



INSOLVENCY CONSULTANTS & TRUSTEE IN BANKRUPTCY

410 – 800 W Pender Street  
Vancouver, BC V6C 2V6  
Tel 604 605 3335  
Fax 604 605 3359  
www.boalewood.ca

October 31, 2007

To the Proven Creditors of Tercon Mining PV Ltd.

Dear Sirs/Mesdames:

**Re: In the Matter of the Proposal of  
Tercon Mining PV Ltd. ("Tercon PV")**

We write to provide you with an update on the status of our administration and potential dividends to the creditors for the above noted company.

You may recall at the onset of this matter, we had estimated that Tercon PV creditors would receive payment in full. This was based on information received from the Monitor of Falls Mountain Coal Inc. ("FMC"), whom had filed for Court protection under the Company Creditor Arrangement Act ("CCAA").

In order for any distribution to take place to the Tercon PV creditors, the Trustee must first receive a distribution of funds from the Monitor of FMC. Although we anticipated by this time that we would have received funds to enable us to issue a distribution to the Tercon PV creditors, we have not. At this time, due to the reasons set out below, we are unable to estimate timing or distribution of funds to the FMC creditors.

Based on information reviewed from the Court Reports, the Monitor is still unable to distribute any funds to the FMC unsecured creditors (including Tercon PV) due to a number of unresolved claims.

Based on the Monitor's reports to the Court, we advise the following:

- The assets of FMC have been sold to Cambrian Mining PLC ("Cambrian");
- The sale of assets to Cambrian has resulted in a lump sum payment to the Monitor plus royalty payments based on the future coal removal. Royalty payments are payable annually over the next 10 years;
- The Monitor of FMC is dealing with numerous large disputed claims which, if accepted, will result in a dilution of the anticipated dividend to their creditors. A more detailed explanation of the disputed claims is set out in the Monitors' 12<sup>th</sup> report dated October 3, 2007 and is available of the Monitor's website noted below;
- The disputed claims include an inter-company company debt ranging from approximately \$27.1 million to \$43 million. This claim was not disclosed on FMC initial creditor filing list;

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- Accordingly, the estimated dividend payable to the FMC creditors may vary substantially dependant on the outcome of the disputed claims.

In conclusion, the distribution to the Tercon PV creditors will be dependant on the outcome of the resolution of the FMC disputed claims and the distribution of those funds. Until such time as the claims are resolved, the Monitor of FMC is unable to distribute the funds.

We will keep you informed of the timing of a dividend in this matter, however as noted above, both the timing and amount of receipt of funds from the Monitor of FMC is unknown.

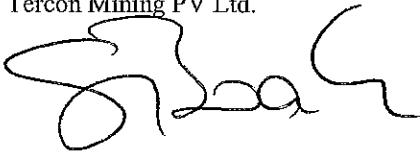
Creditors can access information in regard to the CCAA proceeding by reviewing the Monitor's reports at <http://documentcentre.eycan.com/pages/main.aspx?SID=17>

Should you have any questions regarding the report, please contact us.

Yours very truly,

**Boale, Wood & Company Ltd.**

Trustee in the Proposal of  
Tercon Mining PV Ltd.

A handwritten signature in black ink, appearing to read 'S. Boale', written over the printed name of the signatory.

Per: Stephen Boale, CGA, CIRP