

# Watts, Griffis and McOuat

Consulting Geologists and Engineers

December 22, 2004

## TO WHOM IT MAY CONCERN:

Gentlemen:

This is an addendum to Watts, Griffis and McOuat Limited's report titled: "*Technical Report on the Peat Fuel Project, Northwestern Ontario (NTS 52G/1, 52G/2, 52B/15, 52B/16)*" dated December 3, 2004.

The Estimated Budget on page 79 and 82 is separated into two sections to better reflect the essential project development stages.

Part I will be essential to establishing a resource base of sufficient potential quantity and quality to justify proceeding with the extensive engineering test work and required to support future production. It will also be necessary to undertake a preliminary environmental study to establish a proper base line and assess the potential impact of a large commercial plant in this northern rural environment. Planning must also include the early dialogue with local stakeholders including First Nations, fish camps and tourist lodge owners and operators and forest harvest operators in the area.

Part II will be contingent on the positive results of Part I and will consist primarily of testing and process engineering design work necessary to provide the basis for future feasibility study as well as continuing work with respect to stakeholder relationships and the environmental plan.

### ESTIMATED BUDGET, PART I

	Cost (\$)
<b>Preliminary Environmental Plan</b>	200,000
<b>Resource Definition</b>	1,000,000
- Drill bogs at recommended intervals to establish resource sufficient for 20 years production	
- Identify depth, humification, biological composition of the peat and contours of the peat bottom	
- Determine adequacy of the designated bogs for 20 years production.	
<b>Prepare Bulk Samples</b>	500,000
- Thermal value, chemical analysis, physical analysis	
- Combustion tests	
<b>General and Administration</b>	100,000
<b>Contingency</b>	200,000
<b>TOTAL</b>	<b>\$2,000,000</b>


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**ESTIMATED BUDGET, PART II**

	Cost (\$)
<b>Continuing Environmental Plan</b>	300,000
<b>Engineering Testing</b>	500,000
- Bulk sample testing for mine equipment selection	
- Bulk sample testing for dewatering and drying equipment selection	
- Bulk <i>sample</i> testing of biomass conversion technologies at CANMET Energy Technology Centre	
<b>Process Engineering Design</b>	1,000,000
- Optimization of engineering design for mining and processing; equipment testing; selection of equipment supplies	
<b>General and Administration</b>	100,000
<b>Contingency</b>	<u>200,000</u>
<b>TOTAL</b>	<b>\$2,100,000</b>

Sincerely,



Peter G. Telford, FGAC, Ph.D.  
December 22, 2004



Don Hains, P.Geo., MBA, B.Sc.  
December 22, 2004