

From: Derek.Parker
Sent: Thursday, October 05, 2006 9:52 AM
To: 'Grant.E.Hodgkins@ca.ey.com'; Kells.Boland
Cc: Peter.Laight
Subject: COAL AND TIER III
Grant & Kells:

Apologies for the misunderstanding on Tier III coal shipments...the error (in communication) was mine. Just for clarification:

I undertook a comparative analysis with BC historical production of coal, lead, zinc and copper.

This was applied to verify/refute Tier II and Tier III results.

This comparative analysis looked at the length of rail track in BC as it related to historical production of noted minerals and coal. What the analysis revealed was that mile for mile of track, we would expect about 10 mill tons of coal from both BC and Yukon for a 30 year period. If we adjust Tier II to 30 years (normally set at 20), the estimated amount of coal is 9.4 MT (in the spreadsheet, this is done by changing cell J2 from "20" to "30". This validated the approach taken in Tier II.

Although Tier III analysis was only done for lead, zinc and copper, it makes sense that the Tier II projection for coal (at 14 MT), should be considered adequate as a "total" estimate (primarily because coal was not subjected to the criteria as were base metals in Tier II)...all metallurgical (as opposed to thermal) coal deposits (partial or whole) were deemed shippable.

So, the comparative analysis number should not be added to the Tier II results...I know that Kells has preemptively made this move...it is the right move.

Sorry Grant for my error....

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