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[(1)]	(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:

[X] Annual Information Form

[X] 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

<u>Exhibit</u>

<u>Description</u>

"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 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:

	2004	**2003**
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
Total	**$430,288**	**$558,635**

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

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 and U.S. public filings are available at 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

To Convert To	From	Multiply By
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:

Partner	**Distribution Entitlement**
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

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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^{o}F (1100^{o}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 counties. 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

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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 resorted 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.

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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(3)		**2003(2)**		**2002(1)**	
	% 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
Total	**100%**	**25,004**	**100%**	**22,584**	**100%**	**12,330**

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

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(2)		Production(2)			Known Reserve Life(3) (years)	Date of Initial Operation
	Total	Mined or to be Mined(1)	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
Total	**82,877**	**13,974**	**28.2**	**31.7**	**25.8**	**23.1**	**12%**	-	-

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, silca 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.

COAL RESERVES
As At December 31, 2004
(millions of tonnes)[1,3]

Rank	Proven	Probable	Total	Ownership (%)[2]	Calorific Value kJ/kg	Sulphur % (by wt.)
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%

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

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)[1,4]

Rank	Measured[4]	Indicated[4]	Total[4]	Ownership[2]	Calorific Value kJ/kg[4]	Sulphur % (by wt.)[4]
Metallurgical Coal						
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 5/95	30,200	0.38%
Other[3]	213	274	487	L	30,200	0.60%
Total Metallurgical	**2,123**	**1,304**	**3,427**			
Thermal Coal						
Line Creek	5	24	29	L	25,000	0.35%
Total Thermal	**5**	**24**	**29**			

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:

INFERRED COAL RESOURCES
As At December 31, 2004 (millions of tonnes)(1,3)

Rank	Inferred Resources
Metallurgical Coal	
Fording River	2,721
Greenhills	650
Coal Mountain	24
Elkview	181
Line Creek	110
Cardinal River	4
Other(2)	473
Total Metallurgical	**4,163**
Thermal Coal	
Line Creek	10
Total Thermal	**10**

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:

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

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:

INDUSTRIAL MINERAL RESERVES
As At December 31, 2004 (millions of tonnes)[1,3]

Minerals	**Proven[4]**	**Probable[4]**	**Total[4]**	**Grade[2]**
Wollastonite				
NYCO Minerals	5	1	6	54.5%
Minera	20	85	105	54.8%
Total Wollastonite	**25**	**86**	**111**	**-**
Total Tripoli	**2**	**-**	**2**	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 $CaSi0_3$ (wollastonite). For tripoli, it is reported as a percentage 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)(1)(3)

Minerals	**Measured**	**Indicated**	**Total**	**Grade(2)**
Wollastonite				
NYCO Minerals	1	2	3	54.5%
Minera	-	-	-	-
Total Wollastonite	**1**	**2**	**3**	**-**
Total Tripoli	**-**	**-**	**-**	**-**

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 CaSi03 (wollastonite). For tripoli, it is percentage SiO2 (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[2,3])

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

	(0)					
December 31, 2004	**5**	**1**	**6**	**1**	**2**	**2**
Wollastonite [1] (Mexico)						
December 31, 2003	20	85	105	-	-	-
Additions	-	-	-	-	-	-
Production [2]		-	(0)	-	-	-
Deletions [2]	(0)	-	-	-	-	-
	-					
December 31, 2004	**20**	**85**	**105**	-	-	-
Tripoli [1]						
December 31, 2003	2	-	2	-	-	-
Additions	-	-	-	-	-	-
Production [2]	-	-	-	-	-	-
Deletions[2]	-	-	-	-	-	-
December 31, 2004	**2**	-	**2**	-	-	-

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

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

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.

The following table presents the reconciliation of asset retirement obligations:

Millions of Canadian dollars	*As at December 31*

	2004	2003
Balance - beginning of year	$58	$55
Liabilities incurred	$12	$1
Liabilities settled	($1)	($1)
Accretion expense	$4	$3
Other	($5)	$0
Balance - end of year	**$69**	**$58**

The total undiscounted amount of the estimated asset retirement obligations is $135 million, which using a credit adjusted risk-free rate, results in a discounted obligation of $69 million at December 31, 2004.

Due to the uncertainties concerning environmental remediation, the ultimate cost of future reclamation activities could differ materially from the estimated amounts provided. The estimate of the total liability is subject to change based on amendments to laws and regulations and as new information concerning the Elk Valley Coal Partnership's and Fording Inc.'s operations becomes available. Future changes, if any, to the estimated total liability may be material and would be recognized on a prospective basis as a change in an accounting estimate, when applicable. Environmental laws and regulations are continually evolving in all jurisdictions in which operations are conducted. The Trust is not able to determine the impact, if any, of environmental laws and regulation that may be enacted in the future on its financial position due to the uncertainty surrounding the ultimate form that such future laws and regulations may take.

Various regulatory agencies require security to be posted for reclamation obligations based on the forecasted costs to reclaim mined sites. These security requirements are satisfied by posting letters of credit issued by Canadian chartered banks.

Health & Safety

The Trust, Fording Inc. and the Elk Valley Coal Partnership are committed to working with all employees to maintain a safe and productive work environment. All the Elk Valley Coal Partnership and Fording Inc. operations have comprehensive safety and loss control programs that incorporate the prevention of accidents, injuries and illnesses into normal work activities. Effective use of personal protective equipment and employee training on safe work practices and procedures are also part of these programs.

To effectively oversee the health and safety programs of the Elk Valley Coal Partnership, the EHSRMC reviews health and safety reports from the minesites to determine and implement new policies and procedures as required.

Community Relations

The Trust, Fording Inc. and the Elk Valley Coal Partnership contribute to the long term future and success of the communities in which their employees work and live by participating in initiatives which enhance the quality of life and the delivery of services in those communities, encourage employee volunteerism and foster good relationships with stakeholders. Examples of these initiatives are as follows:

Sponsorship of Olympic Skier Emily Brydon

The Trust is proud to be one of Emily Brydon's sponsors. Emily Brydon is an Olympian from Fernie, British Columbia, one of the Partnership's communities, who recorded Canada's best woman's combined and slalom results at the 2003 World Championships. Ranked 12th in the world in the downhill and a winner of a World Cup Bronze Metal, Emily is the 2004 Canadian downhill and a winner of a World Cup Bronze Metal, Super G and combined champion.

The Elk Valley Coal Partnership Discovery Centre

The Elk Valley Coal Partnership has donated $1 million to assist the Coal Discovery Society in the creation of an interpretive learning centre and heritage network that will illustrate and showcase coal mining and its importance to the Elk Valley region of British Columbia. As well as preserving the history of the coal mining industry of the Elk Valley, the centre will interpret modern coal mining and deliver economic and community benefits to the Elk Valley.

Public Libraries

The Elk Valley Coal Partnership has contributed to the Hinton Public Library and the Fernie Public Library. The contribution to the Hinton Public Library will help fund the Hinton Leisure and Learning Centre, which will be a library program room and video conferencing suite.

Hospital Foundations

The Elk Valley Coal Partnership donates funds to hospital foundations in the Crowsnest Pass and in the Elk Valley. The employees of the Elk Valley Coal Partnership run a "Caring for Kids" campaign for the Alberta Children's Hospital and support the Mining Association of British Columbia's "Mining for Miracles" campaign for the British Columbia Children's Hospital.

Community Initiatives

The Elk Valley Coal Partnership supports a variety of community initiatives, which include: summer mine tours at the Fording River, Greenhills and Elkview mines that are run in conjunction with the local Chamber of Commerce; the community councils; schools and colleges; youth sports; mine education programs during Mining Week; mine rescue competitions; and other community events.

Human Resources

Employment Arrangements

The Trust and Fording Inc. do not employ any employees directly. Agreements made at the time of the Arrangement require the Elk Valley Coal Partnership to make available members of its executive personnel to serve as officers (other than as the Chief Executive Officer) of the Trust and Fording Inc. The employment costs of these executives are paid by the Elk Valley Coal Partnership. However, if any of the executives spend a significant amount of his or her time in a year on the business of the Trust and/or Fording Inc., the employment costs for that executive will be allocated between the Trust, Fording Inc. and the Elk Valley Coal Partnership based on the time spent on the business and affairs of the Trust and Fording Inc. during the year. In addition, the agreements allow employees who provide services to NYCO (other than employees employed by NYCO Minerals, Minera, American Tripoli and other subsidiaries of Fording Inc.) to be employees of the Elk Valley Coal Partnership and be made available to Fording Inc. on a full time basis to provide services to NYCO on a cost recovery basis.

The compensation of employees of the Elk Valley Coal Partnership, including the executives that also serve as officers of the Trust and Fording Inc., is determined by the managing partner, and is reviewed by the Governance Committee of Fording Inc. as part of the annual budget approval process by the Partners of the Elk Valley Coal Partnership.

In connection with the Arrangement, the Elk Valley Coal Partnership also acquired from Teck Cominco all of the issued and outstanding shares of the Elkview Coal Corporation which employed the Elkview mine employees. As of January 1, 2004, the Elkview Coal Corporation was amalgamated with the Elk Valley Coal Corporation.

All of the Elk Valley Coal Partnership's mines are unionized except for the Greenhills mine. The expiry dates for the current collective agreements at the unionized mines are as follows:

Mine	Expiry Date of Collective Agreement	Productive Capacity As at December 31, 2004 (million tonnes)
Coal Mountain	December 31, 2004[(1)]	2.7
Line Creek	May 31, 2005	2.5
Elkview	October 31, 2005	6

Fording River	April 30, 2006	10
Cardinal River	June 30, 2007	1.4
Greenhills	Non-union	4.5

Notes:

(1)

Negotiations currently taking place.

As at December 31, 2004, Elk Valley Coal Partnership employed 2,744 persons, most of whom reside in Canada. In addition, Fording Inc., through its subsidiaries, employed approximately 93 persons at operations in the United States and 64 persons at operations in Mexico. The Willsboro and American Tripoli mines are unionized and the current collective agreements expire June 30, 2006 and June 30, 2008, respectively. The Minera mine is not unionized.

Specialized Skills and Knowledge

The Elk Valley Coal Partnership requires extensive knowledge in the areas of mine development and mineral processing. Mine development includes all functions necessary to economically develop the mine, extract the coal from the earth and deliver it to the coal preparation plant. Mineral processing includes all functions that result in cleaning and preparing the coal for delivery after extracting it from the mine.

Elk Valley Coal Partnership's senior management personnel possess the necessary skills and experience to efficiently perform these functions. Through their leadership, practical training is provided to employees to supplement their formal technical training to ensure qualified candidates exist to fill future management positions. In order to attract individuals who possess the necessary technical training, the Elk Valley Coal Partnership actively participates in college and university work programs and recruitment initiatives.

Compensation Covenant

Certain agreements entered into at the time of the Arrangement state that Old Fording employees, while employed by Fording Inc. or the Elk Valley Coal Partnership, will be provided with compensation arrangements until the third anniversary of the Effective Date. In the opinion of the Directors, who were directors of Old Fording at the time of the Arrangement, these compensation arrangements are no less favourable in the aggregate, than the compensation policies and arrangements that were in place prior to the Arrangement.

Change in Control Agreements

Old Fording entered into Change of Control Agreements with certain members of its senior management in connection with becoming a public company in 2001. Seven of the Change of Control Agreements were assumed by the Elk Valley Coal Partnership under the Arrangement. The Arrangement also constituted a change in control for the purposes the Change of Control Agreements. If an executive who is a party to a Change of Control Agreement resigns or is terminated without cause prior to March 1, 2006, such executive will be entitled to the severance benefits provided for by the Change of Control Agreement. The severance benefits generally provide for two years salary, benefits and bonuses except that the former President and Chief Executive Officer of Old Fording, was entitled to three years salary, benefits and bonuses.

As of December 31, 2004, four executives had exercised their Change of Control Agreements including the former President and Chief Executive Officer of Old Fording. Of the three remaining Change of Control Agreements, no provision has been accrued for the contingent liability related to Change of Control Agreements outstanding on December 31, 2004. The liability is charged to earnings in the period in which the resignation, retirement or termination occurs. The Trust's share of the contingent liability associated with such agreements, which is dependent on the achievement of certain future financial results, ranges between $5 million to $7 million.

ANNUAL AND QUARTERLY FINANCIAL INFORMATION

Annual and quarterly financial information included in the Management Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2004 that forms part of the Trust's 2004 Annual Report, is incorporated by reference into this Annual Information Form.

CAPITAL STRUCTURE

Beneficial interests in the Trust are divided into a single class of Units. The aggregate number of Units that the Trust may issue is unlimited. There were 48,980,479 Units outstanding at December 31, 2004 and 48,987,438 Units outstanding at February 28, 2005. The Units trade on both the TSX (FDG.UN) and the NYSE (FDG).

Description of Units

Each Unit represents an equal fractional undivided beneficial interest in any distributions from the Trust and in any net assets of the Trust in the event of termination or winding-up of the Trust. All Units are of the same class with equal rights and privileges. Each Unit is transferable, entitles the holder thereof to participate equally in distributions, including the distributions of net income and net realized capital gains of the Trust and distributions on liquidation, is fully paid and entitles the holder thereof to one vote at each meeting of Unitholders for each Unit held. Units are currently represented by certificates but the Trustees have authority to move to a book-based system if such a transition is feasible.

The Units do not represent a traditional investment and should not be viewed by investors as "shares" in either Fording Inc. or the Trust. As holders of Units in the Trust, the Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions.

The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that act or any other legislation. The Trust is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on, or intend to carry on, the business of a trust company.

Limited Likelihood of Unitholder Liability

Effective July 1, 2004, income trusts settled in Alberta, such as the Trust, have the protection of limited liability afforded by the *Income Trust Act* (Alberta) (the "ITLA"), in respect of any act, default, obligation or liability of the Trust arising after the effective date of the legislation. However, the ITLA does not preclude a claim for liability for any act, default, obligation, or liability arising before July 1, 2004. Ontario has passed legislation similar to the ITLA and Quebec has legislation that provides similar protection to unitholders.

The Declaration of Trust provides for additional limits to the liability of the Unitholders. The Declaration of Trust provides that no Unitholder will be subject to any liability in connection with the Trust or its obligations and affairs, and in the event that a court determines Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of the Unitholder's share of the Trust's assets. Pursuant to the Declaration of Trust, the Trust will indemnify and hold harmless each Unitholder from any costs, damages, liabilities, expenses, charges and losses suffered by a Unitholder resulting from or arising out of such Unitholder not having such limited liability. The Declaration of Trust provides that the Trustees and the Trust will make reasonable efforts to include a provision in all contracts signed by or on behalf of the Trust to the effect that such obligation will not be binding upon the Trustees or Unitholders personally.

Notwithstanding that the Declaration of Trust seeks to limit the liability of a Unitholder to any person in connection with a holding of Units, the effectiveness of such provisions is uncertain. Further it is not yet clear to what extent Unitholders outside of Alberta, Ontario and Quebec benefit from the legislation that those provinces have enacted. Accordingly, there remains a risk that a Unitholder could be held personally liable for obligations of the Trust (to the extent

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that claims are not satisfied by Fording Inc. or the Trust) in respect of contracts that the Trust enters into and for certain liabilities arising other than out of contract including claims in tort, claims for taxes, and possibly certain other statutory liabilities. Counsel to the Trust have advised that they view this risk as remote.

Limitations on Non-Resident Unitholders

Certain provisions of the Tax Act require that the Trust not be established or maintained primarily for the benefit of Non-Residents ("Non-Resident Beneficiaries"). Accordingly, in order to comply with such provisions, the Declaration of Trust contains restrictions on the ownership of Units by Unitholders who are Non-Resident Beneficiaries or for the benefit of Non-Resident Beneficiaries. The Trustees may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Trustees become aware, that non-resident ownership has reached a level such that it is prudent to implement remedial measures, or that such a situation is imminent, the Trustees may issue a public announcement thereof and shall not accept a subscription for Units from or issue or register a transfer of Units to a person unless the person provides a declaration that the person is not a Non-Resident (or, in the discretion of the Trustees, that the person is not a Non-Resident Beneficiary). If, notwithstanding the foregoing, the Trustees determine that more than 49% of the Units (on either a basic or fully diluted basis) are held by or for the benefit of Non-Resident Beneficiaries, the Trustees may send a notice to such Unitholders, chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not more than 60 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Trustees with satisfactory evidence that they are not Non-Residents and do not hold Units for the benefit of Non-Resident Beneficiaries within such period, the Trustees may on behalf of such Unitholders sell such Units, and, in the interim, the voting and distribution rights attached to such Units shall be suspended. Upon such sale, the affected holders shall cease to be Unitholders and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificates representing their Units.

The Trustees together with management continue to monitor the level of Non-resident ownership of the Trust as well as the on-going debate regarding limitations on such ownership effectively prescribed by the Tax Act. The Trustees are currently evaluating a number of options for dealing with Non-resident ownership and in addition, through management and the Trust's outside advisors, are participating in the on-going debate surrounding such restrictions. Some of the options being considered by the Trustees could result in the delisting of the Units from the NYSE or otherwise restrict their liquidity. The market price of the Units could decline in the event that the Trustees elect to undertake one or more such measures. One of the elements of the reorganization discussed under the heading "Three Year History - Proposed Reorganization" would, if approved, provide an interim structural solution for dealing with Non-Resident Ownership.

Redemption Right

Units are redeemable at any time on demand by the holders thereof in accordance with the terms described below. Upon receipt of the redemption request by the Trust, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of:

(a)

90% of the "market price" of the Units on the principal market on which the Units are quoted for trading during the ten trading day period ending immediately prior to the date on which the Units are surrendered to the Trust for redemption (the "Redemption Date"); and

(b)

the "closing market price" on the principal market on which the Units are quoted for trading, on the Redemption Date.

For the purposes of this calculation:

"market price" will be an amount equal to the average of the closing price of the Units for each of the trading days for the ten trading day reference period on which there was a closing price on the principal exchange or market on which the Units are quoted for trading; provided that, if the applicable exchange or market does not provide a closing price but only provides the highest and lowest prices of the Units traded on a particular day, the "market price" shall be an amount equal to the weighted average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that, if there was trading on the applicable exchange or market for fewer than five of the ten trading days in the reference period, the "market price" shall be the average of the following prices established for each of the ten trading days: (i) the average of the last bid and last ask prices for each day on which there was no trading; (ii) the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and (iii) the average of the highest and lowest prices of the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day; and

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"closing market price" shall be an amount equal to the closing price of the Units if there was a trade on the date and the exchange or market provides a closing price; an amount equal to the average of the highest and lowest prices of the Units if there was trading and the exchange or other market provides only the highest and lowest prices of Units traded on a particular day; or the average of the last bid and last ask price of the Units if there was no trading on the date.

The aggregate Redemption Price payable by the Trust in respect of any Units surrendered for redemption during any calendar month shall be paid by cheque drawn on a Canadian bank or a trust company in lawful money of Canada, on or before the last day of the calendar month following the month in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable by the Trust in respect of such Units and all other Units tendered for redemption in the same calendar month shall not exceed $50,000 (provided that the Trustees may, in their sole discretion, waive such limitation in respect of any calendar month); (ii) at the time such Units are tendered for redemption, the outstanding Units shall be listed for trading or quoted on any stock exchange or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; and (iii) the normal trading of the outstanding Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date or for more than five trading days during the ten day trading period ending on the Redemption Date.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the foregoing limitations, then the Redemption Price for such Units shall, subject to receipt of all necessary regulatory approvals (which the Trust shall use commercially reasonable efforts to obtain), be paid and satisfied by way of a distribution *in specie* of securities of Fording Inc. or the Trust having a fair market value, as determined by the Trustees, equal to the Redemption Price of the surrendered Units for which cash is not available. The Trust shall be entitled to all interest or distributions paid or accrued and unpaid on such securities on or before the date of the distribution *in specie*.

It is anticipated that the redemption right will not be the primary mechanism for holders of Units to dispose of their Units. Securities that may be distributed *in specie* to Unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in such securities. Such securities may also be subject to an indefinite "hold period" or other resale restrictions under applicable securities laws. As well, such securities may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans.

Declaration of Trust

The Trust was formed as an open-ended mutual fund trust created on February 26, 2003 pursuant to the Declaration of Trust, which provides the manner in which the Trust will operate.

Amendments to the Declaration of Trust

The Declaration of Trust may be amended from time to time if approved by at least 66 2/3% of the votes cast at a meeting of the Unitholders called for such purpose.

The Trustees may, without the approval of the Unitholders, make certain amendments to the Declaration of Trust, including amendments:

(a)

for the purpose of ensuring continuing compliance with applicable laws (including the Tax Act), regulations, requirements or policies of any governmental or other authority having jurisdiction over the Trustees or over the Trust;

(b)

deemed necessary or advisable to ensure that the Trust has not been established or maintained primarily for the benefit of Non-Residents;

(c)

which, in the opinion of the Trustees, provide additional protection or benefit for the Unitholders;

(d)

to remove any conflicts or inconsistencies in the Declaration of Trust or to make corrections, including the correction or rectification of any ambiguities, defective provisions, errors, mistakes or omissions, which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Unitholders; and

(e)

which, in the opinion of the Trustees, are necessary or desirable as a result of changes in taxation or other laws or the administration or enforcement thereof,

provided that the Trustees may not unilaterally amend the Declaration of Trust if such amendment would: (i) amend the amending provisions; (ii) amend the Unitholders' voting rights; (iii) cause the Trust to fail to qualify as a "mutual fund trust" under the Tax Act or cause the Units to constitute "foreign property" under the Tax Act.

Unitholder Rights Plan

As part of the Arrangement, the Trust adopted the Unitholder Rights Plan. The purpose of the Unitholder Rights Plan is to provide Unitholders with sufficient time to assess a take-over bid for the Trust, if such bid were to be made and to provide the Trustees with the opportunity to explore and develop alternatives that are in the best interest of the Trust and the Unitholders.

The Unitholder Rights Plan is intended to encourage a potential acquirer to proceed either by way of a "Permitted Bid" (defined below) or with the concurrence of the Trustees.

A "Permitted Bid" is a bid which: (i) has been made by way of a take-over bid circular; (ii) has been made to all Unitholders; (iii) is outstanding for a minimum of 50 days; (iv) provides that no Units deposited to such bid will be taken up and paid for (1) prior to the day which is 50 days following the date of the take-over bid, and (2) unless on that date, more than 50% of the outstanding Units held by "Independent Unitholders" (generally, Unitholders who are unrelated to the bidder) have been deposited and not withdrawn; and (v) provides that if more than 50% of the Units held by Independent Unitholders are tendered to the bid and not withdrawn within the 50-day period, the bidder must make a public announcement to that effect and allow for the tendering of outstanding Units for an additional ten-day period.

Under the Unitholder Rights Plan, on the Effective Date, one right was issued in respect of each Unit issued under the Arrangement (a "Right"). The Rights will separate from the Units after a person has acquired, or commenced a take-over bid to acquire, beneficial ownership of 20% or more of the Units (a "Flip-in Event"). Ten trading days after the occurrence of a Flip-in Event, each Right, other than a Right held by the person that initiated the Flip-in Event or any other person acting jointly or in concert with such person, will permit the holders of Rights to purchase Units at a 50% discount to their market price. The Rights are not exercisable if an acquisition of Units is made pursuant to a Permitted Bid. The Rights are also not exercisable if such acquisition is made pursuant to a prospectus offering, a private placement or a securities exchange take-over bid involving the issuance of Units that have not been previously distributed.

The Trustees may, prior to a Flip-in Event, waive the application of the Unitholder Rights Plan if the take-over bid is made by way of a take-over bid circular to all holders of Units. Certain exemptions are also provided for investment advisors, trust companies and certain other investment and pension fund managers who acquire 20% or more of the Units, provided that they are not making a take-over bid.

OTPP, as well as any other person who, for purposes of the Unitholder Rights Plan, was deemed to beneficially own 20% or more of the Units outstanding as at the first moment in time after the Arrangement became effective, has been grandfathered under the Unitholder Rights Plan so long as it does not subsequently increase its beneficial ownership of Units by more than 1% of the number of Units outstanding at such time, other than by way of certain permitted transactions specified in the Unitholder Rights Plan.

The Unitholder Rights Plan must be reconfirmed at every third annual meeting of Unitholders following the Arrangement. In any event, the Unitholder Rights Plan will expire on the tenth anniversary of the Arrangement unless it terminates prior to that time due to its failure to be reconfirmed by Unitholders.

Distribution Policies

The Trust

It is the policy of the Trust to distribute the Distributable Cash quarterly to Unitholders of record on the last business day of each calendar quarter (March, June, September and December) with actual payment to be made to such Unitholders on or about the 15th day of the following month. To the extent that distributions do not exceed the taxable income of the Trust, a distribution equal to the excess of taxable income over prior distributions in the year will be payable to Unitholders of record on December 31st of each year. In the event that the Trustees of the Trust determine that the Trust does not have sufficient cash available to make the full amount of any distribution, the payment of such distribution may be made in Units.

Fording Inc.

The Board of Directors distributes Fording Inc.'s Available Cash to the Trust, plus an amount equal to the expenses payable by the Trust, subject to compliance with legal and contractual obligations, by way of interest on the Fording Subordinated Notes, dividends or other distributions on the Fording Common Shares and principal repayments on the Fording Subordinated Notes. Such distributions are made quarterly based primarily on Fording Inc.'s expected results for the quarter, but may take into account its expected future performance. Subsequent distributions may be adjusted for amounts paid in prior periods if the actual Available Cash for the prior period is greater than or less than the expected results in the period. Available Cash will be determined after provision for cash reserves, which includes the proportionate share of cash reserves at the Partnership level.

The Elk Valley Coal Partnership

The Elk Valley Coal Partnership distributes to its Partners, in proportion to their respective Distribution Entitlements, their portion of Partnership Distributable Cash on a monthly basis.

Distribution History

The following quarterly distributions were paid by the Trust on a per Unit basis for 2004 and 2003, inclusive of the two special distributions totalling $1.50 per Unit (paid as part of the April 15, 2003 and July 15, 2003 distributions), that formed part of the Arrangement:

2004		2003	
April 15, 2004	$1.00	April 15, 2003	$1.00(1)
July 15, 2004	$1.00	July 15, 2003	$1.49(2)
October 15, 2004	$1.10	October 15, 2003	$1.00

January 17, 2005	$1.30	January 15, 2004	$1.00

Notes:

(1)

Includes $0.74 per Unit on account of the special distribution.

(2)

Includes $0.76 per Unit on account of the special distribution.

The following dividends were paid by Old Fording on a per share basis in 2002:

2002	
March 15, 2002	$0.125
June 17, 2002	$0.125
September 16, 2002	$0.150
December 16, 2002	$0.150

MARKETS FOR SECURITIES

The Units are listed and posted for trading on the TSX under the symbol "FDG.UN" and on the NYSE under the symbol "FDG". The following table sets out the trading price range and volume of the Units traded on the Toronto and New York Stock Exchanges during the most recent financial year ended December 31, 2004:

	TSX			NYSE		
Date	**High**	**Low**	**Average Daily Trading Volume**	**High**	**Low**	**Average Daily Trading Volume**
January	$ 45.98	$ 41.00	152,438	US$ 35.95	US$ 30.70	136,433
February	$ 55.34	$ 43.95	171,489	US$ 41.25	US$ 32.95	130,847
March	$ 59.15	$ 49.42	216,695	US$ 44.80	US$ 37.30	195,204
April	$ 58.50	$ 50.50	181,238	US$ 43.90	US$ 37.01	201,676
May	$ 55.19	$ 43.50	115,504	US$ 40.30	US$ 31.25	150,080

June	$ 57.36	$ 51.90	52,140	US$ 42.10	US$ 37.85	73,214
July	$ 61.80	$ 55.51	126,558	US$ 46.80	US$ 41.43	99,959
August	$ 65.50	$ 55.01	75,419	US$ 49.75	US$ 41.76	81,114
September	$ 72.95	$ 64.24	102,170	US$ 57.23	US$ 49.03	91,290
October	$ 80.00	$ 68.27	203,186	US$ 65.25	US$ 53.75	174,000
November	$ 92.05	$ 70.05	112,693	US$ 77.70	US$ 57.08	190,257
December	$ 94.50	$ 79.35	169,210	US$ 78.00	US$ 65.07	337,300

On February 28, 2005, the closing trading price of the Units on the TSX and on the NYSE was, respectively, $114.52 and US$93.49 per Unit.

GOVERNANCE

Governance Arrangements

As part of the Arrangement, each of the Principal Unitholders subscribed for Units and entered into a governance agreement with the Trust and Fording Inc. The governance agreements provide each of Teck Cominco, Westshore and OTPP and Sherritt (acting together) with the right to nominate one Trustee and one Director as part of the slate of Trustees and Directors to be put forward by each of the Trust and Fording Inc. for election by Unitholders. The right of a Principal Unitholder to put forward a nominee to the Trust and Fording Inc. terminates unless the Principal Unitholder retains a certain minimum ownership interest in the Trust. The rights of both Sherritt and Westshore to put forward nominees have terminated for this reason. The nominee of OTPP must be an Independent Director or an Independent Trustee, as the case may be. The balance of the Trustees will be recommended for election by the Governance Committee of the Trustees and nominated for election by the Trustees. The balance of Directors will be nominated by the Governance Committee of the Board of Directors and nominated for election by the Board of Directors.

Each governance agreement contains the agreement of the Trust to nominate the nominees of the Principal Unitholders and the agreement of the Principal Unitholders to vote for the Trustees and Directors nominated by the Trust and Fording Inc. The right of any Principal Unitholder to nominate a person as a Trustee or Director is lost if the Principal Unitholder fails to vote for the slate so nominated.

The Chairman and Chief Executive Officer is selected by the Trustees from among the Independent Trustees. Any proposed officer of the Trust who is also a director, officer or employee of Teck Cominco or any of its affiliates, or of the Elk Valley Coal Partnership, must be approved by the Independent Trustees.

The powers of the Trustees are subject to specific limitations contained in the Declaration of Trust (including restrictions on investments by the Trust in order to comply with applicable income tax rules, the ability to vote the Fording Common Shares held by the Trust and the ability to terminate the Trust), and otherwise the Trustees have full, absolute and exclusive, power, control and authority over the assets and affairs of the Trust.

Audit Committee Disclosure

The text of the Audit Committee Charter for the Trust is located in Appendix "D" to this Annual Information Form. The Audit Committee Charter for Fording Inc. can be viewed at www.fording.ca.

Principal Accounting Fees and Services

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:

	2004	**2003**
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
Total	**$430,288**	**$558,635**

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 the 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 the 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 considered the compatibility of the non-audit services provided by the Trust's principal auditors with auditor independence.

Environmental, Health and Safety Committee

The Board of Directors has constituted an Environmental, Health and Safety Committee to provide oversight of Fording Inc.'s interest in respect of these matters.

Trustees and Directors

The majority of the Trustees and Directors are independent. The Independent Trustees and Directors meet at least once annually in camera, without management or non-independent Trustees and Directors being present. The Independent Trustees and Directors met five times in 2004.

By agreement of the Principal Unitholders at the time of the Arrangement, the Declaration of Trust and the Bylaws of Fording Inc. provide for the Chair and Chief Executive Officer of each of the Trust and Fording Inc. to be appointed from among the Independent Trustees and Independent Directors respectively. As the appointment of the Chief Executive Officer results in the incumbent being an officer of the Trust and Fording Inc., the Trustee or Director appointed to the position no longer meets the technical definition of an Independent Trustee or Director as defined in Multilateral Instrument 52-110 - Audit Committees. However, the Chief Executive Officer is not an officer of the Elk Valley Coal Partnership or of any of its subsidiaries and is not responsible for the day-to-day management of the business of the Trust or Fording Inc. Accordingly, it is not necessary that the positions of Chair and Chief Executive Officer be held by separate individuals in order to enhance the independence of the Trustees and the Board of Directors from management of the Trust, Fording Inc., its subsidiaries and the Elk Valley Coal Partnership and its subsidiaries.

The following is a brief biography of each of the Trustees of the Trust and the Directors of Fording Inc., including their municipality of residence and a description of their principal occupation during the last five years. The Trustees and the Board of Directors have each determined that fixed term limits for service should not be established. As a group, the individuals listed below owned directly or indirectly, or exercised control or direction over 94,919 Units as at February 28, 2005 representing less than 1% of the outstanding Units. Additional information about the Trustees and Directors is contained in Information "Regarding Nominees for Election As Trustees" and "Information Regarding Nominees for Election As Directors" in the Trust's 2005 Management Information Circular.

Trustees

Dr. Lloyd I. Barber, C.C., S.O.M.

Residence:

Regina Beach, Saskatchewan, Canada

Trustee:

Fording Canadian Coal Trust (2003)

Age:

73

Dr. Barber is President Emeritus of the University of Regina, a position he has held since 1990. From 1976 to 1990, Dr. Barber was President of the University of Regina. Dr. Barber serves as a director of Teck Cominco Limited, CanWest Global Communications Corp. and Greystone Capital Management. Dr. Barber is a Companion of the Order of Canada.

Dr. Barber is not an Independent Trustee under the Declaration of Trust because he is a director of a Principal Unitholder.

Michael A. Grandin

Residence:

Calgary, Alberta, Canada

Trustee:

Fording Canadian Coal Trust (2003)

Director:

Fording Inc. (2003)

Age:

60

Michael Grandin is currently Chairman and Chief Executive Officer of each of the Trust and Fording Inc. He has held each position since the Arrangement became effective in February 2003. Mr. Grandin was a director of Old Fording, the predecessor to the Trust, from 2001 to 2003. In February 2004, Mr. Grandin was appointed Dean of the Haskayne School of Business at the University of Calgary. Mr. Grandin was President of PanCanadian Energy Corporation from October 2001 to April 2002. From 1998 to 2001, Mr. Grandin was Executive Vice President and Chief Financial Officer of Canadian Pacific Limited, a diversified operating company active in transportation, energy and hotels. He was Vice Chairman and Director of Midland Walwyn Capital Inc. from 1996 to 1998. He is also a director of IPSCO Inc., BNS Split Corp., the Investment Dealers Association of Canada and EnCana Corporation.

Mr. Grandin would qualify as an Independent Trustee under the Declaration of Trust except that he serves as Chief Executive Officer of the Trust and Fording Inc. to ensure the independence of the Trust and Fording Inc. from Elk Valley Coal. Mr. Grandin is financially literate.(1)

Mr. Grandin was a director of Pegasus Gold Inc. in 1998 when that company filed voluntarily to reorganize under Chapter 11 of the United States Bankruptcy Code. A liquidation plan for that company received court confirmation later that year.

Michael S. Parrett, C.A.

Residence:

Aurora, Ontario, Canada

Trustee:

Fording Canadian Coal Trust (2003)

Director:

Fording Inc. (2003)

Age:

53

Mr. Parrett is an independent consultant with over 23 years of experience in the mining industry. Mr. Parrett was the President of Rio Algom Limited from 2000 to 2001. From 1991 to 2000, Mr. Parrett was Vice President and Chief Financial Officer of Rio Algom Limited. From 1999 to 2000, he was also Vice President, Strategic Development & Joint Ventures of Rio Algom Limited. Prior to 1990, Mr. Parrett held various positions with Falconbridge Limited, serving as Vice President, Controller and Chief Financial Officer. He also serves as a director at Pengrowth Corporation and Gabriel Resources Ltd. Mr. Parrett is a Chartered Accountant.

Mr. Parrett is an Independent Trustee under the Declaration of Trust and is a Member of the Trust's Audit and Governance Committees and Fording Inc.'s Audit Committee. Mr. Parrett is financially literate.[(1)]

Harry G. Schaefer, F.C.A.

Residence:

Calgary, Alberta, Canada

Trustee:

Fording Canadian Coal Trust (2003)

Director:

Fording Inc. (2003)

Age:

68

Mr. Schaefer was a director of Old Fording, the predecessor to the Trust, from 2001 to 2003. He is the President of Schaefer and Associates, a business advisory firm and he is also a Corporate Director. Mr. Schaefer was Chairman of TransAlta Corporation from 1991 to 1996 and Chief Financial Officer from 1975 to 1993. He is the Vice Chairman and a director of TransCanada Corporation and TransCanada PipeLines Limited. Mr. Schaefer has held these positions since 2003 and 1998, respectively. He is also a director of Agrium Inc., a former director of Gulf Canada Resources Limited and was Chairman of Crestar Energy from 1996 to 2000. Mr. Schaefer is chair of the Alberta Chapter of the Institute of Corporate Directors. Mr. Schaefer is a Chartered Accountant.

Mr. Schaefer is an Independent Trustee under the Declaration of Trust and a Member of the Trust's and Fording Inc.'s Audit Committees and a member of Fording Inc.'s Governance Committee. Mr. Schaefer is financially literate.[(1)]

Peter Valentine, F.C.A.

Residence:

Calgary, Alberta, Canada

Trustee:

Fording Canadian Coal Trust (2003)

Age:

68

Mr. Valentine holds a joint appointment as Senior Advisor to the President and CEO of the Calgary Health Region and to the Dean of Medicine, University of Calgary. Prior to his present appointment, Mr. Valentine served for seven years as the Auditor General of Alberta. From 1958 to 1995, Mr. Valentine enjoyed a career with KPMG, serving as

Partner-in-Charge of Professional Practice of the Calgary office, Chairman of the KPMG International Energy Practice Group and Senior Audit Partner responsible for a variety of medium to large sized organizations, with expertise in the petroleum industry and the Canadian securities practice. He is also a director of Livingston International Income Fund, Primewest Energy Trust, Superior Plus Income Fund and Resmore Trust Company. He is currently the Chair of the Board of Governors of CCAF-FCVI Inc. and has previously served as Chair of the Financial Advisory Committee of the Alberta Securities Commission and as a member of the Accounting Standards Board and the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Mr. Valentine is an Independent Trustee under the Declaration of Trust and a Member of the Trust's Audit and Governance Committees. Mr. Valentine is financially literate.(1)

Robert J. Wright, C.M., Q.C.

Residence:

Toronto, Ontario, Canada

Trustee:

Fording Canadian Coal Trust (2003)

Age:

72

Mr. Wright is Deputy Chairman of Teck Cominco Limited, a position he has held since June 2000. He was Chairman of Teck Corporation from 1994 to June 2000. From 1989 to 1993, he was Chairman of the Ontario Securities Commission. Prior to 1989, he was a senior partner in the law firm of Lang Michener. Mr. Wright is Chairman of the Mutual Fund Dealers Association and the AARC Foundation. He is a member of the Investment Committee of the Ontario Workplace Safety & Insurance Board and the Pension Fund Committee of Air Liquide Canada Inc. Mr. Wright is a Member of the Order of Canada.

Mr. Wright is not an Independent Trustee under the Declaration of Trust because he is a director of a Principal Unitholder.

John B. Zaozirny, Q.C.

Residence:

Calgary, Alberta, Canada

Trustee:

Fording Canadian Coal Trust (2003)

Age:

57

Mr. Zaozirny was a director of Old Fording, the predecessor to the Trust from 1986 to 2003. He has been counsel to McCarthy Tetrault LLP, Barristers and Solicitors since 1987. He has served as Vice Chairman of Canaccord Capital Corporation since 1996 and is also a director of Acetex Corporation, Canadian Oil Sands Investments Inc., Computer Modelling Group, IPSCO Inc., Matrikon Inc., Middlefield Resource Funds, Pengrowth Corporation, Provident Energy Ltd., Titanium Corporation Inc., Bankers Petroleum Inc. and TerraVest Income Fund. He is a Governor of the Business Council of British Columbia and a member of the Law Societies of Alberta and British Columbia. Mr. Zaozirny was Minister of Energy and Natural Resources for the Province of Alberta from 1982 to 1986.

Mr. Zaozirny is an Independent Trustee under the Declaration of Trust and a Chair of the Trust's Governance Committee.

Note:

(1)

Pursuant to Multilateral Instrument 52-110 - Audit Committees, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that presents a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the issuer's financial statements.

Directors

Michael A. Grandin
Michael S. Parrett, C.A.
Harry G. Schaefer, F.C.A.

The biographies of these individuals are set forth above under "*Biographies of Trustees and Directors - Trustees*".

Dawn L. Farrell

Status:

Independent - Member of Fording Inc.'s Environmental, Health and Safety Committee

Residence:

Vancouver, B.C., Canada

Director:

Fording Inc. (2004)

Age:

45

Mrs. Farrell is currently Executive Vice President, Generation, BC Hydro, a position she has held since May 2003. Prior to joining BC Hydro, Mrs. Farrell was Executive Vice President, Corporate Development for TransAlta Corporation. Throughout her 17 year career at TransAlta, she held a number of executive positions including Executive Vice President, Independent Power Projects and Vice President, Energy Marketing and IPP Development. Mrs. Farrell has participated on a number of boards, including Mount Royal College, Mount Royal College Foundation, Mercury Electric, Vision Quest Windelectric, TransAlta Cogeneration and MEGA (a joint venture between TransAlta and Gener SA). She holds a Masters Degree in economics from the University of Calgary and attended the Advanced Management Program at Harvard University.

Mrs. Farrell is an Independent Director and is a Member of Fording Inc.'s Environmental, Health and Safety Committee.

<u>Dr. Norman B. Keevil</u>

Residence:

Vancouver, B.C., Canada

Director:

Fording Inc. (2003)

Age:

67

Dr. Keevil is Chairman of the Board of Teck Cominco Limited, a position he has held since 2001. From 1981 to 2001, he was President and Chief Executive Officer of Teck Corporation, also serving as Chairman from 1989 to 1994. Dr. Keevil is a director of Aur Resources Inc. and the Mining Association of Canada. He holds an honorary Doctor of Laws from the University of British Columbia and was The Northern Miner Mining Man of the Year in 1979. Among other honours, Dr. Keevil received a Distinguished Service Award from the Prospectors & Developers Association in 1990 and he received the Selwyn G. Blaylock Medal for 1991 from the Canadian Institute of Mining and Metallurgy. In January 2004 Dr. Keevil was inducted into the Mining Hall of Fame.

Dr. Keevil is not an Independent Director because he is a Chairman of a Principal Unitholder.

Dr. Keevil will not be standing for re-election in 2005.

<u>Richard T. Mahler</u>

Residence:

Vancouver, B.C., Canada

Director:

Fording Inc. (2003)

Age:

61

Mr. Mahler was Executive Vice President and Chief Financial Officer of Finning International Inc., the world's largest Caterpillar dealer from 1990 until his retirement in 2003. From 1981 to 1990, Mr. Mahler served as Vice President Finance of Amdahl Canada, a provider of enterprise-scale computing, networking storage systems and services. Prior to that, he held various senior financial management positions with Ford Motor Company of Canada from 1968 to 1980. Mr. Mahler is Chair, Partnerships British Columbia (a provincial Crown corporation formed to deliver public services through public/private partnerships) and a trustee of Swiss Water Income Fund. He is also a director of the Vancouver Board of Trade and a director and Treasurer of the VGH/UBC Hospital Foundation. He was awarded the 2002 Queen's Golden Jubilee Medal for Distinguished Service by the Governor General of Canada and the 2002 Chancellor's Award for Distinguished Service by Simon Fraser University. Mr. Mahler holds an MBA.

Mr. Mahler is an Independent Director and is Chair of Fording Inc.'s Governance Committee and a member of its Audit and Environmental, Health and Safety Committees. Mr. Mahler is financially literate.(1)

Dr. Thomas J. O'Neil

Residence:

Prescott, Arizona, USA

Director:

Fording Inc. (2003)

Age:

64

Dr. O'Neil was President and Chief Operating Officer for iron ore miner, Cleveland-Cliffs Inc., until his retirement in July 2003. He holds three degrees in mining engineering, with a Ph.D. from the University of Arizona where he served on the faculty from 1968-1981, becoming Professor and Head of the Department of Mining and Geological Engineering. Dr. O'Neil served in various capacities for Amoco Minerals and its successor, Cyprus Minerals from 1981-1991, including Vice President of Engineering and Vice President of

South Pacific Operations stationed in Sydney, Australia. He is a director of the Minerals Information Institute, Puru Cooper Inc. and a past director of Hecla Mining Company and of Homestake Mining Company. He was the 2003 President of the Society for Mining, Metallurgy and Exploration (SME) where he is also a Distinguished Member. Dr. O'Neil was elected to the U.S. National Academy of Engineering in 1999 and the American Southwest Mining Hall of Fame in 2003.

Dr. O'Neil is an Independent Director and is Chair of Fording Inc.'s Environmental, Health and Safety and a member of its Governance Committee.

William W. Stinson

Residence:

Toronto, Ontario, Canada

Director:

Fording Inc. (2003)

Age:

71

Mr. Stinson is President of Westshore Terminals Ltd., Chairman of Westshore Terminals Income Fund, Chairman of Sun Life Financial, Lead Director of CHC Helicopter Corporation and a director of Grant Forest Products Ltd. From 1981 to 1985, Mr. Stinson was President of Canadian Pacific Limited. From 1985 to 1991, he was the President and Chief Executive Officer of Canadian Pacific Limited and from 1991 to 1996, he was Chairman and Chief Executive Officer of Canadian Pacific Limited. From 1997 to 2001, Mr. Stinson was the Chairman of the Executive Committee of United Dominion Industries Inc.

Mr. Stinson is not an Independent Director because he is a trustee of a Principal Unitholder.

David A. Thompson

Residence:

Vancouver, B.C., Canada

Director:

Fording Inc. (2003)

Age:

65

Mr. Thompson is Chief Executive Officer and Deputy Chairman of Teck Cominco Limited, a position he has held since July 2001. From 1994 to 2001, he was President and Chief Executive Officer of Cominco Ltd. From 1980 to 1994, he was Senior Vice President and Chief Financial Officer of Teck Corporation. Mr. Thompson is a director of the St. Paul's Hospital Foundation. He is a graduate of the London School of Economics and the Harvard Business School (Advanced Management Program).

Mr. Thompson is not an Independent Director because he is a director of a Principal Unitholder.

Note:

(1)

Pursuant to Multilateral Instrument 52-110 - Audit Committees, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that presents a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the issuer's financial statements.

Officers of the Trust

The following is a brief biography of each of the officers of the Trust, including their municipality of residence and a description of their principal occupation during the last five years. As a group, the individuals listed below, other than Mr. Grandin whose biographical information was included in the description of the Trustees (see "*Biographies of Trustees and Directors - Trustees*"), owned directly or indirectly, or exercised control or direction over 105,763 Units as at February 28, 2005 representing less than 1% of the outstanding Units.

43

Michael A. Grandin

Position:

Chairman and Chief Executive Officer

Mr. Grandin's biography is set forth above under "*Biographies of Trustees and Directors - Trustees*".

James L. Popowich

Position:

President

Residence:

Calgary, Alberta, Canada

Age:

60

Mr. Popowich was appointed President of the Trust and Fording Inc. effective April 8, 2004 and President and Chief Executive of the Elk Valley Coal Partnership effective March 1, 2004. He was formerly the Executive Vice President of the Trust, Fording Inc. and the Elk Valley Coal Partnership, a position he held since the Arrangement became effective in February 2003. He was Executive Vice President of Old Fording from 2001 to 2003. Prior to that, he was Vice President, Operations from 1997 to 2001 and Vice President, Development and Alberta Operations from 1990 to 1997 of predecessors to Old Fording. Mr. Popowich is Past Chairman of the Coal Association of Canada and Past Chairman of the Alberta Chamber of Resources. He is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta and the Canadian Institute of Mining, Metallurgy and Petroleum.

Ronald A. Millos, C.A.

Position:

Vice President and Chief Financial Officer

Residence:

Calgary, Alberta, Canada

Age:

47

Mr. Millos is the Vice President and Chief Financial Officer of the Trust, Fording Inc. and the Elk Valley Coal Partnership. He has held these positions since June 1, 2003. Mr. Millos was formerly the Vice President, Corporate Finance of Teck Cominco Limited since September of 2001. Between 1998 and 2001, Mr. Millos was Comptroller and Vice President, Finance and Chief Financial Officer for Cominco Ltd. Mr. Millos is a member of the Canadian Institute of Chartered Accountants and the Institute of Chartered Accountants of British Columbia.

James F. Jones

Position:

Vice President, Employee Relations and Corporate Secretary

Residence:

Calgary, Alberta, Canada

Age:

51

Mr. Jones is the Vice President, Employee Relations & Corporate Secretary of the Trust, Fording Inc. and the Elk Valley Coal Partnership. He has held the position of Corporate Secretary since the Arrangement became effective in February 2003 and was appointed Vice President, Employee Relations in March of 2004. Mr. Jones was Corporate Secretary of Old Fording from 2001 to 2003 and Manager, Employee Relations and Regulatory Affairs of predecessors to Old Fording from 1993 to 2001. Mr. Jones is a member of the Law Society of British Columbia and the Canadian Bar Association. He is Vice Chair of the Calgary Society of Christian Education.

Kenneth E. Myers, C.A.

Position:

Treasurer

Residence:

Calgary, Alberta, Canada

Age:

55

Mr. Myers is Treasurer of the Trust, Fording Inc. and the Elk Valley Coal Partnership, positions he has held since the Arrangement became effective in February 2003. Mr. Myers was Treasurer of Old Fording from 2001 to 2003 and Treasurer of predecessors to Old Fording from 1994 to 2003. He is Chairman of the Economic and Taxation Committee of The Coal Association of Canada and a former director of the Financial Executives Institute, Calgary Chapter. Mr. Myers is a member of the Canadian Institute of Chartered Accountants, the Alberta Institute of Chartered Accountants and the Ordre des comptables agrees du Quebec.

Mark D. Gow, C.A.

Position:

Controller

Residence:

Calgary, Alberta, Canada

Age:

45

Mr. Gow is Controller of the Trust, Fording Inc. and the Elk Valley Coal Partnership, positions he has held since April 1, 2004. Prior to this appointment, he served in the position of Director, Investor Relations of the Trust since the Arrangement became effective in February 2003. Mr. Gow was Director, Investor Relations of Old Fording from 2001 to 2003. From 1998 to 2001, Mr. Gow was Controller of Minera NYCO S.A. de C.V. and from 1997 to 1998, he was Manager, Accounting of predecessors to Old Fording. Mr. Gow graduated from University of Calgary with a Bachelor of Commerce and is a member of both the Alberta Institute of Chartered Accountants and the Canadian Institute of Chartered Accountants.

LEGAL PROCEEDINGS

Material Legal Proceedings

The Trust is not aware of any material legal proceedings to which the Trust, or its subsidiaries, is a party and to which their property is subject other than the CP Rail dispute and a potential environmental assessment of the Cheviot project.

CP Rail Dispute

For information on the CP Rail Dispute, see *"Description of Business - Coal Transportation"*.

Cardinal River Operations

All licenses and approvals have been received for the Cheviot Creek pit and the haul road to the Cardinal River mine preparation plant. However, a group of environmental organizations have applied to the Federal Court seeking a further environmental assessment of the Cheviot project and challenging certain federal authorizations that the project has received. The Federal Court is expected to hear the application in June 2005. In addition, an individual appealed certain approvals issued by Alberta Environment in connection with the project. The Environmental Appeal Board heard the appeal in mid-January and the parties are awaiting a decision.

The Trust continues to monitor progress on these legal issues and believes that the potential outcomes from these proceedings do not represent a material risk to ongoing mining at the Cardinal River mine. However, negative decisions related to these legal issues could impact future operations at Cardinal River.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Dr. Norman Keevil is a Director of Fording Inc. and is also the Chairman of Teck Cominco and one of its significant shareholders. As of December 31, 2004, Dr. Keevil reports his holdings in Teck Cominco as follows: 209,440 Class A shares, 510,101 Class B subordinate voting shares and 22,715 restricted share units. Teck Cominco had a material interest in the achievement of synergies under the Partnership Agreement pursuant to which 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.

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada is the transfer agent and registrar for the Units at its principal offices in Calgary, Alberta, Toronto, Ontario, Montreal, Quebec, Vancouver, British Columbia and New York, New York.

MATERIAL CONTRACTS

The chart briefly describes all of the material contracts of the Trust. Material contracts under National Instrument 51-102 - Continuous Disclosure Obligations, are described as contracts signed out of the ordinary course and are material to the business. Each material contract has been filed on SEDAR and EDGAR.

Contract Name	Date Mo/Day/Yr	Parties	Consideration	Key Terms
Plan of Arrangement	02/28/03	Fording Inc., its Security Holders, Fording Coal Limited, 4123212 Canada Ltd., Fording Canadian Coal Trust, Teck Cominco Limited, Westshore Terminals Income Fund, Teck-Bullmoose Coal Inc., Quintette Coal Partnership, Luscar Ltd, CONSOL, Sherritt International Corporation, Sherritt Coal Partnership II and Ontario Teachers' Pension Plan	n/a	Arrangement
Declaration of Trust	02/26/03	Fording Canadian Coal Trust	n/a	Declaration of Trust
Partnership Agreement	02/26/03	Fording Coal Limited, Fording Inc., Teck Cominco Limited, Quintette Coal Partnership and Teck-Bullmoose Coal Inc.	Consideration specified in Fording Contribution Agreement and Teck Cominco Contribution Agreement	Formation and operation of the Elk Valley Coal Partnership.
Combination Agreement	01/12/03	Old Fording, Teck Cominco Limited, Westshore Terminals Income Fund, Ontario Teachers' Pension Plan Board and Sherritt International Corporation	Completion of the transactions comprising the Arrangement and payment of related expenses	Agreement to create the Elk Valley Coal Partnership and participate in the Arrangement
Met Coal Sale and Purchase Agreement	02/28/03	Luscar Ltd, 1563706 Ontario Limited, CONSOL of Canada Inc., CONSOL Energy Inc., CONSOL Energy Canada Ltd., Fording Inc. and the Elk Valley Coal Partnership	Issuance of 6.4 million Units, grant of royalty and the assumption of assumed liabilities. Consideration subject to working capital adjustment	Elk Valley Coal purchases Luscar Mine, Line Creek Mine, Cheviot Project and 46.4% of the shares Neptune Bulk Terminals (Canada) Ltd.
Prairie Operations Sale	02/28/03	Fording Coal Limited and Sherritt Coal Acquisition	$225 million and assumption of	Sale of Old Fording's Prairie Operations to

and Purchase Agreement	Inc.	assumed liabilities. Consideration subject to working capital adjustment	Sherritt Coal Acquisition Inc.

Contract Name	Date Mo/Day/Yr	Parties	Consideration	Key Terms
Non-Competition Agreement	02/28/03	Fording Inc., the Elk Valley Coal Partnership, the Trust, Luscar Ltd. Luscar Energy Partnership and Teck Cominco Limited	Exchange of covenants	Non-Competition agreement in respect of the met and thermal coal markets for five years
Administrative Services Agreement	02/28/03	The Elk Valley Coal Partnership and the Trust	Provision of executives, personnel and services on a cost reimbursement basis	Provision of administrative services to the Trust
Administrative and Industrial Minerals Services Agreement	02/28/03	Fording Inc. and the Elk Valley Coal Partnership	Provision of executives, personnel and services on a cost reimbursement basis	Provision of administrative services to Fording Inc.
Governance Agreement	02/28/03	The Trust, Fording Inc. and Teck Cominco Limited	Participation in arrangement; covenant to support arrangements described in agreement	Nomination of Director and Trustee
Governance Agreement	02/28/03	The Trust, Fording Inc. and Ontario Teachers' Pension Plan Board	Participation in arrangement; covenant to support arrangements described in agreement	Nomination of Director and Trustee
	02/28/03			

Fording Contribution Agreement		Fording Coal Limited, Fording Inc. and the Elk Valley Coal Partnership	Contribution of assets in consideration for the issuance of Partnership Interest	Contribution of Fording Coal Limited assets to the Elk Valley Coal Partnership
Teck Cominco Contribution Agreement	02/28/03	Teck Cominco Limited, Teck-Bullmoose Coal Inc., Quintette Coal Partnership and the Elk Valley Coal Partnership	Contribution of assets in consideration for the issuance of Partnership Interest	Contribution of Teck Cominco, Quintette and Bullmoose assets to the Elk Valley Coal Partnership
Human Resources Agreement	02/28/03	Fording Inc., Teck Cominco Limited, the Elk Valley Coal Partnership and the Elk Valley Coal Partnership Corporation	Allocation of employment costs in respect of employees joining Elk Valley Coal Partnership	Specifies arrangements regarding employees joining the Elk Valley Coal Partnership
Unitholder Rights Plan Agreement	02/28/03	The Trust and Computershare Trust Company of Canada	n/a	Customary Canadian unitholder rights plan
Non-Competition Agreement	02/28/03	Fording Inc., the Elk Valley Coal Partnership, the Trust, Luscar Ltd. Luscar Energy Partnership and Teck Cominco Limited	Exchange of covenants	Non-Competition agreement in respect of the met and thermal coal markets for five years
Administrative Services Agreement	02/28/03	The Elk Valley Coal Partnership and the Trust	Provision of executives, personnel and services on a cost reimbursement basis	Provision of administrative services to the Trust
Administrative and Industrial Minerals Services Agreement	02/28/03	Fording Inc. and the Elk Valley Coal Partnership	Provision of executives, personnel and services on a cost reimbursement basis	Provision of administrative services to Fording Inc.
Governance Agreement	02/28/03	The Trust, Fording Inc. and Teck Cominco Limited	Participation in arrangement; covenant to support arrangements described in agreement	Nomination of Director and Trustee
Governance Agreement	02/28/03	The Trust, Fording Inc. and Ontario Teachers' Pension Plan Board	Participation in arrangement; covenant to support arrangements described in agreement	Nomination of Director and Trustee

Fording Contribution Agreement	02/28/03	Fording Coal Limited, Fording Inc. and the Elk Valley Coal Partnership	Contribution of assets in consideration for the issuance of Partnership Interest	Contribution of Fording Coal Limited assets to the Elk Valley Coal Partnership
Teck Cominco Contribution Agreement	02/28/03	Teck Cominco Limited, Teck-Bullmoose Coal Inc., Quintette Coal Partnership and the Elk Valley Coal Partnership	Contribution of assets in consideration for the issuance of Partnership Interest	Contribution of Teck Cominco, Quintette and Bullmoose assets to the Elk Valley Coal Partnership
Human Resources Agreement	02/28/03	Fording Inc., Teck Cominco Limited, the Elk Valley Coal Partnership and the Elk Valley Coal Partnership Corporation	Allocation of employment costs in respect of employees joining Elk Valley Coal Partnership	Specifies arrangements regarding employees joining the Elk Valley Coal Partnership
Unitholder Rights Plan Agreement	02/28/03	The Trust and Computershare Trust Company of Canada	n/a	Customary Canadian unitholder rights plan

ADDITIONAL INFORMATION

Additional information in respect of the Trust, including remuneration of its Trustees, Directors and officers, the principal holders of its securities, options to purchase its securities and the interests of insiders in material transactions, is contained in the Trust's 2005 Management Information Circular and Proxy Statement which is being prepared for the annual and special meeting of Unitholders to be held on May 4, 2005. Additional financial information in respect of the Trust is provided in its audited financial statements for the year ended December 31, 2004 and Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2004 contained in the Trust's 2004 Annual Report.

The Trust will provide to any person, upon written request to the Secretary of the Trust:

1.

When the securities of the Trust are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities:

(a)

one copy of the current Annual Information Form of the Trust, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the Annual Information Form;

(b)

one copy of the Comparative Consolidated Financial Statements of the Trust for its most recently completed financial year together with the accompanying Report of the Auditors and one copy of Quarterly Interim Consolidated Financial Statements of the Trust issued subsequent to the issuance of the Comparative Consolidated Financial Statements for its most recently completed financial year;

(c)

one copy of the Trust's Management Information Circular and Proxy Statement in respect of its most recently completed annual meeting of Unitholders; and

(d)

one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus not required to be provided under (a) to (c) above; or

2.

At any other time, one copy of any other documents referred to in (1) (a), (b), (c) and (d) above, provided the Trust may require the payment of a reasonable charge if the request is made by a person who is not a Unitholder of the Trust.

Additional information regarding the Trust, Fording Inc. and the Elk Valley Coal Partnership is available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. and on the Trust's website at www.fording.ca.

Requests for additional information should be directed to:

Secretary

Fording Canadian Coal Trust

Suite 1000, 205 - 9th Avenue SE

Calgary, Alberta

T2G 0R4

APPENDIX "A": GLOSSARY OF TECHNICAL TERMS

"**BCM**" means bank cubic metre, which represents one cubic metre of material measured prior to disturbance.

"**BTU**" means a measure of energy required to raise the temperature of one pound of water one degree Fahrenheit.

"**BTU/lb**" means BTUs per pound, an imperial Unit of measure used to describe the amount of heat released on combustion of one pound of material, such as coal, under specific conditions.

"**calorific value**" represents the heat energy released on combustion of a Unit quantity of fuel under specific conditions.

"**coal year**" means the twelve-month period commencing on April 1st and ending on March 31st of the following year.

"**coke**" means the substance formed when coking coal is heated in a coking oven to a very high temperature in the absence of air.

"**dragline**" means a large, electrically powered, mobile machine with a large bucket suspended from the end of a long boom used in the open-pit mining process.

"**fee simple**" means the most absolute and unqualified interest that can be held in land and indicates that the owner is free to hold the land in perpetuity and transfer it without hindrance.

"**freehold lease**" means an interest in land granted by an entity which owns the land in fee simple.

"**ISO**" means the International Organization for Standardization, a worldwide federation of national standards bodies.

"**kJ/kg**" means kilojoules per kilogram, a metric Unit of measure used to describe the amount of heat released on combustion of one kilogram of combustible material, such as coal, under specific conditions.

"**metallurgical coal**" means the various grades of coal suitable for making steel, such as coking coal, which is used to make coke and PCI coal, which is used in the steelmaking process for its calorific value.

"**overburden**" means materials that overlie a mineral deposit.

"**PCI**" means coal that is pulverized and injected into a blast furnace. Those grades of coal used in the PCI process are generally non-coking. However, since such grades are utilized by the metallurgical industry, they are considered to be a metallurgical coal. PCI grade coal is used primarily as a heat source in the steelmaking process in partial replacement for high quality coking coals which are typically more expensive.

"**pit**" means an open excavation from which the raw mineral being mined is extracted.

"**preparation plant**" means a facility for crushing, sizing and washing coal to prepare it for sale.

"**raw coal**" means coal that has been removed or exposed for removal from a mine, but that has not been processed in a preparation plant.

"**seaborne metallurgical coal**" means metallurgical coal that is exported by ocean going ships from the producing country to the consuming country and "seaborne hard coking coal" means a type of metallurgical coal used primarily for making coke in integrated steel mills.

"**shovel**" means a large electric or diesel powered machine used in the open-pit mining process to remove and load overburden or coal.

A-1

"**strip ratio**" means the ratio of the volume of overburden moved to the tonnage of coal produced, measured in terms of BCM of overburden per tonne of coal produced. A lower strip ratio is an operational advantage because less overburden has to be removed in order to expose the raw coal.

"**thermal coal**" means coal that is used primarily for its heating value. Thermal coal tends not to have the carbonization properties possessed by metallurgical coals. Most thermal coal is used to produce electricity in thermal power plants.

"**tonne**" means a metric tonne, which is approximately 2,205 pounds, as compared to a "short" ton or "net" ton, which is 2,000 pounds, or a "long" ton or "British" ton, which is 2,240 pounds. Unless expressly stated otherwise, the metric tonne is the Unit of measure used in this document.

"**tonnes of coal**" means, unless expressly stated otherwise, tonnes of clean coal (coal that has been processed in a preparation plant).

"**tripoli**" is a naturally occurring microcrystalline form of silica used in a variety of industrial applications.

"**truck and shovel mining**" is an open-pit mining method that utilizes shovels and large trucks to remove overburden from above the coal seam. The coal is then loaded with shovels or loaders and hauled out of the pit in large trucks.

"**wollastonite**" is a naturally occurring calcium silicate used in a variety of industrial applications.

A-2

APPENDIX "B": GENERAL GLOSSARY

"**Arrangement**" means the transaction involving Old Fording, Teck Cominco, Westshore, Sherritt, OTPP and CONSOL and certain of their affiliates, that was completed on February 28, 2003 and that proceeded by way of plan of arrangement under the CBCA pursuant to which, among other things, the business of Old Fording was reorganized under an income trust (being the Trust) and the Elk Valley Coal Partnership was formed.

"**Available Cash**" means in general, cash from operations of Fording Inc. on a consolidated basis (including its proportionate interest in the Partnership), before interest payable on the Fording Subordinated Notes and changes in non-cash working capital, less:

(a)

Sustaining Capital Expenditures;

(b)

Principal repayments on debt obligations except on the Fording Subordinated Notes;

(c)

the amount allocated to cash reserves; and

(d)

expenses and other obligations of the Trust.

"**Board of Directors**" means the board of directors of Fording Inc.;

"**CBCA**" means the *Canada Business Corporations Act*.

"**CONSOL**" means CONSOL of Canada Inc. and/or CONSOL Energy Canada Ltd., as the context requires.

"**CPR**" mean Canadian Pacific Railway Limited

"**Declaration of Trust**" means the declaration of trust dated February 26, 2003 by which the Trust was created. The Declaration of Trust can be viewed on SEDAR and EDGAR.

"**Director**" a member of the Board of Directors of Fording Inc.

"**Distributable Cash**" means all of the cash received by the Trust from Fording Inc. and any other net cash investment income of the Trust, less:

(a)

expenses and other obligations of the Trust; and

(b)

any amounts paid in cash by the Trust in connection with the redemption of Units.

"**Distribution Entitlement**" means a Partner's proportional entitlement, expressed as a percentage, to share in the profits and losses of the Elk Valley Coal Partnership and to participate in the distribution of assets on liquidation or dissolution of the Elk Valley Coal Partnership.

"**Effective Date**" means February 28, 2003, the date on which the Arrangement became effective.

"**Elk Valley Coal Partnership**" or the "**Partnership**" means the Elk Valley Coal Partnership, previously known as the Fording Coal Partnership, a general partnership existing under the laws of Alberta formed in contemplation of the Arrangement.

"Fording Common Shares" means the common shares in the capital of Fording Inc.

"**Fording Inc**." means the successor, by winding up, to Old FCL and Old Fording. Fording Inc. was originally named 4123212 Canada Ltd. following its continuance under the CBCA but changed its name as part of the Arrangement.

"**Fording Preferred Shares**" means the preferred shares in the capital of Fording Inc.

"**Fording Subordinated Notes**" means the unsecured, subordinated notes of Fording Inc.

"**Fording Royalty**" means a right retained by Fording Inc. in connection with the sale of the Prairie Operations, in respect of the lands forming part of the Prairie Operations pursuant to which Fording Inc. is entitled to receive a royalty in respect of new coal or mineral production after February 28, 2003 excluding coal from the Genesee mine permit area (as at February 28, 2003) utilized in the planned 2005 expansion of the Genesee generating facility. The Fording Royalty in respect of any property is not to exceed 5% of gross revenues from such property.

"**Independent Director**" means a Director who:

(a)

is not an insider (as such term is defined under applicable securities laws) of any of the Principal Unitholders or their respective affiliates and, with respect to a director nominated by Sherritt and OTPP, is also not an insider of Luscar or its affiliates, so long as Sherritt and OTPP, jointly or severally, control Luscar;

(b)

would qualify as an "unrelated director" (as defined in the TSX Guidelines) of each of the Principal Unitholders, if the director was a director or trustee of each of the Principal Unitholders; and

(c)

would qualify as an "unrelated director" (as defined in the TSX Guidelines) space of Fording Inc.

"**Independent Trustee**" means a Trustee who:

(a)

is not an insider (as such term is defined under applicable securities laws) of any of the Principal Unitholders or their respective affiliates and, with respect to a Trustee nominated by Sherritt and OTPP, is also not an insider of Luscar or its affiliates, so long as Sherritt and OTPP, jointly or severally, control Luscar;

(b)

would qualify as an "unrelated director" (as defined in the TSX Guidelines) of each of the Principal Unitholders, if the Trustee was a director or trustee of each of the Principal Unitholders; and

(c)

would qualify as an "unrelated director" (as defined in the TSX Guidelines) of the Trust.

"**Luscar**" means Luscar Ltd., a corporation existing under the laws of Alberta and a wholly owned subsidiary of the Luscar Partnership.

"**Luscar/CONSOL Joint Ventures**" means the joint ventures in which Luscar and CONSOL are equal participants formed for the purpose of mining and preparing coal from the Luscar mine, the undeveloped Cheviot project and the Line Creek mine.

"**Luscar Partnership**" means the Luscar Energy Partnership, a general partnership owned indirectly by Sherritt and OTPP as to 50% each.

"**National Instrument**" means National Instrument 43-101 - Standards of Disclosure for Mineral Projects.

"**Neptune**" means Neptune Bulk Terminals (Canada) Ltd., a corporation existing under the laws of British Columbia.

"**Neptune Terminals**" means the terminal operated by Neptune located in Port of Vancouver's inner harbour.

"**NSC**" means Nippon Steel Corporation.

"**NYCO**" means, collectively, those subsidiaries of Fording Inc. engaged in the production of industrial minerals such as wollastonite and tripoli, being NYCO Minerals, Inc. with operations at Willsboro, New York; Minera NYCO S.A. de C.V. with operations near Hermosillo in the northwestern state of Sonora, Mexico; and American Tripoli, Inc. with operations near Seneca, Missouri.

"**NYSE**" means the New York Stock Exchange Inc.

"**Old FCL**" means Fording Coal Limited, a corporation existing under the laws of Canada. Old FCL was the principal operating subsidiary of Old Fording prior to the Effective Date. Pursuant to the Arrangement, Old FCL and Old Fording were wound up into 4123212 Canada Ltd. which then changed its name to "Fording Inc."

"**Old Fording**" means Fording Inc. as it was constituted prior to the Effective Date. Pursuant to the Arrangement, Old FCL and Old Fording were wound up into 4123212 Canada Ltd., which then changed its name to "Fording Inc." Prior to the completion of the Arrangement, Old Fording was a public company in Canada and the United States and its securities were listed on the TSX and the NYSE. The Trust is the successor issuer to Old Fording.

"**OTPP**" means Ontario Teachers' Pension Plan Board, a non-share capital corporation existing under the laws of Ontario.

"**Partners**" means the partners of the Elk Valley Coal Partnership, on December 31, 2004, being Fording Inc., Teck Cominco and Teck Cominco's affiliates QCP and TBCI and "Partner" means any one of the Partners.

"**Partnership Agreement**" means the Elk Valley Coal partnership agreement between the Partners made as of February 26, 2003, as amended.

"**Partnership Distributable Cash**" means, in general, cash from operations of the Partnership, before changes in non-cash working capital less:

(a)

payment of debt obligations, if any;

(b)

Sustaining Capital Expenditures of the Partnership; and

(c)

allocations to a reserve for reasonably anticipated working capital and capital expenditure requirements (provided that reasonable use will be made of the Partnership's operating lines for working capital purposes). The amount of the allocation to the reserve by the Partnership in any period will be determined jointly by Teck and Fording Inc.

plus any other amounts distributed by the Partnership to the Partners in its discretion.

"**Partnership Sustaining Capital Expenditures**" means expenditures in respect of additions, replacements or improvements to property, plant and equipment required to maintain the Elk Valley Coal Partnership's business operations.

"**Prairie Operations**" means the thermal coal business of Old Fording. These operations were substantially comprised of Old Fording's joint venture interest at Genesee, its contract mining operations at the Whitewood and Highvale mines in Alberta and its holdings of mineral properties and rights in Alberta, Manitoba and Saskatchewan. Pursuant to the Arrangement, the Prairie Operations were sold to an affiliate of OTPP and Sherritt.

"**Principal Unitholders**" means Teck Cominco, Westshore, Sherritt and OTPP (and their respective affiliates that own Units).

"**QCP**" means The Quintette Coal Partnership, a general partnership existing under the laws of British Columbia and an affiliate of Teck Cominco.

"**SEDAR**" means the Canadian System for Electronic Document Analysis and Retrival.

"**SEC Guide 7**" means United States Securities and Exchange Commission Guide 7 - Description of Property by Issuers Engaged or to be Engaged in Significant Mining Operations.

"**Sherritt**" means Sherritt International Corporation, a corporation existing under the laws of New Brunswick.

"**Sherritt Coal Partnership II**" means the general partnership formed under the laws of Ontario, the two partners of which are wholly owned subsidiaries of each of OTPP and Sherritt.

"**Tax Act**" means the *Income Tax Act*, R.S.C. 1985, c.1 (5th Supp.), as amended.

"**TBCI**" means Teck-Bullmoose Coal Inc., a corporation existing under laws of British Columbia and a wholly owned subsidiary of Teck Cominco.

"**Teck Cominco**" means Teck Cominco Limited, a corporation existing under the laws of Canada.

"**Teck Cominco Coal Partnership**" means the Teck Cominco Coal Partnership which is an affiliate of Teck Cominco and is a general partnership existing under the laws of British Columbia.

"**Trust**" means Fording Canadian Coal Trust, an open-ended mutual fund trust created pursuant to the Declaration of Trust and governed by the laws of Alberta.

"**Trustee**" means a trustee of the Trust.

"**TSX**" means the Toronto Stock Exchange.

"**Unit**" means a trust unit of the Trust.

"**Unitholder**" means a holder of one or more Units.

"**Unitholder Rights Plan**" means the Unitholder rights plan implemented by the Trust on completion of the Arrangement.

"**Westshore**" means Westshore Terminals Income Fund, an open-ended trust existing under the laws of British Columbia.

APPENDIX "C": DEFINITIONS FOR RESERVES AND RESOURCES

Introduction

Fording Canadian Coal Trust is a reporting issuer in Canada and is subject to Canadian securities laws. These laws require that mineral deposits be reported in accordance with the National Instrument. The National Instrument specifies the terms to be used in describing certain types of mineral deposits and the work required to be undertaken before certain of such terms may be used. Units are listed on the New York Stock Exchange and therefore the Trust is also subject to the jurisdiction of the Securities and Exchange Commission. The terms and standards required by the National Instrument are in some respects different from the reporting requirements of SEC Guide 7, and as a result, the Trust has endeavoured to comply with both standards.

The National Instrument specifies different standards for coal as opposed to other types of minerals. When calculating and reporting coal deposits, the National Instrument requires the use of relevant Canadian standards and definitions (the Geological Survey of Canada Paper 88-21, "A Standardized Coal Resource/Reserve Reporting System for Canada" (the "GSC Standards") and the Canadian Institute of Mining, Metallurgy and Petroleum Standards on Mineral Resources and Reserves Definitions and Guidelines, adopted August 20, 2000 (the "CIM Standards")). When calculating and reporting other mineral deposits, the National Instrument requires that the standards and definitions of the CIM Standards be used. SEC Guide 7 does not distinguish between coal and other types of minerals but does specify that only reserves may be reported.

Part One - Canadian Standards for Coal - the GSC Standards

Coal deposits are estimated in accordance with the GSC Standards and the CIM Standards and reported as either a "Reserve" or a "Resource".

The distinction between a Reserve and a Resource is that Reserves have been demonstrated by a feasibility study to be economically recoverable whereas Resources have not.

In accordance with the National Instrument, Coal Reserves are further classified as "Proven" or "Probable" and Coal Resources are further classified as "Measured", "Indicated" or "Inferred". These further classifications reflect varying degrees of certainty that the coal being described exists in the quantities reported. A geologist determines the certainty of existence by conducting geologic sampling. Generally, as more sampling is conducted, the degree of certainty improves. However, a more complex geologic formation requires more sampling than a less complex formation for the same level of certainty to be achieved. The additional sampling may result in increases or decreases in the quantity of coal.

Coal Reserve versus a Coal Resource

A Coal Resource is a quantity of coal which has reasonable prospects for economic extraction but which has not been economically evaluated by a feasibility study or which does not meet current economic or technical criteria for mining. Accordingly, a Coal Resource (unlike a Coal Reserve) does not have demonstrated economic viability and may not be currently economically viable. Coal Resources are upgraded to Coal Reserves after a feasibility study shows that the Coal Resource is economically mineable and there are no known legal impediments to mining the coal. Feasibility studies are conducted assuming current technological and economic conditions. The Trust reports The Elk Valley Coal Partnership's Coal Resources exclusive of Coal Reserves.

Proven and Probable

Proven Coal Reserves are coal quantities which are geologically established to the highest degree of confidence. Estimations of Proven Coal Reserves are equivalent to the GSC Standards' term for "Measured Reserves".

Probable Coal Reserves are coal quantities which are geologically established to a moderate to high degree of confidence. There is some need for further planning before the economics of Probable Coal Reserve extraction can be confirmed. Estimations of Probable Coal Reserves are equivalent to the GSC Standards' term for "Indicated Reserves".

A Proven Coal Reserve is the economically mineable part of the Measured Coal Resource. A Probable Coal Reserve is the economically mineable part of the Indicated Coal Resource and, in some cases, the Measured Coal Resource. Economic recovery is demonstrated by a feasibility study. A feasibility study must include information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Probable Coal Reserve has a lower level of confidence than a Proven Coal Reserve.

Measured and Indicated

Measured Coal Resources consist of coal quantities based on a high level of geological certainty. Indicated Coal Resources consist of coal quantities with a moderate degree of geological certainty, based on less abundant information.

The estimates of Measured and Indicated Coal Resources are based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm geological and grade continuity.

A Measured Coal Resource is that part of a Coal Resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with a high level of confidence.

An Indicated Coal Resource is that part of a Coal Resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with confidence.

An Indicated Coal Resource has a higher level of confidence than an Inferred Coal Resource but has a lower level of confidence than a Measured Coal Resource.

Inferred

Inferred Coal Resources consist of coal quantities that have a relatively low level of geological certainty and for which there is insufficient information to allow detailed examination of long-term mining limits and which are therefore not included in estimates of total Resources. Due to the uncertainty attached to Inferred Coal Resources, it cannot be assumed that all or any part of an Inferred Coal Resource will be upgraded to a Measured or Indicated Coal Resource or that it is economically or legally mineable. Accordingly, Inferred Coal Resources are excluded from estimates forming the basis of feasibility or other economic studies and cannot become part of a Reserve without first being upgraded to a Measured or Indicated Resource.

Part Two - CIM Standards for Industrial Minerals

All mineral Reserves and Resources, other than Coal Reserves and Resources, are estimated and reported as outlined in the CIM Standards.

Under the CIM Standards, the distinction between a "Reserve" and a "Resource" is that Reserves have been demonstrated by a feasibility study to be economically recoverable whereas Resources have not. Accordingly, a Mineral Resource (unlike a Mineral Reserve) does not have demonstrated economic viability and may not currently be economically viable. For the purposes of calculating Reserves for such other minerals, economic viability is determined by reference to current economic conditions in the same way that it is for coal.

Like coal, classifications of Reserves and Resources are classified further according to the degree of certainty of existence. Reserves are classified as Proven and Probable. Resources are categorized as Measured, Indicated and Inferred.

Reserves versus Resources

A Mineral Resource is the occurrence of a mineral in a form, amount and quality that it has a reasonable prospect for economic extraction but which has not been economically evaluated by a feasibility study or which does not meet current economic or technical criteria for mining. Mineral Resources are upgraded to Mineral Reserves after a preliminary feasibility study shows that the Mineral Resource is anticipated to be economically mineable and there are no known legal impediments to mining the mineral.

Proven and Probable

A Proven Mineral Reserve is the economically mineable part of the Measured Mineral Resource demonstrated by at least a preliminary feasibility study. A Probable Mineral Reserve is the economically mineable part of the Indicated Mineral Resource and, in some cases, the Measured Mineral Resource, demonstrated by at least a preliminary feasibility study. A preliminary feasibility study must include information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Probable Mineral Reserve has a lower level of confidence than a Proven Mineral Reserve.

Measured and Indicated

A Measured Mineral Resource is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with a high level of confidence.

An Indicated Mineral Resource is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with confidence.

An Indicated Mineral Resource has a higher level of confidence than an Inferred Mineral Resource but has a lower level of confidence than a Measured Mineral Resource.

The estimates of Measured and Indicated Mineral Resources are based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm geological and grade continuity.

Inferred

An Inferred Mineral Resource is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling, and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. Due to the uncertainty attached to Inferred Mineral Resources, it cannot be assumed that all or any part of an Inferred Mineral Resource will be upgraded to an Indicated or Measured Mineral Resource or that it is economically or legally mineable. An Inferred Mineral Resource has a lower level of confidence than that applied to an Indicated Mineral Resource. Accordingly, Inferred Mineral Resources are excluded from estimates forming the basis of feasibility or other economic studies and cannot become part of a Reserve without first being upgraded to a Measured or Indicated Resource.

Part Three - SEC Guide 7 Definitions

Reserve

SEC Guide 7 defines a Reserve as that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.

Proven Reserves

SEC Guide 7 defines a Proven Reserve as a reserve for which: (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling; and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.

Probable Reserves

SEC Guide 7 defines a Probable Reserve as a reserve for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

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

PURPOSE

The Audit Committee (the "Committee") is a standing committee appointed by the Trustees to assist the Trustees in fulfilling its oversight responsibilities with respect to financial reporting including responsibility to:

-

- oversee the integrity of the Trust's financial statements and financial reporting process, including the audit process and the Trust's internal accounting controls and procedures and compliance with related legal and regulatory requirements;
- oversee the qualifications and independence of the external auditors;
- oversee the work of the Trust's financial management, internal audit function and external auditors in these areas; and
- provide an open avenue of communication between the external auditors, the internal auditors, the Trustees, the board of directors of Fording Inc. and the officers (collectively, "Management") of the Trust, Fording Inc. and the Elk Valley Coal Partnership (the "Partnership").

In addition, the Committee will review and/or approve any other matter specifically delegated to the Committee by the Trustees.

COMPOSITION AND PROCEDURES

In addition to the procedures and powers set out in the resolution of the Trustees establishing this Committee, the Committee will have the following composition and procedures:

1.

Composition

The Committee shall consist of no fewer than three members. None of the members of the Committee shall be an officer or employee of the Trust, Fording Inc. or any of its subsidiaries or the Partnership or any of its subsidiaries and each member of the Committee shall be an "Independent Trustee" (as defined in the Declaration of Trust establishing the Trust) and an "independent trustee" (in accordance with the definition of "independent director" from time to time under the requirements or guidelines for audit committee service under applicable securities laws and the rules of any stock exchange on which the Trust's units are listed for trading); provided that the fact that a Trustee is also a director of Fording Inc. will not disqualify the Trustee from being a member of the Committee provided that the Trustee would otherwise be eligible to be a member of the Committee. The Chair of the Board/CEO shall be an "ex officio" member of the Committee.

2.

Appointment and Replacement of Committee Members

Any member of the Committee may be removed or replaced at any time by the Trustees and shall automatically cease to be a member of the Committee upon ceasing to be a Trustee. The Trustees may fill vacancies on the Committee by election from among its number. The Trustees shall fill any vacancy if the membership of the Committee is less than three Trustees or the Committee does not have at least one member with accounting or related financial expertise. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its power so long as a quorum remains in office. Subject to the foregoing, the members of the Committee shall be elected by the Trustees annually and each member of the Committee shall hold office as such until the next annual meeting of unitholders after his or her election or until his or her successor shall be duly elected and qualified.

3.

Financial literacy

All members of the Committee must be "financially literate" (as that term is interpreted by the Trustees in their business judgment or as may be defined from time to time under the requirements or guidelines for audit committee service under securities laws and the rules of any stock exchange on which the Trust's units are listed for trading) or must become financially literate within a reasonable period of time after his or her appointment to the Committee. At least one member of the Committee must also have "accounting or related financial expertise" as that term is defined from time to time under the requirements or guidelines for audit committee service under applicable securities laws and the rules of any stock exchange on which the Trust's securities are listed for trading or, if it is not so defined, as that term is interpreted by the Trustees in their business judgment.

4.

Service on Multiple Audit Committees

If a Committee member serves on more than three public issuer audit committees, the Trustees must determine that such service would not impair the ability of the member to effectively serve on the Committee and may disclose such determination in the annual proxy statement.

5.

Separate Executive Meetings

The Committee shall meet at least once every quarter, and more often as warranted, with the Chief Financial Officer(s) of the Partnership, Fording Inc. and the Trust, the head of the internal audit function of such entities, if other than the Chief Financial Officer, and the external auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately.

6.

Professional Assistance

The Committee may retain special legal, accounting, financial or other consultants to advise the Committee at the Trust's expense.

7.

Reliance

Absent actual knowledge to the contrary (which shall be promptly reported to the Trustees), each member of the Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside the Trust from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations and (iii) representations made by Management and the external auditors, as to any information technology, internal audit and other non-audit services provided by the external auditors to the Trust and its subsidiaries.

8.

Review of Charter

The Committee shall review and reassess the adequacy of this Charter at least annually and otherwise as it deems appropriate and recommend changes to the Trustees. The Committee shall evaluate its performance with reference to this Charter annually. The Committee will approve the form of disclosure of this Charter on the Trust's website and, where required by applicable securities laws or regulatory requirements, in the annual proxy circular or annual report of the Trust.

9.

Delegation

The Committee may delegate from time to time to any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated.

10.

Reporting to the Trustees

The Committee shall report through the Committee Chair to the Trustees following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter.

SPECIFIC MANDATES OF THE COMMITTEE

The Committee shall:

I.

In Respect of the External Auditors

(a)

review the performance of the external auditors who are accountable to the Committee and the Board as the representatives of the unitholders, including the lead partner of the independent auditor team and make recommendations to the Trustees as to the reappointment or appointment of the external auditors of the Trust to be proposed in the Trust's proxy statement for shareholder approval and shall have authority to terminate the external auditors;

(b)

review the reasons for any proposed change in the external auditors which is not initiated by the Committee or Trustees and any other significant issues related to the change, including the response of the incumbent auditors, and enquire as to the qualifications of the proposed auditors before making its recommendation to the Trustees;

(c)

approve the terms of engagement and the compensation to be paid by the Trust to the external auditors;

(d)

review the independence of the external auditors, including a written report from the external auditors respecting their independence and consideration of applicable auditor independence standards;

(e)

approve in advance all permitted non-audit services to be provided to the Trust or any of its affiliates by the external auditors or any of their affiliates, subject to any de minimus exception allowed by applicable law; the Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals required by this subsection;

(f)

if the Committee approves an audit service within the scope of the engagement of the independent auditor, such audit service shall be deemed to have been pre-approved for purposes of this subsection;

(g)

review the disclosure with respect to its pre-approval of audit and non-audit services provided by the external auditors;

(h)

approve guidelines for the hiring by the Trust of employees or former employees of the external auditors;

(i)

review annually a report from the external auditors in respect of their internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues;

(j)

review a report describing:

(k)

all critical accounting policies and practices to be used in the annual audit,

(l)

all alternative treatments of financial information within generally accepted accounting principles that have been discussed with Management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors, and

(m)

other material written communication between the external auditors and Management, such as any management letter or schedule of unadjusted differences;

(n)

review with the external auditors and Management the general audit approach and scope of proposed audits of the financial statements of the Trust, Fording Inc. and its subsidiaries, the objectives, staffing, locations, co-ordination and reliance upon Management in the audit, the overall audit plans, the audit procedures to be used and the timing and estimated budgets of the audits;

(o)

review the interim review engagement report of the external auditors before the release of interim financial statements; and

(p)

discuss with the external auditors any difficulties or disputes that arose with Management or the internal auditors during the course of the audit, any restrictions on the scope of activities or access to requested information and the adequacy of Management's responses in correcting audit-related deficiencies.

II.

In Respect of Financial Disclosure

(a)

review with the external auditors and Management:

(i)

the audited financial statements and the notes and Managements' Discussion and Analysis relating to such financial statements, the annual report, the financial information of the Trust contained in any prospectus or information circular or other disclosure documents or regulatory filings of the Trust and make recommendations to the Trustees for their approval;

(ii)

the interim financial statements and the notes and Managements' Discussion and Analysis relating to such financial statements and approve their release to the public;

(iii)

the quality, appropriateness and acceptability of the Trust's accounting principles and practices used in its financial reporting, changes in the Trust's accounting principles or practices and the application of particular accounting principles and disclosure practices by Management to new transactions or events;

(iv)

all significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including the effects of alternative methods within generally accepted accounting principles on the financial statements and any "second opinions" sought by Management from an independent or other audit firm or advisor with respect to the accounting treatment of a particular item;

(v)

the effect of regulatory and accounting initiatives on the Trust's financial statements and other financial disclosures;

(vi)

any reserves, accruals, provisions or estimates that may have a significant effect upon the financial statements of the Trust;

(vii)

the use of special purpose entities and the business purpose and economic effect of off balance sheet transactions, arrangements, obligations, guarantees and other relationships of the Trust and their impact on the reported financial results of the Trust;

(viii)

any legal matter, claim or contingency that could have a significant impact on the financial statements, the Trust's compliance policies and any material reports, inquiries or other correspondence received from regulators or governmental agencies and the manner in which any such legal matter, claim or contingency has been disclosed in the Trust's financial statements;

(ix)

review the treatment for financial reporting purposes of any significant transactions which are not a normal part of the Trust's operations; and

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(x)

the use of any "pro forma" or "adjusted" information not in accordance with generally accepted accounting principles.

(b)

review and resolve disagreements between Management and the external auditors regarding financial reporting or the application of any accounting principles or practices;

(c)

review earnings news releases, as well as financial information and earnings guidance provided to analysts and ratings agencies, it being understood that such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and that the Committee need not discuss in advance each earnings release or each instance in which the Trust gives earning guidance;

(d)

establish and monitor procedures for the receipt and treatment of complaints received by the Trust regarding accounting, internal accounting controls or audit matters and the anonymous submission by employees of concerns regarding questionable accounting or auditing matters and review periodically with Management and the internal auditors these procedures and any significant complaints received;

(e)

if requested by the Trustees, receive from the President and the Chief Financial Officer of the Trust a certificate certifying in respect of each annual and interim report the matters such officers are required to certify in connection with the filing of such reports under applicable securities laws and receive and review disclosures made by such officers about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving Management or persons who have a significant role in the Trust's internal controls; and

(f)

review and discuss the Trust's major financial risk exposures and the steps taken to monitor and control such exposures, including the use of any financial derivatives and hedging activities.

III.

In Respect of Insurance

(a)

review annually insurance programs relating to the Trust and its investments.

IV.

In Respect of the Internal Audit Function

(a)

determine the appropriate function for the Trust and oversee its processes and the terms of compensation for any individuals engaged in such function.

V.

In Respect of Internal Controls

(a)

review the adequacy and effectiveness of the Trust's internal accounting and financial controls based on recommendations from Management and the external auditors for the improvement of accounting practices and internal controls;

(b)

review annually a report on senior officer expenses;

(c)

oversee compliance with internal controls; and

(d)

periodically review and assess the Joint Code of Business Conduct in light of reports from Management on compliance and other reports received pursuant to the Whistleblower Hotline program and other procedures for the receipt, retention, and treatment of complaints received by the issuer.

OVERSIGHT FUNCTION

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Trust's financial statements are complete and accurate or are in accordance with GAAP and applicable rules and regulations. These are the responsibilities of Management and the external auditors. The Committee, its Chair and any Committee members identified as having accounting or related financial expertise are Trustees, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Trust, and are specifically not accountable or responsible for the day to day operation or performance of

such activities. Although the designation of a Committee member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and a Trustee in the absence of such designation. Rather, the role of a Committee member who is identified as having accounting or related financial expertise, like the role of all Committee members, is to oversee the process, not to certify or guarantee the internal or external audit of the Trust's financial information or public disclosure.

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).

MANAGEMENT'S REPORT

FEBRUARY 28, 2005

The accompanying consolidated financial statements and related financial information are the responsibility of management, have been prepared in accordance with generally accepted accounting principles in Canada and necessarily include amounts that reflect management's judgment and best estimates. Financial information contained elsewhere in this Annual Report is consistent with the consolidated financial statements.

Management has established systems of accounting and internal control that provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and produce reliable accounting records for the preparation of financial information. Policies and procedures are maintained to support the accounting and internal control systems and include an established code of business conduct.

The independent external auditors, PricewaterhouseCoopers LLP, have conducted an examination of the consolidated financial statements in accordance with Canadian generally accepted auditing standards on behalf of the unitholders. The independent auditors have full and free access to the Audit Committee.

The Board of Trustees carries out its responsibility for the consolidated financial statements principally through its Audit Committee, consisting of three members, all of whom are unrelated Trustees. This Committee reviews the consolidated financial statements with management and the independent auditors prior to submission to the Board for approval. The Audit Committee also recommends to the Board the independent auditors to be proposed to the unitholders for appointment. Interim consolidated financial statements are reviewed by the Audit Committee prior to release to the unitholders.

The consolidated financial statements are approved by the Board of Trustees on the recommendation of the Audit Committee.

AUDITOR'S REPORT

TO THE UNITHOLDERS OF FORDING CANADIAN COAL TRUST

We have audited the consolidated balance sheets of Fording Canadian Coal Trust as at December 31, 2004 and 2003 and the consolidated statements of income, accumulated earnings and cash flows for each of the years in the three-year period ended December 31, 2004. These consolidated financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2004 and 2003 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2004 in accordance with Canadian generally accepted accounting principles.

Comments by Auditors for U.S. Readers on Canada - U.S. Reporting Differences

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there is a change in accounting principles that has a material effect on the comparability of the Trust's financial statements, such as the change described in note 3 to the financial statements. Our report to the unitholders dated February 28, 2004 is expressed in accordance with Canadian reporting standards which do not require a reference to such a change in accounting principles in the auditor's report when the change is properly accounted for and adequately disclosed in the financial statements.

CHARTERED ACCOUNTANTS
CALGARY, ALBERTA, CANADA
FEBRUARY 28, 2005

F O R D I N G C A N A D I A N C O A L T R U S T

(millions of Canadian dollars)	As at December 31 **2004**	Restated *(note 3)* 2003
ASSETS		
Current assets		
Cash and cash equivalents	**$ 64.5**	$ 52.5
Accounts receivable	**86.8**	79.0
Inventory *(note 5)*	**113.0**	130.3
Prepaid expenses	**2.6**	2.9
	266.9	264.7
Capital assets *(note 6)*	**635.8**	661.1
Goodwill	**44.4**	46.7
Other assets *(note 7)*	**21.1**	26.9
	$ 968.2	$ 999.4
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**$ 132.6**	$ 91.2
Income taxes payable	**10.7**	7.0
Distributions payable	**63.7**	46.9

Current portion of long-term debt	**1.7**	3.3
	208.7	148.4
Long-term debt *(note 8)*	**205.2**	306.6
Other long-term liabilities *(note 9)*	**91.9**	81.6
Future income taxes *(note 10)*	**180.4**	211.9
Commitments and contingencies *(note 11)*		
	686.2	748.5
UNITHOLDERS' EQUITY *(note 12)*		
Trust units	**357.7**	257.3
Accumulated earnings	**340.6**	190.5
Accumulated cash distributions	**(423.8)**	(210.3)
Foreign currency translation adjustments	**7.5**	13.4
	282.0	250.9
	$ 968.2	$ 999.4

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Approved by the Board of Trustees:

		Years ended December 31	
		Restated *(note 3)*	Restated *(note 3)*
(millions of Canadian dollars, except per unit amounts)	**2004**	2003	2002
Revenues	**$ 1,167.5**	$ 1,043.7	$ 869.5
Expenses			
Cost of product sold	**454.4**	448.8	341.5
Transportation and other	**449.2**	384.6	326.3
Selling, general and administration	**32.8**	25.9	22.5
Depreciation and depletion	**60.7**	61.3	63.9
	997.1	920.6	754.2
Income from operations	**170.4**	123.1	115.3
Other income (expense)			
Interest expense	**(12.8)**	(15.1)	(5.6)
Other, net *(note 14)*	**17.0**	6.1	(139.9)
Gain (loss) on corporate reorganization *(note 15)*	**(37.5)**	48.7	(11.5)
Income (loss) before taxes and discontinued operations	**137.1**	162.8	(41.7)
Income tax (recovery) expense *(note 10)*	**(13.0)**	0.6	49.1
Income (loss) before discontinued operations	**150.1**	162.2	(90.8)

		2004		2003		2002
Discontinued operations *(note 15)*		**-**		78.7		18.9
Net income (loss)	**$**	**150.1**	$	240.9	$	(71.9)
Weighted average number of units outstanding (millions) *(note 12)*		**48.5**		47.4		51.4
Basic and diluted earnings per unit						
Before discontinued operations	**$**	**3.09**	$	3.42	$	(1.77)
Net income (loss)	**$**	**3.09**	$	5.08	$	(1.40)

The accompanying notes to the consolidated financial statements are an integral part of these statements.

		Years ended December 31				
				Restated *(note 3)*		Restated *(note 3)*
(millions of Canadian dollars)		**2004**		2003		2002
Balance - beginning of year	**$**	**190.5**	$	300.6	$	423.6
Net income (loss)		**150.1**		240.9		(71.9)
Adjustment for adoption of new accounting standard for asset retirement obligations *(note 3)*		**-**		-		9.8
Dividends		**-**		-		(28.2)
Repurchase of units/capital stock		**-**		(351.0)		(32.7)
Balance - end of year	**$**	**340.6**	$	190.5	$	300.6

The accompanying notes to the consolidated financial statements are an integral part of these statements.

		Years ended December 31				
				Restated *(note 3)*		Restated *(note 3)*
(millions of Canadian dollars)		**2004**		2003		2002
Operating activities						
Net income (loss)	**$**	**150.1**	$	240.9	$	(71.9)
Items not using (providing) cash:						
Depreciation and depletion		**58.6**		62.3		70.7
Loss (gain) on disposal of assets		**0.2**		(202.8)		0.4
Provision for asset retirement obligations		**3.0**		2.8		1.0
Future income taxes		**(31.3)**		34.3		6.8
Income from change in inventory valuation *(note 3)*		**(10.8)**		-		-
Loss on reduction of interest in EVCP		**35.2**		-		-
Provision for asset write-down *(note 14)*		**-**		-		140.0
Other items, net		**0.3**		0.9		(6.7)
		205.3		138.4		140.3
Decrease (increase) in non-cash working capital *(note 16)*		**64.2**		35.9		(31.5)
Cash from operating activities		**269.5**		174.3		108.8
Investing activities						
Additions to capital assets		**(72.8)**		(20.4)		(51.5)

Proceeds on disposal of assets	**1.1**	362.8	1.2
Cash payment for Luscar assets	**-**	(12.3)	-
Other investing activities, net	**12.2**	(8.1)	(0.4)
Cash from (used in) investing activities	**(59.5)**	322.0	(50.7)
Financing activities			
Increase (decrease) in long-term debt	**(99.0)**	165.0	4.0
Increase (decrease) in bank indebtedness	**-**	(1.1)	0.2
Issuance of units, net	**100.4**	12.3	0.7
Repurchase of units/capital stock	**-**	(377.1)	(38.5)
Payments under the Arrangement ***(note 12)***	**-**	(75.3)	-
Other financing activities, net	**(2.7)**	(4.2)	-
Financing activities, before distributions	**(1.3)**	(280.4)	(33.6)
Financing activities related to distributions/dividends ***(note 16)***	**(196.7)**	(163.4)	(28.2)
Cash used in financing activities	**(198.0)**	(443.8)	(61.8)
Increase (decrease) in cash and cash equivalents	**12.0**	52.5	(3.7)
Cash and cash equivalents - beginning of year	**52.5**	-	3.7
Cash and cash equivalents	**$ 64.5**	$ 52.5	$ -

The accompanying notes to the consolidated financial statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fording Canadian Coal Trust (the Trust) is an open-ended mutual fund trust existing under the laws of the Province of Alberta. It was created pursuant to a Declaration of Trust and formed as part of the Plan of Arrangement effective February 28, 2003 (the Arrangement).

The Arrangement has been accounted for as a continuity of interests whereby these consolidated financial statements reflect the financial position, results of operations and cash flows as if the Trust had always carried on the businesses formerly carried on by its predecessor company, Fording Inc., being the public company existing prior to the Arrangement (Old Fording). All assets and liabilities are recorded at historical cost.

The Trust holds all of the shares and subordinated notes of its operating subsidiary company, Fording Inc. (the "Corporation"). The Corporation is the successor to Fording Coal Limited/Les Charbons Fording Limitee and Old Fording. The Corporation was continued under the CBCA as 4123212 Canada Ltd. but changed its name to "Fording Inc." as part of the Arrangement.

The Arrangement also created the Elk Valley Coal Partnership (EVCP) by combining the metallurgical coal mining operations and assets formerly owned by Old Fording (Fording River, Greenhills and Coal Mountain mines), Teck Cominco Limited (Elkview mine) and the Luscar/CONSOL Joint Ventures (Line Creek and Cardinal River mines and a 46% interest in Neptune Bulk Terminals (Canada) Ltd. in Vancouver). At the date of the Arrangement the Corporation held a 65% interest in EVCP. At that time, the remaining 35% interest in EVCP was held by Teck Cominco and its affiliates.

The agreement governing EVCP provided for an increase in Teck Cominco's interest to a maximum of 40% to the extent that synergies from the combination of various metallurgical coal assets contributed to EVCP exceed certain target levels. At December 31, 2004, Teck Cominco's interest had increased to 38%, as discussed in note 15. The change in interest resulted in a pro-rata reduction in the Trust's share of all of the assets and liabilities of EVCP and a non-cash charge to earnings of $37.5 million reduced by additional distribution entitlements expected through March 31, 2006.

The Corporation also owns a 100% interest in NYCO which, prior to the Arrangement, was a wholly owned subsidiary of Old Fording. NYCO mines and processes wollastonite and other industrial minerals at two operations in the United States and one operation in Mexico.

These financial statements reflect the results of operations and cash flows of Old Fording for the period January 1 to February 28, 2003 and the results of operations and cash flows of the Trust thereafter. Due to the Arrangement, conversion into an income trust, and the change in the Trust's interest in EVCP, certain information included in the consolidated financial statements for prior periods may not be directly comparable.

BASIS OF PRESENTATION

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada and include the accounts of the Trust and its subsidiaries, all of which are wholly owned. The material differences between Canadian and United States generally accepted accounting principles, insofar as they apply to the Trust, are discussed in note 19.

A significant portion of the Trust's results are from activities conducted on a joint-venture basis. The consolidated financial statements reflect the Trust's proportionate interest in such ventures, as disclosed in note 16. A joint venture is an economic activity resulting from a contractual arrangement whereby two or more venturers jointly control the economic activity. Joint control of an economic activity is the contractually agreed sharing of the continuing power to determine its strategic operating, investing and financing policies.

Investments in companies in which the Trust has significant influence over the operating, investing and financing decisions, are accounted for using the equity method.

MANAGEMENT ESTIMATES

The consolidated financial statements include certain management estimates that may require accounting adjustments based on future occurrences. The most significant estimates relate to depletion, depreciation, asset impairment test calculations for capital assets, asset retirement obligations and employee future benefits as all of these calculations are based on reserve estimates and/or estimated future costs. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Temporary investments with maturities of three months or less at the time of purchase are considered to be cash equivalents and are recorded at cost, which approximates market value.

INVENTORY

Product and raw materials inventory are valued at the lower of average cost and net realizable value.

Stores and materials inventory is valued at the lower of actual cost and net realizable value. Actual costs represent the delivered price of the item.

CAPITAL ASSETS

Land, buildings and equipment are recorded at cost; maintenance and repairs of a routine nature are expensed as incurred. Buildings are depreciated on the straight-line basis over their useful lives, ranging from 15 to 40 years. Equipment is depreciated on the straight-line basis over its useful life, based on the number of hours in operation, which ranges from 5 to 35 years.

Mineral properties and development include expenditures to acquire and develop identified mineral properties and reserves and net costs relating to production during the development phase. Depletion on producing properties is provided using a unit of production method based upon the proven and probable mineral reserve position of the mine. Development costs incurred to expand the capacity of operating mines, to develop new ore bodies or to develop mine areas substantially in advance of current production are capitalized and charged to operations on a unit of production method based upon the proven and probable mineral reserves.

Exploration costs are charged to earnings in the period in which they are incurred, except where these costs relate to specific properties for which economically recoverable reserves have been established, in which case they are capitalized. Upon commencement of production, these capitalized costs are charged to operations on a unit of production method based upon the proven and probable mineral reserves.

When the net carrying value of a capital asset, less its related asset retirement obligation net of related future income taxes, exceeds the estimated undiscounted future net cash flows together with its residual value, the asset is written down to its fair value. Capital assets are tested for impairment whenever events or circumstances indicate the carrying amount may not be recoverable.

GOODWILL

Goodwill is the excess of the cost of the acquired investment over the fair value amounts assigned to the assets acquired and liabilities assumed. Goodwill is tested for impairment annually. An impairment loss would be recognized when the carrying value of the goodwill exceeds its fair value.

RESEARCH AND DEVELOPMENT

Research costs are charged to earnings in the period in which they are incurred.

Development costs related to products and processes for which the technical and economic feasibilities are established are deferred until commercial production or until the process is in use, at which point they are amortized over the useful life of the asset.

CAPITALIZED INTEREST

Interest is capitalized on major capital projects under development based on the borrowing rate related to the project or the average cost of borrowing.

ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations are recognized 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 expense. 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.

FOREIGN CURRENCY TRANSLATION

Foreign currency denominated transactions are translated at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at period-end exchange rates and any gain or loss is charged to earnings, except when hedged.

The functional currency and therefore the unit of measure of the Trust's NYCO operations is the United States dollar. The financial statements of the Mexican component of these operations are remeasured from Mexican pesos into United States dollars using the year-end exchange rate for monetary assets and liabilities, and the historical exchange rates for non-monetary assets and liabilities. Foreign currency revenues and expenses are remeasured at the exchange rate in effect on the dates of the related transactions, except for provisions for depreciation and depletion, which are remeasured on the same basis as the related assets. Foreign currency transaction gains and losses are included in income immediately.

The United States dollar accounts of the NYCO operations are translated into Canadian dollars, the reporting currency of the Trust, using the current rate method. Assets and liabilities are translated using the year-end exchange rates for assets and liabilities, and revenues and expenses are translated at the average exchange rates in effect for the year. Exchange gains or losses arising from translation are recorded in unitholders' equity as foreign currency translation adjustments.

FINANCIAL INSTRUMENTS

The Trust utilizes financial instruments to manage its foreign currency exposure to changes in the U.S. dollar exchange rate. The Trust's policy is to not employ derivative financial instruments for trading or speculative purposes.

The Trust formally documents relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The effectiveness of the hedging relationship is also formally documented and measured.

The gains and losses on derivative instruments used as hedges are recognized in income in the period that the hedged exposure is recognized in income, which is the same period in which the instrument is settled. The gain or loss is netted against the item that was hedged.

REVENUE RECOGNITION

Sales revenues are recognized when the risks and rewards of ownership pass to the customer. For coal sales, this occurs when the coal is either loaded onto a train or an ocean going vessel or when it is unloaded at the final destination, depending on the terms of the sales contract. NYCO revenues are recognized upon shipment to customers from the plant or warehouse.

INCOME TAXES

The Corporation recognizes future tax assets and liabilities based on differences between the value of assets and liabilities in the financial statements and their values for income tax purposes, using substantially enacted tax rates. The effect of changes in income tax rates on future income tax assets and liabilities is recognized in the period that the change occurs. A future tax asset is recognized if it is more likely than not to be realized.

STOCK-BASED COMPENSATION

The Trust adopted the fair-value method of accounting for stock-based compensation related to unit options for all awards granted, modified or settled on or after January 1, 2003. Prior to this date, the exercise price of stock options issued to employees was equivalent to the market price at the time of the grant; therefore no compensation expense was recognized when the options were issued.

EMPLOYEE FUTURE BENEFITS

The costs of pensions and other post-retirement benefits (primarily health care and life insurance) are actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected costs. The expected return on plan assets is estimated based on the fair value of plan assets. The projected benefit obligation is discounted using a market interest rate for high quality corporate debt instruments at year-end.

For defined benefit plans, employee future benefit expense includes the cost of pension benefits earned during the current year, the interest cost on pension obligations, the expected return on pension plan assets, the amortization of adjustments arising from pension plan amendments, and the amortization of the amount by which the actuarial gains or losses exceed 10% of the greater of the benefit obligation and the market related value of plan assets. The amortization period for adjustments and net actuarial gains or losses is the expected average remaining service lives of employees covered by the various plans.

Costs under defined contribution pension plans are expensed when the contributions are made.

The costs of post-retirement benefits, other than pensions, are recognized on an accrual basis over the estimated remaining service lives of employees.

RECLASSIFICATION

Certain prior years' figures have been reclassified to conform to the presentation adopted in 2004.

ASSET RETIREMENT OBLIGATIONS

Effective January 1, 2004, the Trust adopted the CICA Handbook Section 3110, "Asset Retirement Obligations", and applied the recommendations retroactively. This standard focuses on the recognition, measurement and disclosure of legal obligations and costs associated with the retirement of long-lived capital assets that result from the acquisition, construction, development or normal operation of those assets.

Previously, the Trust accrued for reclamation costs expected to be incurred at the completion of mining activities based on known or estimated costs on an undiscounted unit of production basis.

As a result of the retroactive adoption of this standard, 2002 opening accumulated earnings increased by $9.8 million and net income decreased by $1.0 million. 2003 net income decreased by $2.3 million, capital assets increased by $39.2 million, goodwill decreased by $5.2 million, other long-term liabilities increased by $13.0 million and future income taxes increased by $14.5 million.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

CICA Handbook Section 1100, "Generally Accepted Accounting Principles", became effective for fiscal years beginning on or after October 1, 2003. This standard focuses on what constitutes Canadian Generally Accepted Accounting Principles and its primary sources. Two accounting practices have been changed to correspond to guidance with the primary sources of generally accepted accounting principles.

Revenues are now reported without deductions for sales commissions and freight costs. Commissions are included in selling, general and administration costs and transportation and other costs are included in that caption on the consolidated statement of income. Revenues continue to be shown net of such items as trade or volume discounts,

the benefits or costs of foreign currency hedging activities, returns and allowances, and claims for damaged goods. This change in classification has no impact on earnings or cash available for distribution and the comparative figures have been restated to conform to the presentation adopted for the current period. Previously, revenues for certain sales transactions were reported net of sales commissions and related transportation and other costs in order to report net revenues on a basis consistent with the majority of sales transactions.

Depreciation, depletion and amortization are now included in the carrying value of inventory. The transitional provisions of adopting this standard require prospective application of changes in accounting policies. Accordingly, effective January 1, 2004, product and raw material inventory increased $10.8 million to include the cost of depreciation, depletion and amortization, with the corresponding credit included in other income. Previously, depreciation, depletion and amortization were treated as period costs.

EMPLOYEE FUTURE BENEFITS

The Trust adopted the new disclosure recommendations of the CICA Handbook section 3461, "Employee Future Benefits", effective June 30, 2004.

Distributable cash is a term defined in the Declaration of Trust and generally refers to the net cash received by the Trust that is available for payment to unitholders' on a quarterly basis. Available cash generated by the Corporation is the principal contributor to distributable cash of the Trust. The Corporation distributes its available cash to the Trust each quarter, which is derived from results for the quarter and takes into account other considerations such as expected future performance, variations in levels of quarterly operating and capital activities and other financial or legal requirements. Future distributions of available cash will take into account these factors and any amounts paid in prior periods that were greater or less than the actual distributable cash for those prior periods.

CASH AVAILABLE FOR DISTRIBUTION

(millions of Canadian dollars)		**Year ended December 31 2004**		Ten months ended December 31 2003[1]
Cash flows from operating activities	**$**	**269.5**	$	229.6
Add (deduct):				
Decrease in non-cash working capital		**(64.2)**		(99.5)
Sustaining capital expenditures, net		**(25.9)**		(8.7)
Capital lease payments		**(0.7)**		(1.3)
Other		**3.5**		(1.2)
Cash available for distribution	**$**	**182.2**	$	118.9
Distributions declared and payable	**$**	**213.5**	$	210.3

1 The period from the formation of the Trust to December 31, 2003.

Available cash generated by the Corporation and paid to the Trust is the principal source of distributable cash paid to unitholders. Distributions declared and payable in 2004 include $18.5 million of cash available for distribution carried over from 2003. Two events unique to 2003, and which will not be repeated, provided additional sources of cash amounts paid to unitholders; a special payment under the Arrangement totalling $70.0 million and the cash flow benefit of the draw down of coal product inventory to more normal operating levels contributed $39.8 million.

Distributable cash and cash available for distribution have no standardized meaning and are not defined by generally accepted accounting principles in Canada. Accordingly, distributable cash and cash available for distribution as it is presented above may not be comparable to similarly named measures presented by other trusts.

2004 Annual Report | 77

	As at December 31			
(millions of Canadian dollars)		**2004**		2003
Product and raw materials	**$**	**77.9**	$	91.7
Stores and materials		**35.1**		38.6
	$	**113.0**	$	130.3

	As at December 31, 2004					
(millions of Canadian dollars)		Cost		Accumulated Amortization		Net Book Value
Land, buildings and equipment	$	792.9	$	461.1	$	331.8
Mineral properties and development		412.6		109.6		303.0
Capital leases		1.6		0.6		1.0
	$	1,207.1	$	571.3	$	635.8

	As at December 31, 2003					
(millions of Canadian dollars)		Cost		Accumulated Amortization		Net Book Value
Land, buildings and equipment	$	778.5	$	456.9	$	321.6
Mineral properties and development		443.2		107.4		335.8
Capital leases		4.6		0.9		3.7

	$ 1,226.3	$ 565.2	$ 661.1

At December 31, 2004, $60.8 million (2003 - $50.3 million) was capitalized for reserves, equipment and coal deposits located on properties not currently being mined, which are not being amortized. During the year, $0.9 million (2003 - nil) of interest was capitalized for projects under construction.

	As at December 31	
(millions of Canadian dollars)	**2004**	2003
Long-term receivables	**$ 9.6**	$ 11.5
Accrued pension benefit *(note 9)*	**8.2**	6.8
Deferred charges	**1.2**	4.3
Other	**2.1**	4.3
	$ 21.1	$ 26.9

LONG-TERM DEBT	As at December 31	
(millions of Canadian dollars)	**2004**	2003
Bank debt		
Term variable rate bank loans with interest rates varying from 5.6% to 6.3%	**$ 201.0**	$ 300.0
Other debt		
Equipment financing due 2009 bearing interest at 5.1%	**5.2**	7.1
Capital lease obligations expiring in 2005 with interest rates varying from 5.0% to 7.0%	**0.7**	2.8
	206.9	309.9
Less current portion	**(1.7)**	(3.3)
	$ 205.2	$ 306.6

The bank debt required $51.0 million to be repaid or refinanced by February 28, 2005 and the remaining $150.0 million by February 28, 2006. In February 2005, the Corporation and EVCP refinanced their existing bank credit facilities. The new agreement provides each entity with a five-year revolving, floating rate, annually extendible facility. The Corporation's facility is for $400.0 million and EVCP's facility is for $150.0 million. As a result of this refinancing, the $51.0 million of the existing bank facility due February 28, 2005 is considered long-term at December 31, 2004.

The new facilities are supported by an unsecured guarantee from EVCP, limited in recourse to any partner's interest in EVCP (other than Fording Inc.) and a general security agreement over the assets of the Corporation including its interest in EVCP.

At December 31, 2004, and assuming the new bank facilities were finalized at that time, the other uses of bank facilities and unused lines of credit are summarized in the following table:

	As at December 31	
(millions of Canadian dollars)	**2004**	2003
Other use of bank facilities		
Issued and outstanding letters of credit and guarantee		
Fording Inc.	**$ 0.1**	$ 27.5
EVCP (2004: 60% of $71.2 million; 2003: 65% of $31.6 million)	**42.7**	20.5
	$ 42.8	$ 48.0
Unused lines of credit		

Fording Inc.	**$**	**198.9**	$	92.5
EVCP (2004: 60% of $78.8 million; 2003: 65% of $88.3 million)		**47.3**		57.5
	$	**246.2**	$	150.0

		As at December 31		
(millions of Canadian dollars)		**2004**		2003
Asset retirement obligations *(note 3)*	**$**	**68.9**	$	58.1
Pension and other post-retirement benefits		**21.4**		21.7
Other, net		**1.6**		1.8
	$	**91.9**	$	81.6

Asset retirement obligations

Asset retirement obligations are based on known or estimated costs to reclaim all disturbed sites to meet existing regulatory standards. The estimated costs 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 as 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. These obligations are funded from cash from general resources at the time reclamation work is completed.

The following table presents the reconciliation of asset retirement obligations:

		As at December 31		
(millions of Canadian dollars)		**2004**		2003
Balance - beginning of year	**$**	**58.1**	$	54.8
Liabilities incurred		**12.3**		0.7
Liabilities settled		**(1.1)**		(0.9)
Accretion expense		**4.2**		3.4
Other		**(4.6)**		0.1
Balance - end of year	**$**	**68.9**	$	58.1

Asset retirement obligations and costs are periodically reviewed by management and are revised for changes in future estimated costs and regulatory requirements. The total undiscounted amount of the estimated obligation is $135.1 million, which using a credit adjusted risk-free rate, results in a discounted obligation of $68.9 million at December 31, 2004.

Pension and other post-retirement benefit obligations

		As at December 31		
(millions of Canadian dollars)		**2004**		2003
Pensions	**$**	**9.2**	$	10.3
Other post-retirement benefits		**12.2**		11.4
	$	**21.4**	$	21.7

Substantially all employees participate in either a defined benefit or defined contribution pension plan.

There are several defined contribution plans which provide for some matching by the employees. Two of these plans are for the Trust's NYCO operations in the United States, and the remaining relate to the Elk Valley Coal operations. The cost of these plans for the year ended December 31, 2004 was $2.4 million (2003 - $1.9 million; 2002 - $1.3 million), which includes the employer contributions and payments to third-party service providers.

There are six defined benefit plans, all of which are non-contributory. Three of these plans are for the Trust's Elk Valley Coal operations while the other three relate to the NYCO operations in the United States. The benefits are determined using two alternative methodologies depending on the plan. Under the "best average pay plan" the pension benefit is determined by applying a formula to the best average earnings over a given period. Under the "flat benefit", the pension benefit is a fixed dollar amount per month for each year of service. The defined benefit plan liabilities have been updated to reflect actuarial economic assumptions at December 31, 2004.

Five of the defined benefit plans had actuarial valuations completed as at December 31, 2003 and one plan was completed at December 31, 2002. Under the applicable legislation, actuarial valuations are to be completed on a three-year cycle in Canada, and annually in the United States. The purpose of the actuarial valuation is to confirm the actuarial liability relating to members in the plan and establish the contributions that are required to be made in order to fund the plan from the date of the actuarial valuation to the effective date of the next actuarial valuation.

Annual contributions are made on the basis of not less than the minimum amounts required by legislation. Contributions are expected to be $5.2 million for the year ending December 31, 2005.

Defined benefit pension expense includes the following components:

	As at December 31		
(millions of Canadian dollars)	**2004**	2003	2002
Current service cost of benefits earned by employees in the period	**$ 4.6**	$ 4.2	$ 5.6
Interest cost on projected benefit obligation	**8.1**	7.2	9.2
Actual return on pension fund assets	**(12.7)**	(12.3)	11.2
Difference between actual and expected rate of return on plan assets	**5.8**	6.2	(18.5)
Amortization of actuarial gains	**0.6**	0.7	-
Amortization of past service costs	**0.8**	0.8	0.8
Other	**-**	0.1	0.4
Net pension expense	**$ 7.2**	$ 6.9	$ 8.7

The "corridor approach" is used to account for defined benefit pension plans. This allows for the deferral and amortization of certain actuarial gains or losses and past service costs. If this methodology was not employed, the following expense would represent the net pension expense on the income statement:

	As at December 31		
(millions of Canadian dollars)	**2004**	2003	2002
Net pension expense above	**$ 7.2**	$ 6.9	$ 8.7
Amounts deferred for later recognition:			
Difference between expected and actual return on plan assets	**(5.8)**	(6.2)	18.5
Amortization of past service costs	**(0.8)**	(0.8)	(0.8)
Difference between amortization of actuarial losses (gains) and actuarial losses (gains) incurred	**21.1**	(1.0)	11.1
Adjusted net pension expense	**$ 21.7**	$ (1.1)	$ 37.5

Information about the defined benefit pension plans, in aggregate, is as follows:

	Years ended December 31	
(millions of Canadian dollars)	**2004**	2003

Changes in benefit obligations

Benefit obligations - beginning of year	**$**	**118.1**	$	143.1
Actuarial revaluation		**10.0**		-
Current service cost		**4.6**		4.2
Interest cost		**8.1**		7.2
Benefits paid		**(5.3)**		(7.1)
Decrease in discount rate		**10.6**		-
Changes resulting from the Arrangement		**-**		(27.8)
Other		**(6.3)**		(1.5)
Benefit obligations - end of year		**139.8**		118.1
Change in fund assets				
Fair value of fund assets - beginning of year		**101.4**		117.5
Actual return on fund assets		**12.7**		12.3
Employer contributions		**9.4**		4.4
Benefits paid		**(5.3)**		(7.1)
Changes resulting from the Arrangement		**-**		(22.8)
Other		**(5.6)**		(2.9)
Fair value of fund assets - end of year		**112.6**		101.4
Funded status - plan deficit		**(27.2)**		(16.7)
Unamortized prior service cost		**2.0**		2.8
Unamortized net actuarial loss		**24.2**		10.4
Accrued benefit liability	**$**	**(1.0)**	$	(3.5)
Represented by:				
Accrued benefit assets *(note 7)*	**$**	**8.2**	$	6.8
Accrued pension liability		**(9.2)**		(10.3)
	$	**(1.0)**	$	(3.5)

Included in the above accrued benefit obligation and fair value of the plan assets at year-end are the following amounts in respect of the plans that are not fully funded:

		As at December 31		
(millions of Canadian dollars)		**2004**		2003
Benefit obligation	**$**	**(130.5)**	$	(109.0)
Fair value of fund assets		**101.0**		89.9
Funded status - plan deficit	**$**	**(29.5)**	$	(19.1)

Pension fund assets consist of the following investments based on fair market values:

		As at December 31		
(millions of Canadian dollars)		**2004**		2003
Cash and cash equivalents	**$**	**6.5**	$	11.1
Fixed income		**34.9**		30.3
Canadian equity		**37.5**		32.7
U.S. equity		**21.9**		18.6
European, Australian and Far East equity		**11.8**		8.7
	$	**112.6**	$	101.4

Included in the above defined benefit assets are investments in related parties which are 0.6% of the total fair market value at December 31, 2004.

Actuarial assumptions used to calculate the defined benefit pension expense and benefit obligations and post-retirement benefit expense and obligations are:

	Years ended December 31		
	2004	2003	2002
Discount rate for plan expense	**6.5%**	6.5%	6.5%
Discount rate for plan obligations	**6.0%**	6.5%	6.5%
Projected future salary increases	**4.0%**	3.0%	3.0%
Expected rate of return on fund assets	**6.5%**	6.5%	6.5%
Projected health care increases:			
Provincial	**3.0%**	3.0%	3.0%
Extended care	**10.0%**	10.5%	10.5%
Assumed health care cost trend rate*	**10.0% to 5.0%**	10.5% to 5.0%	10.5% to 5.0%

*Ultimate trend rate expected to be achieved in 2014

In addition to pension benefits, other post-retirement benefits including health-care and life-insurance benefits are provided for retired employees. These benefits are unfunded. For the year ended December 31, 2004, the net costs of post-retirement benefits that are included in selling, general and administrative expense amounted to:

	Years ended December 31		
(millions of Canadian dollars)	**2004**	2003	2002
Current service costs	**$ 0.7**	$ 0.4	$ 0.6
Interest costs on projected benefit obligation	**0.9**	0.6	1.0
Changes to post-retirement benefits available	**-**	(0.7)	-
Changes resulting from the Arrangement	**-**	(0.8)	-
	$ 1.6	$ (0.5)	$ 1.6

Sensitivities

A one percentage point change in health care costs would have the following impact on the components of other post-retirement benefit obligations:

(millions of Canadian dollars)	1% increase	1% decrease
Increase (decrease) in total service and interest cost	$ 0.1	$ (0.1)
Increase (decrease) in benefit obligation	$ 0.6	$ (0.5)

Income tax expense is made up of the following components:

	Years ended December 31		
(millions of Canadian dollars)	**2004**	2003	2002
Current income taxes:			
Canadian income taxes	**$ 2.6**	$ 5.7	$ 20.7
Provincial mineral taxes and Crown royalties	**11.7**	14.6	21.3
Foreign income taxes	**4.0**	2.3	0.3
	18.3	22.6	42.3
Future income tax (recovery)	**(31.3)**	(22.0)	6.8
Total income taxes	**$ (13.0)**	$ 0.6	$ 49.1

The following table reconciles the income tax expense calculated using statutory tax rates to the actual income tax expense:

	Years ended December 31		
(millions of Canadian dollars)	**2004**	2003	2002

Expected income tax expense at Canadian statutory tax rate of 40.5% (2003 - 40.6%; 2002 - 42.7%)	**$**	**55.5**	$	66.0	$	(17.8)
Increase (decrease) in taxes resulting from:						
Loss on reduction of interest in EVCP		**15.2**		-		-
Provision for asset write-down		**-**		-		59.6
Mineral taxes		**11.7**		14.6		21.3
Resource allowance		**(14.8)**		(11.6)		(7.8)
Reduction in tax rate		**-**		(26.5)		(0.2)
Trust distributions		**(79.3)**		(56.8)		-
Losses not tax affected		**0.9**		2.3		1.8
Large corporation tax		**2.7**		0.7		0.7
Foreign tax rate differentials		**(1.0)**		0.9		0.2
Other		**(3.9)**		11.0		(8.7)
Income tax expense	**$**	**(13.0)**	$	0.6	$	49.1

The temporary difference comprising the future income tax assets and liabilities are as follows:

		As at December 31		
(millions of Canadian dollars)		**2004**		2003
Future income tax assets				
Liabilities carrying value in excess of tax basis	**$**	**6.4**	$	4.0
Asset retirement obligations		**25.0**		21.4
Canadian tax loss carry forwards		**35.1**		-
Other		**8.6**		12.8
Future income tax assets		**75.1**		38.2
Future income tax liabilities				
Capital assets carrying value in excess of tax basis		**237.2**		229.8
Other		**18.3**		20.3
Future income tax liabilities		**255.5**		250.1
Net long-term future income tax liability	**$**	**180.4**	$	211.9

As at December 31, 2004 Canadian income tax loss carry forwards total $226.8 million and expire in the years 2010 and 2011. For future income tax purposes, these losses were off-set by $140.1 million of accrued taxable income contributed by EVCP. The Corporation has recorded a future tax asset of $35.1 million to reflect the benefit of the remaining loss carry forwards on the basis that they are more likely than not to be realized in future periods.

A foreign subsidiary has income tax loss carry forwards of $47.2 million, which expire in the years 2008 through 2010. No future tax asset has been recorded for the loss carry forwards on the basis that they are not likely to be realized in future periods.

Foreign exchange forward contracts

To manage exposure to currency fluctuations, foreign exchange forward contracts are used to fix the rate at which certain future anticipated flows of U.S. dollars are exchanged into Canadian dollars. The following table summarizes the Corporation's outstanding hedged positions at December 31, 2004.

Amount Hedged *(millions of U.S. dollars)*			
Elk Valley Coal	Fording Inc.	Trust's Total	Average Exchange Rates

Year		100%		60%					(U.S.$1=CDN$)	(CDN$1=U.S.$)
2005	$	355	$	213	$	216	$	429	1.40	0.71
2006		95		57		53		110	1.44	0.69
2007		-		-		16		16	1.46	0.69
	$	450	$	270	$	285	$	555		

At December 31, 2004, the Trust's portion of unrealized gains on foreign exchange forward contracts was $116.2 million (2003 - $124.1 million; 2002 - unrealized loss of $111.3 million) based on the U.S. / Canadian dollar exchange rate of U.S.$0.83. The Trust's portion of realized gains on foreign exchange included in revenues in 2004 was $82.7 million (2003 - $41.4 million; 2002 - realized loss of $83.5 million).

Leases

EVCP leases various mining equipment, vehicles and rail cars at several of its operations. The minimum lease payments are payable in both Canadian and U.S. dollars and at December 31, 2004 the Trust's portion of these minimum payments is as follows:

(millions of dollars)		U.S. $		CDN $		Total CDN$ Equivalent
2005	$	1.5	$	10.0	$	11.8
2006		1.5		2.9		4.7
2007		1.5		0.7		2.5
2008		1.5		0.7		2.5
2009 and thereafter		1.7		0.3		2.4
	$	7.7	$	14.6	$	23.9

U.S. dollar commitments have been translated to the Canadian dollar equivalent at the year-end U.S. / Canadian dollar exchange rate of U.S.$0.83.

Credit risk management

Export-coal sales represent the principal component of EVCP's revenues. Coal is sold under contract or in the spot market to approximately 60 customers worldwide, which are primarily steel producers. Coal sales are contracted in U.S. dollars and terms of payment vary from three to 60 days. To manage its credit risk, EVCP obtains,

to the extent practical, either export trade credit insurance or confirmed irrevocable letters of credit. Credit risk for wollastonite trade receivables is limited by the large and diversified customer base.

The Trust, directly and through its interest in EVCP, is exposed to credit losses in the event of non-performance by counterparties to financial instruments. However, the Trust and EVCP deal with counterparties of high credit quality to mitigate risk of non-performance. In addition, the Trust does not believe that there are any significant concentrations of credit risk.

Fair values

The carrying amounts of short-term financial assets and liabilities as presented in the balance sheet are reasonable estimates of fair values due to the relatively short periods to maturity and the commercial terms of these instruments. The carrying amount of long-term debt of $205.2 million at December 31, 2004 is considered to be a reasonable estimate of fair value due to the floating interest rate of the debt.

The book value of unitholders' equity of $282.0 million at December 31, 2004 is stated at historical amounts. The fair market value of the Trust's outstanding units, or its market capitalization, was $4.5 billion based on the number of units outstanding and the closing price of units traded on the Toronto Stock Exchange on the same date.

Securitization of receivables

EVCP has entered into an agreement, allowing it to sell on a non-recourse basis certain of its U.S. dollar receivables for 100% of the invoiced amount less the applicable market financing rate as applied to the period from the date of discount to the date of maturity of the receivable. In selling a receivable, EVCP assigns ownership of the receivable and its interest in any applicable trade credit insurance coverage. Deductibles under the insurance policy are the responsibility of EVCP. The cost of the discounting is recorded as other expense. The Trust's share of receivables sold in 2004 amounted to U.S.$189.1 million (2003 - U.S.$264.3 million). The Trust's portion of accounts receivable sold and outstanding under this agreement as at December 31, 2004 amounted to U.S.$13.9 million (2003 - U.S.$24.4 million).

Elkview Partnership

A letter of intent has been entered into between EVCP, Nippon Steel Corporation (NSC) and POSCO which contemplates that NSC and POSCO will each acquire a 2.5% equity interest in the Elkview mine for proceeds of U.S.$25 million. Closing of the transaction is subject to board approvals, due diligence, the negotiation and settlement of binding agreements and other customary conditions.

Westbound rail rates

Rail service to the five mines located in the Elk Valley is provided by the Canadian Pacific Railway Company (CPR). Service to the Fording River, Greenhills and Coal Mountain mines is provided pursuant to an agreement expiring March 31, 2007. The agreement provides for rail rates to be adjusted annually based on the rail rates paid by the Elkview and Line Creek mines. The agreements for rail service to the Elkview and Line Creek mines expired March 31, 2004 and Elk Valley Coal and CPR disagree on 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 both the Alberta Courts and before the Canadian Transportation Agency. In January 2005, Elk Valley Coal and CPR agreed to engage in a confidential non-binding mediation process to attempt to resolve the dispute; discussions are ongoing at the time of this report.

As at December 31, 2004, a reasonable provision for rail rates has been accrued.

CPR has stated that the dispute is not expected to adversely affect the shipment of coal from the Elk Valley mines. Regardless of the outcome of the dispute, future rail rates charged to Elk Valley Coal are expected to increase in 2005 as compared to 2004.

Cardinal River operations

All licenses and approvals have been received for the Cheviot Creek pit and the haulroad at the Cardinal River operations. A number of environmental organizations have applied to the Federal Court seeking a further

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environmental assessment of the project and challenging certain federal authorizations that the project has received. The Federal Court is expected to hear the applications in June 2005. In addition, an individual appealed certain approvals issued by Alberta Environment in connection with the project. The Environmental Appeal Board heard the appeal in mid-January and the parties are awaiting a decision.

While unanticipated, negative decisions related to these legal issues could impact future operations at the site, EVCP continues to monitor progress on these legal issues, and does not expect that outcomes from these proceedings represent a material risk to the ongoing mining of the Cheviot Creek pit.

Change of control agreements

Old Fording entered into Change of Control Agreements (agreements) with certain members of its senior management in connection with becoming a public company in 2001. Seven of the agreements were assumed by EVCP under the Arrangement. The Arrangement also constituted a change in control for the purposes of the agreements. If an executive who is a party to an agreement resigns or is terminated without cause prior to March 1, 2006, such executive will be entitled to the severance benefits provided for by the agreement. The severance benefits generally provide for two years salary, benefits and bonuses except that the former President and Chief Executive Officer of Old Fording is entitled to three years salary, benefits and bonuses.

As of December 31, 2004, four executives had exercised their agreements including the former President and Chief Executive Officer of Old Fording. Of the three remaining agreements, one has been extended to permit the executive to be entitled to the severance benefits if the executive resigns or is terminated without cause prior to March 1, 2009. No provision has been accrued for the contingent liability related to the agreements that were outstanding on December 31, 2004. The liability is charged to earnings in the period in which the resignation, retirement or termination occurs. The Trust's share of the contingent liability, which is dependent on the achievement of certain future financial results, ranges between $5.0 million to $7.0 million. Compensation expense related to these agreements of $6.9 million (2003 - $2.9 million) was recorded in selling, general and administration expenses during 2004.

Neptune Terminals guarantee/asset retirement obligations

By virtue of its ownership in Neptune Terminals EVCP is required to guarantee its share of bank indebtedness of the terminal. The Trust's proportionate share of the guarantee was $10.3 million. The Trust's share of Neptune Terminal's asset retirement obligation was $6.9 million at December 31, 2004.

Other

During the normal course of business activity, the Trust is occasionally involved in litigation proceedings. Management considers the aggregate liability, if any, to the Trust in respect of these actions and proceedings not to be material.

Authorized

The Trust has an unlimited number of units authorized for issuance pursuant to the Declaration of Trust. The units represent a beneficial interest in the Trust. All units share equally in all distributions from the Trust and carry equal voting rights.

No conversion, retraction or pre-emptive rights are attached to the units. Trust units are redeemable at the option of the unitholder at a price that is the lesser of 90% of the average closing price of the units on the principal trading market for the previous 10 trading days and the closing market price on the date of tender for redemption, subject to restrictions on the amount to be redeemed each quarter.

Trust units

(millions of units and Canadian dollars)	Units	Shares		Amount
Balance at December 31, 2002	-	50.7	$	122.4
Shares issued under stock option plans	-	0.1		0.5
Shares repurchased as part of the Arrangement	-	(10.7)		(26.0)
Small non-board lot shares repurchased	-	(0.1)		(0.1)
Units exchanged for shares of the Corporation	40.0	(40.0)		-
Units issued for Luscar/Consol assets	6.4	-		224.0
Units issued on exercise of options	0.5	-		11.8
Payments arising under the Arrangement	-	-		(75.3)
Balance at December 31, 2003	46.9	-		257.3
Units issued on exercise of options	0.1	-		0.8
Units issued pursuant to units offering	2.0	-		99.0
Other	-	-		0.6
Balance at December 31, 2004	49.0	-	$	357.7

In April 2004, the Trust issued 2.0 million units from treasury at $52.50 per unit. The units offering provided net proceeds of $99.0 million, which was used to repay a portion of long-term bank debt.

The following transactions occurred as a result of the Arrangement in 2003:

- Repurchase and cancellation of 10.7 million Old Fording shares at $35.00 per share for a total consideration of $375.0 million. Capital stock was charged $26.0 million for the average carrying value for the shares redeemed and the remaining $349.0 million was charged to retained earnings.

- Repurchase and cancellation of 0.1 million Old Fording small non-board lot shares at $33.33 per share for a total consideration of $2.1 million. Capital stock was charged $0.1 million for the average carrying value and retained earnings were charged with the remaining $2.0 million.
- Exchange of 40.0 million shares of Old Fording for an equivalent number of units of the Trust.
- Issuance of 6.4 million units at $35.00 per unit in partial consideration for the metallurgical coal assets from the Luscar/CONSOL joint ventures.
- Payments in aggregate, of $75.3 million were made to Sherritt, OTPP, Teck Cominco, Westshore Terminals and CONSOL under the Arrangement.

Accumulated cash distributions

(millions of Canadian dollars)		**Year ended December 31 2004**		Ten months ended December 31 20031
Opening accumulated cash distributions	**$**	**210.3**	$	-
Distributions declared and payable		**213.5**		210.3
Closing accumulated cash distributions	**$**	**423.8**	$	210.3

1 The period from the formation of the Trust to December 31, 2003

Accumulated cash distributions exceed accumulated earnings of the Trust. Further, payments to unitholders' from cash available for distribution have exceeded net income. If this situation remains unchanged, unitholders equity will continue to decline from present levels. In addition, the Arrangement that occurred in 2003 resulted in the assets and liabilities of the Trust being recorded at the historical net book values recorded by Old Fording. At

the time of the Arrangement, the market capitalization of the Trust was $1.4 billion and its net book value was $300.0 million. If the assets had been revalued at that time, the relative impact of cash distributions on unitholders' equity would not be as significant.

Foreign currency translation adjustments

	As at December 31			
(millions of Canadian dollars)		**2004**		2003
Balance - beginning of year	**$**	**13.4**	$	34.5
Change in foreign currency translation rates on foreign subsidiaries		**(5.9)**		(21.1)
Balance - end of year	**$**	**7.5**	$	13.4

Earnings per unit

In calculating diluted earnings per unit, net income remains unchanged from the basic earnings per unit calculation and the number of units outstanding is increased for the dilutive effect of outstanding unit options. The treasury stock method is used to determine the dilutive effect of unit options and other dilutive instruments. The weighted average number of units outstanding in 2004 for purposes of calculating earnings per unit on a basic and fully diluted basis was 48.5 million units (2003 - 47.4 million; 2002 - 51.4 million).

Earnings per unit are calculated based upon a continuity of interest from Old Fording to the Trust. The effect of this is to treat shares and units interchangeably.

For the year ended December 31, 2002, the dilutive effect of 0.2 million stock options was excluded from the diluted earnings per shares calculations on the basis that they would have been anti-dilutive to the loss per share.

The Trust has three unit-based compensation arrangements, including an exchange option plan, an employee unit purchase plan and a unit equivalent plan for Trustees and Directors. Certain exchange options also have accompanying unit appreciation rights. These plans resulted in compensation expense of $2.3 million in 2004 (2003 - $0.9 million; 2002 - $3.4 million).

Exchange Option Plan

Under the Arrangement, all options to purchase common shares of Old Fording were exchanged for options to purchase units of the Trust under the exchange option plan. The Trust has not granted any options since its formation.

	Unit Options		Stock Options		Directors Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Options - Jan. 1, 2003	-	$ -	695,188	$ 19.73	80,000	$ 25.28
Exchanged for unit options	713,210	18.35	(633,210)	20.48	(80,000)	25.28
Exercised	(624,498)	18.93	(41,769)	11.83	-	-
Cancelled or expired	(3,394)	6.78	(20,209)	12.72	-	-
Outstanding - Dec. 31, 2003	85,318	14.56	-	-	-	-
Exercised	(34,386)	16.19	-	-	-	-
Cancelled or expired	(2,985)	7.84	-	-	-	-
Outstanding - Dec. 31, 2004	47,947	$ 13.81	-	$ -	-	$ -

At December 31, 2004, the details of options outstanding, all of which are exercisable, were as follows:

Range of Exercise Prices	Number Outstanding and Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$ 7 - 10	22,972	4.0	$ 9.08
11 - 13	14,405	2.9	11.74
18 - 28	10,570	7.3	26.92
$ 7 - 28	47,947	4.4	$ 13.81

Employee Unit Purchase Plan

An employee unit purchase plan is in place whereby contributions by employees of the Corporation and EVCP are used to purchase units of the Trust on the open market for the employee. The cost of the plan is included in the compensation expense, and is recognized over a one-year vesting period.

The plan allows all employees to contribute up to 6% of their base earnings while the employer contributes $1 for every $3 contributed by the employee.

The total number of units purchased on behalf of the employees, including the employer's contributions, was 32,619 units (2003 - 62,910 units; 2002 - 134,693 units) with the Trust's portion costing $0.3 million (2003 - $0.3 million; 2002 - $1.3 million).

Unit Equivalent Plan

A unit equivalent plan is in place for Trustees and Directors. Trustees and Directors receive a portion of their compensation in unit equivalents. The unit equivalents are granted at fair market value, which is determined using the five-day weighted average trading price of a unit immediately preceding the award date and vest over a one-year period. There were 7,856 units awarded during the year (2003 - 20,790 units). The total charge to income for the year was $2.0 million (2003 - $0.6 million) and included the cost of vested unit equivalents and any changes in the fair value of the units during the year.

	Years ended December 31		
(millions of Canadian dollars)	**2004**	2003	2002
Interest and investment income	**$ 3.1**	$ 4.9	$ 0.1
Change in inventory valuation *(note 3)*	**10.8**	-	-
Provision for asset write-down	**-**	-	(140.0)
Other	**3.1**	1.2	-

	$	**17.0**	$	6.1	$	(139.9)

Provision for asset write-down

In 2002, Old Fording assessed the recoverability of its investment in the NYCO operations in Mexico following a history of operating losses and uncertainty around future improvement. The projected undiscounted future net cash flows of these assets were less than the carrying value. Accordingly, a provision for asset impairment of $140.0 million was recorded. Estimates of undiscounted future net cash flows are subject to significant uncertainties and assumptions, therefore actual results could vary significantly from such estimates. The excess of tax basis over net book value created by the write-down was not recognized. The only tax effect recognized on the write-down was the reversal of a $2.8 million future tax liability associated with related assets recorded in Canada. The write-down has been reflected in the asset balance of the NYCO segment in note 18.

	Years ended December 31					
(millions of Canadian dollars)		**2004**		2003		2002
Corporate reorganization						
Reduction of interest in EVCP	**$**	**(37.5)**	$	-	$	-
Gain on sale of interest in EVCP		**-**		70.7		-
Reorganization costs related to the Arrangement		**-**		(22.0)		(11.5)
	$	**(37.5)**	$	48.7	$	(11.5)
Discontinued operations						
Gain on sale of assets, net of taxes (2003 - $56.3)	**$**	**-**	$	76.0	$	-
Earnings prior to disposal, net of taxes (2003 - $1.4; 2002 - $6.0)		**-**		2.7		18.9
	$	**-**	$	78.7	$	18.9

Reduction of interest in EVCP

EVCP was initially owned 65% by the Trust and 35% by Teck Cominco, the Managing Partner. The agreement governing EVCP provided for an increase in Teck Cominco's interest to a maximum of 40% to the extent that synergies from the combination of various metallurgical coal assets contributed to EVCP exceed certain target levels. The June 2004 report of an independent expert engaged by the partners concluded that sufficient synergies had been realized to increase Teck Cominco's interest to 40%.

The Trust and Teck Cominco agreed that substantial synergies were achieved. As a result, the partners agreed that the Trust's distribution entitlement was reduced to 62% effective April 1, 2004, and will be reduced to 61% on April 1, 2005, and 60% on April 1, 2006, as the benefits of synergies flow through to unitholders. Teck Cominco's entitlements will increase correspondingly over the same period.

A net $37.5 million non-cash charge to earnings was recorded in the second quarter of 2004 to account for the entire 5% reduction of the Trust's interest in EVCP. This charge was reduced by an estimate of cash to be received for the 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 next two years.

Results of operations commencing with the second quarter of 2004 reflect the Trust's 60% interest in EVCP, while results from February 28, 2003 to March 31, 2004 include the 65% interest.

Gain on sale of interest in EVCP

During 2003, the Corporation contributed its metallurgical coal assets, which included Old Fording's interests in its three mines and the metallurgical coal assets purchased from the Luscar/CONSOL joint ventures, and the liabilities and obligations related to these assets, in exchange for a 65% interest in EVCP and $125.0 million as part of the Arrangement. This transaction resulted in a $70.7 million gain to the Trust.

The Trust incurred costs of $22.0 million in 2003 and $11.5 million in 2002 related to the Arrangement.

Discontinued operations

During 2003, the Prairie assets of Old Fording were sold for cash consideration of $225.0 million plus an amount on account of working capital and the grant of a royalty on future expansion of production from certain of the assets beyond current levels of up to 5% of gross revenue from such expansion. This sale resulted in a $132.3 million gain, before taxes of $56.3 million. These assets have been classified as discontinued operations.

The income net of taxes from these operations for 2003 prior to the sale was $2.7 million and $18.9 million in 2002.

During 2002 the Corporation expensed $8.2 million of capitalized costs relating to a proposed power project. Due to the state of economic and environmental uncertainties in the power industry the future recovery of the project costs was uncertain. This project is part of discontinued operations in 2002.

Changes in non-cash working capital

	Years ended December 31		
(millions of Canadian dollars)	**2004**	2003	2002
Decrease (increase) in current assets			
Accounts receivable	**$ (6.2)**	$ (20.4)	$ 6.8
Inventory	**18.6**	44.5	(32.9)
Prepaid expenses	**(0.9)**	7.3	(3.4)
Increase (decrease) in current liabilities			
Accounts payable, excluding capital accruals	**47.2**	9.3	(3.5)
Other	**5.5**	(4.8)	1.5
	$ 64.2	$ 35.9	$ (31.5)

Financing activities related to distributions and dividends

	Years ended December 31		
(millions of Canadian dollars)	**2004**	2003	2002
Distributions declared	**$ (213.5)**	$ (210.3)	$ -
Dividends declared	**-**	-	(28.2)
Increase in distributions payable	**16.8**	46.9	-
Distributions or dividends paid	**$ (196.7)**	$ (163.4)	$ (28.2)

Interest in joint ventures

A portion of the Corporation's mining activities are conducted through its interests in joint ventures. As disclosed in note 2, these are accounted for on a proportionate consolidation basis. The financial statements include the Corporation's proportionate share of joint venture activities as follows but do not include results from discontinued operations that were conducted through joint ventures.

	Years ended December 31		
(millions of Canadian dollars)	**2004**	2003	2002
Revenues	**$ 1,089.7**	$ 866.8	$ 101.3
Operating and other expenses	**930.2**	761.1	101.3
Net income	**$ 159.5**	$ 105.7	$ -

Current assets	**$**	**224.1**	$	188.5	$	26.3
Long-term assets		**559.3**		574.0		117.9
Current liabilities		**127.2**		82.2		11.1
Long-term obligations		**93.1**		86.5		-
Cash from operating activities		**263.0**		174.9		8.1
Cash used in (from) financing activities		**(60.6)**		(24.7)		(17.5)
Cash used in investing activities		**(161.1)**		(133.1)		25.6

Cash transactions

The following amounts are actual cash outlays made during the respective periods and will not agree with amounts reported on the financial statements due to accruals.

		Years ended December 31				
(millions of Canadian dollars)		**2004**		2003		2002
Income taxes paid	**$**	**21.1**	$	26.2	$	59.1
Interest paid	**$**	**13.3**	$	15.3	$	5.5

Subsequent to the Arrangement, EVCP entered into an agreement with its Managing Partner for the provision of certain management services in the ordinary course of business. EVCP also sells coal to the Managing Partner at market prices. The Trust's share of related party revenues for 2004 were $3.1 million (2003 - $1.8 million). Cost of sales included $0.7 million (2003 - $0.8 million) and selling, general and administrative expense included $0.3 million (2003 - $0.1 million). Also, EVCP accepted the transfer of the Quintette mine assets and purchased certain other assets of the Managing Partner related to the Quintette mine on December 31, 2004. The purchased assets were aquired at fair market value, and the Trust's share of the cost was $1.3 million. The transfer of Quintette mine assets, including the real property, coal leases, permits and licenses was provided for in the Arrangement and was to occur when the Managing Partner had completed the reclamation of the mine site. EVCP agreed to an earlier transfer of the Quintette mine assets before reclamation was completed in return for an agreement by the Managing Partner to complete the reclamation and provide EVCP with an indemnity against any liability arising from the early transfer. Related party receivables and payables with the Managing Partner were $0.4 million and $0.2 million respectively at December 31, 2004.

EVCP makes shipments of coal through Neptune Terminals in the normal course of operations, on a cost of service basis. The Trust's share of these costs are included in transportation and other costs and totalled $8.7 million during 2004 (2003 - $8.3 million). Related party receivables and payables related to this entity were $0.2 million and $2.0 million respectively at December 31, 2004.

(millions of Canadian dollars)	Elk Valley Coal			NYCO			Corporate			**Total**		
	2004	2003	2002	**2004**	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Earnings												
Revenues	**$ 42.0**	$ 37.3	$ 40.5	**$ -**	$ -	$ -	**$ -**	$ -	$ -	**$ 42.0**	$ 37.3	$ 40.5

Canada domestic												
Canada export	**1,076.4**	958.3	773.3	**-**	-	-	**-**	-	-	**1,076.4**	958.3	773.3
Foreign	**-**	-	-	**49.1**	48.1	55.7	**-**	-	-	**49.1**	48.1	55.7
	1,118.4	995.6	813.8	**49.1**	48.1	55.7	**-**	-	-	**1,167.5**	1,043.7	869.5
Cost of product sold	**(428.2)**	(422.0)	(310.7)	**(26.2)**	(26.8)	(30.8)	**-**	-	-	**(454.4)**	(448.8)	(341.5)
Transportation and other	**(442.2)**	(378.4)	(318.4)	**(7.0)**	(6.2)	(7.9)	**-**	-	-	**(449.2)**	(384.6)	(326.3)
Selling, general and administration	**(20.3)**	(14.9)	(8.6)	**(5.2)**	(5.6)	(6.7)	**(7.3)**	(5.4)	(7.2)	**(32.8)**	(25.9)	(22.5)
Depreciation and depletion	**(53.0)**	(53.0)	(51.6)	**(5.0)**	(5.7)	(10.7)	**(2.7)**	(2.6)	(1.6)	**(60.7)**	(61.3)	(63.9)
Income (loss) from operations	**174.7**	127.3	124.5	**5.7**	3.8	(0.4)	**(10.0)**	(8.0)	(8.8)	**170.4**	123.1	115.3
Interest expense	**(1.1)**	(2.1)	-	**(0.1)**	(0.1)	(0.5)	**(11.6)**	(12.9)	(5.1)	**(12.8)**	(15.1)	(5.6)
Other income (expense)	**12.3**	1.8	0.1	**0.5**	-	(133.3)	**4.2**	4.3	(6.7)	**17.0**	6.1	(139.9)
Corporate reorganization	**-**	-	-	**-**	-	-	**(37.5)**	48.7	(11.5)	**(37.5)**	48.7	(11.5)
Income taxes (expense) recovery	**15.4**	1.8	(49.0)	**(2.4)**	(2.4)	(0.9)	**-**	-	-	**13.0**	(0.6)	(49.1)
Income (loss) before discontinued operations	**$ 201.3**	$ 128.8	$ 75.6	**$ 3.7**	$ 1.3	$ (135.1)	**$ (54.9)**	$ 32.1	$ (32.1)	**$ 150.1**	$ 162.2	$ (90.8)
Assets Employed												
Canadian	**$ 785.9**	$ 853.9	$ 656.8	**$ -**	$ -	$ -	**$ 87.3**	$ 40.4	$ 116.4	**$ 873.2**	$ 894.3	$ 773.2
Foreign	**-**	-	-	**95.0**	105.1	136.2	**-**	-	-	**95.0**	105.1	136.2
Total	**$ 785.9**	$ 853.9	$ 656.8	**$ 95.0**	$ 105.1	$ 136.2	**$ 87.3**	$ 40.4	$ 116.4	**$ 968.2**	$ 999.4	$ 909.4
Capital Expenditures												
Canadian	**$ 71.6**	$ 11.0	$ 30.6	**$ -**	$ -	$ -	**$ -**	$ 7.5	$ 17.3	**$ 71.6**	$ 18.5	$ 47.9
Foreign	**-**	-	-	**1.2**	1.9	3.6	**-**	-	-	**1.2**	1.9	3.6
Total	**$ 71.6**	$ 11.0	$ 30.6	**$ 1.2**	$ 1.9	$ 3.6	**$ -**	$ 7.5	$ 17.3	**$ 72.8**	$ 20.4	$ 51.5

The Trust had two operating segments at the end of 2004, Elk Valley Coal, and NYCO.

Elk Valley Coal's principle activities are the mining and processing of metallurgical coal for export. Subsequent to February 28, 2003, this segment represents the Trust's indirect 65% interest in EVCP until April 1, 2004, and 60% interest thereafter. Prior to February 28, 2003, this segment was referred to as the Mountain Operations and consisted of three mines: Fording River, Greenhills and Coal Mountain.

NYCO mines and processes wollastonite and other industrial minerals at two operations in the United States and one operation in Mexico.

Corporate costs, hedging gains and losses, and other items recorded in the Corporation but related to a particular segment are included in that segment as appropriate.

Prior to February 28, 2003, Old Fording had a third operating segment. The Prairie Operations primarily mined thermal coal for mine-mouth power plants and collected royalties from third-party mining at Old Fording's mineral reserves. This operating segment was sold as part of the Arrangement and results have been reflected as discontinued operations for comparative purposes.

The Trust's reportable segments are distinct strategic business units that offer different products and services. They are managed separately due to the different operational and marketing strategies required for each segment. Information by segment is provided in the above table.

The accounting policies used in these operating segments are the same as those described in the summary of significant accounting policies in note 2. Total assets and additions to capital assets related to discontinued operations are included in corporate and other.

The number of customers who account for greater than 10% of revenues are as follows:

	Years ended December 31		
	2004	2003	2002
Number of customers contributing greater than 10% of metallurgical coal segment revenues	**1**	1	2
% of revenue from these customers	**10.2%**	10.3%	26.9%

Economic dependence

Substantially all of EVCP's export coal is transported to customers and port facilities by one rail company for which there are limited alternatives. Most of the EVCP's export sales were loaded through one port facility, for which there are limited cost-effective alternatives. The cost of securing additional facilities and services of this nature would significantly increase transportation and other costs. In addition, interruption of rail or port

services would significantly limit EVCP's ability to operate. To the extent that alternative sources of transportation and port services could be found, it would increase transportation and other costs.

The consolidated financial statements of the Trust have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada. The material differences between Canadian and United States GAAP (U.S. GAAP) relating to measurement and recognition are explained below, along with their effect on the Trust's statements of consolidated income and consolidated balance sheets. There are no material differences on the consolidated statements of cash flows. Certain additional disclosures as required under U.S. GAAP have not been provided as permitted by the rules of the Securities and Exchange Commission (SEC).

A) Derivative instruments and hedging

For U.S. GAAP purposes, the Trust adopted FASB Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities" (FAS 133) effective January 1, 2001. FAS 133 requires that all derivatives be recorded on the balance sheet as either assets or liabilities at their fair value. Changes in the derivatives' fair values are recognized in current period net income unless specific hedge accounting criteria are met. As of December 31, 2001, management had not designated any instruments as hedges for U.S. GAAP purposes under FAS 133. Effective January 1, 2002, the Corporation chose to designate all new foreign exchange forward contracts as hedges under FAS 133 and implement hedge accounting for those contracts. Forward contracts designated as hedges will not impact current period earnings under U.S. or Canadian GAAP.

B) Start-up costs

U.S. GAAP requires that expenses associated with the start-up of an operation be recognized in income during the period that the costs are incurred. Under Canadian GAAP, start-up costs are capitalized and amortized over future periods.

C) Employee future benefits

In accordance with FASB Statement No. 87 "Employers' Accounting for Pensions" an additional pension liability was recorded for underfunded pension plans representing the excess of unfunded accumulated benefit obligations over the pension assets recorded under Canadian GAAP. The increase in liabilities required for U.S. GAAP is charged or credited to other comprehensive income net of related income taxes.

D) Comprehensive income

FASB Statement No. 130 "Reporting Comprehensive Income" requires the disclosure, as other comprehensive income, of the change in equity from transactions and other events from non-owner sources during the period. Canadian GAAP does not require similar disclosure. Other comprehensive income arose from foreign currency translation, minimum pension liability adjustments and unrealized gains on hedges.

E) Asset retirement obligations

In June 2001, FASB issued Statement No. 143, "Accounting for Asset Retirement Obligations" (FAS 143). In January 2004 the Trust adopted CICA Handbook Section 3110, "Asset Retirement Obligations", which brings Canadian GAAP substantially in line with U.S. standards. However, the Trust adopted FAS 143 for the year beginning January 1, 2003, thus net income and balance sheets adjustments were required under U.S. GAAP to recognize the cumulative effect of the application of the standard.

Certain 2003 comparative figures, with regards to FAS 143 have been restated to reflect changes in the cumulative effect of the application of FAS 143 and goodwill. The change corrects the retroactive application of accounting for asset retirement obligations. This results in a decrease in goodwill of $5.7 million and a decrease in the cumulative effect of the application of FAS 143 for the same amount.

F) Stock-based compensation

Under FASB Interpretation No. 44 "Accounting for Certain Transactions involving Stock Compensation", a compensation expense must be recorded if the intrinsic value of stock options is not exactly the same immediately before and after an equity restructuring. Options to purchase units in the Trust and, prior to the reorganization, options to purchase shares in Old Fording had a different intrinsic value before and after going public. Canadian GAAP does not require revaluation of these options. The additional expense required under U.S. GAAP increases other paid in equity.

G) Joint ventures

U.S. GAAP requires investments in joint ventures to be accounted for under the equity method, while under Canadian GAAP, the accounts of joint ventures are proportionately consolidated. However, under rules promulgated by the SEC, a foreign registrant may, subject to the provision of additional information, continue to follow proportionate consolidation for the purposes of registration and other filings notwithstanding the departure from U.S. GAAP. Consequently, the consolidated balance sheets have not been adjusted to restate the accounting for joint ventures under U.S. GAAP. Additional information concerning the Trust's interests in joint ventures is presented in note 16. There are no material differences between the information in note 16 prepared under Canadian GAAP and U.S. GAAP.

H) Disclosure of Guarantees

FASB Interpretation No. 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45) elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end.

The disclosure requirements in this Interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. There is no impact on disclosure made by the Trust as a result of this interpretation.

I) Variable interest entities

FIN 46, "Consolidation of Variable Interest Entities," provides guidance for applying consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests. FIN 46 is effective for fiscal years beginning on or after January 1, 2004. The Trust has evaluated the principles within the guidance for this standard and determined that there are no implications to the reporting practises of the Trust.

J) Consolidated Statement of Cash Flows

Under U.S. GAAP, separate subtotals within operating, financing and investment activities would not be presented.

Net income is reconciled from Canadian to U.S. GAAP in the following manner:

(millions of Canadian dollars)	REF		Years ended December 31 **2004**		2003		2002
Net income (loss) - Canadian GAAP		**$**	**150.1**	$	240.9	$	(71.9)
Increased (decreased) by							
Derivative instruments - foreign exchange forward contracts	A		**(27.5)**		167.5		78.5
Start-up costs	B		**(3.9)**		-		-
Stock-based compensation expense	F		**-**		(3.3)		(1.8)
Accretion expense	E		**-**		-		0.5
Depreciation expense	E		**-**		-		1.3
Income tax (expense) recovery on the above items			**12.7**		(67.9)		(23.9)
Income (loss) before cumulative effect of the application of FAS 143			**131.4**		337.2		(17.3)
Cumulative effect of the application of FAS 143 net of tax of $4.6 million	E		**-**		6.7		-
Net income (loss) - United States GAAP		**$**	**131.4**	$	343.9	$	(17.3)
Other comprehensive income							
Pension costs net of tax of $2.5 million (2003 - $0.6; 2002 - $3.5)	C	**$**	**(3.7)**	$	0.9	$	(4.7)
Unrealized gain (loss) on derivative instruments - foreign exchange forward contracts net of tax of $7.9 million(2003 - $36.7; 2003 - $2.6)	A		**11.7**		49.8		(3.6)
Foreign currency translation adjustments	D		**5.9**		(21.1)		(2.8)
Comprehensive income (loss)		**$**	**145.3**	$	373.5	$	(28.4)
Basis and diluted earnings (loss) per share		**$**	**3.00**	$	7.88	$	(0.34)

Had the consolidated balance sheets been prepared under U.S. GAAP, the balances would have been higher (lower) under U.S. GAAP as follows:

(millions of Canadian dollars)	REF		As at December 31 **2004**		2003
Assets					
Current assets					
Derivative instruments - foreign exchange forward contracts	A	**$**	**85.6**	$	61.6
Non-current assets					
Capital assets	B/E		**(3.9)**		(0.8)
Derivative instruments - foreign exchange forward contracts	A		**30.8**		62.5

Total assets		**$**	**112.5**	$	123.3
Liabilities and unitholders' equity					
Deferred liabilities					
Pension liability	C		**13.4**		7.2
Deferred income tax liability			**40.2**		47.0
			53.6		54.2
Unitholders' equity					
Other paid-in capital	F		**-**		8.3
Foreign currency translation adjustments	D		**(7.5)**		(13.4)
Accumulated other comprehensive income	D		**51.5**		43.9
Accumulated earnings			**14.9**		30.3
			58.9		69.1
Total liabilities and unitholders' equity		**$**	**112.5**	$	123.3

Exhibit C
2004 Management Discussion and Analysis.

Management's discussion and analysis

TABLE OF CONTENTS

Forward-looking

information

This annual report, including management's discussion and analysis, 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 (the Trust) expectations, intentions, plans and beliefs. Forwardlooking information can often be identified by forwardlooking 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 magnitude of the Trust's interest in the Elk Valley Coal Partnership (Elk Valley Coal); the effectiveness of the managing partner of Elk Valley Coal 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 the geology of mineral deposits; uncertainty of estimates of their size or composition; uncertainty of projections relating to costs of production and 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 on pages 60 to 68 and in the Trust's public filings with the Canadian securities regulatory authorities, including its most recent management information circular, annual information form, 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, including its annual information form are available at www.sedar.com. The Trust's U.S. public filings are available at www.sec.gov. 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.

THIS management's discussion and analysis, dated March 2, 2005, is a year-over-year review of the activities, results of operations, liquidity and capital resources of the Trust and its subsidiaries on a consolidated basis. The Plan of Arrangement (Arrangement) that established the Trust has been accounted for as a continuity of interests whereby the Consolidated Financial Statements reflect the financial position, results of operations and cash flows as if the Trust had always carried on the businesses formerly carried on by its predecessor company, Fording Inc., being the public company existing prior to the Arrangement (Old Fording). All assets and liabilities are recorded at historical cost. These financial statements reflect the results of operations and cash flows of Old Fording to February 28, 2003 and the results of operations and cash flows of the Trust thereafter. The Trust has accounted for its interest in Elk Valley Coal as a joint venture, using the proportionate consolidation method of accounting. Due to the conversion into an income trust, the resulting change in assets, and the reduction of the Trust's interest in Elk Valley Coal, which is discussed below, certain information included in the consolidated financial statements for prior periods may not be directly comparable to information subsequent to that date.

The information in this management's discussion and analysis should be read together with the Consolidated Financial Statements, the notes thereto and other public disclosures of the Trust and Old Fording. Additional information relating to the Trust, including the Trust's annual information form, is available on SEDAR at www.sedar.com. The Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada. These principles conform in all material respects with GAAP in the United States, except as disclosed in note 19 to the Consolidated Financial Statements.

The Trust reports its financial information in Canadian dollars and all monetary amounts set forth herein are expressed in Canadian dollars unless specifically stated otherwise.

NON-GAAP FINANCIAL MEASURES

This management's discussion and analysis refers to certain financial measures that are not determined in accordance with GAAP in Canada or the United States. These measures do not have standardized meanings and may not be comparable to similar measures presented by other trusts or corporations. Although such measures as cash available for distribution, distributable cash and net income before unusual items, future income taxes and discontinued operations do not have standardized meanings prescribed by GAAP, these measures are determined by reference to our financial statements. We discuss these measures, which have been applied on a consistent basis, because we believe that they facilitate the understanding of the results of our operations and financial position.

FORDING CANADIAN COAL TRUST

The Fording Canadian Coal Trust is an open-ended mutual fund trust created pursuant to a declaration of trust and governed by the laws of Alberta. The Trust was established in connection with the Arrangement that became effective on February 28, 2003. It is one of the largest income trusts in Canada, and its units are publicly traded in Canada on the TSX (FDG.UN) and in the United States on the NYSE (FDG).

The Trust does not carry on any active business. Through its wholly owned operating subsidiary, Fording Inc., the Trust holds a 62% interest in the metallurgical coal operations owned by Elk Valley Coal Partnership and a 100%

interest in the industrial mineral operations owned by the NYCO companies. The Trust uses the cash it receives from these investments to make quarterly distributions to its unitholders.

At the time of the Arrangement, the Trust had a 65% interest in Elk Valley Coal. The partnership agreement permitted Teck Cominco to increase its interest in Elk Valley Coal by achieving a certain level of synergies considered to the advantage of the partners through its management of the partnership assets. Teck Cominco achieved the synergy objectives and the partners agreed that the Trust's interest would be reduced to 62% effective April 1, 2004 and will be reduced to 61% on April 1, 2005, and to 60% on April 1, 2006.

The Trust has accounted for the entire 5% reduction in its interest in Elk Valley Coal in its financial results effective April 1, 2004. The estimated additional distribution entitlements of 2% for the year ended March 31, 2005 and 1% for the year ended March 31, 2006 will be included in cash available for distribution over the period ending March 31, 2006.

References to "we" and "our" in management's discussion and analysis are to the Trust and Fording Inc., and their consolidated interest in Elk Valley Coal and NYCO as the context requires.

ELK VALLEY COAL

Elk Valley Coal is a general partnership between Fording Inc. and affiliates of Teck Cominco. Teck Cominco is the managing partner of Elk Valley Coal and is responsible for managing its business and affairs. Our consolidated financial statements reflect our proportionate interest in Elk Valley Coal.

Elk Valley Coal is the second largest supplier of seaborne hard coking coal in the world, with approximately 20% of the global market in 2004. Hard coking coal is a type of metallurgical coal that is used primarily for making coke by integrated steel mills, which accounts for approximately 60% of worldwide steel production. The seaborne hard coking coal market is characterized 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 comparatively low cost of seaborne transportation.

Elk Valley Coal has six operating mines. It owns the Fording River, Coal Mountain, Elkview and Line Creek mines and an 80% interest in a joint venture which operates the Greenhills mine, all of which are located in the Elk Valley region of southeast British Columbia, and the Cardinal River mine in west central Alberta. Elk Valley Coal 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 as well as a 46% interest in Neptune Terminals in Vancouver, British Columbia.

Elk Valley Coal accounted for 96% of the Trust's revenues in 2004. Our results pertaining to Elk Valley Coal consist of our interest in the operations of the Fording River, Greenhills, Coal Mountain, Elkview, Line Creek and Cardinal River mines as well as corporate costs related to these operations. This also includes hedging gains and losses, and mineral taxes that are recorded in Fording Inc. but attributable to Elk Valley Coal's earnings.

NYCO

NYCO consists of subsidiaries of Fording Inc. that own wollastonite mining operations in New York State and Mexico and a tripoli mining operation in Missouri. NYCO is the world's leading producer of wollastonite.

Wollastonite is an industrial mineral that is used in the manufacture of automotive composites, adhesives and sealants, metallurgical fluxes, friction material, paints and corrosion-resistant coatings, fire-resistant construction wallboard, cement-based products and ceramics. Tripoli is an industrial mineral that is used primarily in buffing and polishing applications.

NYCO accounted for 4% of the Trust's revenues in 2004.

Overview

SUMMARY

(millions of dollars, except per unit amounts)		**2004**		2003		2002
Revenues	**$**	**1,167.5**	$	1,043.7	$	869.5
Income from operations		**170.4**		123.1		115.3
Net income (loss)		**150.1**		240.9		(71.9)
Add/subtract unusual items, future taxes and discontinued operations, net of income taxes						
Loss (gain) on corporate reorganization		**37.5**		(48.7)		11.5
Change in inventory valuation		**(10.8)**		-		-
Future income tax (recovery) expense		**(31.3)**		(22.0)		6.8
Provision for asset write-down		**-**		-		140.0
Net income (loss) from discontinued operations		**-**		(78.7)		(18.9)
Net income before unusual items, future income taxes and discontinued operations	**$**	**145.5**	$	91.5	$	67.5
Basic and diluted earnings (loss) per unit:						
Net income (loss)	**$**	**3.09**	$	5.08	$	(1.40)
Net income (loss) before discontinued operations		**3.09**		3.42		(1.77)
Net income before unusual items, future income taxes and discontinued operations		**3.00**		1.93		1.31
Cash distributions / dividends declared per unit1		**4.40**		4.49		0.55
Total assets		**968.2**		999.4		909.4
Total long-term debt		**205.2**		306.6		135.0
Coal sales *(millions of tonnes)*		**15.3**		15.3		12.3

Wollastonite sales *(thousands of tonnes)*	**82.0**	75.0	84.0

1 2002 includes dividends from Old Fording

Metallurgical coal prices increased in 2004 due to the growth of the worldwide steel industry, creating strong demand at a time when existing coal productive capacity was constrained due to various operational issues and little additional coal supply was available. This was caused primarily by the continued growth of China as an importer of seaborne hard coking coal (compared to prior years when it was a net exporter), the high production rates of European and Japanese steel mills and the absence of significant new coal supply emerging quickly enough to

meet new demand. These factors caused unprecedented market shortages for metallurgical coal throughout 2004, which created the potential for historic high prices for the 2005 coal year.

Our revenues from operations in 2004 increased 12% from the prior year to nearly $1.2 billion. Contributing significantly to these results were higher coal prices resulting from improved coal markets. Realized Canadian dollar coal prices increased due to higher U.S. dollar coal prices and gains on foreign currency hedges, despite a stronger Canadian dollar. Higher revenues were partially reduced by higher cost of product sold, transportation and other costs, and selling, general and administration expenses. Income from operations increased 38% to $170 million in 2004 from $123 million in 2003. Net income was $150 million in 2004, a decrease from $241 million in 2003, in which net income included gains from a number of unusual items, future income taxes and discontinued operations.

Total assets remained roughly the same over the three years as there were no major transactions that impacted assets other than the Arrangement. In 2003, the Arrangement resulted in the Trust disposing of the prairie thermal coal assets and decreasing our overall interest in the three Fording mines while adding an interest in the additional mines gained through the Arrangement. Variances in total long-term debt were caused by the increase in 2003 for purposes of the Arrangement and the decrease in 2004 from proceeds of the equity issue.

Management believes that net income before unusual items, future taxes and discontinued operations represents a more comparable measure of our earnings from ongoing operations than net income. We believe this measure facilitates the understanding of the results of our operations and financial position. In 2004 and 2003, results included unusual items related to the formation of the Trust, which had a pronounced effect on the comparability of our results. These items increased net income by $5 million to $150 million in 2004 and provided $149 million of 2003 net income, which was $241 million. Favourable adjustments in 2004 for future income taxes and changes related to new accounting rules that affected the valuation of inventory were offset somewhat by the reduction from the change of the Trust's interest in Elk Valley Coal arising from the achievement of synergies from the Arrangement. Gains on the reorganization into the Trust and the sale of discontinued operations combined with a positive adjustment for future income taxes impacted net income in 2003.

"One of the goals of the Arrangement was to unlock the value of the cash flows generated by Elk Valley Coal and NYCO."

One of the goals of the Arrangement was to unlock the value of the cash flows generated by Elk Valley Coal and NYCO. Distributable cash generally refers to the net cash received by the Trust that is available for payment to unitholders on a quarterly basis. Available cash generated by Fording Inc. is the primary contributor to distributable cash of the Trust.

For 2004, cash available for distribution was $182 million, or $3.82 per unit based on the number of outstanding units at the end of each quarter. This is an increase of 53% over 2003, our first year as a Trust, in which cash available for distribution was $119 million or $2.53 per unit for the ten months ended December 31, 2003. This contributed to total distributions paid of $214 million or $4.40 per unit in 2004 as compared with $210 million or $4.49 per unit in 2003. Two additional sources contributed cash amounts to payments to unitholders in 2003: a special distribution of $70 million or $1.50 per unit as part of

the Arrangement and a cash flow benefit from a reduction of coal inventories contributed a total of $40 million or $0.85 per unit to cash paid or payable to unitholders. Available cash carried over by Fording Inc. from 2003 was nearly $19 million. In 2002, dividends of $28 million or $0.55 per share were paid to shareholders of Old Fording.

CASH AVAILABLE FOR DISTRIBUTION

(millions of dollars)		**Year ended December 31 2004**		10 months ended December 31 2003[1]
Cash flows from operating activities	**$**	**269.5**	$	229.6
Add/deduct:				
Decrease in non-cash working capital		**(64.2)**		(99.5)
Sustaining capital expenditures		**(25.9)**		(8.7)
Capital lease payments		**(0.7)**		(1.3)
Other		**3.5**		(1.2)
Cash reserve		**-**		-
Cash available for distribution	**$**	**182.2**	$	118.9
Distributions declared and payable	**$**	**213.5**	$	210.3

1 The period from the formation of the Trust to December 31, 2003.

Strategy and Key Performance Indicators

"We're dedicated to delivering strong unitholder distributions

over the long-term."

Our overall goal is to provide strong unitholder distributions over the long-term. We accomplish this through the returns provided by our investments in Elk Valley Coal and NYCO, driven by their business strategies. Their strategy is to maintain solid, long-term customer relationships and efficient management of operations in order to grow the business, thereby increasing cash flows from operations. To implement this, they focus on minimizing costs, utilizing existing assets efficiently and carefully managing the market risk while prudently growing capacity.

Strategic priorities for both Elk Valley Coal and NYCO include:

- Developing the resource base to capitalize on opportunities for further growth;
- Expanding reserves to provide a long-term supply to the market;
- Controlling costs through a strong focus on efficient operations;
- Managing the business through price cycles;
- Strengthening relationships with existing customers;
- Diversifying the customer base to strengthen market position;
- Managing environmental performance to meet regulatory and public responsibilities; and
- Maintaining a strong focus on employee safety.

Key performance indicators relate to those things that Elk Valley Coal and NYCO can directly affect. Low cost operations and continuous improvement initiatives are both crucial indicators of their ability to provide long-term

value. Operations are measured by unit costs per tonne, plant yield and strip ratios. Continuous improvement initiatives are measured by mine and plant productivity gains and the ability to expand at opportune times. Sound environmental performance is demonstrated by controlling the impact of activities through practices and complying with applicable laws and regulations. Monitoring and assessing accidents and incidents provide ways to improve safety performance. These key performance indicators are continuously reviewed and monitored, as they are critical to the success of Elk Valley Coal's and NYCO's strategies for the future.

Increased sales revenues combined with efficient management of costs have an immediate impact on net income from operations. Being recognized as a valued supplier to customers and strengthening relationships with employees and communities are important aspects of the business for Elk Valley Coal and NYCO. However, it is the continuous focus on improving operations in the context of effective long-term mine plans that is key to the development of resources and ultimately, the profitability of the Trust.

Results of Operations

The financial results and financial statements of the Trust reflect the results of operations and cash flows of Old Fording to February 28, 2003 and the Trust's results of operations and cash flows thereafter. The financial results and financial position of the Trust include our indirect 60% interest in Elk Valley Coal and our 100% interest in NYCO. Due to the conversion into an income trust in 2003, the resulting change in assets effective February 28, 2003 and the reduction in our interest in Elk Valley Coal effective April 1, 2004, certain information for prior periods may not be directly comparable to information subsequent to that date. The corporate costs reflect general and administration expenses not allocated to specific business segments. Our interest in Elk Valley Coal accounts for the majority of our revenues, income from operations and net income.

ELK VALLEY COAL

Our metallurgical coal operations are conducted through our investment in Elk Valley Coal. Our interest in its operations continues to have the most influence on our financial results and financial position. These operations accounted for 96% of revenues in 2004, and 96% and 95% of revenues in 2003 and 2002, respectively.

VOLUMES AND PRICES	**2004**	2003	2002
Coal production *(millions of tonnes)*	**15.2**	14.4	13.3
Coal sales *(millions of tonnes)*	**15.3**	15.3	12.3
Average U.S.$ coal price *(per tonne)*	**$ 52.20**	$ 44.50	$ 46.30
Average CDN$ coal price *(per tonne)*1	**$ 73.10**	$ 64.60	$ 66.00

1 Includes the effects of foreign currency hedges

OPERATING RESULTS

(millions of dollars)	**2004**	2003	2002
Revenues	**$ 1,118.4**	$ 995.6	$ 813.8
Cost of product sold	**428.2**	422.0	310.7
Transportation and other	**442.2**	378.4	318.4
Selling, general and administration	**20.3**	14.9	8.6
Depreciation, depletion	**53.0**	53.0	51.6
Income from operations	**$ 174.7**	$ 127.3	$ 124.5

Approximately 60% of worldwide steel production is from integrated steel mills that depend on metallurgical coal as an integral input for making steel. There are three main categories of metallurgical coal. Hard coking coal forms high-strength coke, semi-soft coking coal produces coke of lesser quality, and pulverized coal for injection (PCI) is used for its heat value and is not typically a coking coal. Semi-soft and pulverized coals have lower sales values compared with hard coking coal due to the lower quality of these products. Nearly all of Elk Valley Coal's coal is hard coking coal. Historically only 5% to 10% of its production has been sold as thermal coal to industrial users or as pulverized coal for injection to steel mills.

Coal markets in 2004 were characterized by the continuation of the tight supply and demand balance experienced in late 2003. Demand for coking coal strengthened with the growth in global steel production, driven largely by a continued increase in net imports of seaborne hard coking coal by China and the high production rates of European and Japanese steel mills. This imbalance was further accentuated by stress on existing infrastructure to produce and transport new supplies of coal. This was combined with declining producer coal inventories, partially caused by production and delivery issues at some mines in Australia, the United States and Canada. As a result, integrated steel mills and coke producers around the world are finding it difficult to purchase sufficient quantities of coking coal, and traded coke supplies are not sufficient to meet high demand.

"Nearly all of Elk Valley Coal's production is hard coking coal, which forms high-strength, high-quality coke."

Elk Valley Coal is the second largest supplier of seaborne hard coking coal in the world, with approximately 20% of the global market in 2004. The other main producing regions of seaborne hard coking coal are Australia and the

United States. Principal competitors to Elk Valley Coal are centered in Australia and include the BHP Billiton / Mitsubishi Alliance which has approximately 30% of the global market, and Anglo American Plc. / Mitsui & Co. Ltd. and Xstrata Plc. which have, on a combined basis, about 15% of the global market. Generally, the coal products of Elk Valley Coal are comparable in quality with those of its competitors and perform well when blended by customers with other coals.

While Elk Valley Coal's sales volumes increased 9% in 2004, the Trust's share of total sales volumes was unchanged from 2003. This is due to the reduction in the Trust's interest in Elk Valley Coal and the associated increase in Teck Cominco's interest that resulted from the attainment of synergies.

The 12% increase in revenues in 2004 was due to higher coal prices driven by this strengthening in global demand. On a calendar-year basis, the U.S. dollar price of coal increased 17% in 2004 over 2003. The impact of higher U.S. dollar prices and foreign exchange hedging gains was partially offset by a higher effective U.S. / Canadian dollar exchange rate, resulting in a 13% increase in average Canadian dollar coal sales prices in 2004.

Almost all sales are free on board (FOB) to west coast posts. A certain portion is cost, insurance and freight (CIF). Elk Valley Coal pays the freight costs on CIF shipments, which are added to the sale price. Higher ocean freight rates paid in 2004 were passed on to customers purchasing the coal, increasing revenues slightly as compared to 2003. As these charges also proportionately increase transportation and other costs, there is no net impact to income from operations.

Almost all of Elk Valley Coal's coal sales are denominated in U.S. dollars, and the U.S. dollar weakened against many currencies in 2004, including the Canadian dollar. A weaker U.S. dollar reduces the amount Elk Valley Coal receives for its coal in Canadian dollar terms, serving to reduce revenues, net income and cash available for distribution. However, approximately 65% of the 2004 U.S. dollar exposure was hedged at about U.S.$0.68 cents, resulting in gains on the hedge contracts of $83 million, which helped offset the impact of the weakening U.S. dollar. The current outstanding foreign exchange forward contracts for the years 2005 through 2007 cover a smaller proportion of expected U.S. dollar revenues and can be found in note 11 to the consolidated financial statements.

COAL SALES BY REGION

(percent)	**2004**	2003	2002
Asia	**45**	46	52
Europe	**32**	31	34
North America	**15**	14	9
South America	**8**	9	5

"Diversification has reduced the risk of sales volume variability by accessing new markets and customers

for coal."

One of Elk Valley Coal's underlying strategies has been to diversify its customer base. It currently sells coal into most of the steel producing regions of the world serviced by seaborne coking coal, and continues to broaden its customer base. Diversification over time has reduced the risk of variability of sales volumes by increasing the number of customers served and accessing new markets for coal, thereby allowing Elk Valley Coal to raise its production levels. Diversification has also helped support coal sales volumes when certain markets have experienced depressed local or regional economic activity.

Sales to Chinese steel mills by Elk Valley Coal began in 2003 and continued to grow in 2004. While China is not, at this time, a large importer of seaborne coking coal, its incremental demand for this coal has contributed to the current tight supply situation in all of Elk Valley Coal's other markets.

Elk Valley Coal currently sells the majority of its coal through three-year evergreen contracts. The provisions of most of these contracts provide for the sale of a fixed volume each year, with prices determined annually, and multi-year termination notice periods. Evergreen contracts reduce some of the risk associated with sales and production volumes by providing a firm level of sales from year to year.

Historically, less than 10% of Elk Valley Coal's sales have been in the spot market. For the 2005 coal year, all expected production is required to meet existing contracts.

How Elk Valley Coal Mines

Elk Valley Coal's operations employ conventional open-pit mining techniques using large trucks and shovels. Overburden rock is drilled and blasted with explosives then loaded onto trucks by shovels and loaders and hauled outside of the pit. Once the overburden is removed, the raw coal is loaded onto trucks for transport to the coal preparation plant. These plants employ breakers, which size the raw coal and remove large rocks, wash the raw coal using conventional techniques, and then convey the clean coal to dryers.

Mine Operations

Movement of rock overburden and the extraction of raw coal constitute a significant portion of the unit cost of product sold because considerably more rock must be blasted and moved than there is coal to transport to the coal preparation plant. Certain key variables are carefully managed with a view to the long-term economic viability of the coal reserve.

- The strip ratio is the average volume of rock that must be moved for each tonne managed with a of clean coal produced and can vary from period to period around a long-term trend. A lower strip ratio normally reduces the unit cost of product sold. view to mine However, changing technology and the use of larger equipment may reduce mining costs, which could make higher strip ratios economic in the future and, in essence, increase recoverable coal.
- The haul distance is how far the trucks, on average, have to travel to move overburden. The haul distance impacts fleet size and productivity in the mine, and also influences the cost of mining and processing inputs, such as tires and fuel. Shorter haul distances lower the cost of product sold.
- Mine productivity is a measure of efficiency, stated in volume of rock and coal moved per eight-hour manshift. Higher productivity, which depends on such things as mine design, employee levels, fleet size, haul distance and equipment capacity, reduces the unit cost of product sold.

Plant Operations

Coal preparation plant processing includes the washing and drying of coal for sale. Washing coal removes impurities such as rock and ash. Drying the coal after washing reduces the moisture level of the coal in order to meet customers' specifications. Certain key variables related to processing coal are also carefully managed with a long-term view to mine operations.

- The percentage of clean product recovered to the amount of raw coal processed is referred to as yield. The yield achieved is a function of the raw coal being processed and the amount of ash included in the raw coal delivered by the mine operations. In the cleaning process, ash in the raw coal is removed to acceptable levels for the production of coke for the steel-making process. Generally, a higher yield lowers the unit cost of product sold.
- Plant productivity is a measure of the overall efficiency of the coal preparation plant and minesite functions. It is stated as the amount of clean coal produced per eight-hour manshift. In addition to factors that affect productivity in the mining operations, productivity for coal preparation plants is dependent upon plant design and overall employee levels.

Cost of Product Sold

	2004	2003	2002
Coal sales *(millions of tonnes)*	**15.3**	15.3	12.3
Coal production *(millions of tonnes)*	**15.2**	14.4	13.3
Cost of product sold *(millions of dollars)*	**$ 428.2**	$ 422.0	$ 310.7
Cost of product sold *(per tonne)*	**$ 28.00**	$ 27.50	$ 25.30

The cost of product sold includes expenses to move overburden and extract and clean coal for delivery to the port. It also includes other expenses such as engineering, exploration and the administration of the minesite.

On the whole, the cost of product sold for Elk Valley Coal is competitive with that of the average Australian producer; however, this can depend on a number of factors including the operations of a particular competitor and foreign currency exchange rates. Australian coking coal production is generally from open-cut mines using dragline and truck and shovel methods. Other production is from underground operations. The combined cost of product sold and transportation and other costs of Elk Valley Coal have generally compared favourably with competitors in the United States.

MINE OPERATING STATISTICS	**2004**	2003	2002
Total material moved *(millions of bank cubic metres)*	**144.2**	135.8	122.5
Strip ratio *(bank cubic metres per tonne of clean coal produced)*	**8.0**	8.4	8.2
Haul distance *(kilometres per haul)*	**2.7**	2.7	3.0
Mine productivity *(bank cubic metres per 8-hour manshift)*	**384.8**	373.4	406.3

PLANT OPERATING STATISTICS	**2004**	2003	2002
Coal production, net *(millions of tonnes)*	**15.2**	14.4	13.3
Yield *(percent)*	**67**	69	68
Plant productivity *(tonnes of clean coal produced per 8-hour manshift)*	**42.6**	39.6	44.0

Elk Valley Coal's current five-year integrated production plan covering all of its producing properties was developed to maximize cash flows while maintaining our infrastructure over the longer term. Overall, the operating results for its mines in 2004 demonstrated noticeable improvements in several areas.

Cost of product sold increased slightly over 2003 levels as a result of higher maintenance and mining costs. Unit cost of product sold increased by 2% due to higher mining and processing input costs as well as the decision to mine additional overburden during shutdowns to accelerate future coal release.

Higher steel prices for the year resulted in increasing costs for a number of steel-based products used to maintain the processing plants and mining equipment fleets. Also, higher crude oil prices translated into higher diesel costs, which represent a significant component of mine operating cost. These two factors combined with rising supply costs added pressure to cost of product sold in 2004.

The movement of additional overburden in anticipation of increased future production requirements increased 8% versus the previous period, resulting in additional mining costs in the period. By accelerating the movement of overburden in 2004, additional raw coal will become available for processing in the future. This will allow Elk Valley Coal to maximize coal production and capitalize on higher prices expected in 2005.

The impact of increased cost was partially offset by higher mine and plant productivity and a lower total strip ratio. The mines achieved higher productivity levels in 2004, moving 6% more material as compared with the previous year. The mines continued to operate at high capacity during the normal shutdown months to meet sales commitments.

Transportation and Other Costs

		2004		2003		2002
Sales volumes *(millions of tonnes)*		**15.3**		15.3		12.3
Transportation and other *(millions of dollars)*	**$**	**442.2**	$	378.4	$	318.4
Transportation and other *(per tonne)*	**$**	**28.90**	$	24.70	$	25.90

Transportation and other costs are made up of the cost of rail service to move coal to ports and to customers, port charges for handling, storage and loading of coal onto vessels, ocean freight and other costs that may be incurred such as coal testing fees and demurrage charges for vessel waiting times. Rail costs are significant because most of Elk Valley Coal's coal is shipped to west coast ports that are in excess of 1,100 kilometres from the mines. Distances to customers in eastern North America are even greater, which is reflected in the sales price charged by Elk Valley Coal. Total transportation and other costs fluctuate with variances in coal sales volumes and the cost of transportation services and, accordingly, rose 17% in total as compared with 2003.

The usual terms of seaborne coal sales result in customers taking possession of the coal once it is loaded onto the vessels at the port. Elk Valley Coal's customers typically arrange and pay for ocean freight and off loading from vessels. In some cases, Elk Valley Coal pays these costs and includes the charges in the sales price. Higher ocean freight rates increased transportation and other costs in 2004.

Ocean freight rates depend on a number of factors including destination and vessel size. Ocean freight costs from Australia into European, south Asian and South American markets tend to be slightly less than those from Canada. Costs for ocean freight into Japan and Korea are normally similar for production from either Canada or Australia. United States production, which primarily originates in the eastern United States, normally has an ocean transportation advantage over Canada and Australia into Europe and eastern South America. In turn, Australian producers have a rail freight advantage over Canada as a result of being located

closer to port facilities and having lower transportation and other costs. The potential impact of rising coal prices on port and rail costs could affect Elk Valley Coal's transportation and other costs and overall competitiveness to other producers in the future.

"A portion of port rates is tied to the change in the Canadian dollar price of coal-year sales."

Transportation and other costs per tonne were up 17% in 2004, largely due to higher port rates combined with a contingency provision for disputed rail rates. A portion of Elk Valley Coal's port rates are tied to the increase in the Canadian dollar price of coal before taking into account any hedging gains or losses.

In addition, Elk Valley Coal is accruing a reasonable provision for potentially higher rail costs relating to a contract dispute with Canadian Pacific Railway Company (CPR), the exclusive rail service provider for the shipment of coal from the five Elk Valley mines to the ports in Vancouver. Legal proceedings have been initiated in both the Alberta Courts and the Canadian Transportation Agency. In January 2005, Elk Valley Coal and CPR agreed to engage in a confidential non-binding mediation process to attempt to resolve the dispute; discussions are ongoing at the time of this report.

Total demurrage charges were $22 million in 2004, of which our share was $13 million. Higher demurrage charges were largely due to difficulties experienced with rail shipments resulting in low inventories at the ports and significant delays with vessel loading during the first quarter.

Other Elk Valley Coal Costs

Selling, general and administration costs include costs of marketing products, commissions on sales and certain corporate costs not allocated to the mine operations. These costs increased by 36% in 2004 due mainly to a $7 million charge for severance benefits pursuant to change in control agreements with certain former senior executive employees.

Significant Developments in 2004

In 2004, Elk Valley Coal received approval from the Trust and Teck Cominco, its two owners, to proceed with the development of the Cheviot Creek pit at the Cardinal River operations, which is expected to cost $120 million. All licenses and approvals have been received, and the first coal was produced in the fourth quarter. Development of the pit is progressing towards its target production level of 2.8 million tonnes annually; however increased activity in the global mining industry is resulting in delays in deliveries of equipment from manufacturers. While some delays have occurred, it is anticipated that the full annual production rate will be achieved as anticipated during the third quarter of 2005. The Trust's share of annual production from this project is 1.7 million tonnes at a cost of $72 million, of which $46 million was spent in 2004.

Plant expansion commenced at the Fording River operations in the fourth quarter of 2004. Approximately $18 million will be spent to expand processing capacity by 1.0 million tonnes to 10.5 million tonnes of coal per year, the majority of which will be spent in 2005. With plant expansion underway, the remaining capital will be spent to increase the mine capacity by the end of the second quarter of 2005 in order to utilize plant capacity. It will cost us approximately $11 million to increase our share of production by 0.6 million tonnes from this project.

In December, Elk Valley Coal entered into letters of intent with POSCO and Nippon Steel Company, two major steel producers, which contemplate 10-year sales contracts covering an aggregate of 4.9 million tonnes per year for 2005, increasing to 6.3 million tonnes per year for the 2007 coal year onwards. In addition, each company will acquire a 2.5% equity investment in the Elkview mine for aggregate proceeds of U.S.$50 million. The equity investment will be used to increase the annual production capacity of the Elkview mine by 1.0 million tonnes to 7.0 million tonnes of coal by the end of 2007, of which our share is approximately 4.0 million tonnes. The transactions, which are subject to due diligence, the negotiation and settlement of binding agreements and other customary conditions, are expected to be completed during the second

quarter of 2005 with expansion proceeding thereafter. The completion of this transaction is expected to result in a pre-tax gain of approximately $25 million on closing.

NYCO

VOLUMES AND PRICES		2004		2003		2002
Sales *(thousands of tonnes)*		**82**		75		84
Average sales price *(U.S.$ per tonne)*	**$**	**425**	$	429	$	373

OPERATING RESULTS *(millions of dollars)*		2004		2003		2002
Revenues	**$**	**49.1**	$	48.1	$	55.7
Cost of product sold		**26.2**		26.8		30.8
Transportation and other		**7.0**		6.2		7.9
Selling, general and administration		**5.2**		5.6		6.7
Depreciation and depletion		**5.0**		5.7		10.7
Income (loss) from operations	**$**	**5.7**	$	3.8	$	(0.4)

NYCO consists of subsidiaries of Fording Inc. that own wollastonite mining operations in New York State and Mexico and a tripoli mining operation in Missouri. NYCO is the world's leading producer of wollastonite, a specialized industrial mineral mined using open-pit methods and processed for use in numerous applications. These include automotive composites, adhesives and sealants, metallurgical fluxes, friction material, paints and corrosion-resistant coatings, fire-resistant construction wallboard, cement-based products and ceramics. Tripoli, also mined by open-pit methods and processed for sale, is primarily used in buffing and polishing applications. Revenues from NYCO accounted for 4% of our revenues in 2004, and 4% and 5% of our revenues in 2003 and 2002, respectively.

Sales of low-value wollastonite products continued to face intense results in 2004." competition in 2004, but sales of high-value products for the automotive and industrial coatings industries increased. Income from NYCO increased 50% from the previous year to $6 million for 2004. Increased sales volumes, new product development and lower cost of product sold were the main contributing factors, partially offset by a higher U.S. / Canadian exchange rate compared to 2003. NYCO will continue to focus on mid- and high-value products, and it is active in identifying new products and applications.

CORPORATE

CORPORATE COSTS *(millions of dollars)*		2004		2003		2002
Selling, general and administration		**7.3**		5.4		7.2
Depreciation, depletion		**2.7**		2.6		1.6
Loss from operations	**$**	**10.0**	$	8.0	$	8.8

Corporate costs include general and administration expenses not allocated to specific business segments, and depreciation on corporate assets. Selling, general and administration expenses increased nearly $2 million to $7 million in 2004. This was primarily due to the re-evaluation of trust unit equivalents to reflect the increase in market value of the units granted to Directors and Trustees as part of their compensation.

Other Income and Expenses

Interest expense decreased almost $2 million to $13 million during 2004 mainly due to the $99 million reduction in debt from the proceeds of our equity issue in April 2004 and nearly $1 million of interest capitalized as part of the Cheviot Creek pit expansion at Cardinal River operations.

Other income and expense includes interest and investment income as well as miscellaneous income and expenses. New accounting rules that affected the valuation of inventories resulted in a change in accounting practices that was adopted in 2004, resulting in unusual income of $11 million, related to the inclusion of depreciation and depletion in the valuation of product inventories on hand at the start of the year. Other income in 2003 includes $5 million of interest earned on income tax reassessments.

Income Taxes

INCOME TAXES

(millions of dollars)		**2004**		2003		2002
Current income taxes:						
Canadian income taxes	**$**	**2.6**	$	5.7	$	20.7
Provincial mineral taxes and Crown royalties		**11.7**		14.6		21.3
Foreign income taxes		**4.0**		2.3		0.3
		18.3		22.6		42.3
Future income tax (recovery)		**(31.3)**		(22.0)		6.8
Total income taxes (recovery)	**$**	**(13.0)**	$	0.6	$	49.1

Total income taxes consist primarily of British Columbia mineral taxes and Alberta Crown royalties on the cash flows of Elk Valley Coal and, to a lesser extent, income tax related to NYCO, as well as applicable federal and provincial income taxes.

Five of Elk Valley Coal's six mines operate in British Columbia and are therefore subject to B.C. mineral taxes. British Columbia mineral tax is a two-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 regulations. A maximum tax rate of 13% applies to cash flows after taking available deductions for capital expenditures and other permitted deductions. While cash flows from Elk Valley Coal increased in 2004, mineral taxes and Crown royalties were lower due to higher capital expenditures.

The future income tax recovery in 2004 arose from the recognition of the benefit of net operating losses of Fording Inc. With the settlement of coal sales contracts for the 2005 coal year at significantly higher prices, management expects that the benefit of these loss carry forwards is likely to be realized. The recovery in 2003 resulted from the enactment of lower income tax rates.

With current expectations of high prices for the 2005 coal year, management anticipates a future tax liability will be accrued in 2005. This is more fully explained on page 53 in the 'Outlook' section.

FOURTH QUARTER 2004

Revenues of $324 million were 5% higher than the fourth quarter of 2003 mainly on the strength of higher coal sales prices, partially offset by lower volumes and a higher Canadian dollar. Cost of product sold decreased 12% to $115 million from $130 million in the fourth quarter of 2003 because of lower coal sales volumes, but rose on a per tonne basis mainly due to higher maintenance, and mining and processing input costs. Transportation

and other costs increased 9% to $127 million from $117 million in the fourth quarter of 2003 largely on higher rail and port costs for Elk Valley Coal.

Income from operations increased to $57 million during the fourth quarter compared with $37 million during the same period in 2003. Net income was $85 million in the fourth quarter, nearly triple the $31 million in 2003 due to a future income tax recovery to reflect the benefit of net tax operating losses of Fording Inc. Net income before unusual items, future income taxes and discontinued operations was $57 million in the fourth quarter of 2004 compared with $27 million in 2003. Cash available for distribution was $62 million, or $1.26 per unit. The distribution declared for the quarter totalled $64 million, or $1.30 per unit.

Operations

Fourth quarter revenues benefited from higher prices for the 2004 coal year, offset slightly by a higher effective U.S. / Canadian dollar exchange rate. Income from Elk Valley Coal increased 55% in the fourth quarter to $61 million due primarily to an increase in the average Canadian dollar sales price, offset by lower sales volumes and higher transportation costs. Sales volumes decreased in the fourth quarter of 2004 compared with 2003 as a result of two factors: the reduction in the Trust's interest in Elk Valley Coal and the reduction of high inventory levels in the fourth quarter of 2003. Unit cost of product sold increased 6% in the fourth quarter largely due to higher maintenance costs and costs for mining and processing inputs. Transportation and other costs increased to $126 million in the fourth quarter, up 9% over the same period in 2003. Higher rail and port rates combined with a contingency provision for disputed rail rates were the major contributors to the year-over-year increase.

Income from NYCO decreased in the fourth quarter due to a higher proportion of low-value wollastonite products sales combined with the impact of the weakening U.S. dollar. These factors contributed to a loss from operations compared with the $1 million of income from operations realized in the fourth quarter of 2003.

Other

Investing activities during the fourth quarter included capital expenditures of $27 million, of which approximately $12 million were sustaining and the balance was for development and start-up costs related to the Cheviot Creek pit at Cardinal River operations and plant expansion at Fording River operations. The major financing activity was payment of distributions of $54 million. In the fourth quarter, Fording Inc. entered into an additional $180 million of foreign exchange forward contracts for the 2005 and 2006 years. Our realized gains on foreign exchange included in revenues were $36 million compared with $19 million in 2003.

"Coal sales in 2003 increased due to stronger demand for Canadian metallurgical coal."

The Consolidated Financial Statements reflect the financial position, results of operations and cash flows as if the Trust had always carried on the businesses formerly carried on by Old Fording. Accordingly, this year-over-year analysis compares the 2003 results of operations for ten months as the Trust plus two months as Old Fording compared with 12 months as Old Fording for 2002.

Prior to February 28, 2003, Old Fording owned 100% of the Fording River and Coal Mountain mines, and 80% of the Greenhills mine with POSCO Canada Limited owning the remaining 20%. As part of the Arrangement, we exchanged our interests in these three mines for a 65% interest in Elk Valley Coal, which owns six producing mines consisting of Fording River, Greenhills (80%), Coal Mountain, Elkview, Line Creek and Cardinal River. This change in asset mix had an impact on the comparability of the operating and financial results of the metallurgical coal operations for 2003 with those for 2002.

Total revenues in 2003 were up 21% from the prior year due to a 24% increase in coal sales volumes resulting from increased demand in 2003 for Canadian metallurgical coal. Canadian dollar coal prices decreased only slightly because gains on foreign currency hedges largely offset the impacts of lower U.S. dollar coal prices and the adverse effects of the stronger Canadian dollar.

In 2003, cost of product sold increased over 2002 as a result of the higher sales volumes, the change in asset mix and the reduced interest in the three Old Fording mines that occurred with the Arrangement. Transportation and other costs decreased on a per unit basis as a result of reductions in rail and port rates driven by lower coal sales prices, moderated slightly by higher charges for vessel waiting times.

Net income in 2003 of $241 million was also impacted by significant gains, net of related expenses, resulting from the formation of the Trust and other aspects of the Arrangement as well as selling, general and administration expenses and interest on bank debt. The net loss of $72 million in 2002 resulted from a $140 million write-down of the value of the Mexico operations after several years of operating losses. Net income before unusual items, future taxes and discontinued operations increased 50% from 2002. This improvement reflects that, as an income trust, we have lower income taxes than as a common share corporation.

ELK VALLEY COAL

Revenues and sales volumes were up 22% and 24%, respectively, in 2003 compared with the prior year. Coal sales volumes increased due to stronger demand in 2003 and the benefits of the interest in the six mines owned by Elk Valley Coal in contrast to the three mines owned by Old Fording in 2002. U.S. dollar coal prices declined about 5% for the coal year commencing April 1, 2003, and 4% on a calendar-year basis. The impact of lower U.S. dollar prices and the stronger Canadian dollar was largely mitigated by foreign exchange hedging gains, resulting in a 2% reduction in average Canadian dollar sales prices from 2002.

Cost of product sold increased 36% as a result of the higher sales volumes and a 9% increase in unit cost of product sold. This increase reflected the change in asset mix with the addition of the three new mines and the reduced interest in the three Old Fording mines that occurred with the formation of Elk Valley Coal and the creation of the Trust. High strip ratios and low production levels at both the Line Creek and Cardinal River operations, especially during the first half of 2003, contributed to the high average unit costs, offset somewhat by shorter haul distances and a slightly better production yield from coal preparation plants.

Total transportation and other costs rose 19% due to higher sales volumes, but decreased 5% on a per unit basis.

Selling, general and administration expenses increased in 2003. This was due to the formation of the Trust and creation of Elk Valley Coal, which resulted in a change to the manner in which corporate costs were allocated to the operations compared with the prior year, and to costs incurred under change of control agreements upon the retirement and resignation of certain executive employees. Depreciation and depletion increased slightly from 2002 primarily due to higher production volumes.

NYCO

NYCO experienced reduced sales volumes, largely due to the global oversupply of wollastonite. Offsetting this to some degree were lower unit costs and an increase in the average sales price, which was primarily a result of its product mix and the focus on the mid- and high-value market. The improved income from operations for the year was mainly due to lower depreciation and depletion expense, caused by the impact of the write-down of the Mexico operation during the fourth quarter of 2002.

CORPORATE

Selling, general and administration expenses in 2003 decreased 25% compared with the prior year. This was due to the formation of the Trust and creation of Elk Valley Coal, which resulted in a change to the manner in which

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corporate costs were allocated to the various operations compared with the prior year. Net interest expense increased to $13 million in 2003 from $5 million in 2002 due to higher debt levels resulting from the Arrangement and higher interest rates. Interest income of $6 million for the year included $5 million of interest received on income tax refunds.

Income Taxes

Income taxes for 2003 included current income taxes related to the two-month period prior to the conversion into an income trust. Canadian current income taxes decreased in 2003 from the prior year primarily as a result of the conversion into the Trust. The 2003 current income tax expense was essentially offset by a $26 million reduction in future income taxes payable resulting from changes to Canadian federal income tax rates for resource companies.

The impact of a lower average realized mineral tax rate resulted in a decline in mineral taxes in 2003 despite higher operating cash flows from the metallurgical coal operations.

Summary of Quarterly Results

Our quarterly results over the past two years are indicative of the variability of Elk Valley Coal's and NYCO's businesses. Net income before unusual items, future income taxes and discontinued operations is influenced largely by the results of Elk Valley Coal. Its results are highly sensitive to coal prices, the U.S. / Canadian dollar exchange rate, sales volumes, and the unit cost of product sold and unit transportation and other costs.

COAL STATISTICS	**2004**				2003			
	Q42	Q32	Q22	Q1	Q4	Q3	Q2	Q1
Production volume *(millions of tonnes)*	**4.1**	**3.4**	**4.0**	**3.9**	3.9	3.1	3.8	3.6
Sales volume *(millions of tonnes)*	**4.0**	**3.6**	**4.1**	**3.6**	4.8	3.7	3.7	3.1
Average U.S.$ prices *(per tonne)*	**$ 57.30**	**$ 54.80**	**$ 51.10**	**$ 44.90**	$ 44.10	$ 46.80	$ 43.70	$ 45.60
Average CDN$ prices *(per tonne)*1	**$ 79.30**	**$ 77.00**	**$ 72.30**	**$ 63.80**	$ 62.10	$ 66.20	$ 63.10	$ 68.50
Cost of product sold *(per tonne)*	**$ 27.30**	**$ 30.30**	**$ 25.80**	**$ 28.80**	$ 25.80	$ 27.10	$ 28.70	$ 29.10
Transportation and other *(per tonne)*	**$ 31.70**	**$ 27.80**	**$ 29.40**	**$ 26.60**	$ 24.20	$ 25.80	$ 24.00	$ 25.10

1 Includes the effects of foreign currency hedges
2 The Trust's interest in Elk Valley Coal decreased to 60% from 65% for accounting purposes

U.S. dollar coal prices typically change during the second quarter of the year because most of the coal business is contracted on a coal-year basis that commences April 1. As coal is typically sold in U.S. dollars, Elk Valley Coal has in the past entered into foreign currency hedges to manage the risk of fluctuations in the U.S. / Canadian dollar exchange rate. Accordingly, the Canadian dollar price of coal will vary with changes in the U.S. dollar price of coal, the U.S. / Canadian dollar exchange rate and existing foreign currency hedge contracts.

Coal sales are typically contracted under evergreen agreements with fixed volumes for which prices are determined each year. However, within the year, the timing of coal sales is largely dependent on the customer who determines when the coal will be loaded onto vessels and, therefore, recognized as revenues. It is also common to see sales volumes from one coal year carried over into the next. This can affect the average realized coal price for the second quarter of the fiscal year. Quarterly sales can also be impacted by weather or mechanical problems affecting the minesites, railways and ports, and other factors such as a lack of coal at the ports arising from transportation or production problems.

The unit cost of product sold can be influenced quarter to quarter by changing mining operations such as the timing of stripping activities and raw coal release, production shut downs for vacation and planned maintenance. Transportation and other costs can change based on the timing of rate negotiations and the price of coal products.

(millions of dollars, except per unit amounts)	**2004**				2003			
	Q42	Q32	Q22	Q1	Q4	Q3	Q2	Q1
Revenue	**$ 324.3**	**$ 287.7**	**$ 308.2**	**$ 245.2**	$ 310.3	$ 258.8	$ 249.1	$ 224.8
Income from operations	**57.1**	**50.9**	**54.0**	**9.0**	37.2	32.9	23.0	30.0
Net income (loss)	**85.4**	**41.3**	**12.6**	**10.7**	30.6	23.6	39.4	147.3
Net income (loss) before discontinued operations	**85.4**	**41.3**	**12.6**	**10.7**	31.1	23.6	39.4	68.6
Net income before unusual items, future income taxes and discontinued operations	**57.0**	**41.6**	**42.8**	**4.0**	27.4	23.1	15.7	25.3
Basic and diluted earnings per unit:								
Net income	**1.74**	**0.84**	**0.26**	**0.23**	0.65	0.50	0.84	3.03
Net income per unit before discontinued operations	**1.74**	**0.84**	**0.26**	**0.23**	0.65	0.50	0.84	1.41

Net income per unit before unusual items, future income taxes anddiscontinued operations	**1.16**	**0.85**	**0.88**	**0.09**	0.59	0.49	0.34	0.52
Cash distributions / dividendsdeclared per unit1	**1.30**	**1.10**	**1.00**	**1.00**	1.00	1.00	1.49	1.00

1 The Trust was formed February 28, 2003. Cash available for distribution for the first quarter only reflected one month as an income trust.
2 The Trust's interest in Elk Valley Coal decreased to 60% from 65% for accounting purposes.

Outlook

The following discussion generally highlights our expectation that improved results will be achieved in 2005. Due to continued strong demand from the global steel industry, the current tight markets for metallurgical coal are expected to continue through 2005 and likely into 2006. Contracted coal prices will rise significantly from 2004 levels and sales and production of coal are expected to increase and be at or near capacity. Elk Valley Coal will continue to focus on increasing capacity and production, and expects to increase metallurgical coal production capacity to 28 million tonnes annually by the end of 2005, while targeting a coal sales volume that exceeds 27 million tonnes. The Trust's share of this sales target is approximately 16 million tonnes in 2005. With the growth in global mining activities, higher mining and processing input costs are expected to continue through 2005.

"We expect that improved results will be achieved in 2005 through higher coal sales and prices."

We estimate that Elk Valley Coal's 2005 capital plans will require approximately $100 million in capital requirements from the Trust, which will be spent primarily at the Cardinal River, Elkview and Fording River operations. Elk Valley Coal intends to focus on additional expansion thereafter to further increase capacity to approximately 30 million tonnes by the end of 2007. Elk Valley Coal will work with the railways in order to obtain rail capacity for future expansion.

We will continue to advance our strategy of building long-term unitholder value through efficient management of the Trust and prudent capital investment. This strategy combined with the robust coal markets are expected to provide strong returns in 2005. However, as a result of coal-year pricing and carryover impacts, we expect better results in the last half as compared with the first half of 2005.

COKING COAL MARKETS

"Demand for seaborne coking coal continues to strengthen in global coal markets."

Hard coking coal markets continue to remain very tight due to the strong demand from the global steel industry in the face of limited new supply. Integrated steel mills and coke producers around the world are finding it difficult to purchase sufficient quantities of coking coal at a time when their inventories of coal are low. Over the past few years, China has reversed its position from a net exporter of hard coking coal to a net importer, and at the same time has reduced exports of coke to the steel industry. Indications are that traded coke supplies are not sufficient to meet high demand. The global steel industry has responded by planning significant additions to future domestic coke production capacity to replace lost Chinese coke imports, which will increase the demand for hard coking coal from producers such as Elk Valley Coal. International crude steel production is anticipated to remain strong going forward. A trend is emerging for steel producers to enter into longer-term contracts or purchase interests in coal producers in order to secure additional supplies of hard coking coal to meet their future needs. Higher coal prices are serving to attract new production supply to the market.

In addition to Elk Valley Coal's planned production increases, other smaller-scale Canadian producers started production of metallurgical coals and made their first shipments in 2004. Producers in the United States are also increasing coking coal exports in response to recent high coal prices. It is expected that coal producers will try to maximize and expand coal production from existing operations, and several have announced mine expansion plans in the past six months. Australian producers have also announced plans for capacity increases. The inability to bring on additional supply is aggravated by the fact that logistics chains in major exporting nations, including Canada, are strained and will require expansion. The global increase in mining has also resulted in significant lead-time on the delivery of large mining equipment and supplies.

In addition to the factors discussed above, other influences affecting the supply and demand balance for seaborne hard coking coal are evident:

- Domestic production of coking coal in Europe is declining.
- Economic growth is driving demand for steel in China, and steel mills around the world are running at high capacity to meet global demand, further fuelling strong demand for seaborne coking coal.
- Australian producers are experiencing delays in transporting coal to customers due to port infrastructure constraints.

While supply and demand for seaborne hard coking coal is difficult to predict over the long-term, these factors and continued strong demand indicate that it may be one to two years time before the market can be brought back into balance. Management believes that the current tight markets will continue through 2005 and likely into 2006. Realizing the cyclical nature of the metallurgical coal industry and the expectation that new supply will eventually influence market dynamics, expansion must be managed with an understanding of future variability in sales prices. If a significant event occurred in the global metallurgical coal market to cause a decrease in demand, an oversupply of coal could occur. As a result, prices could decrease and new supply may no longer be required.

COAL PRICES

Coal is generally priced on an annual basis for the coal year that starts April 1, particularly in Asia and Europe. The most significant determinant of coal prices is the anticipated supply and demand balance for coal at the time negotiations are completed. Given the current tight supply in coal markets, coal sales agreements covering virtually all of Elk Valley Coal's expected production have been concluded for the 2005 coal year.

Coal prices for the 2005 coal year are the highest ever experienced. The majority of Elk Valley Coal's sales of metallurgical and other coal for the 2005 coal year beginning April 1, 2005 have been priced at an average of U.S.$122 per tonne on an FOB west coast port equivalent basis. This represents a 130% increase from the average U.S.$53 price realized during the 2004 coal year.

"Given the current tight supply situation in our

coal markets, coal sales agreements covering virtually all of Elk Valley Coal's expected production have been concluded for the 2005 year."

Substantially all of Elk Valley Coal's hard coking coal contracts for the 2005 coal year are priced at an average of U.S.$125 per tonne on an FOB west coast port equivalent basis. A small portion of 2005 calendar year sales are based on contracts that are not on the April 1 to March 31 coal-year cycle. Sales for calendar year 2005 also include some sales priced at 2004 coal-year prices with approximately six weeks of carryover of 2004 pricing to satisfy the commitments to customers for the 2004 coal year. In addition, some contracts include additional amounts for ocean freight and small volumes of PCI and thermal coal are sold for less than the hard coking coal price. Taking these factors into account, the weighted average price of 2005 calendar year sales for all coal is expected to be slightly over U.S.$100 per tonne, nearly double the average price of U.S.$52 per tonne obtained in 2004.

COAL SALES AND PRODUCTION

Higher coal sales resulted in lower clean coal inventory levels by the end of 2004, with the majority of the inventory located at the port. With the continuing high demand of seaborne hard coking coal and sales commitments by Elk Valley Coal, mines are expected to operate at or near full capacity to meet sales forecasts in 2005.

Some variation in quarterly coal sales should be expected, as the timing of shipments is not necessarily uniform. Coal sales volumes during the first quarter of 2005 are expected to be lower than those for the balance of the year. Should weather related problems affect rail service, port shipments or mining activities, delayed sales and higher transportation and other costs could significantly impact the operating results, net income and cash available for distribution in the first quarter of 2005.

Coal is typically sold on a coal-year basis, usually commencing April 1. Shipments can be affected by customers' scheduling of vessels, delay of vessels due to factors such as weather and mechanical problems, congestion at the port and the strong demand for vessels across a number of commodity sectors, which affects vessel availability and timing.

Production levels will also vary from quarter to quarter. Shutdowns will be taken at the mines at various times throughout the year in order to provide for employee vacations and planned maintenance requirements.

FUTURE COAL DEVELOPMENT

Current and anticipated market conditions for coal products have caused Elk Valley Coal to review and evaluate expansion projects. The development of the Cheviot Creek pit at Cardinal River operations was the first project

to be undertaken in response to the high market demand for metallurgical coal. There are also a number of projects that can increase overall production of Elk Valley Coal, which will entail capital expenditures that are far less than those required for new mine development.

Elk Valley Coal is progressing with incremental growth opportunities at existing mines to increase annual production to 30 million tonnes by the end of 2007. The potential exists to add a further 5 million tonnes beyond that by using existing assets, reserves and infrastructure if market conditions warrant such development, an approach exemplified by the brownfield expansion of the Cheviot Creek pit at Cardinal River operations this past year.

COST OF PRODUCT SOLD

Elk Valley Coal continues to pursue activities to lower the cost of product sold such as the integration of operations in areas such as marketing, transportation, administration, site operations and sustaining and expansion capital expenditures.

Such efforts to identify additional value improvements will continue as a normal part of optimizing its mining operations over the long-term. These include: rationalizing production to reduce costs; adopting best practices across all minesites; coordinating purchasing and inventories of parts and stores; lowering product inventories; optimizing the use of stockpiles at the port and by coordinating rail and port services; and economies of scale relating to transportation management and administrative functions.

Mining and processing input costs such as fuel, steel, tires, labour and maintenance parts and supplies can have a significant impact to cost of product sold. Recent increases in prices for petroleum products and for commodities in general have resulted in increasing cost pressures that can be expected to continue through 2005. In addition, the recent growth in global mining activities has created a demand for mining equipment and tires that outpaces supply. As a result, future operations could be impacted if Elk Valley Coal has trouble obtaining equipment, tires and other supplies on a timely basis. Lastly, costs have increased as the growth in the mining industry has created demand and competition for certain skilled services.

TRANSPORTATION AND OTHER COSTS

Transportation and other costs include the costs of shipping coal by rail to port facilities and customers, ocean freight, and the cost of handling and loading coal onto vessels at the ports. The rail systems servicing the mines are being pressed to meet the capacity requirements of all industries shipping westbound to Vancouver. Going forward, Elk Valley Coal's ability to substantially increase coal sales from the Elk Valley will require additional rail capacity.

Rail service to the five mines located in the Elk Valley is provided by the Canadian Pacific Railway Company (CPR). Service to the Fording River, Greenhills and Coal Mountain mines is provided pursuant to an agreement expiring March 31, 2007. The agreement provides for rail rates to be adjusted annually based on the rail rates paid by the Elkview and Line Creek mines. The agreements for rail service to the Elkview and Line Creek mines expired March 31, 2004 and Elk Valley Coal and CPR disagree on 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 both the Alberta Courts and before the Canadian Transportation Agency. In January 2005, Elk Valley Coal and CPR agreed to engage in a confidential non-binding mediation process to attempt to resolve the dispute; discussions are ongoing at the time of this report.

CPR has stated that the dispute is not expected to adversely affect the shipment of coal from the Elk Valley mines. Regardless of the outcome of the dispute, future rail rates charged to Elk Valley Coal are expected to increase in 2005 as compared to 2004.

A portion of port costs move with changes in the Canadian dollar price of coal and accordingly, will increase when higher coal prices come into effect in the second quarter of 2005. Demurrage charges for vessel waiting times could be incurred if poor weather conditions hamper mining operations and the movement of coal to port.

Taking these factors into account, transportation and other costs are expected to increase in 2005 from 2004 levels.

COLLECTIVE AGREEMENTS

Collective agreements covering production and maintenance employees at three of Elk Valley Coal's mines will expire prior to the end of 2005. The collective agreement at the Coal Mountain operations expired on December 31, 2004, and those at Line Creek and Elkview operations expire at the end of May and October 2005, respectively. The agreement at Fording River operations expires in 2006 while Cardinal River's agreement expires in 2007.

Should agreements not be reached at one or more of these operations, work stoppages may occur that could have a material adverse effect on cash available for distribution to unitholders.

CARDINAL RIVER OPERATIONS

All licenses and approvals have been received for the Cheviot Creek pit and the haulroad at the Cardinal River operations. A number of environmental organizations have applied to the Federal Court seeking a further environmental assessment of the project and challenging certain federal authorizations that the project has received. The Federal Court is expected to hear the applications in June 2005. In addition, an individual appealed certain approvals issued by Alberta Environment in connection with the project. The Environmental Appeal Board heard the appeal in mid-January and the parties are awaiting a decision.

While unanticipated, negative decisions related to these legal issues could impact future operations at the site. Elk Valley Coal continues to monitor progress on these legal issues.

"Our share of sustaining capital expenditure requirements is expected to average over $40 million per year for the next few years."

CAPITAL EXPENDITURES

The Trust's share of capital expenditures for 2005 will be approximately $100 million of which approximately $65 million will be for expansion purposes and $35 million for sustaining operations. The Trust's planned capital expenditures are expected to be financed with a combination of debt and available cash flows, and may have an impact on distributions to unitholders. In addition, equity from the proposed investment by Nippon Steel and POSCO is expected to be utilized by Elk Valley Coal to finance expansion at Elkview.

Sustaining capital expenditures are expected to average approximately $40 million per year for the next few years as older equipment is replaced and mine infrastructure is maintained. Replacing older mining equipment and maintaining plant and mine infrastructure is intended to preserve the productive capacity of Elk Valley Coal's mines, which should benefit the Trust in the future from sustained productivity and reduced maintenance costs.

MINERAL TAXES

The current maximum mineral tax rate in British Columbia is 13%. Provided that coal prices remain high, we anticipate that Elk Valley Coal will approach the maximum mineral tax rate at the majority of its British Columbia mines over the next few years. The tax rate applicable to the mines and the periods in which the maximum rate will apply depends on such factors as cash flow generated by a mine, capital expenditures, and available deductions.

The Cardinal River Operations are located in Alberta and are required to pay Alberta Crown royalties. These royalties are determined in a similar fashion as British Columbia mineral taxes.

Earnings of this segment are expected to increase in 2005 as compared to 2004 levels. This is due to improved sales volumes combined with higher average U.S. dollar sales prices, offset somewhat by a stronger Canadian dollar. These operations are expected to remain focused on mid- and high-value product lines, and the higher cash margins will have a positive impact on income from operations. Actual results will depend to a large degree on economic activity in NYCO's markets, and its success with new targeted sales applications.

The Trust's primary source of taxable income is generated from its investment in Fording Inc. in the form of interest on the subordinated debt and dividends. Offsetting this income for income tax purposes are the distributions declared to unitholders in the year. Fording Inc.'s taxable position is primarily dependant upon the taxable income allocated to it from its interest in Elk Valley Coal and whether this allocated amount exceeds interest incurred on the subordinated notes owing to the Trust and its general and administrative expenses. In addition, Fording currently has available limited tax loss carry forwards, in part resulting from the Arrangement and also as a result of Elk Valley Coal having a January 31 taxation year-end.

With the current expectations for 2005 of a weighted average coal price in excess of U.S.$100 per tonne and Fording's interest in Elk Valley Coal sales volumes expected to exceed 16 million tonnes, Fording anticipates that a future tax liability will be accrued in 2005. With Elk Valley Coal's fiscal year-end being January 31, one month after the Trust's, there is a timing difference between the recognition of income and the payment of taxes. As a result of this timing difference, the Trust intends to withhold an amount equal to the estimated future tax liability from cash otherwise available for distribution so that future unitholders do not bear the cash effect of the deferred timing of the payment of income taxes.

Should price and volumes remain high, Fording Inc.'s liability for income tax in future years may become more significant as available loss carry forwards will be fully utilized and the amount of deductible interest and general and administrative expenses of Fording Inc. will be insufficient to offset all of its taxable income. Although higher revenues and income result in an increase in taxes, it provides an additional net benefit to unitholders.

On March 2, 2005, the Trust announced that it would ask unitholders 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 taxed at the unitholder level. This step, together with strong coal prices and sales volumes, would result in higher distributions to unitholders. In addition, the Trust believes that completion of the first step will provide it with a competitive advantage if it decides to offer units in order to finance future expansions and investments or to pay down indebtedness. The second step, if undertaken, would be a transaction whereby the Trust would acquire a direct interest in Elk Valley Coal.

Liquidity and Capital Resources

We anticipate that Elk Valley Coal and NYCO have the ability to generate sufficient amounts of cash and cash equivalents from operating and financing activities, in the short-term and the long-term, to maintain productive capacity and to fund planned growth and development activities.

SUMMARY OF CASH FLOWS

	Years ended December 31		
(millions of dollars)	**2004**	2003	2002
Operating activities	**$ 269.5**	$ 174.3	$ 108.8
Investing activities	**(59.5)**	322.0	(50.7)
Financing activities, excluding distributions	**(1.3)**	(280.4)	(33.6)
Increase in cash before distributions	**208.7**	215.9	24.5
Distributions / dividends to unitholders	**(196.7)**	(163.4)	(28.2)
Increase (decrease) in cash	**12.0**	52.5	(3.7)
Cash - beginning of year	**52.5**	-	3.7
Cash - end of year	**$ 64.5**	$ 52.5	$ -

At the end of 2004, we held cash and cash equivalents of $65 million, which was higher than amounts held in previous years. We do not have any borrowings under our revolving bank credit facilities and we accumulated cash and cash equivalents at the end of the year to pay declared distributions of $64 million to unitholders in January 2005.

Cash flows from operating activities are the primary generator of cash available for distribution and also provide cash resources over the long-term for capital expenditures and debt servicing. Cash flows from operating activities are largely influenced by the results of Elk Valley Coal. Fluctuations in the price of metallurgical coal can also impact cash flows from operating activities and liquidity. Cash flows from operating activities were $270 million in 2004, up $95 million from the prior year on the strength of improved results for Elk Valley Coal. NYCO contributed approximately $9 million and $7 million to cash flows from operating activities in 2004 and 2003, respectively. Cash flows from operating activities historically have been sufficient to meet our normal working capital needs and sustaining capital expenditure requirements, debt service obligations and distributions to unitholders.

Cash flows from operations includes changes in working capital that can fluctuate from period to period. In 2004, accounts receivable increased due mainly to a lower amount of receivables sold for financing purposes compared with 2003. Inventories decreased due mainly to the reduction of raw coal stockpiles. Accounts payable were up mainly due to the accrual related to the dispute over rail rates. In 2003, results from Elk Valley Coal and a decrease in working capital in 2003 were the main contributors to cash flows from operating activities, offset in part by reorganization costs.

Investing activities included capital expenditures of $73 million in 2004. This increase from the $20 million spent in 2003 reflected a greater level of development activity to expand capacity and production as well as higher sustaining capital requirements at the mines in order to upgrade equipment, accelerate coal release and achieve productivity gains. Approximately $27 million was categorized as sustaining in nature, which is deducted to determine cash available for distribution. The remaining $46 million included expenditures for development and start-up costs related to the Cheviot Creek pit at Cardinal River operations and plant expansion at Fording River operations. In 2003, capital expenditures were $20 million of which approximately $9 million were sustaining in nature. The remainder included expenditures for costs at the prairie thermal coal operations prior to their sale as part of the Arrangement and to increase Elk Valley Coal's interest in properties located adjacent to the Fording River mine.

For 2004, the major financing activities were the payment of distributions to unitholders of $214 million, net of the fourth quarter distribution of $64 million that was payable at year-end and the units offering that raised net proceeds of $99 million, which were used to repay bank debt. The financing activities in 2003 were mainly related to the Arrangement and the payment of distributions to unitholders.

Our contractual obligations are identified in the following table:

PAYMENTS DUE BY PERIOD

(millions of dollars)	**Total**	Less than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Foreign exchange forward contracts	**$ 782.6**	$ 601.4	$ 181.2	$ -	$ -
Long-term debt	**201.0**	-	-	201.0	-
Capital lease obligations	**5.9**	1.7	2.6	1.6	-
Operating leases	**18.0**	10.4	4.7	1.7	1.1
Purchase obligations	**56.1**	55.8	0.3	-	-
Pension and other post-retirement funding requirements	**88.1**	8.4	17.5	16.0	46.3
Asset retirement obligations	**221.4**	6.9	13.1	7.0	194.4
Total obligations	**$ 1,373.1**	$ 684.6	$ 219.4	$ 227.3	$ 241.8

Obligations under foreign exchange forward contracts are normally fulfilled by delivering U.S. dollars generated from coal sales. The Trust and Elk Valley Coal's hedge positions are less than the amount of U.S. dollars expected from future coal sales to ensure an adequate future flow of U.S. dollars to cover the obligations under contract.

"...we expect sufficient cash flows from operating activities will be available to meet our obligations as they

become due."

Anticipated payments for pension and other post-retirement benefit funding requirements cover the period 2005 through 2013.

Other contractual obligations are consistent with operating and financing practices and we expect sufficient cash flows from operating activities will be available to meet these obligations as they become due.

Sustaining capital expenditures are the investments in areas such as mining equipment, and mine and plant infrastructure that are necessary to maintain the current productive capacity of existing mines. Investments in sustaining capital are required on an ongoing basis, and are expected to be principally funded by cash flows from operating activities and are deducted when we determine cash available for distribution. Actual expenditures may vary by a considerable amount in any given year.

Expansion capital expenditures are generally made in order to substantially increase the productive capacity of operations and to develop or acquire new mineral bodies, and would include new mines. Expansion capital expenditures generally require financing from sources other than cash flows from operating activities. Commitments for expansion capital, including the development of the Cheviot Creek pit and expansion at Fording River, are expected to be financed with a combination of debt from existing or replacement facilities and available cash flows, and may have an impact on distributions to unitholders. In addition, equity from the proposed investment in the Elkview mine by POSCO and Nippon Steel is expected to be utilized to finance expansion at Elkview.

As part of the Arrangement, Fording and Elk Valley Coal entered into a $540 million credit facility with a syndicate of lenders comprised mainly of Canadian banks. The facility provided Fording with $300 million of term bridge financing to meets its commitments under the Arrangement and revolving, annually extendable operating lines of credit of $120 million each for Fording and Elk Valley Coal, to manage their day-to-day operating credit requirements. At December 31, 2004 Fording Inc. had $201 million of term bridge debt outstanding under this facility, which required the repayment or refinancing of $51 million by February 28, 2005 and the remaining $150 million by February 28, 2006. At December 31, 2004 Elk Valley Coal had utilized $71 million of its operating facility for letters of credit or letters of guarantee, leaving unused lines of credit of $49 million. Fording Inc. had utilized $0.1 million of its operating facility for a letter of guarantee. Utilization rates were based on bankers' acceptances or Canadian prime rates and were subject to interest rate movements and certain financial ratios.

In February 2005, Fording Inc. and Elk Valley Coal refinanced their existing bank credit facilities with substantially the same banking syndicate. The new agreement provides each entity with a five-year revolving, floating rate, annually

extendible facility, which can be drawn in either Canadian or equivalent U.S. dollars. Fording Inc.'s facility is for $400 million and Elk Valley Coal's facility is for $150 million. As a result of this refinancing, the $51 million of the bank bridge financing due February 28, 2005 is considered long-term at December 31, 2004. The $400 million Fording facility would be utilized first to refinance the full amount of the outstanding term debt of $201 million. The unutilized line would be available for general corporate purposes, including the funding of Fording's interest in proposed expansions. The Elk Valley Coal's $150 million facility would be utilized for general operating purposes.

The bank loan facilities include provisions that may restrict the Trust's ability to pay cash available for distribution to unitholders. The bank loan facility of Elk Valley Coal precludes a cash payment by Elk Valley Coal to Fording Inc. during an event of default or if the making of such payment would result in an event of default. Similarly, the bank loan facility of Fording Inc. precludes a cash payment by Fording Inc. to the Trust during an event of default or if the making of such payment would result in an event of default. Loan covenants that would create an event of default include tests for interest and cash flow coverage, as well as covenants that restrict the disposition of certain core mining assets. Fording Inc. and Elk Valley Coal are currently in compliance with the loan covenant provisions of the new agreement.

In addition, the bank loan facilities limit distributions from Elk Valley Coal to Fording Inc. and from Fording Inc. to the Trust to an amount that is essentially equal to the available cash of Elk Valley Coal, or Fording Inc., as the case may be, plus releases of cash reserves and undistributed cash flows from prior periods. Fording Inc. may use, up to a specified limit, its revolving bank credit facility to fund quarterly distributions to the Trust subject to availability under the facility. It is anticipated that our use of this funding would only be undertaken on a temporary basis to manage the short-term timing vagaries inherent in our cash flows.

The new facilities are supported by an unsecured guarantee from Elk Valley Coal, limited in recourse to any partner's interest in Elk Valley Coal (other than Fording Inc.) and a general security agreement over the assets of Fording Inc., including its interest in Elk Valley Coal.

Neptune Terminal's shareholder agreement requires that Elk Valley Coal guarantee its share of outstanding bank indebtedness. At December 31, 2004, the Trust's proportionate share of this guarantee was $10 million.

Other Information

Elk Valley Coal uses available export trade credit insurance to provide security for non-payment for coal sales by customers. Elk Valley Coal has entered into an agreement with the insurer and a Canadian Schedule 1 bank for the transfer of the insurance and sale of the accounts receivable from coal sales at Elk Valley Coal's discretion, subject to a maximum amount outstanding at any one time of U.S.$50 million.

Proceeds on the sale of these accounts receivable is based on the invoice amount, invoice due date and current LIBOR. Elk Valley Coal benefits from a lower borrowing rate spread on LIBOR compared with a rate spread that would normally be available because the insurer is a Canadian Crown corporation and, therefore, rate spreads are based on sovereign rather than corporate risk.

These arrangements allow Elk Valley Coal to receive cash for its accounts receivable more quickly, and to shorten the period of time during which foreign exchange rate movements will impact the Canadian dollar value of the accounts receivables.

Export trade credit insurance is transferred with the accounts receivable sold to the buyer. The risk to Elk Valley Coal of the non-payment by the customer is the deductible on the insurance. Other commercial risks, such as non-performance by Elk Valley Coal under the terms of the contract, remain with Elk Valley Coal.

Subsequent to the Arrangement, Elk Valley Coal entered into an arrangement with Teck Cominco, its managing partner, for the provision of certain management services at prevailing market terms. Elk Valley Coal also sells coal to the managing partner at prevailing market terms. Related party revenues for 2004 were $3 million (2003: $2 million) to the Trust. Our share of related party expenses included in selling, general and administrative and cost of sales for 2004 was $1 million. Related party receivables and payables were $0.4 million and $0.2 million respectively to the Trust.

Elk Valley Coal also ships coal through Neptune Terminals in the normal course of operations, on a cost of service basis. These costs are included in transportation and other costs and totalled $9 million for the Trust during 2004 (2003 - $8 million). Our share of related party receivables and payables related to this entity was approximately one-quarter of a million dollars and $2 million respectively at December 31, 2004. Our proportionate share of asset retirement obligations of Neptune Terminals was $7 million.

Elk Valley Coal accepted the transfer of the Quintette mine assets and purchased certain other assets of Teck Cominco related to the Quintette mine on December 31, 2004. The transfer of the Quintette mine assets, including the real property, coal leases, permits and licenses was provided for in the Arrangement and was to occur when Teck Cominco had completed the reclamation of the mine site. Elk Valley Coal 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 Elk Valley Coal with an indemnity against any liability arising from the early transfer.

The Trustees are authorized to issue an unlimited number of units of the Trust. Each unit represents the right to an equal interest in any distributions or other amounts payable to unitholders. All units rank among themselves equally and rateably without discrimination, preference or priority.

The Trustees may create and issue rights, warrants, options and convertible securities at such time or times as they may determine. No such rights, warrants, options and convertible securities have been issued and are outstanding.

There were approximately 49 million trust units outstanding on December 31, 2004 and at March 2, 2005. Approximately 48,000 options are outstanding under the exchange option plan as of December 31, 2004, and 41,000 options as of March 2, 2005.

On March 2, 2005 we announced that unitholders will be asked to approve a three-for-one unit split at our Annual and Special Meeting, which will be held May 4, 2005.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with GAAP in Canada and require us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. We make assumptions that are believed to be reasonable under the circumstances and are based upon historical experience, current conditions and expert advice. On an on-going basis, we review estimates based on currently available information. The use of different assumptions would result in different estimates, and actual results may differ from results based on these estimates.

A summary of our significant accounting policies is contained in note 2 to the Consolidated Financial Statements. The following is a discussion of the accounting estimates that are significant in determining our financial results.

Effective January 1, 2004, the Trust adopted the new standard for asset retirement obligations described in CICA Handbook Section 3110 and applied the recommendations retroactively. The liability is measured at fair value and is adjusted to its present value in subsequent periods as accretion expense is recorded. 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.

As a result of the retroactive adoption of this standard, 2002 opening accumulated earnings increased by $10 million and net income decreased by $1 million. Net income for 2003 decreased by $2 million, capital assets increased by $39 million, goodwill decreased by $5 million, other long-term liabilities increased by $13 million and future income taxes increased by $14 million.

We have significant long-term liabilities relating to Elk Valley Coal's mine reclamation and end-of-mine closure costs. Reclamation liabilities are not funded. The liability is determined on a mine-by-mine basis, and various assumptions are used in the engineering studies including current mine plans, future reclamation costs, and estimates of reserves and resources. Costs incurred under the reclamation programs are charged against the associated liability. Elk Valley Coal has developed reclamation programs and cost estimates based on meeting existing government regulations and standards.

Elk Valley Coal has post-retirement benefit plans that include pension plans and other post-retirement benefit plans, the cost of which are based on estimates. Actuarial calculations of benefit costs and obligations are dependent on estimates and assumptions about future events. Major estimates and assumptions relate to expected plan performance, salary escalation, discount rates, retirement ages of employees and future cost trends. In addition, actuaries incorporate subjective factors into their assumptions, such as withdrawal and mortality rates.

Mineral properties and development assets include expenditures to acquire and develop identified mineral properties and reserves and net costs relating to production during the development phase. Depletion on producing properties is determined using a unit-of-production method based upon the proven and probable mineral reserves of the mine.

The determination of mineral reserves involves the use of a number of estimates and assumptions, including geological sampling and modeling, and estimates of future costs. Knowledge derived from ongoing exploration and development of the ore body may also affect reserve estimates. In addition, the determination of economic reserves is dependent upon a number of assumptions, including long-term coal prices and foreign exchange rates.

Elk Valley Coal reviews and evaluates capital assets for impairment of value on an ongoing basis. The expected undiscounted future cash flows from an asset used in these evaluations are developed using assumptions that reflect best estimate of the long-term operating plans for the asset. Changes in market conditions, reserve estimates and operating conditions are updated periodically as part of the test for impairment of value.

The possible impairment of goodwill must be considered annually. The carrying amount of goodwill on the balance sheet of Elk Valley Coal at December 31, 2004 was $74 million, of which the Trust's share was $44 million.

Financial and Other Instruments

Almost all of Elk Valley Coal's sales are denominated in U.S. dollars and the vast majority of its costs are denominated in Canadian dollars. Accordingly, revenues, net income, cash flows and cash available for distribution are highly sensitive to changes in the U.S. / Canadian dollar exchange rate.

The Trust and Elk Valley Coal uses derivative financial instruments, specifically foreign exchange forward contracts, to help manage cash flows with respect to foreign currency exposure. Foreign exchange forward contracts fix the rate at which future anticipated flows of U.S. dollars are exchanged into Canadian dollars. Derivative financial instruments are not entered into for trading or speculative purposes. Foreign exchange forward contracts are designated as hedges of anticipated U.S. dollar cash flows and gains or losses on the contracts are not recorded in financial results or financial position until the maturity date of the contracts. The unrealized gains on these contracts at December 31, 2004 were $116 million.

"Foreign exchange forward contracts are used to help manage cash flows with respect to foreign currency exposure."

The Trust and Elk Valley Coal have established policy limits to allow hedges of up to 100% of estimated U.S. dollar exposure within the first 24 months and, thereafter, up to 50%, 30% and 15% of expected U.S. dollar revenues during each of the next three 12-month periods, respectively. There is no minimum amount required to be hedged. The hedging limits are established with reference to the Trust's share of the U.S. dollar exposure of Elk Valley Coal, and will take into account any of Elk Valley Coal's outstanding hedges. At December 31, 2004, foreign exchange forward contracts, including contracts entered into directly and the Trust's share of the contracts of Elk Valley Coal, totalled $555 million, which are disclosed in note 11 to the Consolidated Financial Statements.

The layering of foreign exchange forward contracts implied by this strategy can further reduce the risk of rapidly changing U.S. / Canadian dollar exchange rates while controlling the risk associated with fluctuating coal sales volumes and prices arising from changing conditions in coal markets. The net investment in and the net U.S. dollar denominated cash flows of NYCO are not hedged.

Our ability to enter into foreign exchange forward contracts will depend on the total hedge position we wish to undertake, the credit worthiness of available counterparties, and the counterparties' assessment of our credit risk and that of Elk Valley Coal.

The gains and losses on foreign exchange forward contracts designated as hedges are recognized in revenues and income in the period that the hedged exposure is recognized, which is the same period in which the instrument is settled. The gain or loss is netted against the item that was hedged. During 2004, the Trust realized gains on foreign exchange forward contracts of $83 million due to the U.S. dollar weakening relative to the U.S. / Canadian dollar exchange rate specified in the contracts. In 2003, we realized a gain of $42 million.

The Trust and Elk Valley Coal are exposed to gains or losses depending on the difference between the U.S. / Canadian dollar exchange rate and the rate in the foreign exchange forward contracts in the event of non-performance by the counterparties to Elk Valley Coal's contracts. To mitigate this risk of non-performance, several counterparties of high credit quality are utilized. We do not believe that there are any significant concentrations of credit risk.

Risks and Uncertainties

An investment in units of the Trust involves numerous risks and uncertainties. An investor should consider carefully the risk factors set out below as they all have the potential to impact an investment in units. In addition, potential investors should carefully review and consider all other information contained in management's discussion and analysis and in the Trust's other public disclosure documents before making an investment decision.

Elk Valley Coal and NYCO have operations in North America and customers around the world. As such, their results, and that of the Trust, are exposed to changes in various markets and economies, and operations can be affected by a variety of conditions. To minimize the impacts of such changes and conditions on the Trust's financial performance, we seek to identify, evaluate and, where appropriate, hedge financial, market and operation risk.

The following briefly addresses some, but not all, risk factors that could affect the Trust, its future results, the amount of cash available for distribution to unitholders and the nature of the trust itself. Risk factors include, but are not limited, to those set out below.

Risk factors specific to an investment in the units include, but are not limited, to the following:

CASH DISTRIBUTIONS TO UNITHOLDERS ARE DEPENDENT ON FORDING INC.

Distributable cash generally refers to the net cash received by the Trust that is available for payment to unitholders on a quarterly basis. The Trust is entirely dependent upon the operations and assets of Fording Inc. through its ownership of Fording Inc.'s issued and outstanding common and preferred shares and unsecured subordinated notes. The Trust's ability to make cash distributions to unitholders will be dependent upon the ability of Fording Inc. to pay its obligations under the subordinated notes and to declare dividends or make other distributions on its outstanding shares.

Although the Trust intends to distribute the interest and dividend income earned, and any returns of capital on, or redemptions of, the common or preferred shares of Fording Inc., less expenses and amounts, if any, the Trust pays in connection with the redemption of units, there is no assurance regarding the amounts of cash to be generated by Fording Inc., and therefore funds available for distribution to unitholders. The actual amount distributed in respect of the units will depend on a variety of factors such as coal prices, sales volumes, profitability, the level of sustaining capital expenditures, credit agreements, and other factors that may be beyond the control of Fording Inc. or the Trust. In the event significant sustaining capital expenditures are required, coal prices and / or sales volumes decline, or the profitability of Fording Inc. declines there would be a decrease in the amount of cash available for distribution to unitholders and such decrease could be material.

The Trust's distribution policy and that of Fording Inc. is subject to change at the discretion of the Board of Directors of Fording Inc. or the Trustees of the Trust, as applicable. The recourse of unitholders who disagree with any change in policy is limited and could require such unitholders to seek to replace the Trustees or the Board of Directors of Fording Inc.

INTEREST RATES AND OTHER FACTORS AFFECTING YIELD

One of the factors that may influence the price of the units in the public trading markets will be the annual yield on the units as compared with the annual yield on other financial instruments. An increase in market interest rates may lead potential purchasers of units to demand a higher annual yield, which could adversely affect the market price of the units. Annual yield and therefore the price of units in the public trading markets may also be

affected by short-term supply and demand factors for income trust products. A rise in the annual yield on financial instruments could be expected to result in an increase in the required yield on the units, and such increase could result in a decrease in the trading price of units and such decline could be material.

INCOME TAX

There is no assurance that Canadian federal income tax laws or the current treatment of mutual funds trusts will not be changed in a manner that affects unitholders in a material adverse way. If the Trust ceases to qualify as a "mutual fund trust" under the Income Tax Act, it is possible that the units would cease to be qualified investments for deferred income plans and registered education savings plans.

Further, it is possible that the Canadian taxation authorities could choose to change the tax laws and regulations applicable to income trusts thereby reducing or eliminating the tax advantages that such structures enjoy. Any such changes could negatively affect, in a material way, the amount of cash available for distribution to unitholders, the tax treatment of the units and distributions made thereon, and the market value of the units.

Interest on the subordinated notes of Fording Inc. accrues at the Trust level under the Income Tax Act whether or not actually paid. The Declaration of Trust provides that, in the event that the aggregate of the taxable income of the Trust, including taxable capital gains, if any, and the non-taxable portion of the capital gains, if any, exceeds distributions otherwise made payable in the year, the amount of such excess will become payable to the unitholders on December 31 and will be paid to the unitholders in the following year. This may result in income distributable to unitholders exceeding cash available for distribution. In such case, the Declaration of Trust provides that additional units must be distributed to unitholders in lieu of cash distributions. Unitholders will generally be required to include an amount equal to the fair market value of those units in their Canadian federal taxable income, in circumstances where they do not directly receive a cash distribution.

NATURE OF UNITS

The units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The units do not represent a direct investment in Fording Inc.'s business and should not be viewed by investors as shares in Fording Inc. As holders of units, unitholders do not have all of the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The units represent a fractional interest in the Trust. The Trust's primary asset is its investment in the Fording Inc.'s subordinated notes and common shares. The units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act and are not insured under the provisions of that act or any other legislation. Furthermore, the Trust is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

LIMIT OF NON-CANADIAN OWNERSHIP

At no time may more than 49% of our outstanding units be held by or for the benefit of non-residents of Canada. Periodically, we review the level of ownership of units by non-residents. If this limit has been, or is about to be exceeded, certain steps, some of which are specified in the Declaration of Trust, may be taken to keep or reduce the unit holdings of non-residents of Canada below 49%. The acquisition of more than 49% of our outstanding units by non-residents of Canada could have a material adverse effect on the Trust and the units, and could result in non-residents of Canada being compelled to dispose of their units or certain other actions being taken by the Trustees. Some of these steps may result in the delisting of the units or actions otherwise restricting their liquidity. The market price of the units could decline in the event that the Trustees elect to undertake one or more of these steps.

REDEMPTION RIGHT

Registered unitholders are entitled to require the Trust to redeem their units in accordance with conditions stated in the Declaration of Trust, which may be at a value less than market price. It is anticipated that the redemption

right will not be the primary mechanism for unitholders to liquidate their investment in the units. Cash redemptions are subject to limitations set out in the Declaration of Trust. In certain circumstances, securities of Fording Inc. or the Trust may be distributed to unitholders in connection with redemption as opposed to cash. Such securities will not be listed on any stock exchange and no established market is expected to develop for them. Unitholders receiving such securities may not be able to dispose of them for value, or at all.

DISTRIBUTION OF SECURITIES ONREDEMPTION OR TERMINATION OF THE TRUST

Upon redemption of units or termination of the Trust, the Trustees may distribute securities of Fording Inc. or other securities of the Trust directly to the unitholders, subject to obtaining any required regulatory approvals. Securities of Fording Inc. or other securities of the Trust distributed in this manner may not be qualified investments for deferred income plans or registered education savings plans, depending upon the circumstances at the time. Such securities will not be listed on any stock exchange and no established market is expected to develop for them. Unitholders receiving such securities may not be able to dispose of them for value, or at all.

LIMITED LIKELIHOOD OF UNITHOLDER LIABILITY

Effective July 1, 2004, income trusts settled in Alberta, such as the Trust, have the protection of limited liability under the *Income Trust Liability Act* (ITLA) effective July 1, 2004, in respect of any act, default, obligation, or liability of the Trust arising after July 1, 2004. However, the ITLA does not prevent liability for any act, default, obligation, or liability arising before July 1, 2004. Ontario has passed legislation similar to the ITLA and Quebec has legislation that provides similar protection to unitholders.

The Declaration of Trust provides for additional limits to the liability of the unitholders. The Declaration of Trust states that no unitholder will be subject to any liability in connection with the Trust or its assets or obligations and that in the event that a court determines that unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of, the unitholder's share of the Trust's assets. The Declaration of Trust also provides that the Trust shall use reasonable commercial efforts to include as a specific term of any obligations or liabilities being incurred by the Trust or the Trustees on behalf of the Trust a contractual provision to the effect that neither the unitholders nor the Trustees have any personal liability or obligation in respect thereof. However, the effectiveness of these provisions to limit the liability of unitholders is uncertain.

Notwithstanding that the Declaration of Trust seeks to limit the liability of a unitholder to any person in connection with a holding of units, the effectiveness of such provisions is uncertain. Further it is not yet clear to what extent unitholders outside of Alberta, Ontario and Quebec benefit from the legislation that those provinces have enacted. Accordingly, there remains a risk that a unitholder could be held personally liable for obligations of the Trust (to the extent that claims are not satisfied by Fording Inc. or the Trust) in respect of contracts that the Trust enters into and for certain liabilities arising other than out of contract including claims in tort, claims for taxes, and possibly certain other statutory liabilities.

ADDITIONAL UNITS

The Declaration of Trust authorizes the Trustees to issue an unlimited number of units for the consideration, and on terms and conditions, established by Trustees without the approval of any unitholders. If the Trustees make a decision to issue additional units, existing unitholders may suffer significant dilution and distributable cash per unit could decline.

CAPITAL INVESTMENT

The timing and amount of capital expenditures incurred by Elk Valley Coal or by NYCO will directly affect the amount of cash available to the Trust for distribution to unitholders. Distributions may be reduced, or even eliminated at times when significant capital expenditures are incurred or other unusual expenditures are made.

UNFUNDED LIABILITIES

Elk Valley Coal has a number of unfunded liabilities, including pension, other post-retirement benefit and asset retirement obligations. Funding of these obligations in the future may have a significant and negative impact on cash available for distributions to unitholders.

RESTRICTIONS ON POTENTIAL GROWTH

The payout by Fording Inc. of all of its available cash to the Trust means that capital expenditures to expand operations or to exploit reserves and resources can only be made in the event that other sources of financing are available. Lack of access to such additional financing could limit the future growth of the businesses of Fording Inc. and, over time, have a material adverse effect on the amount of cash available for distribution to unitholders.

FORWARD-LOOKING INFORMATION MAY PROVE INACCURATE

Numerous statements containing forward-looking information are found in this document and other documents forming part of the Trust's public disclosure record. Such statements and information are subject to risks and uncertainties, some of which are discussed elsewhere in this document. The occurrence of any of the events described in those risk factors could affect future financial and operating results and could cause those results to differ materially from those expressed in the forward-looking statements and information.

The Trust's financial performance is entirely dependent upon the operations and assets of Fording Inc. and, in particular, Fording Inc.'s interest in Elk Valley Coal. Accordingly, unitholders are exposed to all of the risks to which the Trust is exposed, and to the risks to which Fording Inc. and Elk Valley Coal are exposed. Risks to which Fording Inc., Elk Valley Coal and NYCO are exposed include, but are not limited to, the following:

CREDIT FACILITIES

Fording Inc.'s credit facilities contain covenants that require it to meet certain financial tests and that restrict, among other things, the ability of Fording Inc. to incur additional debt, dispose of assets or pay dividends in certain circumstances. These restrictions may preclude Fording Inc. from paying interest on its subordinated notes, returning capital or paying dividends or making distributions on its common shares and preferred shares, or redeeming any of the foregoing. If this should occur, the Trust would be prevented from making distributions to unitholders.

INCOME TAXES

Fording Inc.'s ability to shelter current income taxes payable is primarily dependant upon its ability to offset income from Elk Valley Coal and NYCO with the interest it incurs on the subordinated notes owing to the Trust, as well as any existing tax loss carry forwards and available tax pools.

As a result of the strong demand for metallurgical coal, and the substantial increase in prices for the 2005 coal year, Fording Inc. anticipates a future tax liability will be accrued in 2005. With Elk Valley Coal's fiscal year-end being January 31, 2006, one month after the Trust's, this creates a timing difference between the recognition and the payment of taxes. As a result of this difference the Trust has elected to withhold an amount equal to the amount of the future tax liability accrual from cash otherwise available for distribution so that future unitholders do not bear the cash effect of the deferred timing of the payment of income taxes. Should price and volumes remain high, subsequent years' income taxes may become more significant as the available loss carry forwards will be fully utilized. Please refer to the Income Tax section found on page 53 for a more complete description of the income tax discussion.

MARKET RISKS - OVERSUPPLY OF COKING COAL

The prices for coking coal and hard coking coal in particular, have a significant impact on Elk Valley Coal's profitability, and are dependent on the supply / demand balance for coking coal and, to a lesser degree, the economic conditions of the markets into which the coal is sold. In the past, there have been periods of oversupply of coking coal in the market, which have resulted in price decreases. An oversupply of coking coal in world markets or a general downturn in the economies of any of Elk Valley Coal's significant markets could have a material adverse effect on the profitability of Fording Inc. and, accordingly, the amount of cash available for distribution to unitholders.

CONFLICTS OF INTEREST

The Trust and its unitholders are dependent upon Teck Cominco, as managing partner and 40% owner, to manage the day-to-day operations of Elk Valley Coal. There is a risk to the Trust, should any conflict arise between the Trust, Elk Valley Coal and Teck Cominco. Should Teck Cominco not fulfill its obligations under the terms of the Partnership Agreement, there could be adverse affects on the amount of available cash Fording Inc. may be able to pay to the Trust. Procedures are in place to ensure that any such conflicts are appropriately resolved. Further, the Partnership Agreement states that partner approval is required for certain strategic or significant decisions.

OPERATIONAL RISKS

Profitability and, therefore, funds available to the Trust for distribution to unitholders, are also affected by the cost of product sold and transportation and other costs, product quality and taxation.

Shortage of Mining Equipment

The recent growth in global mining activities has created a demand for mining equipment and related supplies that outpaces supply. As a result, future operations could be adversely affected if Elk Valley Coal encounters difficulties obtaining equipment, tires and other supplies on a timely basis. In the event that Elk Valley Coal was unable to secure required mining equipment on a timely basis, expansion activities, production, productivity and costs could be negatively affected, resulting in a material adverse effect on cash available for distribution to unitholders.

Coal Transportation

The majority of coal that is produced by Elk Valley Coal is exported outside of North America. Elk Valley Coal's mines are located more than 1,100 kilometres from seaports. Accordingly, operations are highly dependent on both rail and port services. As a result, a significant portion of total transportation and other cost are attributable to rail and port costs, which includes demurrage charges for vessel waiting times. A substantial portion of the coal production from Elk Valley Coal is transported to port facilities by CPR, and to a lesser extent Canadian National Railway Company (CNR), and loaded on to vessels in Vancouver at either Westshore Terminals or Neptune Terminals. Contractual disputes, rail and port capacity issues, prolonged labour stoppages, availability of vessels, weather problems or other factors that prevent CPR, CNR, Westshore Terminals or Neptune Terminals from providing their services could seriously impact Elk Valley Coal and Fording Inc.'s financial results, and therefore, funds available to us for distribution to unitholders.

The Steel Industry

Substantially all of the coking coal that Elk Valley Coal produces is sold to steel producers. The steel industry's demand for coking coal is affected by a number of factors including the cyclical nature of that industry's business, technological developments in the steel-making process and the availability of substitutes for steel such as aluminum, composites and plastics. A significant reduction in the demand for steel products would reduce

the demand for coking coal, which would have a material adverse effect upon Fording Inc. and the funds available for distribution to unitholders. Similarly, if less expensive ingredients could be used in substitution for coking coal in the integrated steel mill process, the demand for coking coal would materially decrease, which would also materially and adversely affect the funds available for distribution to unitholders.

Foreign Currency Exchange

Elk Valley Coal's operating results and cash flows are affected by foreign currency exchange rates. Exchange rate movements can have a significant impact on results since the vast majority of Elk Valley Coal's operating costs are incurred in Canadian dollars and most of its revenues are denominated in U.S. dollars. An increase in the value of the Canadian dollar relative to the U.S. dollar would reduce Elk Valley Coal's realized Canadian dollar-selling price thereby reducing the profitability of Fording Inc. and the cash available for distribution to unitholders, and such reduction could be material.

This risk is mitigated to some extent by Fording Inc.'s policy to hedge a portion of our U.S. dollar exposure through the use of foreign exchange forward contracts. Fording Inc.'s ability to enter into foreign exchange forward contracts will depend on the total hedge position it wishes to take and the counterparties' assessment of its credit risk and that of Elk Valley Coal. The effectiveness of such hedges will depend in part on the credit worthiness of the counterparties to foreign exchange forward contracts. The inability of Fording Inc. or Elk Valley Coal to put in place effective hedges could materially increase exposure to fluctuations in the value of the Canadian dollar relative to the U.S. dollar.

Derivative Instruments

From time to time, Elk Valley Coal and Fording Inc. may employ forward currency exchange contracts, interest rate swap agreements and other derivative instruments to hedge exposure to specific financial risks. While forward currency exchange contracts can provide protection from certain fluctuations in currencies and realized selling prices, they will correspondingly limit the ability of Elk Valley Coal and Fording Inc. to capitalize on favourable changes in the factors that have been hedged by these instruments. In a period of volatile economic conditions, these derivative instruments may reduce or increase profitability relative to what it would have realized in the absence of the derivative instruments and relative to competitors who have hedged their risk exposure to a different degree or are unhedged.

Dependence on Major Customers

The metallurgical coal industry is characterized by a relatively small number of customers worldwide, many of whom have long-standing relationships with Elk Valley Coal. For example, sales to a single customer accounted for approximately 10% of Elk Valley Coal's revenue in 2004. A loss of, or a significant reduction in, purchases by any of its largest customers could adversely affect Elk Valley Coal and Fording Inc.'s revenues and the amount of cash available for distribution to unitholders.

Personnel

Five of Elk Valley Coal's six mines are unionized. Two of NYCO's three mines are unionized. In addition, rail carriers and port facilities on which Elk Valley Coal is dependent to deliver coal to its customers are also unionized. Strikes, lockouts or other work stoppages or slow-downs involving Elk Valley Coal's unionized employees or those of its key service suppliers could have a material adverse effect upon Elk Valley Coal and Fording Inc.'s revenues and the funds available for distribution to unitholders.

In addition, the success of the Trust will be dependent in large measure on the services of a number of key executives of the Trust, Fording Inc., NYCO and Elk Valley Coal. The loss of such key personnel and the inability to replace them with people of similar experience and capabilities could have a material adverse effect on the financial condition or results of operations of Elk Valley Coal, NYCO and Fording Inc. which, in turn, would reduce the amount of cash available to the Trust for distribution to unitholders. Certain key executives have change of control agreements.

Mining operations are subject to conditions that are beyond the control of management that can delay coal production or delivery, or increase the cost of mining. These conditions include natural disasters, unexpected equipment repairs or replacements, unusual geological formations, environmental hazards, industrial accidents, and inclement or hazardous weather conditions. Such conditions could result in damage to or the destruction of mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and legal liability. In this regard, Elk Valley Coal and NYCO maintain insurance against risks that are typical in the mining industry. In addition, Elk Valley Coal and NYCO have insured their physical assets on a replacement cost basis and purchased business interruption insurance and liability insurance at levels they believe to be reasonable. However, there is no guarantee that the insurance coverage will be adequate in all cases.

Insurance against certain risks, including liabilities for environmental damage, is not available at reasonable economic rates to Elk Valley Coal, NYCO, or others in the mining industry.

RESERVES AND RESOURCES

Disclosed reserves and resources should not be interpreted as assurances of mine life or of the profitability of current or future operations. Ultimately, actual production, recovery, revenues and expenditures for the reserve properties will vary from estimates used and those variations could be material.

While the estimates of the reserves and resources of Elk Valley Coal and NYCO have been prepared in accordance with industry standards and applicable law based on information which management believes to be reliable, there are numerous uncertainties inherent in the estimation of mineral reserves and resources. For example, the estimation of reserves and resource involves a determination of economic recovery of minerals that are in the ground, which in turn requires that assumptions be made regarding their future price and the cost of recovery, as well as other factors that are beyond the control of Elk Valley Coal and NYCO. For these reasons, the actual mineral tonnage recovered from identified reserve areas or properties, and revenues and expenditures related to the exploitation of such reserves, may vary materially from estimates. The estimates of reserves and resources therefore may not accurately reflect actual reserves and resources of Elk Valley Coal and NYCO.

Fording Inc.'s profitability will depend substantially on Elk Valley Coal's ability to mine coal deposits that have the geological characteristics that enable them to be mined at competitive costs. Replacement deposits may not be available when required or may not be capable of being mined at costs comparable to those of the depleting mines. Elk Valley Coal will seek to replace its economic mineral holdings through exploration and development of currently owned properties and the acquisition of properties from third parties. However, management may not be able to fully assess the geological characteristics of any properties that it acquires until after the acquisition, which may adversely affect the profitability and financial condition of Fording Inc.

Elk Valley Coal has extensive coal properties and NYCO has wollastonite properties that are undeveloped. Authorization from federal, provincial or state governments may be required before these properties can be brought into production. Access to such lands for mining purposes may be restricted by future legislation. Accordingly, there can be no assurance that Elk Valley Coal and NYCO will be able to obtain the necessary authorizations to develop resource properties in the future and this may negatively affect the ability of the Trust to make future distributions to unitholders.

OPERATIONS IN AND SALES TO FOREIGN COUNTRIES

Elk Valley Coal operates in Canada and sells its products to customers located around the world. NYCO operates in the United States and Mexico and sells products to customers located around the world. Operations and sales to customers in foreign countries result in added risks and uncertainties due to the different economic, political

and cultural environments of those countries. Some of these risks include the potential for nationalization of foreign enterprises, expropriation of assets without adequate compensation, social unrest, political uprisings, trade barriers, capital flow controls and material changes in taxation.

NEW APPLICATIONS FOR WOLLASTONITE

The wollastonite market is currently in an oversupply position and has been for several years. Management believes that the oversupply situation will only be resolved if demand for wollastonite substantially increases, which management believes will not occur until further applications for this mineral are developed and there is market acceptance of the use of wollastonite in those applications. A failure to develop new applications for the use of wollastonite or a failure of consumers to accept the use of wollastonite in those applications would have a material adverse effect on NYCO's growth.

HEALTH ISSUES - NYCO

Tremolite asbestos has been classified by the International Agency for Research on Cancer as a Group 1 agent. This category is used when there is sufficient evidence of carcinogenicity when humans are exposed to the substance in certain circumstances. The earlier presence of tremolite asbestos at one of NYCO's ore sources in the United States and in some of its products could result in NYCO becoming exposed to liabilities, including workers' compensation and product liability claims. Further, in the event that NYCO's wollastonite products continue to contain small amounts of asbestiform tremolite, the demand for these products could materially decrease.

Tripoli produced at American Tripoli is a type of crystalline silica that has been classified by the International Agency for Research on Cancer as Group 1 agent. In the event that it was demonstrated that tripoli contributed to the development of cancer, the markets for this product would be very limited and American Tripoli could become exposed to workers' compensation and product liability claims.

Government authorities regulate the mining industry to a significant degree, in connection with, among other things, employee health and safety, air quality standards, water pollution, groundwater quality and availability, plant and wildlife protection, the reclamation and restoration of mining properties and the discharge of materials into the environment. Such regulation can have a significant effect on Elk Valley Coal's and Fording Inc.'s costs of production and competitive position.

THE ENVIRONMENT

Canada and the United States have not introduced comprehensive regulations addressing greenhouse gas emissions, including emission targets for specific industrial sectors. While the United States has decided that it will not ratify the Kyoto Protocol, an international agreement that sets limits on greenhouse gas emissions from certain signatory countries, the Canadian Parliament has voted to ratify this agreement. Should this agreement enter into force, Canada will be committed to limiting its net greenhouse gas emissions to 6% below the levels emitted in 1990. Canada's current level of greenhouse gas emissions significantly exceeds the agreed-upon limit.

The primary source of greenhouse gas emissions in Canada is the use of hydrocarbon energy. The operations of Elk Valley Coal depend significantly on hydrocarbon energy sources to conduct daily operations, and there are currently no economic substitutes for these forms of energy. A significant proportion of Canada's industrial sector faces a similar situation. The federal and provincial governments have not finalized any formal regulatory programs to control greenhouse gases, and it is not yet possible to reasonably estimate the nature, extent, timing

and cost of any programs contemplated or their potential effects on operations. Most of Elk Valley Coal's products are sold outside of Canada, and sales are not expected to be significantly affected by Canada's Kyoto ratification decision. However, the broad adoption of emission limitations or other regulatory efforts to control greenhouse gas emissions would negatively affect in a material adverse way the demand for coal, oil and natural gas, as well as increase production and transportation costs.

PERMITS AND PERMITTING PROCESS

Mining companies must obtain numerous permits that strictly regulate environmental and health and safety matters in connection with coal mining. Regulatory authorities exercise considerable discretion in whether or not to issue permits and the timing of permit issuances. Also, private individuals and the public at large possess rights to comment on and otherwise engage in the permitting process, including through intervention in the courts. Accordingly, new permits required by Elk Valley Coal and NYCO to fully develop properties may not be issued, or if issued, may not be issued in a timely fashion, or may contain requirements which restrict the ability of Elk Valley Coal and NYCO to conduct mining operations or to do so profitably.

ACCURACY OF LIABILITY ACCRUALS

The funding requirements of Elk Valley Coal's and NYCO's defined benefit pension plans are based on actuarial valuations. The rates of investment return realized by pension funds can fluctuate with the general performance of the economy and shortfalls in investment returns could lead to materially increased funding requirements that could have a material adverse effect upon Fording Inc. and the funds available to the Trust for distribution to unitholders.

Elk Valley Coal also has obligations arising under federal and provincial environmental legislation in relation to future mine closures and land reclamation. These obligations are estimated based on permit requirements and various assumptions concerning costs and production. These obligations are currently unfunded. While Elk Valley Coal believes that it has properly accrued, in accordance with GAAP in Canada, for the costs likely to be incurred for these environmental matters, there is no assurance that total liabilities and expenses for these matters will not increase in the future. As a result, there is no assurance that additional liabilities or expenses related to environmental matters will not be incurred in the future and such additional liabilities could have a material adverse effect upon Fording Inc. and the funds available to us for distribution to unitholders.

ASSERTION OF ABORIGINAL RIGHTS CLAIMS

Canadian courts have recognized that aboriginal peoples may continue to have certain rights at law in respect of land used or occupied by their ancestors where treaties have not been concluded which extinguish those rights. These rights may vary from limited rights of use for traditional purposes to a right of aboriginal title and will depend upon, among other things, the nature and extent of prior aboriginal use and occupation. The courts have encouraged the federal and provincial governments and aboriginal peoples to resolve rights claims through negotiation of treaties.

In British Columbia, where five of the six mines owned by Elk Valley Coal are located, few treaties exist with aboriginal peoples. In the mid 1990s, the provincial government, together with the federal government, established the British Columbia Treaty Commission to facilitate negotiations with aboriginal peoples to resolve outstanding aboriginal rights and other claims. Under this process, each aboriginal people files a statement of intent to negotiate, identifying the territory in which they have historically lived and carried out traditional activities. Nearly all of the land in British Columbia has been identified as being part of a traditional territory for at least one aboriginal people.

It is not possible to predict with certainty the impact that future treaties may have on resource development in British Columbia. However, it is possible that any such future treaties, or the assertion of native land claims outside the treaty process, may limit the ability of Elk Valley Coal to develop new projects or further develop existing properties.