



Michel Coal Project

2019 SUSTAINABILITY REPORT

TRANSPARENCY

ACCOUNTABILITY

INNOVATION

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Cover photo:
Looking southwest into the Corbin Valley from Tent Mountain.

MESSAGE FROM THE PRESIDENT

Integrating Environmental Expectations into Mine Design



I am proud to release North Coal's third annual sustainability report. Our commitment to sustainability lives at the heart of everything we do as an organization and is recognized through our guiding principles of innovation, transparency, and accountability. These three principles are the foundation that North Coal was built on, and they continue to orient the organization through every decision made and each action taken.

Our teams have spent countless hours ensuring our mine design is innovative and industry leading by incorporating the newest, proven technologies. Our safety program is led by a commitment to transparency and accountability and we have built a culture of safety within our team and with all those who work with us. Since our company commenced business in 2013, we have maintained zero loss-time injuries and, given the nature of exploration work, this is a real accomplishment.

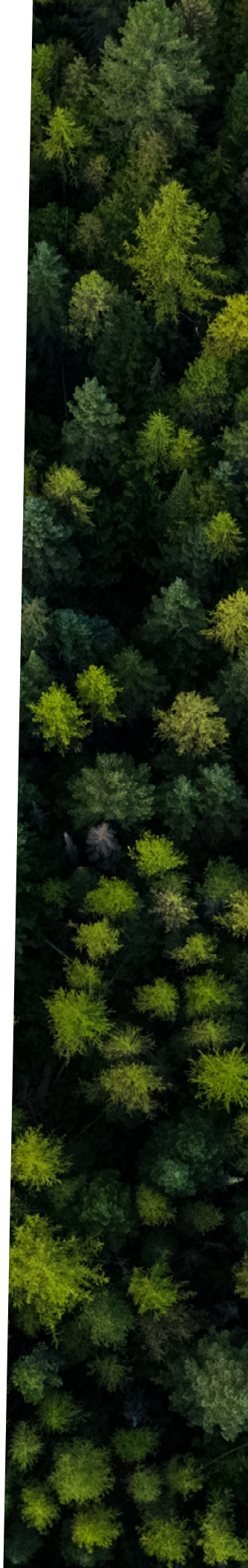
North Coal believes in early, ongoing, and meaningful engagement. In 2019, we met regularly with local municipalities, stakeholder groups and organizations, and Indigenous communities and leaders. These activities continue to build on the work that was initiated in 2013 and will continue through the life of the mine. Over the previous seven years, North Coal has worked tirelessly to provide Project information and incorporate feedback from municipal governments, stakeholders, and Indigenous communities.

I am especially proud of our team's commitment to continuous improvement, as demonstrated through the decision to prepare our 2019 Sustainability Report in line with the Global Reporting Initiative Standards. This process builds on and further demonstrates our commitment to transparency and accountability in every aspect of our operations.

Over the coming year, North Coal will enter the provincial and federal environmental assessment process whereby our Project will be reviewed by provincial and federal regulators and Indigenous communities. We will work closely with our governments and communities to ensure our Project meets the needs of today while providing a sustainable mine for the future.

A handwritten signature in black ink, which appears to read 'Pumphrey'. The signature is stylized with a large, sweeping 'P' and a long, horizontal stroke extending to the right.

John Pumphrey
President





ABOUT THIS REPORT

Global Reporting Initiatives Standards

This report summarizes North Coal’s sustainability initiatives and provides an overview of its ongoing commitment to sustainability. This annual report covers operations from January 1, 2019, to December 31, 2019. It is our third sustainability report and our first report following Global Reporting Initiative Standards (GRI Standards).

The objective of this report is to voluntarily and transparently disclose data in accordance with globally accepted sustainability guidelines. This report has been prepared following the GRI Standards: Core option (www.globalreporting.org). It has also been prepared with guidance from the Sustainability Accounting Standards Board (sasb.org).

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North Coal is a Canadian resource company and a wholly owned subsidiary of North Coal Pty Limited, a private Australian resource development company.

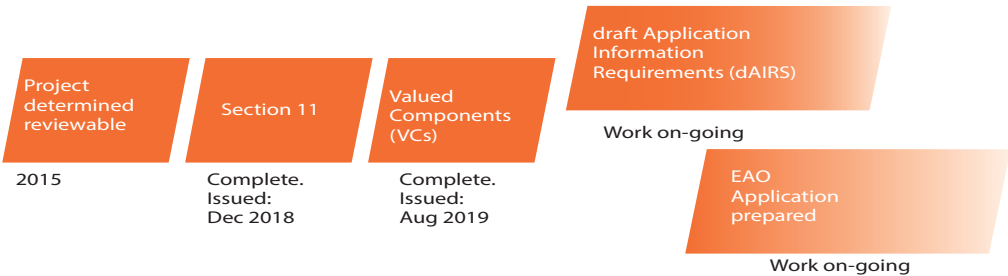
Reporting boundary and scope

This Sustainability Report covers North Coal’s exploration and development activities which are exclusively focused on the development of the Michel Coal Project (the Project). Our assets do not extend beyond the Project.

Terminology

In this report, the terms ‘North Coal’, the ‘company’, ‘our business’, ‘organization’, ‘we’, ‘us’, ‘our’ and ‘ourselves’ refer to North Coal Ltd.

The North Coal Ltd. Board of Directors are collectively referred to as ‘the Board’.





North Coal is an emerging steelmaking coal producer developing the Michel Coal Project in southeastern British Columbia, Canada. The Project includes a 142 million metric tonne known resource of steelmaking coal. The coal will be extracted via an open-pit mine with a 25-year mine life and will supply steel customers primarily in the Pacific Basin region. The Michel Coal Project will provide jobs for hundreds of people for decades to come in an area where mining and recreation co-exist. The Project's environmental assessment will be submitted in the latter part of 2020, leading to construction in 2022 and first coal in 2024.

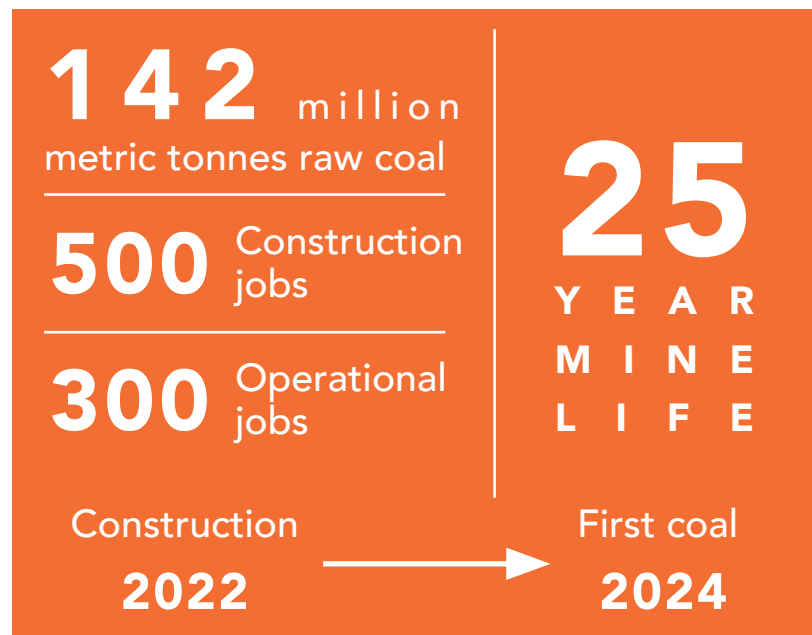
We meet often with regulators as we develop a world-class, low carbon footprint mine. One that is leading the way in environmental management and using proven technologies and innovations to protect the water, wildlife, air, and people. Our team is experienced and has been exposed to mining practices throughout the world - we know the standards and understand our regulatory obligations and strive to exceed those wherever possible.

A Regulated Process

North Coal has spent the last seven years developing a Project that meets the environmental and regulatory requirements of the governing bodies. We are in a multi-party environmental assessment review process with the Ktunaxa Nation Council (KNC), the BC Environmental Assessment Office (BCEAO), and the Impact Assessment Agency of Canada (IAAC).

This process includes a working group of 60 plus individuals representing 15 technical discipline study areas, including representation from all levels of government and the KNC. The working group provides input and review of all technical aspects of the Project throughout the approval process.

In August 2019, after regulatory review and public consultation, the Project's Valued Components (VCs) were approved. The approved VCs provide the foundation for the environmental assessment and are the basis for the identification and assessment of Project effects. Efficient and effective mitigation measures will be developed from the identified impacts of the VCs. They will also be the basis for an assessment of residual effects that remain after mitigative measures have been implemented.





North Coal donates to the Kootenay's Rockies Community Foundation - Elkford, Fernie, and Sparwood Funds

People First

North Coal employees live, work, and play in the Elk Valley. We coach youth sports, volunteer for committees and events, and recreate in the area. We are committed to protecting the area for our neighbours and family. It is this commitment to each other that guides our engagement with local communities and Indigenous communities. We believe that to have a successful Project, we must bring the communities along with us, hear and address their concerns, and share our benefits with them – be it family-supporting jobs, local purchasing, volunteering, or donations.

In 2019, North Coal hosted over 30 presentations and open houses with stakeholder groups, neighbouring communities, and local Indigenous communities. We presented to local municipal councils and numerous local non-profit and stakeholder organizations. Regulatory required presentations, including the VCs open house, were also hosted.

We met throughout the year with Indigenous leaders and communities. North Coal acknowledges the Project is within the traditional territory of the Ktunaxa Nation. Recognizing their rights and title and the vital role they play as stewards of the land were recognized at the beginning and have guided over seven years of engagement and discussions with the Ktunaxa.

As noted, this Project does not happen in isolation of those around it. North Coal values the experiences of our peers and the opinions and input of our community.

Being connected to industry peers and to local community groups is a vital avenue and opportunity for sharing best practices and engaging with stakeholders.

North Coal is a proud member of:

- Coal Association of Canada
- North American Metals Council
- Canadian Chamber of Commerce
- Association of Professional Engineers and Geoscientists
- Association for Mineral Exploration British Columbia
- Mining Association of British Columbia
- Cumulative Effects Management Framework
- Canadian Carbonization Research Association
- Elkford Chamber of Commerce
- Fernie Chamber of Commerce
- Sparwood Chamber of Commerce

People are our top priority. We firmly believe that our collective prosperity depends on working together to ensure our operations provide meaningful, lasting benefits that meet the needs and expectations of the communities where we operate. We believe it is possible to leave a positive legacy from responsible mining and are committed to making this a reality.

Health & Safety and Team



0 **Safety**
Lost Time Incidents



**Recruited three new
team members**

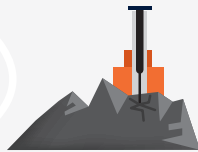


Environment and Geology



0 **Enviro
Incidents**

Drilling
4,400m
60,400 total



Valued Components Approved
Air, Water, Land and People

28



Draft AIR's
Document In Progress

10km **Deactivated
Roads**

Indigenous and Community



of Indigenous **10**
Knowledge Holders
Completing Furbearers Work



\$4.3 Million
Spent With Local Businesses
or in the Local Economy



15 **Public Project
Presentations**



40 **Groups Receiving Support**
by Donations and Volunteer Hours

Number of Meetings **22**
with Indigenous Groups





MATERIALITY ASSESSMENT

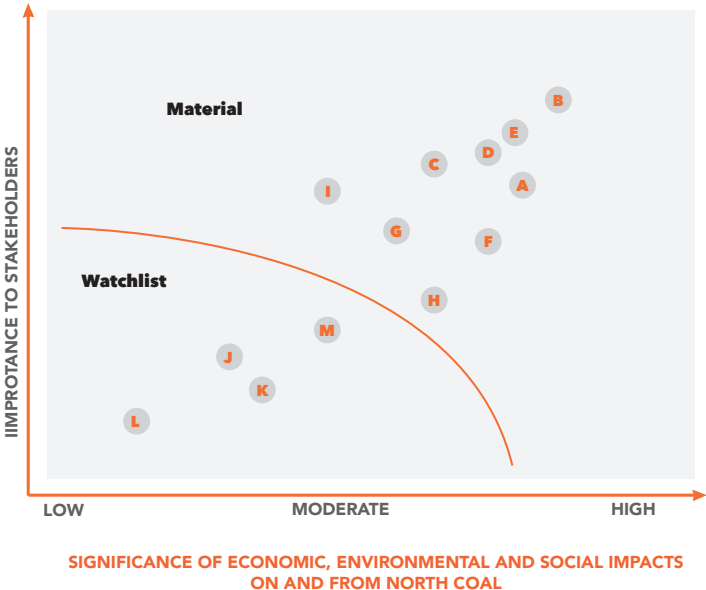
As defined by GRI Standards, material topics reflect an organization’s most significant economic, environmental, and social impacts, that influence the assessment and decisions of stakeholders. This is the first time North Coal is reporting on material topics. The scope of this analysis is limited to topics raised and data collected through stakeholder consultation occurring in the environmental assessment process, Project studies, and perceptions survey. As this is our first year compiling the material topics and measuring their impacts, we believe this reporting will provide a valuable benchmark as we go forward. Our management approach is described for each material item, including our performance, and a look ahead. The second section of this assessment will address the topics on our watchlist. Watchlist topics are items we are monitoring as they may become material. For these topics, we describe our management approach only.

Materiality Topics

Throughout the environmental assessment process, North Coal has been engaged with stakeholders to identify items of economic, environmental, and social concern. From that work, our management team has identified the following material topics:

Critical to our material assessment is a clear and complete understanding of our stakeholders and their interests. We first identify our stakeholders through community engagement, invitations to participate, and active outreach. Our second step is to host conversations and open dialogue to understand their perspective and needs. We work to understand how stakeholders will be affected by the Project and identify shared values. Throughout 2019, we engaged with local communities, Indigenous Peoples, non-profits, regulators, suppliers, contractors, and employees to establish mutual goals, shared values, manage concerns, and understand varying interests in the Project.

- | | |
|--|---|
| A: Health and safety | Watch List |
| B: Water | J: Corruption |
| C: Air quality | K: Human Rights |
| D: Communities | L: Tailings |
| E: Indigenous communities | M: Climate Change and Energy Use |
| F: Workforce and contractors | |
| G: Wildlife | |
| H: Deactivation and reclamation | |
| I: Recreational access | |





Stakeholders

Our stakeholders’ needs and demands greatly influence how North Coal operates and manages the Project. Engagement with stakeholders is critical to our mutual understanding of shared values and goals, interests, concerns, and aspirations. We started engagement early in the Project by connecting with Indigenous communities and local communities in

2013. The engagement has continued over the past seven years. The communication and dialogue with stakeholders informs our materiality analysis and is the basis of our priorities.

North Coal identifies stakeholders as any organization or entity that can either be affected by or can affect, our Project. In 2019, we identified the following stakeholder groups:

STAKEHOLDERS	WHO THEY ARE	HOW WE ENGAGE
Workforce and contractors	Salary, hourly, non-union employees, and full-time contractors performing core business functions	In-person meetings, participation in community events, job fairs, orientations
Communities	Indigenous and non-Indigenous communities that may have an economic, social, or environmental interest in our operations and activities	In-person meetings, open-houses, presentations, site tours, and community events
Governments	Local, provincial, and federal government bodies responsible for developing and implementing legislation or with a mandated interest in our operation and activities	In-person meetings, regulatory meetings, open houses specific to regulatory activities and government consultation on relevant local issues
Suppliers and business partners	Entities that provide an input to North Coal’s operations, e.g. contractors	In-person presentations and open-houses, site tours, and invitations to public comment periods
Non-governmental Organizations	Non-profit, cause-related organizations, environmental, and business groups	In-person presentations and open-houses, site tours, and invitations to public comment periods
Recreational Users	Trapline holders and guide outfitters who hold trapping rights or desire access to North Coal’s licensed areas	In-person interviews and meetings, correspondence and information distribution, invitation to open houses and public comment periods
Landholder and land users	Property owner, Fortis, TransCanada Pipeline	In-person meetings



Engagement

North Coal undertook a wide range of stakeholder engagements in 2019, including hosting 15 community presentations and open houses, and 22 Indigenous community presentations and open houses.

North Coal's 2019 engagements include:

JANUARY - MARCH	
<ul style="list-style-type: none"> District of Sparwood Ktunaxa Lands and Resources Elders group 	<ul style="list-style-type: none"> Fernie Snowmobile Association Ktunaxa – Reclamation and Closure Knowledge Holders Group
APRIL - JUNE	
<ul style="list-style-type: none"> Fernie Rod and Gun Club City of Fernie Council District of Sparwood Council 	<ul style="list-style-type: none"> Elkford Rod and Gun Club Crowsnest Pass Chamber of Commerce College of the Rockies
JULY - SEPTEMBER	
<ul style="list-style-type: none"> Ktunaxa community meetings Alberta Metis Association Valued Components Open House (regulatory) Elk Valley Metis Association 	<ul style="list-style-type: none"> Ktunaxa Reclamation and Closure Elders Group District of Elkford Council Elkford Chamber of Commerce
OCTOBER - DECEMBER	
<ul style="list-style-type: none"> Piikani First Nation Ktunaxa community meetings Fernie Chamber of Commerce Housing Strategy Open House Sparwood Rod and Gun Club 	<ul style="list-style-type: none"> Corbin Residents Society Open House Shuswap Indian Band Chief and Council Stoney Nakoda Nation Representative Elk Valley Metis Association Crowsnest Conservation Society



MATERIALITY PERFORMANCE

To report on our material performance, we have provided context for the topic, our management approach, how we performed, and a look ahead. For Watchlist topics, we describe our management approach only. Refer to the material performance topics list on page 8 for more details.



HEALTH AND SAFETY

Every employee deserves a safe workplace. This importance is noted by the United Nations and listed as Sustainable Development Goal (SDG) #3 *good health and well-being*. It is also a component of the International Council on Mining and Metals (ICMM) Critical Control Management framework. Members of ICMM have set the collective goal of zero fatalities and are implementing measures to reduce injuries and to meet this goal. While North Coal is not yet a member of the ICMM, we support this goal.

We take responsibility for the safety of all employees and contractors doing work on our behalf. In our Project development work, we have many contractors onsite working in a variety of environments and different working conditions. A culture of safety is paramount, and all who come onsite are expected to uphold our safety standards and work to protect each other. It is important to us that we see all team members, whether employees of North Coal or contractors, return home healthy and safely to their families at the end of each day.

North Coal’s Approach

North Coal maintains an effective health and safety management program, minimizing risks and contributing to the well-being of employees, contractors, and communities. We do this by identifying, assessing, and controlling risks in each of our workplace environments.

Our health and safety guiding principles are:

- **No Harm:** All injuries and incidents are preventable by following the control hierarchy, order of control measures.
- **No Repeats:** All incidents are investigated to determine the root cause and action taken to prevent a recurrence.
- **Zero Tolerance:** Rules and standards must be simple and non-negotiable, with zero-tolerance enforcement.

All contractors and visitors to North Coal are provided with a safety orientation that provides a clear, concise message of our safety expectations. We pride ourselves on creating a culture of safety led by management and supported by continuous improvement. Monthly safety meetings for all staff ensure continuous improvement and review, while onsite daily safety meetings oversee observance of the program.

How we performed

North Coal broadened its safety program in 2019 to include the introduction of remote workplace policies, a comprehensive digital health and safety management system, and improvement to potential workplace hazards and risk assessments. In the fall of 2019, we completed a health and safety audit and have since begun implementing the recommendations.

We experienced zero fatalities, zero lost-time incidents, and zero environmental incidents in 2019. We will continue to focus on a safety culture to keep all employees, contractors, and visitors safe and healthy.



WATER RESOURCES

Water is important to our local communities, Indigenous peoples, and to North Coal. It is listed in the United Nations SDG - #6 *clean water and sanitation*. The management, monitoring, and protection of freshwater is of paramount importance to North Coal. Our commitment to water management and water protection began at Project outset in 2013 and has been a guiding element of mine design every step of the way. Additionally, North Coal remains steadfast in our commitment to the targets established in the Elk Valley Water Quality Plan (EVWQP).

North Coal's Approach

North Coal will protect water quality by using an innovative and multi-pronged approach, including landform design. It is an adaptive water management strategy that employs a multi-barrier approach to protecting water by implementing diversion controls, passive water treatment and, if necessary, active water treatment. These strategies have demonstrated that North Coal is able to meet BCEAO and IAAC regulatory requirements, stakeholder expectations, and Ktunaxa values via this multi-barrier approach to mining and water management.

With water at the forefront of our environmental assessment, we have developed a sitewide water model that includes information collected by our team as well as data made available by the Government of BC. Our modelling results indicate that the Project will meet or exceed the objectives set out in the EVWQP.

How we performed

In 2019, our technical teams gathered water samples from multiple sites and have integrated that data into our environmental assessment. Water modelling has been completed on the proposed mine design and optimized to meet and exceed the targets in the EVWQP. This work will continue into 2020.

What is next

We continue to work with regulators, communities, and Indigenous communities to ensure the mine water outputs meet government regulations for Project approval. Mine design will continue to be improved to ensure water quality meets the regulatory requirement defined in the EVWQP. The results of this work will be compiled in 2020 into our environmental assessment submission to the provincial, federal, and Ktunaxa governments and will be made available for public review through these processes.



AIR QUALITY

The primary air quality concern in the Elk Valley as a result of mining is the small particulates that are released in the air called fugitive dust. Fugitive dust is created from the blasting and movement of rock associated with mining. Large mobile equipment and earth movement (e.g. stripping, blasting, and dumping) can generate large amounts of fugitive dust. This is a concern to communities near the mine and land-users in the area. Once operational, it could also be a concern for the health and safety of employees.

North Coal's Approach

North Coal will protect air quality through our mine design and the management of roadways. Ensuring our roadways are maintained to minimize the creation of fugitive dust is a key principle in protecting air quality. In addition, constructing our rock storage facilities from the bottom-up will significantly minimize the height at which rock must travel and therefore minimize fugitive dust creation. The bottom-up construction also allows for progressive reclamation that will assist in protecting air quality.

How we performed

Our 2019 activities did not create fugitive dust as work was limited to resource development activities. The crews onsite managed dust through minimizing vehicle speed and managing road surfaces.

What is next

North Coal understands that potential fugitive dust generation and other impacts to air quality from the proposed Michel Coal Project is of significant concern to local communities. Once operational, North Coal will implement monitoring systems and manage fugitive dust proactively. We will build mine rock storage facilities from the bottom up, manage road surfaces and water, and most importantly, build a culture whereby all employees understand the importance of keeping our air clean and healthy.

Air quality effects will be assessed against BC Ambient Air Quality Objectives and Canadian Ambient Air Quality Standards. Baseline ambient air quality conditions have been established from data collected from North Coal monitoring stations and regional air monitoring stations operated by the BC Ministry of Environment and Climate Change Strategy.

COMMUNITIES

Communities are at the forefront of everything that North Coal does. The Elk Valley has a mining history going back over 100 years and is currently one of the world's largest steelmaking coal seaborne export regions. The mountain landscape and temperate climate also make the area a desirable recreational destination. We regularly engage with our neighbouring BC communities of Sparwood, Elkford, and Fernie, and the Alberta communities of the Crowsnest Pass. We also engage with the Ktunaxa Nation and its communities of *Tobacco Plains, ʔaᑭam, ʔakisᑭnuk, and Yaᑭan Nukiy*. Our engagement with these communities is to ensure our Project outcomes align and that community goals and expectations are achieved.

North Coal's Approach

The North Coal team call the Elk Valley home and are committed to meaningful and sustained engagement with our neighbours and surrounding communities. We host open houses and information sessions in recognition of the partnership between our company and our communities. These sessions generate meaningful dialogue and help advance our sustainability initiatives by providing personal and community-based feedback for the Project. We listen to our communities and integrate their thoughts into our work.

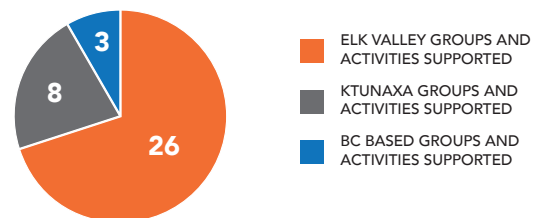
In addition to formal consultation and engagement forums, our team is committed to supporting local organizations and activities. Members of our team coach local sports teams, sit on boards and committees, participate in clean-ups, volunteer for community festivals, and contribute in other ways as we are able. We believe in giving back to those who are closest to us. Along with giving our time, North Coal provides financial sponsorship to Elk Valley groups and events and holds numerous local association memberships.

How we performed

In 2019, North Coal bolstered its commitment to communities by adding a Communications Lead to our team, ensuring we enhance communications with our many stakeholders and local communities. In addition, North Coal developed a sponsorship policy to support our financial and volunteer commitments.

Members of our team contributed over 100 hours to local community-based groups in 2019. Examples of this commitment include:

- Sparwood community clean up
- Fernie Rotary club
- Fernie Community Fund steering committee
- Elkford Wildcat Days
- Coaching youth sports
- Salvation Army Christmas Basket drive
- Ktunaxa Aboriginal Days at Aq'am and Tobacco Plains



What is next

As we progress through the environmental approval process, we will continue to host Project open house events and presentations with interested parties. Our commitment does not end at the regulatory requirements. We are proud of our participation in the local area and look to continue to be seen at community festivals and events, to sponsor business awards and Rotary clubs, to name a few, and to give back through local purchasing and quality employment.



INDIGENOUS COMMUNITIES

The BC government in November 2019 passed legislation to implement the United Nations Declaration on the Rights of Indigenous People (UNDRIP). The BC Declaration on the Rights of Indigenous Peoples Act aims to create a path forward that respects the human rights of Indigenous people. Resource development in Canada has been a long-standing tool for economic reconciliation with Indigenous groups, and aims to create meaningful partnerships and mutually beneficial opportunities by sharing economic prosperity.

North Coal acknowledges that our Project is within the traditional territory of the Ktunaxa Nation. We are committed to working with the leadership and knowledge-holders of the Ktunaxa Nation regarding their interests, concerns, values, and policy objectives.

North Coal's Approach

North Coal values its partnership with the Ktunaxa and has committed the resources to collaborate fully with the Nation. Dialogue and engagement with the Ktunaxa are key components of North Coal's philosophy as we seek to build a sustainable long-term relationship with the Ktunaxa Nation Council and the individual communities that comprise the Ktunaxa Nation. The relationship will help identify opportunities for cooperation and will leverage the economic potential and social opportunities for both parties, resulting from the development of the Project. Most importantly, the relationship will remain intact throughout the Project life.

How we performed

Our team meets regularly with Indigenous communities. In 2019, we had more than 22 meetings with various Indigenous Nations and communities. The meetings included Chiefs and councillors, community members, Metis Associations, and youth groups.

Our Project has a unique relationship with Ktunaxa Knowledge Holders and the land. Ktunaxa Elders and Knowledge Holders working with the Project, collectively called the Furbearers group, visited the site multiple times throughout the year to collect data on furbearer movement including tracks, scat, or other signs of use. Their data collection and data interpretation of traditional land-uses have been incorporated into the environmental baseline studies to guide future work.

North Coal is committed to creating cultural awareness within our team and our contractors. In 2019, we prepared a cultural orientation video in collaboration with the Ktunaxa to share with all of our partners, contractors, and employees, as an introduction to the Ktunaxa people's history, culture, and territory.

What is next

North Coal will work alongside the Ktunaxa and have dedicated staff and resources to develop and maintain meaningful engagement and partnership that is rooted in Ktunaxa values and protocols and supported by North Coal leadership.



WORKFORCE & CONTRACTORS

Hiring and maintaining a local team is a guiding principle of our Project. Employment is recognized by SDG #8 - *decent work and economic growth* as an important factor in sustained and inclusive global economic growth. A local team will spend wages in the local economy, and a local team will be involved in the conversations at hockey games, school plays, community festivals and get a firsthand account of public perceptions of the Project.

North Coal's Approach

North Coal is fortunate to have the expertise of 10 full-time employees and countless expert consultants and contractors. Eight of the ten full-time employees live in the Elk Valley, and the remaining two live within the greater East Kootenay district and commute to the Project office in Sparwood. With a small team, we must supplement efforts by engaging contractors to fulfill all the execution requirements. We are heavily engaged in environmental monitoring and modelling, engineering, and geology work.

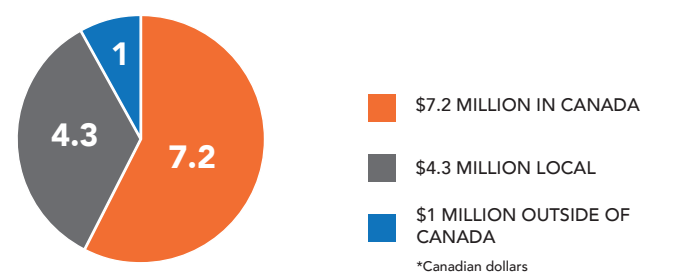
We are focused and committed to creating a diverse and inclusive workforce. The Canadian mining industry has been found to have a lower representation of women compared to other industries (2016 Women in Mining Action Plan), reporting women to represent 19% of the mining, quarrying, and oil and gas workforce. North Coal has visible and non-visible minorities represented on its team, and women represent 40% of the workforce. This culture of diversity and inclusion is essential to North Coal's people-first approach.

North Coal has a procurement policy that guides our support of local business. The policy seeks to promote, prioritize, and increase local procurement by all authorized North Coal personnel. We seek to use local vendors for goods and services when available and ensure local operators are given every opportunity to bid on Project tenders.

How we performed

North Coal's workforce is stable with high retention of team members and contractors. The expert team has moved the Project forward by meeting internal targets and moving closer to development.

Our spending is primarily in the local and regional economies with 92% of our expenditures in the Canadian economy.



What is next

Moving forward, we will continue to work with our staff and contractors to support the submission and approval of the environmental assessment. Management also encourages and supports professional development of all team members as part of its commitment to continuous improvement.



WILDLIFE BIODIVERSITY

Protection of wildlife corridors and biodiversity are priorities for North Coal, and we are working with Indigenous communities and stakeholders to implement impactful solutions. In 2013 North Coal joined a regional cumulative effects team called the Cumulative Effects Management Framework. The Cumulative Effects Management Framework (CEMF) aims to manage environmental, social, and economic components associated with industrial development. CEMF is working to examine the cumulative effects from the various industries operating in the Elk Valley using five valued components, including westslope cutthroat trout, grizzly bear, bighorn sheep, mature and old growth forest, and riparian habitat. This involves ensuring habitats remain effective, secure, and well connected such that they continue to support stable and resilient ecosystems and their associated wildlife populations.

North Coal’s Approach

North Coal has 12 wildlife cameras across the site recording animal presence and monitoring their movement patterns. The Project site has no reserves or protected areas within the proposed mining areas, and no endangered species, as recognized by the Canadian government. Known threatened species in the area include grizzly bears and badgers. We have done extensive tracking of these animals throughout the license area to understand behaviours and critical corridors and will manage habitat to support healthy future populations.



How we performed

2019 was an active year for wildlife and biodiversity monitoring and tracking. We collected data on habitat, ecology, distribution, and reproduction for 13 wildlife species. Extensive field studies were also completed on soils, flora, and fauna in the area. The data collected provides a robust baseline data set. This data set informs our mine planning to ensure environmental protections are incorporated into the design.

What is next

North Coal will continue with its commitment to the CEMF working group to support the regional goals for wildlife management. North Coal has a land-use agreement in place with the landowner, a North Coal affiliate company, that identifies and preserves specific conservation areas.

Wildlife monitoring and tracking:

- | | |
|-------------------------|------------------------|
| Grizzly Bear | American Badger |
| Rocky Mountain Elk | American Marten |
| Rocky Mountain Big Horn | Little Brown Myotis |
| Sheep | American Dipper |
| Moose | Olive-sided Flycatcher |
| Wolverine | Common Nighthawk |
| Canada Lynx | Western Toad |



DEACTIVATION & RECLAMATION

Managing mine closure is an integral part of a modern mine design. Consideration to mine closure must be incorporated into all stages of the planning and development. Clear objectives and goals for end-of-mine land-use must be established and should include how the land will evolve over time physically, chemically, ecologically, and socially. The mine closure plans will be the legacy we leave behind.

North Coal's Approach

At North Coal, we are taking a progressive approach to reclamation to minimize environmental impacts, which will maintain healthy, functioning ecosystems throughout the mine's lifespan. Progressive reclamation, or reclamation that is undertaken on an annual basis, will enable us to manage air quality, water supplies, and protect native wildlife and their natural habitats. This is a critical element of our commitment to accountability and to leaving a positive legacy on the Elk Valley Region, where communities prosper, and the environment is returned to a vibrant and thriving place for all to explore and enjoy.

Our mine closure plans are designed to ensure that when the mine is closed, the reclaimed habitat will protect water quality without reliance on active water treatment and provide a healthy ecosystem for wildlife. Long-term landform performance and function is guiding our mine design.

How we performed

Upon completion of each year's exploration activities and review of results, an assessment is conducted to determine the future need for each trail and exploration site. If a trail or site is determined to be unnecessary for future exploration activities, it is scheduled for reclamation as soon as it is practical to do so. Trails and sites identified for future exploration or scheduled to be disturbed under future development are deactivated to a geotechnically and hydrologically stable state.

In 2019, over 10km of trail was deactivated in this manner for future use.

North Coal has taken measures to ensure no drilling produced materials make their way into natural drainages. Cross-ditches and water bars are used, if necessary, to assist in limiting the amount of soil erosion as a result of trail construction. Erosion control materials are implemented as needed throughout the Project to protect water quality. Roots, stumps, and branches that have been stockpiled along the sides of trails are scattered across the reclaimed trails and sites to promote vegetation ingress and protect from erosion. Disturbed areas outside of the trail surfaces are seeded with native, locally sourced materials.

What is next

Reclamation practices utilize vegetation prescriptions that are consistent with the biogeoclimatic zone where the disturbance occurred. As a result of the ongoing work relating to the environmental assessment, the complete Project area has been mapped and studied. This allows North Coal the ability to plan reclamation and accurately meet end-land use objectives.

North Coal also works with the Ktunaxa Nation to ensure species of traditional use are incorporated into the reclamation plant species mix for establishment. To be prepared for reclamation, we will stockpile topsoil, collect native seeds, and create an inventory of plants for the reclamation to be consistent with the biogeoclimatic zone.



RECREATIONAL ACCESS

The Elk Valley is a recreational destination for a variety of land users who are looking for access to trails, rivers, and hunting and trapping opportunities. The village of Corbin, located at the south-end of the Project area, is comprised of one permanent resident and eleven recreation seasonally used cabins. Corbin residents and land users have identified their desire to have safe access to the area during development and operations.

North Coal’s Approach

Our foremost priority in managing recreational access is to keep people safe. We restrict access if potential safety issues are presented by entering the area. Some examples include active exploration sites, dangerous road conditions, or large equipment operating in the area. For active sites, we have security and checkpoints onsite to protect all employees and the public. Other safety closures are managed with signage and gates.

How we performed

During the 2019 exploration season, public access to Loop Ridge was closed for roughly 70 days from July to early September with security on site to ensure community safety. Reclamation work on Tent Mountain restricted access for 20 days in early fall. Signage was used to inform visitors of the closure and safety hazards.

What is next

Areas of the Project fall within provincially regulated Access Management Areas (AMAs; Loop Ridge, Loop South, and Tent Mountain). Within these AMAs, the province requires users to obtain a permit if accessing the areas using a motorized vehicle. The areas can be accessed on foot without a permit. Upon the initiation of construction, North Coal will develop maps that clearly illustrate safe and restricted access areas. It is anticipated that these maps will be created annually.

Our progressive reclamation plans will be key to minimizing the timeframes in which areas are inaccessible to the public. We will work with landform experts and land-users to reclaim and return the area to an agreed-upon end-land use both during operations and at closure.



WATCHLIST

The following items are common risks associated with mining projects. In the interest of transparency, we believe it is important to share with stakeholders our stance and approach to these topics. They have been listed in our watchlist because we must be diligent in our management of such potential risks.

Corruption

North Coal is aware of and aligned with the Extractive Industry Transparency Initiative (EITI). However, given the low corruption risk in British Columbia, North Coal is not a member of EITI at this time. We do build the underlying principles of EITI into our business processes.

North Coal's Approach

North Coal has a zero-tolerance policy towards corruption. At this time, we do not consider corruption a material risk to our operations based on the following considerations. 1) We operate exclusively within the province of British Columbia, Canada; 2) Canada is ranked as a low corruption risk jurisdiction, ranking #13 in the 2019 Transparency International Corruption Perceptions Index, with a score of 77/100; 3) There are few opportunities for high-risk interactions.

Human Rights

North Coal is committed to the United Nations' Guiding Principles on Business and Human Rights. We believe in respecting human rights and contributing to a realization of the UN SDGs. In recent years, more emphasis has been placed on the resource and extractive sector to ensure human rights are not being negatively affected.

North Coal's Approach

North Coal operates in accordance with Canadian and British Columbia Employment Standards, which protect human rights. Canada rated #4 out of 162 countries in the 2019 Fraser Institute Human Freedoms Index and improved its score year-on-year. As we operate solely in British Columbia, North Coal considers human rights violations a low risk to its operations.



WATCHLIST

Tailings

North Coal recognizes that Tailings Storage Facility failure is, arguably, the key material risk facing many mining companies and the industry at large. We are committed to the draft Global Tailing Standard sponsored by the United Nations Environment Programme, the International Council on Mining and Metals and Principles for Responsible Investing. The Global Tailing Standards will establish an international standard for the safer management of tailing facilities everywhere.

North Coal's Approach

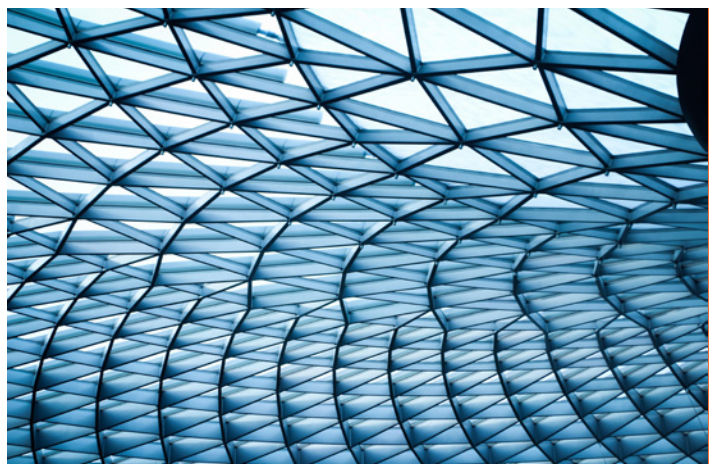
North Coal wholly supports the Global Tailings Standard and Global Mining & Tailings Safety Initiative and has, through design and technology, eliminated the need for tailings ponds at its facility. Instead, water will be separated from processed tailings and recycled, and the resulting dry tailings will be blended with mine rock and returned to the mined pits or mine rock storage areas. In this regard, the initiative at North Coal to dry stack eliminates the risk of major tailings failure. It is a best practices as outlined by the global tailings initiative and draft Global Tailings Standard.

Climate Change and Energy Use

Under the Paris Agreement, Canada is committed to reducing its greenhouse gas (GHG) emissions by 30% below 2005 levels by 2030. *The UN SDG Goal #13 - climate change - promotes urgent action to combat climate change and its impacts.* It will be imperative for North Coal to incorporate these commitments in its mine planning and operating principles.

North Coal's Approach

The Michel Coal Project is not yet in operation; GHG emissions are currently very low. Our energy management plans and targets are being developed. Once operational (post-construction), our power will be sourced from renewable hydroelectric sources. Mine designs and planning have considered and incorporated the Canadian targets for GHG emissions and climate change goals.



STEELMAKING COAL

Steel is a critical component in the production of numerous energy-producing technologies upon which the world depends as it transitions to a global energy mix with a reliance on environmentally sustainable energy sources. Steel will continue to play an ever-growing role in the production of renewable infrastructure such as hydroelectric dams, wind turbines, tidal turbines, solar panels, and LEED-certified buildings. Steel-making coal will continue to be in high demand as the global economy grows and innovates, as infrastructure is rebuilt, and as emerging countries improve their quality of life.



LOOKING AHEAD

North Coal understands that it has a responsibility as a steward of the land, and every action that it takes will impact the land’s future use and viability. We are taking a holistic approach, incorporating and considering every element and aspect of our operations when planning for mine operations and closure. It is this awareness of the future and careful consideration of our present impact that shapes our sustainability efforts, planning objectives, and legacy.

Our employees live in and contribute to Elk Valley communities; this is our home. That is why we are actively working to ensure the sustainable development of the Michel Coal Project, ensuring that it provides a positive legacy for our communities and the Elk Valley.

North Coal has engaged with Indigenous communities and local stakeholders, and we value and incorporate their feedback. As a result, we are moving forward with an innovative approach that integrates environmental requirements and forward-looking approaches into the mining process. We are sharing our plans and open to questions, and we hold ourselves responsible for the decisions we make.

Forward Looking Statement

Forward looking statements may be identified by the use of terminology, including, but not limited to, ‘intend’, ‘aim’, ‘project’, ‘anticipate’, ‘estimate’, ‘may’, ‘should’, ‘will’, ‘continue’, or similar words. These statements discuss future expectations or provide other forward-looking information.

Forward looking statements are not guarantees or predictions of future performance and involve known and unknown risks, uncertainties and other factors many of which are beyond our control and which may cause actual results to differ materially from those expressed in the statements contained in this report. Readers are cautioned to not put undue reliance on forward looking statements.

Past performance cannot be relied on to guide future performance.

Connect With Us



Community information sessions



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**TOGETHER WE WILL
BUILD A FUTURE –
ONE BASED ON TRANSPARENCY,
COLLABORATION AND RESPECT.**



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