

IN THE MATTER OF THE SECURITIES LEGISLATION OF
NOVA SCOTIA, NEW BRUNSWICK, NEWFOUNDLAND AND LABRADOR,
MANITOBA, THE YUKON TERRITORY, THE NORTHWEST TERRITORIES AND
NUNAVUT

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF
APPLICATIONS

AND

IN THE MATTER OF
FORDING INC. AND FORDING INCOME TRUST

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (collectively, the "Decision-Makers") in each of Nova Scotia New Brunswick, Newfoundland and Labrador, Manitoba, the Yukon Territory, the Northwest Territories and Nunavut (the "Jurisdictions") has received an application (the "Application") from Fording Inc. ("Fording" or the "Corporation") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that, in connection with the proposed conversion of Fording from a publicly traded corporation to become wholly-owned by a publicly traded income trust (the "Proposed Transaction") to be undertaken by way of a plan of arrangement (the "Arrangement") pursuant to Section 192 of the *Canada Business Corporations Act* ("CBCA") involving Fording, its shareholders ("Shareholders"), a wholly-owned subsidiary of Fording, Fording Coal Limited ("FCL"), Teck Cominco Limited ("Teck"), Westshore Terminals Income Fund ("Westshore") and Fording Income Trust (the "Fund"), the requirements contained in the Legislation to be registered to trade in a security (the "Registration Requirement") and to file a preliminary prospectus and a prospectus and receive receipts therefore (the "Prospectus Requirement") shall not apply to certain trades of securities made in connection with the Arrangement;

AND WHEREAS under the Mutual Reliance Review System for Exemptive, Relief Applications (the "System"), the Nova Scotia Securities Commission is the principal regulator for the Application;

AND WHEREAS unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions;

AND WHEREAS the Corporation has represented to the Decision Makers that:

1. Fording is a corporation existing under the CBCA. Fording's registered office and executive office is located at Suite 1000, 205-9th Avenue SE, Calgary, Alberta T2G 0R4, Fording conducts its business principally through its wholly-owned subsidiary, FCL.

2. Fording, through its wholly-owned subsidiaries, produces metallurgical and thermal coal as well as wollastonite, tripoli and other industrial minerals at locations throughout North America. Fording sells metallurgical coal and industrial minerals to various customers throughout the world. The Corporation also produces thermal coal for use by mine mouth

power generation facilities. Fording has extensive holdings of metallurgical coal in British Columbia, thermal coal and potash in Western Canada and wollastonite and tripoli in the United States and Mexico.

3. Fording became a publicly traded corporation pursuant to a transaction which took place on October 1, 2001. Fording was previously owned by a single shareholder, Canadian

Pacific Limited ("CP") and as a result of the transaction, the shares of Fording, as well as the shares of certain other CP businesses, were distributed to the public.

4. The authorized capital of Fording consists of an unlimited number of common shares without nominal or par value (the "Common Shares"), an unlimited number of first preferred shares and an unlimited number of second preferred shares. As at November 15, 2002, there were 50,656,443 Common Shares issued and outstanding, and outstanding options ("Options") to purchase 532,428 Common Shares at prices ranging from \$20.86 to \$31.06 held by directors, officers and employees of Fording. In addition, as a result of the CP transaction, there are outstanding Options to purchase 243,606 Common Shares held by CP optionholders at prices ranging from \$8.25 to \$15.96.

5. The Common Shares are listed and posted for trading on The Toronto Stock Exchange (the "TSX") and the New York Stock Exchange (the "NYSE").

6. Fording is a reporting issuer not in default in Ontario, British Columbia, Alberta, Saskatchewan, Québec, Manitoba and Nova Scotia. Following the date on which the Arrangement becomes effective (the "Effective Date"), the Common Shares will be delisted from the TSX and the NYSE and Fording will apply to cease to be a reporting issuer, where applicable.

7. The Fund will be established as an open-ended trust governed by the laws of Alberta created pursuant to a declaration of trust.

8. Fording has applied to and received conditional approval from the TSX, and has applied to the NYSE, to list the units of the Fund (the "Units") issuable in connection with the Arrangement on the TSX and the NYSE, subject to among other things, completion of the Arrangement.

9. The Fund will be a successor reporting issuer in certain jurisdictions, including British Columbia where it will inherit the reporting issuer history of Fording which has been a reporting issuer since October 1, 2001.

10. The completion of the Arrangement will result in the creation of the Fording Coal Partnership (the "Partnership"), a general partnership to be formed pursuant to the laws of Alberta, the partners of which will be New Fording (as defined below) and Teck, The

Partnership will own the assets of, and continue to carry on that business currently carried on by, Fording, other than certain industrial mineral operations, and will also own and operate coal assets to be contributed to the Partnership by Teck.

11. Each of the steps in the Arrangement will occur, or will be deemed to occur, in the order set forth in the Arrangement, on the Effective Date. In a number of steps in the Arrangement, Securities will be issued solely for the purpose of the mechanics of the Arrangement. Holders of Common Shares will not receive certificates representing such intermediate step securities as they will hold only Units upon completion of the Arrangement. All trades in securities in connection with the Arrangement are referred to as the "Trades".

12. The Arrangement will have the following effects on Shareholders and holders of Options ("Optionholders", and together with the Shareholders, the "Securityholders"):

(a) Shareholders (other than Shareholders who duly exercise the dissent rights available pursuant to the Arrangement (the "Dissenting Shareholders") and registered Shareholders holding 20 Common Shares or less as of the close of business in Calgary, Alberta on November 19, 2002, who continue to hold such Common Shares as a registered holder through the third trading day on the TSX following the Effective Date (the "Proceeds Date") and who has not elected to maintain such holder's interest by delivering the appropriate form to Fording (the "Small Non-Board Lot Holders")), will be provided with the option to receive in exchange for their Common Shares:

(i) Units on the basis of one Unit per Common Share to a maximum of approximately 27.6 million Units, subject to pro-ration (the "Unit Option");

(ii) \$34.00 in cash per Common Share to a maximum of \$795 million, subject to pro-ration (the "Cash Option"); or

(iii) a combination of cash and Units.

The Fund will distribute in total a maximum cash amount and a maximum Unit amount. Accordingly, amounts elected pursuant to the Cash Option and Unit Option are subject to pro-ration.

(b) Optionholders will receive one option to purchase Units ("Exchange Option") issued under a unit option plan of the Fund (the "Exchange Option Plan") to be implemented by the Fund for each Option, pursuant to which Exchange Options and any accompanying unit appreciation rights will be granted to existing Optionholders in exchange ultimately for existing Options and any existing share appreciation rights.

(c) Small Non-Board Lot Holders will receive an amount in cash equal to the weighted average trading price of the Common Shares on the TSX for the five trading days immediately preceding the Proceeds Date for each Common Share.

13. Upon completion of the Arrangement:

(a) the Fund will hold all of the outstanding securities of Fording, which will have amalgamated with two wholly-owned subsidiaries (as amalgamated, "New Fording");

(b) the Shareholders, other than Small Non-Board Lot Holders and Dissenting Shareholders, will hold approximately 73.4% of the units, and each of Teck and Westshore will hold approximately 13.3 % of the Units; and

(c) Teck will, directly and indirectly, control voting interests of approximately 46% in the Fund through its holding of 37.7% of the Partnership together with its 13.3% direct holding in the Fund. Westshore will hold approximately 8% of the voting interests in the Fund and the Shareholders will hold approximately 46% of the voting interests in the Fund.

14. A notice of meeting and information circular was mailed to the Securityholders on November 25, 2002 and a supplement to the information circular was mailed to Securityholders on December 9, 2002 (together, the "Information Circular") in advance of the meeting of Securityholders (the "Meeting") which will be held on December 20, 2002 to consider the Arrangement. Subject to satisfying all closing conditions and obtaining all applicable approvals, it is anticipated that the closing of the Arrangement, will occur as soon as possible after the Meeting.

15. All Common Shares held by a Dissenting Shareholder will, if the Dissenting Shareholder is ultimately entitled to receive the fair value therefor, be cancelled prior to the commencement of the transactions constituting the Arrangement in exchange for payment by New Fording of such fair value.

16. The Arrangement will require approval by (i) not less than two-thirds of the votes cast by the Securityholders (voting in person or represented by proxy), voting together, at the Meeting and thereafter, (ii) the approval of the Court of Queen's Bench of Alberta.

17. The Information Circular contains prospectus-level disclosure concerning the respective business and affairs of the Fund, the Corporation and New Fording and a detailed description of the Arrangement. The Information Circular has been prepared in conformity with the provisions of the CBCA and applicable securities laws.

18. There are no exemptions from the Registration Requirement or the Prospectus Requirement available under the Legislation for certain of the Trades.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision makers under the Legislation is that the Registration Requirement and the Prospectus Requirement shall not apply to the Trades provided that the first trade in the Units and Exchange Options acquired under the Decision is deemed to be a distribution or a primary distribution to the public unless the conditions in subsection (3) or (4) of section 2.6 of Multilateral Instrument 45-102 Resale of Securities are satisfied.

Dated December 19, 2002