of the mineral deposits identified as "Measured" or "Indicated" will ever be classified as Reserves. SEC Guide 7 only permits the quantification of mineral deposits in public reports that meet the definition of "Reserves". However, the National Instrument permits the quantification of Resources in disclosure documents and the Trust has elected to include such information in this document. In previous disclosure documents filed in the United States, Old Fording has referred to Resources as "non-reserves".

### *Changes in Reserves and Resources*

The following tables set forth the changes in Fording Inc.'s industrial mineral Reserves and Resources during 2004. The changes are categorized as "production", "additions" or "deletions" to Reserves and Resources as at December 31, 2004:

#### **Changes in Reserves and Resources - Industrial Minerals** (millions of tonnes<sup>(2,3)</sup>)

Mineral Type	Reserves			Resources		
	Proven	Probable	Total	Measured	Indicated	Total
Wollastonite <sup>(1)</sup> (U.S.A.)						
December 31, 2003	5	1	6	1	2	2
Additions	-	-	-	-	-	-
Production <sup>(2)</sup>	(0)	-	(0)	-	-	-
Deletions <sup>(2)</sup>		-	(0)	-	-	-

	(0)					
<b>December 31, 2004</b>	<b>5</b>	<b>1</b>	<b>6</b>	<b>1</b>	<b>2</b>	<b>2</b>
Wollastonite <sup>(1)</sup> (Mexico)						
December 31, 2003	20	85	105	-	-	-
Additions	-	-	-	-	-	-
Production <sup>(2)</sup>		-	(0)	-	-	-
Deletions <sup>(2)</sup>	(0)	-	-	-	-	-
	-					
<b>December 31, 2004</b>	<b>20</b>	<b>85</b>	<b>105</b>	<b>-</b>	<b>-</b>	<b>-</b>
Tripoli <sup>(1)</sup>						
December 31, 2003	2	-	2	-	-	-
Additions	-	-	-	-	-	-
Production <sup>(2)</sup>	-	-	-	-	-	-
Deletions <sup>(2)</sup>	-	-	-	-	-	-
<b>December 31, 2004</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>

Notes:

(1)

Wollastonite and tripoli Reserves are reported in millions of metric tonnes in the ground before mining without application of recovery factors. Reserves are reported exclusive of interests of third parties. Reserves are not included in Resources and the numbers are rounded.

(2)

Production/Deletions below 500,000 tonnes is shown as (0) million tonnes.

(3)

See definitions in Appendix "C".

### *Exploration and Development Activities*

In 2004, NYCO did not conduct any exploration activities outside of its active industrial minerals mining areas.

### *Real Property*

The following chart lists significant mineral rights held by NYCO as at December 31, 2004:

**Fee Simple**

**Total**

<b>Mineral Holdings (thousand hectares)</b>		<b>Crown Lease and License</b>	
All Mines and Minerals			
New York	2	-	2
Oklahoma	1	-	1
Mexico	-	9	9
<b>Total</b>	<b>3</b>	<b>9</b>	<b>12</b>

Properties in the U.S. are fee simple lands or freehold leases under which royalties are paid to third parties. Mineral rights in Mexico are granted by the government through the issuance of exploration and exploitation permits. Exploration permits have annual fees of approximately \$2 per hectare and are issued for six years. At the end of six years, they must be converted into exploitation permits or they revert to the government. Exploitation permits are issued for 50 years. Annual fees for exploitation permits escalate based upon the number of years for which that the exploitation permit has been granted and the amounts are adjusted annually by the Mexican government. Fees for the Minera operation currently range from US\$4.50 - \$16 per hectare at current exchange rates. Minera does not have any exploration permits and operations are conducted entirely in reliance on exploitation permits.

## **RISK FACTORS**

The discussion of certain relevant risk factors is contained in Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2004 which forms part of the Trust's 2004 Annual Report. An investment in the Units involves numerous risks and uncertainties and investors and potential investors are strongly encouraged to review the aforementioned risk factors as well as the Trust's other disclosure documents.

## **OTHER INFORMATION REGARDING THE TRUST**

### **Environment, Health & Safety**

#### *Environmental Protection*

In 2004, to the knowledge of the Trust, neither the Elk Valley Coal Partnership nor Fording Inc. incurred any material remediation expenses or any material fines relating to non-compliance with applicable environmental laws. Further,



to the knowledge of the Trust, neither the Elk Valley Coal Partnership nor Fording Inc., or any of their respective subsidiaries, is presently a party to any governmental or regulatory investigations or proceedings where it is alleged that it is in material violation of any environmental laws. In the past, a small number of minor accidental discharges, releases, leaks and other environmental incidents have occurred in the course of operations. Such occurrences have been reported to the relevant government agencies and remediated as required, but such occurrences have not had a material adverse effect upon the Trust.

To effectively oversee the environmental programs of the Elk Valley Coal Partnership, an internal senior management committee has been created, known as the Environmental, Health, Safety and Risk Management Committee ("EHSRMC"). The EHSRMC, which includes management of both Teck Cominco and the Elk Valley Coal Partnership, meets at least quarterly to review environmental reports and audits from the minesites and to implement new programs and procedures as required.

#### *Reclamation Activities*

The Elk Valley Coal Partnership has significant long-term liabilities relating to mine reclamation and end-of-mine closure costs, known as asset retirement obligations. In addition, Fording Inc. has asset retirement obligations in respect of NYCO and Neptune Terminals.

The Trust recognizes asset retirement obligations in the period in which they are incurred if a reasonable estimate of fair value can be determined. The fair value of the estimated asset retirement costs is capitalized as part of the carrying amount of the long-lived asset when incurred and amortized to earnings over the asset's estimated useful life. Increases in the asset retirement obligations resulting from the passage of time are recorded as accretion expenses. Actual expenditures incurred are charged against the accumulated obligation. The asset retirement obligation is reviewed by management annually and revised for changes in future estimated costs and regulatory requirements. These obligations are funded from working capital of Fording Inc. or the Elk Valley Coal Partnership, as the case may be, at the time the reclamation activities are undertaken.

The obligations include allowances for the reclamation of all pits, spoils, tailings ponds and mine infrastructure and are based on the existing cost structure for these activities at each of the operations. Reclamation is normally carried out continuously over the life of each mining operation and is largely controlled by the rate that mining progresses over specific areas and when those areas become available for reclamation. Reclamation plans and scheduling are predicated on completing a large proportion of the outstanding reclamation prior to depleting the reserves contained in the long-range mine plan.